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What's News

Business & Finance

Barclays's former CEO was charged with fraud and illegal payments over a cash infusion that rescued the bank in 2008. **A1**

◆ **U.S. oil prices tumbled** into a bear market on oversupply concerns, settling at $43.23 a barrel, more than 20% below the 2017 high. **A1**

◆ **Ford plans** to start importing its compact Focus from China in 2019, a move with broad implications for the U.S. auto industry. **B1**

◆ **Hong Kong's Li** plans to step down as head of CK Hutchison, the most significant exit yet among a group of aging Asian tycoons. **B1**

◆ **VTB's head** criticized U.S. sanctions and probes of alleged White House ties to Moscow at a conference by the Russian bank. **B1**

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◆ **Private-equity firm** Pamplona agreed to buy drug-research company Paraxel for $4.6 billion. **B6**

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◆ **Iraqi forces are using** small, low-tech drones to target Islamic State in Mosul's Old City, where the militants are making a last stand. **A3**

◆ **Trump met briefly** with Ukraine's leader, who pushed for more U.S. pressure against Russian support for separatists. **A4**

◆ **NATO staged** a drill meant to demonstrate its ability to keep open vital supply lines between Poland and Lithuania. **A4**

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◆ **GM, Exxon and BP** are among the companies joining a group pushing for the U.S. to tax carbon to slow climate change. **A7**

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Ukraine Looks to U.S. for Support Against Russia

EVAN VUCCI/ASSOCIATED PRESS

WELCOME: Ukrainian President Petro Poroshenko with U.S. President Donald Trump in the Oval Office. **A4**

Barclays and Ex-CEO Face Fraud Case

By Max Colchester And Margot Patrick

British prosecutors charged the former chief executive of Barclays PLC with fraud and illegal payments, the most prominent and most senior banker to be charged with crimes relating to the global financial crisis.

John Varley, Barclays chief from 2004 to 2011 and a longtime member of London's financial firmament, was charged Tuesday alongside three other former Barclays executives and the bank itself over a cash infusion that rescued Barclays at the peak of the financial crisis. The men face jail time if convicted, and Barclays could be fined.

Britain's Serious Fraud Office has spent five years probing how Barclays wooed Qatari investors to prop up the bank during the 2008 financial market meltdown. In total, Barclays raised £11.8 billion ($15 billion) from investors through two emergency cash calls, in June and October 2008.

To seal the latter of those transactions, Barclays said in filings it paid £322 million in "advisory services" to Qatari investors—an agreement that wasn't initially disclosed to shareholders, Barclays has acknowledged in filings. In November 2008, the bank provided a $3 billion loan facility

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End of an Era

As Hong Kong billionaire Li Ka-shing plans to pass the baton at his firm, a generation of Asian tycoons is fading.
Business & Finance, B1

Merkel Signals Openness To Reforming Eurozone

By Bertrand Benoit And Andrea Thomas

BERLIN—German Chancellor Angela Merkel for the first time sketched out the outlines of a bargain with France on fixing the governance of Europe's single currency, in the clearest sign yet that the two biggest eurozone countries are inching toward reconciling sharply different views on the matter.

Germany could support two central French demands—the appointment of a eurozone finance minister and the creation of a common budget—if some conditions were met, Ms. Merkel told business leaders in Berlin on Tuesday.

"We can of course think about a eurozone budget as long as it's clear that this is really strengthening structures and achieving sensible results," she said.

In a striking softening of previous language opposing broader financial burden-sharing among member states, Ms. Merkel said "we could think about a common finance minister...if we aren't pooling liabilities in the wrong place."

As qualified as it is, Ms. Merkel's surprise overture on an approach long taboo in Germany suggests the stalled process of reforming the eurozone could kick back into life sooner than many experts had expected. It comes a month after pro-European Emmanuel Macron was elected French president, a win many see as evidence that the continent's political mood is growing more supportive of the European Union—and a moment advocates of further eurozone reforms say should be seized.

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U.S. Oil Tumbles Into Bear Market

By Stephanie Yang And Timothy Puko

U.S. oil prices fell into a bear market on Tuesday as the oversupply concerns that have weighed on markets over the past few weeks put further pressure on investors.

Bets that global exporters could ease a supply glut through a historic agreement to cut output have been undermined as production has increased in the U.S., Libya and Nigeria. Global inventories of crude oil and oil products have remained high, intensifying worries that rebalancing the global oil market will be harder than previously thought.

Light, sweet crude for July delivery settled down 97 cents, or 2.2%, at $43.23 a barrel on the New York Mercantile Exchange, more than 20% below this year's high of $54.45 on Feb. 23. Brent, the global benchmark, settled down 89 cents, or 1.9%, at $46.02 a barrel.

Tuesday's close put oil in a bear market for the first time since August 2016, before the Organization of the Petroleum Exporting Countries and other major oil-producing nations agreed to limit output by about 1.8 million barrels a day at the end of last year. In May, the group renewed the deal through March 2018.

The extended drop in oil prices is another worrying sign for OPEC, analysts said. The group has struggled to put a dent in global inventories and keep oil prices supported.

"We're seeing this decline amid some major OPEC production restraints," said Jim Ritterbusch, president of energy-advisory firm Ritterbusch & Associates. "That's the huge difference" com-

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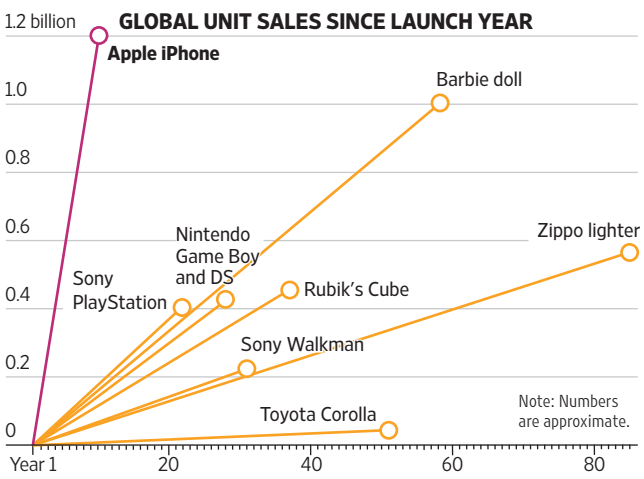
The iPhone Decade

Apple's iPhone, now 10 years old, has outshone other iconic products. **B1**



Source: the manufacturers THE WALL STREET JOURNAL.

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FENG LI/GETTY IMAGES

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JASON REDMOND/REUTERS

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BUSINESS & FINANCE, B4

KYODO/REUTERS

FALLOUT FROM DETAINEE'S DEATH

WORLD NEWS, A5

Bust Your Phone Again? These Teens Are Here to Help

* * *

Young entrepreneurs prosper fixing broken screens, microphones

By Katherine Bindley

Vacationers on Nantucket will be dropping their iPhones again this summer, making things busy for Grayson Shaw's business fixing them.

He will be hustling to keep his parts inventory stocked, do his bookkeeping and supervise a new hire. And he must find time to practice driving to get his license.

Mr. Shaw, who turned 16 in May, has no idea when he'll be able to surf.

"Sometimes when your friends are all out there catching really nice waves; it can be really frustrating."

On the other hand, there's the $189.99 he charges to repair a cracked iPhone 7 Plus, and his close to $24,000 in revenue last summer fixing as many as nine smartphones a day, he says. "I love to work."

Forget mowing lawns or being a lifeguard. Teens like Mr.

Please see PHONE page A8

Broken iPhone

CHINA STARS IN NEW MOVIE ROLE: THE INVESTOR

U.S. studios pursuing the world's hottest movie market vie for Chinese partners

By Erich Schwartzel And Ben Fritz

"The Lego Batman Movie," by appearances, should have crushed its rival, "A Dog's Purpose," when the two U.S.-made films opened March 3 in China.

"Lego Batman," already a world-wide hit, paired a universally known superhero with the popular building-block toy. Its competition was a sentimental reincarnation drama about a dog.

Yet weeks later, "Lego Batman" grossed $6 million in China, while "A Dog's Purpose" took in $88 million—a tally that likely owed less to cast or script than to the aggressive marketing and distribution of the dog drama's Chinese investor.

Alibaba Pictures, a wing of Alibaba, the Chinese internet giant, owns a stake in Steven Spielberg's Amblin Partners, the studio that made "A Dog's Purpose." Alibaba's work behind the scenes helped propel ticket sales in China well past its U.S. totals. "We want to help our partner maximize their potential in China," said Wei Zhang, president of Alibaba Pictures.

"Lego Batman," which collected $175 million in the U.S., left frustrated studio executives wondering why they didn't have their own Chinese partners.

The question is echoing across boardrooms as Hollywood absorbs a new maxim: For a movie to make money in China,

Please see CHINA page A8

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What Are the Chances of a U.S.-China War?

CHINA'S WORLD
By Andrew Browne

SHANGHAI—Two fiery nationalists—Xi Jinping and Donald Trump—now occupy the seats of power in Beijing and Washington.

In their mission to make their countries great again, one pursues the "China Dream," one "America First." Both see the other as the chief obstacle to their ambition; they're locked into a zero-sum competition.

Halting efforts to cooperate on North Korea have papered over deep tensions on a range of issues including the South China Sea.

Are the U.S. and China headed for war? That has been the recent hot question in China circles, spurred by a deluge of books that handicap the chances.

Graham Allison, the Harvard professor who popularized the term "Thucydides Trap" to describe the risk of conflict when a rising power challenges the incumbent, isn't optimistic.

Thucydides, the Athenian historian and general, summarized the causes of the Peloponnesian War (431-404 B.C.) in a single line of a monumental history: It was the rise of Athens and the fear that this inspired in Sparta, he wrote, that made conflict inevitable.

War has resulted in 12 out of 16 similar setups over the past 500 years, Mr. Allison asserts, including Germany's challenge to Britain that led to World War I. In a new book that bears the ominous title "Destined for War: Can America and China Escape Thucydides's Trap?" he lays out how conflicts over trade, the South China Sea or cyberspace could all spin out of control.

It is "frighteningly easy to develop scenarios in which American and Chinese soldiers are killing each other," he writes. Nonsense, responds the noted Sinologist Arthur Waldron, a history professor at the University of Pennsylvania. War is by no means ordained.

In a caustic review of Mr. Allison's book, he declares that the Thucydides Trap is a fallacy. Dig deeper into Thucydides's text, he argues, and it becomes clear that Sparta, though warlike, tried to head off confrontation with Athens, at one point suggesting a simple compromise.

FENG LI/GETTY IMAGES

The possibility of conflict is a hot topic In China circles.

There is much more here than an academic dispute over classical history. The two professors disagree in their estimates of China's rise, and thus the severity of the challenge it represents to the U.S.-led order that has kept the peace since World War II.

Mr. Allison focuses on data showing China's wealth and power soaring ever up.

Mr. Waldron dwells on figures that indicate China's crippling vulnerabilities. He mentions chronic water shortages and energy wastage. Others point to an alarming surge in corporate debt and an aging population that could stall, or even reverse, growth.

Those who live in China juggle both perspectives daily. Inhale the toxic air in almost any city and it's clear why wealthy Chinese are fleeing.

Yet, testifying to China's creative energy are the fleets of emerald, blue and fluorescent orange bicycles that have overrun the same cities in a matter of months as multiple startups have jumped into a bike-sharing business powered by smartphone apps.

China is choking to death; China is vibrant. Both are true. The U.S.'s challenge is to make sense of these contradictions, and steer a course that avoids the extremes of capitulation and reckless belligerence.

The Obama administration was timid; Beijing seized the opportunity to start turning the South China Sea into a Chinese lake.

To the extent the Trump administration has a China policy, it's on hold due to North Korea. Mr. Trump has suspended the verbal hostilities he unleashed on the campaign trail in hopes that his Chinese counterpart will use his influence to halt Pyongyang's nuclear program. If, as seems likely, Mr. Xi can't, or won't, deliver a solution this truce could crumble.

Influential voices are urging a hard line. Ely Ratner, a senior fellow at the U.S. Council on Foreign Relations, recommended the U.S. consider basing troops on disputed South China Sea islands. Whether the White House takes that suggestion, once its disillusion with Beijing's North Korea efforts sets in, expect renewed bellicosity on issues from trade to Taiwan.

There is little doubt about Chinese intentions. As the journalist Howard French points out in his erudite book "Everything Under the Heavens: How the Past Helps Shape China's Push for Global Power," China aspires to restore its position at the pinnacle of East Asia.

The coming decades, he writes, will involve "a certain amount of yielding to China."

How much will depend on a fine understanding of Chinese capabilities. While China has made giant leaps in military technology—enough to strike U.S. aircraft carriers—it will become harder and more expensive to advance further.

In a speech two years ago, Mr. Xi said "there is no such thing as the so-called Thucydides trap." But he warned against strategic miscalculations by "major countries" that "might create such traps."

The next few years will be perilous: The risks of conflict can't be dismissed. Mr. Waldron, though, is confident Chinese leaders would smother any unintended conflict rather than escalate and risk their country's ruin. "They are, after all, not idiots," he writes.

Fires Rage as Portugal Seeks Answers

RAFAEL MARCHANTE/REUTERS

ONGOING BATTLE: Firefighters try to contain a blaze near the Portuguese municipality of Gois. On Tuesday, Portuguese Prime Minister António Costa sought explanations for why a highway where many of the 64 victims of forest fire died wasn't blocked off.

OIL

Continued from Page One

pared with previous bear markets.

U.S. companies have also ramped up shale production in response to higher prices this year, helping to offset the impact made by the OPEC cut, analysts said. The latest data from the oil-services firm Baker Hughes showed the number of rigs in use drilling for oil climbed by six to a 26-month peak of 747.

Traders have been watching U.S. inventory levels, which have added to the bearish sentiment in recent weeks. With momentum pushing the market lower, even traders who believe output cuts are putting the market closer to a supply shortage aren't willing to place bets on that until after the U.S. government's influential weekly report on storage levels, due Wednesday, said Scott Shelton, a broker at ICAP PLC.

"Most of the bulls are waiting on statistics, and they're not going to stand in front of this thing until then," he said.

The U.S. Energy Information Administration report is scheduled for release at 10:30 a.m. ET on Wednesday. Analysts and traders surveyed by The Wall Street Journal expect it to show crude stockpiles fell by 2 million barrels, on average, in the week ended June 16.

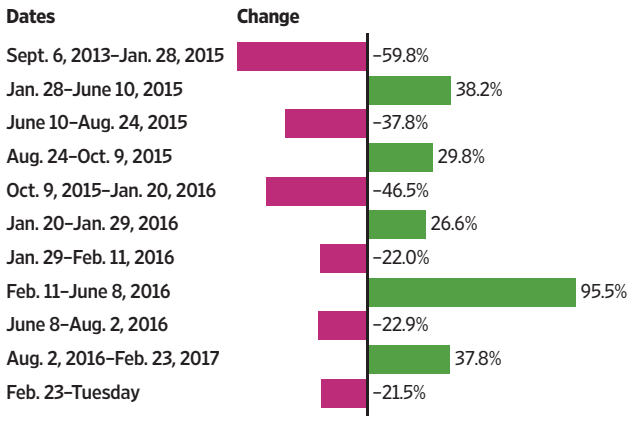
Even amid falling crude stockpiles in the U.S., oil prices have dropped as the pace of the declines has failed to impress investors. Tuesday's move marked oil's eighth loss of more than 2% in just the past two months.

Analysts at Standard Chartered PLC foresee oil-storage levels falling significantly in the second half of 2017, a view that is supported by the top energy watchdog, the International Energy Agency.

But for now, said Emily Ashford, director of energy research at Standard Chartered, "it doesn't even matter if there is any positive data, it just seems so bearish."

Big Swings

Tracking the bear and bull markets* in oil since 2015.



*A bear market represents a 20% decline from a recent peak, a bull market a 20% gain from a recent trough.
Source: WSJ Market Data Group

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BANK

Continued from Page One

to the State of Qatar, according to the Serious Fraud Office. The charges filed on Tuesday relate to the payment and the loan, the fraud office said.

The Serious Fraud Office charged the bank, the former chief executive, Mr. Varley, former senior investment-bank executive Roger Jenkins and two other former executives with conspiracy to commit fraud. Messrs. Varley and Jenkins, along with the bank, were charged with providing unlawful financial assistance in connection with the $3 billion loan. English law forbids a company from giving someone money to buy its shares.

Barclays said in a statement it is "considering its position in relation to these developments." It has previously denied that the $3 billion loan was for the purpose of buying shares and previously said the advisory-services payments were for legitimate business purposes.

Unlike its peers Royal Bank of Scotland Group PLC and Lloyds Banking Group PLC, Barclays was able to avoid a bailout by British taxpayers as a result of the Qatari equity injections.

The case involves a cadre of top executives at Barclays who steered the bank at the time, including Mr. Varley, the CEO, and Mr. Jenkins, who had a central role in orchestrating the raising of capital. The two others charged with fraud are Thomas Kalaris, who used to run the bank's wealth division, and Richard Boath, who headed the bank's European financial institutions group.

A law firm representing Mr. Varley said it couldn't immediately comment. Mr. Jenkins intends to vigorously defend against the charges, his lawyer, Brad Kaufman at Greenberg Traurig, said, adding Mr. Jenkins had received internal and external legal advice on all the matters covered in the Serious Fraud Office's case. A spokesman for Mr. Boath said he would vigorously contest the charges. Separately, Mr. Boath has filed a lawsuit against Barclays contending that he was wrongfully fired because he blew the whistle on the Qatar deal.

Mr. Kalaris's lawyer said he couldn't comment.

Under U.K. law, when the men appear at the magistrate's court, they will have the option to enter a plea. Any bail conditions will be set and prosecutors will give a brief synopsis of their case. Magistrates then decide which court will hear it. They are set to appear before a court in London on July 3.

The Barclays case is a major test for the Serious Fraud Office, which has in recent years failed to successfully prosecute a number of high-profile bribery and corruption cases. U.K. Prime Minister Theresa May recently pledged to fold it into another crime-fighting agency.

Barclays is facing other legal problems linked to the Qatar capital raisings. In a separate probe, the U.K.'s Financial Conduct Authority imposed a £50 million fine over the disclosure failures. The authority said earlier this year it was reviewing the case after being handed new evidence. Barclays is contesting the fine.

The U.S. Justice Department and the Securities and Exchange Commission are also investigating the payments made to Middle Eastern officials, according to Barclays filings. Barclays disclosed the U.S. investigations without comment.

$3B

Amount of loan Barclays made to Qatar, at issue in fraud case

Separately, PCP Capital Partners, a private-equity group, is suing Barclays for $1 billion alleging the bank made "sham payments" to the Qataris and disadvantaged PCP's client, the Abu Dhabi sovereign-wealth fund, which also participated in the 2008 fundraising. Barclays is defending itself against the claim, according to a filing.

The Serious Fraud Office case is another distraction for Barclays's current chief executive, Jes Staley. Mr. Staley is himself currently under investigation by U.K. regulators for trying to identify a whistleblower at the bank, according to Barclays. Mr. Staley has apologized for his actions.

CORRECTIONS & AMPLIFICATIONS

In an interview published June 14 in the Journal Report about WSJ D.Live Asia, Richard Liu spoke about **JD.com** Inc.'s record of success with customers during the past 12 years. The article incorrectly said the past decade. Also, Mr. Liu discussed cheaper prices in relation to Chinese companies in general. Because of an error in translation, the article incorrectly suggested that he referred to JD.com specifically. His discussion of the market outlook focused on the outlook of the logistics segment within the e-commerce sector. The article incorrectly suggested his comments applied to the entire e-commerce sector. Separately, JD.com had 12,000 yuan ($1,760) of business when it started out. The article incorrectly gave the figure as $12 million. A corrected version of the edited English excerpts from the interview, which also was updated to change or add wording to clarify the translation of the interview, can be found at WSJ.com/Corrections.

Venezuela is set to hold voting for a new constituent assembly in July. A Business & Finance article Monday about Venezuelan bonds incorrectly said voting was delayed for years.

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

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U.S. Downs Pro-Regime Drone in Syria

Armed Iranian-made aircraft was flying a course toward coalition forces

An American fighter jet shot down an Iranian-made armed drone on Tuesday after it flew toward U.S.-led coalition troops in southern Syria, in a further escalation of a confrontation between the U.S. military and Syrian regime forces and their allies.

*By **Ben Kesling** in Baghdad and **Maria Abi-Habib** in Beirut*

The downing of the drone came two days after a U.S. jet shot down a Syrian plane that had targeted American-backed forces on the ground, the first such incident in the six-year Syrian war. U.S. forces also shot down another drone over Syria this month, and have launched three airstrikes in recent weeks on Iranian-backed fighters who support Syrian President Bashar al-Assad.

The encounters have ratcheted up tensions with the Syrian regime's two most important military backers—Russia and Iran—just as the American-led coalition is intensifying efforts to push Islamic State from its last strongholds in the east of the country, Raqqa and oil-rich Deir Ezzour province.

In Tuesday's clash, the American jet intercepted the drone before firing on it, the coalition said. The drone was flying toward coalition troops who are working with forces fighting Islamic State, it added.

"The coalition has made it clear...that the demonstrated hostile intent and actions of pro-regime forces toward coalition and partner forces in Syria conducting legitimate counter-ISIS operations will not be tolerated," the coalition said.

In a sign of the rising tension, Russia threatened on Monday to track American warplanes west of the Euphrates River in Syria, after the downing of the Syrian jet the day before. The U.S. responded by changing the courses of some flights, and coalition member Australia suspended its flights in Syria altogether.

The drone shot down on Tuesday was near al-Tanf in southern Syria, where U.S. special-operations forces are working with allied Syrian rebels.

The area has become the focal point for U.S. efforts to counter Iran in Syria, with U.S.-backed rebels pushing north from al-Tanf to deprive Iran of an important route by which it supplies allies in Syria from across the border in Iraq and provides support for the Shiite militia Hezbollah in Lebanon.

The broader strategic goal for the U.S. has yet to be hammered out, with disagreements among officials within the Pentagon and the National Security Council over how aggressive a stance they should take with Iran and the Syrian regime and their Russian allies, according to American officials.

The uncertainty regarding the administration's Syria policy may help explain why the Syrian military and its allies have escalated their attacks on American special-operations forces and their local allies both in al-Tanf and farther north near Raqqa, to test the limits of America's willingness to strike back, Western diplomats said.

"Damascus is trying to push the boundaries, this [U.S.] administration is so unpredictable they are testing the waters to see what the policy is," said a Western diplomat in the Middle East who represents a country that is part of the U.S.-led coalition.

"The Obama administration was more predictable, and they were less willing to confront Damascus, and the regime engaged in much less risky behavior as a result."

The drone was downed in the same location where a pro-regime drone dropped munitions on June 8 before it was shot down by a U.S. fighter.

In Tuesday's incident, the coalition said an F-15E Strike Eagle intercepted the armed drone just after midnight. When the Iranian-made Shahed-129, which resembles a U.S. Predator drone, didn't change its course toward coalition troops, the U.S. jet shot it down.

"The coalition does not seek to fight Syrian regime, Russian, or pro-regime forces partnered with them, but will not hesitate to defend coalition or partner forces from any threat," the coalition said.

Coalition spokesman Col. Ryan Dillon said Tuesday that the lines of communication between Russia and the U.S. remain open to avoid potential problems in the skies above Syria.

Iran has stepped up its military actions in Syria by launching cruise missiles at Islamic State fighters in eastern Syria on Sunday and sending one of its top military commanders to pray on the front lines with Iranian-backed fighters, a move seen by some U.S. officials as a deliberate taunt aimed a Washington.

IAN HITCHCOCK/GETTY IMAGES

Australia on Tuesday suspended its role in the U.S.-led coalition in Syria amid rising tensions between Russia and the U.S.

Australia Suspends Strike Operations

Defense Ministry cites escalating tensions between Moscow and Washington

BAGHDAD—Australia suspended air operations in Syria amid escalating tensions between Washington and Moscow after Russia threatened to track American and coalition aircraft in the war-torn country as targets.

"As a precautionary measure, Australian Defense Force strike operations into Syria have temporarily ceased," the Defense Ministry said Tuesday.

The American ally's decision to back out of U.S.-led coalition airstrikes in Syria comes hours after the U.S. shifted some of its own flight patterns in the country to minimize risks, following Russia's warning on Monday that it would use air-defense systems or Russian pilots to track flights west of the Euphrates.

The current tensions between the U.S. and Russia began on Sunday when an American jet fighter shot down a Syrian regime warplane after it targeted U.S.-backed Syrian fighters who were leading the assault on Islamic State's de facto capital, Raqqa.

Russia stopped short of threatening to shoot down coalition planes, giving some U.S. officials hope that the situation won't worsen.

—Ben Kesling

ERIK DE CASTRO/REUTERS

A small drone used by the Iraqi army outside a command post in western Mosul this month. Both the military and Islamic State are using the devices to survey the battlefield in Mosul.

Low-Tech Gadgets Steer Battle to Retake Rest of Mosul

By Ben Kesling
And Ghassan Adnan

BAGHDAD—Iraqi forces are using small, off-the-shelf drones to target Islamic State in the crowded and twisting streets of Mosul's Old City, where the militants are making a last stand.

Iraq's counterterrorism forces on Tuesday said they pushed to within a few hundred yards of the al-Nuri Mosque, where Abu Bakr al-Baghdadi officially announced the creation of the Islamic State caliphate in 2014, and has been a symbol of the militants' power.

The Old City likely has some 100,000 civilians and a dwindling number of extremist fighters packed into about 1½ square miles.

Mosul is Iraq's second-largest city, and Islamic State's last major stronghold in the country.

Iraqi forces worry that this stretch of fighting could be the bloodiest of the battle for Mosul, which began in October, and that it could last for weeks longer.

Iraqi and American forces are looking for any advantage to loosen Islamic State's hold in the Old City, where militants use civilians as human shields and deploy booby traps.

Though troops can see the mosque, they also see civilians fleeing the fighting and that has slowed their advance, counterterrorism officials said.

The latest advance in Mosul was aided in part by the drones, quadcopters that are small enough to carry in a backpack, sell for about $1,500 commercially and are rigged with cameras on the underside.

Iraqi counterterrorism forces have said they used quadcopters to supply aircraft with the U.S.-led coalition with some of their first targets in the Old City.

Iraq's federal police say they do the same.

Islamic State terrorized Iraqi forces earlier in the battle for the city by using their own drones rigged to drop grenades.

Now, Iraq's security forces have turned the technology against the militants.

At a command post near the front lines, American combat advisers huddled days ago around stacks of high-tech communications equipment and screens with feeds from multimillion-dollar aircraft while they waited patiently for an Iraqi quadcopter to give them the battlefield intelligence needed for an airstrike.

"Using the Iraqi drones is something new," said Brig. Gen. Walid Khalifa, deputy commander of the Iraqi Army's 9th Division. "We see the enemy and we decide its location and we give the coordinates of targets. It's faster than before."

Lt. Col. James Browning, a battalion commander with the U.S. Army's 82d Airborne Division, said it can be time-consuming to have Iraqi forces spot a potential target and then pass along the coordinates for an airstrike verbally.

By the time he got the requests translated from Arabic, double-checked the target and approved the strike, the opportunity had sometimes passed in the quick-moving urban warfare.

Weeks ago he realized the Iraqis already had the technology available to cut through such problems.

When Iraqi drone pilots fly a quadcopter over a target—and bring that target up on screen, showing militants fighting Iraqi troops in high definition—Col. Browning said he gets what he needs to authorize a strike in seconds.

"We're able to deliver joint fires essentially at their command," he said, referring to airstrikes, artillery and other weapons.

Iraqi troops have been tinkering with quadcopters to make it possible for them to fly farther and still provide real-time video feeds in dense parts of Mosul.

Col. Browning said Iraqi drone technicians had fitted drones with bigger batteries, giving them extended range.

If one falls from the sky or gets shot down, they launch another at little cost, he said.

And if there is no Iraqi drone available, the U.S. is still able to call on its ample arsenal of high-tech drones and aircraft, which are often already in the sky, can fly longer and farther, and can be equipped with infrared cameras, powerful weapons and other advanced gear.

The U.S. can use those to coordinate strikes, though it may take a few minutes longer, Col. Browning said. "We can still go old-school."

Two Journalists Killed in Mine Blast

Pair covered counterterrorism operations for French television

PARIS—A French journalist and his Iraqi colleague died in a mine blast in Mosul, where they were covering Iraqi counterterrorism operations against Islamic State for state-owned France Télévisions, the network said Tuesday.

Stephan Villeneuve, 48, and Bakhtiar Haddad, were accompanying Iraqi army forces in areas held by Islamic State in the city's historical center, on the West Bank of the River Tigris, said Reporters Without Borders, a nonprofit media group.

Two other reporters were injured in the blast. Véronique Robert, another video-journalist working with Mr. Villeneuve, and Samuel Forey, on assignment in Mosul for several French media outlets, were also wounded, the international aid organization said.

The group of reporters was transferred to a U.S. military medical unit in Al-Qayyarah, south of Mosul, after the explosion.

Mr. Villeneuve had covered wars all over the world and had received treatment in Lyon last year for a hand injury he sustained when he was shot by a sniper while reporting in the Iraqi city of Fallujah, Reporters Without Borders said.

"It's really unfortunate what happened to the French journalists and their Iraqi translator," said Sabah al-Numan, spokesman for the Iraqi counterterrorism force.

Reporters Without Borders said that 28 journalists have been killed in Iraq since the start of 2014.

—Noemie Bisserbe

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Ukraine Leader Touts U.S. Ties

By Alan Cullison

WASHINGTON—President Donald Trump met briefly with Ukrainian leader Petro Poroshenko, who used his first White House visit to stress his country's alliance with Washington as he pushes for more U.S. pressure against Moscow's support for pro-Russian separatists in Ukraine.

The two leaders spoke during a photo session in the Oval Office on Tuesday, but avoided potentially difficult issues. Mr. Trump called Ukraine a place that "everybody's been reading about," and said "we've had some very good discussions."

Mr. Poroshenko told Mr. Trump that it was a "great honor and great pleasure" to visit the White House, calling the two countries "strategic partners."

His visit presented challenges for Mr. Trump, who has said he wants to improve relations with Russia, but is under pressure to distance himself from the Kremlin amid burgeoning investigations into the aftermath of alleged hacking by the Kremlin into U.S. elections. Russia denies the interference.

In brief talks with President Trump, Mr. Poroshenko hailed a 'strategic' partnership.

Tuesday's meeting came just weeks before Mr. Trump attends the Group of 20 summit in Germany, where he is expected to speak in person with Russian President Vladimir Putin for the first time. For months, Mr. Poroshenko has been angling for a meeting so he could push for more U.S. pressure on Moscow to stop its support of pro-Russian rebels in eastern Ukraine. Before now, the presidents had spoken only by phone.

Tuesday's visit was a low-profile event compared with how Mr. Trump has hosted other world leaders. Mr. Trump met briefly with the Ukrainian president in the Oval Office, in what White House officials described as a "drop by" that took place while Mr. Poroshenko met separately with Vice President Mike Pence.

Last month, Mr. Trump hosted Russia's foreign minister and U.S. ambassador in the Oval Office, and officials in Kiev had feared the U.S. leader would meet Mr. Putin before Mr. Poroshenko.

In the brief Oval Office appearance Tuesday, Mr. Trump didn't publicly mention pro-Russian separatists in Ukraine. A White House statement after the meeting said the two leaders discussed "support for the peaceful resolution to the conflict in eastern Ukraine and President Poroshenko's reform agenda and anti-corruption efforts."

Mr. Poroshenko, who made a fortune in a chocolate-making business before going into politics, has hoped his background as an entrepreneur may give him a means to forge ties with Mr. Trump, officials close to the Ukrainian president said.

"This is a good thing that this meeting is taking place before a Trump-Putin meeting," said John Herbst, a former U.S. ambassador to the Ukraine who is now at the Atlantic Council think tank in Washington. "It's important that there be a real exchange between the two presidents."

The Trump administration has voiced support for Ukraine, saying the U.S. would maintain sanctions on Russia until it reversed its annexation of Crimea. But Ukrainian officials have been unsettled by some other signals. In the presidential campaign last year, Mr. Trump suggested sanctions against Moscow should be eased, and earlier this year Mr. Trump met briefly with a domestic political rival to the Ukrainian president, former Prime Minister Yulia Tymoshenko.

Both U.S. and European officials have expressed frustration over a lack of progress in implementing a peace plan for eastern Ukraine that had been brokered in 2014 and 2015 in the Belarus capital of Minsk with the help of European mediators.

Tenets of the so-called Minsk agreement included holding local elections in Ukraine's breakaway Donbas region and returning the border with Russia to Ukrainian control.

Last week, Secretary of State Rex Tillerson suggested the U.S. would back an entirely new peace deal, saying it would support efforts of Ukraine and Russia to resolve the conflict outside of the Minsk accord.

—Michael C. Bender and Carol E. Lee contributed to this article.

VALDA KALNINA/EUROPEAN PRESSPHOTO AGENCY

American troops crossed a pontoon bridge Tuesday during multinational military exercises in Stasenai, Lithuania.

NATO Battle Groups Hold Drill to Secure Supply Lines

By Julian E. Barnes

STAŠĖNAI, Lithuania—The North Atlantic Treaty Organization brought two battle groups together in a drill meant to demonstrate its ability to keep open vital supply lines between Poland and Lithuania, shoring up what military planners have identified as an alliance weakness.

Allied militaries have been conducting a series of exercises in the Baltic region in recent days.

The Saber Strike exercise has focused on securing the so-called Suwalki Gap, the border region between Poland and Lithuania.

Military planners believe that in the event of a conflict with Russia, its forces in Kaliningrad or Belarus could threaten to cut off the Baltic States from the rest of NATO.

"We are demonstrating our capability to secure our most vulnerable point, the Suwalki Gap," said Lithuanian President Dalia Grybauskaite.

On Tuesday, the U.S.-led NATO battle group in Poland moved into Lithuania, joining up with the German-led battle group, Polish, Lithuanian and other allies.

The exercise was the first time NATO has moved one battle group from its base to another country.

Forward-deployed tanks, infantry fighting vehicles and an assortment of weapons systems from the U.S., Poland and other allies drove over a temporary river crossing erected by German and British military engineers.

Overhead, Apache attack helicopters and a U.S. Air Force B-1 bomber flew past. Local Lithuanians watched the exercise from the river banks.

This year NATO has deployed 4,500 troops to Poland and the Baltic States, a move NATO Secretary-General Jens Stoltenberg has said was a direct reaction to Russia's buildup in the region.

"These NATO battle groups send a clear message: an attack on one ally is an attack on all," Mr. Stoltenberg said.

The battle groups have been touted as a trip-wire force, a small defensive group whose presence would deter any potential conflict because NATO powers would reinforce the region should their forward-positioned troops come under attack.

But NATO military officials are anxious to demonstrate they can move and concentrate forces should a crisis develop.

"The Suwalki gap is geographically important and it is strategically and operationally important," said Lt. Col. Steven Gventer, the commander of the U.S.-led NATO battle group. "Our ability to come through the gap...not only helps with our deterrent capability but also shows we could defend if needed."

Still, Ms. Grybauskaite said the West needs to invest more in air and missile defenses to keep supply lines open between the Baltic States and the rest of the alliance.

The U.S. has been considering a temporary deployment of a Patriot missile defense system, and U.S. military officials have been urging allies to invest in air defense systems for the Baltics.

"Air defense is the thing which can break the efforts of Russia to deny access to the Baltic States," Ms. Grybauskaite said in an interview.

EUROPE

Continued from Page One

An adviser to Mr. Macron said Ms. Merkel's apparent openness to reforms was "very positive," calling it "part of this new Franco-German climate of confidence."

The chancellor's comments took even some German officials by surprise, coming ahead of a national general election in September. Berlin had declined to engage in detailed talks about the eurozone's future before the vote, insisting Mr. Macron had to prove his mettle first by enacting domestic economic measures over the summer.

Speaking before Ms. Merkel in Berlin, the head of the German Federation of Industry, Dieter Kempf, endorsed the idea of a common eurozone budget and finance minister "if these steps are correctly conceived." With such an approach, he said, "weak periods and imbalances could be countered early and the possibility of real crises further reduced."

The crisis that engulfed the eurozone in 2010 and is only beginning to dissipate laid bare deep defects in the currency union's design, including weak central control on public spending and the absence of incentives for countries to harmonize disparate economies. The eurozone also lacks the ability to raise and spend money in ways that could help buffer downturns.

The severity of the cash crunch forced several member states to seek emergency assistance from their peers and from the International Monetary Fund. It also nearly caused the bloc's weakest member, Greece, to drop out of the bloc.

TOBIAS SCHWARZ/AGENCE FRANCE-PRESSE/GETTY IMAGES

German Chancellor Angela Merkel gestured to French President Emmanuel Macron in Berlin on May 15, a day after he took office.

The region has since equipped itself with a banking authority and a rescue fund for states facing liquidity shortages, but many experts agree much is left to be done to make the eurozone a sustainable construction.

Germany has long focused on tougher central controls on public spending and rejected jointly issued bonds, which Berlin thinks would encourage overspending by economically fragile members.

Under Mr. Macron, France has floated the idea of a joint eurozone budget to finance specific areas, such as unemployment insurance and infrastructure investment, across the region—a notion anathema to Berlin until now.

Both countries have at different times suggested the appointment of a finance minister for the eurozone, though France sees that role as overseeing a common budget while Germany envisages a fiscal policeman.

Ms. Merkel's comments, however, suggest these two visions might be reconciled into a common arrangement combining tougher fiscal policing and some fiscal transfers between budget-surplus and deficit countries.

"This looks significant, especially about what it says about the state of mind," said Nicolas Véron, a eurozone expert at Bruegel, a Brussels-based think tank, of Ms. Merkel's comments. "It's a signal there is a will to find a constructive solution."

German officials say they have been reluctant to engage with Mr. Macron on eurozone reform ahead of Germany's general election because fiscal transfers are unpopular among the country's voters. And they say they are still skeptical about the novice president's ability to execute the tough domestic labor market reforms and spending cuts he campaigned on.

"We still need to see the evidence," one official said.

French officials say rather than directly confronting Ms. Merkel on recasting the eurozone, they are concentrating in talks with their German counterparts on shorter-term goals more understandable for voters, such as tightening regulations on temporary workers moving between EU countries. Progress on such issues would give momentum to meeting longer-term objectives for the eurozone, the adviser to Mr. Macron said, which is expected to be a central theme of a joint Franco-German cabinet meeting mid-July.

After last weekend's parliamentary election in France gave Mr. Macron's party a solid majority, recognition is growing in a skeptical Berlin that he may have the seats—and political clout—to deliver on his promises. Mr. Macron says he will move quickly to legislate changes to labor laws by the end of September.

German officials also see the appointment of Bruno Le Maire, an expert on Germany and a fiscal conservative, as France's economy minister as a sign that Paris is serious about engaging constructively on eurozone reform.

Since France and Germany have long sat on opposite sides of the spectrum of ideas about how to fix the eurozone, a Franco-German agreement could go a long way toward mapping out reforms acceptable to others.

—William Horobin in Paris contributed to this article.

Merkel Pledges to Pursue Trade Pact At G-20 Talks in July

BERLIN—German Chancellor Angela Merkel pledged Tuesday to strive for a broad, rules-based and fair agreement on global trade at the meeting of Group of 20 leaders next month, aiming to convince the U.S. of the benefits of open markets.

"We will do everything in our power to achieve an agreement as broad as possible in Hamburg," Ms. Merkel said at a conference hosted by the BDI Federation of German Industry.

Ms. Merkel warned against the lure of short-term gains that more isolationist trade policies might bring to countries that pursue them. She said countries ignore the longer-term dangers of protectionism at their peril.

Germany holds this year's G-20 presidency. The group's leaders will meet in Hamburg on July 7-8.

—Andrea Thomas

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WORLD NEWS

Detainee's Death Raises Pressure on U.S.

Family of U.S. student accuses his North Korean captors of 'torturous' treatment

By Felicia Schwartz And Jon Kamp

Otto Warmbier, the American college student imprisoned in North Korea for more than a year before returning home with a severe brain injury last week, died Monday, adding to pressure for more strenuous U.S. action against Pyongyang.

The death of Mr. Warmbier, 22 years old, came as top U.S. and Chinese officials were set to meet in Washington on Wednesday to discuss security and diplomatic matters.

Mr. Warmbier died mid-afternoon Monday surrounded by his family, according to a statement. Doctors at the Cincinnati hospital who began treating Mr. Warmbier six days earlier, said he suffered extensive loss of brain tissue and was in a state of "unresponsive wakefulness."

"Unfortunately, the awful torturous mistreatment our son received at the hands of the North Koreans ensured that no other outcome was possible beyond the sad one we experienced today," his family said in the statement, released by the University of Cincinnati Medical Center.

"We hold North Korea accountable for Otto Warmbier's unjust imprisonment, and demand the release of three other Americans who have been illegally detained," Secretary of State Rex Tillerson said in a statement Monday.

North Korea's office at the United Nations didn't respond to a request to comment on Mr. Warmbier's death. North Korea said through its state media that it released Mr. Warmbier on humanitarian grounds. A North Korean official said at a forum in Mongolia last week that he was punished because he sought to overthrow the North Korean regime.

South Korean President Moon Jae-in, who took office last month, is set to visit the White House next week. He and President Donald Trump are expected to discuss economic issues and "coordinate on North Korea-related issues, including countering the growing North Korean nuclear and missile threats," the White House said last week.

The U.S. has few new options, but officials have said it could turn to so-called secondary sanctions, which would target companies that do business with North Korea in a no-holds-barred effort to economically isolate the country. Washington often has warned it could take such steps, but has held back in the face of Chinese opposition.

While U.S. laws block virtually all trade with North Korea, United Nations resolutions don't go nearly as far. China, which is North Korea's largest trading partner, has said it would follow only these international statutes.

Another last-resort move would be to eliminate travel by Americans to North Korea, a step U.S. officials previously have considered but set aside, though the State Department strongly discourages people from traveling there. A bipartisan bill in the House of Representatives would block U.S. citizens from traveling to North Korea for tourism, and Rep. Ed Royce (R., Calif.), the chairman of the House Committee on Foreign Affairs, called Monday for the ban to be enacted.

Mr. Tillerson told lawmakers last week that the State Department is examining such a ban, an extremely rare measure, but hasn't made a final decision.

The North Koreans detained the University of Virginia student at the Pyongyang airport in January 2016 as he was preparing to leave, and sentenced him to 15 years of hard labor for allegedly defacing a political poster while on tour there.

Mr. Warmbier's family had no information about their son for over a year until learning this month that he was in a coma, his father, Fred Warmbier, said last week. At a secret meeting, North Koreans told U.S. officials that Mr. Warmbier lost consciousness after contracting botulism and taking a sleeping pill, U.S. officials and family members have said.

Sen. Ed Markey (D., Mass.), a member of the Senate Foreign Relations Committee, said "the North Korean authorities must account for exactly what happened to Mr. Warmbier while he was in their custody and ensure that anyone who is responsible for his death is brought to justice."

Doctors treating Mr. Warmbier said they couldn't firmly say what caused Mr. Warmbier's brain injury, citing the limited information about his condition from North Korea. Speaking at a press conference last week, his physicians said it appeared he suffered the brain injury at least 14 months ago, and that the damage was consistent with cardiopulmonary arrest.

Mr. Warmbier's family said that when their son returned to Cincinnati he was unable to speak, see or react to verbal commands.

—Jonathan Cheng contributed to this article.

SIDOROV YURI/TASS/ZUMA PRESS

Otto Warmbier apologizing to North Korea last year for allegedly stealing a political poster, for which he was given 15 years of hard labor.

Tour Group Stops Taking Americans to North Korea

By Jonathan Cheng

SEOUL—Three of the biggest tour agencies that take Americans to North Korea reviewed their policies on bookings by U.S. citizens following the death of Otto Warmbier, the University of Virginia student imprisoned for 17 months by Kim Jong Un's regime.

Travel agencies in several countries arrange trips to North Korea, despite wide-ranging sanctions and the risks involved in visiting, especially for Americans.

Mr. Warmbier had joined a New Year's tour to Pyongyang organized by Young Pioneer Tours, an agency based in Xi'an, China, that says it has been arranging trips to North Korea since 2008.

He was arrested at Pyongyang's airport in January 2016 as he attempted to leave the country. Accused of trying to steal a propaganda poster, he was sentenced to 15 years of hard labor. Mr. Warmbier died Monday, six days after being returned to the U.S. in a coma.

His death sparked outrage in Washington and appeared to strengthen efforts to bar U.S. citizens from traveling to the reclusive state.

"The way his detention was handled was appalling, and a tragedy like this must never be repeated," Young Pioneer Tours said in a statement posted on its website Tuesday. "Considering these facts and this tragic outcome, we will no longer be organizing tours for U.S. citizens to North Korea."

Young Pioneer arranges "budget travel to destinations your mother would rather you stayed away from," according to its website, which promotes tours to Afghanistan, Iran, North Korea and Turkmenistan, among other places.

Koryo Tours, a U.K.-registered travel agency based in Beijing that is the largest and longest-running Western operator of North Korea tours, said it was reviewing the issue of U.S. citizens traveling there.

In a statement, the company said it was discussing the matter with its Korean travel partners and foreign organizations in Pyongyang. Simon Cockerell, Koryo's general manager, declined to comment further.

Uri Tours, which bills itself as the largest U.S. provider of North Korea travel, organized a tour for Matthew Miller, an American who was sentenced to six years of forced labor in 2014 before being freed later that year. The tour operator said Mr. Warmbier's case was a "heart-wrenching tragedy that should have been avoided."

The company, based in Kearny, N.J., said it was reviewing its position on travel to North Korea for U.S. citizens, but declined to elaborate. Some 5,000 Westerners visit North Korea as tourists each year, including about 1,000 Americans, according to Mr. Cockerell.

WONG MAYE-E/ASSOCIATED PRESS

Passengers boarding an Air Koryo plane at North Korea's Pyongyang International Airport.

PATRICK REDDY/THE CINCINNATI ENQUIRER/AP

Hamilton County, Ohio, Coroner Dr. Lakshmi Sammarco.

Coroner To Probe Student's Death

By Jon Kamp

An Ohio coroner has decided to investigate the death of Otto Warmbier, who returned home from North Korea in a coma last week, and died six days later.

Mr. Warmbier died Monday afternoon, according to a statement from his family released by the Cincinnati hospital that treated him.

He came home with a severe brain injury, the cause of which remains unclear, after he was held captive by the North Korean regime for more than a year.

The hospital hasn't provided a cause of death for Mr. Warmbier.

The office of Hamilton County Coroner Lakshmi Sammarco has accepted the case, said John Hatfield, an investigator there.

Doctors at the University of Cincinnati Medical Center and Mr. Warmbier's family have said he suffered a serious and debilitating brain injury. He was unable to speak, see or respond to verbal commands, his family said.

His physicians said the injury appeared to occur at least 14 months ago, based on some of the limited medical information provided by the North Koreans, but they don't know the cause.

The former University of Virginia student suffered extensive loss of brain tissue, his doctors said, and the damage was consistent with a cardiopulmonary arrest.

WORLD WATCH

UNITED KINGDOM

BOE Chief Damps Rate-Rise Conjecture

Bank of England Gov. Mark Carney said that while central-bank rate setters' tolerance for above-target inflation is coming to an end, it is too early to raise the key interest rate for the first time in a decade.

In a rescheduled speech Tuesday to bankers at Mansion House in London, Mr. Carney said weak wage growth raised questions about the strength of domestic inflationary pressures, and he was unsure how the economy would respond to talks between the U.K. government and the rest of the European Union on the terms of their separation.

"From my perspective, given the mixed signals on consumer spending and business investment, and given the still subdued domestic inflationary pressures, in particular anemic wage growth, now is not yet the time to begin that adjustment," he said.

After Mr. Carney's interest-rate comments the pound fell 0.5% to $1.2674.

—Paul Hannon

RUSSIA

European Court Slams Antigay Law

A domestic law that bans gay "propaganda" is discriminatory and encourages antigay views, the European Court of Human Rights said in a ruling that provoked an angry rebuke from Moscow.

The court, based in Strasbourg, France, ruled Tuesday in favor of three Russian activists who brought the case over a 2013 law and other legislation that banned the promotion of homosexuality. In practice, the laws made it a crime to hold gay-pride events or to say that gay relationships are equal to heterosexual ones.

"The Court found that the authorities had reinforced stigma and prejudice and encouraged homophobia, which was incompatible with the values—of equality, pluralism and tolerance—of a democratic society," it said.

The Russian Ministry of Justice denied the laws were discriminatory, said it would appeal the ruling and said the court's judgment hadn't entered into legal force.

—Nathan Hodge

JAYANTA DEY/REUTERS

HIGH WATER: A man and boy rode near Agartala, India, where heavy rain has caused flooding.

MEXICO

U.S. Tax Plans Won't Coerce Government

Finance Minister José Antonio Meade thinks it unlikely the country will need to make changes in its tax code in the event the U.S. Congress passes corporate tax cuts or other measures sought by President Donald Trump.

Mr. Meade said in an interview Monday that it was too early to say how Mexico would respond to U.S. tax changes, since details of the U.S. plans are still scarce.

He said Mexico, which is now seeking to narrow budget deficits after years of spending to support growth, had little room to reduce an already low tax burden. Mexico would only have to consider changes if the U.S. took some action such as enacting a border-adjusted tax—a levy omitted in Mr. Trump's April tax blueprint.

—Juan Montes

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Ryan Seeks Momentum for Tax Overhaul

By Richard Rubin

WASHINGTON—House Speaker Paul Ryan expressed confidence Tuesday that Republicans can "fix this nation's tax code, once and for all" this year despite a long row of hurdles in front of them.

Mr. Ryan, in a speech to manufacturers in Washington, echoed the major themes of the plan he released last year and didn't delve into the details that divide Republicans or the negotiations between President Donald Trump's administration and members of Congress.

"The defenders of the status quo—and there are many of them—they're counting on us to lose our nerve, to fall back, or to put this off altogether," Mr. Ryan (R., Wis.) said. "But we will not wait for a path free of obstacles. Guess what? It does not exist."

Mr. Ryan's speech to the National Association of Manufacturers, sandwiched between cable news appearances, was intended to build momentum and public support for the party's aims. Republicans see a tax overhaul as a political necessity that would deliver on one of their core campaign promises.

For now, taxes are secondary to health care and other policy issues. But the GOP is planning a busy fall, and Mr. Ryan said he hoped the tax bill could be done before Thanksgiving so taxpayers would have a clear sense of the new system going into 2018.

Tax policy would gain momentum if Republicans can pass a health law that repeals parts of former President Barack Obama's Affordable Care Act and cuts hundreds of billions of dollars in taxes that wouldn't have to be addressed as part of a tax plan. Failure on health care would create complications for a tax bill, but it might also create a new sense of urgency.

AARON P. BERNSTEIN/REUTERS

House Speaker Paul Ryan discussed the GOP tax plan at the National Association of Manufacturers in Washington on Tuesday.

Among the current challenges facing Republicans:

• The biggest is internal opposition—particularly in the Senate—to Mr. Ryan's plan to add a border adjustment to the corporate tax, which would tax imports and exempt exports. Mr. Ryan sidestepped that issue on Tuesday and is forging ahead in the absence of an alternative.

The border adjustment, Mr. Ryan has argued, wouldn't just provide an estimated $1 trillion over a decade to pay for lower tax rates. By basing taxes on sales instead of profits, it would also act as a backstop to prevent companies from shifting profits abroad as part of a system in which the U.S. stops taxing companies' foreign income.

• Republicans also have to decide whether they want a tax cut or a revamp of the system that would lower rates for individuals and companies while leaving federal tax collections nearly unchanged. Conservatives and some parts of Mr. Trump's administration favor a tax cut.

'We will not wait for a path free of obstacles. Guess what? It does not exist.'

"We will get tax cuts done and we will get them done this year," Vice President Mike Pence said in a speech immediately preceding Mr. Ryan's.

Mr. Ryan and Senate Majority Leader Mitch McConnell (R., Ky.) have said they favor a so-called revenue-neutral approach—meaning that total taxes wouldn't change much while rates get lowered and some breaks vanish—after counting revenue generated by the tax plan's economic effects.

• Intra-Republican disputes threaten the GOP effort with every trade-off. Just this week, seven House Republicans from New York and New Jersey signed a letter asking the administration—and by extension, the speaker—to reconsider a proposal to repeal the deduction for state and local taxes.

• To address tax policy, Republicans would have to pass a budget that allows them to use reconciliation, the procedural tool that enables a simple majority vote in the Senate. That will require bridging gaps between Republicans who emphasize spending cuts and those who want to spend more on the military.

Few if any Democrats are expected to join Mr. Ryan. They argue that the GOP offers certain rate cuts to corporations and high-income households with little clear benefit to the population at large.

"Paul Ryan is not serious about tax reform. He's serious about tax giveaways—for millionaires, billionaires, and wealthy corporations," Frank Clemente, executive director of Americans for Tax Fairness, a liberal group, said in a statement. "Middle-class Americans will see their basic standards of living reduced by Ryan's plans, just so that the rich and huge corporations can get a giant tax cut."

Lower Tax Intake Isn't a Big Concern, Treasury Chief Says

WASHINGTON—Treasury Secretary Steven Mnuchin said Tuesday he isn't concerned about U.S. tax receipts coming in lower than expected in recent months.

If the trend continues, it could shorten the amount of time the government has before it runs out of cash to pay its bills, unless Congress raises the federal borrowing limit. The government hit that limit in mid-March and has been using extraordinary measures since then to meet its obligations, including payments on government debt as well as other programs such as Social Security and veterans benefits.

Mr. Mnuchin told CNBC in an interview Tuesday that the government has enough cash to pay its bills "through the beginning of September." A short time later, in an interview on Bloomberg TV, he said Treasury could meet its obligations "through September" if Congress doesn't raise the debt limit before leaving for a five-week summer recess.

"There are certain individuals and businesses that are pushing off taxes until later in the year, but nothing that we're concerned about," he told CNBC.

Unlike the Obama administration, the Treasury Department under President Donald Trump hasn't provided a formal forecast of when it expects to exhaust the extraordinary measures and run out of room to pay the government's bills in full and on time.

—Kate Davidson

Democrats Dig In Against Health Bill

By Michelle Hackman And Natalie Andrews

WASHINGTON—Democrats have begun escalating their parliamentary and messaging tactics against the Republican health bill as a Senate vote approaches, hoping their opposition resonates with voters while risking accusations of obstructionism from President Donald Trump.

Without the votes to halt Republicans from passing their bill, Democratic lawmakers have instead opted this week to begin slow-walking other Senate business in protest. Senate Minority Leader Chuck Schumer (D., N.Y.) on Tuesday invoked a rare parliamentary rule effectively canceling committee hearings for the day, and the party plans to object to parliamentary moves that require unanimous consent.

"What more could we do—hold Republican senators by the arms to stop them from getting to the chamber?" said Sen. Chris Murphy (D., Conn.) "I think we'll use every tool at our disposal."

Democrats hope to emphasize the potential impact of the GOP health bill, which they say would endanger health coverage for millions of Americans. But they also want to draw attention to what they say has been a rushed and secretive legislative process, with no public hearings and Senate leaders planning to unveil the bill's text days before a vote slated for Thursday of next week.

Their grievances echo complaints lodged by Republicans in 2010, as Democrats pushed through the Affordable Care Act, sometimes called Obamacare.

Senate Majority Leader Mitch McConnell (R., Ky.) disputes the notion that the process has been overly secretive, saying lawmakers will have ample opportunity to read the bill and amend it next week. He also points to "gazillions" of past hearings on health care and the ACA.

Mr. Trump, for his part, has accused the Democrats of obstructionism when it comes to health care and other matters, and he and other Republicans have said the ACA is collapsing of its own weight, an assertion denied by Democrats.

"The Dems want to stop tax cuts, good healthcare and Border Security. Their ObamaCare is dead with 100% increases in P[remium]s," Mr. Trump tweeted Monday.

YURI GRIPAS/REUTERS

Senate Minority Leader Chuck Schumer (D., N.Y.), shown in April, invoked a rare parliamentary rule on Tuesday effectively canceling committee hearings for the day.

Still, Democrats aren't alone in their complaints. Sen. Rand Paul (R., Ky.) on Tuesday criticized GOP leaders' decision to write most of the health-care bill behind closed doors without Democrats' input. "If you do it on one side only, what you're setting yourself up for is failure," said Mr. Paul, who has suggested he will oppose the bill. "The public's not going to accept it if only one side does it.."

Democrats are also intensifying their public messaging on health care.

The Senate Democrats' campaign arm launched a new series of digital ads on Monday against Sens. Dean Heller of Nevada and Jeff Flake of Arizona, the GOP lawmakers seen as the most vulnerable in the 2018 cycle. The ads are meant to reach young voters on Google and Youtube and feature a woman hawking her wedding ring to pay for a child's medical costs.

—Kristina Peterson contributed to this article.

Opioid Treatment Would Take Hit, Senators Say

A pair of Senate Democrats in states hard hit by opioid addiction say the Republican effort to replace the Affordable Care Act would undermine efforts to battle the epidemic, arguing the prospect of extra opioid treatment funding wouldn't sufficiently replace insurance coverage that would be lost if Medicaid's expansion were reversed.

Sen. Bob Casey (D., Pa.) released a report arguing Republican-proposed cuts to Medicaid funding would worsen the country's growing opioid problem because many people use their Medicaid insurance to cover addiction treatment. He was joined at a news conference Tuesday by Sen. Joe Manchin (D., W.Va.).

The law known as Obamacare greatly expanded Medicaid coverage in states that chose to accept it, making millions of low-income Americans newly eligible for the health program. But the health-care bill passed by the House would phase out that expansion.

GOP senators said Tuesday that they expected to see text of the bill later this week, ahead of a vote likely next week on its passage.

Mr. Manchin and Mr. Casey come from states hit hard by opioid-related overdose deaths—West Virginia had the highest rate of such deaths in 2015 while Pennsylvania had the sixth highest. "It's a critical time for the opioid epidemic and Medicaid because of the connection between the two," Mr. Casey said.

Senate Republicans have considered adding extra funding for opioid treatment to their bill to assuage concerns from other GOP lawmakers from states dealing with higher rates of opioid overdoses.

But Democrats, including Mr. Casey and Mr. Manchin, are dissatisfied by the prospect of opioid addiction treatment coming from a grant, rather than health care coverage itself.

"You have to have treatment. We still have people in denial, people believing that drug abuse is not an illness," Mr. Manchin said. "One time grant isn't going to be able to fight this long-term addiction."

—Sharon Nunn

Labor Board Pick By Trump Starts A Shift in Power

By Eric Morath

President Donald Trump picked attorney Marvin Kaplan to fill a vacant seat on the National Labor Relations Board, taking a first step toward securing Republican control of the agency refereeing disputes between unions and business for the first time in nearly a decade.

The president announced his intent to nominate Mr. Kaplan, counsel at the independent Occupational Safety and Health Review Commission, to one of the five seats on the board on Monday evening.

If he wins Senate confirmation, Mr. Kaplan would be the second Republican on the panel.

A fifth position remains vacant, but it is expected the White House will name another Republican for that spot.

Democrats control two of the three occupied seats on the board, but Mr. Trump has elevated the sole Republican, Philip Miscimarra, to chairman. That move slowed issuance of agency decisions, since Mr. Miscimarra can control which cases are decided but lacks the votes to win rulings.

Republicans haven't controlled the board since December 2007, after vacancies late in President George W. Bush's second term went unfilled.

When Republicans regain control of the board, it is expected they will look to undo decisions made during President Barack Obama's tenure that resulted in some big victories for labor, including an easier path for employees at franchise businesses and contractors to organize.

Unions have used those victories to push for organization in the restaurant industry, among other sectors.

National Restaurant Association Executive Vice President Cicely Simpson said the trade group "is very pleased" with Mr. Kaplan's selection.

The board "will be deciding a number of important issues, including the joint employer standard and micro-unions, that directly impact small businesses," she said.

The board to could also revisit issues around the timing of union elections, the appropriate size of a bargaining unit, and whether graduate-student instructors can form unions.

Mr. Kaplan has worked for the safety commission since 2015. Previously, he worked as counsel for House Republicans on the Education and the Workforce Committee. Republicans on that committee have held hearings to take a critical look at decisions made by the board in recent years. He also served as counsel for the House Oversight and Government Reform Committee.

In those positions, he was responsible for labor and employment oversight and policy, including the National Labor Relations Act, Labor-Management Reporting and Disclosure Act, and Labor Management Relations Act, the White House said.

Filling out the board has been politically fraught in the past, and many of Mr. Trump's appointments elsewhere in his administration have faced a difficult pathway. A board nominee only needs to gain approval from a majority of the Republican-controlled Senate to win confirmation. However, unions and Democrats could raise a protest, as they did to Mr. Trump's initial labor secretary nominee Andy Puzder, and draw out the process. Mr. Puzder withdrew his nomination amid deepening personal controversies.

Mr. Kaplan's political background is likely to raise questions, said William Gould, a Democrat who served as board chairmen during President Bill Clinton's administration.

"We need less politicization of the agency, and the Kaplan pick moves us in the wrong direction," said Mr. Gould, a former Stanford Law School professor. The board, created in the 1930s, was intended to be a panel of experts appointed to adjudicate a complex law, the National Labor Relations Act. Placing political partisans from either side on it weakens that mission, he said.

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FDA Chief Skirts Budget Questions

Senators describe the president's proposal for the agency's budget as inadequate

By Thomas M. Burton

WASHINGTON—The new commissioner of the U.S. Food and Drug Administration testified before a Senate panel Tuesday without directly addressing the Trump administration's proposal to cut $700 million from its budget.

The administration calls for making up the difference by raising fees on the pharmaceutical and medical-device industries.

Senators from both parties called President Donald Trump's proposed budget not feasible and inadequate. Dr. Scott Gottlieb, the agency's commissioner, told lawmakers: "I wasn't involved in the formulation of the budget."

Mr. Trump's budget proposal, released in May, would leave a hole of more than $700 million in the $5.1-billion FDA budget, compared with this fiscal year, because the document assumes about $1.2 billion in revenue for the coming fiscal year that won't turn up if Congress has its way. About $127 million of the money cut from the proposed budget is for safety surveillance of drugs and devices.

RON SACHS/CNP/ZUMA PRESS

Dr. Scott Gottlieb, the FDA's commissioner, testifies on Tuesday.

The administration has proposed raising user fees paid by the drug and medical-device industries to the agency for new-product reviews to offset the proposed cut in taxpayer funding. But those fees have already been negotiated between the FDA and the industries at much lower levels, and Republican legislators have made clear they have no intention of insisting the FDA reopen talks to try to raise them.

On Tuesday, Dr. Gottlieb testified before the subcommittee of the Senate Appropriations Committee that oversees the FDA's budget.

At the outset of Tuesday's hearing, subcommittee chairman Sen. John Hoeven (R., N.D.) said the administration's estimate of new user fees is "not feasible." Sen. Patrick Leahy (D., Vt.) called Mr. Trump's plan "woefully inadequate."

Dr. Gottlieb's prepared testimony focused on his plans at the FDA to speed up the approval of medicines for rare diseases, known as orphan drugs. Dr. Gottlieb disclosed that the agency has had a backlog of requests for orphan status, a designation that offers benefits to the drug's sponsor, such as tax credits.

He said the FDA hasn't yet responded to about 200 applications from companies seeking orphan status. During the next 90 days, the agency plans to "completely eliminate this backlog of requests and provide an answer back to the sponsors," Dr. Gottlieb said.

"Moreover, we won't ever again develop a backlog," he said.

The new commissioner has previously spoken about working toward speeding certain generic drugs to market in an effort to rein in drug prices. In Tuesday's testimony, he spoke of updating guidance that the agency issues "so that we can make clinical trials more efficient."

He wasn't specific as to how that would work, and many Democrats have expressed skepticism, suggesting such efficiency would lower safety standards.

In one instance, Dr. Gottlieb said the agency is considering broad approvals for cancer drugs that hit the same genetic or molecular targets in a variety of cancers, instead of insisting on approvals for one cancer at a time.

Witness Threats, Violence Plague Courts

By Jacob Gershman

Deadly attacks on confidential informants are prompting the federal courts to consider injecting more secrecy into the judicial system, drawing the concern of defense lawyers about due-process rights.

Across the U.S., close to 700 witnesses and informants believed to have cooperated with the government have been threatened, wounded or killed over a recent three-year period, including 61 murdered, according to estimates from a recent survey by the federal judiciary's research arm. Some judges suspect those numbers might be low.

The justice system has long been dependent upon tips, recordings and other information from suspected criminals to catch bigger fish in investigations into gangs and drug traffickers. Those who offer substantial assistance to an investigation or prosecution can get more than a third of their prison sentences cut.

But inmates determined to unmask a "snitch" are getting more sophisticated, diving deep into court dockets and decoding sentencing motions filed by prosecutors for clues to who is talking. A proliferation of court records online on PACER—the pay-per-page portal run by the courts—and smartphones have made it easier for criminal gangs to find files that could expose cooperators, according to judges and lawyers.

In a recent three-year period, 61 witnesses or informants were murdered.

Federal inmates are restricted from accessing PACER themselves, but it is easy for them to ask people outside the prison to search the online system and report the information back into the prison by phone, according to judges.

Inmates also can ask courts for copies of their own sentencing files, and they often are pressured by other inmates to request the documents—known as paperwork—to prove they kept quiet, the judiciary survey found.

In some prisons, according to judges, inmates are forcing other inmates to post the paperwork in their cells so others can come by and read them. At the moment, only the most confidential case files are treated as prison contraband, but inmates have been permitted to possess copies of other types of sensitive documents, such as sentencing minutes and plea agreements.

The security fears have prompted the federal judiciary to come up with new rules for sealing and sharing evidence.

One approach is to mask cooperation by changing how dockets are publicly displayed, aiming to make the two types of dockets—ones in which a defendant is a cooperator and ones in which he is not—less distinguishable to outside eyes.

The reliability of informants has long been a point of contention between prosecutors and defense teams. Some lawyers say new layers of secrecy could make it harder to exonerate their clients.

"It hamstrings the defense not being able to understand who the witnesses are against the defendant and what their motivations are," said defense lawyer Barry Pollack, president of the National Association of Criminal Defense Lawyers.

Judges say they are mindful that a sweeping sealing policy risks running into the First Amendment and its presumption of open courts.

The court system is alarmed enough to consider preventing the general public from accessing criminal court dockets remotely online.

Big Oil Steps Up Support for a Carbon Tax

By Timothy Puko

Some of the world's largest oil companies and the country's biggest auto maker are joining a group pushing the U.S. government to tax carbon in an effort to slow climate change.

General Motors Co., **Exxon Mobil** Corp. and **BP** PLC are among almost a dozen companies joining the Climate Leadership Council, a new organization that advocates replacing many environmental regulations with a simplified tax on businesses that release carbon into the atmosphere.

The plan proposes directly paying out this money to all citizens to defray the likely costs from rising energy prices.

A group of influential Republicans, including former secretaries of State George Shultz and James Baker, have spearheaded the group's efforts, which are at odds with many in their own party.

Since winning control of the White House and Congress last year, Republican lawmakers have worked to roll back Democratic policies aimed at reducing greenhouse-gas emissions, culminating with President Donald Trump's decision to withdraw the U.S. from the Paris climate accord.

Several business leaders criticized that decision, and some of the companies joining the group, which officially launched in February, have advocated more aggressive policies to address rising temperatures and air pollution.

SERGIO FLORES/BLOOMBERG NEWS

Exxon Mobil is one of almost a dozen companies joining a group calling for a carbon tax to replace many environmental regulations.

Exxon, GM and the other corporations are joining alongside astrophysicist Stephen Hawking, hedge-fund magnate Ray Dalio, Harvard economist and former Obama economic adviser Larry Summers and others.

Exxon Chief Executive Darren Woods used his first blog post in that role this February to say a "revenue-neutral carbon tax" would be a "sensible approach" to cutting carbon emissions.

It can promote energy efficiency and incentivize low-carbon energy sources without "further burdening the economy," he wrote.

"We have been encouraged by the proposal put forth by the Climate Leadership Council as it aligns closely with our longstanding principles," Mr. Woods said on Monday.

"We acknowledged long ago that climate change is real and that lowering emissions is both a social imperative and an economic opportunity," GM said. "Addressing climate change in an effective and sustainable manner requires a holistic approach involving all sectors of the economy."

By joining now, the companies will be able to help shape the fine details of the proposal that eventually comes from the council, said Ted Halstead, the group's chief executive.

A tax is also simple enough that, if passed, it would mean the country could eliminate a collection of regulations that have guided climate policy in the past several years, including the Obama administration's power plant rules, which the Trump administration has moved to reverse.

"My guess is that the big appeal is getting rid of all the regulatory morass," said Benjamin Salisbury, policy analyst at FBR & Co. But "with Republican domination in Washington, you are talking about the very early stages of a massive uphill climb."

Student-Loan Chief Is Named by DeVos

By Douglas Belkin

U.S. Secretary of Education Betsy DeVos announced plans to appoint A. Wayne Johnson, a former executive in the financial-services industry, to run the $1.3 trillion federal student loan portfolio.

The position of chief operating officer of federal student aid has been vacant since May, when James W. Runcie resigned, saying he couldn't in "good conscience" lead the agency while it faced rising scrutiny from the Trump administration about its management of the lending programs.

Dr. Johnson, who went back to earn his Ph.D. in educational leadership in his 60s, appears to have done his homework for the job. He wrote his dissertation on the weaknesses of the decision-making process students go through before they borrow tens of thousands of dollars to pay for college.

"There is more federal protections in place when you buy a car then there is when you sign up to take on student debt," Dr. Johnson said in an interview on Tuesday. "It comes down to basic consumer protection."

Dr. Johnson, 65 years old, worked in senior management at Visa and Deloitte before starting his own company, which captures credit-card transactions in real time and alerts card holders to better manage their accounts.

He said he was approached by the search committees of a couple of colleges that were looking for presidents but his lack of a Ph.D. worked against him, so he began a program in academic leadership from Mercer University. He already held an M.B.A. from Emory University. His dissertation was titled: "Eyes Wide Shut: Understanding Private Student Loan Indebtedness."

Dr. Johnson said a school's responsibility is to first "do no harm," by not loading students up with debt. He said both for-profit and not-for-profit schools have room to improve.

"Private university financial officers were perceived (by students and their parents) as being willfully negligent in informing students about the characteristics of their student loans," Dr. Johnson wrote in his dissertation. He found those loans "harmed" some of the students he studied.

Don Shafer, a professional colleague of Dr. Johnson, said Dr. Johnson has spoken of simple fixes in the student debt program using technology to limit what students can spend their student loan money on to reduce fraud and waste. So, for instance, they might have a credit card that couldn't be used at a liquor store.

U.S. WATCH

BITA HONARVAR/REUTERS

GEORGIA VOTE: Supporters of Republican Karen Handel and Democrat Jon Ossoff waved at passing cars as voters went to the polls Tuesday in the U.S. House special election, in a race viewed as the most significant proxy war between the parties since President Donald Trump took office.

DELAWARE

Governor to Raise Prison Guard Pay

Delaware Gov. John Carney agreed to increase starting salaries for the state's correctional officers by 22%, a move that followed a deadly February prison siege in which a veteran officer was killed. An independent review of the uprising, released this month, found that the prison was critically understaffed and pointed to low pay as a reason for high turnover. Gov. Carney, a Democrat, pledged to boost pay after the release of the sharply critical outside report. "This agreement represents a significant step forward in addressing our staffing challenges at the Department of Correction," he said. The pay increase will boost starting pay to $40,000 for the fiscal year that starts July 1 and to $43,000 a year later from $35,200, according to an agreement between the state and the Correctional Officers Association of Delaware.

—Scott Calvert

WEATHER

Record Heat Wave Hits the Southwest

The Southwest's summer heat is grounding flights and straining power grids. Nevada, Arizona and parts of Southern California are experiencing record-breaking heat and an unusually long heat wave that is expected to last through the week. In Las Vegas, the temperature on Tuesday was 117 degrees, breaking last year's record of 115. The heat in Fresno, Calif., reached 110 degrees for the first time since 1920, according to the National Weather Service. American Airlines, one of the biggest carriers in the region, delayed and canceled 50 flights to and from Phoenix's Sky Harbor airport as temperatures hit 118 degrees, breaking last year's record of 116.

—Covey E. Son

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CHINA

Continued from Page One

make it worthwhile to someone in China.

Chinese investors are helping expand China's influence on the U.S. film industry, which is eager to tap the country's 1.3 billion consumers but needs local partners to navigate the state-run movie market.

U.S. studios seeking more profits in China—which in a few years could become the No. 1 box-office market in the world—had focused their efforts on shooting scenes there, casting local stars or crafting scripts with Chinese moviegoers in mind. That has turned out to be less reliable than finding the right backers.

Six American movies this year have grossed more in China than they did in the U.S., and four of them had Chinese investors.

In each case, the Hollywood studio enlisted a Chinese company to buy a minority stake in the film or studio in exchange for marketing and distribution help, an overseas box-office strategy used only in China.

Besides "A Dog's Purpose," Chinese investors were involved with the action movies "xXx: The Return of Xander Cage," "Kong: Skull Island," "Fate of the Furious," and "Wonder Woman," which opened June 2.

The coming "Transformers: The Last Knight" secured investment from three Chinese companies, including leading online-ticketing company Weying Technology Co.

While happy with their success, the U.S. studios aren't sure if Chinese audiences are being drawn by their creative work—or by the lopsided marketing advantage of their Chinese partners.

Chinese investors have more freedom to market U.S.-made movies in China.

A Chinese investor has more freedom to market a foreign movie in the country to ensure that trailers play in theaters, posters hang in lobbies and ads blanket smartphones. It also can steer through China's bureaucratic thicket of state censors and permits, and help secure prime release dates.

Hollywood's Chinese backers include some of the country's most powerful internet, entertainment and real-estate companies: Dalian Wanda Group Co., China Film Group Co., Alibaba Group Holding Ltd. and Tencent Holdings Ltd.

These investors have shared high-profile screen credits alongside such studios as Time Warner Inc.'s Warner Bros., Viacom Inc.'s Paramount Pictures, and Comcast Corp.'s Universal Pictures.

LINTAO ZHANG/GETTY IMAGES

Fans braved the rain to attend the Chinese premiere of 'Transformers: The Last Knight' earlier this month in Guangzhou, China

For Chinese firms, the deals lend cachet and give firsthand lessons in moviemaking without the expense of buying a studio or production company.

For Hollywood, it is a matter of money. "A Dog's Purpose," which cost $22 million to make, ended up grossing $188 million world-wide, half of that from China alone. "To say we were pleasantly surprised doesn't do it justice," said Jeff Small, president of Amblin Partners.

"A Dog's Purpose" wasn't even going to be released in China, where few American dramas without special effects or A-list stars are successful. But Amblin last fall, seeking a Chinese investor to give its movies better play in China, sold a minority stake in the studio to Alibaba.

Shortly after, Ms. Wei, of Alibaba Pictures, saw "A Dog's Purpose" and its potential.

She had the online giant use its own customers as a focus group. Growing sales of toys for pets had tracked China's rising middle class and its embrace of pet ownership. And "Dog's Purpose" director Lasse Hallström's earlier movie, "Hachi: A Dog's Tale," was popular with customers of Alibaba's on-demand video service. A strategy soon took shape.

Alibaba promoted the movie alongside pet adoption agencies and held special screenings for people and their dogs, Ms. Wei said. It plumbed its online movie-ticket service to target pet owners, families, women and others it believed would like the movie. Alibaba representatives traveled to theaters to persuade exhibitors to allocate screens, bringing the e-commerce data to support their pitch.

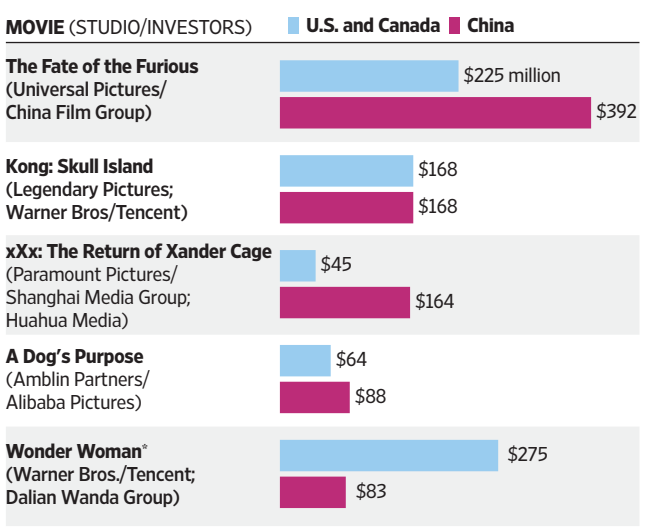
On its opening weekend in China, "A Dog's Purpose" made $17 million. The following week, it drew even more moviegoers, a rarity in any market. Alibaba lobbied the state-run distributor to extend the movie's run to eight weeks, twice as long as most imported films.

Alibaba's video-on-demand platform now streams "A Dog's Purpose," and the company sells pet merchandise tied to the movie.

The movie's success in China has inspired a sequel, and Amblin is keeping in mind its Chinese audience as it begins work on part two, said Michael Wright, the studio's chief executive.

Chinese Movie Magic

Recent U.S. movies backed by Chinese investors, gross ticket sales in millions:



Source: Box Office Mojo THE WALL STREET JOURNAL.

Small-screen partner

The Chinese investments started two years ago, when Alibaba bought into Paramount's "Mission: Impossible—Rogue Nation," and state-backed China Film Group invested in Universal's "Fast & Furious" series. The 2015 and 2017 installments of the car-race movies grossed $391 million and $392 million in China, respectively—more than either made at U.S. theaters.

The deals were an outgrowth of meetings that Chinese companies were having in Hollywood as they sought partnerships to expand their domestic movie production.

Some meetings led to acquisitions: Wanda, one of China's largest theater owners, bought Legendary Entertainment LLC, the production company behind "Kong: Skull Island," for $3.5 billion in January 2016.

China's movie-theater business recalls the U.S. in the 1950s, executives said, when Hollywood distributors traveled across the U.S. to wine and dine local theater owners. In the case of "Kong," investor Tencent negotiated with more than 700 Chinese theaters.

Theater managers in China have greater flexibility to book movies than in those in the U.S., where large chains often dictate what each location screens.

A combination of Chinese regulations and the unpopularity of state-run television don't allow the kind of large-scale TV ad campaigns used in U.S. marketing. China requires a few million dollars in digital advertising and a local, hands-on touch as simple as lobby displays.

"It really is an enormous market in terms of how much you need to do to reach beyond the biggest cities," said Veronika Kwan Vandenberg, Warner Bros.' head of international distribution. "Having a local partnership is really helpful in maximizing the scale and scope of your campaign."

For "xXx," the movie's Chinese partners, Shanghai Film Group Corp. and Huahua Media, launched a $5 million mobile-oriented campaign that included social-media chats with the stars and a music video.

Shanghai Film Group and Huahua have since announced a $1 billion deal to invest in most of Paramount's future releases over the next few years.

Hollywood studios collect 25% of Chinese box-office grosses, compared with an average of 40% in other foreign markets and 50% in the U.S. Paramount should see about $40 million of its $160 million haul from "xXx" in China, according to a person familiar with the matter.

Paramount and its partners should receive about half of the $45 million the movie grossed in the U.S. and Canada, where the studio spent tens of millions of dollars in advertising.

Thanks to its performance in China, "xXx" went from being a "substantial money loser to at least OK," the person familiar with the matter said. The success has led producers to greenlight another "xXx" sequel, producers said Monday, with Chinese partners already on board.

Shanghai Media Group and Huahua have since announced a $1 billion deal to invest in most of Paramount's future releases over the next few years.

Superheroes

Following the failure in China of Warner Bros.' "Lego Batman," the studio decided to bring on both Wanda and Tencent as minority investors in "Wonder Woman," which cost about $150 million to produce.

The studio hadn't before allowed outside firms to co-finance its DC superhero pictures, which were thought too valuable to share. Last year's "Batman v Superman" grossed less than $100 million in China, far less than the studio wanted.

"Wonder Woman" has so far grossed $83 million in China, a solid performance but less than the $275 million it has made in the U.S. and Canada. The movie lags behind "The Mummy," Universal's action-adventure starring Tom Cruise, which had no Chinese investor yet grossed more in China than in the U.S. Its success was likely a measure of Mr. Cruise's popularity there. "Resident Evil: The Final Chapter" also grossed more in China than in the U.S. without Chinese investors, benefiting from the popularity of the zombie videogame that inspired the series.

Some Chinese investments offset production costs before filming begins, while other deals are sometimes struck weeks before movies open. Chinese companies are able to quickly mount campaigns and sign up theater owners.

"Transformers," which opens Wednesday, follows a 2014 installment that collected $245 million in the U.S. and $320 million in China. Its success drew Chinese companies to the sequel. Paramount made deals with Chinese firms for product placement in the movie and merchandise displays in theater lobbies.

More partnerships are expected this year. "We are in talks all the time," said Ms. Wei, of Alibaba.

Some Chinese investors are targeting future Hollywood movies that may not even screen in their country, as they look to expand their reach. Bliss Media, the Shanghai-based company that helped get the war drama "Hacksaw Ridge" into China last year, is financing "Kings," a feature starring Halle Berry about the 1992 Los Angeles riots.

"It's not something I think I would get into China," said Wei Han, Bliss's chief executive. "If it doesn't, I still believe in the movie. We want to be a global player."

—Lilian Lin in Beijing contributed to this article.

PHONE

Continued from Page One

Shaw are answering the entrepreneurial call by going into business repairing the device their generation knows so very well.

"I would think in any high school in America, you're going to be able to find someone who has decided to be an entrepreneur and is fixing phones," says Kyle Wiens, chief executive of iFixit, a website for sharing repair knowledge.

Mr. Shaw, who says he has fixed iPhones since age 12, will set up shop in July at a table outside Jack and Charlie's Ice Cream store in Nantucket, Mass., to fix screens, microphones and other parts of iPhones and iPads.

Joseph Kokenge, 18, found customers among fellow high-school students in Lafayette, La. He learned to fix smartphones as a freshman watching his dad repair his sister's cracked iPhone 3GS screen.

When a friend asked if his father could fix an iPhone 5, the teen watched YouTube how-to videos and repaired it himself. He soon earned a reputation at school, he says: "If a phone was broken, they knew to go to me."

Word spread and parents, too, approached him. By senior year, he had quit his job at the bowling alley his father manages. "I told him that my time was worth more than $7.50 an hour," he says. "He was proud that I was making more money on my own."

Debbie Anderson, 60, says she has known Mr. Kokenge through her daughter since they were in elementary school and has twice turned to him with a cracked screen.

"Youth isn't always an asset when you're hiring someone," she says, but "I had all the confidence in his ability."

Teens interviewed for this article say they fix mostly Apple Inc. iPhones, though some work on Android devices. They typically bill something less than adult competitors, though not always.

Mr. Kokenge charges $50 to fix an iPhone 5 screen and $200 for an iPhone 7 Plus. He usually does repairs at a coffee shop.

For those models, iCracked, an online network that pairs technicians with customers, charges $74.99 and $189.99, while Apple charges $129 and $149 for phones not under warranty.

An Apple spokesman says the company has long respected customers' rights to get iPhones fixed by technicians of their choice but says it is best they turn to Apple-authorized channels, which use Apple-authorized parts, to ensure "that their Apple product continues to perform the way it did when they first purchased it."

AJ Forsythe, iCracked's CEO, attributes young iPhone entrepreneurs' success to availability of training materials and tools, and to their customer base. "You have this ecosystem of your peers that all have smartphones," he says. "Most of them are out and active and breaking them."

SARAH DESFORGES

Joseph Kokenge, 18, at work. He charges $50 to fix an iPhone 5 screen, $200 for an iPhone 7 Plus.

Of the 79,901 people applying to be technicians with iCracked last year, 12% were under 18. Its policy is that technicians must be at least 18.

Fixing phones has presented tough lessons for Jack Hancock, 18, of Mason, Ohio, who says he has repaired them since age 15.

He once drove 45 minutes to Dayton to tackle four phones for a client, working at a Panera Bread restaurant table until getting ejected at closing time. He finished outside, but not before breaking one phone. He footed the cost to replace it.

Another time, he accidentally clipped a cable in an iPhone, killing the fingerprint sensor. He paid the customer $400 for a new phone. "It was very costly to me."

He looks forward to college this fall, where students "tend to be less careful with their phones," he says. "There's a lot of partying, obviously."

Ethan Damm, a phone fixer in Wichita, Kan., says he faced Facebook attacks from an adult competitor. "He would throw out, 'He's only 17,' " says Mr. Damm, now 18, and claim he used low-quality screens.

Mr. Damm responded by linking to the website of his wholesaler, Mobile Defenders, to show his legitimacy. Derek Becker, who manages Mr. Damm's account there, says "everything from his follow-through and how he carries himself and communicates, he's top-notch."

One set of parents was so pleased with Mr. Damm's service, "they said you should come to the bar with us some time," he says. "I was like, 'I can't really go in the bar.' "

On Nantucket, Mr. Shaw is the "go-to guy," says Peter Bordes, executive chairman of a software company, oneQube, who got his phone fixed by Mr. Shaw last summer after a tip from a friend's teenage daughter. "She said go to this place, and you'll find him in this store," Mr. Bordes says. "It's like a mafia; they know who to go to." The repair, he says, was "flawless."

Mr. Shaw, a high-school sophomore this fall, learned from YouTube videos. This summer, he'll get backup from his understudy, Smith Mohler, 15, whom he trained last summer. Picking the right partner was crucial, he says. "It would be hard to hire a kid and trust him to fix an iPhone under your name."

Mr. Mohler says he has repaired more than 40 phones from students at high schools near his Washington, D.C., school.

He learned a lesson on pressing clients for devices' histories after a neighbor brought him a faulty phone. He installed a new screen, but it wouldn't turn on. "I didn't know why," Mr. Mohler says, "until she told me she dropped it in the toilet."

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LIFE & ARTS

WORK & FAMILY | By Sue Shellenbarger

Rise Above Your Awful Commute

As mass transit delays and complaints rise in several cities, veteran commuters and other experts have tips for staying calm

ERIC PALMA

DELAYS AND COMMUTER complaints are mounting on many of the nation's largest transit systems, including those in New Jersey, Washington, D.C., and Boston. New York's governor has declared this the "summer of hell" for commuters. San Francisco's rapid-transit system has been plagued by overcrowding and equipment breakdowns.

And the Federal Transit Administration says $90 billion in mass-transit repairs are overdue nationwide.

The big question for workers with no alternatives: How to make peace with your commute?

Some New Yorkers recently were stuck on a crowded subway car that stalled between stations without light or air conditioning. Dread of being trapped like that haunts accounting manager Matt Hopkins. He battles claustrophobia while commuting to his job in Manhattan by reading books on his e-reader—if he can find a seat. If not, he dons earbuds, closes his eyes and immerses himself in podcasts or a meditation app on his phone.

He tries not to take it personally when other commuters slam into him while rushing through the subway doors as they close. And the moment he emerges onto the street, Mr. Hopkins says he practices "wiping the entire experience from my mind."

Brad Westley of Silver Spring, Md., builds a buffer into his daily schedule to allow for commuter-train delays en route to his Washington consulting job. Breakdowns on the city's mass-transit system have risen steadily in the past five years, federal data show. Mr. Westley can't predict whether his commute will take the usual 25 minutes or twice that long, so he avoids scheduling any meetings until more than 90 minutes after he expects to arrive.

When a brake fire broke out on his train, he had to wait for the next one on a platform so crowded that he could barely move. "People are literally pushing you onto the train so they can squeeze in behind you," he says.

Having to exercise so much restraint and self-control before you arrive at work can hurt productivity later in the day, says Kathleen Vohs, a marketing professor at the University of Minnesota and author of 180 studies on self-control and related topics.

Employees whose self-control has been depleted by mental strain are less likely to take initiative on the job, she says. Rather than trying new ideas or wrestling with tough choices, they tend to punt and think, "I can't deal with that right now."

"If choosing the status quo is an option, people who are mentally fatigued are likely to choose that," Dr. Vohs says.

Commuters can stay productive by modifying their expectations: Prepare to be delayed, says Cali Yost, a Madison, N.J., consultant who advises employers on flexible workplace strategies. Fully charge your phone, tablet or laptop, carry backup batteries if needed, and download work, podcasts, books or projects you can focus on during the trip, says Ms. Yost, author of "Tweak It," a book on making small changes to feel happier.

Not everyone has the patience to dive into work in crowded conditions. But some commuters use travel time to focus on an absorbing project, such as learning a new language, which helps distract them from the frustrations, says New York stress coach Jordan Friedman.

Another approach is to think of your commute as a buffer period when you can prepare mentally for the workday, then retreat into your thoughts, says Jon M. Jachimowicz, a doctoral candidate at Columbia Business School. Commuters who were assigned to ask themselves, "What steps can I take to accomplish my career and work goals?" and to plan those steps en route to work, handled commuting hassles better, according to a four-week study under academic review of 443 U.S. commuters led by Mr. Jachimowicz.

> Working to keep your cool before you arrive at your job can hurt your productivity later.

Mindfulness training, which includes stopping your mind from wandering and directing your attention to what's happening in the moment, can build resilience and help people get through periods of heavy stress with their cognitive resources intact, according to a 2016 study.

And trying to act compassionately toward others in day-to-day settings can help you feel closer and more relaxed around them, a 2017 study shows.

Susan Arons actively resists lapsing into a dark mood during her daily bus ride from New Jersey to Manhattan, which has been stretching to two hours from the usual 40 minutes. "I do conscious things to get out of that head space," she says. A managing director at a New York public-relations firm, she swipes her transit fare card for fellow commuters whose cards have expired.

And when she walks the final leg of her commute, she smiles and greets shopkeepers out sweeping or hosing down the sidewalk.

"People sometimes think I'm crazy, or a tourist," she says, but she takes comfort in fostering a sense of community. Amid all the stress, "you're still part of a neighborhood."

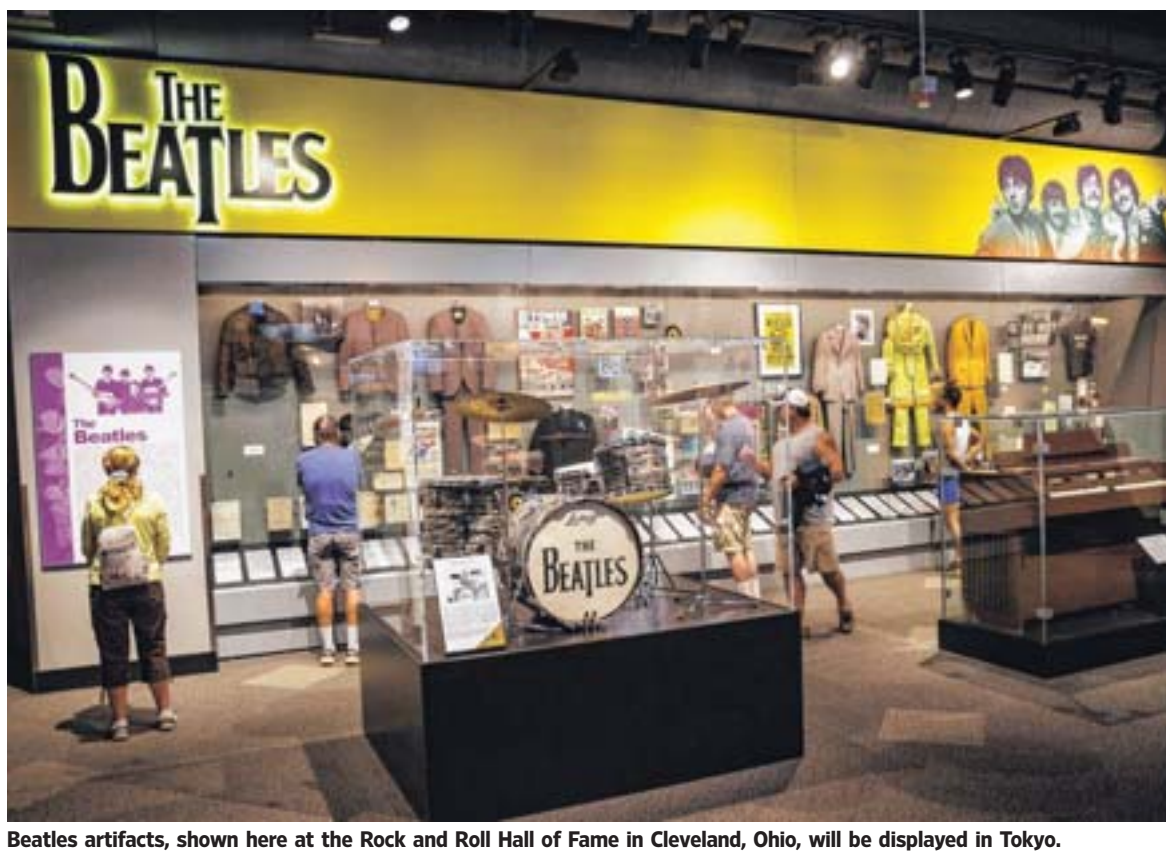
How to shake off a disastrous commute? A comforting ritual can help. Rick Gould's usual one-hour commute from Long Island to his office near Penn Station is taking up to 2½ hours. Then he's frozen for several more minutes on the steps of his train car by human gridlock on the platform at "Pain Station," as he calls the terminal. "It's so jammed and you're sweating already," says Mr. Gould, managing partner of a Manhattan M&A firm.

He regains energy by downing a large coffee with an espresso shot and humming "God Bless America," Mr. Gould says, with irony. "It reminds me of the freedoms I have," he says, "when I'm not sitting on the Long Island Rail Road."

MUSEUMS

ROCK AND ROLL HALL OF FAME GOES TO TOKYO

BY JOHN JURGENSEN



GETTY IMAGES

Beatles artifacts, shown here at the Rock and Roll Hall of Fame in Cleveland, Ohio, will be displayed in Tokyo.

THE ROCK and Roll Hall of Fame is betting it'll be big in Japan. The rock history repository is gearing up for a permanent presence in Tokyo, marking its first international expansion since opening its headquarters in Cleveland 22 years ago.

The project will start with the opening this September of a short-term exhibition, featuring pieces from the Beatles and other hall of famers, in a retrofitted retail space in central Tokyo, said Greg Harris, president and chief executive of the Rock and Roll Hall of Fame and Museum. With a budget of $24 million, that launch will be followed by construction of a stand-alone museum, including a planned concert space designed to host several thousand people.

The Rock and Roll Hall of Fame Japan is being created through a licensing agreement with a group of Japanese collaborators in music, media and business, some of whom brought the U.S. Rock Hall's splashy induction ceremonies to Japanese TV. They're hoping to build on the buzz for that annual broadcast and Japan's affinity for rock culture, Mr. Harris said. Japan is the world's second biggest market for music sales behind the U.S.

The Tokyo beachhead is the latest in a broader push by the Cleveland institution to turn up the volume. After two decades, the Rock Hall had gone from a maverick startup museum to a tourism mainstay coasting on its reputation. "We settled into maintenance mode" with relatively flat admission and revenue, said Mr. Harris, who became CEO in 2013. "It's essential that we're more than just a shrine to what happened before."

Audience analysis confirmed the need to diversify the Rock Hall's audience beyond the perceived core of nostalgic baby boomers. A summer concert series (with beer garden and food trucks) is starting its second year on the I.M. Pei-designed pyramid plaza in Cleveland, where a red sign in 6-foot-high block letters—"LONG LIVE ROCK"—offers selfie opportunities. Current traveling exhibits include dives into the culture of music festivals, and the history of rock, politics and protest.

Renovations include the addition of a high-tech theater opening July 1 with a film of induction performances by director Jonathan Demme, who died in April.

Last year, total annual attendance in Cleveland hit 543,000, the highest since the Rock Hall's opening and an increase of roughly 100,000 since 2014. Operating revenue jumped to $24 million in 2016, up 18% from 2015.

The Rock Hall has explored the possibility of international expansion before, but talks with potential partners in London, Berlin and other cities didn't pan out. In Tokyo, the initial exhibit will launch with artifacts from crowdpleasers such as Madonna, but the planned museum will emphasize music history relevant to Japan.

From an American perspective, Japan can seem like a parallel reality of rock popularity. The phrase "big in Japan" has long applied to Western acts with disproportionate success there. In the mockumentary film "Spinal Tap," the pariah heavy metal band goes out on a high note when it scores a hit in Japan.

For many rockers, however, the phenomenon is real and welcome. Deep Purple, for example, has released several live albums recorded in Japan, most recently 2015's "To the Land of the Rising Sun (In Tokyo)." Artifacts from the "Smoke on the Water" group (and 2016 Hall of Fame inductees) will be featured in the inaugural Tokyo exhibit alongside a guitar from the Talking Heads and a costume worn by Sting.

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OPINION

REVIEW & OUTLOOK

Skirmishing Over Syria

Putin, Iran and Assad test the Trump Administration.

A bipartisan conceit has been that the U.S. can defeat Islamic State by ducking the larger conflict in Syria, and now we're finding out that may not be possible. A U.S. F-18 jet shot down a Syrian bomber on Sunday to protect U.S. allies fighting Islamic State, and on Monday Russia and Iran threatened to target U.S. planes in response.

A U.S. fighter shot down the Syrian SU-22 plane after Syrian aircraft made their second bombing run against Syrian Democratic Forces (SDF) allied with the U.S. near Taqba. The regime was clearly testing whether the U.S. would assist its allies on the ground. The U.S. needed to send a deterrent message or Syrian President Bashar Assad will continue to press his offensive across SDF-held territory.

The risk of escalation is real, but this isn't a skirmish the U.S. can easily avoid. Mr. Assad and his allies in Moscow and Tehran know that Islamic State's days controlling Raqqa in Syria are numbered. They want to assert control over as much territory as possible in the interim, and that means crushing the SDF.

The Russian threat on Monday to target with antiaircraft missiles any U.S. aircraft flying west of the Euphrates River in Syria is part of the same intimidation strategy. Russia also suspended a hotline between the two armed forces designed to reduce the risk of a military mistake. Iran, which arms and assists Mr. Assad on the ground, vowed further Syrian regime attacks against SDF, all but daring U.S. planes to respond amid the Russian threat.

The White House and Pentagon reacted with restraint on Monday, calling for a de-escalation and open lines of communication. But if Syria and its allies are determined to escalate, the U.S. will either have to back down or prepare a more concerted effort to protect its allies and now U.S. aircraft.

This is the predicament President Obama put the U.S. in when his Syrian abdication created an opening for Vladimir Putin to intervene. Had the U.S. established a no-fly or other safe zone to protect refugees, the Kremlin might have been more cautious. Mr. Putin took the measure of Mr. Obama and gambled the former U.S. President would protest and do nothing. He was right. Now the Russian is testing President Trump as everyone maneuvers for post-Islamic State advantage.

As a candidate, Mr. Trump supported "safe zones" for refugees and opposition forces. But he's also shown no interest in a larger strategic goal than defeating Islamic State. Now is the time for thinking through such a strategy because Syria, Iran and Russia know what they want.

Mr. Assad wants to reassert control over all of Syria, not a country divided into Alawite, Sunni and Kurdish parts. Iran wants a Shiite arc of influence from Tehran to Beirut. Mr. Putin will settle for a Mediterranean port and a demonstration that Russia can be trusted to stand by its allies, while America is unreliable. None of this is in the U.S. national interest.

The alternative would be to demonstrate that Mr. Assad, Iran and Russia will pay a higher price for their ambitions. This means refusing to back down from defending U.S. allies on the ground and responding if Russian aircraft or missiles attempt to take down U.S. planes. Our guess is that Russia doesn't want a military engagement with the U.S. any more than the U.S. wants one with Russia, but Russia will keep pressing for advantage unless President Trump shows more firmness than his predecessor.

Germany's Tax Debate

Schulz pitches a rate increase while Merkel sits on the sidelines.

Germany's election campaign has been sleepy, but suddenly a debate is heating up over taxes. Opposition challenger Martin Schulz on Monday offered a tax plan that may force Chancellor Angela Merkel to respond.

Mr. Schulz's proposals are mostly in character for his center-left Social Democratic Party (SPD). He'd increase the top personal income-tax rate to 48% from 45% on incomes above €250,000 (about $280,000), and the second-highest rate to 45% from 42%. Capital-gains and dividend taxes would rise by applying the regular personal-income rates to capital income, rather than the current 25% rate. He'd use most of the money to pay for roads and schools.

These plans never work as advertised because the higher rates don't produce the promised increase in revenue. Taxpayers respond to higher rates by changing their behavior, especially as capital and labor become more mobile. But Mrs. Merkel can't ignore Mr. Schulz's plan because he tackles a problem she should have fixed years ago.

The best part of the SPD plan would increase the income threshold at which the second-highest rate kicks in, to €76,000 from €54,000. Mr. Schulz also wants to flatten what's known as the "middle class belly." Germany's income tax is calculated via an equation that applies a different marginal rate to each additional euro of income up to that threshold.

Now that rate increases rapidly at the lower end of the income scale before leveling off toward the top—it's supposed to look like a protruding stomach when you graph it. Mr. Schulz is right to want to flatten it so that the marginal disincentive to work for another euro of income isn't so bad.

This throws down a challenge to Mrs. Merkel and her center-right Christian Democratic Union (CDU). Mrs. Merkel has grudgingly heeded demands from her party for tax cuts. Her finance minister, Wolfgang Schäuble, promises a package worth €15 billion a year in the next Parliament, though it isn't clear which taxes Mrs. Merkel would cut.

She'd be smart to rise to Mr. Schulz's challenge by offering her own tax plan soon, flattening that middle-class belly without raising rates on capital and Germany's most productive—and mobile—workers. With a record fiscal surplus of €54 billion a year and counting, she doesn't need to follow Mr. Schulz down the fiscal rabbit hole of trying to replace the revenue that is supposedly lost by allowing citizens to keep more of their own money.

The wild card is corporate-tax reform, which Mr. Schulz left out of his plan. Some CDU members believe this should be a cornerstone of their proposal. There's plenty of scope to cut rates that rise to 33%. Germany might have no choice if President Trump pushes through a major corporate-tax reform in America, or if Britain lowers its rate to 15% or less post-Brexit.

One irony of Mrs. Merkel's long Chancellorship is that on economics she has largely lived off the pro-growth reforms made by her center-left predecessor, Gerhard Schröder. Mrs. Merkel has done little for reform while adding enormous economic costs with her green-energy schemes. A supply-side tax reform would offer a contrast to Mr. Schulz and a reason beyond inertia to elect her for another term.

U.S. Justices Act Like Grown-Ups

A High Court majority keeps its principles, even in the Trump era.

Political emotions are high and rising, so be grateful that at least one branch of the U.S. government is keeping its head. On Monday, in a hot case that involved immigration, the U.S. Supreme Court protected the constitutional separation of powers and confirmed that courts are supposed to interpret laws, not make them.

After the 9/11 attacks, hundreds of illegal aliens were detained and some were held for months without trial while law enforcement investigated their potential terror connections. The confinement conditions were harsh for some of these detainees, such as small cells and little exercise time, and they sued then Attorney General John Ashcroft and other high-ranking federal officials under a 1971 precedent known as *Bivens*.

That opinion allows people who have suffered from unreasonable searches and seizures to sue prosecutors or police for money damages, but it belongs to another judicial era. The Warren Burger Court "inferred" a private cause of action into an 1871 statute—a style of jurisprudence that was already in retreat by the 1980s on both the legal left and right. The High Court has since been more cautious about recognizing such "implied" rights, unless Congress explicitly creates them by passing statutes.

In *Ziglar v. Abbasi*, the detainees asked to expand *Bivens* in order to challenge policy decisions that they claim resulted in violations of their Fifth Amendment due-process rights. The Second Circuit Court of Appeals complied, but the Supreme Court was more modest about judicial power. In a 4-2 decision (with two recusals), the majority held that, absent legislative instruction, the prisoners lack the standing to sue.

The question when applying the *Bivens* relic to new circumstances, wrote Justice Anthony Kennedy, "is 'who should decide' whether to provide for a damages remedy, Congress or the courts? The answer will most often be Congress." The legislature accountable to voters is better positioned than judges to balance the equities and protect the public interest.

This is especially true because the foreign nationals could still have challenged their detention and remedied any constitutional violations under habeas corpus. The real purpose of their suit wasn't financial compensation for injuries but to second-guess the executive branch's response to 9/11 and the national-security choices made by Mr. Ashcroft and others acting in their official capacities amid an emergency.

Justice Stephen Breyer read his overwrought dissent from the bench, invoking Japanese internment in World War II, the Alien and Sedition Acts and even Civil War prison camps. But our guess is that *Ziglar* would be unexceptional in more conventional political times.

The Trump Presidency has inspired some judges to be more confrontational, even if they exceed their Article III powers to send a message to Article II. Mr. Trump's travel ban is in our view legal and constitutional, if unwise, yet two appellate circuits have discovered pretexts to strike it down. The danger is growing of an ends-justify-the-means cascade with the Constitution as an afterthought.

Justice Kennedy ends his opinion with a pledge of fidelity to "the idea of the rule of law that must inspire us even in times of crisis." *Ziglar* is a model for good judicial behavior when a real crisis inevitably arrives.

Fear Changed Saudi Arabia

By Walter Russell Mead

Riyadh worries it can no longer depend on the U.S. or oil.

Saudi Arabia used to be one of the most cautious players in the world of diplomacy. Not anymore. In the past three weeks, the Saudis have launched a coordinated diplomatic offensive against neighboring Qatar, hinted at new ties with Israel, scolded Pakistan, turned up the heat in their confrontation with Iran and carried on a war of words with Turkey. Meanwhile, they continue to bomb Yemen to support their local allies in that country's increasingly bitter civil war.

The Saudis are also bringing new gusto to domestic policy: The 2030 plan backed by Deputy Crown Prince Mohammed bin Salman is the most far-reaching and ambitious program for Saudi reform and restructuring ever seriously proposed. Privatizing the state oil giant Aramco (or at least part of it) and using the money to diversify the economy is, by Saudi standards, a revolutionary idea.

The jury is out on whether the Saudis' new foreign and domestic policies will work, but no doubt something fundamental has changed in what used to be one of the world's most cautious and slow-moving countries. The question is why. Some look to the deputy crown prince, a 31-year-old reformer elevated to his current role in 2015. But his rise is more a sign of the times than the main force driving change. After all, in the old Saudi Arabia, a mere 30-something never would have been allowed anywhere near the reins of power.

So what is behind the new Saudi activism? Fear. It's an emotion that comes naturally to an oil-rich kingdom with a relatively small population in a neighborhood full of predatory rivals. For years fear made the Saudis cautious, since they felt they could take shelter behind a strong and confident America. Now they aren't so sure.

In Riyadh, the Age of Insecurity began during President Obama's tenure. Mr. Obama's outreach to Iran—and his willingness to overlook its unprecedented regional aggression in his quest for a nuclear deal—left the Saudis feeling isolated and betrayed. As Iranian power spread across Iraq, Lebanon and Syria, the Saudis concluded that the U.S. no longer saw Saudi security as part of its core national interest.

The Trump administration has sought to reassure the Saudis that the "tilt to Iran" has ended, but their insecurity runs deep. From Riyadh, and from many other world capitals, the erratic shifts in American foreign policy—from Bush to Obama to Trump—raise disturbing questions about the future. Who comes after Mr. Trump? Elizabeth Warren? Sean Hannity? As American politics becomes less predictable and more extreme, countries that have grounded their national strategy on the stability of an American alliance must reassess their options.

Then there is oil, an issue on which Saudis and Americans once saw eye to eye. With their enormous reserves, the Saudis believed that they were in the oil business for the long term. Unlike more aggressive players, who wanted to push oil prices as high as possible, the Saudis used their position as a "swing producer" to keep markets reasonably stable—something the U.S. appreciated. The Saudi goal was to keep their customers committed to oil long term and forestall heavy investment in alternative fuels.

The shale revolution is shifting this balance. The U.S. and Saudi Arabia are no longer allies in the oil market. American frackers, who can quickly increase or decrease output as prices change, are challenging Saudi Arabia's role as the global swing producer.

Worse, from a Saudi point of view, the long-term dynamics of the oil market seem to be changing. There is much less talk of "peak oil" in the sense of peak production, and more talk of "peak demand." Advances in energy efficiency and alternative-power generation are shifting the long-term demand curve for hydrocarbons.

At the same time, Saudi Arabia's rapidly growing population will place increasing demands on its economy. Riyadh worries that if oil becomes less profitable, it will be unable to keep its people happy.

All this suggests that the current turbulence in the Gulf is here to stay. If the Trump administration wants to restore tranquillity, it should think holistically about Saudi Arabia's economic and security problems—and creatively about how this American alliance, a pillar of Middle East stability since World War II, can be renewed.

Mr. Mead is a fellow at the Hudson Institute, a professor of foreign affairs at Bard College, and editor at large of the American Interest.

LETTERS TO THE EDITOR

America Must Punish Those Who Dump Steel

Your editorial "America's Steel-Trapped Minds" (June 13) diminishes the main issue that is the impetus for the administration's investigation into the national-security impact of steel imports: global steel overcapacity.

Today there is more than 700 million metric tons of excess steel capacity globally. Driven by foreign-government interventionist policies, this overcapacity has led to high levels of dumped and subsidized imports and the loss of nearly 14,000 U.S. jobs.

The American steel industry has relied on U.S. trade laws to address the impact of these unfairly traded imports, and that has provided some relief. However, high volumes of steel continue to enter the U.S. from countries that aren't subject to the relief, or where it has been ineffective or from companies that ship their steel through third countries to evade the laws.

The American steel industry is among the most environmentally sustainable and technologically advanced in the world. We have substantially reduced our energy usage and led the development of industry innovations such as advanced high-strength steel. If not countered effectively, the injurious dumping of steel will continue to cost thousands of good paying jobs, discourage new investment in manufacturing and threaten the very viability of an industry that built America and remains the strong backbone of its economy and security.

THOMAS J. GIBSON
President and CEO
American Iron and Steel Institute
Washington

Is breaking the law justified as long as it benefits consumers? The point of applying tariffs isn't to make foreign steel more expensive to protect a small number of American steelworkers, as your editorial claims. Tariffs are a means of enforcing the rules of international trade for the sake of more than one million American jobs that depend on a viable steel industry.

We would all like a global trading system that is truly free, one in which the theory of comparative advantage is a reality, with each nation exporting what it does best. We're not there yet. Instead, we have managed trade, a system governed by trade agreements and rules that participants agree to follow. The only way we are going to break down trade barriers is by enforcing the rules we already have.

If a company is receiving illegal government subsidies to produce and sell artificially cheap steel, its products are subject to a tariff. That's the law. We welcome the Commerce Department's investigation.

JOHN FERRIOLA
Chairman, CEO & President
Nucor Corp.
Charlotte, N.C.

Blame the One in Charge For Any Russian Interference

Regarding David Satter's "From Russia With Chaos" (op-ed, June 14): The Democrats' hysterics about an alleged Russian interference with the most recent election overlaps the border between funny and sad. If there was Russian involvement, wasn't that a failure of the Obama administration? Wasn't the previous administration in charge of national security?

Russia (including the former U.S.S.R.) has been involved with American politics since the 1930s. Remember Alger Hiss and Harry Dexter White, who were highly placed in FDR's administration while acting as agents for the U.S.S.R.? Once again Democrats are attempting to blame Republicans for their own failures.

RICHARD A. YOUNG
Greenwich, Conn.

What if Russian "interference" had nothing to do with email hacking or Trump-campaign collusion, but had everything to do with the Russians exploiting the mainstream media and intelligence communities' loathing for Donald Trump and the hyperpoliticization these institutions underwent during the prior administration?

Mr. Satter demonstrates how Russians could have leaked disinformation to the intelligence community and mainstream media, where useful idiots could have eagerly disseminated such disinformation, knowing this would destabilize American politics and handicap the new American president.

Could anything be as ironic as the Russians destabilizing American politics simply by hitching a ride on the mainstream media's bandwagon?

KEN BECKERT
Abingdon, Md.

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OPINION

Don't Raise the U.S. Debt Limit—Repeal It

By Jason Furman
And Rohit Kumar

Over the past eight years, high-stakes negotiations in Congress over the U.S. federal debt limit have repeatedly brought Washington to the verge of default. We were on opposite sides of these debates, as senior policy advisers to President Obama and Senate Republican Leader Mitch McConnell, and we continue to disagree about taxes and the proper size of government. Yet we both believe that the statutory debt limit has outlived its usefulness as a mechanism for restraining the size of the national debt. Or, put more precisely, we think that whatever residual value the debt limit may have is far outweighed by the risk that a potential U.S. default poses to the global economic order.

Owing tens of trillions is a problem. Default would be a catastrophe. End the continuing crisis.

Now the debate is heating up again: The Treasury Department is already taking "extraordinary measures" to avoid going above the debt ceiling, but that can last only a matter of months. Congress will have to act. But this time instead of merely raising the debt limit, lawmakers should abolish it altogether—for the good of President Trump, all his successors and the American people.

The U.S. Constitution assigns Congress the power to tax and spend, which determines the annual budget deficit and, therefore, the debt. Separately, the Constitution authorizes Congress to "borrow Money on the credit of the United States."

But what if lawmakers approve spending, and then later refuse to borrow the money needed to satisfy the obligation? The result would be a default: Washington either would stop paying bondholders or would fall short on its other commitments—to disabled veterans, for example, or defense contractors or even taxpayers who are owed refunds.

Fortunately, this has never happened. Congress has always met its responsibility to authorize the borrowing needed to pay America's bills. Over the past several decades, however, lawmakers have made an increasingly regular practice of using the debt limit as leverage, flirting with default as a way to get concessions from the other side.

Until World War I, Congress authorized debt on a case-by-case basis, approving individual bond issues or allowing borrowing for a specific purpose. In 1917, in an effort to make the process more efficient, Congress granted the Treasury the authority to borrow up to a certain limit.

For decades, this system worked effectively. But skirmishes over the debt limit began as early as 1953, when President Dwight Eisenhower asked lawmakers to raise the figure. Sen. Harry F. Byrd Sr., a Democrat from Virginia, led the upper chamber's Finance Committee to reject the president's request. Then in 1967 the House, controlled by Democrats, rejected in a floor vote a debt-ceiling increase requested by President Lyndon Johnson.

The challenge of raising the debt limit became even more difficult over the following decades. In 1985 Treasury Secretary James Baker became the first to use "extraordinary measures" to prevent borrowing from hitting the cap. An expanding set of such measures were deployed in 1995-96, 2002, 2003, 2011, 2013, 2014, 2015 and 2017. Now that these measures are used almost annually, it is hard to justify calling them "extraordinary."

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Sen. Harry F. Byrd Sr., pictured in 1964, refused to raise the debt limit in 1953.

Although the measures mostly involve inconsequential reshuffling in the federal ledger, they can have real-world costs. Treasury Secretary Steven Mnuchin, for example, like several of his predecessors, has suspended the sale of state and local government series bonds. This allows the Treasury to stay below the debt ceiling for longer but can make it more costly for states and cities to manage their finances.

As the debt limit nears, costs mount. In the past, the Treasury has operated with a smaller cash cushion against unforeseen contingencies, has rejiggered bond maturities in ways that interfere with liquidity in the financial system, and has paid higher yields to borrowers worried about timely repayment. At the same time, brinkmanship over the debt limit erodes consumer and business confidence and increases market volatility.

Note that these costs are incurred simply by approaching the debt limit without actually reaching it. In a 1985 letter, President Reagan discussed what would happen if the government did someday teeter over the edge: "The full consequences of a default—or even the serious prospect of default—by the United States are impossible to predict and awesome to contemplate." During the debt negotiations of 2011, President Obama similarly warned that hitting the limit "would risk sparking a deep economic crisis—this one caused almost entirely by Washington."

While many countries have limits on the policies that drive debts and deficits, none of them have a history of using the threat of default as a negotiating tool once spending and taxing decisions have been made. Denmark is the only other country with a debt limit on the books, but it is set so high as to be irrelevant.

To meet the obligations set out by Congress, the U.S. will have to raise the debt limit by about $3 trillion over the next four years—and another projected $1 trillion, give or take, each year thereafter. At this pace, the risk is high that negotiations to raise the debt ceiling may fail, with unimaginably severe consequences.

Lawmakers are right to be concerned about steep increases in the debt. But those worries should be expressed when the policies that actually increase the debt are voted on. Once new policies become law, defaulting on interest payments or veterans' benefits is hardly productive.

A new mechanism is necessary to tackle the debt issue—and it must be one that doesn't prejudge the question of revenue increases versus spending cuts, which is for future Congresses to resolve.

For now, the right move is to eliminate the debt limit permanently. That would let the Treasury focus on the most efficient and effective ways to manage the federal government's cash flow, giving future presidents, both Democratic and Republican, a freer hand. No matter which party holds the White House, all Americans would benefit from taking the threat of a U.S. default off the table.

Mr. Furman, a senior fellow at the Peterson Institute for International Economics, was chairman of the White House Council of Economic Advisers from 2013 to 2017. Mr. Kumar, a principal at PwC, was policy director and deputy chief of staff to Senate Republican Leader Mitch McConnell from 2007j to 2013.

Britain Begins Brexit Talks on the Back Foot

By Andrew Hammond

One of the many ironies of the Theresa May leadership is that the Tories selected her for the top job because of her perceived experience and skill to see the nation through its most complicated ever peacetime negotiation. Yet her decision to call the June 8 "Brexit election" was one of the U.K.'s biggest political blunders in years.

The election has transformed the context for the Brexit battles to come. Mrs. May had previously hoped a big election victory would allow her to deliver her vision of a complete exit from the European Union while securing a comprehensive new trade agreement with Brussels. Now her reputation is in shreds.

Her weakness could see the nation crashing out of the EU with the hardest and potentially most disorderly of all exits, and without any deal on a future U.K.-EU relationship. Her minority government may not survive the course of negotiations. Or it may be unable to take the tough decisions needed to get an agreement.

The stakes at play are huge and historic. The EU could likewise be damaged by a disorderly, hard Brexit. Delivering a smoother departure now needs clear, coherent and careful strategy and thinking.

One indicator of the U.K.'s weakened hand is the capitulation by Brexit Secretary David Davis to the EU's negotiation timetable. Mrs. May had previously insisted that exit-deal negotiations, including over the so-called financial-divorce bill, must parallel discussions over the future relationship between the U.K. and the EU. On Tuesday Mr. Davis agreed with the EU's chief Brexit negotiatior, Michel Barnier, that talks on how much money the U.K. will have to pay to leave will happen first, thus increasing Brussels' leverage.

Such is the potential weakness of Mrs. May's government that there is now concern that proper negotiations may no longer be possible. Since extending the two-year talks would only reduce the EU's negotiating power, Brussels is ratcheting up pressure on Mrs. May to proceed, whether her team is ready or not.

The problem is that Mrs. May's domestic position has also weakened. She may not survive as prime minister for the full two years it may take to conclude negotiations. She also faces what may now be a majority in the House of Commons that supports a softer Brexit, including the overwhelming majority of members of Parliament from the opposition parties plus between 20 and 30 Tories. One could sense the new post-election assertiveness of the former Remainers within the Tory Party when Scottish leader Ruth Davidson said the electorate "did not vote for a Brexit which makes us poorer or less secure . . . so let's commit to an 'Open Brexit.' "

The irony of Theresa May's weakened position is that it has made more unlikely the soft Brexit her opponents clamor for.

This could threaten, among other things, Mrs. May's past commitment to casting aside the U.K.'s membership in the European Customs Union. Such a stance could be a red line for the Democratic Unionist Party, whose contingent of 10 members of Parliament from Northern Ireland are being wooed to reach a parliamentary cooperation pact by Mrs. May's government. Casting aside customs-union membership would create a harder border between the Republic of Ireland and Northern Ireland, the only land crossing between the EU and U.K. after Brexit.

With cross-border trade between the two countries worth more than €3 billion ($3.36 billion) a year, few want to see this disrupted. Yet if the U.K. fails to stay in the customs union or strike a trade deal with the EU, U.K. exports will be hit by the common EU external tariff, which would necessitate border checks.

There is also the question of whether the U.K. might be able to retain membership in the European Single Market, especially if the EU was willing to accept new U.K. immigration restrictions. While that remains uncertain, a sign of the shifting mood in U.K. politics is that even arch-Brexiteer Nigel Farage has highlighted the possibility now of the U.K. moving toward a Norway-style European Free Trade Association relationship, which would still see the U.K. leave the EU while retaining full access to the single market.

Political support in the U.K. for a softer Brexit is growing. The big question is whether Mrs. May's government can be resilient enough to survive the course of negotiations or have sufficient political capital to make the tough decisions needed to reach such an agreement. Without strong, constructive leadership from all sides, the odds are growing that the U.K. could crash out the EU with the hardest of hard Brexits.

Mr. Hammond is an associate at LSE Ideas at the London School of Economics.

Trump Tarnishes America's Standing Down Under

By Michael Fullilove
And Alex Oliver

Australians have long valued our security alliance with the U.S., a relationship that dates back to World War II. We have been America's most reliable friend, the only country to have fought at its side in every major conflict of the 20th and 21st centuries. Now new polling suggests Donald Trump may be tarnishing that the relationship.

The first contact between President Trump and Australia's Prime Minister Malcolm Turnbull didn't go well. In January the president reportedly cut short a "hostile and charged" phone call, which he later described as "the worst call so far."

The damage was repaired somewhat when the two leaders met in New York in early May. Then last week video emerged from an off-the-record charity dinner showing Mr. Turnbull poking fun at Mr. Trump. As Mr. Trump isn't known for his self-deprecating sense of humor, the next phone call between the two leaders will no doubt be awkward.

Many Australians will have seen the humor in Mr. Turnbull's performance. Lowy Institute polling conducted in the lead up to the 2016 election found that 77% of Australians would have preferred it if Hillary Clinton had won. Only 11% preferred Donald Trump.

Now that Mr. Trump has become president, the 2017 Lowy Institute Poll finds that 60% of Australians say Mr. Trump causes them to have an unfavorable opinion of the U.S. He's particularly unpopular among young adults—with 70% saying he is a negative factor in their opinion of the U.S.—and women, 68% of whom disapprove of the U.S. leader.

There has also been a steep drop in Australians' trust of the U.S.: the number who trust America "a great deal" to act responsibly in the world has halved, to 20% from 40%, since the Lowy Institute last polled this question in 2011. The 61% of Australians who trust the U.S. overall contrasts with the 90% who trust the U.K., 86% who trust Germany and 86% who trust Japan.

The number of Australians who see the U.S. as Australia's "best friend in the world" has also halved, to 17%, from 35% in 2014. Whereas three years ago America shared the top slot on the "best friend" list alongside New Zealand, it has now dropped to second place, far behind New Zealand and tied with the U.K.

There were strong indications before the 2016 U.S. election that Australians might shun the U.S. alliance under a Trump presidency. Nearly half the Australian population, 45%, said in 2016 Lowy Institute polling that "Australia should distance itself from the United States if it elects a president like Donald Trump."

The good news out of the 2017 poll is that Australians are able to separate the Australia-U.S. alliance from the person of Mr. Trump. For the moment, support for the alliance is holding up, and in fact has rebounded after a significant nine-point drop recorded in March 2016 polling during the U.S. presidential primary season.

The U.S. alliance with Australia remains strong for now, but the strains are starting to show.

More than three-quarters of Australians, 77%, still say the alliance is either "very" or "fairly" important for Australia's security. Their overall warmth toward the U.S., as measured on the poll's "thermometer of feelings" toward nations, has stabilized after its record five-point drop last year. Only 29% of Australians now think "Australia should distance itself from the United States under President Donald Trump."

These results probably reflect the pragmatism for which Australians are famous. But it's an open question how long the relationship can prosper under the weight of Mr. Trump's behavior.

Mr. Trump has professed his skepticism about alliances, hostility to free trade and partiality to strongmen. Since taking office he has withdrawn from the Trans-Pacific Partnership, undermining perceptions of American reliability and undercutting America's position in Asia.

Mr. Trump has also refused to endorse the principle of collective defense, which is enshrined in Article 5 of the NATO Treaty and forms the basis of all U.S. alliances. He has been careless with intelligence provided by allies. His most recent move—withdrawing from the Paris climate agreement—will likely further spook Australians, whose concern about climate change has risen in the last few years and who supported a strong commitment to the Paris accord in 2015.

No one likes being taken for granted, not even the oldest and easiest of friends. The 2017 Lowy Institute Poll reveals that fewer Australians than ever see the U.S. as our "best friend." That should be a warning for all of us who support this alliance.

Mr. Fullilove is the executive director of the Lowy Institute in Sydney. Ms. Oliver is the director of the institute's polling program and the author of the 2017 Lowy Institute Poll.

Notable & Quotable: Paglia

Camille Paglia in an interview with the Weekly Standard, June 15:

There seems to be a huge conceptual gap between Trump and his most implacable critics on the left. Many highly educated, upper-middle-class Democrats regard themselves as exemplars of "compassion" (which they have elevated into a supreme political principle) and yet they routinely assail Trump voters as ignorant, callous hate-mongers. These elite Democrats occupy an amorphous meta-realm of subjective emotion, theoretical abstractions, and refined language. But Trump is by trade a builder who deals in the tangible, obdurate, objective world of physical materials, geometry, and construction projects, where communication often reverts to the brusque, coarse, high-impact level of pre-modern working-class life, whose daily locus was the barnyard. It's no accident that bourgeois Victorians of the industrial era tried to purge "barnyard language" out of English.

Last week, that conceptual gap was on prominent display, as the media, consumed with their preposterous Russian fantasies, were fixated on former FBI director James Comey's maudlin testimony before the Senate Intelligence Committee. (Comey is an effete charlatan who should have been fired within 48 hours of either Hillary or Trump taking office.) Meanwhile, Trump was going about his business. The following morning, he made remarks at the Department of Transportation about "regulatory relief," excerpts of which I happened to hear on my car radio that afternoon. His words about iron, aluminum, and steel seemed to cut like a knife through the airwaves.

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TED7 FOR THE WALL STREET JOURNAL

MY RIDE | By A.J. Baime

The Swedish Car Ferrari Owners Envy

Jeffrey Cheng, a private-equity investor from Newport Beach, Calif., on his 2008 Koenigsegg CCX, as told to A.J. Baime.

Years ago, the word supercar came into vogue. A supercar is a rare, expensive performance automobile, like a Ferrari or a Lamborghini. Later, car fans started using the word hypercar. These vehicles are even more exclusive—so rare in fact, you are not likely to ever even catch a glimpse of one. They can cost well over a million dollars, and they pack so much power, they defy the whole idea of what a car is supposed to be.

In my opinion, there are only two real independent hypercar builders today: Koenigsegg of Sweden and Pagani of Italy.

I was lucky enough to see a Koenigsegg at a gas station in 2009. I was already a Ferrari collector, and I knew of this car and its ingenious creator, Christian von Koenigsegg. I was transfixed. The vehicle looked like nothing I had ever seen.

A few years later, I got a call from a specialty car dealer in Seattle saying he had a Koenigsegg CCX for sale. Within 24 hours, I was at his dealership handing him a check. With a car this rare, I feared that I would never have another shot at one.

Koenigsegg was founded in Sweden in 1994 by then-22-year-old Christian von Koenigsegg, and to this day, only 134 cars have been completed. The CCX was the first Koenigsegg imported into the U.S. The experience of driving it is hard to put into words. The engine puts out 806 horsepower. The vehicle is very lightweight and full of suspension technology, so this power is delivered in a smooth, refined manner. Top speed is over 245 mph.

At the time I bought my CCX, there was no place to service my car, so a Koenigsegg technician flew in to do the work in my garage.

Last summer I drove the CCX to Monterey Car Week, a huge gathering of enthusiasts. A mob crowded around. It was as if a spaceship had landed. Koenigsegg is building a new car called Agera RS. A very few are slated for the U.S. I ordered one and it is scheduled to arrive in July. This new car will put well over 1,000 horsepower to the pavement. I cannot wait to get behind the wheel.

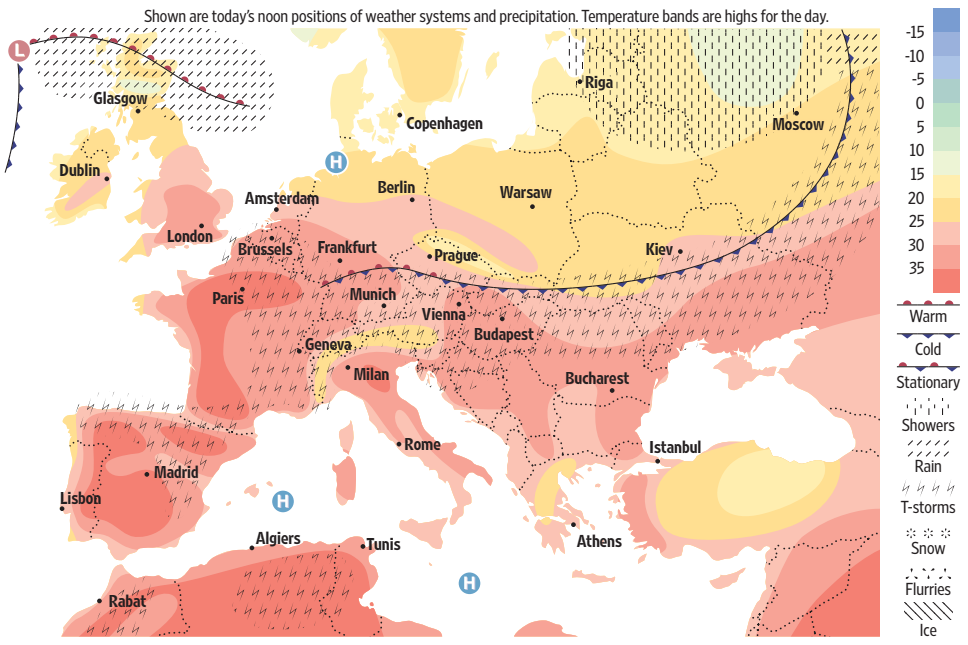
Contact A.J. Baime at Facebook.com/ajbaime.

Newport Beach, Calif., private equity investor Jeffrey Cheng's 2008 Koenigsegg CCX. This Swedish brand of car is so rare, only 134 have been completed since the company was formed in 1994. Top speed is over 245 mph.

Weather

AccuWeather.com

Shown are today's noon positions of weather systems and precipitation. Temperature bands are highs for the day.

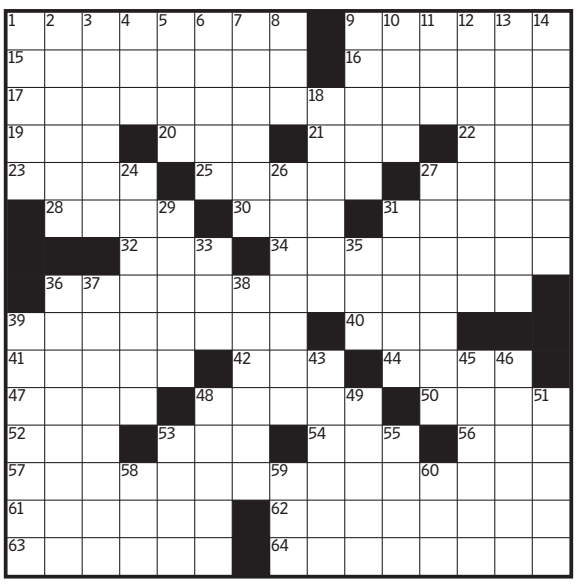


Global Forecasts

s...sunny; pc... partly cloudy; c...cloudy; sh...showers; t...t'storms; r...rain; sf...snow flurries; sn...snow; i...ice

City	Today Hi	Today Lo	Today W	Tomorrow Hi	Tomorrow Lo	Tomorrow W
Amsterdam	28	19	pc	25	15	t
Anchorage	16	11	c	16	10	c
Athens	29	20	s	31	21	s
Atlanta	26	21	pc	25	23	t
Baghdad	39	24	s	38	24	s
Baltimore	30	19	pc	33	22	pc
Bangkok	35	26	t	34	26	t
Beijing	33	21	t	25	19	t
Berlin	23	12	pc	30	16	pc
Bogota	17	10	c	19	9	r
Boise	30	13	s	28	13	s
Boston	27	17	pc	26	18	pc
Brussels	32	21	t	30	15	t
Buenos Aires	14	9	pc	22	16	c
Cairo	33	22	s	33	22	s
Calgary	18	7	t	16	6	pc
Caracas	31	26	pc	32	25	pc
Charlotte	28	21	pc	28	21	c
Chicago	27	19	pc	32	20	t
Dallas	34	24	s	31	24	pc
Denver	34	17	pc	32	14	s
Detroit	27	17	pc	30	21	t
Dubai	39	31	s	41	32	s
Dublin	25	13	pc	19	12	pc
Edinburgh	22	14	r	19	13	c
Frankfurt	33	20	t	35	18	t
Geneva	30	19	t	32	19	pc
Hanoi	33	26	pc	33	27	t
Havana	32	23	pc	33	23	pc
Hong Kong	31	29	t	33	28	t
Honolulu	31	23	pc	31	23	pc
Houston	30	24	c	30	25	t
Istanbul	26	20	s	28	22	s
Jakarta	32	26	t	32	24	sh
Johannesburg	18	5	pc	20	4	s
Kansas City	33	22	s	33	21	s
Las Vegas	47	31	s	46	32	s
Lima	22	17	pc	22	17	pc
London	33	18	s	27	14	pc
Los Angeles	31	19	pc	29	18	pc
Madrid	37	21	pc	38	21	s
Manila	33	27	t	34	26	t
Melbourne	13	4	c	14	7	pc
Mexico City	26	12	pc	27	13	pc
Miami	32	27	t	33	26	c
Milan	34	21	pc	35	21	pc
Minneapolis	27	18	t	25	15	pc
Monterrey	38	20	pc	40	20	pc
Montreal	22	12	sh	25	17	pc
Moscow	17	9	pc	18	9	sh
Mumbai	33	28	r	33	28	t
Nashville	32	21	s	28	23	c
New Delhi	37	25	t	37	25	t
New Orleans	28	26	r	29	26	r
New York City	28	18	pc	28	22	pc
Omaha	35	21	pc	33	17	t
Orlando	31	23	t	32	23	t
Ottawa	22	11	sh	24	16	c
Paris	35	20	t	34	16	pc
Philadelphia	29	20	pc	32	22	pc
Phoenix	48	32	s	45	31	s
Pittsburgh	26	15	pc	29	20	pc
Port-au-Prince	34	24	pc	35	24	pc
Portland, Ore.	24	11	pc	26	12	s
Rio de Janeiro	25	20	r	24	19	pc
Riyadh	43	27	s	42	27	s
Rome	29	18	s	30	19	s
Salt Lake City	36	19	s	32	16	s
San Diego	26	19	pc	24	19	pc
San Francisco	26	16	pc	28	16	s
San Juan	31	25	sh	31	25	pc
Santiago	14	7	c	12	6	r
Santo Domingo	32	23	pc	32	23	pc
Sao Paulo	18	14	pc	21	13	pc
Seattle	22	10	pc	23	11	s
Seoul	30	20	s	28	20	pc
Shanghai	28	23	pc	28	24	r
Singapore	30	26	t	31	26	t
Stockholm	19	9	c	20	10	pc
Sydney	18	12	pc	18	9	pc
Taipei	32	26	c	34	26	t
Tehran	38	24	s	37	23	s
Tel Aviv	27	22	pc	28	20	s
Tokyo	24	22	r	27	21	pc
Toronto	23	11	pc	22	18	sh
Vancouver	19	9	s	20	11	s
Washington, D.C.	31	22	pc	34	24	pc
Zurich	32	17	t	32	17	pc

The WSJ Daily Crossword | Edited by Mike Shenk



MAKING WAVES | By Alice Long

Across

1 Follow-up to "Straight" in some bar orders
9 Relative group
15 Puzzle magazine offering
16 "Jeopardy!" fodder
17 Two favorite things for "Sunshine of Your Love" fans?
19 Hoary
20 Aluminum coin
21 Drink cooler, in Dresden
22 That bloke
23 Gaucho's throwing weapon
25 "Take a chill pill!"
27 Objective, e.g.
28 Glossary entry
30 Twaddle
31 Henry VIII's house
32 Windsurfing spot
34 Jiggly desserts
36 Music to accompany cookouts by the sea?
39 Fern feature
40 Clinic nickname
41 Bounds along
42 Windowsill sunner
44 Vogue rival
47 Astronomer's bear
48 She beat Graf in the 1992 French Open
50 Bring in
52 Car in a 1964 Ronny & the Daytonas song
53 Letters for debtors
54 Greek's X
56 Co. co-founded by Michael Ovitz
57 Heads home after a day by the ocean?
61 Track meet makeup
62 Put beneath for support
63 Ascended again
64 Date, in a way

Down

1 Person of great wealth
2 Spotted prowler of South America
3 Hold protectively
4 Ad ___
5 Grayish
6 Take the helm
7 Former Disney CEO Michael
8 GE purchase of the 1980s
9 Army base about 16 mi. from Trenton
10 Pendulum paths
11 Russian space station
12 Cry of exasperation
13 Intermediaries
14 Whines
18 More shipshape
24 Forested plane in Dungeons & Dragons
26 Like Vulcans, notably
27 Manicurist's target
29 Stallions' mates
31 Resort near Carson City
33 "You bet!"
35 Outpaced
36 Frolicsome
37 Crosses, as "the pond"
38 Like the flop, in Texas hold 'em
39 Plate great
43 Electronic dance music
45 Part of many Mexican restaurant names
46 Removed all evidence of
48 Boozer
49 Loses
51 Smartly dressed
53 Believers
55 "Law & Order: SVU" co-star
58 Brian of ambient music
59 Pull on
60 It may be refined

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

Previous Puzzle's Solution

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TECHNOLOGY: YOUTUBE WINS BACK SOME MARKETERS B4

BUSINESS & FINANCE

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THE WALL STREET JOURNAL. Wednesday, June 21, 2017 | B1

Euro vs. Dollar	FTSE 100	Gold	WTI crude	German Bund	10-Year Treasury
1.1123 ▼ 0.24%	7472.71 ▼ 0.68%	1241.00 ▼ 0.26%	43.23 ▼ 2.19%	yield 0.261%	yield 2.153%

Era of Tycoons Is Fading in Asia

Li Ka-shing's plans to pass baton at his conglomerate is part of generational shift

The curtain is falling on a generation of Asia's tycoons who forged vast fortunes in the fires of the region's political and economic upheaval of the past half-century.

By Wayne Ma in Hong Kong and Jake Maxwell Watts in Singapore

Hong Kong billionaire Li Ka-shing, for decades one of the world's richest people, has told associates that he plans to step down as chairman of his flagship conglomerate, **CK Hutchison Holdings Ltd.**, by next year, when he turns 90, according to people briefed by Mr. Li.

A Chinese-born, Hong Kong-made billionaire, Mr. Li built a plastic-flower manufacturer into a global empire spanning property, energy, ports, telecom and retail.

Passing the baton to his previously anointed successor, his eldest son, Victor Li, would represent the most significant corporate abdication yet among an elite of aging billionaires in Hong Kong and Southeast Asia. These tycoons combined business savvy and carefully cultivated political connections—often with authoritarian governments—to prosper in Asia's postcolonial economies and, more recently, from China's economic opening.

With an average age of 80, the current 10 wealthiest tycoons in Hong Kong and Southeast Asia are collectively the world's oldest by region, according to an analysis of data from Forbes's 2017 billionaires list.

They include sugar-to-palm-oil and hotel baron Robert Kuok, 93, of Malaysia; Thailand's chicken-and-pork king, Dhanin Chearavanont, 78; and Philippines shoe seller turned mall developer Henry Sy, 92. All are from Chinese emigrant families and became the richest men in their countries.

Mr. Kuok hasn't announced succession plans, but his eldest son is now chairman of the family's main private company. Mr. Chearavanont handed the reins earlier this year to his sons, appointing his eldest as chairman. Mr. Sy has made his six children heirs to his company.

As these men near succession, some investors question whether their privileged, mostly Western-educated heirs can steer their corporate juggernauts as effectively as their self-made fathers did. Many lack the political ties and hard-scrabble upbringing of the patriarchs. They also have less access to easy opportunities.

JUSTIN CHIN/BLOOMBERG NEWS

Li Ka-shing turns 90 next year.

These 10 families remain a formidable force, with a combined wealth of almost $160 billion, according to an analysis of Forbes data. They wield huge power at home and increasingly seek foreign acquisitions. Between them, they have spent almost $200 billion on acquisitions over the past decade, according to Dealogic.

Mr. Li, known for his horn-rimmed glasses and iron grip on his companies, rode China's economic boom and extended his reach into U.K. mobile networks, Australian utilities and Canadian air-conditioning firms. A spokesman for CK Hutchison said the chairman "has from time to time talked about his retirement and his confidence in Victor to lead the company." Mr. Li, through a company spokesman, declined to be interviewed.

Even so, the stepping back of Mr. Li—who is worth $33 billion, according to the latest data from Forbes—may create

Please see TYCOON page B2

Russian Banker Critical Of Probes

By Margot Patrick And Jenny Strasburg

LONDON—Probes into the Trump administration's alleged dealings with Russia are creating a vacuum in U.S. foreign policy and preventing relations from thawing between the two countries, the head of Russia's second-largest bank said Tuesday.

Andrey Kostin, president and chairman of the management board at **VTB Bank**, in an interview Tuesday with The Wall Street Journal, criticized sanctions by the U.S. against Russia, and said President Donald Trump can't improve the situation because of the storms in Washington.

"He is just incapable of doing anything vis-à-vis Russia because of all these accusations of having some kind of, I don't know what, relationship with Russia, which is complete nonsense," Mr. Kostin said. "It seems that's just a lack of any power in Washington, and in international affairs, that's a big problem," he said.

Mr. Kostin was in London for a conference sponsored by his bank to encourage more investment in Russia and Russian companies. He said VTB has been able to find ways to keep doing business with U.S. and European banks and investors despite being among a set of Russian companies and individuals under U.S. and European Union sanctions. The political repercussions of sanctions are a greater concern, Mr. Kostin said.

VTB is majority-owned by the Russian government. Mr. Kostin, its Moscow-born chairman, is a close colleague of Russian President Vladimir Putin. He is himself a former Russian diplomat who was stationed in the U.K. in the 1980s.

"We don't put sanctions as a key question, as a key problem, for us. Even for me personally, I'm more concerned about political repercussions...a possible arms race, possible Cold War," Mr. Kostin said. "I think it will be too dangerous for the world."

The White House didn't immediately respond to requests for comment.

The U.S. instituted sanctions against Russia during the crisis over the Crimean peninsula in 2014, mostly aimed at crippling Russia's energy sector. Then-President Barack Obama shortly before leaving office also levied additional sanctions in retaliation for alleged Russian interference in the 2016 election. Last week, the U.S. Senate voted to expand sanctions on Moscow and overwhelmingly passed a bipartisan bill that requires the Trump administration to receive congressional approval to lift existing sanctions.

Mr. Kostin laid the blame for the chilled political climate squarely on "the elite in America," saying it "is trying, I personally think, to impeach Mr.

Please see VTB page B2

HEARD ON THE STREET

By Dan Gallagher

Virtual Reality Needs to Get Real

Virtual reality, one could say, still hasn't found its Pokémon.

The hit mobile game "Pokémon Go" will reach its first birthday next month having defied the odds. It has stayed popular enough past its fad-like initial launch to build a strong business that has generated revenue about $1.3 billion to date, according to market-research firm SuperData. The game remains one of the highest grossing on both the iOS and Android app stores, and has thus proven to be a powerful use case for augmented reality, which refers to technology that blends artificial images with the real world.

Augmented reality's close cousin, known as virtual reality, could use that kind of draw. The first virtual-reality headsets designed for videogame players went on sale last year but haven't ginned up enough business to become a major platform in their own right. Sony says it has sold more than 1 million units of its PlayStationVR system. SuperData estimates that **HTC**'s Vive system and the Oculus Rift from Facebook sold less than 800,000 units combined from their launch up to the end of March. Samsung is believed to have sold more than 5 million units of its Gear VR that works with its mobile phones, but those are different from the headsets designed to run powerhouse videogames—and far cheaper.

High-end VR hasn't created a large enough installed

Please see HEARD page B2

DAVID PAUL MORRIS/GETTY IMAGES

The new iPhone on display in San Francisco in 2007. Apple is now dependent on the product line for about two-thirds of its sales.

How iPhone Decade Reshaped Apple

By Tripp Mickle

SAN FRANCISCO—Since **Apple** Inc. launched the iPhone in June 2007, the smartphone revolution it unleashed has changed the way people work and socialize while reshaping industries from music to hotels.

It also has transformed the company in ways that cofounder Steve Jobs could hardly have foreseen.

Ten years later, the iPhone is one of the best-selling products in history, with about 1.3 billion sold, generating more than $800 billion in revenue. It skyrocketed Apple into the business stratosphere, unlocking new markets, spawning an enormous services business and helping turn Apple into the world's most valuable publicly traded company.

But it also created enormous challenges for Apple, raising the bar for innovation and turning a company that thrived on its self-image as scrappy underdog into an industry leader, with a workforce more than six times what it was.

"The company has grown in every dimension and holding it together is very, very tough," said Horace Dediu, a former **Nokia** executive and technology analyst with Asymco. Apple has to balance sustaining the iPhone business with preserving employees' passion to create new products, he said, and "that's really hard."

The iPhone boom has overshadowed Apple's other products, making the company dependent on one product line for about two-thirds of its sales. That means any big stumble with the iPhone could be calamitous.

The iPhone's success is best reflected in China, where a combination of good timing, smart manufacturing and strong branding have made Apple one of the most successful American companies in the world's most populous country.

The iPhone hit Chinese shelves in 2009 as wages in that country were swelling. Apple—which relies on thousands of Chinese workers to assemble its products—benefited as Chinese consumers embraced the iPhone as a status symbol.

In 2006, all of Asia-Pacific outside of Japan accounted for 7% of Apple's revenue. Last year, greater China alone made up 23% of revenue, and at $48.49 billion, it was greater than Coca-Cola Co.'s total revenue world-wide.

The iPhone's success in China has been so dramatic

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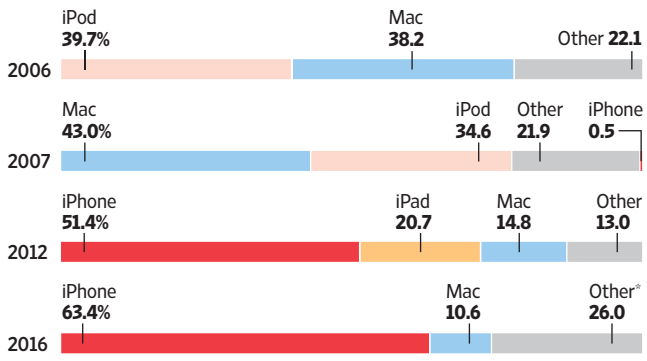
Slice of the Pie

Apple's revenue, by product



Note: Percentages may not add to 100 percent due to rounding.

*"Other" for all years includes iTunes sales, AppleCare and accessories. In 2012 and 2016, it also includes app store sales and Apple TV. In 2016 only, it also includes Apple Watch, Apple Pay and Beats products.

Source: the company

THE WALL STREET JOURNAL.

INSIDE

ZYPORA KUPFERBERG

BUFFETT'S SCOUT FOR GERMAN DEALS

FINANCE & MARKETS, B6

Ford to Import Focus From China, Instead of Mexico

By Christina Rogers And Mike Colias

Ford Motor Co. said it plans to start importing its Focus compact from China, reflecting an industry trend that gives car makers more flexibility but threatens the growth of automotive jobs in the U.S.

The move, announced Tuesday, is the latest change in Ford's approach to production for its once-hot Focus, a small car the company started building in Michigan earlier in the decade. Ford said last year it would move the Focus to Mexico.

Building the next-generation Focus in China rather than in an existing plant in Hermosillo, Mexico, will save Ford $500 million, helping the No. 2 U.S. auto maker trim costs amid slowing U.S. volumes and rising expenses related to technology investments, both of which are pressuring profits.

The shift to Chinese factories, slated for mid-2019, has broad implications for the U.S. auto industry. Although Ford won't be the first Detroit company to import cars into the U.S. from China, the Focus shipments would be by far the highest volume of vehicles to go from Chinese factories to American dealerships. In 2016, Ford sold 170,000 Focuses in the U.S.

The auto maker said relocating the Focus won't result in any job losses at the Michigan plant. Ford plans to convert the factory to production of two new models—the Bronco sport-utility vehicle and Ranger pickup—starting in 2019, which will sustain the current workforce.

Companies producing in Mexico have been under pressure as the Trump administration renegotiates the North American Free Trade Agreement, a decades-old pact that led several auto makers to bulk

Please see FORD page B2

HAROLD CUNNINGHAM/GETTY IMAGES

Ford had said it would move Focus output from Michigan to Mexico.

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ANDREY RUDAKOV/BLOOMBERG NEWS

Andrey Kostin, president of VTB Bank. 'The elite in America,' he said, 'is trying, I personally think, to impeach Mr. Trump.'

VTB

Continued from the prior page

Trump at the end of the day, and they don't allow him to work."

"It's a very, very wrong path," he said. Any worsening in the relationship between Russia and the U.S. "would be very dangerous.

"I think it's a great missed opportunity for the world. And I think completely the American side is responsible for this," he said.

The U.S. and Russia diverge on a range of foreign-policy issues, including the war in Syria and the future of its president, Bashar al-Assad. Tensions rose this year after U.S. law enforcement and intelligence agencies concluded that Russia engaged in cyberhacking in the 2016 U.S. presidential election in an attempt to help Mr. Trump's campaign. Probes are also being conducted into whether associates of Mr. Trump colluded with the Russian government, and into Mr. Trump's dismissal of FBI director James Comey.

Russia has denied any meddling in U.S. elections. Mr. Trump has repeatedly denied any collusion between his campaign and Russia.

Mr. Kostin said VTB has gotten big support from American and European banks, which he called "good partners," to keep business and financing channels open between the regions.

"They are not supporting sanctions very much, but of course they are obliged to follow it," he said. American banks "want to work with us," after checking with authorities on what they can and cannot do, Mr. Kostin said.

He said the bank is also keeping in touch with American investors, and that they were among the participants in new multibillion-dollar bond deals for Russia this week. Russia is selling 10-year and 30-year Eurobonds.

Mr. Kostin said he isn't planning to repeat a visit he made a year ago to Washington to discuss sanctions with U.S. officials, in part because it might attract unwanted scrutiny.

"Any meetings now are considered to be some clandestine operation," he said.

HEARD

Continued from the prior page

base of customers for game publishers to commit major development dollars. And without must-have games, virtual reality just won't break out of its niche. The diminished enthusiasm for VR was evident at last week's E3 videogame conference. Oculus, a major presence at the conference over the previous two years, didn't even host its own booth this year. That was just two months after Facebook CEO Mark Zuckerberg spent much of his developers' conference on AR—citing "Pokémon Go" as inspiration—with scarcely a word about VR.

Another hit for VR came from Microsoft, which launched a new supercharged version of its Xbox One console at the event. The company didn't make the console compatible with existing VR systems—a distinct change from its tone the year before. It is worth noting that Microsoft is already a big backer of AR through its HoloLens project.

It isn't game over for VR just yet. Sony announced several new games coming for PlayStationVR later this year, and it launched a big new title called "Farpoint" just last month. Privately held publisher Bethesda Softworks spent E3 showing off three upcoming VR games based on its well-regarded "Doom," "Fallout" and "Skyrim" franchises. Those demos drew big crowds at the show, which is encouraging. But if VR is to ever level up in a big way, it needs to find something gamers simply can't live without.

BUSINESS & FINANCE

Frackers Rile Well Owners

So-called frack hits are threatening the peaceful coexistence of new and old wells

By Erin Ailworth

J PAT CARTER/GETTY IMAGES

Fracking near Stillwater, Okla. Some owners of older wells complain of damage to their property.

Supersized new oil wells are sometimes running into existing wells, a little-noticed consequence of the shale boom that has started to trigger complaints and lawsuits.

The emerging problem is known as a frack hit, and it has flared up in Oklahoma, where a group of small oil and gas producers say more than 100 of their wells have been damaged by hydraulic-fracturing jobs done for companies like **Chesapeake Energy** Corp., **Devon Energy** Corp. and **Newfield Exploration** Co.

In hydraulic fracturing, or fracking, firms pump sand and water deep underground at high pressure to break oil and gas from rock.

Some owners of older wells have filed reports with state regulators claiming their wells were flooded with water. In some cases, the wells became so full that the water rose to the surface and spilled over. Others have claimed that they had to shut in wells due to the damage. A few cases have ended up in court.

While newer wells damaging older ones is a longstanding problem, the issue is gaining attention as shale companies employ new technologies to drill wells horizontally.

Almont Energy LLC and **TLS Oil & Gas** Inc., vertical-well operators in Oklahoma, sued Newfield last year, claiming that fracking jobs performed by Newfield caused an Almont well to flood with water, "negatively impacting the further development potential" of the well.

A lawyer for Almont and TLS declined to discuss the case, which was filed in federal court. Newfield also declined to discuss the case, but spokeswoman Cindy Hassler said the company tries to be proactive when it learns of possible frack hits and works to negotiate compensation with anyone affected if an inspection shows damage.

"Newfield owns thousands of vertical wells ourselves, so we understand the challenges," Ms. Hassler said.

Chesapeake and Devon, which have also been blamed for frack hits in reports to state regulators, declined to comment.

James West, an analyst with Evercore ISI who has been following frack hits, said they are of special concern in places like Oklahoma and Texas, where those drilling new wells must navigate around older wells drilled over decades.

"It's becoming a pretty sizable issue," Mr. West said, noting that Colorado in 2013 enacted regulations after state engineers had identified frack hits as a potential problem. "I suspect every basin is probably facing the same type of challenge."

In Oklahoma, companies aren't required to report frack hits unless there is a spill. Regulators there have received fewer than 20 confirmed reports of such incidents in the past three years and are currently reviewing several more.

"I know that it's a larger problem than the data we've been given," said Tim Baker, director of the oil and gas division at the Oklahoma Corporation Commission.

Oklahoma last month passed a bill that eases restrictions on where producers can drill horizontal wells more than a mile long. Vertical-well operators now worry their wells are more vulnerable than before.

Joe Warren, a partner with Brown & Borelli Inc., a small oil-and-gas producer, said roughly two dozen of the company's wells have been damaged by frack hits. He believes the problem is particularly acute in Oklahoma's Stack, currently one of the hottest oil regions in the U.S.

"Most of the large players in the Stack have hit one or more of our wells," he said.

Chad Warmington, president of the Oklahoma Oil & Gas Association, questioned claims that hundreds of wells have been damaged. In some cases, he and others argue, frack hits can actually boost production from an affected well. But given the potential for damage, the association supports making reporting frack hits mandatory, Mr. Warmington said, and would be open to having a mediation or arbitration process put in place.

Some experts expect the situation will only get worse.

"We've got bigger fracks, so more chance of them reaching across, well-to-well," said Jennifer Miskimins, an associate professor of petroleum engineering at the Colorado School of Mines.

FORD

Continued from the prior page

up Mexican head count and production. Ford and rivals have already signaled changes in response to President Donald Trump's repeated attacks on companies importing cars from Mexico to the U.S.

Mr. Trump had no immediate public reaction Tuesday, though other U.S. officials reacted coolly to the auto maker's move.

"The Ford decision shows how flexible multinational companies are in terms of geography," Commerce Secretary Wilbur Ross said in a statement. "I believe that as President Trump's policies and reforms take hold, more companies will begin to locate their facilities in the U.S. as several German and Japanese auto makers already have."

White House spokesman Sean Spicer linked the move to the American tax system, saying passing a tax overhaul would lead firms to move manufacturing back to the U.S.

Joe Hinrichs, Ford's global operations president, said in an interview that Mr. Trump's push to rewrite Nafta wasn't influential in Ford's decision.

Rather, with small-car sales slumping in the U.S., Mr. Hinrichs said it made more sense to add production in China, where it is already retooling its Focus plant for the next model, rather than spend additional money to convert an existing factory in Mexico.

"This is really about saving capital, which is cash to reinvest in the business elsewhere," Mr. Hinrichs said.

Many auto makers are retrenching from a weak U.S. market for small cars, which are generally money losers. Sales of small cars and family sedans have taken a hit in recent years as low gasoline prices fueled a shift in consumer demand toward roomier SUVs and pickup trucks.

Mr. Trump criticized Ford's decision to move Focus production to Mexico during the presidential campaign even though Ford's plans to use the Michigan plant for pickup and SUV output would have preserved thousands of United Auto Workers jobs.

The turn to China may heighten the White House's concerns because vehicles coming from Asia are typically far less dependent on U.S. parts than those coming from Mexico.

General Motors Co. last year became the first major auto maker to rely on China for significant volumes of vehicles to be sold in the U.S. Buick dealerships have sold more than 30,000 Envision SUVs, built in northeast China, since it went on sale in 2016.

Sourcing vehicles from China allows global auto makers to make better use of capacity in the world's largest car market amid a slowdown in sales growth there. A combination of factors, including hefty tariffs and lower logistics costs, means U.S. workers have essentially no role in the construction of those vehicles.

Unlike cars built in Mexico, which often carry several components made by U.S. parts suppliers and shipped duty free, the Buick Envision relies on Chinese sources for 88% of its components, according to the National Highway Traffic Safety Administration.

Mr. Hinrichs said the decision to relocate the Focus should have limited impact on North American supplier jobs because the company has a slew of new models that will be built in the region.

—William Mauldin contributed to this article.

TYCOON

Continued from the prior page

uncertainty among shareholders over CK Hutchison's direction. The company has recently failed with separate bids of more than $10 billion for mobile phone and energy assets in the U.K. and Australia, while homegrown Chinese billionaires are challenging its real-estate and ports businesses.

While the elder Mr. Li is known as a charismatic, politically savvy deal maker, his Stanford-educated son Victor is viewed as a more dour, details-oriented businessman who has spent more than three decades shadowing his father. Victor Li, through a company spokesman, declined to comment.

Companies the world over struggle with how best to preserve a founder's legacy. In much of Asia, the issue is acute because tycoons have outsize influence on their domestic economies, and tend to be intensely insular decision makers.

When successions go poorly, the cost to stakeholders can be enormous. A study of around 200 family-run companies in Hong Kong, Singapore and Taiwan by Joseph Fan, a finance professor at the Chinese University of Hong Kong, found that they lost 60% of their value on average during the years around the transfer of power.

Meanwhile, Asia's economic landscape is shifting rapidly. Families that built their fortunes on property, power and commodities have seen their status eroded as Chinese entrepreneurs and tech titans have supplanted them as the world's wealthiest citizens.

"Li Ka-shing's key asset is his outstanding relationships and those relationships aren't easily transferred," said Mr. Fan, who has studied Mr. Li's career. "His son may not inherit this from his father and be able to make friends with Chinese politicians."

The elder Mr. Li's ties to Beijing have waned under President Xi Jinping. Chinese ports are sucking up business from Mr. Li's Hong Kong terminals, while homegrown property developers are increasingly moving in on his home turf.

People familiar with the family say Mr. Li's younger son, 50-year-old Richard, has more of Mr. Li's deal-making skills and charismatic traits. However, Richard early on chose to branch out on his own, using family money to buy and run media and telecoms companies, with varying success.

Victor Li still lives in the shadow of his celebrity father. A few years ago, when the elder Mr. Li and Victor attended the Queen Elizabeth II's birthday party at the British consulate in Hong Kong, diplomats lined up in droves to take selfies with the tycoon while Victor stood to the side unnoticed, according to a person at the event.

Mr. Li relies on his personal touch to charm associates. At CK Hutchison's high-rise headquarters, he takes an elevator down to the basement to greet important guests as their cars pull up. In meetings, he asks personal questions about visitors' families and hobbies.

Friends of the Li family say Victor leads an insular life in Hong Kong. He has resided for years in the same mansion with his father and his wife and children, and limits his socializing mostly to when he goes to Canada, where he has citizenship. Part of Victor's reticence stems from a traumatizing ordeal in 1996, when he was kidnapped by an armed Chinese gang and held overnight. He was gagged and badly treated, people familiar with the matter say.

Mr. Li paid 1 billion Hong Kong dollars ($134 million) to secure Victor's release. The gang leader was later convicted and executed in mainland China.

—Trefor Moss in Shanghai contributed to this article.

Passing the Buck

The 10 richest tycoons in Hong Kong and Southeast Asia, according to Forbes' 2017 Billionaires list, are worth nearly $160 billion combined and face handing over their empires to the next generation.

Name	Global rank	Net worth	Age	Headquarters	Main sources
Li Ka-shing	19	$31.2 billion	88	Hong Kong	Real estate, telecoms, ports
Lee Shau Kee	32	24.4	88	Hong Kong	Real estate
Charoen Sirivadhanabhakdi	62	15.8	73	Thailand	Drinks, real estate
Thomas & Raymond Kwok	69	15.0	65*	Hong Kong	Real estate
Joseph Lau	69	15.0	65	Hong Kong	Real estate
Henry Sy	94	12.7	92	Philippines	Real estate, retail
Lui Che Woo	109	12.1	88	Hong Kong	Casinos
Robert Kuok	115	11.4	93	Malaysia	Palm oil, shipping, real estate
Peter Woo	126	10.5	70	Hong Kong	Real estate
Dhanin Chearavanont	132	9.7	78	Thailand	Agriculture, retail

*Thomas Kwok is 65 and Raymond Kwok was born in 1952.
Sources: Forbes (wealth, age)

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Boeing Offers Bullish Look Ahead

Value of jet deliveries over the next 20 years is expected to surpass $6 trillion industrywide

By Robert Wall

LE BOURGET, France—**Boeing** Co. has raised its 20-year industry forecast for plane deliveries to 41,030 jetliners, with their value at list prices topping $6 trillion for the first time.

Boeing, the world's No. 1 plane maker, said Tuesday that passenger traffic is poised to grow 4.7% over the next two decades. The outlook is more bullish than one that European rival **Airbus** SE delivered this month, which projected 4.4% growth.

Airbus and Boeing underscored the continued demand strength, principally in the large single-aisle plane sector, with several billion dollars of deals on Tuesday, the second day of the Paris Air Show.

More than half the planes Boeing expects the industry to deliver are intended to help airlines expand. The plane maker said the rest, about 43%, will be used to replace less-efficient planes being phased out. Almost 40% of the planes will go to customers in Asia, driven heavily by booming air traffic in China.

Growth is expected to be strongest in the hotly contested single-aisle segment, where Boeing offers the 737 family of planes and Airbus the A320 variants.

Chicago-based Boeing's 20-year forecast calls for 29,530 new narrowbody planes to make it into customer hands. On Monday it launched its largest single-aisle plane, called the 737 Max 10, and said it had more than 10 customers committed to buying it.

At the air show, **United Continental Holdings** Inc. committed to taking 100 of Boeing's Max 10 planes, which are a conversion from an earlier model. United also bought four 777-300ER long-range jets for delivery in the coming two years.

Lessor **Avolon** said it signed an agreement to buy 75 single-aisle planes from the U.S. manufacturer. **China Aircraft Leasing Group** is buying 50 of the U.S. narrowbodies, while **Ryanair Holdings** PLC, Europe's largest airline by passengers, added 10 commitments for 737s. Boeing also announced more than 30 additional single-aisle and widebody planes.

Airbus signed an agreement with **Delta Air Lines** Inc. for 10 more A321 narrowbodies, while Latin American discount carrier Viva Air committed to take 50 single-aisle jets. **CBD Aviation**, which on Monday bought planes from Boeing, signed for 45 Airbus narrowbodies on Tuesday. **Ethiopian Airlines** also agreed to take 10 more A350-900 long-range planes in a deal valued at over $3 billion at list price.

Boeing expects demand for widebody planes, where the company offers the 787 Dreamliner and 777 models, to reach 9,130 airplanes during the 20-year forecast period.

Order bookings have slowed for big twin-engine planes over recent months, but Boeing said there is "a large wave of potential replacement demand beginning early in the next decade."

Randy Tinseth, vice president of marketing for Boeing's commercial airplanes, said orders for big planes are likely to start picking up next year or in 2019 to meet the need for widebodies from 2021.

The Boeing and Airbus outlooks are broadly similar, though the U.S. manufacturer counts smaller planes not in its rival's outlook.

One segment where the two plane makers differ is in their demand forecast for the biggest passenger planes, where Boeing offers the 747-8 and Airbus its flagship A380 superjumbo.

Boeing said demand for that size plane will be principally in the cargo segment and that fewer than 100 passenger models of that type will be delivered during the coming 20 years. Airbus says that more than 1,400 such planes will be delivered, including cargo models.

Both Airbus and Boeing have been forced to cut production rates of their biggest planes because of demand softness.

Boeing has shifted its focus to big twin-engine planes that can seat more than 400 passengers. By contrast, Airbus officials insist the market for its big, four-engine plane will recover. It used this week's Paris Air Show to unveil plans for enhancements to the plane's sizable wing to help boost fuel efficiency 4%, in the latest in a series of design tweaks to help lure customers. So far, those efforts have yielded no tangible results.

Airbus plane head Fabrice Brégier said the plane maker was in active talks for further A380 deals, though the timing of when they would be completed remained uncertain.

He expressed confidence the A380 would secure further orders once demand for big planes recovers.

CHRISTOPHE ARCHAMBAULT/AGENCE FRANCE-PRESSE/GETTY IMAGES

A Boeing jet at the Paris Air Show on Tuesday. Boeing and Airbus expect passenger traffic to grow.

Rio Tinto Dismisses Offer From Glencore

By Razak Musah Baba And Scott Patterson

LONDON—**Rio Tinto** rebuffed a US$2.5 billion offer by **Glencore** PLC for its Australian coal assets and recommended that shareholders approve a previous bid by a Chinese company.

Rio Tinto said Tuesday that its board considered a number of factors related to both proposals, including the size of both bids, and decided to stick with a $2.45 billion offer that **Yancoal Australia** Ltd. made in January, in part because it expects to complete the deal more quickly than one with Glencore.

The British-Australian mining company is trying to shed much of its coal assets, especially thermal coal, the type burned to make electricity.

The sale includes Rio's large coal operation in Australia's Hunter Valley, Coal & Allied Industries Ltd., which Rio has been trying to unload for years. Glencore's surprise counteroffer two weeks ago, set to expire next Monday, briefly threw Rio's plans into turmoil. Glencore Chief Executive Ivan Glasenberg has long coveted the Australian coal assets, which sit near large Glencore coal operations.

A spokesman for Glencore said the company is reviewing the announcement and "will respond in due course."

After Glencore's bid, Yancoal revised its offer to make its $2.45 billion payment upfront, rather than in a series of installments. The company is a subsidiary of Chinese coal giant Yanzhou Coal Mining Co.

"We believe Yancoal's offer to purchase our thermal-coal assets...offers the best value and greater transaction certainty for shareholders," Rio Tinto Chief Executive Jean-Sebastien Jacques said.

The bidding contest highlights renewed interest in thermal coal. Thermal-coal prices plunged in 2015, followed by a sharp rally last year amid signs of solid demand in China. Thermal-coal prices have softened this year, and analysts expect demand to remain subdued.

Glencore, the world's biggest trader of thermal coal, expects demand for the fossil fuel to remain healthy in Southeast Asia because thermal coal is one of the cheapest fuels for electricity generation.

Mr. Jacques said Yancoal's revised offer also is more attractive because it can meet the timeline set for the transaction and is more likely to get regulatory approval, including from the Chinese government.

Under U.K. and Australian listing rules, the deal with Yancoal requires the approval of Rio Tinto shareholders. London-listed Rio Tinto PLC has called a general meeting for June 27 to vote on the deal. Holders of Rio Tinto Ltd. in Australia are to vote June 29.

The transaction with Yancoal is expected to be completed in the third quarter of 2017.

Total Plans $1 Billion Iran Gas Investment

By Sarah Kent

France's **Total** SA said Tuesday it would push forward with a $1 billion investment this summer in a giant Iranian gas field, the first commitment by a Western company to put real money into the Islamic Republic's energy industry.

The Paris-based oil giant has been at the forefront of Western energy companies looking to return to Iran after sanctions on its energy industry were lifted in January 2016. Total reached a preliminary agreement late last year with **China National Petroleum** Corp. and an Iranian company to invest $4.8 billion to develop parts of a giant gas field in the Persian Gulf, but the deal is still being completed.

Iran's oil minister, Bijan Zanganeh, told The Wall Street Journal in May he was "very optimistic" about reaching an agreement with Total "very soon." CNPC didn't respond to requests for comment, and its investment commitment wasn't disclosed Tuesday.

A Total spokeswoman said the $1 billion represented Total's 50.1% share of the joint venture's costs in the $2 billion first phase of development. Total is the project's operator, with CNPC taking a 30% stake and Iranian firm Petropars a 19.9% stake.

The imminent investment decision was first reported by Reuters. A spokeswoman for Mr. Zanganeh didn't respond to a request for comment.

The completion of the deal would mark a step forward for Iran's oil industry, which the country's oil ministry says needs tens of billions of dollars in foreign investment. Until now, companies including Total have signed preliminary agreements in Iran and penned memorandums expressing interest but haven't committed because of uncertainty over U.S. sanctions still looming, weak oil prices and uncertain financial terms.

"You can see it as a sign that things are slowly beginning to progress in Iran's upstream, but you can also see it as a sign of just how cautious Western companies are being," said Richard Mallinson, an analyst at consultancy Energy Aspects, of Total's investment figure.

U.S. companies such as Exxon Mobil Corp. are essentially prohibited from working in Iran by remaining U.S. sanctions over terrorism, human-rights and weapons-proliferation concerns. European companies are allowed to work with Iran, but energy firms have moved cautiously.

Royal Dutch Shell PLC agreed to explore future projects with Iran's state oil company last December but has yet to move forward. "Shell is exploring potential business opportunities in Iran in line with our long-term strategy," a company spokesman said.

Italian oil company Eni SpA said Tuesday it has signed an agreement to study two Iranian oil and gas fields as part of a wider deal to recoup $280 million still owed to the company for previous investments. Eni said the agreement didn't include a commitment to invest.

Iran's oil sector has endured a turbulent history marked by waves of nationalization and successive sanctions. The country holds the world's fourth-largest crude-oil reserves and second-largest natural-gas reserves, but production growth has been stymied by the political turmoil and uncertainty.

—Benoit Faucon contributed to this article.

JUSTIN LORGET/CHESNOT/CORBIS/GETTY IMAGES

Total headquarters near Paris. Total is one of the Western energy companies looking to return to Iran after sanctions were lifted.

Nestlé Buys Into Meals Delivery

By Saabira Chaudhuri

Nestlé SA has bought a stake in startup **Freshly**—a small investment in home-delivered food that comes as the Swiss food-and-drinks giant struggles with slow-growing demand.

Nestlé said Tuesday it had bought a minority interest in the subscription-meals company as the lead investor in a $77 million funding round. Freshly sells healthy, prepared meals to consumers across the U.S. using a subscription-based model.

The owner of KitKat chocolate, Nescafé coffee and Maggi noodles and its peers are wrestling with a rapidly changing market, as consumers shift from packaged food to fresher, healthier options that are often bought online.

Freshly, which was founded in 2015, employs 400 people. It sells to customers through a weekly online service offering a rotating menu that includes gluten-free, high-protein, low-carbohydrate and vegetarian options.

As well as broadening Nestlé's menu of products, the stake in Freshly provides direct access to customer data—a sought-after asset for consumer goods giants because it may allow them to sell in a more targeted fashion.

U.S. startup Freshly sells healthier fare to consumers using a subscription model.

"While most food choices are still made in supermarkets, it is clear that consumers are responding to a growing universe of direct-to-consumer options," Nestlé U.S. Chief Executive Paul Grimwood said.

Nestlé rival Unilever PLC spent $1 billion in 2016 buying Dollar Shave Club, a subscription-based razor business that sells to 3.2 million members, saying the move would help it gain access to customer data. Like Unilever, Nestlé is under threat from Amazon.com Inc., which has been expanding in packaged and fresh foods. Last week, Amazon said it was buying **Whole Foods Market** Inc. for $13.7 billion.

Nestlé's latest move comes as CEO Mark Schneider, who joined in January, faces investor pressure to find new avenues for growth, including in the U.S.

"Although North America represents 20% of Nestlé's global sales in packaged food, which makes it its largest single market, it continues to lose share in this important market," said Euromonitor food analyst Lianne van den Bos.

Last week, Nestlé put its U.S. confectionery business up for sale. Meanwhile, it has invested significantly to try to boost sales of Lean Cuisine, its frozen ready meals brand, as well as of brands like Stouffer's.

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Washington, DC

The World Bank Treasury is seeking the following specialists for the Capital Markets Department, in its Investor Relations, the Capital Markets Debt Origination, and Asset Liability Management teams.

The positions are being created to introduce a new issuer – the International Development Association (IDA) – to the capital markets. IDA operates alongside the International Bank for Reconstruction and Development (IBRD) to end extreme poverty and promote shared prosperity in a sustainable manner. IDA was recently rated Aaa/AAA by Moody's and Standard and Poor's and will be offering bonds to investors in the capital markets.

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The Asset Liability Management team is responsible for guiding and implementing IBRD and IDA's balance sheet management and trading of hedging transactions for clients, related to the World Bank's development mandate.
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YouTube Wins Back Some Marketers

Others stay away after uproar over ads near offensive videos; tighter screening used

By Lara O'Reilly And Jack Nicas

Google's YouTube has made strides in bringing advertisers back to the website after a backlash over ads appearing alongside offensive videos. But many prominent holdouts remain, signaling that the crisis isn't over yet.

Wal-Mart Stores Inc., AT&T Inc., J.P. Morgan Chase & Co., Starbucks Corp., Procter & Gamble Co. and at least a dozen other major brands or government agencies haven't returned to the site, those institutions and people familiar with the situation say. They pulled their spending after news organizations in March revealed that their ads ran alongside extremist or racist videos.

But some companies have resumed spending on YouTube ads—including **General Motors** Co., **Coca-Cola** Co. and **McDonald's** Corp.'s U.K. unit—after the site improved its technology to screen videos, committed to employing more human reviewers and gave marketers more control over where their ads appeared. YouTube also issued refunds to some companies.

The mixed response from advertisers shows their "brand safety" concerns are serious and could linger, but also aren't insurmountable, as long as Google continues its efforts to ease marketers' fears.

YouTube said in a statement: "Many advertisers never left and many have decided to come back. While they know that no system can be perfect, they appreciate the actions we've taken and know we are taking this seriously and are committed to getting better and better."

Google on Sunday also announced a series of changes to curb extremist videos on its site, including adding more technology and human reviewers to flag them and making less extreme ones harder to find.

JENNY TOBIEN/DPA/ZUMA PRESS

GM and Coca-Cola have resumed spending on YouTube ads.

Many of the marketers still on the sidelines say they are waiting for complete reassurance that poor ad placements won't happen again.

A series of news stories about ads running alongside controversial YouTube videos sparked advertisers to pull spending in late March. In the 90 days from March 15 to June 13, digital-ad research firm Pathmatics estimated spending on ads that ran before YouTube videos or displayed on the YouTube site dropped by 50% to $739 million, compared with a year earlier. Pathmatics didn't capture data from YouTube's mobile app.

Other signs look more positive for YouTube. A poll of 316 marketers—including 200 decision makers from the top 200 advertisers in the U.S.—conducted in May by research consultancy Advertiser Perceptions found that 39% of respondents were likely to spend "a good deal more" with YouTube this year than last. Just 12% said they planned to spend less this year and 41% said there would be no change. Among the remainder, some weren't YouTube advertisers.

The data suggest that despite advertisers' concerns, YouTube's scale and data make it irresistible for many marketers.

Google parent **Alphabet** Inc. posted a 22% increase in revenue to $24.8 billion in the first quarter, mostly driven by its ad business, but those figures largely preceded the backlash. Investors are watching second-quarter results closely for any impact.

Many marketers have ramped up oversight of where their ads appear. Audits run by ad agencies have sometimes showed that even YouTube channels the company brands as "Google Preferred"—and charges more for—can include videos advertisers don't consider premium. These could include footage of people playing the children's game Minecraft. Such videos aren't in bad taste, but their viewers likely include many children, who aren't a priority for most marketers.

YouTube said its Google Preferred channels include many different categories of content, including material aimed at teens, and that it works with marketers to put their ads on the right videos.

Many advertisers are now moving from "blacklisting" videos they wouldn't want to be associated with, to "whitelisting" the channels they deem appropriate. Whitelisting can have the effect of narrowing a company's ad buy.

Enterprise Holdings Inc., owner of Enterprise Rent-a-Car, for example, is working with its media buying agency, Omnicom Media Group, to test a program that scores hundreds of thousands of popular videos each day, based on their suitability for ads.

Marketers have seized on the uproar to press for long-sought changes. After the backlash, Google agreed to let independent measurement firms monitor where marketers' ads appear.

CHRIS KLEPONIS/CNP/ZUMA PRESS

President Donald Trump and Silicon Valley executives discussed modernizing the government's computer systems on Monday.

Tech Chiefs Pitch IT Overhaul in U.S.

By John D. McKinnon

WASHINGTON—When Silicon Valley executives arrived at the White House Monday to talk about modernizing federal computer systems, there was plenty of common interest at stake. The administration wants to cut redundancies and modernize the way Americans interact with their government, and tech companies see a $90 billion-a-year business.

But those companies also face a common challenge. The government's sprawling information-technology system is flawed and balky, controlled in agency fiefdoms that will be difficult to break. And much of the spending now goes toward keeping older systems running, limiting the amount the government can invest in new technology.

Critics say the lack of oversight over IT spending and operations is part of the problem, as is a plethora of customized and even duplicative systems within a single agency.

"We have a crazy quilt system of management," said Rep. Gerry Connolly (D., Va.), who has become a leader in Congress on IT issues. "So no clear lines of authority, accountability, responsibility. There's no transparency."

Tech companies such as **Amazon.com** Inc., **Oracle** Corp. and **Microsoft** Corp. hope to provide the government more cloud-computing, software and data services that could help save money as well as improve user experiences and reduce cyberthreats.

Advocates of an overhaul also want to consolidate the current proliferation of email, payroll and other systems, as well as thousands of data centers. David Berteau, a former Defense Department assistant secretary, said he had to carry four separate mobile devices to communicate with all the Pentagon systems he had to access.

"There's a huge chance to save money on shared services and the cloud," said Mr. Berteau, now president of the Professional Services Council, a group that promotes technology to improve government results. "The real value of IT modernization comes as much in breaking down the internal barriers" as in modernized services, he added.

The Monday meeting brought new focus to the issue, even if it shed little new light. Officials promised more action soon.

"We're embracing big change, bold thinking and outsider perspectives to transform government and make it the way it should be, and at far less cost," President Donald Trump said in concluding remarks.

Amazon's Jeff Bezos talked of using commercial technology wherever possible. He said it was "impossible to overstate" the importance of artificial intelligence, according to a White House pool report

Other topics included analytics, big data, purchasing modernization, government and private-sector partnerships and high-skill visas.

But making progress depends on finding political will.

"The real problem is the leadership problem," said Rep. Will Hurd (R., Texas), who is sponsoring a major IT modernization bill in Congress. "We have to make sure we have people in the agencies that recognize the need for modernization, and it starts with the head of the agency."

Big Prize in Amazon Deal: Shopper Data

By Laura Stevens and Heather Haddon

Amazon.com Inc. spent two decades hastening the demise of the traditional brick-and-mortar retail industry. So why would the tech giant spend $13.7 billion to acquire an organic-grocery chain with more than 460 stores?

The deal for **Whole Foods Market** Inc., which people familiar with the matter said came together quickly, presents Amazon with several potential gains. It could use the stores as distribution hubs to build out its online grocery-delivery business. Amazon also could stock gadgets such as its Kindle e-readers and Echo speakers, as well as goods from its burgeoning private label.

The bigger opportunity, though, is data.

Amazon for years has been looking for more ways to gather information about how consumers shop. It has long been rumored to be on the prowl for a breakthrough deal, even as it set up its own much smaller Amazon Go and AmazonFresh Pickup stores as experiments.

If the deal goes through, the combination likely will be powerful. Amazon and Whole Foods can join their online and in-store knowledge to better predict what goods to carry in each store, said James Thomson, a former senior manager in business development at Amazon and now partner at the brand consultancy Buy Box Experts.

"They'll build better private labels and squeeze national brands even more," Mr. Thomson said. "There's lots of opportunity to experiment."

The deal came together so rapidly—the companies signed a confidentiality agreement April 27—that Amazon's strategy for the acquisition is still largely in the air, according to people familiar with the matter.

Amazon shed little light on its plans for the chain of stores when it announced the deal Friday. A spokesman declined to comment on the company's strategy. Whole Foods also declined to comment.

One enticing aspect of a deal between Amazon and Whole Foods is the significant overlap, analysts say, between the companies' traditionally loyal customer bases.

A Morgan Stanley survey shows about 62% of Whole Foods shoppers are members of Amazon's Prime service, opening the door for cross-sell promotions to entice customers who shop at both to spend more. Amazon, though, doesn't know how those customers shop in stores—a gaping hole in data about its more than 300 million shoppers.

If the deal goes through, Amazon is likely to put employees to work examining Whole Foods' strategy, cost structures and business practices—as well as their data, according to former Amazon employees.

Amazon likely will add new ways to track in-store consumer spending.

The online retail giant likely will add new ways to track in-store consumer spending. One option is letting people purchase with Amazon Pay, a PayPal-type solution that lets customers check out with their Amazon account information. Another option is creating a Whole Foods credit card, the former employees say.

Amazon has spent time experimenting with brick-and-mortar already. Its bookstores according to its website, have been used in part to start collecting data on how consumers naturally browse in stores, former employees said.

—Julie Jargon contributed to this article.

IPHONE

Continued from page B1

that analysts now worry Apple is too reliant on sales from the region.

The iPhone also spawned Apple's second-largest business by revenue: apps and other services offerings.

Mr. Jobs didn't plan that. In fact, he opposed it, said Scott Forstall, the company's former head of software. As a result, Apple didn't open the device to application developers until 2008, when it added the App Store and began taking 30% of each app purchase.

Since then, app sales have generated roughly $100 billion in gross revenue as Apple has registered more than 16 million app developers world-wide. The company also pushed into payments with Apple Pay and a music-subscription service, creating a $24 billion services business that is Apple's second-largest after the iPhone and is growing rapidly.

Now, the iPhone is "the razor and the blades are the software services," said longtime Apple adviser and Steve Jobs confidant Regis McKenna. "It creates this great annuity business."

As sales surged, Apple staffed up. The company hired about 100,000 people in the 10-year span, bringing its global workforce to 116,000 from 18,000 in 2006. New workers were brought on to manage relationships with cellphone carriers, double the number of retail stores and maintain an increasingly complex supply chain.

The employees are spread across more than 100 buildings, creating a disparate workforce Apple has pushed to bring together with a new, $5 billion spaceship-style headquarters in Cupertino, Calif.

Managing that explosive growth fell on the shoulders of Tim Cook. Mr. Cook succeeded Mr. Jobs, who died in 2011. The Duke University business school graduate and supply chain-expert has tried to preserve Apple's unique culture by taking a more inclusive approach than his predecessor, seeking out more opinions from staff, while consistently saying Apple's overriding goal is to make great products, echoing a mantra of Mr. Jobs.

"This is a huge undertaking now and requires a lot of talented people, and Tim's built a team capable of managing a $200 billion company," said Mr. McKenna. "We don't know if Steve could have done that or not."

Still, preserving Apple's culture has been difficult. Before the iPhone, Apple sought to prove itself after nearly going bankrupt in the mid-1990s, said Alan Cannistraro, who worked at Apple from 2000 to 2012 before founding video startup Rheo.

"We felt like: Let's show the world. We were the underdogs," he said. But new hires didn't inherit that attitude and it became "less of a mission-driven" place and "more function driven."

Dramatic Transformation

Apple grew by every dimension after the 2007 launch of the iPhone.

2006		2016
18,000	Employees*	116,000
6.8 million sq. ft.	Building space	29.3 million sq. ft.
$19.32 billion	Sales	$215.64 billion
$1.99 billion	Profit	$45.69 billion
$6.39 billion	Cash	$237.59 billion
$1.35 billion	Asia Pacific / China sales	$48.49 billion
39.4 million	iPod / iPhone units	211.9 million
29%	Gross margin	39.1%
$0.71 billion	R&D	$10.04 billion

Photos: Adam Rountree (iPod); Apple *Full-time equivalent employees

Source: the company THE WALL STREET JOURNAL.

Mr. Cook has committed to maintaining Mr. Jobs's passion for doing the extraordinary as Apple pushed into new devices such as the Apple Watch and software tools for augmented reality.

Meanwhile, pressure intensified to make each iPhone model better than the last. As iPhone revenue fell for the first time in Apple's fiscal 2016, and its market share dropped in China, Mr. Cook told analysts the key to regaining share was "innovating like crazy."

"If we do a really great job of that, which we will, then I'm confident that we'll do well," he said.

Apple fans are waiting for the newest iPhone, the 10th anniversary model expected this fall, to see whether Mr. Cook makes good on that promise.

Questions about innovation have dogged Mr. Cook, whose operational prowess contrasts with Mr. Jobs's talent as a visionary product developer.

The iPhone was so revolutionary it raised expectations that the company would introduce radical new products regularly, said Patrick Moorhead, a technology analyst with Moor Insights & Strategy. "That's what I call the leadership burden," Mr. Moorhead said.

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Workers' Motivation Is Linked To Family

By Kelsey Gee

For the sake of the children.

That is the answer, according to new research, to the tough question of how workers stay motivated in rote, repetitive jobs. Employees who feel their work helps support their families are more productive and energized about their jobs, even when they stand to gain little for themselves.

"Supporting a family is one of the fundamental reasons why people work, but there's little research on how that motivation affects employees' effort and job performance," said Adam Grant, an organizational psychologist and professor at the University of Pennsylvania's Wharton School, who co-wrote the study.

Mr. Grant and his co-authors collected survey and diary data from about 100 women who perform rote accounting tasks in an office that processes coupon payments for merchants, just south of the U.S.-Mexico border. The workers scan bar codes on coupons shipped from American retailers to ensure the products have been accurately counted and categorized by the supplier and seller. The job involves employees manually processing hundreds of coupons each day with little variation.

People with boring jobs remain productive when supporting a household.

Researchers interviewed the women about their motivation and tracked how many coupons each processed. The women also filled out surveys about their stress and energy levels over two weeks.

The study found that workers who reported the most energy and processed the largest number of coupons, despite disliking the work itself, were those who felt strong commitment to family, which could include spouses, children, parents, cousins or other kin. Those women processed 10% more coupons a week than employees who reported less family-driven motivation.

The increased motivation wasn't a matter of merely collecting a paycheck. In the research paper, which appeared in the April edition of the Academy of Management Journal, the authors note that "from an identity perspective, when employees perform well, they reinforce their self-concepts as responsible breadwinners and good role models."

Mr. Grant, a father of three, said the results square with his experience. "A lot of people mistakenly believe that thinking about family at work is a distraction, when it's becoming clear that much of a person's most intense commitment to their job can come from their desire to support their loved ones," he said.

Texting Might Help Land You a Job

Employers skip phone interviews, turn to instant messaging for early-stage interviews

By Kelsey Gee

Your next job interview might happen via text message. Srsly.

Claiming that prospective hires are too slow to pick up the phone or respond to emails, employers are trying out apps that allow them to screen candidates and conduct early-stage interviews with texts.

"People don't want to have that ten-minute [phone] conversation any more if they could just reply with a quick text," said Kirby Cuniffe, chief executive of staffing firm **Aegis Worldwide** LLC. After Aegis recruiters reported that fewer potential hires were answering their phones, the firm decided to try texting. Since March, Indianapolis-based Aegis and Priceline Group's restaurant-booking service OpenTable have been using Canvas, a messaging app from **Canvas Talent** Inc. for text-based job interviews.

The app suggests interview questions employers can use, such as: "What motivates you?"

Its software analyzes candidates' responses. Interviewers can rate answers with a thumbs-up or thumbs-down visible only to the employer and share transcripts of those text exchanges with co-workers.

Canvas charges employers around $300 per recruiter, and competes with similar apps such as Monster Worldwide Inc.'s Jobr.

The use of smartphone-based tools for job interviews shows how employers are trying to adapt to young workers' communication habits. Some 12% of millennials—defined as those born between 1980 and the early 2000s—prefer the phone for business communication, according to a 2016 report on internet trends from venture-capital firm Kleiner Perkins Caufield & Byers. By contrast, 45% prefer chatting online or exchanging messages by email or text.

RICK WILKING/REUTERS

Many millennials prefer using online chat or text with employers. A Colorado job fair this month.

At Aegis, recruiters who used to schedule back-to-back phone calls with 30 or more potential hires every day can now juggle many more conversations via texts, which take less time. Mr. Cuniffe says each of his 10 recruiters who use the Canvas app can now handle conversations with 90 to 120 candidates at a time.

The firm specializes in recruiting employees of all ages to work in the manufacturing sector. The app is useful for interacting with workers who have narrow windows of free time at odd hours, he said.

Mr. Cuniffe, 48 years old, said millennial employees were far less skeptical than he was about adopting the new technology.

"To them, it was like 'Duh, why wouldn't we use this, since that's how we communicate now,' " he said.

San Francisco-based OpenTable's text-based interviews with engineers and programmers are intended to show prospective hires the 1,100-person company isn't just another boring software firm—important because the firm competes for talent with Facebook Inc. and Alphabet Inc.'s Google, said Scott Day, a human-resources executive.

Etiquette for job-interview texting is a work in progress. When Erin Scott, a recent **Butler University** graduate, received a message from Canvas Chief Executive Aman Brar about a potential job with the company, she was unsure if she should reply right away. She was cheerleading on the sidelines of a Saturday basketball game, and decided to wait to respond until Monday.

"I just remember thinking okay this is nice to get the questions and be able to sit on them for as long as I want and answer with exactly what I want to say," Ms. Scott said via text.

Emoji, too, are tricky. Mr. Brar included a smiley face with one of his interview messages, which he said was intended to indicate the exchange was "business casual, not buttoned-up."

Ms. Scott didn't reciprocate. "Sometimes things can be interpreted different over text," she said.

Want a Job? Text Me

Edited excerpts of a job interview between the CEO of Canvas Talent Inc. and a potential hire.

Hi Candidate Happy Monday...would like to get to know you via text–don't stress if you have delays in your response! :). I know you have a lot on your plate

Are you a competitive person?

Yes, I would consider myself a competitive person when I want to be. When I'm passionate about something and have more desire for it I will strive to reach for it and work as hard as I have to get it. This is also something I really want in a job- I think the only way to be completely successful is when you are truly passionate about what you're doing.

Agree–passion is key! We're very excited about what we're up to and we are a passionate group as well.

What motivates you?

I think the feeling that my work is actually helping someone else motivates me to work harder. Regardless of what I'm doing I think it's always good to know my work is playing a role to better something or someone else.

Source: Canvas
THE WALL STREET JOURNAL.

BUSINESS WATCH

MOBIKE

Bike Startup's Valuation Increases

Beijing Mobike Technology Co.'s recent round of fundraising values the bike-sharing startup at about $3 billion, according to people familiar with the situation.

Mobike, which is backed by investors including internet giant **Tencent Holdings** Ltd. and private-equity firms TPG and Warburg Pincus LLC, said last week that it raised $600 million in new funding to expand its operations globally. A spokesman for the bike-sharing startup on Tuesday declined to comment on the company's valuation.

The company, which started its dockless bike-sharing services in Chinese cities in April 2016, is looking to expand overseas. Mobike has said it plans to enter Singapore and the U.K. this year and aims to double the number of cities it operates in to 200 by the end of 2017.

—Julie Steinberg and Liza Lin

MATTEL

Mattel's lineup of Barbie and Ken dolls. The new Ken doll will feature diverse body types, including slim and 'broad.'

MATTEL

Barbie's Beau Gets A Full Makeover

Barbie is getting a chubbier boyfriend.

A year after **Mattel** Inc. added new body types of its iconic Barbie doll, her longtime male companion, Ken, is getting his own makeover. Her beau will now come in slim and "broad" body types, as well as his normally chiseled physique. The doll will also come in seven skin tones, nine hairstyles, including man buns and corn rows, and modern looks, from hip hoodie to preppy check.

"We are redefining what a Barbie or Ken doll looks like to this generation," Lisa McKnight, who oversees Mattel's Barbie brand, said on Tuesday.

Mattel will try to recreate some positive buzz that translated into a sales boost for its struggling Barbie doll after it introduced slim, tall and curvy versions a year ago. Retailers placed big orders for the revamped Fashionista line of Barbie, with double-digit-percentage sales increases in the quarters following the release.

Barbie accounted for 16% of Mattel's roughly $6 billion in gross sales last year and has become important since the company lost the rights to produce **Walt Disney** Co.'s Princess dolls.

Mattel will now have 15 new Ken dolls available. It is also adding another 25 diverse Barbie dolls to its lineup.

—Paul Ziobro

UBER

Drivers Permitted To Get In-App Tips

Uber Technologies Inc. said Tuesday it will begin letting drivers collect tips through the app, relieving a longstanding source of contention between the ride-hailing company and its millions of drivers.

The company, shaken by a bruising six months of scandals and setbacks, is making nice with its drivers by offering an in-app tipping option that U.S.-based rival Lyft Inc. has long provided and used as a recruiting tool.

The tipping option is available in Seattle, Houston and Minneapolis to start, and it will expand to other cities in the coming weeks.

—Greg Bensinger

ADVANCED MICRO DEVICES

New Chips Offer Challenge to Intel

Advanced Micro Devices Inc. began selling a new generation of chips for the servers that drive computing in data centers, challenging Intel Corp. in that high-margin market for the first time in years.

AMD on Tuesday introduced the first four of nine chips dubbed Epyc that it claims offer higher performance at lower prices than comparable Intel chips currently on the market. Intel has said it would refresh its server processors over the summer.

—Ted Greenwald

Micro Trends, Macro Context. In Minutes.

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Goldman Poaches Rival's Bankers

By Liz Hoffman

Goldman Sachs Group Inc. is hiring a pair of **Credit Suisse Group** AG bankers, including one at the elite rank of partner, to win business from corporate service providers such as consulting, staffing and security firms.

Jeff Douthit, who runs Credit Suisse's business-services coverage group, will join Goldman as a partner in the same role, according to people familiar with the matter. His deputy, Ali Azim, will join as a managing director. Both will be based in Chicago reporting to Dusty Philip, Goldman's top industrials banker.

Credit Suisse officials weren't immediately available to comment.

Business services is a grab bag that includes everything from outsourced janitor services to document management. Goldman's group also covers consumer-facing companies like **ServiceMaster Global Holdings** Inc., which provides lawn care and exterminator services to homeowners.

These companies tend to be owned by private-equity firms, which can borrow against the cash flow the businesses produce and bring them into new markets.

Such private-equity-backed businesses are highly sought clients, as they throw off fees when they go private, finance their growth, and go public or sell again. Goldman also has been trying to win more work in raising debt, the lifeblood of such companies.

Last year, the firm hired Sarah-Marie Martin, a Credit Suisse private-equity banker, as a partner in its sponsors group.

The latest hires will also bring two senior bankers to Goldman's Chicago office, one of several regional hubs it has been beefing up to ease its reliance on bankers parachuted in from New York. Mr. Douthit ran Credit Suisse's Chicago office.

Last year, he advised **Thomas H. Lee Partners** LP on its takeover of staffing firm System One and **ABRY Partners** on the sale of phone-call translator LanguageLine.

Goldman rarely hires someone from outside the firm at the rank of partner. But executives and recruiters say the firm is looking to hire in senior positions—even to dangle a coveted slot in its partnership—as it fills out weak spots within the investment-banking division.

Such talent grabs are an acknowledgment that Goldman's overall strength obscures some subsectors in which it trails rivals.

Buffett's Scout for German Deals

Zypora Kupferberg is Berkshire Hathaway's 'eyes and ears' in key European economy

By Nicole Friedman

When Zypora Kupferberg was charged with finding buyers for a German motorcycle-apparel company, she placed one name at the top of her list: Warren Buffett.

"I said, 'I am 100% sure I will find a way that my letter will be on his desk,' " Ms. Kupferberg said.

A year later, Mr. Buffett's Berkshire Hathaway Inc. bought the company for more than €400 million ($448 million). The Omaha, Neb., billionaire then asked Ms. Kupferberg to bring him similar deals in the future—the bigger, the better.

Berkshire rarely relies on people outside the company to educate it on potential targets. Yet with that one deal in 2015, Ms. Kupferberg became Mr. Buffett's scout inside Europe's most powerful country.

"It's very helpful for us to have somebody that actually understands us," who can represent Berkshire's interests in Germany, Mr. Buffett said.

Ted Weschler, one of Mr. Buffett's portfolio managers, added: "She's our eyes and ears in Germany."

Ms. Kupferberg's role could become more crucial as Mr. Buffett looks for new targets in unfamiliar markets. Berkshire had $96.5 billion in cash as of March 31, and Mr. Buffett told shareholders in May that he is eager to spend it. The conglomerate owns only a handful of businesses outside the U.S., including Netherlands-based IMC International Metalworking Cos.

The story of this unlikely pairing took six years to unfold. It began with Mr. Buffett's much-publicized tour of Europe in 2008. He was there to drum up potential deals but was unable to find an immediate target. Though she hadn't met Mr. Buffett, Ms. Kupferberg suspected she could turn that around.

Ms. Kupferberg, 50 years old, was born in Mönchengladbach, Germany, to two Holocaust survivors. Her father cofounded an import-export business in Israel after surviving multiple concentration camps; his work eventually took him to Germany.

"I'm from a family history [where] we are not used to making plans," Ms. Kupferberg said. "My parents educated us, 'Everything can change the next day.' "

After a disease from a tick bite prompted her to quit a job in private equity and venture capital, Ms. Kupferberg opened an independent consulting firm in Cologne in 1997 and started working with family-owned businesses in Germany. She gained a reputation as an astute deal maker, but was largely unknown outside of the country.

She knew from experience that German companies, which typically have strong connections to their local communities and savings banks, could be wary of foreign investors. Berkshire, however, could be a good fit for such companies because it tends to seek out successful firms with strong competitive advantages that can be left alone.

ZYPORA KUPFERBERG

Warren Buffett and Zypora Kupferberg are shown in May.

In 2014, one of Ms. Kupferberg's clients, Ute Louis, wanted to sell **Detlev Louis Motorrad-Vertriebsgesellschaft** mbH, a motorcycle helmet and equipment retailer. Ms. Louis, who inherited the business from her late husband, had some tricky requirements: The management team had to stay in place and the company had to keep its headquarters in Hamburg.

"I thought, this is a perfect match" for Berkshire, Ms. Kupferberg said. "I think we can offer to Berkshire a company, even if it's for [Mr. Buffett] comparably quite small, but a company which exactly fits into his investment strategy," she recalled thinking.

Other advisers thought contacting Mr. Buffett would be a waste of time, she said, but Ms. Louis liked the idea. So Ms. Kupferberg reached out to an Omaha investment banker she met years earlier in a Frankfurt law office: Jim Zipursky.

"Jim told me that he thinks that the company might be too small for Berkshire," she said. "I told him I am convinced that this could work and that I will find a way to contact him."

Mr. Zipursky told Ms. Kupferberg that his father, Morley, also a banker, knew Mr. Buffett through Stan Lipsey, a mutual friend who worked for Mr. Buffett for years. He offered to deliver a letter and a deal proposal straight to the billionaire's desk.

The 1½-page letter, signed by Morley Zipursky, introduced the company, and Mr. Buffett responded within days asking for a price. He then said that he liked the company but the price was too high. A few months later, Ms. Kupferberg and Mr. Zipursky tried again, with a tweaked offer. Mr. Buffett approved the new offer, and Mr. Weschler traveled to Germany to meet Ms. Kupferberg and the company's owner and managers.

At Mr. Weschler's first meeting with Ms. Louis, Ms. Kupferberg helped translate, Mr. Weschler said. The deal closed in 2015. "Halfway through the process, I thought that, really, I'd like to be on the same side of the table as Zypora sometime," Mr. Weschler said.

Last year, Ms. Kupferberg helped arrange a meeting for Mr. Weschler with the heads of the 25 largest German savings banks. He was the first guest to meet with that group of executives, said Karl-Peter Schackmann-Fallis, managing director of the German Savings Bank Association.

In May, Ms. Kupferberg traveled to Omaha for her first meeting with Mr. Buffett. In his office, the two discussed potential investments and the economic situation in Germany and Europe. As they posed for a photo, Mr. Buffett placed his left arm around Ms. Kupferberg's shoulder.

"She has a very good sense of what might fit or not," Mr. Buffett said.

Messaging App Adds Mobile Pay

By Newley Purnell

NEW DELHI—India's biggest domestic messaging app by users, **Hike** Ltd., has beaten **Facebook** Inc.'s WhatsApp into the country's booming mobile-payments business.

Hike on Tuesday launched free bank-to-bank and mobile-wallet payments for its roughly 100 million users, meaning people can quickly send money to one another via the company's smartphone app.

"We are the first to bring payments to a messaging app in India," Hike's founder and chief executive, Kavin Bharti Mittal, said at an event in New Delhi.

WhatsApp says that some 200 million of its 1.2 billion users are in India, making the South Asian nation its largest market.

The company has been exploring adding digital payments in India, which would be its first such offering globally, and could give it a chance to take advantage of a trend in the world's last great untapped internet economy.

A WhatsApp spokesman declined to comment on a potential time frame for when such a feature, if incorporated, could launch.

JEROME FAVRE/EUROPEAN PRESSPHOTO AGENCY

Kavin Bharti Mittal

Hike, which last year raised $175 million in a fundraising round led by Chinese internet company **Tencent Holdings** Ltd., is the latest startup to tap into surging demand for cashless payments in India.

This year, millions of Indian consumers, who historically have made most of their purchases in cash, have been leapfrogging credit cards and transacting on their smartphones for the first time. The government in November moved to crack down on tax evasion and corruption by nullifying its largest-denominated bank notes, triggering a crash crunch and the rapid adoption of digital wallets.

The sector has caught the attention of global investors. India's largest mobile-payments startup by users, **Paytm**, which says it has 225 million mobile-wallet customers, last month raised $1.4 billion from Japan's **SoftBank Group** Corp.

To be sure, being the first to offer a new payment option may not be enough to help Hike amid intense competition, analysts say.

Hike is likely to face a battle for new users given WhatsApp's larger base and intuitive interface, said Neha Dharia, an analyst who studies messaging trends at telecommunications research firm Ovum.

Hike says its service is meant to appeal to India's younger users with its stickers and a function to improve selfies, saying 90% of those on its platform are between the ages of 15 and 24.

Pamplona Seals Parexel Acquisition For $4.6 Billion

By Dana Mattioli

Private-equity firm **Pamplona Capital Management** LLP has reached a deal to buy **Parexel International** Corp. for $4.6 billion, the latest in a series of mergers among drug-research firms.

Pamplona is set to pay $88.10 a share in cash as part of the deal, the companies said Tuesday, confirming an earlier report by The Wall Street Journal. Parexel shares closed at $83.92 Monday, giving the company a market value of more than $4.2 billion.

Stock in Parexel has risen sharply since the Journal reported in early May that the Waltham, Mass., company was exploring a sale.

The price represents a 28% premium to where Parexel closed on May 5, the last trading day prior to the Journal report.

Shares in Parexel, which helps drug companies conduct clinical research, rose 3.8%, to $87.09, in late Tuesday afternoon trading.

Pamplona beat rivals including **Laboratory Corp. of America** and **Icon** PLC with a late surge in what turned out to be a spirited auction with multiple bidding rounds, people familiar with the matter said. Pamplona's offer was higher than Icon's and LabCorp's, which both included cash and stock, some of the people said.

Parexel's advisers initially invited only private-equity firms to make offers, but they later opened the bidding to industry players, too, some of the people said. There were at least four bidders for the company throughout the process, the people said.

Parexel has offices in 51 countries and recently had about 19,400 employees. It notched $605 million in revenue in the quarter ended in March.

Pamplona is a private-equity firm with headquarters in London and New York. Since its inception in 2005, it has raised five funds with more than €7 billion ($7.8 billion) of capital commitments, according to its website, and has been an active buyer of health-care-services companies.

There has been a flurry of merger activity in that area.

Drug-research firm Pharmaceutical Product Development LLC was recapitalized by its private-equity owners, Hellman & Friedman LLC and Carlyle Group LP, which also brought new investors into the company—a subsidiary of the Abu Dhabi Investment Authority and an affiliate of GIC Pte. Ltd., Singapore's sovereign-wealth fund. In May, private-equity firm New Mountain Capital LLC agreed to buy laboratory-supply distributor VWR Corp. for nearly $5 billion.

The private-equity firm beat out LabCorp and Icon in a bidding war.

Icon came close to winning the auction, the people said. The acquisitive company is based in Dublin—where it was founded in 1990—and specializes in product development for drug and medical-device clients. It operates in 87 locations in 38 countries and has about 12,300 employees.

Goldman Sachs Group Inc. is acting as financial adviser to Parexel, and Goodwin Procter LLP is serving as its legal counsel.

Perella Weinberg Partners LP is acting as financial adviser to Pamplona, and Kirkland & Ellis LLP is serving as legal counsel.

Mall Landlords Roll Dice on Technology

By Esther Fung

Mall landlords are investing millions of dollars in technology to help protect them from the changes buffeting the retail sector as internet shopping gains a stronger foothold.

Some of the investments aren't faring so well.

Macerich Co., one of the biggest U.S. mall owners, in the latest quarter wrote off $10 million invested in a startup that purported to help online and European retailers expand their physical store presence in the U.S.

Its investment in WithMe, a firm that designs pop-up stores with interactive features such as responsive display tables, led to store openings in six Macerich shopping centers last year.

But the two companies parted ways soon after. The costs were higher than anticipated, and WithMe said it would be better for Macerich to run the program by itself.

"They really billed themselves as being the bridge between clicks and bricks, which, had it turned out to be that, it would have been a wonderful business," said Art Coppola, chief executive of Macerich, during an April earnings call. "We realize that we've made too big of an investment into one company."

B8TA

A b8ta store at a Santa Monica, Calif., mall owned by Macerich Co., which invested in the retailer.

Macerich's decision to pull out "definitely hurt," said Jonathan Jenkins, the founder of WithMe. The split enabled the startup to focus on other opportunities, such as prioritizing building experiences for the brands first, then finding the best location for that, he said.

Macerich, a Santa Monica, Calif.-based real-estate investment trust, has invested $8 million in other ventures and retailers that have been more successful, such as b8ta, which sells tech gadgets, and clothes retailer Ministry of Supply.

As changing consumer habits and e-commerce squeeze mall tenants, landlords face pressure to remain relevant. Doing nothing could prove risky at a time when retail property companies face threats to their viability from Amazon.com Inc.'s growth and from competing neighboring shopping centers that are innovating.

But getting the technology right has proved to be a challenge. Consider beacons, which are wireless devices that can be placed anywhere and emit a signal that is picked up by smartphones.

Beacons placed in stores can activate apps on smartphones that offer shoppers personalized coupons or promotions. Mall landlord CBL & Associates Properties ran a pilot program with beacons at three of its malls in the fourth quarter of 2015 and learned that while the technology is viable, there are challenges in asking consumers to download the app.

The Chattanooga, Tenn.-based REIT said it is focusing on creating an excellent mobile web experience rather than developing apps that provide the same information and utility.

"We want to make sure we're not jumping onto a bandwagon on technology that's going to be obsolete in 18 months," said Jim Ward, vice president of marketing, brand development and digital strategies at CBL.

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
■ Chartered Asset Management Pte Ltd - Tel No: 65-6835-8866									
Fax No: 65-6835 8865, Website: www.cam.com.sg, Email: cam@cam.com.sg									
CAM-GTF Limited		OT	OT	MUS 06/16	USD	303610.13	0.5	6.5	-3.2

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Regulator Defends China Insurers

By James T. Areddy

SHANGHAI—A senior regulator on Tuesday offered assurances that China's insurance sector is safe and will continue to expand, more than a week after the disappearance of the chairman of high-flying **Anbang Insurance Group**.

At a Shanghai conference, Huang Hong, vice chairman of the China Insurance Regulatory Commission, said "there are still prominent problems" within the industry, though he said solvency is adequate.

Mr. Huang's comments were the first public statements from a regulatory official since Anbang's chairman, Wu Xiaohui, dropped from view. The government has declined to comment on the status of Mr. Wu, who can't be reached. According to people familiar with the matter, he has been detained.

Last week, Beijing-based Anbang said Mr. Wu was temporarily unable to perform his duties. The company has said it is operating smoothly; a spokesman declined to comment on Mr. Huang's remarks.

QILAI SHEN/BLOOMBERG NEWS

Huang Hong acknowledges the industry's recent shortcomings.

Anbang epitomized a recent rapid expansion by a group of private Chinese insurers, which have marketed newfangled products to younger customers through smartphone apps and become investment powerhouses. Anbang made takeover plays on local stock exchanges and splurged on overseas real estate like the Waldorf Astoria hotel in New York.

This year, some of China's more-aggressive insurance companies including Anbang have faced major setbacks, including new regulatory crimps on their business amid worry that the fast growth, instead of mitigating risk, was adding peril to the financial business.

In the months before Mr. Wu vanished, Mr. Huang's former boss at the Insurance Regulatory Commission was detained by antigraft investigators and the head of one firm was banned from the industry.

Mr. Huang said that since authorities permitted insurers to explore new sales channels, some firms have "rushed for profits" and lied about capital sources, launched poorly designed products and failed to balance assets and liabilities. He didn't name individuals.

He was speaking at Lujiazui Forum, Shanghai's premier financial conference where the cautious theme this year was "Financial Reform and Steady Development from a Global Perspective." Insurers appeared ascendant at the event last year with a special discussion on new risk-management techniques and a keynote address by the since-fired regulator, Xiang Junbo.

This year, concerns about the industry's direction were palpable. On one panel, Zhang Yuanhan, chief actuary of government-controlled China Pacific Insurance Group, criticized the "management model" of insurers he didn't name, saying some of their products have "undermined the interests and rights of people."

Short of a corporate failure, the sector is at risk of disillusioning the Chinese public, turning it away from insurance.

Scott Russell, an insurance analyst at Macquarie Securities in Hong Kong who is critical of Anbang's business model, described that potential reputational risk as "contagion from the irrational space to the rational space."

Mr. Huang described the industry as critical to a well-functioning economy. He said that given the broad needs for insurance in society, China's industry remains too small—6% of financial-sector assets, compared with 90% for banks. But he said expansion has to be paired with risk control. "China needs a more robust insurance sector," he said.

Since an insurer opened in Guangzhou in 1805, he said, the industry has set a direction for the Chinese economy and will continue to fill increasingly complex needs like mitigating risk in agriculture, health, pensions and President Xi Jinping's global investment initiative One Belt One Road.

"The history of the insurance sector is a history of problem solving," Mr. Huang said.

MSCI's China Call May Have Big Effects

By Gregor Stuart Hunter

Index giant **MSCI** Inc. was poised to reveal late Tuesday whether it would include China's stocks in its benchmarks, a decision that could potentially move the country a major step toward acceptance as a pre-eminent global market.

Adding the stocks to major gauges like MSCI's flagship Emerging Markets Index—after rejections in each of the past three years—wouldn't lead to an immediate torrent of money into China. MSCI has watered down its plans so that, if it said yes, it would initially admit only 169 Chinese companies.

But gaining even a tiny slice of the institutional money that tracks MSCI's indexes—$1.6 trillion for the Emerging Markets Index alone—would be seen as a symbol of China's rise as a global investment destination.

"Our focus is the long-term implication," said Robert Gillam, chief executive officer at Anchorage-based McKinley Capital, which manages $7.6 billion in assets. "Imagine when it gets greater foreign ownership."

China is the biggest market not part of MSCI's major benchmarks: The combined capitalization of the Shanghai and Shenzhen stock exchanges is $7.5 trillion, according to the World Federation of Exchanges. MSCI indexes do include Chinese companies' shares listed in cities like Hong Kong and New York, but not in Shanghai or Shenzhen.

MSCI's clout has grown with the global rise of passive investing, where investors forgo stock-picking and invest in funds that simply track a benchmark. Assets under management in exchange-traded funds linked to MSCI's indexes totaled $524.1 billion as of March 31.

FINANCE WATCH

EL NIÑO

Forecasters Report Diminished Risk

It is now unlikely that an El Niño weather pattern will return in 2017 as cooling Pacific Ocean temperatures have allayed worries the potentially destructive phenomenon would reappear.

Australia's Bureau of Meteorology said it now expects neutral conditions for the remainder of the year due to a reversal of early-autumn warming in the eastern tropical Pacific Ocean. In April, it said all the models the bureau uses in forecasting El Niño indicated one occurring no later than early 2018.

Japan's weather agency said earlier this month that there was no clear sign the phenomenon was forming.

The phenomenon can lead to drought in parts of Southeast Asia and heavy flooding in parts of North and South America.

The reduced likelihood of an El Niño limits price risks for commodities that historically have been affected by the ensuing droughts or flooding.

—Lucy Craymer

INDIA

New Delhi Raises Rice, Soybean Prices

The Indian government raised its minimum purchase prices for summer crops including rice and soybeans to help farmers through a supply glut.

MUNEEB UL ISLAM/PACIFIC PRESS/ZUMA PRESS

India's government increased its minimum support price for rice.

The government's minimum support price for rice has been increased by 5.4% to 1,550 rupees ($24.03) per 100 kilograms for this year, from 1,470 rupees last year, said a government official. The government increased the price at which it buys soybeans by 9.9%, the official said.

New Delhi is scheduled to announce the new prices this week.

—Vibhuti Agarwal

JEFFERIES GROUP

Net Revenue Grows

Jefferies Group LLC reported higher revenue and profit as the environment for debt and equity issuance improved.

The unit of Leucadia National Corp. earned $69.8 million in its latest quarter, up from $53.9 million a year earlier. Net revenue rose 8.3% to $779.3 million.

An increase in securities issuance helped drive a 39% increase in investment-banking revenue to $351.9 million.

Jefferies's results are viewed by some investors as a preview of earnings for other U.S. banks. Its quarter ended May 31, a month earlier than at other lenders.

—Austen Hufford

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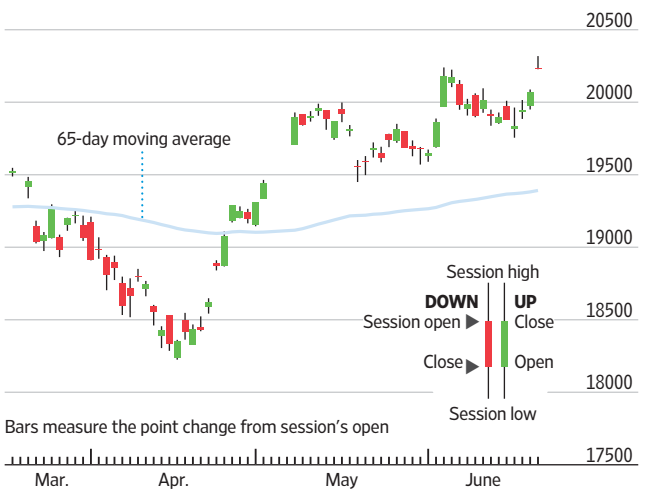
MARKETS DIGEST

Nikkei 225 Index

20230.41 ▲162.66, or 0.81%

High, low, open and close for each trading day of the past three months.

Year-to-date		▲5.84%
52-wk high/low	20230.41	14952.02
All-time high	38915.87	12/29/89



STOXX 600 Index

389.21 ▼2.73, or 0.70%

High, low, open and close for each trading day of the past three months.

Year-to-date		▲7.69%
52-wk high/low	396.45	308.75
All-time high	414.06	4/15/15

S&P 500 Index

Data as of 4 p.m. New York time

2437.03 ▼16.43, or 0.67%

High, low, open and close for each trading day of the past three months.

	Last	Year ago
Trailing P/E ratio	24.09	23.85
P/E estimate *	18.75	17.87
Dividend yield	1.95	2.19
All-time high:	2453.46, 06/19/17	

Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

International Stock Indexes

Data as of 4 p.m. New York time

Region/Country	Index	Latest Close	Latest NetChg	Latest % chg	52-Week Range Low	52-Week Range Close	52-Week Range High	YTD % chg
World	**The Global Dow**	2767.22	-18.32	-0.66	2193.75		2791.48	9.5
	MSCI EAFE	1888.95	-12.85	-0.68	1471.88		1956.39	10.1
	MSCI EM USD	1006.67	-6.28	-0.62	691.21		1044.05	26.8
Americas	**DJ Americas**	583.88	-4.59	-0.78	480.90		588.61	8.0
Brazil	**Sao Paulo Bovespa**	60806.46	-1207.57	-1.95	48954.41		69487.58	1.0
Canada	**S&P/TSX Comp**	15138.65	-127.39	-0.83	13609.58		15943.09	-1.0
Mexico	**IPC All-Share**	49038.25	-131.32	-0.27	43902.25		50154.33	7.4
Chile	**Santiago IPSA**	3646.88	-18.54	-0.51	3061.18		3786.05	13.1
U.S.	**DJIA**	21467.14	-61.85	-0.29	17063.08		21535.03	8.6
	Nasdaq Composite	6188.03	-50.98	-0.82	4574.25		6341.70	15.0
	S&P 500	2437.03	-16.43	-0.67	1991.68		2453.82	8.9
	CBOE Volatility	11.12	0.75	7.23	9.37		26.72	-20.8
EMEA	**Stoxx Europe 600**	389.21	-2.73	-0.70	308.75		396.45	7.7
	Stoxx Europe 50	3200.19	-22.90	-0.71	2626.52		3279.71	6.3
Austria	**ATX**	3098.12	-53.54	-1.70	1981.93		3212.50	18.3
Belgium	**Bel-20**	3910.20	-25.07	-0.64	3127.94		4055.96	8.4
France	**CAC 40**	5293.65	-17.07	-0.32	3955.98		5442.10	8.9
Germany	**DAX**	12814.79	-74.16	-0.58	9214.10		12951.54	11.6
Greece	**ATG**	827.01	5.79	0.71	517.10		827.56	28.5
Hungary	**BUX**	35989.69	41.28	0.11	25126.36		36168.63	12.5
Israel	**Tel Aviv**	1436.19	-3.35	-0.23	1372.23		1490.23	-2.4
Italy	**FTSE MIB**	20810.02	-204.23	-0.97	15017.42		21828.77	8.2
Netherlands	**AEX**	520.88	-4.99	-0.95	409.23		537.84	7.8
Poland	**WIG**	60841.94	-206.21	-0.34	42812.99		62666.49	17.6
Russia	**RTS Index**	981.03	-17.31	-1.73	885.22		1196.99	-14.9
Spain	**IBEX 35**	10746.10	-102.80	-0.95	7579.80		11184.40	14.9
Sweden	**SX All Share**	594.75	-1.97	-0.33	443.66		598.42	11.3
Switzerland	**Swiss Market**	9023.55	-6.75	-0.07	7475.54		9136.95	9.8
South Africa	**Johannesburg All Share**	51160.57	-455.33	-0.88	48935.90		54716.53	1.0
Turkey	**BIST 100**	99269.27	-62.86	-0.06	70426.16		100000.79	27.0
U.K.	**FTSE 100**	7472.71	-51.10	-0.68	5788.74		7598.99	4.6
Asia-Pacific	**DJ Asia-Pacific TSM**	1631.15	-0.87	-0.05	1308.52		1643.59	14.6
Australia	**S&P/ASX 200**	5757.30	-47.90	-0.83	5103.30		5956.50	1.6
China	**Shanghai Composite**	3140.01	-4.36	-0.14	2854.29		3288.97	1.2
Hong Kong	**Hang Seng**	25843.04	-81.51	-0.31	20172.46		26063.06	17.5
India	**S&P BSE Sensex**	31297.53	-14.04	-0.04	25765.14		31311.57	17.5
Japan	**Nikkei Stock Avg**	20230.41	162.66	0.81	14952.02		20230.41	5.8
Singapore	**Straits Times**	3230.42	-16.76	-0.52	2729.85		3271.11	12.1
South Korea	**Kospi**	2369.23	-1.67	-0.07	1925.24		2381.69	16.9
Taiwan	**Weighted**	10324.46	73.86	0.72	8458.87		10324.46	11.6

Source: SIX Financial Information;WSJ Market Data Group

Global government bonds

Latest, month-ago and year-ago yields and spreads over or under U.S. Treasurys on benchmark two-year and 10-year government bonds around the world. Data as of 3 p.m. ET

Coupon	Country/ Maturity, in years	Yield	Spread Over Treasurys, in basis points: Latest	Previous	Month Ago	Year ago	Yield: Previous	Month ago	Year ago
5.250	**Australia** 2	1.698	35.0	32.6	34.8	90.5	1.686	1.623	1.642
4.750	10	2.428	27.4	22.5	25.6	45.8	2.417	2.492	2.148
3.000	**Belgium** 2	-0.559	-190.7	-192.3	-180.4	-121.0	-0.563	-0.530	-0.473
0.800	10	0.588	-156.7	-158.6	-148.5	-139.3	0.605	0.752	0.297
0.000	**France** 2	-0.483	-183.1	-184.1	-172.6	-115.8	-0.481	-0.452	-0.421
1.000	10	0.607	-154.7	-155.9	-142.8	-125.9	0.633	0.809	0.430
0.000	**Germany** 2	-0.663	-201.1	-203.2	-196.4	-132.0	-0.672	-0.690	-0.583
0.250	10	0.261	-189.3	-190.9	-186.7	-163.5	0.282	0.369	0.055
0.300	**Italy** 2	-0.308	-165.6	-166.8	-152.9	-75.0	-0.308	-0.254	-0.013
2.200	10	1.924	-23.1	-23.8	-10.5	-31.9	1.954	2.131	1.371
0.100	**Japan** 2	-0.111	-145.9	-147.7	-143.2	-98.5	-0.117	-0.157	-0.248
0.100	10	0.056	-209.8	-213.6	-219.5	-183.3	0.056	0.042	-0.143
4.000	**Netherlands** 2	-0.629	-197.7	-199.8	-188.8	-127.6	-0.638	-0.613	-0.539
0.750	10	0.469	-168.6	-170.6	-166.6	-152.7	0.486	0.571	0.162
4.750	**Portugal** 2	-0.029	-137.7	-136.1	-99.9	-31.0	-0.001	0.275	0.427
4.125	10	2.847	69.3	66.1	93.6	144.6	2.853	3.173	3.135
2.750	**Spain** 2	-0.307	-165.5	-167.5	-157.5	-76.4	-0.315	-0.300	-0.027
1.500	10	1.385	-76.9	-74.9	-67.8	-20.9	1.443	1.559	1.481
4.250	**Sweden** 2	-0.719	-206.7	-207.1	-197.2	-132.5	-0.711	-0.698	-0.588
1.000	10	0.453	-170.1	-173.4	-172.6	-111.2	0.458	0.511	0.578
1.750	**U.K.** 2	0.132	-121.6	-117.9	-115.7	-26.9	0.182	0.117	0.468
4.250	10	0.998	-115.6	-115.9	-114.2	-45.0	1.033	1.095	1.240
1.250	**U.S.** 2	1.348	...	...	...	...	1.360	1.274	0.737
2.375	10	2.154	...	...	...	...	2.192	2.236	1.690

Commodities

Prices of futures contracts with the most open interest 3:30 p.m. New York time

EXCHANGE LEGEND: CBOT: Chicago Board of Trade; **CME:** Chicago Mercantile Exchange; **ICE-US:** ICE Futures U.S.; **MDEX:** Bursa Malaysia Derivatives Berhad; **TCE:** Tokyo Commodity Exchange; **COMEX:** Commodity Exchange; **LME:** London Metal Exchange; **NYMEX:** New York Mercantile Exchange; **ICE-EU:** ICE Futures Europe. *Data as of 6/19/2017

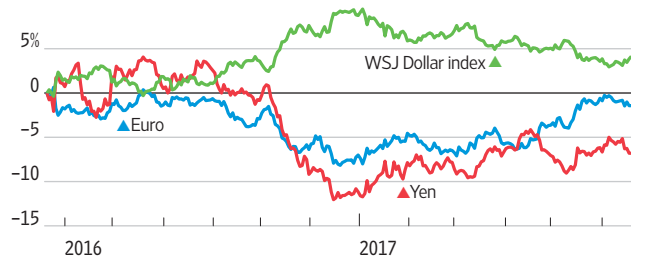
Commodity	Exchange	Last price	One-Day Change Net	Percentage	Year high	Year low
Corn (cents/bu.)	CBOT	377.50	-5.75	-1.50%	399.25	368.25
Soybeans (cents/bu.)	CBOT	940.00	-8.50	-0.90	1,034.50	915.50
Wheat (cents/bu.)	CBOT	488.00	5.00	1.04%	502.00	430.75
Live cattle (cents/lb.)	CME	116.350	0.250	0.22	127.650	99.400
Cocoa ($/ton)	ICE-US	1,916	-18	-0.93	2,281	1,767
Coffee (cents/lb.)	ICE-US	124.15	-2.45	-1.94	163.75	123.30
Sugar (cents/lb.)	ICE-US	13.83	0.16	1.17	20.50	13.50
Cotton (cents/lb.)	ICE-US	68.89	-0.15	-0.22	75.72	68.51
Robusta coffee ($/ton)	ICE-EU	2073.00	-35.00	-1.66	2,286.00	1,885.00
Copper ($/lb.)	COMEX	2.5765	-0.0295	-1.13	2.8495	2.4850
Gold ($/troy oz.)	COMEX	1244.30	-2.40	-0.19	1,300.30	1,155.00
Silver ($/troy oz.)	COMEX	16.445	-0.057	-0.35	18.725	16.060
Aluminum ($/mt)*	LME	1,876.00	4.50	0.24	1,972.00	1,688.50
Tin ($/mt)*	LME	19,700.00	290.00	1.49	21,225.00	18,760.00
Copper ($/mt)*	LME	5,710.00	31.00	0.55	6,156.00	5,491.00
Lead ($/mt)*	LME	2,137.00	30.00	1.42	2,445.00	2,022.00
Zinc ($/mt)*	LME	2,550.50	21.50	0.85	2,958.50	2,450.50
Nickel ($/mt)*	LME	9,000.00	25.00	0.28	11,095.00	8,780.00
Rubber (Y.01/ton)	TCE	190.30	-4.90	-2.51	n.a.	n.a.
Palm oil (MYR/mt)	MDEX	2460.00	-28.00	-1.13	2966.00	2390.00
Crude oil ($/bbl.)	NYMEX	43.43	-1.00	-2.25	58.30	42.94
NY Harbor ULSD ($/gal.)	NYMEX	1.3993	-0.0193	-1.36	1.7930	1.3897
RBOB gasoline ($/gal.)	NYMEX	1.4145	-0.0301	-2.08	1.8561	1.4112
Natural gas ($/mmBtu)	NYMEX	2.924	0.007	0.24	3.5750	2.9020
Brent crude ($/bbl.)	ICE-EU	46.15	-0.98	-2.08	60.18	45.68
Gas oil ($/ton)	ICE-EU	414.75	-9.25	-2.18	529.00	411.25

Sources: SIX Financial Information; WSJ Market Data Group

Currencies

Yen, euro vs. dollar; dollar vs. major U.S. trading partners

London close on June 20



Country/currency	Tue in US$	Tue per US$	US$ vs, YTD chg (%)
Americas			
Argentina peso-a	0.0620	16.1250	1.6
Brazil real	0.2999	3.3347	2.4
Canada dollar	0.7535	1.3272	-1.3
Chile peso	0.001503	665.40	-0.7
Colombia peso	0.0003301	3029.46	0.9
Ecuador US dollar-f	1	1	unch
Mexico peso-a	0.0551	18.1353	-12.5
Peru sol	0.3050	3.2785	-2.2
Uruguay peso-e	0.0353	28.300	-3.6
Venezuela bolivar	0.099203	10.08	0.9
Asia-Pacific			
Australia dollar	0.7572	1.3207	-4.9
China yuan	0.1465	6.8274	-1.7
Hong Kong dollar	0.1282	7.8010	0.6
India rupee	0.0155	64.6400	-4.9
Indonesia rupiah	0.0000751	13322	-1.5
Japan yen	0.008969	111.49	-4.7
Kazakhstan tenge	0.003099	322.64	-3.3
Macau pataca	0.1244	8.0354	1.5
Malaysia ringgit-c	0.2327	4.2982	-4.2
New Zealand dollar	0.7235	1.3822	-4.3
Pakistan rupee	0.0095	104.870	0.5
Philippines peso	0.0199	50.225	1.2
Singapore dollar	0.7191	1.3906	-3.9
South Korea won	0.0008749	1142.96	-5.4
Sri Lanka rupee	0.0065274	153.20	3.2
Taiwan dollar	0.03293	30.369	-6.4
Thailand baht	0.02939	34.030	-5.0
Europe			
Bulgaria lev	0.5687	1.7585	-5.4
Croatia kuna	0.1499	6.669	-7.0
Euro zone euro	1.1123	0.8991	-5.4
Czech Rep. koruna-b	0.0422	23.683	-7.8
Denmark krone	0.1495	6.6888	-5.4
Hungary forint	0.003597	278.01	-5.5
Iceland krona	0.009630	103.84	-8.1
Norway krone	0.1169	8.5536	-1.0
Poland zloty	0.2619	3.8182	-8.8
Russia ruble-d	0.01678	59.587	-2.7
Sweden krona	0.1137	8.7924	-3.5
Switzerland franc	1.0242	0.9764	-4.2
Turkey lira	0.2819	3.5468	0.7
Ukraine hryvnia	0.0384	26.0440	-3.8
U.K. pound	1.2619	0.7925	-2.2
Middle East/Africa			
Bahrain dinar	2.6511	0.3772	0.01
Egypt pound-a	0.0551	18.1435	0.1
Israel shekel	0.2821	3.5449	-7.9
Kuwait dinar	3.2926	0.3037	-0.6
Oman sul rial	2.5972	0.3850	0.02
Qatar rial	0.2721	3.675	1.0
Saudi Arabia riyal	0.2666	3.7505	-0.01
South Africa rand	0.0764	13.0834	-4.5

	Close	Net Chg	% Chg	YTD % Chg
WSJ Dollar Index	89.03	0.28	0.31	-4.21

Sources: Tullett Prebon, WSJ Market Data Group

Cross rates

London close on Jun 20

	USD	GBP	CHF	JPY	HKD	EUR	CDN	AUD
Australia	1.3207	1.6663	1.3528	0.0118	0.1693	1.4688	0.9951	...
Canada	1.3272	1.6744	1.3591	0.0119	0.1701	1.4759	...	1.0049
Euro	0.8991	1.1344	0.9208	0.0081	0.1153	...	0.6775	0.6808
Hong Kong	7.8010	9.8440	7.9895	0.0700	...	8.6766	5.8780	5.9069
Japan	111.4940	140.6800	114.2000	...	14.2920	124.0000	84.0200	84.4200
Switzerland	0.9764	1.2320	...	0.0088	0.1252	1.0861	0.7358	0.7394
U.K.	0.7925	...	0.8117	0.0071	0.1016	0.8816	0.5971	0.6000
U.S.	...	1.2619	1.0242	0.0090	0.1282	1.1123	0.7535	0.7572

Source: Tullett Prebon

Key Rates

	Latest	52 wks ago
Libor		
One month	**1.21556%**	0.45080%
Three month	**1.28722**	0.64185
Six month	**1.43961**	0.93115
One year	**1.73594**	1.25250
Euro Libor		
One month	**-0.40429%**	-0.35843%
Three month	**-0.37286**	-0.28357
Six month	**-0.29571**	-0.16600
One year	**-0.18043**	-0.03571
Euribor		
One month	**-0.37200%**	-0.35800%
Three month	**-0.32900**	-0.26600
Six month	**-0.27100**	-0.15900
One year	**-0.15900**	-0.02900
Yen Libor		
One month	**-0.03064%**	-0.06900%
Three month	**-0.00229**	-0.03371
Six month	**0.02171**	-0.01007
One year	**0.12971**	0.08329
	Offer	Bid
Eurodollars		
One month	**1.1000%**	1.0000%
Three month	**1.2000**	1.1000
Six month	**1.3500**	1.2500
One year	**1.6000**	1.5000
	Latest	52 wks ago
Prime rates		
U.S.	**4.25%**	3.50%
Canada	**2.70**	2.70
Japan	**1.475**	1.475
Hong Kong	**5.00**	5.00
Policy rates		
ECB	**0.00%**	0.00%
Britain	**0.25**	0.50
Switzerland	**0.50**	0.50
Australia	**1.50**	1.75
U.S. discount	**1.75**	1.00
Fed-funds target	**1.00-1.25**	0.25-0.50
Call money	**3.00**	2.25
Overnight repurchase rates		
U.S.	**1.10%**	0.50%
Euro zone	**n.a.**	n.a.

Sources: WSJ Market Data Group, SIX Financial Information, Tullett

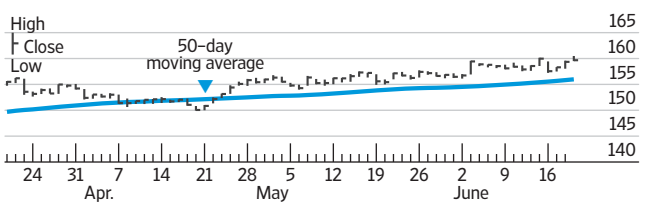
Top Stock Listings

4 p.m. New York time

Cur	Stock	Sym	Last	% Chg	YTD% Chg
	Asia Titans				
HK$	AIAGroup	1299	57.10	0.09	30.51
¥	AstellasPharma	4503	1379.00	-0.33	-15.06
AU$	AustNZBk	ANZ	28.00	-1.34	-7.96
AU$	BHP	BHP	22.96	-0.17	-8.38
HK$	BankofChina	3988	3.82	-0.52	11.05
HK$	CKHutchison	0001	98.50	-0.20	12.06
HK$	CNOOC	0883	8.62	-0.23	-11.13
AU$	CSL	CSL	138.56	-0.76	37.99
¥	Canon	7751	3941.00	-0.15	19.61
¥	CentralJapanRwy	9022	18355	-0.54	-4.55
HK$	ChinaConstructnBk	0939	6.46	...	8.21
HK$	ChinaLifeInsurance	2628	24.05	-1.03	19.06
HK$	ChinaMobile	0941	83.70	-0.42	1.82
HK$	ChinaPetro&Chem	0386	6.35	-0.16	15.45
AU$	CmwlthBkAust	CBA	82.24	-0.66	-0.21
¥	EastJapanRailway	9020	11180	-0.36	10.69
¥	Fanuc	6954	21725	0.77	9.64
¥	Hitachi	6501	674.20	0.78	6.68
TW$	Hon Hai Precisn	2317	114.50	4.57	35.99
¥	HondaMotor	7267	3066.00	...	-10.22
KRW	HyundaiMtr	005380	166500	-0.30	14.04
HK$	Ind&Comml	1398	5.18	-0.96	11.40
¥	JapanTobacco	2914	4106.00	-0.07	6.82
¥	KDDI	9433	3091.00	0.42	4.44
¥	Mitsubishi	8058	2286.50	1.08	-8.17
¥	MitsubishiElectric	6503	1621.00	1.82	-0.52
¥	MitsubishiUFJFin	8306	729.60	0.61	1.31
¥	Mitsui	8031	1556.00	1.01	-3.17
¥	Mizuho Fin	8411	198.30	0.30	-5.48
¥	NTTDoCoMo	9437	2746.00	0.27	3.12
AU$	NatAustBnk	NAB	29.94	-1.09	-2.38
¥	NipponTeleg	9432	5448.00	1.06	10.91
¥	NissanMotor	7201	1071.50	-0.05	-8.85
¥	Panasonic	6752	1511.00	2.16	27.03
HK$	PingAnInsofChina	2318	51.90	-0.48	33.76
$	RelianceIndsGDR	RIGD	43.40	-0.69	37.56
KRW	SamsungElectronics	005930	2407000	3.39	33.57
¥	Seven&I Hldgs	3382	4780.00	0.67	7.34
¥	SoftBankGroup	9984	9273.00	0.61	19.42
¥	Sony	6758	4278.00	-0.28	30.63
¥	Sumitomo Mitsui	8316	4262.00	0.88	-4.44
HK$	SunHngKaiPrp	0016	118.10	0.08	20.51
TW$	TaiwanSemiMfg	2330	216.50	1.64	19.28
¥	TakedaPharm	4502	5666.00	-0.26	17.19
HK$	TencentHoldings	0700	280.00	0.43	47.60
¥	TokioMarineHldg	8766	4854.00	0.19	1.21
¥	ToyotaMtr	7203	5809.00	0.38	-15.54
AU$	Wesfarmers	WES	40.51	-0.25	-3.87
AU$	WestpacBanking	WBC	30.31	-1.85	-7.02
AU$	Woolworths	WOW	25.15	-0.71	4.36
	Stoxx 50				
CHF	ABB	ABBN	24.49	-1.13	14.01
€	ASMLHolding	ASML	116.15	-1.11	8.91
€	AXA	CS	24.27	-0.10	1.19
€	AirLiquide	AI	112.75	0.22	6.72
€	Allianz	ALV	175.85	-0.20	12.01
€	AB InBev	ABI	102.80	0.64	2.24
£	AstraZeneca	AZN	5416.00	1.35	22.05
€	BASF	BAS	86.55	-0.65	-1.99
€	BNP Paribas	BNP	62.55	-0.81	3.30
£	BT Group	BT.A	286.30	-1.17	-21.97
€	BancoBilVizAr	BBVA	7.34	-0.92	15.61
€	BancoSantander	SAN	5.86	-1.16	18.11
£	Barclays	BARC	202.80	-1.91	-9.24
€	Bayer	BAYN	121.80	-1.22	22.87
£	BP	BP.	460.25	-2.62	-9.68
£	BritishAmTob	BATS	5563.00	-0.07	20.37
€	Daimler	DAI	65.57	-0.21	-7.28
€	DeutscheTelekom	DTE	16.79	-0.09	2.66
£	Diageo	DGE	2390.00	0.65	13.27
€	ENI	ENI	13.63	-2.01	-11.89
£	GlaxoSmithKline	GSK	1693.00	-0.15	8.39
£	Glencore	GLEN	276.60	-3.94	-0.27
£	HSBC Hldgs	HSBA	688.30	-0.48	4.78
€	INGGroep	INGA	15.10	-1.18	12.90
£	ImperialBrands	IMB	3571.00	-0.33	0.80
€	IntesaSanpaolo	ISP	2.53	-0.39	4.45
€	LVMHMoetHennessy	MC	232.40	-0.17	28.11
£	LloydsBankingGroup	LLOY	67.01	-2.46	7.20
€	LOreal	OR	191.25	0.18	10.29
£	NationalGrid	NG.	1018.00	-0.24	-1.94
CHF	Nestle	NESN	84.00	0.66	14.99
CHF	Novartis	NOVN	79.80	0.76	7.69
DKK	NovoNordiskB	NOVO-B	290.50	-0.10	14.06
£	Prudential	PRU	1815.00	0.30	11.52
£	ReckittBenckiser	RB.	7996.00	0.18	16.12
£	RioTinto	RIO	3000.00	-2.85	-5.02
CHF	RocheHldgctf	ROG	253.10	-0.94	8.81
£	RoyDtchShell A	RDSA	2090.50	-1.88	-6.78
€	SAP	SAP	94.85	-0.64	14.54
€	Sanofi	SAN	86.82	0.14	12.90
€	SchneiderElectric	SU	68.87	-0.48	4.17
€	Siemens	SIE	125.15	-1.07	7.15
€	Telefonica	TEF	9.59	-1.27	8.67
€	Total	FP	44.55	-1.32	-6.71
CHF	UBSGroup	UBSG	15.68	-1.07	-1.69
€	Unilever	UNA	50.13	-0.14	28.16
£	Unilever	ULVR	4317.50	0.15	31.13
€	Vinci	DG	79.91	0.14	23.51
£	VodafoneGroup	VOD	222.35	-0.20	11.26
CHF	ZurichInsurance	ZURN	292.50	0.17	4.32
	DJIA				
$	AmericanExpress	AXP	82.50	0.76	11.37
$	Apple	AAPL	145.01	-0.91	25.20
$	Boeing	BA	198.35	-0.37	27.41
$	Caterpillar	CAT	107.07	-0.39	15.45
$	Chevron	CVX	106.51	-0.88	-9.51
$	CiscoSystems	CSCO	31.85	-0.44	5.39
$	Coca-Cola	KO	45.61	0.51	10.01
$	Disney	DIS	103.94	-1.36	-0.27
$	DuPont	DD	83.14	-0.50	13.27
$	ExxonMobil	XOM	82.32	-0.53	-8.80
$	GeneralElec	GE	28.13	-2.33	-10.98
$	GoldmanSachs	GS	225.09	-0.46	-6.00
$	HomeDepot	HD	157.70	-0.70	17.62
$	Intel	INTC	34.85	-1.86	-3.92
$	IBM	IBM	154.90	0.04	-6.68
$	JPMorganChase	JPM	87.52	-0.62	1.43
$	J&J	JNJ	134.22	0.11	16.50
$	McDonalds	MCD	154.04	0.59	26.55
$	Merck	MRK	64.54	1.35	9.63
$	Microsoft	MSFT	69.91	-1.35	12.50
$	Nike	NKE	51.55	-0.90	1.42
$	Pfizer	PFE	33.56	1.02	3.33
$	Procter&Gamble	PG	89.63	-0.26	6.60
$	3M	MMM	213.35	...	19.48
$	Travelers	TRV	128.76	0.38	5.18
$	UnitedTech	UTX	121.53	-0.26	10.86
$	UnitedHealth	UNH	183.21	0.10	14.48
$	Visa	V	94.41	-0.40	21.01
$	Verizon	VZ	45.95	-1.33	-13.92
$	Wal-Mart	WMT	75.56	0.08	9.32

Asia Titans 50

Last: **159.67** ▲ 0.32, or 0.20% YTD ▲ **13.3%**



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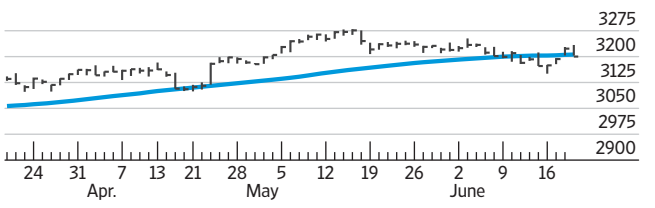
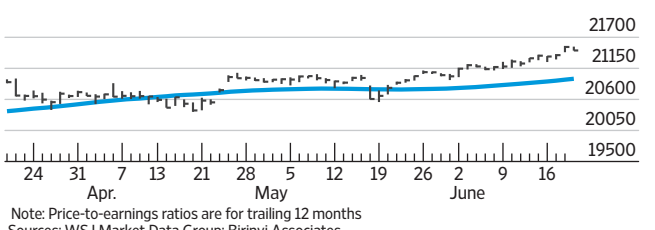
Last: **3200.19** ▼ 22.90, or 0.71% YTD ▲ **6.3%**



Dow Jones Industrial Average

P/E: 21

Last: **21467.14** ▼ 61.85, or 0.29% YTD ▲ **8.6%**



Note: Price-to-earnings ratios are for trailing 12 months
Sources: WSJ Market Data Group; Birinyi Associates

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Storage Startups Offer Pickup, Delivery

New firms aim to use logistics and web technology to make sector user friendly

By Peter Grant

MICHAEL BUCHER/THE WALL STREET JOURNAL

Movers from startup Clutter prepare to deliver a couch to a storage facility near New York City.

Many landlords have learned the hard way how technology upstarts like **WeWork** Cos. and **Airbnb** Inc. can disrupt traditional office-building and hotel businesses.

Now, the tech sector is turning its sights on the self-storage sector and its estimated $30 billion in annual revenue.

A handful of startups such as **Clutter** Inc. and **MakeSpace Labs** Inc. are using the latest in logistics and web technology to offer what they say is a more efficient and user-friendly way for people to store furniture, keepsakes, sports equipment and other stuff that has been clogging up their basements and attics.

They work differently from the 40,000 or so traditional self-storage facilities that basically offer garages or sheds for customers to fill up as they please. The new competitors pick up and deliver items instead of forcing customers to schlep items to their facilities like the incumbent firms do. The upstarts also photograph what they store, and customers can view their items online and ask for some or all of them back with a click.

"Imagine Amazon logistics meets Dropbox software," said Ari Mir, co-founder of Clutter, which is two years old and just added Chicago to the eight other markets it serves.

Executives at the big self-storage companies, like Public Storage, CubeSmart and Extra Space Storage Inc., say they aren't worried. They say the startups' costs of transportation and handling will be so high they won't be able to price their service competitively.

Public Storage, the world's largest self-storage business, with a stock-market capitalization of more than $37 billion, lost about $200 million in the early part of the last decade trying a similar service named Pick-up and Delivery.

"It sounds like a great product on paper," said Clem Teng, a Public Storage vice president for investor relations. "But given all the touching involved, it's difficult to price it at a point that consumers are willing to pay so you can make a profit."

Still, the self-storage startups are beginning to get traction with customers and financiers. Last week, Culver City, Calif.-based Clutter said it had raised $64 million in its latest funding round from its existing investor, **Sequoia Capital**, as well as new investors **Atomico**, **Fifth Wall Ventures** and Alphabet Inc.'s GV.

MakeSpace, which has 300 employees in four cities, raised $30 million in March for a total of about $60 million to date, with the venture-capital firm **8vc** taking the lead. Founder Sam Rosen envisions the firm being in 30 to 50 markets five years from now.

Investors in the big storage companies are taking notice. "They will create major headwinds," said Laurel Durkay, associate portfolio manager of Cohen & Steers, a fund manager with roughly $60 billion in assets that is a big investor in the self-storage sector. "But I do believe it will be more important in dense urban markets than the broader domestic landscape."

Ms. Durkay predicted that the big companies will respond if the startups become more competitive. "To the extent that we have a...revolution in the way people are using storage facilities, the management teams may be able to pivot and modify their strategies."

Mr. Rosen, of MakeSpace, said he isn't surprised Public Storage failed at what he and others are trying to do. "They're a real-estate business," he said. "What do they know about logistics?"

Customers of the new firms include people like Jassim Latif, a 34-year-old employee at a San Francisco software firm, who wanted something more than traditional storage. He became a Clutter customer after a bad experience trying to get his snowboard out of a locker he rented after his twin daughters were born two years ago.

"I had to move everything out to get my stuff, then move it all back in," he recalled. "Then I thought: 'Great. In a few days I have to come back here and do the same thing all over again.' "

The new competition comes at a time when Wall Street has been losing enthusiasm for the big self-storage companies. They were a darling of the real-estate investment trust sector in 2013 to 2015, strongly outperforming other REITs.

But last year, while the broad REIT sector was up about 8.5%, storage was down about 8%, according to Steve Sakwa, head of real-estate research at Evercore ISI. So far this year, the sector is up 3.8%, but storage REITs are down 2.4%, he said.

Rents are still rising but at a slower pace in part because of a glut of new supply, Mr. Sakwa said. Consumers also might be showing resistance to the rapid rent increases of previous years.

Executives at the startups say they can keep prices low partly by locating facilities in cheaper spaces far away from customers. Traditional facilities generally are just a few miles away from customers' homes, and this can drive up costs in high-price real-estate markets like New York and San Francisco.

Moving and handling items clearly drives up prices. For example, Clutter charges about $100 to $110 a month in New York to store a closet worth of stuff, roughly in the range of local self-storage facilities. But Clutter also charges $35 an hour per mover for on-site labor in the packing and moving process in pickups and deliveries. The firm doesn't charge for transportation time.

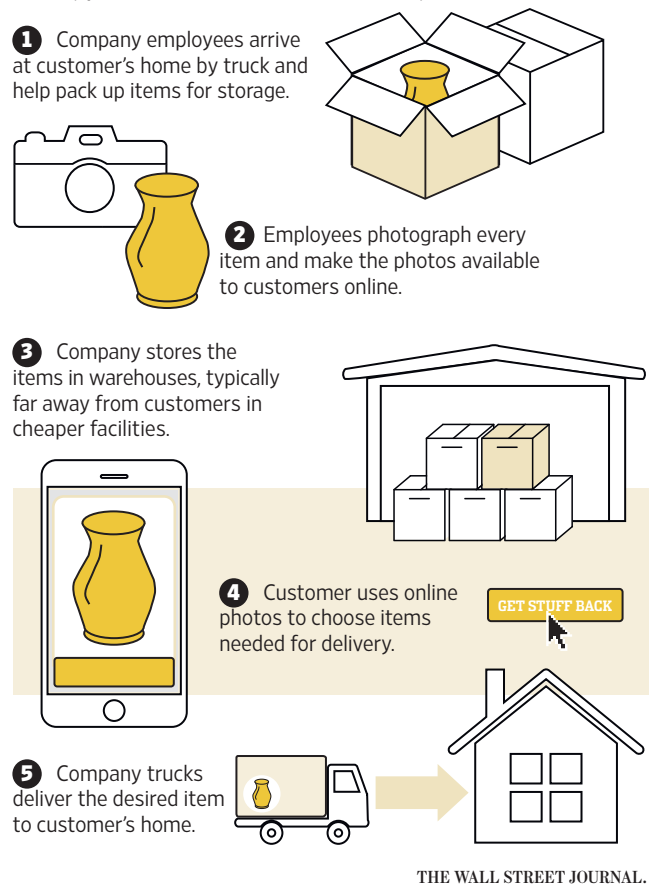
Traditional storage companies say their business model works better because their customers face a big hassle if they want to close their account and move their stuff out for good. That tendency makes it more likely that customers will stick around, executives say.

"Who wants to spend a Saturday afternoon going to your storage unit?" said Mr. Teng of Public Storage.

Backers of the startups say their growth potential is enormous. They point out they could branch into other businesses like helping people manage their stuff and even sell it on websites such as **eBay** Inc.

Not Your Father's Self-Storage

Rather than simply renting out lockers or sheds in nearby self-storage facilities, startups in the business are offering new types of services. Here is how they work:



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MARKETS

Bitcoin Rift Spurs Volatility

Developers and businesses have competing visions for future of currency

By Paul Vigna

A rift in the bitcoin world is pitting two camps with competing visions for what the virtual currency should be against each other, accentuating the volatility that has come to define this market.

Even for bitcoin, though, last week was a wild ride. The currency rose to a high of $3,018, only to fall 27%. It then recovered somewhat and by Tuesday was trading at $2,650.

The sharp swings followed bitter jousting by bitcoin developers and businesses over how best to expand the currency's processing capacity and could result in it being split into separate, competing coins. On one side: those who want bitcoin to act more like a digital version of gold, a commodity with a limited supply that can be held as a store of value.

The opposing camp wants bitcoin to look more like a currency, a unit that can be used to settle transactions. That faction wants bitcoin to be as fast and easy to trade as a dollar.

The two sides have been at a stalemate, but new proposals coming this summer could provide a breakthrough—either changes in the bitcoin network's processing capacity or a split between a high-speed and slow-speed bitcoin. "You watch a fine marriage that is falling apart," says Emin Gun Sirer, a Cornell University professor who studies virtual currencies. "Eventually, you say, I think a divorce is the best thing."

The bickering has hindered interest in the virtual currency, sending some to a newer alternative, ethereum, that has surged more than 40-fold this year and is now valued at only about 20% less than all the traded bitcoin, according to CoinMarketCap.com.

"A lot of my friends are selling their bitcoin and buying ethereum," says Zachary Mallard, who runs a men's grooming-products business in Brooklyn, N.Y. Mr. Mallard bought some ethereum in recent months, passing up on bitcoin in part because he views the potential split in the currency as limiting the potential gains.

The debate between the two sides has intensified in recent weeks as bitcoin has rallied more than 160% this year—despite the recent swings in the currency's value. Ultimately, how the trading is structured will help determine who controls the currency, and who potentially gets rich from that control.

As it was developed in 2008, bitcoin has a limited supply, 21 million coins, that are released on a set schedule and awarded to businesses that confirm transactions in a process known as mining.

The network it trades on was designed to be fast and cheap, operating without middlemen, with an immutable ledger recording transactions. The ledger, also known as blockchain, is simultaneously transparent to users and protective of the identity of buyers and sellers, some of whom historically used bitcoin for money laundering or other illegal purposes.

Briefly, this is how bitcoin trades: Individual transactions on the network are packed into blocks by companies that specialize in processing the trades, so-called miners. Under its current structure, the size of those blocks is capped, allowing only about seven transactions per second, far below the hundreds of thousands a network like Visa can process.

In bitcoin's early days, the limit wasn't an issue. That has changed as bitcoin transactions have surged and the currency has piqued more widespread curiosity. The result has been bottlenecks and rising transaction fees.

Many investors and processors have pushed to increase the limits in an effort to make bitcoin trade more like a modern-day currency. But purists and some developers have fought back, in part because it could hurt their financial interests, but also because it goes against their libertarian, anti-big-business bent.

With past efforts at compromise between the two sides failing, "we've reached the point now where we accept that it's a possibility" that the factions will go their separate ways, said Eric Lombrozo, one of bitcoin's leading developers.

Last week, a prominent bitcoin mining company, BitMain, released a plan to alter bitcoin's underlying software that would result in two live versions at the same time. There are other proposals as well that would have the same effect. It isn't clear which if any will be adopted.

On paper, everybody seems to be in favor of raising the capacity limits. In practice, there are two sides starkly divided over how to do that. One group, led by businesses, wants to raise the size limit for all bitcoin trading. The other, led by developers, wants to create what is essentially another, subordinate network for processing transactions quickly. This option would leave the current main network unchanged.

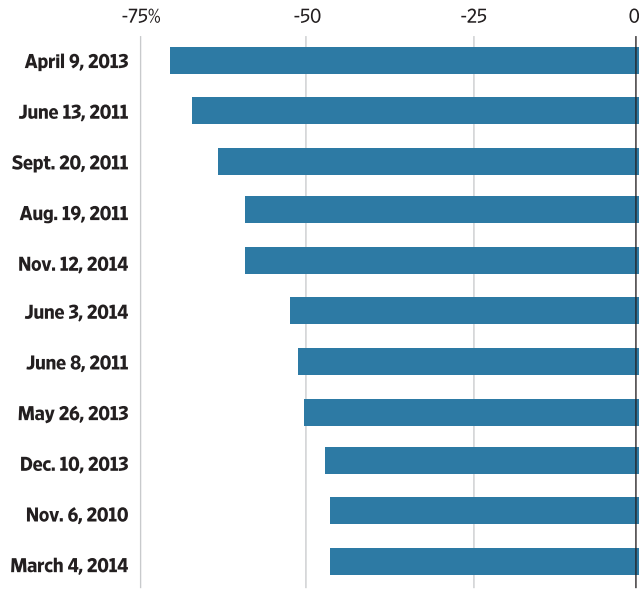
People involved in the fight say the fate of bitcoin may become clearer in the next two months as owners and miners vote on the various proposals to break the logjam.

Arching over all of this is the question of who ultimately controls bitcoin. "Why is it so acrimonious?" Mr. Gun Sirer asked. "It isn't about the parameters, it's not about the block size. This is about voice."

—Aaron Lucchetti contributed to this article.

Steep Grade

Bitcoin has declined at least 20% on 35 separate occasions in recent years. Here are the steepest drops and the days they started.



Source: Coindesk

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Stocks Pull Back As Crude Drops

By Akane Otani and Riva Gold

Crude-oil prices slid Tuesday, knocking U.S. and European stock prices lower as energy companies came under pressure.

The Stoxx Europe 600 slid 0.7% to close at 389.21, retreating from gains logged Monday that left the index at its highest since June 5.

TUESDAY'S MARKETS

The Stoxx Europe 600 Oil and Gas Index was shoved 2.2% lower.

In the U.S., the Dow Jones Industrial Average fell 61.85 points, or 0.3%, to 21467.14. The Nasdaq Composite lost 0.8%, and the S&P 500 was down 0.7%.

Energy stocks in the S&P 500 were down 1.3% late Tuesday, deepening losses for the index's worst-performing sector of the year.

The moves came as fresh fears over an oversupply of oil sent U.S. crude into a bear market Tuesday, or down 20% from its previous high. Rising production around the world has offset efforts by the Organization of the Petroleum Exporting Countries to draw down a glut, analysts say, weighing on oil prices.

U.S. crude for July delivery fell 2.2% to $43.23 a barrel on Tuesday.

While the energy sector is expected to account for nearly half of the S&P 500's earnings growth for the second quarter, according to FactSet, analysts say broad strength across sectors should help stocks keep climbing.

"I'm not too worried about it yet," said David Lefkowitz, senior equity strategist at UBS Wealth Management Americas. "Business confidence is high, bank lending standards are easing and the outlook for stocks looks pretty good."

Shares of health-care companies added 0.3% in the S&P 500 by late afternoon and were one of the few sectors in the broad index posting gains for the day. Regeneron Pharmaceuticals rose 5% after investment bank Piper Jaffray lifted its price target for the stock. Alexion Pharmaceuticals gained 2.5% and Incyte rose 1.9%.

Government bonds edged higher, with the yield on the 10-year U.S. Treasury note falling to 2.153%, its third lowest settlement of the year, from 2.188% Monday. Yields fall as bond prices rise.

In Asia, Japan's Nikkei Stock Average rose 0.8% to its highest close since August 2015 after the dollar strengthened against the yen, supporting shares of exporters.

ESSAM AL-SUDANI/REUTERS

The Al-Shuaiba refinery in Basra, Iraq, in April. U.S. oil slid 2.2%.

HEARD ON THE STREET

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Barclays Deals With a Criminal Dilemma

When **Barclays** raised £12 billion ($15.3 billion) in emergency capital in the teeth of the financial crisis, the deals were complex, costly and controversial. Nine years later, U.K. fraud investigators finally allege they were partly criminal, too. Whether Barclays fights the charges or pleads guilty will be a complex gamble for current management.

The Serious Fraud Office on Tuesday charged Barclays and some former top executives with conspiracy to commit fraud and unlawful financial assistance. Large fines and jail time could result.

This is an unwanted first for the industry. The chief executive at the time, John Varley, is charged on all counts, the first bank CEO to face a crisis-era criminal prosecution. Roger Jenkins, a former investment banker who played a key role in the deals, is also charged on all counts.

Barclays turned to Qatar and other investors in June and October 2008 to raise capital and avoid having to take taxpayer funds directly or pay for a government-backed loss-insurance program that cost rivals Lloyds Banking Group and Royal Bank of Scotland £2.5 billion each in fees.

Barclays's fundraising was controversial because it diluted existing shareholders without allowing them normal pre-emption rights. A complicated structure made it costly, too, but then so was the alternative.

The fraud charges relate to side deals with the Qatari investors, including two advisory-services agreements that cost Barclays £322 million in fees, which Barclays didn't initially disclose. The charge of unlawful financial assistance says that Barclays in effect lent the Qataris $3 billion of the money they invested in Barclays. That would mean the bank bailed itself out, playing games with the rules and ultimately undermining its improved capital.

Barclays will wait for further details of the charges before responding. Lawyers for Mr. Jenkins said he would contest the charges; a law firm representing Mr. Varley said it couldn't immediately comment.

If guilty, they could face significant jail terms and fines, while the bank could face significant fines. Rolls-Royce, the U.K. aerospace company, paid £670 million in fines and penalties in the U.K., U.S. and Brazil this year after a deferred prosecution agreement related to bribery and corruption charges.

If Barclays pleads guilty, it will get a discount on fines. However, a plea could strengthen related civil cases, such as the £1 billion suit bought by a private-equity group, **PCP Capital Partners**, linked to the deals.

Barclays has shown the will to fight cases it thinks are unfair, such as its continuing battle with the U.S. Justice Department over mortgage bonds. In that case, the proposed settlement was $5 billion.

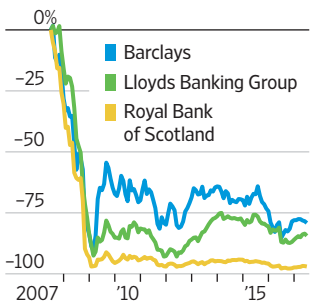
The ultimate costs of a plea deal in the Qatar case and any related suits are hard to gauge and likely to take years to emerge. Barclays isn't making fresh provisions and investors barely reacted.

But make no mistake: This is a very significant case for Barclays and the U.K. authorities, which have a string of failed cases behind them. Both sides have much to lose.

—Paul J. Davies

Crisis Consequences

Stock performance of big U.K. banks over the past decade



Sources: FactSet; PA Wire/ZUMA Press (photo)

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Former Barclays Chief Executive John Varley

OVERHEARD

Someone at **Coca-Cola** read Dale Carnegie's classic "How to Win Friends and Influence People." One of his tips is that "a person's name is to that person the sweetest and most important sound in any language."

That, along with a healthy dollop of high-fructose corn syrup, has been a winning strategy as the company revived its "Share a Coke" marketing blitz last month.

So far, so good, but the company's targeting backfired with the tweet "Today's forecast in Pittsburgh: Record heat, followed by an ice-cold wave of ahhhhhhh. #ShareaCoke."

Unfortunately, the ad included a picture of Philadelphia, Pennsylvania's other major city and a bitter rival in sports.

There would have to be a lot of high-fructose corn syrup in the can to make Philadelphia sound sweet to residents of Pittsburgh.

Don't Bet on Australian Housing Market

Chinese buyers have been gobbling up houses all over the world in recent years. There could be some nasty surprises when the buying stops.

There are already signs of imminent pain for the global property market, thanks to China's efforts to stop money pouring out of the country. Inquiries from China for foreign real estate fell 31% in the first quarter from a year ago, according to Juwai.com, a portal that connects potential Chinese buyers to property listings overseas. For some of the most popular destinations, the drop was even bigger—42% for the U.S. and 39% for Australia.

The property market Down Under looks particularly vulnerable. China accounts for four in every five foreign buyers in Australia, with their interest a prime reason why home prices have surged to unaffordable levels: Prices in Sydney, for example, are up 72% since 2012.

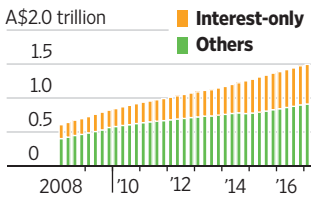
Some are waking up to the potential trouble ahead, with Australia's household debt now nearing 200% of disposable income. Moody's downgraded 12 Australian banks and their affiliates Monday, citing rising risks associated with the housing market, following a similar move by Standard & Poor's last month.

An Australian demographer caused an uproar last year after chastising the country's younger generation for being unable to buy houses because they spent too much money on things like avocado toast. Right now, instead of encouraging young people to jump into the housing market, it may actually be better to just let them eat the toast.

—Jacky Wong

Home Run

Australia's household mortgages



Note: A$1 billion = $762 million
Source: Australian Prudential Regulation Authority

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Alibaba's Strategy Differs From Amazon's

In retail, fashions are now moving from east to west. Online giant **Amazon.com**'s $13.7 billion deal to buy **Whole Foods Market** has shaken up the sector in the U.S. That isn't unusual in China, where e-commerce behemoth **Alibaba** has already been snapping up brick-and-mortar stores for some time, spending some $5 billion on physical retail companies in recent years.

Still, the two companies' strategies aren't exactly alike. China lacks established retail giants like **Wal-Mart Stores** or **Costco** that have mastered how to distribute goods from producers to supermarkets. Meanwhile, online shopping accounts for a much larger share of the retail market in China than the U.S.

So while Amazon hopes to expand its already formidable distribution capabilities by buying Whole Foods, Alibaba has always relied on logistics company partners to deliver goods bought on its websites. Its model is to act as a platform for merchants and consumers to meet, taking a cut in between by offering services like advertising and payments.

For Alibaba, buying into physical retail companies isn't about improving its distribution. Instead, it points to its ambitions to offer its services to anyone selling goods, online or offline. In recent years, it has bought a majority stake in department-store operator Intime, a 20% stake in electrical-appliance retailer Suning and minority stakes in a couple of supermarket chains.

Alibaba hopes to help physical stores set up an online presence and market them to mobile shoppers; it also hopes to persuade retailers to process transactions using Alipay, a PayPal-like service that is owned by Alibaba affiliate Ant Financial. Buying stakes in physical retailers also helps Alibaba glean more data on consumer behavior.

Like Amazon in the U.S., Alibaba has already become the dominant force in China's e-commerce market. But as both move down from the clouds into the real world, their aims contain crucial differences.

—Jacky Wong