

THE WALL STREET JOURNAL.

DOW JONES | News Corp

FRIDAY - SUNDAY, JUNE 30 - JULY 2, 2017 ~ VOL. XXXV NO. 105

WSJ.com EUROPE EDITION

DJIA 21287.03 ▼ 0.78%

NASDAQ 6144.35 ▼ 1.44%

NIKKEI 20220.30 ▲ 0.45%

STOXX 600 380.66 ▼ 1.34%

BRENT 47.42 ▲ 0.23%

GOLD 1244.20 ▼ 0.26%

EURO 1.1422 ▲ 0.38%

What's News

Business & Finance

Walgreens and Rite Aid dropped their \$9.4 billion merger deal in the face of antitrust concerns. Instead, Walgreens will seek to buy half of Rite Aid's stores for \$5.18 billion. A1

◆ Government bond prices fell for a third day as upbeat data in the eurozone added to concerns about an end to monetary stimulus. A1

◆ The U.K. said it would likely require further scrutiny of Fox's \$15.1 billion bid to buy the 61% of Sky it doesn't already own. B1

◆ The EU antitrust ruling against Google could threaten the search-engine giant's hallmark strategy of expanding its services. B1

◆ TransCanada is struggling to find customers for its Keystone XL pipeline, which was delayed for years amid protests. B1

◆ Social-media firms could face fines of up to \$57 million if they fail to delete illegal content under new German legislation. B3

◆ Grocery chains are racing to expand into new U.S. regions and add delivery services following Amazon's deal for Whole Foods. B3

◆ The U.S. economy continued to expand, growing at an adjusted annual rate of 1.4% in the first quarter. A7

◆ Pine River plans to spin off a \$1.7 billion government bond-trading fund into a stand-alone firm in 2018. B5

◆ Chinese auto maker SAIC said it would start building cars in India by 2019. B3

World-Wide

◆ The U.S. was set to begin enforcing a travel ban on visitors from six Muslim-majority nations and all refugees, with exceptions for people with close U.S. ties. A1

◆ The U.K. Parliament approved May's policy program by a slim margin, overcoming a challenge to the prime minister's authority. A3

◆ Merkel sought to block Turkey's leader from giving a speech in Germany and criticized Trump ahead of the G-20 summit. A3

◆ China's Xi vowed to maintain Hong Kong's semi-autonomous status on a visit to mark the 20th anniversary of the U.K. handover. A4

◆ Beijing reacted angrily to a U.S. Senate bill that would let Navy vessels make regular stops in Taiwan ports. A4

◆ The U.S. House was expected to pass legislation that would raise pressure on cities that don't help federal immigration authorities. A6

◆ U.S. Senate GOP leaders scrambled to rework their health-care plan, but Republican senators remained mired in policy disputes. A6

◆ The U.S. government could run out of cash to pay its bills in October unless Congress raises the borrowing limit, an analysis said. A7

◆ Iraq's military said it took the Mosul mosque where Islamic State's leader declared a caliphate. A4

◆ NATO said it would send additional forces to Afghanistan to focus on training. A4

CONTENTS Markets B8
Books A9-11 Off Duty W1-8
Business News B3 Opinion A12-13
Crossword A14 Technology B4
Head on Street B8 U.S. News A6-7
Life & Arts A14 Weather A14
Mansion W9-14 World News A2-4
€3.20; CHF5.50; £2.00;
U.S. Military (EUR) \$2.20

26
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U.S. Sets Stricter Limits on Entry

New rules draw a line in defining family ties, come in wake of high-court decision Monday

By LAURA MECKLER

WASHINGTON—The Trump administration was set to begin enforcing its temporary travel ban on visitors from six Muslim-majority nations and all refugees on Thursday, with

exceptions only for those with close family or business ties to the U.S., officials said.

The guidelines, distributed to U.S. embassies beginning Wednesday night, are a narrow reading of a Supreme Court ruling on Monday that required the U.S. continue to admit people who have "bona fide" relationships in the U.S.

Under the new rules, visa applicants and refugees with spouses, children, parents and siblings in the U.S. will be ex-

empt from the ban, but those with what the administration sees as lesser ties—including grandparents, aunts, cousins and fiancées—would still be banned, administration officials said.

Foreigners from the six countries who want to come for business must show a "formal, documented" relationship with a U.S. entity that was formed in the ordinary course of business and not created for the purpose of evading the

travel ban, these officials said.

This guidance was to be made public Thursday, spelling out details of who qualifies for the exceptions mandated by the high court. The new rules were to take effect at 8 p.m. ET on Thursday.

On Monday, the Supreme Court allowed the Trump administration to begin implementing parts of its March executive order, which had been blocked by lower-court decisions, until it can hear and

rule on a pair of legal challenges this fall. But the high court also ordered the administration to make exceptions for visa and refugee applicants who have a "bona fide" relationship with people or institutions in the U.S.

The March order, which President Donald Trump says is needed to guard against ter-

Please see BAN page A6

◆ Trump to meet Putin at G-20 summit A3

Xi Reaches Out to Hong Kong While Tightening His Grip



FIRST VISIT: During a trip to Hong Kong, Xi Jinping vowed to keep its semiautonomous status, even as Beijing's influence there grows. A4, B8

World-Wide Bond Selloff Deepens

By CHRISTOPHER WHITTALL AND MIN ZENG

Global government-bond prices fell for a third consecutive day Thursday as upbeat data in the eurozone added to concerns over a pivot toward less accommodative monetary policy in the developed world.

The selling sent the yield on the benchmark U.S. 10-year Treasury note to the highest level in more than a month. The yield on the 10-year government bonds in Germany,

the U.K. and Canada closed at the highest levels since March. Yields rise as bond prices fall.

Despite this week's rise, global government-bond yields remain at very low levels. Government bonds have been jolted by a number of selloffs in past years but they have failed to last long. Investors debated whether the current selloff is a significant change in direction or just a period of volatility. The "taper tantrum" that hit the U.S. bond market in 2013 and the rout of the

German bond market in 2015 both were driven by investors' anxiety over the monetary policy outlook.

"Without sustainably higher growth and inflation, it would be hard to see a sustained rise in bond yields," said Erik Weisman, global bond portfolio manager at MFS Investment Management.

Mr. Weisman said higher bond yields could be self-correcting in that they would push up long-term borrowing costs for consumers and busi-

nesses and undercut the growth momentum.

The yield on the benchmark 10-year Treasury note was at 2.27% in late trading Thursday, compared with 2.223% Wednesday and this year's closing low of 2.135% on Monday.

The yield on the 10-year German bund closed at 0.442%, according to Tradeweb. It was Please see BONDS page A2

◆ Streetwise: Divining secrets of Draghi's ECB temple B1

Baghdad: ISIS Near End in Iraq



KEY MOSQUE TAKEN: Iraq's prime minister said Islamic State was near defeat there. A4

◆ China's Xi vowed to maintain Hong Kong's semi-autonomous status on a visit to mark the 20th anniversary of the U.K. handover. A4

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◆ NATO said it would send additional forces to Afghanistan to focus on training. A4

GE, THE ULTIMATE GLOBAL PLAYER, IS TURNING LOCAL

As protectionism grows, the giant looks to sink roots outside the U.S.

By TED MANN AND BRIAN SPEGELE

MARHAURA, India—General Electric Co. could hardly have picked a less hospitable spot for its new locomotive factory—but then again, it didn't have much choice.

The land here regularly floods in the rainy season, which meant work crews needed more than 500 truckloads of dirt a day to raise the parcel by more than 11 feet out of the danger zone. The facility required concrete pilings poured 82 feet below ground, on account of earthquakes.

When finished, the factory—the centerpiece of a \$200 million investment—will sit 600 miles southeast of Delhi in a tiny impoverished village in the eastern state of Bihar, a place with a rich history of government corruption scandals. The new site, handpicked by a powerful local politician, is reachable via narrow, twisting roads choked with buses, cars and rickshaws, a three-hour journey from the state capital on a good morning.

This is GE in the age of localization—the company's survival strategy for an era of

Please see GE page A8

Going Abroad

General Electric factory locations



Source: the company
THE WALL STREET JOURNAL.

◆ Heard: Rite Aid crashes into the bargain bin B8

◆ Baghdad: ISIS Near End in Iraq

◆ Key Mosque Taken: Iraq's prime minister said Islamic State was near defeat there. A4

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◆ The U.S. government could run out of cash to pay its bills

WORLD NEWS

Iraqi Kurds Seek a Divorce From Baghdad



MIDDLE EAST CROSSROADS

By Yaroslav Trofimov

The one thing that isn't in doubt in Iraqi Kurdistan's planned independence referendum is the result. It is virtually certain that an overwhelming majority will back the creation of the world's newest country.

The real question is what practical steps toward the breakup of Iraq will be taken, and how soon after the vote, which is scheduled for Sept. 25.

Will Kurdistan's bickering politicians finally put their differences aside? And will they, Iraq's federal authorities, and the region's meddling neighbors be able to prevent events spinning out of control in the referendum's inevitably contentious aftermath?

None of these neighbors—Iran, Syria and Turkey—want the Kurdish independence to succeed in Iraq, lest it inspires restless Kurdish mi-

norities within their own borders. And, while some officials in President Donald Trump's administration privately cheer the Kurdish independence cause, maintaining the unity of Iraq remains the official policy of the U.S. and its Western allies.

The country's Western partners are concerned that the referendum—even if it doesn't lead to independence anytime soon—will change the political climate in the rest of the country. With Iraq's federal elections looming next year, that could bring to power radical Shiite forces hostile to the more inclusive approach of Iraqi Prime Minister Haider al-Abadi.

It all adds up to a greater risk to regional stability just as Islamic State is finally being defeated in Iraq and Syria.

"We think the referendum is a bad idea, and the timing is a bad idea, first of all because the Kurds are not prepared for this," said a senior U.S. official. "If the Kurds go ahead with the referendum this year, it will strengthen the more polarizing and more sectarian figures [in Baghdad], and disadvantage those who are more moderate and who would reach across sectarian lines and form alliances."

Kurdistan officials retort that now is precisely the right time to tackle the his-



A Kurdish flag flutters atop the citadel of Erbil on June 8.

land that is home to some 5.2 million people, already has its own security forces and immigration controls. Federal troops and police aren't allowed on its soil without special permission.

Complicating any move toward a breakup with Iraq is the issue of disputed territories—areas outside the recognized boundaries of the Kurdistan Regional Government, such as the city of Kirkuk and nearby oil fields, that are controlled by Kurdish forces and contain large Kurdish populations.

Kurdish Peshmerga troops took over many of these areas over the last three years, in the course of the war against Islamic State. Baghdad seeks to regain control of these contested territories and has condemned Kurdish plans to hold the referendum there, let alone to permanently annex them.

The only other recent example of a non-Arab area seceding from an Arab-majority country to form a separate nation isn't all that encouraging. South Sudan became independent following a referendum in 2011 and two years later descended into a civil war that has displaced millions.

Iraqi Kurds had their own civil war in the 1990s. The Kurdistan region remains divided between western areas

controlled by the Kurdistan Democratic Party of Mr. Barzani and eastern areas under the sway of the rival Patriotic Union of Kurdistan.

The self-ruled region's institutions have been paralyzed by a political crisis that erupted in 2015, after Mr. Barzani's mandate expired. Kurdistan's parliament, which had planned a session to elect a successor, has been unable to meet for nearly two years because KDP forces prevent the entry of its speaker to the region's capital. Kurdistan's presidential and parliamentary elections are slated for November, just weeks after the planned referendum.

Mr. Barzani has called the long-promised independence vote just as protests against the political deadlock and corruption spread throughout Kurdistan. By doing so, he deftly exploited the Kurdish nationalist sentiment to stave off domestic unrest, at least for now.

"The feeling of distrust was reaching a peak, and people were feeling that the Kurdish leadership was no longer entitled to lead the Kurdish national cause," said Maria Fantappie, a Kurdish-affairs specialist at the International Crisis Group. "But now the national feeling is prevailing, so far. The Kurdish leaders have played this trick well."

Cleanup in Greece Begins as Garbage Workers' Protest Ends



PILEUP: Greek garbage collectors decided to go back to work after nearly two weeks of protests that left piles of trash in the streets. The workers' union wants employees on fixed-time contracts to get full-time jobs. Above, a worker sprays a pile near Athens.

BONDS

Continued from Page One
up from 0.365% Wednesday
and 0.249% on Monday.

Thursday's report showed businesses and consumers in the eurozone were more optimistic in June than at any time since before the global financial crisis. The release raised fresh concerns that the European Central Bank may reduce its bond-buying monetary stimulus sooner than many investors anticipated.

The selling kicked off after ECB President Mario Draghi hinted Tuesday that the ECB might start winding down its large monetary stimulus as the eurozone economy picks up speed. Remarks from top officials at the Bank of England and the Bank of Canada on Wednesday added to investors' angst over tighter monetary policy.

This week's selloff upended the calm tone in the bond markets that has persisted for months, underscoring bond investors' vulnerabilities to a potential shift in major central banks' policy stance.

The ECB's bond purchasing, along with that of the Bank of Japan, has been a main factor sending global bond yields to historically very low levels. A large number of government bonds in Japan and in the eurozone are trading with a negative yield, which has been driving many investors to hunt for income in the global arena and fueling many asset prices to elevated levels.

Analysts have warned that bond prices would fall when central banks remove the punch bowl, and paltry yields would leave investors who have piled into long-term government debt vulnerable to potentially steep capital losses if yields march rapidly higher.

"It is a stark reminder to market participants that the end of easy policy could be accompanied by significant indigestion," said Larry Milstein, head of government and agency trading at R.W. Pressprich & Co.

Higher bond yields, if they persist, could cause broad ripples in global markets, some investors said.

The 10-year Treasury yield in particular is the bedrock of global finance and a benchmark for global investors to measure the relative value of assets ranging from stocks and corporate bonds to emerging market equity and fixed income assets.

Prices of gold futures edged down Thursday as higher yields reduce the allure of the yellow metal, which, unlike bonds, doesn't offer investors regular interest payments. The Dow Jones Industrial Average was down 0.8% late Thursday and the tech-heavy Nasdaq was down 1.4%, though the indexes remained near record highs.

Some stocks benefited from

higher bond yields. A gauge of U.S. bank shares was higher during Thursday trading, boosted partly by a rise in the U.S. 10-year Treasury note's yield premium over the two-year note. A higher premium is known as a steepening yield curve, which is a boon for banks that borrow short-term money and lend out cash longer term.

The premium had sunk this year toward the lowest since 2007. This week's rise suggested some investors unwound the shrinking premium bets by selling long-term Treasurys and migrating the cash into short-term debt, traders said.

Some investors say the communications from central banks have at times been confusing, adding to skepticism that these higher yield moves will be long lasting.

Low bond yields have also pushed investors into stocks at elevated valuations.

Even this week, top ECB officials have left some investors with mixed impressions about when it will reel in its massive bond buying, which is currently slated to continue at least until the end of 2017. BOE chief Mark Carney said last week that now isn't the time to raise U.K. rates but hinted in a speech Wednesday that the time could in fact be near.

"The members of the central banks are not all singing from the same hymn sheet," said Steven Saywell, global head of foreign-exchange strategy at BNP Paribas SA.

"I think there will be volatility" in the coming days, said Mr. Saywell, as investors digest mixed signals from some of the world's largest central banks.

THE WALL STREET JOURNAL
Europe Edition ISSN 0921-99
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London, SE1 9GF

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Sales: Hong Kong: 852-2831 2504; Singapore: 65-6415 4300; Tokyo: 81-3 6269-2701;
Frankfurt: 49 29725390; London: 44 207
842 9600; Paris: 33 1 40 17 17 01;
New York: 1-212-659-2176

Printers: France: POP La Courneuve; Germany: Dogan Media Group/Hörrijet A.S.; Branch: Germany: Qualiprinters s.r.l.; United Kingdom: Newsprinters (Brockhouse) Limited, Great Cambridge Road, Waltham Cross, EN8 8DY

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MERGER

Continued from Page One
chain Fred's Inc.

On a conference call Thursday, Walgreens Chief Executive Stefano Pessina said the smaller transaction addresses "all substantive" FTC concerns.

The company, which has about 8,200 stores in the U.S., will be adding stores in regions where it currently lacks a large presence, including the Northeast and Mid-Atlantic. Asked whether that could be an issue for the FTC, Walgreens General Counsel Marco Pagni said, "you should assume that we have taken account of specific feedback in formulating the plan."

The transaction would still leave two national drugstore chains that dwarf a far smaller No. 3 player. The companies, however, also compete with

pharmacies at grocery chains and discounters like Wal-Mart Stores Inc.

Seth Bloom, an antitrust lawyer in Washington, said the new deal still raises questions warranting FTC scrutiny, including on the issue of Walgreens's growing national muscle. "Just because it's half the number of stores as the previous deal doesn't necessarily settle it," Mr. Bloom said. "It could make the review easier, but it's not a slam dunk yet."

Tad Lipsky, the acting head of the FTC's bureau of competition, said the FTC would review any new transaction proposed by the parties. Mr. Lipsky said commission staff had "thoroughly investigated" the original deal and "evaluated a number of divestiture proposals put forward by the parties." His statement didn't provide further details of the FTC review.

Walgreens said it expects \$400 million in cost savings from the new deal within three to four years of closing. Walgreens will pay Rite Aid a \$325 million termination fee.

Shares of Rite Aid were off 29% Thursday afternoon while shares of Walgreens were up 1.1%. Shares of Fred's fell 21%.

The five-member FTC is currently short-handed, with only two commissioners, one Republican and one Democrat. But that hasn't stopped it from taking action, including earlier in June when it sued to block the proposed merger of fantasy sports companies DraftKings Inc. and FanDuel Inc.

The Walgreens-Rite Aid proposal is the latest in a string of

high-profile deals to fall apart at the hands of regulators. Earlier this year, two pairs of health insurers—Aetna Inc. and Humana Inc. and Anthem Inc. and Cigna Corp.—said they would terminate their mergers, valued at a combined \$82 billion, after courts sided with regulators and found they violated antitrust law.

Last year, a tie-up of Office Depot Inc. and Staples Inc. was blocked after a federal judge agreed with the FTC that it could lead to higher prices. On Wednesday, Staples agreed to sell itself to a private-equity firm for \$6.9 billion.

Both Rite Aid and Walgreens have a major presence in California, New York and Massachusetts, while in other states including Florida, Texas and Illinois, there isn't any overlap. CVS has about 9,700 stores.

"This still poses really serious antitrust issues," said David Balto, an antitrust lawyer in Washington who represents parties that objected to the merger. "It is crystal clear that the FTC has decided it's essen-

tial to have three players and, by acquiring so many Rite Aid stores, it devastates the future of Rite Aid."

Rite Aid's business has been slumping in recent quarters, falling further behind Walgreens and CVS. On Thursday, the company reported that revenue declined 5% to \$7.8 billion in the quarter ended June 3 and it posted a loss of \$7.5 million.

Rite Aid CEO John Standley said the remaining stores are more profitable, and the smaller size will leave the company less exposed to reductions in drug reimbursement rates. The company plans to use deal proceeds to pare debt and the resulting lower interest costs will help free up cash to upgrade existing stores, he said.

Asked on a call Thursday whether he expects the FTC to approve the new deal, Mr. Standley said: "There's a chance that it won't go, that's the reality of the process. We believe it makes sense, we just have to wait until it plays out."

Downsized Deal

Walgreens will acquire 2,186 stores from Rite Aid, extending its global lead.



Source: the companies

Development Corp. for Israel bonds don't trade; they are issued and then held to maturity. A Finance & Markets article June 23 about Warren Buffett's investments in Israeli bonds provided a quote for the yield of Israel government bonds but didn't explain the terms of Development Corp. bonds.

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WORLD NEWS

May Gets Nod on Policies

U.K. Parliament approves prime minister's program in a crucial vote for her

By JASON DOUGLAS
AND JENNY GROSS

LONDON—Prime Minister Theresa May won a critical parliamentary vote on Thursday to approve her policy program, overcoming the first of what is likely to be many challenges to her authority in the months ahead.

U.K. lawmakers backed Mrs. May's legislative agenda by 323 votes to 309, a slender margin that underscores the prime minister's limited room for maneuver in Parliament after she called elections that resulted in her Conservative Party losing its majority.

Thursday's win was possible only after a pact signed

this week between the Conservatives and Northern Ireland's small Democratic Unionist Party delivered Mrs. May an extra 10 votes that enabled her to face down opposition to her government from an emboldened Labour Party and other, smaller groups.

The prospect of a minority Conservative government propped up by the DUP following Mrs. May's election misfire has cast doubt on her future as prime minister, concerns magnified by her perceived hesitancy in responding to a fire in London's Grenfell Tower apartment block that killed about 80 people.

The prime minister's slim majority leaves her vulnerable to rebellion among lawmakers in her party, which is deeply split over how Britain's future relationship with the European Union should look.

It has also raised questions about the government's ability

to successfully negotiate Britain's withdrawal from the EU and deliver on other policies.

Tim Bale, politics professor at Queen Mary University of London, said Mrs. May "got over the first hurdle" but her weakened position means she now faces the risk of opposition from both pro- and anti-EU Conservative factions. "There could be trouble from both sides," he said.

Signs that the government's unity on Brexit policy may be fraying have already appeared. This week Brexit secretary David Davis accused Treasury chief Philip Hammond of inconsistency over his support for a multiyear transition deal to ease departure from the bloc for companies. The two senior ministers also seemed to clash over whether the U.K. should remain attached to the bloc's customs union, which sets common tariffs on imports from outside its borders,

during that transition.

The domestic unease comes as Brexit talks began last week with disagreement over how to protect the rights of EU citizens in Britain after the U.K.'s departure and the rights of British émigrés in Europe. That spat likely foreshadows bigger fights to come on thornier issues such as how much the U.K. will have to pay to settle past commitments to the EU budget and how to forge a new economic relationship.

Minority governments are rare in the U.K. and have tended to be short-lived. The Conservatives' alliance with the DUP extends only to critical votes, so Mrs. May will need the backing of other parties to pass legislation in areas such as counterterrorism. She showed a slimmed-down policy program to Parliament that skipped many of the Conservatives' key election pledges.



Cardinal Pell attended a Vatican news conference on Thursday.

Charges Deal Blow to Vatican Finance Overhaul

By FRANCIS X. ROCCA

Sex-abuse charges against the finance chief of the Vatican deal a major blow to already faltering efforts to overhaul its bureaucracy, according to Vatican observers.

Australian police on Thursday charged Cardinal George

Pell with multiple counts of sexual abuse alleged to have occurred

decades ago, though they gave few details of the allegations. The 76-year-old cardinal, the highest-level Vatican official to face charges in the sexual-abuse scandals that have hit the church, denied the allegations and said he would take a leave of absence with Pope Francis's permission to go back to his native Australia to clear his name.

When Cardinal Pell came to Rome three years ago to head the newly established Secretariat for the Economy, he was already the target of claims that he had mishandled cases of sex abuse by other priests. But Thursday's charges nonetheless mark a dramatic turnaround from his arrival, when the high-ranking prelate was seen as the media-savvy, straight-talking solution to the Vatican's chaotic finances.

As his plans conflicted with those of other powerful officials, he was increasingly marginalized in his efforts to take on the Vatican bureaucracy. The criminal charges now take him entirely off the scene for an indefinite time, leaving an already diminished office with even less clout to challenge established ways of doing business at the Vatican.

They also sideline a vocal defender of traditional Catholic moral teaching.

"Pell's absence will seriously weaken the office" he runs, said Sandro Magister, a longtime Vatican watcher for Italy's L'Espresso magazine. "The economic reforms, which have been very modest after more than four years, will now become even more difficult to carry out."

The cardinal's departure comes a few days after the resignation of the Vatican's auditor general, Libero Milone, only two years after Pope Francis appointed him as the first person to hold that job.

The Vatican announced the departure of Mr. Milone, an ally of Cardinal Pell, in a terse statement that gave no reason for his resignation.

When Pope Francis was elected pope in March 2013,

he accepted a mandate to make the Vatican bureaucracy more transparent and accountable, particularly in the financial area.

The preceding pontificate, of Pope Benedict XVI, had been shaken by controversy over leaks documenting corruption and incompetence in the Vatican, including a Christmas manager scene that cost €550,000 (\$629,000) and little oversight of funds collected by advocates for the canonization of potential saints.

Accounting at the Vatican didn't follow unified policies, with data inconsistent across departments or not directly comparable. Budgets didn't exist, and expenditures weren't itemized.

Pope Francis brought Cardinal Pell to Rome in 2014 and originally gave him sweeping powers, with a document that said the cardinal's reach extended "to all that in whatsoever manner" concerned economic activity, including procurement and hiring.

Cardinal George Pell had been given sweeping powers for budgets and reform.

The cardinal oversaw a review of assets which he said turned up €1.4 billion "tucked away" off the books. "I'm not saying it was being mismanaged or anything. It just was there for a rainy day," he said in an interview last year. His office also issued new budgeting and accounting policies and produced the Vatican's first consolidated budget.

Meanwhile, Cardinal Pell's proposals for what he considered a more effective approach to asset management—demanding better returns on rental properties and outsourcing financial investments to money managers—raised hackles at the Administration of the Patrimony of the Holy See, known as APSA.

According to Mr. Magister, the cardinal's leave of absence, following the resignation of the auditor general last week, shows that APSA and the Secretariat of State have regained control over Vatican finances.

A Vatican statement said that the Secretariat for the Economy would continue to carry out its tasks, which include budget-making and oversight.



Leaders of European Union member states in conversation last week at the bloc's summit meeting in Brussels.

BRUSSELS BEAT | By Laurence Norman

EU Faces Post-Brexit Budget Battle

Beneath the surface of the unusual unity the European Union has shown in the face of Brexit negotiations looms a serious fight over money among the other 27 nations.

For now, the 27 are together. It is in all their interests to maximize future U.K. payments to the bloc—Britain's so-called divorce bill—as one of its biggest budget contributors departs.

But even before the size of the bill is settled, a separate battle among the 27 is ahead, pitting governments that are net recipients from the EU budget against net payers, some of which are promising voters they won't pay a penny more.

With EU officials talking about a €20 billion (\$22.7 billion) budget gap in coming years because of Brexit and extra responsibilities the bloc has pledged to take on, the budget fight has the potential to reopen deep divisions within the EU at a critical moment in talks about Britain's exit.

Adding an extra dose of tension to the coming budget debate are proposals by Germany and some other western European governments

to use the budget to prod the bloc's poorer countries into line on issues like migration, democratic principles and the rule of law.

There is simmering frustration among major net payers like Germany, Sweden and Belgium that they took in large numbers of refugees during the 2015 migration crisis, while some of the bloc's biggest recipients of EU funds—like Hungary, Po-

'We need to look at shifting expenditures and making cuts.'
EU Commissioner Günther Oettinger

land and Slovakia—refused to settle asylum seekers.

"We really want to make clear that solidarity is a two-way street," said one European diplomat.

Were it not for Brexit, the EU budget fight would already be in full swing. The EU works on a seven-year budget cycle in which overall spending levels are fixed in

advance to allow long-term planning for programs and priorities. The current multi-year budget period, which started in 2014, ends in December 2020. The EU is supposed to have a new budget deal in place by the end of 2019 at the latest.

Instead of presenting its budget plans, as intended, before the end of this year, EU Budget Commissioner Günther Oettinger will do so in 2018.

Negotiations are due to start next summer, with Mr. Oettinger arguing there is no point bargaining over the next budget until the financial hit created by Brexit is clearer.

That impact will depend in large part on the degree to which Britain stands by its past spending pledges, including contributions to the 2019 and 2020 EU budgets. The U.K. is due to leave the bloc in March 2019.

Speaking in Brussels on Wednesday, Mr. Oettinger estimated the bloc would be "down €10 to 11 billion" annually once the U.K. departs. The total gap, he said, could be twice that given additional EU pledges on future defense, economic programs and migration spending.

"We have got a large

country, a net payer which will be departing so we need to look at shifting expenditures and making cuts," he said.

Some routes to savings are relatively clear. The percentage of the budget spent on agriculture and fisheries, currently just below 40% of the roughly €1 trillion 2014-20 budget, will likely keep falling.

It is also likely that so-called cohesion spending, which earmarked €63 billion to 15 poorer EU member states in the current seven-year budget, will fall after 2020, with the EU offering fewer grants to the likes of Poland, Hungary and the Czech Republic, officials say.

Some EU officials suggest that starting budget discussions while Brexit negotiations are wrapping up could actually reinforce the cohesion of the EU's remaining 27 members. They argue it would keep the group focused on ensuring a large

British divorce bill and keep governments focused on protecting and defending the EU.

On the other hand, it could end in a terribly timed and bitter EU fight.

When Pope Francis was elected pope in March 2013,

Tensions Rise Ahead of G-20

By ANTON TROIANOVSKI
AND ANDREA THOMAS

BERLIN—A meeting of world leaders in Germany next week emerged as a source of tension between allies on Thursday as Chancellor Angela Merkel sought to block the Turkish president from giving a speech in Germany and European leaders ratcheted up their criticism of President Donald Trump.

In the space of a few hours Thursday, Ms. Merkel and her government delivered broadsides against both Turkish President Recep Tayyip Erdogan, who had wanted to give a speech on the sidelines of the Group of 20 summit in Hamburg next week, and Mr. Trump's positions on climate and trade policy.

Speaking to the Bundestag,

the lower house of parliament, Ms. Merkel criticized the U.S. for abandoning the Paris climate accord and warned of difficult talks.

"We want to and must master this existential challenge, and we cannot and will not wait until every last person in the world has been successfully convinced of the scientific findings about climate change," Ms. Merkel said. "Those who believe they can solve the problems of this world with isolationism and protectionism are making a huge error."

Mr. Erdogan and Mr. Trump will join Ms. Merkel and other leaders of 20 large economies at the two-day annual summit that starts on July 7. While much of the anticipation in the U.S. has focused on Mr. Trump's likely first meeting

with Russian President Vladimir Putin, European leaders hope to use the summit to present Mr. Trump with a united front backing the Paris climate accord and opposing new trade barriers.

"The G-20 summit takes place in especially challenging conditions this year," Ms. Merkel said. "The world is in turbulence. It has become less

United."

Ms. Merkel is not only girding for difficult talks with Mr. Trump, but also preparing for potentially violent protests. Mr. Erdogan, in particular, is a divisive figure in Germany's large Turkish diaspora.

Ms. Merkel's foreign minister, Sigmar Gabriel, said Thursday the Turkish president had notified Germany of

plans to deliver a speech to

supporters on the sidelines of the summit. Such an appearance, Mr. Gabriel warned, was "not possible" and risked inciting conflict within Germany's large community of people of Turkish descent.

Ms. Merkel backed Mr. Gabriel's position, her spokesman said.

"The Turkish people who

live in Germany are part of our society," Mr. Gabriel said while on a visit to Russia. "We do not want these people stirred up through conflicts in their home country."

Relations between Germany and Turkey, a North Atlantic Treaty Organization ally, have deteriorated since last summer's aborted coup in Turkey.

"There's no specific agenda," Mr. McMaster said. "It's really going to be whatever the president wants to talk about."



Security personnel in the U.S. consulate in Hamburg.

Trump to Meet Putin At Summit

By ELI STOKOLS

WASHINGTON—President Donald Trump will meet with Russian President Vladimir Putin at next week's G-20 summit, senior administration officials said Thursday.

National security adviser H.R. McMaster and National Economic Council Director Gary Cohn didn't say whether the president plans to raise the subject of Russia's interference in last year's U.S. election when he meets Mr. Putin in Hamburg, Germany.

WORLD NEWS

Xi Vows to Protect Hong Kong's Status

Chinese president visits on 20th anniversary of British handover of colony

By JOHN LYONS

HONG KONG—Chinese President Xi Jinping, in Hong Kong to celebrate the 20th anniversary of the city's return to China, said he was committed to maintaining its semiautonomous status, even as Beijing increasingly exerts its influence over the former British colony.

We will "assess Hong Kong's extraordinary journey in the past 20 years, learn from collective experience, and plan for the future," Mr. Xi said Thursday in a speech at Hong Kong's airport, shortly after arriving for a three-day stay. Mr. Xi said he would seek to ensure the stability of the "one country, two systems" arrangement that gives Hong Kong citizens more freedom and rights than their mainland counterparts.

Mr. Xi's visit, his first to Hong Kong as president, comes as mainland China is tightening its grip on the city of seven million. Last year, mainland authorities paved the way for the removal of lawmakers who questioned Beijing's authority from the local legislature, and Beijing officials have excoriated activists it says are pushing for Hong Kong independence.

Meantime, many of the leaders of the student-led protest movement that grabbed global attention in 2014 have faced prosecution, leading many Hong Kong residents to ques-

tion the value of political activism. A pro-democracy rally is set for the July 1 anniversary, but some of its key organizers were arrested Wednesday after they staged a small sit-in.

"The significance of the visit is to further show who is boss, show who is in control," said Kin-ming Liu, a longtime Hong Kong journalist turned consultant. Police have fanned out across town, blocking off parts of the normally bustling city.

Since taking office in 2012, the 64-year-old son of a prominent Communist Party revolutionary has consolidated power, launching a far-reaching anti-corruption campaign that often targeted political rivals. He has been recognized as the "core" of party leadership, a designation that comes with sweeping decision-making power.

During his three-day visit, Mr. Xi will oversee the swearing in of Hong Kong's new chief executive, Carrie Lam, who was seen in Hong Kong as Beijing's pick for the job. Ms. Lam is under pressure to introduce an antisedition law and a new national education curriculum that promotes China's Communist party, measures that failed in the past after sparking protests.

When Britain returned Hong Kong to China two decades ago, conventional wisdom was that the poor but fast-developing Communist mainland would converge with the richer, free-market Hong Kong; China would become more open and grounded in rule of law as its links to the global economy deepened.

But while China's economic growth has surged, the coun-



President Xi Jinping waits to meet with the departing Hong Kong chief executive, Leung Chun-ying, at a hotel in the city.

try of 1.4 billion people has grown more authoritarian and assertive under Mr. Xi, sparking concerns in Hong Kong and elsewhere. In 2015, five Hong Kong booksellers were secreted to detention centers in China by Chinese agents. This year, a mainland billionaire disappeared from a Hong Kong hotel and is believed to be detained or cooperating with anticorruption authorities in the mainland.

Hong Kong activists who organized the sit-in Wednesday called Beijing's government a "brutal regime" that "perverted Hong Kong people's civil and political rights."

—Jenny W. Hsu contributed to this article.

Beijing Assails U.S. Senate on Taiwan

BEIJING—China reacted angrily to a bill in the U.S. Senate that would allow U.S. Navy vessels to make regular stops in Taiwan ports.

The proposed change, after decades of a "One China" policy that requires the U.S. to forgo official recognition of Taipei, was approved by the **Senate Armed Services Committee** as part of larger measure.

Beijing, which considers Taiwan a breakaway province, quickly called on the U.S. to

abide by the One China policy, which it sees as an issue of unrivaled importance.

"We express our grave concern on this Taiwan-related bill," said Foreign Ministry spokesman Lu Kang in a news briefing Thursday. "The Taiwan issue concerns China's sovereignty and territorial integrity. It is China's internal affairs."

A spokesman for China's Defense Ministry echoed the sentiment. "We have always firmly opposed any form of official contacts and military interaction between the U.S. and Taiwan," Senior Col. Wu Qian told a regular news conference later Thursday, saying such con-

tacts risk damaging China-U.S. relations and peace and stability across the Taiwan Strait.

Taiwan's **Ministry of Defense** didn't respond to a request for comment.

The proposed policy change, which requires approval by the full U.S. Senate and House of Representatives and the signature of President Donald Trump, could renew recent uncertainty around U.S. policy on Taiwan, which first erupted in December when Mr. Trump, then president-elect, broke with protocol and accepted a congratulatory phone call from Taiwanese President Tsai Ing-wen.

—Josh Chin

Combative Duterte Gets an Opponent He Didn't Want

By BEN OTTO

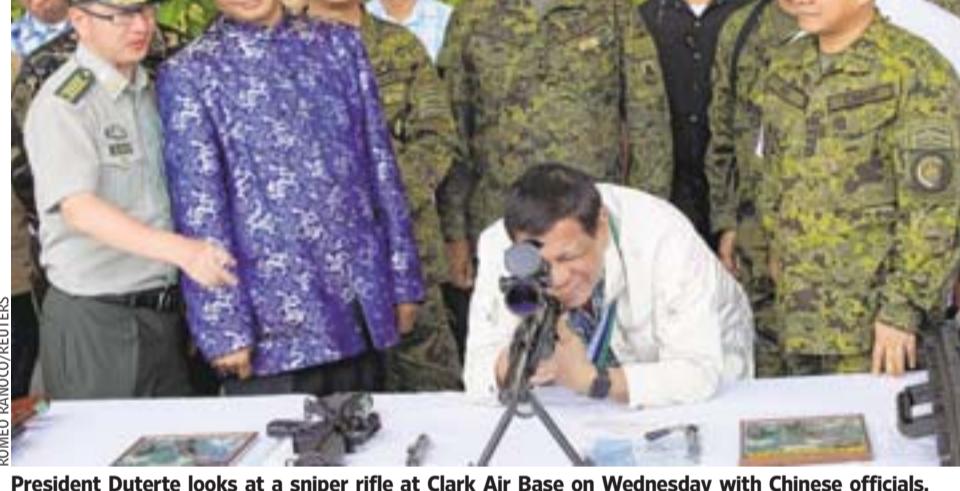
MANILA, Philippines—President Rodrigo Duterte took office in 2016 pledging to bring peace to Mindanao, the predominantly Muslim island in the southern Philippines where he was raised.

But a year later, his goal of reconciling with the island's many militant and separatist groups is in danger of slipping away. The simmering struggle has boiled over, with Mindanao under martial law and the air force bombing a provincial capital, Marawi—invaded in May by Islamic State-aligned fighters seeking to carve out a caliphate in Southeast Asia.

"I no longer watch TV. I just turn it off. Or I switch channels and watch cartoons," Mr. Duterte said in a speech Tuesday in which the fiery president described himself as sad.

After weeks of ground and air assaults, at least 100 fighters remain in the lakeside city, according to the military, which counts more than 400 dead in the battle, mostly militants. They are holding hostages. The fighters include about 40 foreigners, the military says, half from neighboring Indonesia, the world's largest Muslim-majority nation, and the rest from countries including Malaysia, Saudi Arabia and Yemen.

"It is difficult to fight



President Duterte looks at a sniper rifle at Clark Air Base on Wednesday with Chinese officials.

someone who wishes to die," Mr. Duterte said recently at a military camp in northern Mindanao.

Days later he visited a camp housing some of the more than 400,000 civilians displaced in the region. He was visibly moved as he stood face-to-face with families from Marawi—a city just 100 miles from Davao, where he served as mayor for more than two decades.

"No one is more frustrated than I am upon knowing [terrorists] are destroying Marawi," he told them. "I have to drive them out, but I

am very sorry."

The urban battle and the lack of reconciliation progress threaten to upend Mr. Duterte's law-and-order agenda—symbolized by a war on drugs that has claimed thousands of lives—and stymie his desire to create a federalist system of government that would grant more autonomy to the regions, enabling areas like Mindanao to solve their own problems.

It also throws into relief Mr. Duterte's pivot away from his country's longtime ally and protector, the U.S., and raises questions about the state of

counterterrorism ties with the West. In 2015, a year before Mr. Duterte took office, the U.S. wound up a joint task force that for 13 years had aimed to counter Muslim extremists in the Philippines.

The American Embassy in Manila has said the U.S. is providing assistance in the current situation, but declined to provide details. A Philippine military spokesman said the assistance includes technical support and intelligence.

"Marawi is a wake-up call for every nation in the Indo-Asia Pacific," Adm. Harry Har-

ris, commander of the U.S. Pacific Command, said in Australia on Wednesday. He called for closer cooperation among nations in the region—naming the Philippines, Indonesia, Malaysia, Bangladesh, New Zealand and Australia—along with the U.S. to confront the threat.

Mr. Duterte remains popular—his March quarterly approval rating is down only a few points from the 80s where it stood in December—and no clear opposition figure has emerged to challenge him.

For most Filipinos, Mindanao is a distinct, troubled region far away from their daily concerns, so even when things go bad there, it is unlikely to change most people's political

support," said Malcolm Cook, a senior fellow at the Iseas-Yusof Ishak Institute in Singapore.

The government almost daily announces that militant numbers are dwindling in Marawi, but authorities fear that the end of the Muslim holy month of Ramadan and Islamic State's retreat in the Middle East could bring foreign reinforcements to Southeast Asia.

The nation of more than 7,000 islands will be hard-pressed to intercept them if they come. The Philippines for decades has failed in its efforts to eradicate the many extremist groups that recruit from poor, marginalized Muslim communities in the jungles of Mindanao. The island was once an important base for Jemaah Islamiyah, an al Qaeda-linked group behind bombings on the Indonesian island of Bali in 2002 that killed 202 people, mostly foreigners.

Mr. Duterte blamed the Marawi conflict on the years-long buildup of jihadist groups and weapons stockpiling in Mindanao, much of it as the government adopted a conciliatory stance in seeking peace talks with larger, more mainstream rebel groups.

"We took it really for granted," he said.

—Rob Taylor
in Brisbane, Australia,
contributed to this article.

WORLD WATCH



FELIPE DIAZ/ASSOCIATED PRESS
A bomb exploded behind the Nouri mosque complex as Iraqi government special forces advanced toward Islamic State militant positions in the Old City of Mosul on Thursday.

IRAQ

Leader Sounds Knell For Islamic State

Prime Minister Haider al-Abadi said Islamic State was on the cusp of defeat in his country as the military said it retook the symbolic Mosul mosque where the extremist group's leader first appeared three years ago as head of a self-declared caliphate.

"We are seeing the end of the fake Daesh state," Mr. Abadi said on Twitter, using another name for Islamic State. "The liberation of Mosul proves that. We will not relent."

Col. Ryan Dillon, the Baghdad-based spokesman for the U.S.-led coalition battling Islamic State in Iraq and Syria, predicted the "imminent liberation" of Mosul.

—Ghassan Adnan and Ben Kesling

RUSSIA

Jury Finds 5 Guilty In Nemtsov Murder

A jury in Moscow found five men guilty in the murder of Rus-

sian opposition leader Boris Nemtsov in a trial criticized by his allies as failing to identify who ordered and organized the killing.

Mr. Nemtsov, 55 years old, a former deputy prime minister and one of Russian President Vladimir Putin's most vocal critics, was shot dead not far from the Kremlin in 2015 in a slaying that shook Russia's opposition and political elite.

The jury on Thursday found the five men guilty of involvement in the murder, including Zaur Dadayev, a former service member from Chechnya who prosecutors said fired the fatal shots.

—James Marson

NATO

Afghanistan to Get More Alliance Troops

The North Atlantic Treaty Organization said it would send additional forces to Afghanistan, as visiting U.S. Defense Secretary Jim Mattis discussed the broad outlines of Washington's approach to curb the rising violence there.

NATO Secretary-General Jens

Stoltenberg said the alliance would focus on providing more training support to Afghanistan's air force and special-operations troops, whose numbers Acting Defense Minister Tariq Shah said his country intends to double.

—Julian E. Barnes

ISRAEL

Panel Urges Olmert Be Released Early

The country's parole board recommended the early release from jail of former Prime Minister Ehud Olmert, who is serving a 27-month prison term for bribery.

Mr. Olmert entered prison in February 2016 after a nine-year corruption saga that underscored efforts by Israel's justice system to combat high-level corruption.

A lawyer for Mr. Olmert didn't respond to a request to comment.

Mr. Olmert and other top-ranking public officials in the Jerusalem municipality were convicted of accepting bribes from real-estate developers.

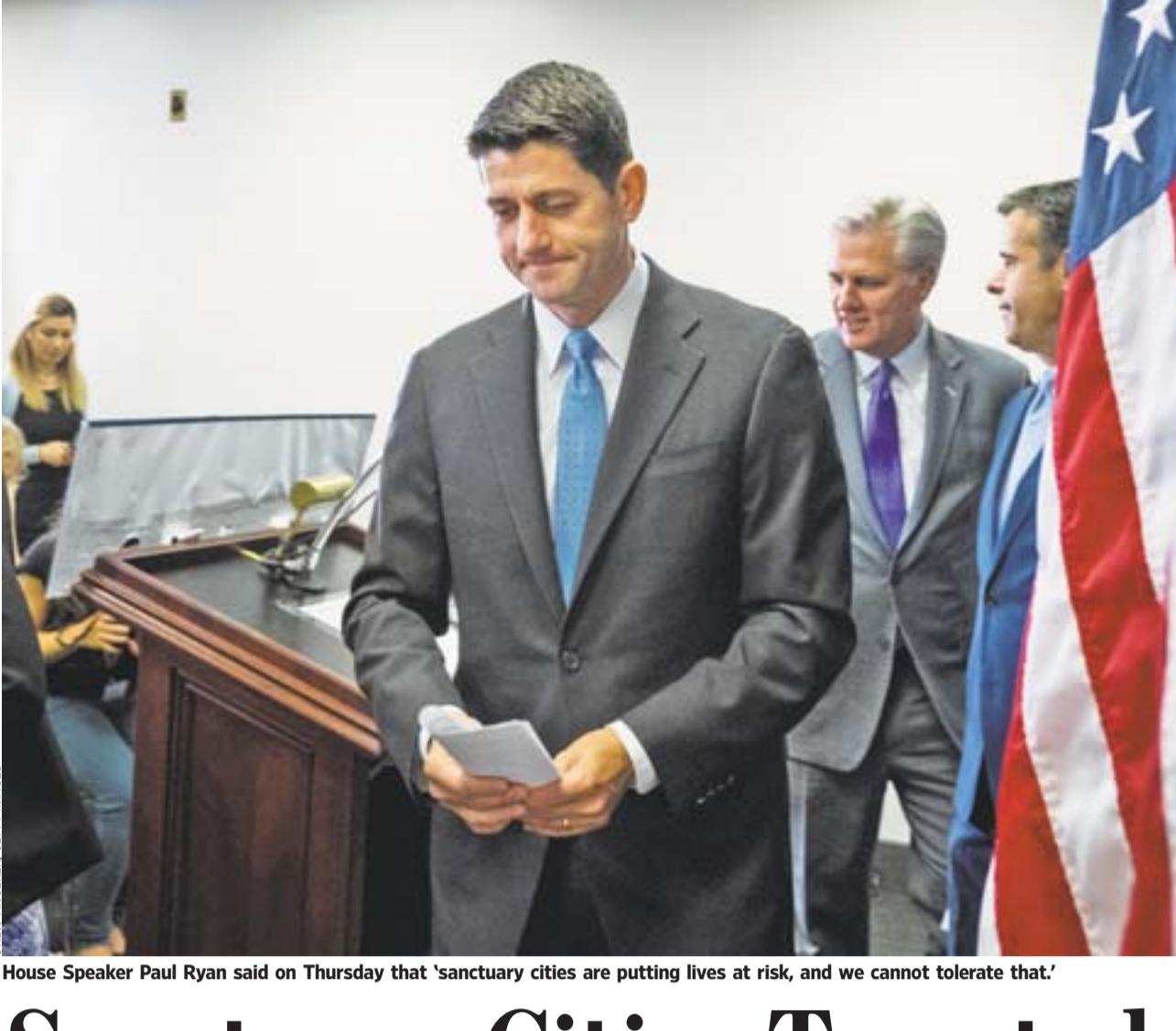
—Rory Jones



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U.S. NEWS



House Speaker Paul Ryan said on Thursday that 'sanctuary cities are putting lives at risk, and we cannot tolerate that.'

Sanctuary Cities Targeted

House GOP legislation would raise pressure to cooperate with immigration policies

BY LAURA MECKLER
AND NATALIE ANDREWS

WASHINGTON—Cities and counties that don't help federal immigration authorities could lose millions of dollars in federal grants under legislation that was expected to pass the House on Thursday, as Republicans ramp up their battle against so-called sanctuary cities.

The legislation represents the administration's most aggressive effort yet to force local communities to cooperate with President Donald Trump's aggressive immigration-enforcement policies.

Mr. Trump and his administration regularly spotlight undocumented immigrants who commit crimes, and on Wednesday he met with their victims to urge passage of the bill. "You lost the people that you love because our government refused to enforce our nation's immigration laws," he told the group.

The bill, along with a companion enforcement measure, represents a contrast with the comprehensive immigration legislation long pushed by Democrats and some Republicans. Those proposals typically combine enforcement measures with pro-immigrant provisions

such as the legalization of people living in the U.S. illegally. But Mr. Trump and his allies in Congress have shown little interest in a bipartisan approach.

Both measures were expected to pass the House on largely party-line votes Thursday, but they face strong opposition in the Senate, where they would need Democratic support to pass.

The first bill, called the "No Sanctuary for Criminals Act," primarily aims to persuade local jurisdictions to hold people in jail when asked to do so by the Immigration and Customs Enforcement agency.

Proponents in the Trump administration and elsewhere say releasing criminals who should be deported makes communities less safe. They add that asking a jail to hold someone for as long as 48 hours is a reasonable request.

House Speaker Paul Ryan (R., Wis.) said Thursday: "By flagrantly disregarding the rule of law, sanctuary cities are putting lives at risk, and we cannot tolerate that."

Many local communities don't honor these ICE "detainer" requests for a range of reasons. Some say cooperation would undermine trust in law enforcement in immigrant communities, making legal and illegal immigrants less likely to report crimes. Some cite court rulings that found local communities are liable if someone such as a U.S. citizen is wrongly held based on inaccurate information.

"This bill chooses to blackmail, coerce and penalize local law-enforcement agencies and demand that they potentially violate the Constitution of the United States," Rep. Jim McGovern (D., Mass.) said on the House floor Wednesday.

Under the legislation, jurisdictions would lose federal grants from the Justice and Homeland Security departments if they enacted policies restricting assistance with the enforcement of federal immigration law.

The bill aims to get local jurisdictions to honor immigration 'detainer' requests.

In addition, it attempts to change the legal incentives for cities and counties. It protects those that honor detainers from being sued, by promising that the federal government will take jurisdiction's place in potential lawsuits. And the bill enables crime victims to sue jurisdictions that don't comply if they are harmed by someone who is released.

A second measure, also up for a vote on Thursday, would increase penalties for people with felony convictions who are deported from the U.S. and then return. Dubbed "Kate's law," it's named for Kate Steinle, who in 2015 was killed

in San Francisco by an undocumented immigrant who had been deported five times before and kept coming back.

Ms. Steinle was "senselessly murdered by an unlawful immigrant," Rep. Pete Sessions (R., Texas) said at this week's Rules Committee meeting, where the bill was debated. "Kate's law" enhances penalties for felons who return to the United States... This is done to protect American citizens."

House Democratic leaders were lobbying members to oppose the bill withholding federal funds from sanctuary cities. The "Kate's law" measure was politically tougher, and seen by Democrats as an effort by Republicans to force them into taking an unpopular position. A Democratic House leadership aide said leaders were encouraging Democrats to vote no but not twisting arms.

House Minority Whip Steny Hoyer (D., Md.) said many members oppose letting illegal immigrants who have committed a crime back into the country but fear the bill overstates the problem. Others noted that people could be punished simply for arriving at a U.S. port seeking asylum.

"It's stupid, it has nothing to do with the criminal act that was done against Kate Steinle, which was a terrible thing," said Rep. Zoe Lofgren (D., Calif.) in an interview. She said elements in the bill intended to prevent illegal immigration wouldn't have prevented Ms. Steinle's death.

Senators Attempt Health-Bill Redo

WASHINGTON—Senate Republican leaders scrambled to rework by week's end their plan to dismantle the Affordable Care Act, but GOP senators remained mired in disputes over key policy planks of the bill.

By Kristina Peterson,
Siobhan Hughes
and Michelle Hackman

After Senate Majority Leader Mitch McConnell (R., Ky.) abruptly postponed a vote on the bill until after next week's recess, GOP senators sought agreement on a series of thorny issues, with little evidence of quick progress.

Lawmakers said they hoped to hammer out a new version of the bill before leaving Washington on Friday, but some doubted they could overcome the intraparty rifts by then.

"It's going to be very difficult," said Sen. Susan Collins (R., Maine), one of nine Republicans who publicly oppose the bill.

Senators with concerns about the legislation traipsed in and out of Mr. McConnell's office. GOP leaders worked to figure out whose concerns could be soothed by extra funds and whose would require more radical alterations to the bill.

Sen. Dean Heller of Nevada, a Republican currently opposed to the bill, and the two GOP senators from Alaska, Lisa Murkowski and Dan Sullivan, were among those meeting with Mr. McConnell. But no deals to win them over emerged publicly.

In a long and contentious closed-door luncheon Wednesday, about 15 to 20 GOP senators aired competing ideas over how to improve the bill, said Sen. Rand Paul (R., Ky.), another opponent of the bill, after the session. "We've got a long ways to go," he said.

Lawmakers said much of the discussion centered on how to shore up the faltering individual market, where people buy insurance if they don't get it through work or safety-net programs. Conservatives have been pushing an idea backed by Sen. Ted Cruz (R., Texas) that would allow insurers who offer at least one plan that meets the law's requirements to also offer a cheaper plan covering fewer benefits.

"That would have the effect of significantly reducing premiums and enabling people to purchase health insurance they can afford," Mr. Cruz said.

Supporters of Mr. Cruz's plan said people who don't need a specific benefit shouldn't have to buy it—for example, men should not be required to buy policies that include maternity services.

Others dismissed such arguments, saying men are also in-

volved in pregnancy. "Women don't get pregnant without sperm," Sen. Bill Cassidy (R., La.) said dryly.

The Cruz plan, critics added, would encourage healthier, younger people to buy the skinnier plans, driving up premiums for sicker and older consumers.

Conservatives are also pressing to allow higher contributions to health-savings accounts and possibly remove the requirement that these accounts can be used only by employees with high-deductible plans, people familiar with the talks said.

Centrist Republicans, meanwhile, want changes in the bill's phaseout of higher federal support for the law's expansion of Medicaid, which the current bill would start reducing in 2021 and fully eliminate by 2024. Centrists also want to change a provision that lowers the growth rate for Medicaid spending in 2025. Such a shift could ease concerns about passing those costs to states.

But in a sign of the challenges facing Mr. McConnell, such a change would also create new problems among conservatives.

"It's very, very important that we keep the growth-rate provisions that we have because it's the only way to make this program sustainable," said Sen. Pat Toomey (R., Pa.).

Democrats said the delay shows that Republicans should work with them to fix the 2010 law, rather than dismantling it.

Sen. Chuck Schumer of New York, the chamber's Democratic leader, suggested that President Donald Trump, a Republican, invite all 100 senators to discuss health care at Blair House, a government residence where former President Barack Obama, a Democrat, hosted a health-care summit in 2010.

"Let's abandon more tax breaks for the rich, let's abandon cuts to Medicaid, and discuss what the American people are really concerned about—premiums, deductibles, the costs and quality of health care," Mr. Schumer said.

—Stephanie Armour contributed to this article.



Sen. Susan Collins (R., Maine) says a fast deal will be difficult.

what they will abide by," she said. "It's very up in the air."

Beyond the new travel rules, the Department of Homeland Security is also developing new rules for vetting visa and refugee applicants, and is conducting a country-by-country review of security procedures that could lead to new and possibly more sweeping travel restrictions by people from the six targeted countries and elsewhere.

DHS Secretary John Kelly said Wednesday that he looks forward to those reviews.

By the time "the government wins this case in the Supreme Court, we'll be able to move forward—not focusing on people from one religion or one culture, but focusing on every airport, every country around the world, doing a better job at determining who the person is who wants to come and why they want to come here," he said at a conference sponsored by the Center for a New American Security.

The Supreme Court's Monday decision attempted to strike a balance until the justices could give the case full consideration in the fall.

Three conservative justices on Monday expressed concern that the compromise approach could prove unworkable and generate more litigation.

—Felicia Schwartz and Brent Kendall contributed to this article.



A Saudi family at Washington Dulles International Airport on Monday, the day the Supreme Court issued a ruling on the travel ban.

family ties. "Spouse, but not fiancé? Son in law, but not mother in law? Makes no sense," he wrote on Twitter.

"This reported guidance would slam the door shut on so many who have waited for months or years to be reunited with their families," added Karen Tumlin, legal director at the National Immigration Law Center.

"Those engaged to be married, for example, have been cruelly left out."

The line was drawn, an administration official said, to ensure the exceptions aren't so broad as to swallow the rules altogether and allow vir-

tually anyone to come in.

Examples of acceptable business ties include students admitted to U.S. educational institutions, people who have accepted a job offer in the U.S. or a lecturer invited to address an audience in the U.S., according to one official.

As the travel ban comes into force, administration officials and others don't expect the sort of chaos that unfolded airports upon implementation of Mr. Trump's first version.

Then, some travelers were abruptly stopped at arrival gates and sometimes held for hours. Thousands of people

protested at airports around the country.

By contrast, the measures that were set to take effect on Thursday allow for existing visas to remain valid, including those issued as recently as Wednesday.

Guidelines being issued to Customs and Border Protection agents who work at airports are to honor valid visas and only turn back people who would be rejected under normal operating procedures, administration officials said.

One official cautioned that foreigners arriving to the U.S. are routinely subjected to additional screening and said advocates shouldn't assume that the executive order is to blame.

Immigration advocates are bracing for trouble nonetheless. Amnesty International USA said it would station researchers at John F. Kennedy International Airport in New York and Dulles International Airport outside Washington, D.C., on Thursday to monitor implementation.

An Amnesty spokeswoman said it is unclear exactly what guidelines border agents will be given. "Because immigration officers have such discretionary power, we're not sure

U.S. NEWS

U.S. Could Run Out Of Money In October

BY KATE DAVIDSON

WASHINGTON—The government could run out of cash to pay its bills in early to mid-October, unless Congress raises the federal borrowing limit, according to a new analysis from the Congressional Budget Office released Thursday.

The Treasury Department has been using cash-conservation measures to continue meeting the government's obligations since mid-March, when federal debt hit Congress's self-imposed limit at nearly \$20 trillion. Treasury Secretary Steven Mnuchin has implored lawmakers to raise the debt ceiling, with no conditions attached, before they leave for a five-week summer recess July 28.

Mr. Mnuchin said earlier in June that Treasury could continue to pay the government's bills through the beginning of September, but declined to give a more specific date for when Treasury expects to exhaust its so-called extraordinary measures.

"I urge, given the importance of this, that we send a message to the rest of the world and the markets that we take our credit very seriously," he said.

Analysts have said the government could run out of room to meet its obligations—including payments on its debt, Social Security and veterans benefits, for example—sometime in the fall, though estimates have ranged from early September to November.

CBO estimated in March that Treasury would run out of cash sometime in the fall, but said the range of dates has narrowed as the budget outlook for this year has become clearer.

But it cautioned that "the timing and magnitude of revenues and outlays over the next few months could vary noticeably from CBO's projections," and Treasury could run out of cash earlier. Failing to increase the debt limit "would ultimately lead to delays of payments for government programs and activities, a default on the government's debt obligations, or both."

The extraordinary measures Treasury has taken so far include suspending the issuance of new state and local government securities and savings bonds, and limiting investments in certain federal employee pension plans. It still has several other measures available, CBO said.

In a separate report issued Thursday, CBO now expects the deficit to grow to \$693 billion in the fiscal year ending Sept. 30, or 3.6% of gross domestic product, from \$587 billion, or 3.2%, in 2016.

Silicon Valley Moves on Wage Laws

As California weighs hourly pay mandate, region's cities enact their own measures

BY ALEJANDRO LAZO

SAN FRANCISCO—Proponents of a \$15 minimum wage have found fertile territory in Silicon Valley, where the region's booming technology industry is credited for helping drive soaring housing prices and a sizable income gap.

California is on track for a \$15 minimum wage by 2022, but some Silicon Valley cities are opting to hit that target faster, prodded by a campaign aimed at organizing low-wage workers in the region.

The city of Santa Clara is the latest to propose an accelerated \$15 minimum wage, following the lead of San Jose and six other Santa Clara County cities. The City Council plans to vote on a measure that would raise base pay to \$15 by 2019 next month.

Mountain View, where Alphabet Inc.'s Google is based, will have a \$15 minimum wage next year, as will Sunnyvale. The \$15 target will be reached in 2019 by San Jose, the region's largest city, and home to companies such as PayPal and eBay. Cupertino, hometown to Apple Inc., also will hit the \$15 target in 2019, as will Palo Alto, Milpitas and Los Altos.

Minimum pay in all of these Silicon Valley cities is expected to continue to climb beyond \$15, because all of the cities mandate more pay increases based on a regional inflation index.

The increases in one of the costliest regions in the country are being enacted when there is still much debate and research around the effectiveness of such wage increases. Proponents say raising the local minimum wage remains the easiest way to address stagnating pay. Critics say the rush toward a \$15 minimum wage will hurt businesses and cost jobs.

In Seattle, two academic studies released this month found conflicting results from that city's wage boost. The University of California, Berkeley, found Seattle's food-service workers benefited with a modest wage increase and no reduction in jobs. But a study from the University of Washington found employers cut workers' hours and earnings.

Many localities are barred by state law from boosting local wages. Cities in California, which allows for local wage laws, have been on the forefront of raising hourly pay.

Raising the minimum wage to \$15 has emerged as a major policy goal for unions and progressive Democrats. The federal minimum wage is \$7.25 an hour and hasn't increased since 2009. Sen. Bernie Sanders (I, Vt.) and Sen. Patty Murray (D, Wash.)



The minimum hourly wage in San Jose, Calif., is set to reach \$15 in 2019. Above at right, Chuck Hammers, a local pizzeria owner.

How High Is Low Income?

The limits for what is considered low income for a family of four in the Bay Area exceeds that of other major cities.



Source: U.S. Department of Housing and Urban Development

THE WALL STREET JOURNAL

recently introduced a nationwide \$15 minimum wage by 2024, a bill that carried 21 Democratic co-sponsors.

State legislatures in Washington, Arizona, Colorado, and Maine have all approved measures to raise their states' minimum wages to \$12 an hour.

Twenty-six states have local minimum-wage pre-emption laws on the books that block smaller jurisdictions from setting their own wages, according to the National Conference of State Legislatures. At least 10 states considered pre-emption laws this year.

David Neumark, an economist at the University of California, Irvine, said minimum-wage increases aren't an effective policy tool for alleviating poverty and the potential effects of a \$15 minimum wage remain an unknown. While smaller in-

creases leave room for businesses to adjust margins through prices or by varying their workforce, a move toward a \$15 mandate will likely leave little room for anything other than layoffs, he said.

Michael Reich, a professor at UC Berkeley and one of the authors of its Seattle wage study, said such concerns are overblown. San Jose's 2013 minimum wage increase to \$10 in 2010 led to an average 1.5% price increase at restaurants.

In Silicon Valley, the median household income is \$101,980—the nation's highest, according to U.S. Census data. Some question the impact of a minimum-wage boost in one of the most expensive regions of the country. Data recently released by the U.S. Department of Housing and Urban Development says a family of four in San Jose with an annual in-

come of \$84,750 is considered low income. In San Francisco, \$105,350 is seen as low income, and in New York City, it is \$76,300.

Unions and other activists say their efforts to raise wages in Silicon Valley are part of a campaign to organize service-industry workers and other low-wage employees in one of the wealthiest regions of the U.S. Activists say raising base pay will help the lowest-rung workers make ends meet, and boost incomes for those al-

ready making \$15.

"It is a wealth-producing region, and some of the wealth should be shared," said Derecka Mehrens, a founder of the "Silicon Valley Rising" campaign, which has been organizing low-wage workers in the area.

Chris Horton, the president of Santa Clara's Chamber of Commerce, said that while the chamber supports "a living wage," the accelerated wage increase the city is considering will hit the bottom line for small businesses.

—Alejandro Lazo

U.S. WATCH

POLITICS

Republicans Chastise Trump Over Tweets

Republican President Donald Trump drew condemnation from members of his own party after he attacked a female cable-news host over her appearance and intellect in tweets Thursday.

In the first of two tweets, the president said: "I heard poorly rated @Morning Joe speaks badly of me (don't watch anymore). Then how come low I.Q. Crazy Mika, along with Psycho Joe, came... to Mar-a-Lago 3 nights in a row around New Year's Eve, and insisted on joining me. She was bleeding badly from a face-lift. I said no!"

The tweets were referring to Mika Brzezinski and Joe Scarborough, hosts of the MSNBC show "Morning Joe." They came as the White House has been working to keep the focus on advancing Mr. Trump's policy goals, most notably passing a health-care bill in the Senate.

One of the key voters on the health measure, Sen. Susan Collins (R, Maine), responded to Mr. Trump's tweets with her own. "This has to stop—we all have a job – 3 branches of govt and media," Ms. Collins tweeted. "We don't have to get along, but we must show respect and civility."

Mr. Trump drew several other rebukes from within his party.

"Mr. President, your tweet



A man shooting heroin in a park in New York City. An analysis of medical claims has shown increased diagnoses of opioid abuse.

resents what is wrong with American politics, not the greatness of America," said Sen. Lindsey Graham (R, S.C.) in a tweet.

Sen. Ben Sasse (R, Neb.) echoed Mr. Graham's tweet with: "Please just stop. This isn't normal and it's beneath the dignity of your office."

—Eli Stokols

DRUG ABUSE

Opioid-Use Disorder Surged Over 7 Years

An analysis of millions of Americans' medical claims

showed diagnoses of opioid-use disorder surged nearly 500% over the past seven years, according to a review by the Blue Cross Blue Shield Association.

The analysis, which examined the claims of more than 30 million people with commercial insurance provided by Blue Cross Blue Shield insurers between 2010 and 2016, underscores the rising tide of addiction in the U.S. Opioid-use disorder is the clinical term for addiction to opioids, which include prescription painkillers and illicit narcotics such as heroin.

Twenty-one percent of the people reviewed in the analysis

filled at least one opioid prescription in 2015, according to BCBSA, with higher doses and longer-duration prescriptions associated with higher addiction rates.

The analysis also showed that use of medications to treat opioid addiction, such as buprenorphine or methadone, grew by 65% over the period of the study—a rate dwarfed by the 493% increase in opioid-use disorder diagnoses.

—Anna Steele

CRIME

Most Hate Crimes Went Unreported

The majority of hate crimes experienced by U.S. residents over a 12-year period weren't reported to police, according to a new federal report released Thursday that stoked advocates' concerns about ongoing tensions between law enforcement and black and Latino communities.

More than half of the 250,000 hate crimes that took place each year between 2004 and 2015 went unreported to law enforcement, according to a special report from the federal Bureau of Justice Statistics.

Hate crimes were most often not reported because they were handled some other way, the report said. But people also didn't come forward because they didn't feel it was important or that police would help, according to the report.

—Associated Press

GDP Expands by 1.4%, Keeps Growth on Track

BY BEN LEUBSDORF

ing 2.1% a year. That is weaker than any other recovery since at least 1949. Still, the unemployment rate has continued to decline, hitting 4.3% in May—its lowest level in 16 years.

Some economists think the recent slow growth reflects trends that emerged years before the 2007-09 recession: the end of an information-technology-fueled productivity boom and a decline in labor-force participation driven by demographic and other forces.

The U.S. experienced "a very deep recession superimposed on a sharply slowing trend," and it took time for forecasters to appreciate fully how much the underlying trend had slowed, said John Fernald, senior research adviser at the Federal Reserve Bank of San Francisco.

Looking forward, he said, subdued productivity gains and slow growth in the size of the workforce may continue to weigh on overall growth.

President Donald Trump, a Republican, has said he wants to boost growth above 3% a year by overhauling the tax system, rolling back regulations and enacting other policies. But the prospects for legislation remain uncertain, and many economists have warned it will be difficult to boost growth so much in a sustained fashion.

IN DEPTH

GE

Continued from Page One
slowing global trade, rising protectionism, and increasingly powerful foreign customers, all of which is forcing manufacturers to put down deeper local roots to win business.

"Even many Indian companies would think five times" about building in Marhaura, says Banmali Agrawala, GE's India CEO. "But we said yes to it."

GE grew from a merger of electric companies in 1892—including one founded by Thomas Edison—into a global conglomerate by building in the U.S. and exporting abroad. After World War II, GE began to build global supply chains through manufacturing hubs in advanced economies such as Japan, France and Germany. By the late 1990s, as the pace of globalization quickened, GE became the ultimate global player, making jet engines, power turbines and MRIs in the most economically efficient manner it could devise.

Now that world is slipping away. Trade as a proportion of global gross domestic product hasn't recovered to levels seen before the financial crisis in 2008 as protectionist measures exploded.

Once-impoverished nations such as India, China and Indonesia are becoming economic powers and demanding that companies not just ship them goods, but invest and build locally, teach local workers new skills and share technological know-how.

To win big contracts, GE is trading a global footprint designed for maximum efficiencies of scale for one that means greater face-to-face exposure in local markets. The remoteness of the Marhaura factory adds cost and complexity to the locomotive project. "If something takes three months," project manager Shankar Dhar said one day in April, in an interview at the worksite, "you give it six months here."

To house the workers GE will recruit from other parts of the country, the company is building a "township" of 100 residential units next to the factory. The company also says it is working with local officials to try to streamline bureaucracy and arrange the widening and straightening of roads, to ensure it can get materials to a site it never would have picked on the merits alone.

Global Trade Alert, a trade-monitoring service, counts nearly 350 regulations imposed worldwide since November 2008 requiring local sourcing, hiring or operations, including a profusion of Buy America provisions in the Obama administration. Another 466 regulations require some form of localization to bid on government contracts. More are coming, especially in emerging markets such as India, Argentina and Nigeria, says Simon Evenett, an economist at Switzerland's University of St. Gallen who runs the monitoring service. Government-backed development banks require projects to buy or build domestically in exchange for inexpensive financing.

GE says it has established engineering and research centers in nations such as Poland, Mexico and Qatar, and flexible factories in countries such as Brazil and India, which can easily switch production lines in case political winds or market

preferences change. GE is also selling off some of its best-known businesses such as appliances and lightbulbs, which are often the first industrial products a developing country will master, and is focusing on heavy industrial machinery that is more difficult to produce.

"There is a strong trend toward economic nationalism all over the world," GE's CEO, Jeff Immelt, said in a February letter to shareholders. He says the company can't depend on new trade deals to ease global commerce, but must scatter production all over the world.

Mr. Immelt won't be around to watch his experiment play out. The company announced in June that the CEO would retire in August after 16 years at the helm, amid investor dissatisfaction with GE's sluggish stock-market performance.

Mr. Immelt's successor, John Flannery, most recently ran the company's medical-equipment unit. He also once ran GE's India business.

Mr. Flannery's first job is to evaluate GE's vast business lines, although his career path suggests he is unlikely to reverse course on localization. The health-care business has already headed down this path through the customization of some product designs, as in the case of inexpensive, handheld ultrasound scanners it developed for India.

"What works in Milwaukee doesn't necessarily work in Mumbai," Mr. Flannery says.

A localization strategy requires a deft political touch. GE must balance the competing demands of national leaders to build plants in their backyards. That has become especially difficult since the election of Donald Trump, who has been quick to tweet about any company that moves jobs out of the U.S. The White House is now working on regulations to require U.S. government projects to require U.S.-made goods.

Not long ago, GE could boast that the products it sold overseas were made in America. Robert Nardelli, a former GE executive who ran the transportation business in the early 1990s, recalls 300 locomotives ordered by China during his tenure were built in GE's huge factory in Erie, Pa.



GE's Wuhan Boiler Co., above, in China's Hubei province is participating in the government's 'One Belt, One Road' foreign-policy initiative. MUYI XIAO FOR THE WALL STREET JOURNAL

cus from supplying the U.S. market to selling overseas. In 1982, when Mr. Immelt joined the company, 80% of the firm's revenue came from the U.S. Today, it's only 30%. Back then, GE operated 135 factories in 25 foreign countries. As of this year, it has 325 plants spread across 40 countries.

Jobs have followed the changes. GE employs 104,000 workers in the U.S., about one-third fewer than it did a decade ago. In 1982, GE employed 261,000 workers in the U.S. In China, GE's workforce has doubled in the past decade to about 22,000 today.

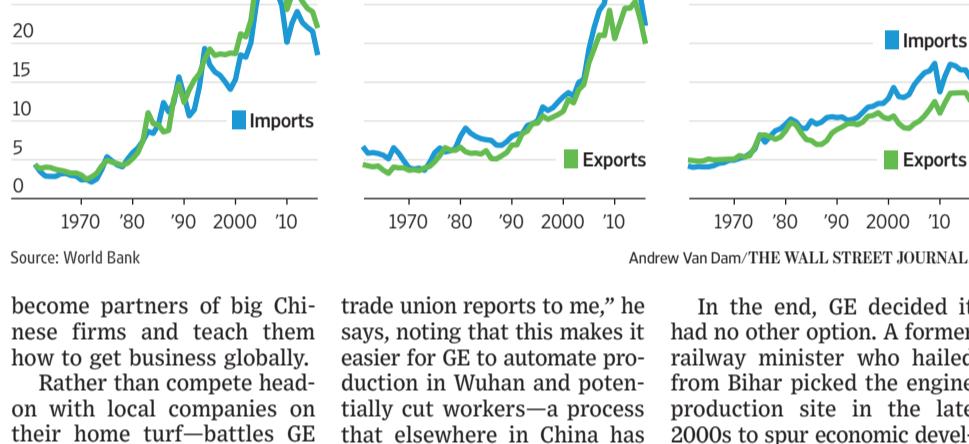
GE says it started pushing its localization strategy more fully around the time of the 2008-09 financial crisis when trade stagnated as a percentage of GDP. The company dispatched Mr. Rice, a tall Summit, N.J., native with a bald dome and a politician's backslapping manner who previously ran its infrastructure and energy businesses, to Hong Kong to build GE's business outside the U.S. Company officials call him GE's Secretary of State.

Mr. Rice, 60 years old, says the world economy became less predictable following the

Turning Inward

Since the global economic slowdown, major economies have relied less on world trade for markets and raw materials, and focused more on producers and consumers within their borders.

Trade as a share of GDP



Source: World Bank

become partners of big Chinese firms and teach them how to get business globally.

Rather than compete head-on with local companies on their home turf—battles GE feared it would often lose—the company aimed to piggyback on the growing role of China's state-owned enterprises around the world.

GE threw its weight behind China's "One Belt, One Road" foreign-policy initiative. The effort envisions reviving ancient trade routes by building Chinese-backed ports, pipelines and power plants in countries along the route—in turn boosting China's domestic manufacturing and deepening its global clout. In October, GE booked part of the lavish Diaoyutai State Guesthouse, where Nixon stayed in his 1972 visit, for Mr. Rice to promote the plan to Chinese executives.

For a One Belt, One Road project, GE teamed up with a Chinese firm, promising a nation that chooses the team that it will also get access to GE technology. The strategy works only because GE has such a large manufacturing presence in China—with more than 30 production sites—that it can meet China's local-production rules. Beijing makes financing available for the projects.

In China, GE also doubled down on localization. In July 2014, Premier Li Keqiang told a group of U.S. executives that China wasn't that interested anymore in having foreign companies take advantage of the Chinese market, Mr. Rice recalls. China wanted them to

trade union reports to me," he says, noting that this makes it easier for GE to automate production in Wuhan and potentially cut workers—a process that elsewhere in China has led to worker protests.

GE also teamed up with China's Central Organization Department, which manages personnel moves for the Communist Party, to offer training for state-owned enterprise leaders at GE's Crotonville, N.Y., campus. More than 300 Chinese executives have taken part over the past decade-plus.

In India, GE began to push harder on localization after Prime Minister Narendra Modi was elected in 2014 on a "Make in India" platform. He promised economic development fueled by major investments in India's infrastructure.

GE says it wouldn't have won its India locomotive deal in 2015 without first expanding in India four years earlier, when it started building a factory complex in the industrial city of Pune. That helped GE train a cadre of skilled workers in an automated facility, which is expected to produce about 30% of the components in the locomotives to be assembled in Marhaura.

Selling new locomotives to Indian Railways, the government-controlled operator of its vast train network, has long ranked high on GE's agenda.

But GE wouldn't make some major investments in India, in part because it worried about Indian bureaucratic inefficiency and corruption.

In the end, GE decided it had no other option. A former railway minister who hailed from Bihar picked the engine production site in the late 2000s to spur economic development, executives say. The \$2.5 billion order for 1,000 locomotives over 11 years is one of the largest deals ever for GE's transportation unit, and its biggest order ever in India.

The company hedged its risk by agreeing with Indian Railways to build the factory as a joint venture, including a \$15 million investment from the Indian partner. Workers will begin assembling locomotives in the factory late next year.

So far the local government has eased the way. One steamy day in April, S. Siddharth, the principal secretary at Bihar's Department of Industries, bragged it is signing off on requests for clearances and approvals within 48 hours of receiving them. He also says he is working with local police to run off any "miscreants" in the area around the Marhaura site.

In exchange, India wants jobs—quickly—from GE, a demand the company wouldn't face if it was shipping locomotives in from afar. "I am coaxing them every day" to use more locals, Mr. Siddharth says.

GE executives say they will do their best to comply. "Two decades ago, India may not have felt they had the skill set, the capital or the wherewithal to have that leverage," says Mr. Nardelli, the former GE exec. But now, "if you want the deal, that's what it's going to take."

GE is trading maximum efficiencies of scale for face-to-face exposure in local markets.

Now GE makes a more subtle argument in meetings with Trump cabinet officials. Overseas investments aren't coming at the expense of U.S. workers they say, and, besides, they wouldn't win the new contracts unless they agreed to manufacture abroad. The engines for all 1,000 locomotives to be assembled in Marhaura, for instance, will be built at GE's Grove City, Pa., plant.

"We can't let people think it's a zero-sum game—that a job in country X means one less job in the U.S.," says GE Vice Chairman John Rice.

Today, many industrial-sector deals—which often involve governments—require 30% to 70% of a machine's contents be produced domestically, GE executives say, a figure that has been rising in recent years.

Over the course of Mr. Immelt's 35-year career at GE, the company has shifted its fo-

financial crisis, leaving GE hustling to find what he called "tipping points"—moments when new political agendas brought opportunity.

Other companies made similar moves, including Honeywell International Inc., Caterpillar Inc. and investment giant BlackRock Inc. Honeywell introduced a line of hard hats in 2012 for Asian markets it said were designed for the heads of Asian workers—"a superior Chinese fit," according to the company. Honeywell says by setting up manufacturing in Asia it could better grasp the "nuances" of emerging markets.

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will attack it."

Patricia Foreman, who wrote the book "City Chicks: Employing Chickens as Garden Helpers, Compost Creators, Bio-recyclers and Local Food Suppliers," says chickens are "easier to maintain than cats," requiring little more than a clean coop, fresh water and regular routine.

She loves chickens so much that she sometimes ends phone calls by saying, "May the flock be with you."

North Hempstead, N.Y., has hatched a different plan. It will release about 25 Northern Bobwhite quails, native to the area, into the woods surrounding the community. Quails also eat ticks and officials hope that will help reduce the scourge.

Quails, however, are known to fly their coops, so they don't make for good backyard foragers.

The idea that barnyard birds could be stand-ins for other, more proven methods of tick control is ruffling some feathers.

"To say I have a chicken and therefore won't get Lyme, that is dangerous," said Lee Ann Sporn, a biologist who

teaches at Paul Smith's College in the Adirondacks.

Ms. Sporn said at least one study had found that wild birds can host Lyme-disease-causing bacteria and didn't see why ticks would spare chickens, which are also known to carry certain parasites. "Inappropriate human-domestic fowl interactions" could lead to other human health problems, she added.

Oppossums, on the other hand, are the real deal," Mr. Driscoll said about the marsupial's appetite for ticks. "Unfortunately, they tend to wander into roadways and

get killed."

Alex Devoy, a college sophomore who helps out on a Lakewood, N.J., farm, says guineas can eat hundreds of ticks a day. "The number of tick bites on farmworkers is much less than that of last year, when we didn't have the guineas free-ranging."

Dairy farmer Keith England keeps 15 guineas on his 5-acre property in Williamsburg, Pa., specifically for tick control. When his flock dwindled, the eight-legged critters came back quickly, he says, so he began rebuilding his bird patrol.

However, guineas startle easily and squawk loudly. Guineas "don't get along with the UPS man or guests or the dog," said Mr. Bibula, the Maine farmer.

Will Neide, a medical technologist, said he's considering chickens for his Hershey, Pa., property, which is partly wooded. He became concerned about ticks after seeing greater numbers in recent months and having to institute a nightly tick check for his four children.

"Worst case is I get eggs and a dinner out of them."

LYME

Continued from Page One
around tick-borne illnesses, including one that leaves victims allergic to red meat, is mounting. "Chemical bug spray is not the answer," Ms. Steele said. "You want the natural predators."

The CDC advises people to take lots of precautions to avoid getting bitten by ticks, from staying away from tall grass to creating a barrier of wood chips between lawns and wooded areas. The CDC declined to comment on the use of chickens, saying that was out of its "area of expertise."

"We don't need a study if we know experimentally it works," said Steven Bibula, a Maine farmer whose chickens are flying off the shelves as New Englanders "terrified" of ticks come knocking. Mr. Bibula said the breeds he sells for tick control are the "elite forces of the chicken world," light-bodied and naturally wary of predators.

Fayetteville, N.Y., in September 2016 approved a pro-



BEN GARVER/THE BERKSHIRE EAGLE/ASSOCIATED PRESS

Concerns are rising amid one of the worst seasons in years for ticks.

teaches at Paul Smith's College in the Adirondacks.

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BOOKS

'Ah, there's peace in losing control.' —Jimmy Webb

The Cake and the Rain

By Jimmy Webb
St. Martin's, 346 pages, £21.02

BY DOMINIC GREEN

'THE REGRET OF all novelists who have been brought up on music,' Anthony Burgess rued, 'is that counterpoint, which mirrors the multiplicity of life, is not possible in verbal language.' Prose, Burgess wrote, speaks in a single line. The doubled meanings of poetry are at most 'chordal.' But music is polyphonic. The best a lyric can do is attune itself to its musical counterpoint—as in Cole Porter's 'Ev'ry Time We Say Goodbye,' when the lyrics 'change from major to minor' and the harmony shifts ominously.

Just such a strange change recurs in Jimmy Webb's 'Wichita Lineman,' a hit for Glen Campbell in 1968. The lineman broods on his connection to a woman he loves but cannot have. 'I hear you singin' in the wire, / I can hear you through the whine.' Mr. Webb reharmonizes that slide with a chromatic bass counterpoint. The lineman ends up suspended over an unresolved chord, 'still on the line,' static atop a telegraph pole, caught in emotional torment.

Mr. Webb, then 21, wrote 'Wichita Lineman' in a few hours, because Glen Campbell had asked for 'something geographical' to follow 'By the Time I Get to Phoenix,' the Webb composition that the singer rode to No. 2 on the charts in 1967. By 1968 Mr. Webb was 'The Cole Porter of the Sixties,' according to some of the press coverage of the day. He drove a 427 Shelby Cobra. He owned an old 'Valleywood' mansion. Frank Sinatra covered his songs, and Caesar's Palace was offering him eight-week engagements at \$40,000 apiece, white piano included.

Mr. Webb wanted to be a rock star, not a studio hand. He wanted the cars, the fame, the money, the girls. He also wanted the esteem of his songwriter contemporaries. 'The Cake and the Rain' is the story of how Mr. Webb made it and how unmaking it nearly killed him. It is novellistic, perfectly plotted and quite possibly the best pop-star autobiography yet written.

A writer can approximate musical counterpoint by restructuring the timeline. Mr. Webb avoids the linear narrative and structures 'The Cake and the Rain' like 'Wichita Lineman.' The song has two sections, each leading from narrative to refrain. The book has two threads, the rise and the fall. The Devil recurs in Mr. Webb's story as a living presence.

Mr. Webb's grandfather was said to be the seventh son of a seventh son. The religious call came to his father while astride a tractor in Texas.

He became an itinerant Baptist preacher, dragging his wife and his children to 'one-horse' congregations and 'plaster-on-chicken-wire'

Headed for a Fall



BIG TIME
Webb at 22.

GETTY IMAGES

tract homes. Jimmy discovered the Devil's music secretly, between the sheets with a transistor radio.

In Oklahoma City, an older woman taught him the piano: exercises from the Baptist Hymnal, but also improvisation, arrangement and substitution, which creates new counterpoint through 'the alchemy of substituting exotic and unfamiliar chords for more prosaic ones.'

In 1963, the family reached Southern California. A year later, Mr. Webb's mother died of a brain tumor. His father returned to Texas, but 18-year-old Jimmy stayed. He was in unrequited love with California pop, which he wanted to write and record, as well as its blond incarnation, Suzy Horton, 'the most bitchin' girl in the school.' His father gave him \$40 and a warning: 'This songwriting thing is just going to break your heart, son.'

Mr. Webb dropped out of college and began recording the songs he had been composing. The first hits,

'Didn't We?' (recorded by Harris) and 'Up, Up and Away' (for the 5th Dimension), came almost overnight. His collaboration with Mr. Campbell made him a star.

In the era of Vietnam, youth revolt and 'All You Need Is Love,' Mr. Webb was 'embarrassed and a little guilty' about his wealth, his apolitical lyrics and Sinatra's approval. At the Monterey Festival of 1967, he had seen that the 'old craft and traditions' were slipping into an 'abyss' of 'ear-busting rock 'n' roll.' He jumped anyway. 'I want to be an artist,' Mr. Webb told David Geffen, a Mephistopheles bearing a recording contract, in 1970.

The author befriends Harry Nilsson and becomes a cokehead. He spends \$250,000 on tape players so that a live show can duplicate his studio sound but omits to ask the musicians' union. A mysterious fire at the rehearsal theater destroys the equipment, so he hires the Los Ange-

les Philharmonic. The live show is a disaster: He forgot to hire a conductor. He 'kidnaps' Suzy Horton in a private jet, whisks her to Hawaii and finally seduces her after giving her LSD. Then he takes to the road in a mock-Jagger leather suit and cheats on her.

The Devil has the best anecdotes. The mescaline not having worn off, Mr. Webb greets the King with 'Howdy, El!' Later, Elvis asks how many French horns he uses on his recordings. It used to be three, Mr. Webb says, but that wasn't enough: Nelson Riddle used four on Sinatra's recordings. 'Okay, Jimma, that seems about right to me too.' (Sadly, the two never collaborated.)

The roguish, broguish Harris invites 'Jimmywebb' to stay at Cottchford Farm, where Christopher Robin lived and Brian Jones died. The cuckolded songwriter Leslie Bricusse throws himself across the hood of the author's Corvette as Mr. Webb

elopes with Mr. Bricusse's wife. Mia Farrow, unsure if she can play Peter Pan in producer Mel Ferrer's movie, suggests using a young boy she had seen on 'The Ed Sullivan Show' with the Jackson Five. Mr. Webb plays it deadpan: 'His name was Michael. He would make a perfect Pan.'

Show business is the devil's work. Mr. Webb sleeps under the piano as he slaves for days on 'MacArthur Park,' the seven-minute epic whose cryptic lyrics give the book its title: 'Someone left the cake out in the rain / I don't think that I can take it / 'Cause it took so long to bake it /

The boy from Oklahoma became the Cole Porter of the '60s. But he wanted to be a rock star.

And I'll never have that recipe again.' Harris records the vocal while swilling from a giant, chilled pitcher of Pimm's No. 1. He keeps singing 'MacArthur's Park'—as though a fellow named MacArthur owned the park.' Mr. Webb and his engineer collect 'favored lines and passages' on a multitrack recorder, then edit down word by word.

One day in 1973, Mr. Webb crashes a glider into a pine ridge in California. His passenger, the rock photographer Henry Diltz, is 'bloodied but not bloody dead,' but the joint in Mr. Diltz's top pocket is intact. 'We fired up the splif and inhaled deeply.... Far above was the snow-crowned summit of Baden-Powell, the sun plummeting toward the west, the long shadows reaching out for us.'

Soon afterward, Nilsson and Mr. Webb mistake PCP for cocaine. Nilsson crawls around on all fours, repeating, 'Zardoz, Zardoz'—the name of a Sean Connery film 'where old age is dispensed as a punishment.' Mr. Webb goes to Hell. Passing from 'the realm of demons' to 'a bleak, dark plain under a starless sky,' his personality breaks into point and counterpoint: 'There were two of me. One suffered the most outrageous fear and insult while the other watched, calm and unsympathetic.'

For a month, everything feels like rubber—even the piano keys. He cannot remember 'a single tune or chord.' When he eventually strikes a Middle C, he cries. Born again, it seems, he plays 'Amazing Grace.' And there this story ends. Mr. Webb, expert at extracting drama from form, ends his narrative with this quiet yet resonant coda.

No one writes songs like Jimmy Webb does, and no musician ever wrote a biography like this. 'The Cake and the Rain' is a dream of sin and redemption, told with contrapuntal rigor. And, yes, Mr. Webb explains the lyrics of 'MacArthur Park' too.

Mr. Green is a historian, critic and jazz musician.

Low Wit in Its Highest Form

Away With Words

By Joe Berkowitz

Harper Perennial, 272 pages, £8.99

BY DANIEL AKST

AS A CRITIC, I've been around the block, buster. It's a risky business—the margins are paper-thin—so I work in my best cellar, a bomb shelter where pros can sing. The book stops here, ok? And if it won't hold still I hit it with a pan. Is that really so novel?

As that paragraph gratingly demonstrates, puns can be irritating. Yet the vast and diverse English language practically cries out for antics of this sort, and some people are so good at it that punning has evolved into a form of competitive sport. 'Way more pun competitions exist than most sane civilians might presume,' we learn from 'Away With Words,' Joe Berkowitz's diverting account of the subject.

Mr. Berkowitz, a staff writer at Fast Company, rashly immerses himself in this world over the course of a year, palling around with punsters and competing repeatedly in Brooklyn's Punderdome and once at the exalted O. Henry Pun-Off World Championships in Austin, Texas. 'The O. Henry is without a doubt the Olympics of pun competitions,' he says, while 'Punderdome is their X Games.'

The narrative engine of 'Away With Words' is the author's progress

through this quirky landscape. The competitions require firing off puns—preferably as part of a comic narrative—on a given or chosen topic, such as vegetables or fine arts, in front of a raucous crowd. Mr. Berkowitz is no wilting flower, but the performing isn't easy for him. Competitions involve intense time pressure and one-on-one pun-offs; if words fail you, you're out.

Puns are a kind of verbal preening, usually praised more 'for their ingenuity than for their humor.'

At this level, even the strangest topics provide almost inexhaustible fodder. At Punderdome's fifth anniversary show, the category is Italian food. On introduction: 'I never *sauage* a crowd.' Want to try something weird? 'I said 'wine not'... because I'm a *pro sicko*.' About cheating to win an award: 'I think I could *rig* a *Tony*.' On reproductive rights: 'The government wants to put its laws on your bodies,' one punster declares. 'And I don't want 'em to put their *laws-on-ya!*' On the wonders of modernity: 'How did scientists date anything before the *carbon era*?'

By now you may be reaching for the Alka-Seltzer, which illustrates the author's problem: A little punning goes a long way, and at some point

indigestion is inevitable. Mr. Berkowitz also tries readers' patience with one or two ill-advised digressions, although his firsthand account of the dimly earnest North East Texas Humor Research Conference is a source of fun in spite of his suffer-

veterans. One of the stars, Southpaw Jones, soars with a prepared riff on birds: 'Beek kind to me, don't *thrush* to judgment, I'm not *robin* anyone, *hawk* anything, *talon tails* out of school, *ducking* responsibilities or *emulating* anyone.' In a face-off seg-

fore the Don,' an article concerning studio jitters about a forthcoming 'Godfather' film.

Nowadays cooler heads prevail, in part because the news has moved online, where wordplay in headlines is death for search-engine optimization. The rapid globalization of culture may also play a role. The English writer Kazuo Ishiguro has confessed to avoiding wordplay and colloquialisms in order to facilitate the translation of his works. World trade, it seems, is taking the pun out of literature.

Ultimately, the problem may be that pun-making is a kind of preening. Puns 'are more usually praised for their ingenuity than for their humor,' a 16th-century courtier's handbook observed, and pedantic vanity will always rub people the wrong way.

Back in Austin, after the final O. Henry round pits one of Brooklyn's best against a four-time national champ, Mr. Berkowitz hears talk among the sloshed New Yorkers of getting a pun tattoo. What should it say? 'We can write 'ling,'' suggests one wag, 'and it will be an 'inkling.''

But it's clear that a pun tattoo—the absurd made flesh—would be going too far. Mr. Berkowitz is sensitive throughout to the evanescence and contingency of punning and to the fleeting chemistry of a live pun-on-pun matchup crackling with energy. 'A tattoo could never bring it back,' he writes. 'You had to be there.'

Mr. Akst writes the Journal's weekly news quiz.



BRIDGEMAN IMAGES

ings there. Fortunately, the puns mostly come in concentrated outbursts, and Mr. Berkowitz works so furiously to entertain us the rest of the time that you can practically see the flop sweat.

'Away With Words' is peopled, moreover, by a colorful and touchingly needy cast of punsters. With their noms-de-pun (e.g., Groan Up, Lex Icon), they are tough to keep straight but, like witty strangers at a cocktail party, amusing nonetheless.

The book culminates in a thrilling Texas gunfight between a contingent of Punderdome all-stars and O. Henry

punter, punster Jerry Yan is assigned the topic of pregnancy and starts on a pious note: 'Baby Jesus didn't *diaper* your sins.'

One question remains: Why has punning, which is as old as language, fallen into such bad odor that most of us feel compelled to groan when we encounter it, no matter how witty the wordplay? John Pollack, in his thoughtful 2011 book, 'The Pun Also Rises,' notes that punning's popularity has long ebbed and flowed. Puns used to flourish in headlines, including at this newspaper. Oh, for the days of 'Paramount in the Dark Be-

BOOKS

'There was no substitute for reality; one should beware of imitations.' —Arthur C. Clarke

FICTION CHRONICLE: SAM SACKS

A Prince of EverWhen

IT'S THE AGE that all parents dread: When their children withdraw from the Eden of total transparency into their own private worlds. Many of the controversies surrounding video games have to do with this self-conscious stage of development, just as they did when people worried that kids were spending too much time in front of the TV or, in centuries past, too much time reading books. Video games are where teenagers escape to explore fantasies, test their mental prowess and perform heroic deeds. "In EverWhen he was a healer and an Elvish prince, a leader of his company," Allegra Goodman writes about Aidan, a skinny, introverted 16-year-old in her novel "**The Chalk Artist**" (*Atlantic*, 335 pages, £14.99). But Aidan's overworked single mother hates the game because when he enters its virtual realm, she can't follow after him.

Aidan is one of a constellation of characters struggling to harmonize their dreams and desires with the actualities of the outside world. Nina is an heiress to the Arkadia video game franchise, which created EverWhen, but she's determined to cut her own path teaching English literature at Aidan's high school in Cambridge, Mass. Her boyfriend, Collin, an unmoored artist with a genius for sketching in chalk, decorates the sidewalks of Harvard Square. She gets him a job as an illustrator for Arkadia only to see him become consumed by the insular gaming culture that has so ensorcelled her students.

The seductions and consolations of gaming life have inspired a number of recent novels, most popularly Ernest Cline's "Ready Player One" (2011). Like Aidan's mother, however, Ms. Goodman takes a wholly negative view of the pastime. Her plot turns on a rogue marketing campaign by an Arkadia staffer who uses sexual wiles and an unreleased EverWhen sequel to manipulate Aidan

into vandalizing his school with gamer terminology. Aidan becomes so addicted to playing that his twin sister has to hide his console, like someone confiscating vodka bottles from the family drunk. Later his mother smashes the thing with a hammer, then slumps into a chair "with a long, shuddering sigh" of parental catharsis.

"The Chalk Artist" offers antidotes to this apparent technological scourge. Nina and Collin enjoy a highly symbolic stroll in Walden Woods and Nina's classroom efforts go toward awakening her students to the glories of Emily Dickinson. But though there's undeniable charm in Ms. Goodman's celebration of nature and poetry, the novel's moral binary feels superficial. Characterizing video games as little more than digital opiates leaves Aidan's coming-of-age story frustratingly underdeveloped.

Partly this is the fault of imbalances in the plot. The book's title refers to Collin, but the guy's an earnest bore ("My art's not deep," he says, accurately), and the fate of his relationship with Nina is decidedly low-stakes. The real intrigue is with Aidan. The immersive, collaborative worlds of his role-playing games,

with their elements of questing, violence and sexual ideation, form a powerful backdrop to the shocks of adolescence. A novel that appreciated the complexity of these games would tell a darker but more truthful story about growing up in contemporary America. Instead, Ms. Goodman has written a feel-good fantasy about kicking a bad habit with help from the Belle of Amherst.

A poem of Emily Dickinson's provides the title to Ann Beattie's "**The Accomplished Guest**" (*Platinum*, 270 pages, £29.83), a phrase that refers to a spirit or muse that takes residence in the soul but that in Ms. Beattie's modest usage also describes the many visitors who populate her more recent short stories. In "Company" an aging professor hosts former students at his Maine summer house, but the invasion of cheerful youth makes him feel as close to death as the lobsters being boiled for dinner. In "Other People's Birthdays" a woman travels to see her parents and emotionally unstable sister, a trip that culminates in a bloody wrestling scrum on the front porch prompted by a withheld present.

These are busy, gregarious stories, more active and unbuttoned than the

so-called Minimalist writing that defined Ms. Beattie's heyday in the 1980s, but still possessed of her eye for quirky relationships and her side-long sense of humor. The funniest tales are what one character labels "very Key West" stories. "The Debt"

A feel-good fantasy about kicking the bad habit of video games, with help from the Belle of Amherst.

follows the road trip of three college friends who mean to confront a man who lost their money in a business scam but get themselves in far deeper trouble at a nearby brothel. "Hoodie in Xanadu" is a memorably odd portrait of the friendship between a widowed flower designer and an overweight agoraphobic Key Wester who rents his gorgeously appointed sitting room to party-throwing celebrities. To her surprise, the old woman finds what most of the nomadic characters in this pleasing collection wish they had: "A partner on a night when foxes sang and

danced in the moonlight, and the old people sat and stared."

Society's darkest impulses are on graphic display in Nick Laird's novel "**Modern Gods**" (*Fourth Estate*, 308 pages, £12.99), which takes on the atrocities committed in the name of religion and politics. The book's parallel stories concern the sisters Alison and Liz Donnelly. Alison is a mother of two living in Ireland who is moving on from her abusive first marriage by wedding a quiet but kindly man named Stephen. Once they're married, however, Stephen's secret past emerges. Some 20 years before, during the Troubles, he was part of a Protestant paramilitary group that carried out a killing spree in a pub in a Catholic neighborhood of Northern Ireland.

Meanwhile, Liz, a New York-based academic, has been chosen to host a BBC documentary about "the world's newest religion," a cargo cult on an island off Papua New Guinea led by a prophetess named Belel. Predictably, Belel's beliefs clash with those of the Christian missionaries on the island, and Liz becomes entangled in their feud as it tilts toward tragedy.

Mr. Laird is alive to the ways that adamant moral certitudes tend toward violence. "Righteous fury is so easy, can be slipped on like a coat," he writes. Yet the novel's real source of discomfort is not its ideas but its prose. "**Modern Gods**" opens with a dramatization of the mass shooting in the pub, a fictionalization of the Greysteel massacre of 1993. The descriptions are disturbingly stylized, noting the "archipelagic blood" spattered on a bar mirror and still more blood flowing in "dark runnels across the parquet dance floor." In a flashback later on, a bullet moves "with exquisite speed" through a woman's skull. The images sickeningly evoke recent horrors like the Sandy Hook shooting and the Bataclan terror attack. Mr. Laird, a poet as well as a novelist, has a gift for language—but I wish he hadn't made these awful scenes so pretty.

The Image as Event

Slow Art

By Arden Reed
California, 325 pages, £49.95

BY ANN LANDI

MORE THAN 20 years ago, Arden Reed, a professor of English at Pomona College, happened upon Édouard Manet's "Young Lady in 1866" while wandering through New York's Metropolitan Museum of Art. That arresting full-length portrait of the artist's favorite model posed in a pink peignoir led to an eight-year infatuation as Mr. Reed revisited the painting whenever he could. "I found myself drawn to the picture, resisted by it, and then drawn back," he writes. "How long, I mused, could I sustain this conversation?" He discovered from that prolonged enchantment that a work of art could "behave like a moving picture," offering an experience "as rich and as thorny as any literary or philosophical text."

Subsequent encounters with works by other artists closer to our time, like Hiroshi Sugimoto and James Turrell—both of whom make art that compels rapt attention or "at least cultivates patience"—led him to write a book-length study called "Slow Art: The Experience of Looking, Sacred Images to James Turrell." And the reader thinks, Well, why not? Especially as we've recently had books and movements devoted to slow food and slow sex, with sage advice about lingering over experiences even as the culture at large speeds up (so much so that, as the author points out, the average American museumgoer spends about 6 to 10 seconds with any work of art).

Slow art, in Mr. Reed's definition, names not a set of aesthetic objects but rather a prolonged "encounter between object and observer," and what in another writer's hands might have been a dry academic treatise turns out to be a lively ramble through high and low culture, touching on the likes of Diderot, Goethe, David Foster Wallace, Susan Sontag, Sleeping Beauty, the Countess de Castiglione and Andy Warhol.

As background to a history of slow art, the author describes and

even takes part in the annual Pageant of the Masters in Laguna Beach, Calif., a summer festival of tableaux vivants that began in 1933 and is now going stronger than ever. Tableaux vivants, for the uninitiated, are "living pictures": full-dress stage spectacles—silent, motionless and theatrically lit—with actors holding poses for 90 seconds or so. These elaborately presented scenes are traditionally "re-creations" of well-known masterpieces (the Laguna Beach theatricals always end with Leonardo's "Last Supper"). "The Pageant projects art into the world of an everyday Orange County evening, even as it sets art apart in a frame," Mr. Reed tells us. "Staging fabricates illusions that satisfy our spectatorial hunger, even as actors unmask the fakery in bodying it forth."

For Mr. Reed, tableaux vivants "occupy the point of intersection between slowing and accelerating that is the very locus of slow art." As such, they become the fulcrum for much of the author's discussion of slow art through the ages. Tableaux vivants flourished from about 1760 and waned in the 1910s. Slow art entered what Mr. Reed calls a "second golden age" beginning around 1960, with paintings by Agnes Martin and Ad Reinhardt, earthworks including Michael Heizer's "Double Negative" and Mr. Turrell's "Roden Crater," and video art from Warhol to Bill Viola.

Before all that, of course, there was the art of early Christianity, icons and other objects of religious devotion that demanded slow looking and veneration from viewers. Later, religious processions pulled out all the stops by including floats featuring tableaux vivants of familiar scenes from Bible stories, like the Return of the Prodigal Son or the Crucifixion. Yet the advent of "true" slow art occurred only about 250 years ago because, the author argues, the experience of "unprecedented speed led people to seek breathers, breaks and oases—if only to prevent cognitive and emotional fatigue." The Enlightenment *philosophie* Denis Diderot was one of its first apostles, championing tableaux vivants as a way to show people how to comport themselves, and painters responded, whether in the homely parables of Jean-Baptiste



IN THE PINK 'Young Lady in 1866' by Édouard Manet.

Greuze or the high-minded neoclassical scenes of Jacques-Louis David. In a campier vein (and camp finds its way into slow art, in proponents as disparate as Sontag and Oscar Wilde), David's near contemporary Lady Emma Hamilton, the foxy wife of the British envoy to the court of the Two Sicilies and mistress of Adm. Horatio Nelson, amused her admirers with solo tableaux in which she donned a Grecian costume and performed "surprising transformations, standing, kneeling, sitting, reclining, serious, sad, playful, ecstatic, contrite, alluring, threatening, anxious," one pose following another without a break, according to Goethe.

Some of the most entertaining, and probably little known, of Mr. Reed's examples of slow art evolved

performances by Marina Abramović, the films of Jean-Luc Godard, the paintings of Joseph Marioni and Tony Conrad, and videos by Eve Sussman and Sam Taylor-Johnson. If this sounds like a massive catalogue of artists, it is. But the author gives each their due, and makes the reader curious to see more (a list of links is provided in the book). His descriptions of "Roden Crater" and Walter De Maria's "Lightning Field" are more leisurely, perhaps because he has spent enough time with both to give a vivid firsthand account of two

Do medieval icons, 19th-century tableaux vivants and performance art all share a genre?

major earthworks few of us will ever see. "The Lightning Field reads as an enormous tableau vivant," he writes, "because it stages a landscape painting.... The actors are the four hundred [lightning] rods. Perhaps because of their verticality, they feel slightly anthropomorphic, as if they were sentinels. Like human actors, the poles sway slightly in the breeze. But we are likewise actors, performing De Maria's installation together with time, light, and weather."

Mr. Reed is an enormously erudite writer, but his many references to cultural touchstones of all ages, familiar and recondite, never leave the reader in the dust. You'll have arguments with this book: Why don't certain Renaissance painters, like Leonardo and Raphael, qualify as "slow"? Why wasn't Christian Marclay's epic video "The Clock" included? And what, precisely, did Mr. Reed gain from all that time with Manet's "Young Lady"?

But your way of looking at many kinds of art and entertainment will also be subtly affected, whether it's the Ghent Altarpiece or a Warhol silkscreen. I, for one, became convinced that tableaux vivants, one way or another, foreshadow the breathtaking slo-mo sequences in "Wonder Woman."

Ms. Landi writes about art and culture from Taos, N.M.

OPINION

REVIEW & OUTLOOK

Central Banks and the New Abnormal

This week's gyrations in currency and bond markets are best understood as the triumph of fear over experience. It's as if markets think central banks are really in danger of returning to more normal policies.

The euro jumped 1.4% against the dollar Tuesday after European Central Bank President Mario Draghi said "all the signs now point to a strengthening and broadening recovery in the euro area." Never mind that it came in the context of a speech in which Mr. Draghi argued that the ECB should continue doing more of the relatively easy monetary policy he says is working. Markets interpreted the comment as a sign that the ECB may soon start dialing back on its negative interest rate and €60 billion-a-month (\$68.16 billion) bond purchases, or quantitative easing.

Bank of England chief Mark Carney set off a similar jump in the pound on Wednesday when he suggested Britain's central bank might at some point sort of think about almost raising interest rates—if the bank no longer feels it needs to make trade-offs between economic growth and its inflation target. To be exact, what he said was: "Some removal of monetary stimulus is likely to become necessary if the trade-off facing [policy makers] continues to lessen and the policy decision accordingly becomes more conventional." Got it?

You can't fault investors for intensive tea-leaf reading of otherwise anodyne comments like these. Given the size of the bond portfolios central bankers have amassed since the crisis, investors are understandably curious about any clues to what central banks will do next.

As a result, markets are overlooking how little central bankers are actually saying. Mr. Draghi's subordinates took to the media Wednesday to point out he hadn't meant monetary normalization would come immediately. But what if he had? Even in that case, "normal" would be a very gradual reduction in a quanti-

tative-easing bond portfolio that didn't exist before March 2015.

And the negative interest rate that was once considered a crisis measure but has hung on for three years? A return to zero, let alone the ECB's pre-2008 rates of between 1% and 3%, remains years off. The same is true in Britain. If the BOE ever does

move from its current benchmark rate of 0.25% back to the 3% to 6% range before the panic, it will take years.

The U.S. Federal Reserve, which now is leading the way on unwinding crisis policies, is doing so very slowly despite eight years of economic growth. If the Fed does make it to 2% by the end of next year from 1% to 1.25% today, the fed-funds rate still would be only half its level during the late 1990s boom or its pre-2008 maximum.

There's nothing tight about any of this. Markets have simply forgotten what normal monetary policy looks like. This poses a dilemma for central bankers, as Mr. Draghi noted when he warned that as the economy improves, policies that today offer the right level of stimulus might become too accommodative. It's hard for central bankers to adjust when any move to make policy slightly less easy is interpreted as a move to make it much tighter.

Then again, central bankers have themselves to blame. As policy becomes further divorced from definable metrics such as inflation—which already suggests a need for tightening in Britain and the eurozone—central bankers struggle to explain whether and when they might adjust policy.

Markets have learned that central banks can be bullied into keeping the punch bowl on the table a little longer, as with the taper tantrum that delayed the Fed's slow withdrawal of QE by a few months in 2013. As this week has shown, the result could be a bumpy exit from crisis-era policies that central bankers increasingly recognize are no longer suitable.

Hong Kong's Anxious Anniversary

Xi Jinping received a red-carpet welcome when he landed in Hong Kong for this weekend's 20th anniversary of the handover to Chinese rule. But the mainland's paramount leader will receive plenty of curses too as protesters follow him around the territory. The public anger is due to Beijing's failure to honor its promises of democracy and autonomy, a course that is radicalizing the city's youth and making it difficult for Beijing's appointed leaders to govern.

On the surface at least, the "one country, two systems" formula devised by Deng Xiaoping to last 50 years has worked tolerably well. Much as when it was a British colony, Hong Kong's capitalist system generates enormous wealth, the judiciary is officially independent and civil liberties are protected.

But look closer and it's clear that Hong Kong's special status is slipping away. The central government's "liaison office" increasingly micromanages Hong Kong affairs. The National People's Congress has overruled key judicial decisions, and senior officials call on judges to accept the leadership of the executive branch. In early 2016, mainland enforcers kidnapped Lee Bo in Hong Kong and put him on trial in China after he published material critical of Chinese leaders.

Young people in particular are angry that mainland political and economic power is changing the character of their city. The "umbrella movement" protests of 2014 saw students occupy the business district for 75 days, but they failed to convince China to allow the election of the chief executive by universal suffrage. Beijing will continue to select the city's leader through a 1,200-member committee dominated by the pro-China business elite.

It didn't have to be this way. The British could have begun a democratic process when they still ruled, as these columns advised after Margaret Thatcher's 1984 deal with Beijing. If China had of-

fered a roadmap to full democracy in the early 2000s, when Hong Kong people were quietly signaling their desire for more say in government,

Beijing could have earned respect and loyalty. Instead, in 2003 then Chief Executive Tung Chee-hwa tried to pass antisubversion laws to curtail civil liberties.

The better part of one million people turned out on the streets, kicking off a protest movement that has waxed and waned ever since. At each stage Beijing has responded with threats rather than compromise, adding to the rancor. The central government created precisely the opposition it feared, as some young politicians call for independence from China.

All of this is a reminder that one important underpinning of Hong Kong's freedom was never written down: the assumption that the reforming China of the 1980s would continue to free up its economy and start a process of political reform leading eventually to democracy. Some even dared to hope that the city would help Beijing learn to accept elections without preordained results.

Mr. Xi and his predecessor, Hu Jintao, have instead tightened political repression on the mainland. Chinese leaders see Hong Kong not as a democratic model but as an example to show they will deal sternly with "splittists." Veiled threats suggest that Hong Kong's new Chief Executive, Carrie Lam, will be forced to reintroduce antisubversion laws.

This is a tragedy for Hong Kong, the city that Milton Friedman hailed as a model of free-market prosperity, but it is also a tragedy for mainland citizens who have hoped that Chinese prosperity would lead to greater self-government. Beijing's attempts to intimidate dissent are making Hong Kong's rising generation more insistent that democracy is needed to guarantee their freedoms. The third decade under Chinese rule looks to be even more turbulent.

The Trump NLRB's Job List

President Trump is finally filling out the National Labor Relations Board, and not a moment too soon. Repudiating the Obama NLRB's radical rulings will take time, but Congress could lend a hand.

Last week Mr. Trump nominated Marvin Kaplan, counsel at the Occupational Safety and Health Review Commission, to one of two vacancies on the board. And this week the President rounded out the five-member board by naming William Emanuel, an employment lawyer at Littler Mendelson who helped challenge the Obama NLRB ruling that bars class-action waivers in arbitration agreements. The Fifth Circuit Court of Appeals rejected the board's theory, and the Supreme Court has agreed to hear the case.

The nominations will give Republicans their first board majority in a decade, and there's little time to waste. Some 360 cases are pending before the board, many of which present opportunities to correct recent board rulings that depart from longstanding precedent. The Coalition for a Democratic Workplace last year estimated that the Obama NLRB overturned 4,559 years of established law.

One example is the 2015 *Browning-Ferris* decision, which created a new "indirect influence" joint-employer standard that has upended contractual relationships as well as the franchise

business model. The ruling, which nullified three decades of board and judicial precedent, allows unions to drag companies into labor disputes with subcontractors and franchisees.

The Obama NLRB also rigged union election rules to deny employers due process. One change restricted employers' ability to dispute the eligibility of workers in a bargaining unit before an election. And an expedited election schedule limits employers' opportunity to present their case to employees. While employers can contest the board's decisions in court, President Obama packed the D.C. Circuit Court of Appeals with liberal judges who are inclined to defer to the board's judgment under the *Chevron* standard.

This is why it's important for the GOP Congress to clarify ambiguities in the National Labor Relations Act that unions have exploited to give themselves organizing advantages that Congress never intended. For starters, Congress could codify the direct control joint-employer standard as well as union election procedures that protect employer and worker rights.

Legislation would protect the Trump NLRB's decisions against legal challenges from the left while hemming in future Democratic majorities. Otherwise, employers will have to fight the same battles the next time a Democrat is elected to the White House.

Should Trump Abandon The Republican Party?



WONDER
LAND
By Daniel Henninger

In 2016, Donald Trump stood on debate stages and ran against a half-dozen Republicans in the party's presidential primaries. He won. With his presidential victory came Republican control of the House and Senate, in part because of his coattails.

After Senate Republicans this week failed to move a bill to repeal and replace ObamaCare, Mr. Trump must be asking himself: Why do I need these people?

Just now, that's a good question. If the congressional Republicans can't do ObamaCare reform after years of chanting they would, what chance is there they'll pull off the heavier lift of tax reform?

Mr. Trump has to be wondering whether he would be better off with his version of the Obama presidential model: govern by pen-and-phone executive order through the agencies he controls.

Obama rendered Congress moribund with little outcry from voters. The Obama error was his predictable left-wing overreach with extralegal decrees like the Clean Power Plan, which failed a court challenge before the D.C. Circuit.

To succeed as president, Mr. Trump has to show he can govern, and it looks like that may require separating himself from a Republican Party disabled by a permanent blocking minority with no interest in governing.

At the level of domestic politics, successful presidential governing means not much more than enabling and attaching oneself to an improving economy, as the impeached but popular Bill Clinton proved possible.

The economy is already strengthening, and Mr. Trump can direct Treasury Secretary Steven Mnuchin and White House economics chief Gary Cohn to accelerate their deregulation of financial and energy markets.

Before the Republicans lose seats and maybe control of the House in 2018, Mr. Trump can still extract a few things helpful to himself. Desperate incumbents, such as Nevada's ObamaCare reform opponent Sen. Dean Heller, will be looking for a legislative life raft. Mr. Trump no doubt could get a modest tax-cut bill passed this year. That will support slow but steady upward growth unless he retards even that with a regime of steel tariffs and myriad trade uncertainties.

Real tax reform would liberate America's ocean of pent-up capital and produce an economic boom, assuring continued GOP control of Congress. But Republicans like West Virginia's Sen. Shelley Moore Capito see their reason for being as protecting the Medicaid status quo.

Some may say Mr. Trump and the Republicans will now take political ownership of the steady collapse of the ObamaCare exchanges. But he didn't create these things; Congress did, and when voters elected a Con-

gress to reform ObamaCare, it failed.

The press will dump full responsibility for this political nonfeasance on congressional Republicans, and voters will take it out on them in 2018. Health and Human Services can tinker with the failing ObamaCare exchanges, as it would have under Hillary Clinton anyway, and Mr. Trump can blame Congress for the residual mess.

As to Mr. Trump's low approval rating, the danger there was always that it would scare away Republicans from his agenda. That looks moot now. The Republicans' approval rating is no doubt already plummeting. Mr. Trump's approval will rise as the economy improves and if he modulates himself by about half, as he's done recently.

The president may separate himself from a party disabled by a blocking minority.

Most intriguing of all is the longer-term future of Mr. Trump's formal relationship with the Republican Party. After voters in 2018 reelect Congress, Mr. Trump can consolidate his base with a big infrastructure bill co-designed by Democrats and likely approved by independent voters. By then, the Republican opposition that tanked ObamaCare reform will be irrelevant.

And please, hold the faux shock when Mr. Trump, a nonideological pragmatist, entertains Chuck Schumer's Medicare-for-all as the final health-care fix. In Mr. Trump's world, subcontractors come and go. The GOP shouldn't bother trying to collect for work done.

This disorder could surface the possibility that dare not speak its name until now: a more centrist Trumpian political party of the sort favored by Ivanka Trump. No one thought Emmanuel Macron's party bolt in France could go so far.

Look who's out front undermining Mr. Trump's health-care reform: Ted Cruz, Rob Portman, Rand Paul, Mike Lee and Ohio Gov. John Kasich. The nominal reasons each has given for opposing the reform don't add up. What makes sense is compulsively ambitious Republican politicians positioning themselves to emerge from the rubble and run in 2020 against what they think will be a wounded president. They may end up with nothing but the rubble.

Reasons abound for the GOP's rump opposition to spend the July 4 holiday rethinking what it is doing. But the biggest of all is this: After eight years of rule by progressive presidential decree, they are putting in motion four more years of centralizing power by a Republican president. The opposition may alter American government forever, but this couldn't be further from what they intended.

Write henninger@wsj.com.

Sohrab Ahmari is away.

LETTERS TO THE EDITOR

Reality Confronts Europe's Multiculturalists

In "Europe's Elites Seem Determined to Commit Suicide by 'Diversity'" (op-ed, June 20), Douglas Murray leaves out one critical ingredient. Europe's elites, just like those in the U.S., opt out of the multicultural system they advocate for the rest of us. They live in gated communities or doorman-guarded high rises, travel in chauffeured cars, fly in private jets or first class and generally meet and talk to people like themselves.

How could they possibly understand the downside of diversity?

Admittedly, the elites are well traveled, so they have seen the cultures immigrants come from, but they never live with them. They look at foreign cultures, skim the top and go back to their bubbles. In the end, their children and grandchildren will be the ones who lose.

CHARLES H. GESSNER

Marblehead, Mass.

Murray's view seems not to be anti-immigrant, but anti-Muslim immigration. He joins a long list of people who propagate fear of Muslims by demonizing the whole Muslim community. The recommendation to reduce diversity by keeping Muslims out is racist and narrow-minded.

KHALID REHMAN

New York

With respect to the fracture between European and Muslim understanding of justice—this is an opportunity, not a problem. Nothing could be more European than competing definitions of justice, as this debate is the fundamental question of Plato's "The Republic," the essential text of democracy.

It might seem more difficult than a moonshot, but Europeans (and all democracies) must accept the challenge. Europeans must choose multiculturalism, not because it is easy, but because it is hard. Multiculturalism will serve to organize and measure the best of European energies and skills.

DAVIS SARGEANT

Williamsburg, Va.

It would behoove the European elites to ask the American Indians about embracing foreign diversity. When immigrants assimilate into a new world, it is a migration; when they don't, it is an invasion.

STEPHEN BORKOWSKI

Pittsburg, Texas

Mr. Murray's statement that "more immigration from Muslim countries produces many problems, including terrorism" is wrong. The data show that migrants and asylum seekers are least likely to commit crimes, let alone violent crimes. In the U.S., as well as in Europe, more terrorism is committed by local citizens than by immigrants.

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

OPINION

America Needs a Post-ISIS Strategy

By John Bolton

The headlines out of Syria are eye-catching: There are signs the Assad government may be planning another chemical attack. American pilots have struck forces threatening U.S. allies and shot down a Syrian plane and Iranian-made drones. The probability of direct military confrontation between the U.S. and Russia has risen. Yet the coverage of these incidents and the tactical responses that have been suggested obscure the broader story: The slow-moving campaign against Islamic State is finally nearing its conclusion—yet major, long-range strategic issues remain unresolved.

The U.S. should recognize Iran and Russia as adversaries—and that Iraq isn't a friend.

The real issue isn't tactical. It is instead the lack of American strategic thinking about the Middle East after Islamic State. Its defeat will leave a regional political vacuum that must be filled somehow.

Instead of reflexively repeating President Obama's errors, the Trump administration should undertake an "agonizing reappraisal," in the style of John Foster Dulles, to avoid squandering the victory on the ground.

First, the U.S. ought to abandon or substantially reduce its military support for Iraq's current government. Despite retaining a tripartite veneer of Kurds, Sunni Arabs and Shiite Arabs, the capital is dominated by Shiites loyal to Iran.

Today Iraq resembles Eastern Europe in the late 1940s, as the Soviet anaconda tightened its hold. Extending Baghdad's political and military control into areas retaken from Islamic State simply advances Tehran's power. This cannot be in America's interest.

Iraq's Kurds have de facto independence and are on the verge of declaring it de jure. They fight Islamic State to facilitate the creation of a greater Kurdistan. Nonetheless, the Kurds, especially in Syria and Turkey, are hardly monolithic.

Not all see the U.S. favorably. In Syria, Kurdish forces fighting Islamic State are linked to the Marxist PKK in Turkey. They pose a real threat to Turkey's territorial integrity, even if it may seem less troubling now that President Recep Tayyip Erdogan's plans have turned so profoundly contrary to the secular, Western-oriented vision of Kemal Atatürk.

Second, the U.S. should press Egypt, Jordan and the Gulf monarchies for more troops and material assistance in fighting Islamic State. America has carried too much of the burden for too long in trying to forge Syria's opposition into an effective force.

Yet even today the opposition could charitably be called "diverse." It includes undeniably terrorist elements that are often hard to distinguish from the "moderates" the U.S. supports. Getting fresh contributions from Arab allies would rebalance the opposition, which is especially critical if the U.S. turns away, as it should, from reliance on the Iraqi forces dominated by Tehran.

Third, the Trump administration must take a clear-eyed view of Russia's intervention. The Syrian mixing bowl is where confrontation between American and Russian forces looms.

Why is Russia active in this conflict? Because it is aiding its allies:



GETTY IMAGES

A defaced Islamic State sign in Ba'aj, Iraq, on June 20.

Syria's President Bashar Assad and Iran's ayatollahs.

Undeniably, Russia is on the wrong side. But Mr. Obama, blind to reality, believed Washington and Moscow shared a common interest in easing the Assad regime out of power.

The Trump administration's new thinking should be oriented toward a clear objective: pushing back these Iranian and Russian gains.

Start with Iran. Tehran is trying to cement an arc of control from its own territory, through Baghdad-controlled Iraq and Mr. Assad's Syria, to Hezbollah-dominated Lebanon. This would set the stage for the region's next potential conflict: Iran's Shiite coalition versus a Saudi-led Sunni alliance.

The U.S.-led coalition, enhanced as suggested above, needs to thwart Iran's ambitions as Islamic State falls. Securing increased forces and

financial backing from the regional Arab governments is essential. Their stakes are as high as ours—despite the contretemps between Qatar and Saudi Arabia (and others)—but their participation has lagged. The U.S. has mistakenly filled the gap with Iraqi government forces and Shiite militias.

Washington is kidding itself to think Sunnis will meekly accept rule by Iraq's Shiite-dominated government or Syria's Alawite regime. Simply restoring today's governments in Baghdad and Damascus to their post-World War I boundaries would guarantee renewed support for terrorism and future conflict.

I have previously suggested creating a new, secular, demographically Sunni state from territory in western Iraq and eastern Syria. There may well be other solutions, but pining for borders demarcated by Europeans nearly a century ago isn't one of them.

At the same time, the U.S. must begin rolling back Russia's renewed presence and influence in the Middle East. Russia has a new air base at Latakia, Syria; it's involved in combat operations; and issues dictate about where American warplanes in the region may fly. For all the allegations about Donald Trump and Russia, the president truly in thrall to Moscow seems to have been Mr. Obama.

Russia's interference, particularly its axis with Mr. Assad and Tehran's mullahs, critically threatens the interests of the U.S., Israel and our Arab friends. Mr. Assad almost certainly would have fallen by now without Russia's (and Iran's) assistance.

Further, Moscow's support for Tehran shatters any claim of its truly being a partner in fighting radical Islamic terrorism, which got its modern start in Iran's 1979 revolution. Both Iran and the Assad regime remain terror-sponsoring states, only now they are committing their violence under Russia's protective umbrella. There is no reason for the U.S. to pursue a strategy that enhances Russia's influence or that of its surrogates.

As incidents in Syria and Iraq increasingly put American forces at risk, Washington shouldn't get lost in deconfliction negotiations or modest changes in rules of engagement. Instead, the Trump administration should recraft the U.S.-led coalition to ensure that America's interests, rather than Russia's or Iran's, predominate once Islamic State is defeated.

Mr. Bolton is a senior fellow at the American Enterprise Institute and author of "Surrender Is Not an Option: Defending America at the United Nations and Abroad" (Simon & Schuster, 2007).

How U.S. Antitrust Policy Helped Amazon Gain Dominance

By Allysa Finley

Amazon's \$13.7 billion bid for Whole Foods has stirred speculation among investors, business reporters and consumers. If Amazon CEO Jeff Bezos has a strategy for marrying the online and brick-and-mortar operations, he hasn't explained it—and perhaps for good reason. It's rarely wise to show your cards to competitors or regulators.

A decade ago, the U.S. Federal Trade Commission turned Whole Foods CEO John Mackey's statements against him in an antitrust suit that sought to unwind its merger with Wild Oats Markets. Mr. Mackey said Whole Foods's goal was to "eliminate a competitor" that a conventional supermarket might otherwise purchase and use as a "growth platform."

Markets are dynamic—meaning businesses face constant pressure from competitors that offer innovations or lower prices. In 2007, then-Sen. Barack Obama asked Iowa voters, "Anybody gone into Whole Foods lately? See what they charge for arugula?" At the time, Iowa didn't even have a Whole Foods, and Republicans seized on his statement to portray him as an out-of-touch elitist. Now you can buy a box of arugula at a 99-cent store.

The problem is that FTC regulators defined competition so nar-

rowly when evaluating prior mergers that they failed to see the market for the trees. Antitrust enforcement actions that sought to prevent grocery stores from consolidating have helped Amazon, which has been able to expand unencumbered by the FTC. Now supermarkets may be in a weaker position to give Amazon a run for its money.

After Whole Foods proposed the Wild Oats merger in 2007, the FTC accused Whole Foods of trying to corner a distinctive "premium natural and organic" market. The agency argued that Wal-Mart, Safeway and Trader Joe's—all of which are among Whole Foods's top competitors today—drew different clienteles and thus weren't direct competitors.

Whole Foods spent two years battling the FTC in court. But the agency's arguments lost weight as Wal-Mart and supermarkets expanded their offerings of organic products and poached price-conscious customers from Whole Foods.

In 2009 the government settled, with Whole Foods agreeing to sell 13 of its Wild Oats stores, which accounted for a token 1.3% of the company's sales.

But although the merger strengthened Whole Foods's position in the organic market, its stock price has sagged over the past two

years as competition in groceries has escalated.

Meanwhile, Wal-Mart and conventional supermarkets, which were booming during the 1980s and '90s, have to fend off competition from warehouse outlets, dollar stores and German low-cost retailers Aldi and Lidl.

When Whole Foods and Wild Oats merged, regulators said Wal-Mart wasn't a competitor.

Online food retailers such as FreshDirect, Amazon and Jet.com (acquired last year by Wal-Mart) are now catering to customers who prize convenience over cost. Silicon Valley startup Instacart promises to deliver groceries from retailers like Whole Foods, Costco and Target within two hours. And meal-kit service Blue Apron is pitching an initial public offering.

The result has been a wave of supermarket consolidation. In 2015 Albertsons merged with Safeway to maximize economies of scale and negotiate leverage with suppliers. Yet the FTC complained the deal would significantly reduce competition and potentially increase prices.

lobby's attempt to exploit the tragedy by advancing a dangerous political agenda that would make us less safe.

On the morning of the shooting, Republicans who control the House Committee on Natural Resources were set to hold hearings on a sportsmen's bill called the Share Act. In an attempt to mass market the sale of dangerous firearm silencers as hearing protection, members of that committee had quietly attached to the bill an unrelated measure called the Hearing Protection Act. More accurately, they might have called it the Gun Profits Protection Act.

The measure's sole purpose is to remove gun silencers from the National Firearms Act, the law that for 80 years has regulated the sale of the deadliest weapons and gun accessories. Removing existing safeguards to mass-market silencers would profit gun manufacturers at the expense of public safety, and enable dangerous individuals to buy silencers on the private market without the scrutiny of a background check.

Shortly after the shooting, Republicans on the committee canceled the hearing—for now. I was glad they did. They should shelve this dangerous proposal permanently.

The noise from James Hodgkinson's rifle alerted those on the scene in Alexandria to the shooting. Often the sound of gunshots is what

the FTC came to this conclusion by narrowly defining the market as consisting of "one-stop shopping" supermarkets and excluding discounters, warehouses, convenience stores and organic retailers.

The commission also arbitrarily evaluated geographic competition by examining supermarkets that operated between 0.2 and 10 miles of each other. In the Whole Foods-Wild Oats deal, the FTC defined the relevant geographic market as "an area as small as approximately five or six miles in radius" from each store. With the growth in online shopping, delimiting markets by geography is increasingly absurd.

To get their merger approved, Albertsons and Safeway agreed to sell 146 of their stores to the small Northwest supermarket chain Haggen, which filed for Chapter 11 bankruptcy reorganization within a year.

Government antitrust interventions have a history of backfiring. When rental-car company Hertz sought to buy Dollar Thrifty in 2012, the FTC forced it to divest Advantage Rent A Car. Regulators argued that the merger would have reduced competition in the airport rental market, which was beginning to see disruptions from ride-hailing startups and Zipcar, a rental agency with an innovative business model.

One year after its brokered sale, Advantage went bankrupt. In 2013

Avis bought Zipcar for \$500 million.

Car-rental companies are continuing to struggle because of competition from Uber and Lyft, but are innovating to keep up. In the past three years, Hertz's stock price has tumbled more than 90%. This week, Hertz and Avis announced self-driving car partnerships with Apple and Waymo.

That story of creative destruction has been repeated across industries throughout history. Wired broadband has replaced dial-up Internet in most of the U.S. but is now being usurped by mobile. Or consider the evolution from pagers and car phones to cellphones and smartphones. A decade ago, BlackBerry led the "personal digital assistant" market, which was tiny compared to the market for flip phones.

Regulators can't foresee how innovations will disrupt markets. Antitrust interventions that seek to preserve the status quo will invariably fail—and could cause businesses to fail.

How the Amazon-Whole Foods merger will play out is anyone's guess, but businesses typically have a better record of predicting—and spurring—market revolutions than government. That's something for President Trump to keep in mind as he fills three vacancies on the FTC.

Ms. Finley is an editorial writer for the Journal.

The Answer to the Virginia Shooting Isn't Looser Gun Laws

By Don Beyer

Earlier this month, a man armed with a rifle and handgun targeted members of U.S. Congress and their staffs as they practiced for the annual congressional baseball game—a bipartisan tradition dating back decades. Rep. Steve Scalise was wounded, as were two U.S. Capitol Police officers, a congressional staffer and a former aide. Thankfully all are recovering.

I was horrified. I know well the Alexandria, Va., community where the shooting happened. I represent the people who live there, and that practice field is a mile from my house.

Despite our political differences, my colleagues and I respect each other. We should come together with a shared agenda in such moments. I've been inspired by the bipartisan spirit I've witnessed in the wake of the shooting. I am troubled, however, by the gun

lobby's attempt to exploit the tragedy by advancing a dangerous political agenda that would make us less safe.

On the morning of the shooting, Republicans who control the House Committee on Natural Resources were set to hold hearings on a sportsmen's bill called the Share Act. In an attempt to mass market the sale of dangerous firearm silencers as hearing protection, members of that committee had quietly attached to the bill an unrelated measure called the Hearing Protection Act. More accurately, they might have called it the Gun Profits Protection Act.

The measure's sole purpose is to remove gun silencers from the National Firearms Act, the law that for 80 years has regulated the sale of the deadliest weapons and gun accessories. Removing existing safeguards to mass-market silencers would profit gun manufacturers at the expense of public safety, and enable dangerous individuals to buy silencers on the private market without the scrutiny of a background check.

Shortly after the shooting, Republicans on the committee canceled the hearing—for now. I was glad they did. They should shelve this dangerous proposal permanently.

The noise from James Hodgkinson's rifle alerted those on the scene in Alexandria to the shooting. Often the sound of gunshots is what

causes people to take cover and notify law enforcement.

In the weeks since the shooting, I've also noticed an uptick in calls for concealed-carry reciprocity among my colleagues. Some

One idea is to force states to accept one another's concealed-carry permits. What could go wrong?

have proposed legislation to override local laws and allow more guns on the streets of Washington and beyond.

For the National Rifle Association's leadership, which spent \$50 million on the 2016 elections, federal concealed-carry reciprocity legislation is agenda item No. 1. They've said it themselves. It's a policy that would enrich gun makers while decimating America's public-safety laws and creating chaos for law enforcement.

Concealed-carry reciprocity would force every state in the nation to accept the standards of every other state. It would make the weakest link the de facto law of the land—forcing states to allow concealed carry by people with no gun-safety training, and by many people with recent convictions for violent crimes.

A dozen states have dismantled their concealed-carry permitting requirements altogether. If a federal concealed-carry reciprocity law passes, people with no permits whatever, who have never even passed background checks, would be free to carry guns across the country.

Mass shootings resemble day-to-day gun violence in some ways, but both have a strong statistical likelihood of being committed by people with histories of domestic violence or other abuse. Hodgkinson, who is reported to have had a history of domestic violence, is another deadly data point confirming this trend.

With a federal concealed-carry reciprocity law on the books, people who have a record of domestic violence or are experiencing a mental-health crisis could carry hidden, loaded guns in all 50 states.

That's a recipe for disaster, which is why many law-enforcement organizations have firmly opposed the idea for years.

Politicians from both parties should focus on the recovery of Hodgkinson's victims and on crafting policies that will make us all safer. What we mustn't do is allow the gun lobby to exploit this tragedy in pursuit of its own dangerous agenda.

Mr. Beyer, a Democrat, represents Virginia's Eighth Congressional District.

THE WALL STREET JOURNAL.

PUBLISHED SINCE 1889 BY DOW JONES & COMPANY

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Executive Chairman, News Corp

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LIFE & ARTS

FILM REVIEW | By Joe Morgenstern

Dazzling 'Driver': Grand Theft Entertainment

THE BABY-FACED getaway driver in Edgar Wright's sensationally entertaining "Baby Driver" is called Baby, reasonably enough; as played by Ansel Elgort, he's mysteriously self-contained and improbably sweet-spirited. Although Baby wasn't born with earbuds attached to his head, they've become part of his anatomy. He listens to music incessantly and obsessively because he has tinnitus, a ringing in his ears that's masked by whatever playlist he has chosen to play on whenever iPod he's decided to pack while driving at preposterous speeds with prodigious skill. The soundtrack is so loud that you may get tinnitus on your own. But you're also likely to come away with an uptick in your spirits and a grin on your face that won't quit.

When people say there's nothing new under the sun, they're either resistant to originality or stuck in the shade. The elements here are as old as the Hollywood Hills: pop, rock, romance, shiny rides, daring heists, blazing guns, blood in the streets, the lure of the road. Plus charming bits of dance, and movie history—"Baby Driver" is a movie about movies, just as "La La Land" was; it's the latest in a long line of cinema celebrations from such directors as Jacques Demy, David Lynch, Quentin Tarantino and Nicolas Winding Refn, who made the stylized and far more violent "Drive." (Bill Pope did the fluent cinematography. Marcus Rowland designed the production, which ranges from grungy to gorgeous; I can still see a lyrical scene in a laundromat, where rainbow-colored fabrics arc and fall in a row of rotating dryers.)

Yet Mr. Wright, the filmmaker of "Scott Pilgrim vs. the World" and the cult comedy trilogy consisting of "Shaun of the Dead," "Hot Fuzz" and "The World's End," has put these pieces together into



Ansel Elgort as Baby, Jamie Foxx as Bats, Eiza González as Darling and Jon Hamm as Buddy

a motion picture that moves to familiar beats in new ways, and that catapults him into the ranks of mainstream filmmakers. The music drives the action, the action syncs to the notes, and the hyper sonic car chases leave you pooped; this is not the traffic of "La La Land," gridlocked along a freeway on ramp. (The film was shot in Atlanta and its title comes from the Simon & Garfunkel standard, one of many songs in a vast and eclectic soundtrack.) Cutting rhythms are jagged. Narrative structures

aren't just contrapuntal, they're orchestral; every scene has been edited within a frame of its life. (The editors were Jonathan Amos and Paul Machliss.)

In its simplest form, this approach gives Baby, a child of his times—though also the adult of the piece—a soundtrack for each segment of his daily adventures, and different iPods for different days and overall moods. In the larger scheme of things, it turns the movie into a time-capsule testament to the primacy of music

and movement in contemporary life; the beat is both the medium and the message.

There's a moral dimension as well, though it's sometimes obscured by the firepower of assault weapons; the action can get ugly, and not always whimsically so. At one point Baby is described as "a good kid and a devil behind the wheel" by Doc (Kevin Spacey at the top of his game), the crime boss who runs his gang and a devil who doesn't drive.

He's more than a good kid. Ap-

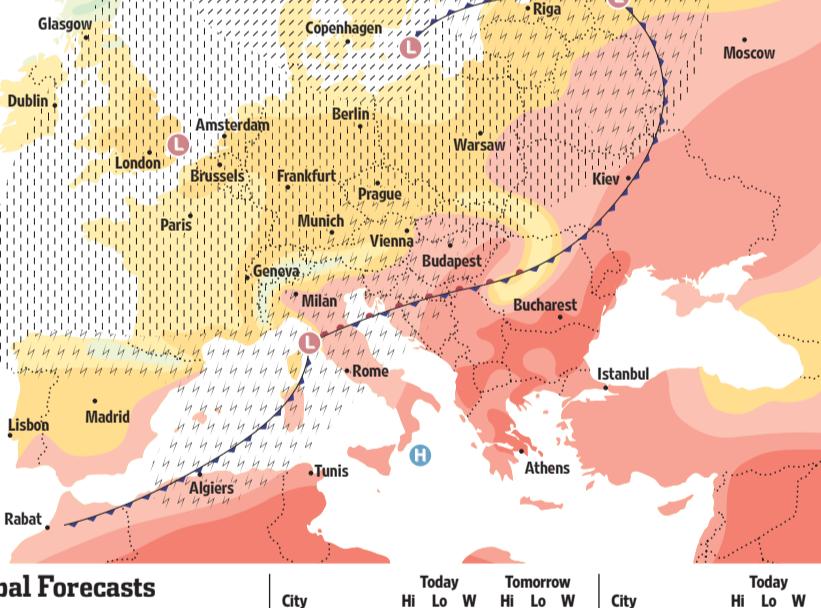
palled by the slaughter that the members of the gang visit on their enemies, he's our old film-noir friend the knight of honor, a hero with a tragic history and a rock-solid (or pop-solid) sense of right and wrong. In the noir tradition, he dreams of the good life he'll have after one last caper, even though we see that the gang's luck is running out. And he finds the girl of his dreams in a diner. A waitress named Debora, she's played radiantly by Lily James, who made such an appealing Cinderella in the Disney remake a couple of years ago, and who played Lady Rose MacClare in "Downton Abbey."

Until now Mr. Elgort's most memorable role was opposite Shailene Woodley in "The Fault in Our Stars," a hit weeper about two beautiful teens in a cancer support group. His performance here is mesmerizing and, in the midst of the choreographed chaos, quietly astonishing, whether he's surveying his volatile colleagues in crime from behind a pair of shades—they can't abide his quietude—or doing a casually lovely dance down a street suddenly pressed into service for a moment of musical comedy.

The gang has its own claims to distinction. Jon Hamm is Buddy, formerly a stockbroker on Wall Street. Eiza González is Darling, Buddy's volcanic—i.e. crazy—girlfriend. Jon Bernthal is Griff, a hard case and a funny one. Jamie Foxx is Bats, the polar opposite of Baby—a fast-talking thug who is not at all nice (though he's wildly funny), unencumbered by honor and unwaveringly focused on the acquisition of wealth. By his own proud acknowledgment, Bats does drugs to support a robbery habit.

So, in the end, what does all the style and flash add up to? This is not a philosophy of criminology, or a new pathology of antisocial behavior, but it makes for a terrific night at the movies.

Weather



Global Forecasts

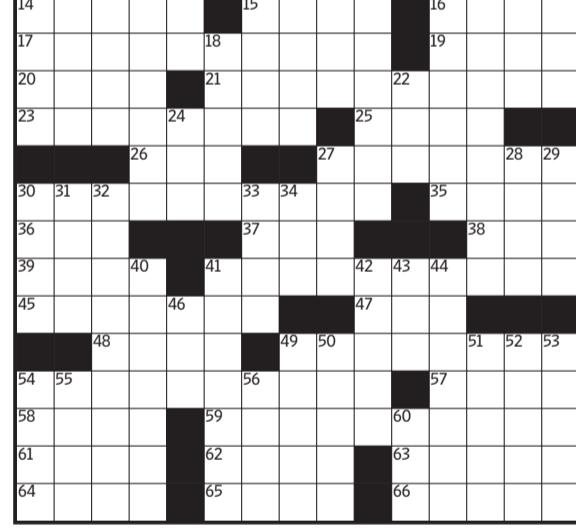
s...sunny; pc...partly cloudy; c...cloudy; sh...showers; t...storms; r...rain; sf...snow flurries; sn...snow; l...ice

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	20	14	sh	17	13	r
Anchorage	17	11	c	18	12	c
Athens	39	28	s	40	27	s
Atlanta	26	22	t	31	23	t
Bahrain	46	28	s	46	29	s
Baltimore	33	23	pc	33	22	t
Bangkok	33	25	t	34	26	t
Beijing	36	24	t	36	23	pc
Berlin	20	14	r	21	14	c
Bogota	19	9	c	19	10	pc
Boise	32	17	s	34	16	pc
Boston	30	21	pc	31	21	pc
Brussels	20	13	sh	16	11	r
Buenos Aires	16	4	c	16	7	pc
Cairo	39	25	s	40	27	s
Calgary	25	12	pc	25	12	t
Caracas	31	25	pc	31	25	pc
Charlotte	27	21	t	32	22	t
Chicago	27	19	r	27	18	pc
Dallas	36	26	pc	33	25	t
Denver	23	12	pc	29	14	c
Detroit	28	20	t	29	17	pc
Dubai	44	32	s	44	32	s
Dublin	16	7	r	19	11	c
Edinburgh	16	10	c	18	11	pc
Frankfurt	23	14	sh	20	13	sh

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City	Today	Hi	Lo	W	Tomorrow	Hi	Lo	W	
Geneva	21	12	sh	19	12	sh	25	17	r
Hanoi	33	27	t	34	27	t	39	22	sh
Havana	33	23	pc	33	23	pc	33	23	t
Hong Kong	32	28	s	32	28	sh	42	27	s
Honolulu	30	24	pc	30	23	sh	29	21	pc
Houston	33	26	pc	35	26	pc	34	24	pc
Istanbul	34	24	s	34	24	pc	30	14	pc
Jakarta	32	25	t	32	24	pc	28	19	s
Johannesburg	18	4	s	19	4	s	45	26	s
Kansas City	27	16	pc	28	18	s	28	17	t
Las Vegas	42	28	s	44	28	s	31	16	s
Lima	21	17	pc	22	17	s	22	17	pc
London	22	14	c	22	14	pc	26	11	pc
Los Angeles	26	17	pc	26	18	pc	31	26	pc
Madrid	23	11	pc	26	12	s	17	6	s
Manila	34	26	t	33	26	t	31	23	pc
Melbourne	12	3	pc	13	5	s	24	13	s
Mexico City	22	14	t	21	14	t	29	14	pc
Miami	33	27	pc	33	27	pc	29	21	pc
Milan	25	15	t	26	15	t	32	26	t
Minneapolis	25	16	r	25	17	sh	31	26	c
Monterrey	38	22	pc	37	22	pc	18	12	c
Montreal	25	20	t	26	19	r	14	6	s
Moscow	26	16	r	23	14	r	33	26	c
Nairobi	31	25	s	33	25	t	39	25	s
Nashville	30	22	t	30	21	t	31	24	s
New Delhi	32	26	t	32	26	t	27	24	r
New Orleans	31	25	t	32	24	pc	27	20	t
New York City	32	24	pc	30	23	t	23	13	pc
Washington, D.C.	32	24	pc	33	25	t	33	24	pc
Zurich	22	12	sh	20	12	sh	22	12	sh

The WSJ Daily Crossword | Edited by Mike Shenk



BUYER BE WHERE? | By Marie Kelly

The answer to this week's contest crossword is a place to buy things.

Across

- 1 Chipotle choices
- 6 Buds
- 10 Enjoy Extra
- 14 Unassisted
- 15 Came to rest
- 16 "Thy vesper-bell _____ not yet toll'd": Coleridge
- 17 President with an office in the Palacio de la Revolución
- 19 Fascinated by

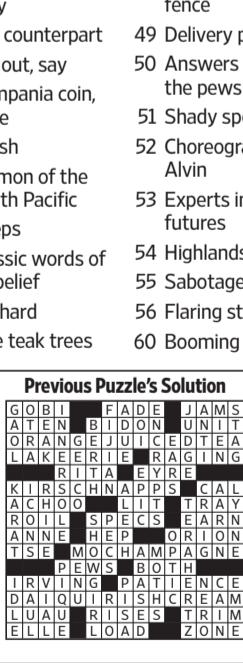
Down

- 20 Subject of a Magritte painting (or is it?)
- 21 Losing reflectivity, in a way
- 23 More furtive
- 25 Big leagues
- 26 By means of
- 27 Artist with the Imagine Peace website
- 28 Bridal shower?
- 30 A place to buy things (and a hint to finding another place to buy things)
- 35 Be versed in

Clues

- 58 Dissenter's position
- 59 Loser in both his vice presidential and presidential campaigns
- 61 1950s British prime minister
- 62 61-Across's earldom
- 63 "Over my dead body!"
- 64 Desirable vein
- 65 Salts
- 66 War losers, usually
- 68 Campania coin, once
- 69 Hole's start
- 70 Salmon of the North Pacific
- 71 Keeps
- 72 Classic words of disbelief
- 73 Hit hard
- 74 Reactor type
- 75 Jiffy
- 76 Cut counterpart
- 77 Let out, say
- 78 Joyeux time
- 79 Isn't squared up
- 80 Dietary concern
- 81 Netman Nastase
- 82 Like a saint
- 83 Batik artist's collection
- 84 Box office sales, in Variety
- 85 Senseless
- 86 Curse
- 87 "____ no?"
- 88 Seth Curry, e.g.
- 89 Delivery preceder
- 90 Answers from the pews
- 91 Shady spot
- 92 Choreographer Alvin
- 93 Experts in futures
- 94 Highlands native
- 95 Sabotage
- 96 Flaring star
- 97 Like teak trees
- 98 Booming stuff

Previous Puzzle's Solution



► Email your answer—in the subject line—to crossovercontest@wsj.com by 11:59 p.m. Eastern Time Sunday, July 2. A solver selected at random will win a WSJ mug. Last week's winner: Monica Krausse, El Paso, TX. Complete contest rules at WSJ.com/Puzzles. (No purchase necessary. Void where prohibited. U.S. residents 18 and over only.)

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BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Friday - Sunday, June 30 - July 2, 2017 | B1

Euro vs. Dollar 1.1422 ▲ 0.38%

FTSE 100 7350.32 ▼ 0.51%

Gold 1244.20 ▼ 0.26%

WTI crude 44.93 ▲ 0.42%

German Bund yield 0.453%

10-Year Treasury yield 2.270%

U.K. antitrust officials are poised to take closer look at deal sought by Murdoch

BY JASON DOUGLAS
AND STU WOO

LONDON—The U.K. government said it was likely to require further scrutiny of **21st Century Fox Inc.**'s £11.7 billion (\$15.1 billion) bid to buy the 61% of British TV giant **Sky PLC** it doesn't already own—adding another hurdle to Rupert Murdoch's protracted

quest to consolidate control of his trans-Atlantic media assets.

British Culture Secretary Karen Bradley, who oversees media mergers in the country, said she was "minded to" refer the proposal to U.K. competition authorities after Britain's communications regulator raised public interest concerns about the deal. The "minded to" language is used by the government to signal its intentions, but isn't binding.

Speaking in Parliament, Ms. Bradley said she would make a final decision on whether to refer the deal after hearing representations from the par-

ties involved over the next 10 days. Fox and Sky have until July 14 to respond.

The government's move followed the release Thursday of two reports by Ofcom, Britain's media regulator, on the proposed deal. Ofcom said it has concluded that allowing Fox to take full control of Sky risked giving too much control of the U.K. media landscape to the Murdoch family.

In one report, Ofcom said "the transaction raises public interest concerns as a result of the risk of increased influence by members of the Murdoch Family Trust over the U.K.

news agenda and the political process, with its unique presence on radio, television, in print and online."

Ofcom said proposals by Fox to safeguard the editorial independence of Sky's news channel helped mitigate its concerns, but Ms. Bradley said she didn't think those undertakings went far enough.

Fox said in a statement that it was disappointed that Ms. Bradley reached that decision, and that it would continue to work constructively with the U.K. authorities. It said it expects the transaction to be completed by June 2018. Sky

said it would continue to engage with the process.

Mr. Murdoch and his family are a major shareholder in both Fox and News Corp., which owns a number of British newspapers, including the Sun tabloid and the Times of London. News Corp also owns The Wall Street Journal.

Mr. Murdoch, who helped create Sky in 1990, has long sought full control of the broadcaster. He abandoned a previous attempt to buy out Sky in 2011 after a phone-hacking scandal at one of his U.K. papers—now closed—triggered

Please see SKY page B2

Google Faces Threat To Core

BY JACK NICAS

Google has thrived by launching new services out of its powerful search engine—such as online travel, maps and news—to make finding information easier for users.

Now such expansion, a hallmark strategy of Google, is under threat.

European Union regulators this week ruled for the first time that Google's search engine was a monopoly and fined the company \$2.71 billion for favoring its shopping ads over rivals. Regulators said the decision set a precedent, paving the way for a series of similar cases against other Google products, such as tools to search for flights, hotels, photos and news, analysts said.

Such actions would rein in a company that has known few bounds to its growth over two decades. In 13 years of tracking Google since its 2004 public offering, "we've never been as concerned as we are following this ruling," Macquarie Capital analyst Ben Schachter wrote in a research note this week.

Regulators on Tuesday ordered Google to alter its search results in the EU to give other comparison-shopping sites higher billing, although those companies' offerings may not be as relevant to queries as Google's.

Google, a unit of **Alphabet Inc.**, said Tuesday it would review the EU decision and consider an appeal. It said its data show users and advertisers like its shopping ads, and that regulators aren't considering the prevalence of shopping sites such as Amazon.com Inc. The company declined to comment further for this article.

"Our search engine is designed to provide the most relevant results," Google said in a 2015 post in response to EU regulators. "That's not 'favoring'—that's giving our customers and advertisers what they find most useful."

In penalizing Google, the EU is prioritizing market competition over user experience, analysts said. EU regulators are "stating that if Google improves its services...then these improvements are harming competitors unfairly," Macquarie's Mr. Schachter said.

That stance "could dramatically limit Google's ability to offer what it views as the most relevant information in a potentially long list of categories," he said.

In two other cases, involving Google's Android smartphone software and its ad network called AdSense, European regulators have said they already determined "that Google has abused a dominant position." Google has denied the charges. Rulings are ex-

Please see GOOGLE page B4



TERRY SYLVESTER/REUTERS

TransCanada is struggling to get Keystone XL customers amid low crude prices and other transport options. North Dakota storage depot.

Delayed Pipeline Is Now Unwanted

BY CHRISTOPHER M. MATTHEWS
AND BRADLEY OLSON

Keystone XL is facing a new challenge: The oil producers and refiners the pipeline was originally meant to serve aren't interested in it anymore.

Delayed for nearly a decade by protests and regulatory roadblocks, Keystone XL got the green light from President Donald Trump in March. But the pipeline's operator, **TransCanada Corp.**, is struggling to line up customers to ship crude from Canada to the U.S. Gulf Coast, say people familiar with the situation.

TransCanada Chief Executive Russ Girling remains committed to completing Keystone XL and believes it will prove profitable in the long term, say two people familiar with his thinking. But it may be years before the company recoups its investment in the pipeline, these people say.

TransCanada has spent \$3 billion to date on Keystone XL, much of it on steel pipe, land

rights and lobbying. Completed, the pipeline would travel 1,700 miles from Alberta to Steele City, Neb., where it would link up with existing pipelines that run to the Gulf Coast.

The lack of interest has put the pipeline's fate in jeopardy. The company, based in Calgary, Alberta, has said it wants enough customers to fill 90% of Keystone's capacity before it proceeds. It started to aggressively court potential customers earlier this year as it seeks to meet that target, according to people familiar with the situation.

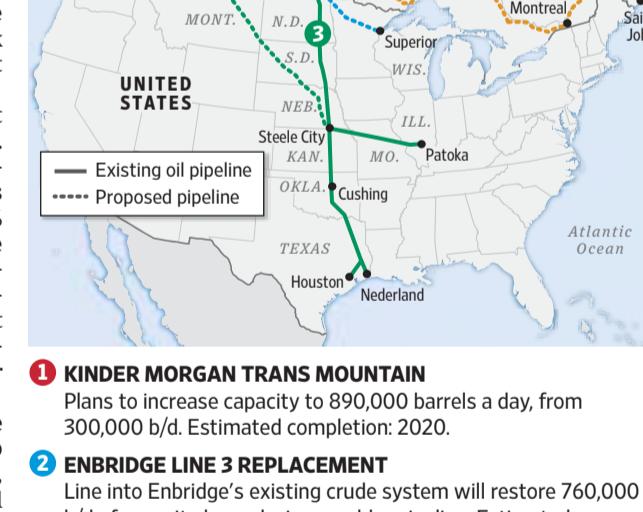
TransCanada expects the pipeline, which would carry up to 830,000 barrels of oil a day, to cost \$8 billion, compared with its initial estimate of \$7 billion. The company took a \$2 billion write-down related to the pipeline last year.

A TransCanada spokesman said the company is making progress with customers and anticipates it will firm up support in coming months. The

Please see ENERGY page B2

A Pipeline Race

Several firms are competing to build pipelines from Canada to the U.S. Some analysts doubt there will be enough demand for the projects.



1 KINDER MORGAN TRANS MOUNTAIN

Plans to increase capacity to 890,000 barrels a day, from 300,000 b/d. Estimated completion: 2020.

2 ENBRIDGE LINE 3 REPLACEMENT

Line into Enbridge's existing crude system will restore 760,000 b/d of capacity by replacing an older pipeline. Estimated completion: 2019.

3 TRANSCANADA KEYSTONE XL

White House has approved pipeline, but company is struggling to line up customers. Estimated completion: 2020-2021.

4 TRANSCANADA ENERGY EAST

Company seeking to convert part of an existing natural-gas line to send oil east for export. Estimated completion: 2021.

Sources: Goldman Sachs; Barclays; the companies

THE WALL STREET JOURNAL.

Bank Shares Jump on News of Dividends

BY CHRISTINA REXRODE
AND RACHEL LOUISE ENSIGN

While stock markets fell sharply Thursday, investors threw U.S. bank shares a homecoming party after positive stress-test results led many to announce higher dividends and share buybacks.

The green light from the Federal Reserve for big banks to return loftier levels of capital led investors to put aside for the moment worries about the future direction of long-term interest rates or policy ructions in Washington. Instead, they were salivating over the prospect of higher dividend yields at banks.

"The capital return tide has turned," Morgan Stanley bank analyst Betsy Graseck wrote in

a note to investors Thursday. "Yield investors will have to start paying more attention to bank stocks, expanding the investor base."

Consider that Bank of America Corp. shares were yielding about 1.26% Wednesday, based on the bank's prior annual dividend payout of 30 cents a share. The bank said Wednesday, following the release of the stress-test results, that it will jack the annual dividend up to 48 cents a share.

That would push the prospective dividend yield to around 2%, even taking into account the increase in Bank of America's stock Thursday. The shares rose 1.9%.

And while yields on U.S. Treasurys have risen in recent days, such dividend-yield in-

creases put some bank-stock payouts more in line with longer-dated government bonds.

The five-year U.S. Treasury note, for example, yielded 1.84% in Thursday trading.

Shares of other big banks, such as J.P. Morgan Chase & Co., Wells Fargo & Co. and Citigroup Inc., were also up Thursday. Those banks, too, had announced increased dividends the evening before. Sweetening the pot, banks also announced sizable increases in their expected share buybacks over the coming year.

Overall, banks increased their payouts more than analysts had expected. And Morgan Stanley's Ms. Graseck noted that dividends could continue to increase further, forecasting a median 11% increase in 2018

for stress-test banks following a 12% increase this year.

Reflecting the upbeat sentiment, the KBW Nasdaq Bank index was higher Thursday even as the Dow Jones Industrial Average declined.

Michael Levine, manager of the OppenheimerFunds \$4 billion Equity Income fund, said he remains optimistic on banks in part because of likely dividend growth, especially at Citigroup, one of the fund's biggest holdings.

Not everyone was joining the bank-stock celebration. Terry McEvoy, a banks analyst at Stephens Inc., remained more focused on whether looser regulation and tax changes will materialize. He believes those are necessary for bank shares to advance further.

INSIDE



SYCAMORE TO ACQUIRE STAPLES

BUSINESS, B2

INDEX TO BUSINESSES

These indexes cite notable references to most parent companies and businesspeople in today's edition. Articles on regional page inserts aren't cited in these indexes.

A	Facebook.....B3	Rite Aid.....A1
Aetna.....A2,B3	FanDuel.....A2	S
Alibaba Group.....B4	Financial Stability Board.....B3	SAIC Motor.....B3
Alphabet.....A7,B1,B3	Fred's.....A2	Schnucks Markets.....B3
Amazon.com.....B3,B4	FreshDirect.....B3	Sears Holdings.....B3
American International Group.....B5	G	Seritage Growth Properties.....B5
Anthem.....A2	General Electric....A1,B3	Shipt.....B3
Apple.....A7	General Motors.....B3	Sky.....B1
B	Google.....B1,B3	Sony.....B3
Bank of America.....B5	H	Sprouts Farmers Market.....B3
Bank of China.....B8	Hennes & Mauritz.....B8	Staples.....A2,B2
Blue Cross Blue Shield Association.....A7	HSBC Holdings.....B8	St. Joe.....B5
BP.....B5	Humana.....A2	Sycamore Partners.....B2
C	I	T
China Construction Bank.....B8	Industrial & Commercial Bank of China.....B8	Tencent Holdings...B4,B8
Cigna.....A2	Inmarsat.....B4	Total.....B5
CK Hutchison Holdings.....B8	Instacart.....B3	TransCanada.....B1
Costco Wholesale.....B3	K	Twitter.....B3
Credit Suisse Group...B2	Kroger.....B3	21st Century Fox.....B1
CVS Health.....A1	M	Unilever.....B5
DLA Piper.....B4	Meijer.....B3	W
DraftKings.....A2	Morningstar.....B5	Walgreens Boots Alliance.....A1
E - F	O	Office Depot.....A2
Elan Capital Management.....B5	P	Wal-Mart Stores...A2,B3
Peapod.....B3	P - R	Whole Foods.....B3,B4
Pine River Capital Management.....B5	Y	YouTube.....B3

BUSINESS & FINANCE

Staples Agrees to Buyout

BY MATT JARZEMSKY AND DANA MATTIOLI

Private-equity firm **Sycamore Partners** agreed to buy **Staples Inc.** for about \$6.9 billion, a bold bet on a retailer whose sales have been shrinking in recent years.

Sycamore is expected to pay \$10.25 a share for Staples, the office-supply chain confirmed Wednesday. The price represents a nearly 20% premium to where the shares traded just before The Wall Street Journal reported that Staples was exploring a sale in early April.

Staples shares were trading at \$10.10, up 1.7%, Thursday afternoon.

Sycamore intends to split Staples into three separately financed entities, in another sign of the challenges facing the retail industry. The three groups—U.S. retail, Canadian retail, and corporate-supply businesses—will remain under the same corporate umbrella, according to people familiar with the matter. The move is designed to make the leveraged buyout of Staples an easier sell to bond and loan investors, whose appetite for retail names has soured as the industry's prospects have waned.

The deal would be the biggest leveraged buyout this year, according to Dealogic. Private-equity deal activity has been restrained, in part because many companies have become



BRENDAN McDERMID/REUTERS

Private-equity firm Sycamore Partners will pay about \$6.9 billion for the office-supplies chain.

expensive in the stock-market surge. But retailers of all stripes have been buffeted by shifting buying patterns as consumers increasingly shop online, and many of their shares have fallen as a result.

The Sycamore agreement values Staples at a deep discount to where the company traded just a few years ago—and to its annual revenue, which was \$18.2 billion in the fiscal year ended in January.

Sycamore prevailed over other private firms in the auction for Staples, which also has

a big business supplying corporate and government clients. The company's shares peaked at more than \$25 a decade ago, before the financial crisis caused cash-strapped businesses to cut back on purchases of office essentials. By the time the economy recovered, online retailers were increasingly siphoning off Staples' sales.

The digital transformation of workplaces, meanwhile, has dented the market for printer paper, filing cabinets and the like.

After years of sales declines,

the Framingham, Mass., company in 2015 mounted a roughly \$6 billion bid to merge with rival Office Depot Inc., but a federal judge scuttled the deal a year later over concerns it could raise the prices that big companies pay for office essentials.

Staples subsequently shrank operations in the U.K., Europe, Australia and New Zealand. The company has more than 1,500 stores, according to a May investor presentation, down from nearly 2,300 five years ago.

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INDEX TO PEOPLE

B	H	Pitkethly, Graeme.....B5
Bachman, Steve.....B5	I	Hill, Neville.....B2
Benesch, Susan.....B3	J	Ma, Jack.....B4
Berkowitz, Bruce.....B5	K	Ma, Pony.....B4
Bloom, Seth.....A2	L	Marsico, Tom.....B5
Buffett, Warren.....B5	M	McGuinness, Catherine.....B7
Carney, Mark.....B1	N	Miller, Bill.....B5
F	O	Pagni, Marco.....A2
Fisher, Peter.....B2	P	Pessina, Stefano.....A2
G	Q	Yin Sheng.....B4
Gruenwald, Paul.....B8	R	

ENERGY

Continued from the prior page
company has said construction could begin next year and finish as early as 2020.

The uncertain outlook for Keystone XL stands in contrast to Mr. Trump's upbeat rhetoric in March. The president invited Mr. Girling to the Oval Office and announced he was reversing an Obama administration move to block construction, declaring, "It's going to be an incredible pipeline, greatest technology known to man."

But much has changed in the oil markets since TransCanada first filed an application with the State Department in 2008 for a cross-border permit.

Back then, the price of oil had surpassed \$130 a barrel, producers were rushing to pump as much as possible and refiners were itching to secure steady supplies. Today, oil is trading around \$45 amid a global supply glut caused in part by the emergence of American shale drillers.

Refiners want the flexibility of being able to buy oil from wherever it is cheapest. In a world awash in low-price oil, Canadian crude doesn't look as

attractive as it once did.

Many refiners thus far are unwilling to commit to long-term deals for Canadian crude, say people familiar with the matter.

"A lot of water has gone under the bridge over the last seven or eight years since we proposed that project with respect to where energy prices are today," Mr. Girling told investors in May. "So it all sort of complicates the negotiation."

Meanwhile, uncertainty about output growth from Canada's oil sands has given producers pause about signing long-term agreements for space on a pipeline they may not need, people familiar with the matter say.

While forecasters predict production there will grow into the next decade, largely due to investments already made, some analysts warn increases beyond that are far from assured.

The oil-sands industry faces potential regulatory headwinds as Canada seeks to reduce carbon emissions to comply with global climate agreements.

Some shippers are choosing to move crude out of Canada by rail. Transporting crude to U.S. refineries this way is \$2 to \$8 a barrel more than pipe-

line tolls, which average around \$8.50 a barrel from Alberta to Texas, according to analysts. But rail shipments generally don't require long-term commitments.

While Keystone XL stalled for years, other projects moved forward. Goldman Sachs analysts estimate that Enbridge Inc.'s expansion of an existing pipeline connecting

Some shippers are choosing to move crude out of Canada by rail.

Alberta and Superior, Wis., will be completed by 2019, while Kinder Morgan Inc.'s expansion of the Trans Mountain Pipeline from Alberta to the coast of British Columbia will be finished by 2020. They predict Keystone XL may not be finished until 2021.

Keystone XL still requires final approval from Nebraska and faces the prospect of additional protests from a reinvigorated antipipeline movement in the U.S. following the fight over the Dakota Access Pipeline. The other pipeline proj-

ects face similar obstacles.

TransCanada is betting the demand that spurred the project still exists. Analysts project that over the long term the Gulf Coast's demand for Canadian crude will rise as oil imports from Venezuela and Mexico fall.

The company's U.S.-denominated shares have risen by almost 50% since President Barack Obama blocked Keystone XL in November 2015, signaling the market's belief that the company can afford to move on.

Investors warmed to TransCanada after the company bought Columbia Pipeline Group Inc. for about \$10 billion in 2016, a deal that offers the opportunity to expand its natural-gas operations in the U.S. Northeast. Revenue from TransCanada's power operations has continued to grow, as has its natural-gas pipeline business, which expanded into Mexico.

"We don't own TransCanada because of Keystone," said Rob Thummel, portfolio manager at Tortoise Capital Advisors LLC, which manages about \$16 billion. "We own it because of the potential for expansion of natural-gas infrastructure in the Northeast."

—Lynn Cook contributed to this article.

STREET

Continued from the prior page
of previous positions.

The true twisted genius would be on display if the Sintra speeches weren't misinterpreted at all, but were trial balloons designed to test market sensitivities. On this reading, Messrs. Draghi and Carney want to know how worried investors are about tighter policy so they tried out ambiguous language before soothing nerves by letting it be known they were misinterpreted.

Investors have little choice but to pay attention to central banks: They set the price of money, on which the price of everything else is, to some extent, dependent. It is natural that a lot of time is spent both trying to work out what will happen to the economy and how central banks will react, even if most of the effort is wasted.

Markets are particularly sensitive in Europe because of the approaching end of ECB bond purchases and an unexpectedly close vote on interest rates at the Bank of England. Poor communication—or perhaps market misunderstanding—when the Fed neared the end of its bond buying in 2013 led to the "taper tantrum," when 10-year Treasury yields leapt more than a percentage point in two months.

They are still reluctant to risk market disruption through surprise decisions, so expect big policy shifts to

Yet, the Kremlinology is going too far.

Peter Fisher, a senior fellow at the center for business, government and society at Dartmouth's Tuck School of Business, and a former Fed official, says much misinterpretation of policy makers comes from their tendency to argue with each other in public in recent years. "Given the influence they have it's hard to ignore them, but think hard about whether they're talking to us [investors] or to each other."

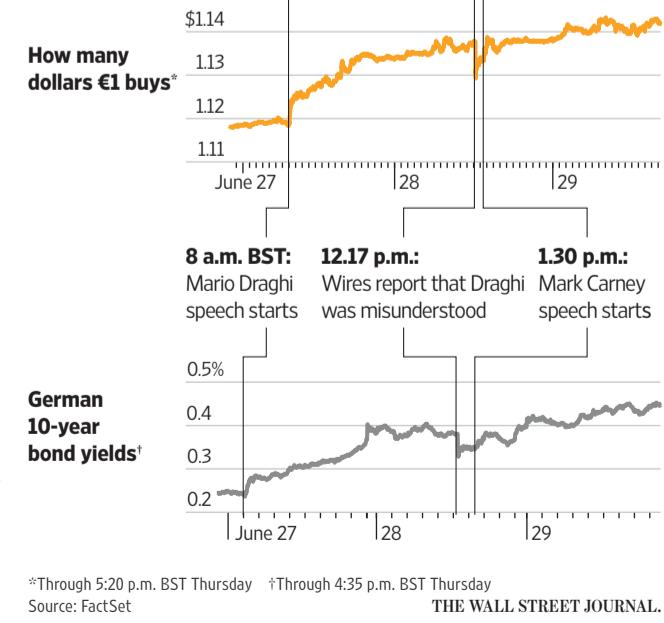
Neville Hill, head of European economics at Credit Suisse Group AG, shares the common view that Mr. Draghi is a silver-tongued communications virtuoso, but thinks Mr. Carney was just misinterpreted. "He's trying to get us to taper without having a tantrum," he said, referring to Mr. Draghi. "I think that is why they [the ECB] pushed back the next day, because the price action looked like there might be a tantrum."

Investors should try to think long term about central bankers' motivations. A few things are clear: They are still wedded to the "Philips curve" link between lower unemployment and higher inflation, even though it hasn't held up in recent years. So if joblessness keeps falling, expect tighter money than inflation would otherwise suggest.

They are still reluctant to risk market disruption through surprise decisions, so expect big policy shifts to

Talk Is Cheap

Central bankers roiled the currency and bond markets with speeches that markets interpreted as hawkish, while actually saying little that was new.



*Through 5:20 p.m. BST Thursday †Through 4:35 p.m. BST Thursday

Source: FactSet

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markets fall. So forget the linguistic analysis and take central bankers' speeches at face value.

As Neal Soss, the vice chairman in research at Credit Suisse and a former assistant to Fed Chairman Paul Volcker, puts it: "In the end, watch what they do."

SKY

Continued from the prior page
widespread political and public outrage.

Full ownership of Sky would further diversify Fox's revenue, making it less reliant on its North American business and giving it a cash stream from Sky subscribers.

A second test that Ofcom posed was whether Fox would be a "fit and proper" owner of Sky. The media watchdog has wide latitude to define what "fit and proper" means, and it examined the recent sexual-harassment scandal at Fox News, interviewing complainants against the channel. A group of British politicians wrote to the media watchdog to urge regulators to block the deal, citing among their concerns the harassment allegations.

Ofcom said Thursday that it considered allegations of sexual and racial harassment at Fox News "extremely serious and disturbing," but said there was no clear evidence that senior executives at Fox were aware of misconduct before the issue was escalated to them in July 2016, after which

action was taken. Fox has said it is cooperating with U.S. government probes about the sexual-harassment claims.

"We have concluded that the overall evidence available to date does not provide a reasonable basis for Ofcom to conclude that, if Sky were 100% owned and controlled by Fox, it would not be a fit and proper holder of broadcast licenses," the regulator said.

If British authorities eventually approve the proposal, Fox must still win over the 75% of minority shareholders, excluding Fox's stake, to cement the deal. Some investors argued that the Fox bid's 36% premium wasn't enough. Shares of Sky have been trading under Fox's offer price, suggesting still-significant investor skepticism about a deal.

Sky shares rose more than 3% after the decision Thursday, to close in London at £9.88, still below the £10.75 offer from Fox. One analyst said the move reflects relief among investors that the deal at least cleared the fit-and-proper test that some believed would be more onerous to overcome than anti-trust issues.

—Ben Dummett contributed to this article.

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BUSINESS NEWS

Germany Targets Social-Media Firms

Google, Facebook and others would face fines for failing to quickly delete hate speech

BY ANTON TROIANOVSKI
AND SAM SCHECHNER

BERLIN—German lawmakers are set to pass legislation Friday that would fine social-media companies as much as \$57 million if they fail to quickly delete hate speech, libel and other illegal content, one of the most aggressive efforts in the West to regulate content posted online.

Alphabet Inc.'s Google, Facebook Inc. and civil-rights groups criticized the law, warning it would stifle freedom of speech by encouraging social networks to delete controversial but legal posts. The law, some critics warned, could set the stage for authoritarian regimes to force tech firms to remove more content faster.

The law, on course to pass through Germany's lower house of parliament Friday, would take effect Oct. 1. Large social networks such as Facebook and Twitter Inc. would be required to delete "clearly



A Facebook press event in Berlin. Germany is set to pass a law regulating content posted online.

illegal" content within 24 hours, while having the ability to set up an industry self-regulating body for processing borderline cases within one week.

The law's quick passage—the bill was introduced by the Justice Ministry in March—illustrates the scramble across Europe to ratchet up pressure

on tech companies to remove terrorist content and hate speech. It also reflects fears among European politicians that their democracies are vulnerable to propaganda campaigns spread via social media.

The new liability could test Facebook, Google and Twitter's highly automated business

models by forcing them to deploy more human expertise to make judgment calls on myriad individual posts. How they tackle this challenge could, in turn, set a costly template for the policing of social network posts world-wide.

"We cannot accept that social networks ignore our

laws," German Justice Minister Heiko Maas said. "They can no longer allow their infrastructure to be abused for committing crimes."

But Susan Benesch, who studies ways to fight hate speech at Harvard University's Berkman Center for Internet and Society, said the 24-hour time frame set by the law would lead internet companies to process complaints using algorithms "that are not yet up to the task."

"The German bill would likely push internet companies into massive, over-broad censorship," she said. "We can expect more, even more restrictive laws, in Europe and other parts of the world, especially if the German law passes."

Tech executives, for their part, say they already do a lot to police their platforms for hate speech and terrorist propaganda. But one executive said that the new German law would hurt those efforts by forcing companies to shift resources away from their own efforts to focus on compliance.

Facebook said it already planned to increase its team examining user complaints to 7,500 from 4,500 world-wide and to more than 700 from 600

for Germany. Earlier this year, it told the German parliament that the law could lead to "the deletion of legitimate posts" because "even large social networks will not be able to implement completely legally sound and effective processes to examine all complaints within the short time-frame."

Google told the Justice Ministry that it fields 200,000 user complaints globally a day on its YouTube video platform and that the tight deadlines and potential fines would create "a significant incentive to delete any content immediately after a complaint."

Mr. Maas countered that overzealous deletion of posts by social networks isn't a concern because companies have a business interest in allowing as much content as possible.

Mr. Maas in 2015 helped set up a voluntary program in which Facebook, Google and Twitter agreed to delete most hate speech reported by German users within 24 hours. But in March, Mr. Maas said a study commissioned by his ministry had found that Facebook and Twitter were too slow.

—Deepa Seetharaman
in San Francisco
contributed to this article.

BUSINESS WATCH

ALPHABET

Canadian Court Backs Search Removal

Canada's top court ruled that Google can be forced to remove search results globally, adding to the constraints governments and courts are exerting over technology giants as those companies' influence grows.

The Supreme Court of Canada on Wednesday upheld a lower court's ruling that Google, a unit of Alphabet Inc., must remove from its search results websites belonging to a Canadian company that was illegally selling the technology of another company.

On Wednesday the company said it was reviewing the Canadian court's decision and evaluating its next steps.

A similar issue is being examined in France, where France's privacy regulator is fighting Google over its implementation of Europe's "right to be forgotten." That rule enables European residents to force search engines to remove links from searches for their own names, if the information is old, irrelevant or infringes on their privacy. Google has complied with the rule in Europe, but has resisted removing links from its search results world-wide.

—Jack Nicas

AETNA

Insurer to Make New York Its Home

Aetna Inc. intends to move its corporate headquarters along with 250 jobs to Manhattan by late 2018, from Hartford, Conn., where the insurer has been based since 1853.

The company said it chose New York as its new location to tap a more robust pool of talent at the same time that it is repositioning itself as a consumer-oriented health company.

The insurer said it would keep thousands of employees at its Hartford campus.

—Joseph Avila
and Keiko Morris

BEEF PRODUCTS

ABC News Settles 'Pink Slime' Lawsuit

ABC News has reached a settlement with the maker of a processed-meat product that critics dubbed "pink slime," bringing an end to a defamation lawsuit that threatened the network with billions of dollars in damages.

The settlement, the terms of which weren't announced, comes about halfway through a jury trial that was expected to last roughly two months.

Beef Products Inc. sued ABC News, anchor Diane Sawyer and reporter Jim Avila in 2012 for \$1.9 billion, over a series of stories about its lean, finely textured beef product—what critics dubbed "pink slime"—claiming it was the victim of a journalistic hit job that harmed its business.

—Patrick Fitzgerald
and Jacob Gershman

Amazon Deal Stirs Up Grocery Delivery

BY HEATHER HADDON
AND JULIE JARGON

Even before Amazon.com Inc. put a supermarket chain in its cart, U.S. grocery delivery services were racing to grab hold of new regions, spending millions to gain a larger share of the fast-growing market.

Now, with the e-commerce giant planning to buy Whole Foods Market Inc. for \$13.7 billion, giving it a large foothold in the food retail industry, the stakes are all the higher for companies such as Instacart Inc., Peapod LLC, Shipt Inc. and FreshDirect LLC to deliver not only fresh food but continued growth.

Midwestern grocery chain Schnucks Markets Inc. announced Thursday that its partnership with Instacart for online delivery will extend to most of its 100 stores by next month. Ahold Delhaize's Peapod is expanding its push into New York City, a key market, after spending more than \$94 million on a warehouse in Jersey City, N.J., in 2014.

Shipt, which delivers food orders for retailers including Costco Wholesale Corp., Meijer Inc. and Whole Foods, intends to almost double its markets by next year, from 51 to 100.

Founder Bill Smith says the company's expansion is targeting suburban customers in less-saturated regions like the South and the Midwest to gain an edge.

The largest U.S. food sellers, Wal-Mart Stores Inc. and Kroger Co., meanwhile, are testing delivery services using Uber Technologies Inc. and Lyft Inc.

It isn't clear whether Amazon acquiring Whole Foods will remake grocery shopping in the way the company transformed book-buying.

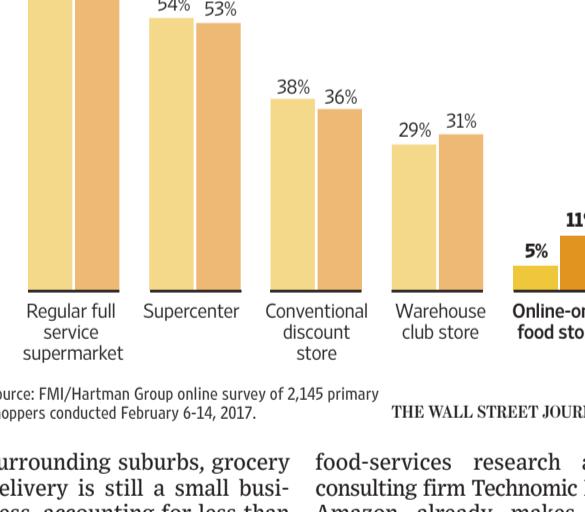
Concentrated in cities and



Amazon's agreement to buy Whole Foods adds to the pressure on the grocery-delivery market.

Shopping Around

A small but fast-growing share of consumers say they buy groceries online



Source: FMI/Hartman Group online survey of 2,145 primary shoppers conducted February 6-14, 2017.

THE WALL STREET JOURNAL

surrounding suburbs, grocery delivery is still a small business, accounting for less than 2% of last year's \$715 billion in food-retail sales, according to

food-services research and consulting firm Technomic Inc. Amazon already makes up more than half of online food orders through its Fresh,

Prime and Prime Now services.

Seventy percent of respondents to a survey by supply-chain consulting company AlixPartners LLP last year said they had no intention of having groceries delivered.

Grace Herrera, a 59-year-old caregiver in California, said she would rather spend time shopping than pay extra for delivery. "I have time to go to the store," she said.

Margins also remain an issue. Razor-thin to begin with, they have dropped in recent years as falling food costs sparked a price war. And in the online world, the learning curve for how to sell fresh foods has created an added drain.

Ocado Group PLC, the biggest online grocer in the U.K. and one of the few public ones, posted its first full-year profit in its fiscal year ended in November 2014 and averages transaction sizes of \$140 per order, compared with \$32 for the typical brick-and-mortar supermarket, according to Barclays Capital Inc. But about 30% of Ocado's fresh produce

is wasted daily, a drag on margins and far worse than a traditional grocer's average of 3%, the firm found. An Ocado spokeswoman dismissed the Barclays estimate, saying spoilage amounts to 0.7% of annual sales and that the company is an industry leader in reducing food waste.

Still, delivery is one of the fastest-growing segments of an otherwise sluggish supermarket sector. Online sales of consumables grew by 21% in 2015, according to the Willard Bishop grocery consulting firm.

The planned partnership between Amazon and Whole Foods is a new challenge for delivery services vying for that growth, said Bill Bishop, co-founder of Brick Meets Click, an e-commerce grocery consulting firm. Whole Foods' 466 stores could serve as mini-distribution centers in densely populated, affluent areas. Amazon, which has demonstrated a willingness to forgo profits for years to build up market share, could use its e-commerce prowess to cut the specialty grocer's prices to near those of its competitors.

Peapod executives say that being owned by a large retailer like Netherlands-based Ahold Delhaize allows the delivery service to bargain with suppliers for lower prices. They add that Peapod is profitable in markets where it has operated for at least a decade.

"We are the original online grocers and have outlasted many of the competitors who have come and gone," said Jennifer Carr-Smith, chief executive of the Skokie, Ill.-based company, which was founded in 1989 and took its first orders by fax.

FreshDirect didn't respond to requests for comment.

—Laura Stevens contributed to this article.

SAIC Plans to Produce in India

BY TREFOR MOSS

SHANGHAI—China's largest auto maker said it would start building cars in India, even as its partner in China, General Motors Co., quits India because of weak sales.

SAIC Motor Corp. will be the first Chinese auto company to operate a wholly owned plant in India, where it will begin producing cars under the MG badge by 2019, the company said Thursday. It is part of a plan to develop a "global structure" and a "multinational operation" in keeping with China's ambition to become a force in the world auto industry, SAIC said.

GM and SAIC are longstanding partners in China, where they jointly manufacture GM-badged and locally branded vehicles.

Indian media reported that the Shanghai-based company is considering whether to take over GM's recently closed plant in Gujarat or build a new

one, and that it had tapped GM's former India president, Rajeev Chaba, to run its local unit.

Just three million vehicles were sold in India in the 12 months ended in March, compared with more than 28 million in China in 2016. But IHS Markit forecasts that India will overtake Japan to become the world's third-biggest car market by 2020, and eclipse the U.S. by around 2030.

While those growth forecasts weren't enough to persuade GM, which said in May that it would completely pull out of India by the end of 2017 as part of a global retrenchment, SAIC and other Chinese car makers see huge potential, according to Yale Zhang, managing director of Automotive Foresight, a Shanghai auto intelligence company.

"U.S. car makers were not well-placed to meet the demands of Indian consumers, but Chinese car makers have

stumbled in their efforts to go global: China exported more than one million cars for the first time in 2012, but has failed to top that mark since then, and sold only 708,000 cars abroad in 2016.

Around 5,000 Chinese cars were bought in India in the first four months of this year, representing just 2% of Chinese auto exports, according to IHS Markit.

But increasingly Chinese auto makers are looking to boost sales globally by producing locally. SAIC already



It will be the first Chinese auto firm with a wholly owned India plant.

operates plants in Indonesia and Thailand, while manufacturers including Chery Automobile Co. and Zhejiang Geely Holding Group Co. have plants in a number of emerging markets.

IHS Markit.

Indian buyers are agnostic when it comes to the origin of auto brands and would in theory embrace Chinese cars, Mr. Sharma said, though "good cars have failed in India before."

SAIC's entry would be "a litmus test for other Chinese auto makers," Mr. Sharma said, with more likely to pour into the country if SAIC prosers.

—Junya Qian
contributed to this article.

TECHNOLOGY

WSJ.com/Tech

CHINA CIRCUIT | By Li Yuan

Alibaba and Tencent Must Tread Cautiously



Ama-
zon.com's recent bid to acquire Whole Foods Market inflamed con-

cerns in the U.S. about big tech companies taking over America.

In China, that's already happening. Alibaba Group Holding and Tencent Holdings are online-offline conglomerates, each with hundreds of millions of users. The pair—directly or through companies they invest in—provide services and products across a range of businesses, from retail, media and entertainment to health care, payments, banking, logistics and transportation.

Their market capitalizations—Alibaba at \$358 billion and Tencent at \$350 billion—are much higher than those of the state-owned enterprises that dominate the Chinese economy. The country's biggest bank, Industrial and Commercial Bank of China, is valued at \$261 billion; the state-owned telecom titan China Mobile is valued at \$218 billion.

The tech giants, with their wide reach into many facets of daily life, touch ordinary Chinese in ways state compa-

nies don't. As their size and influence grow, Alibaba and Tencent are entering uncharted territory: Never in nearly seven decades of Communist Party rule have private-sector companies held such sway over the economy and society.

How well they handle relationships with competitors, old-line companies and, ultimately, an authoritarian government that isn't used to sharing power will be a top challenge in coming years.

"The most important

counterbalancing force against Alibaba and Tencent will probably not come from their direct competitors but the government and the traditional industries they disrupt," said Yin Sheng, an independent technology consultant who owns shares in both companies. As the two tech companies push further into other sectors, Mr. Yin believes established businesses will lobby the government to enforce tax, antimonopoly and other rules.

A Tencent spokeswoman said the company "views our peers in the internet sector and traditional industries as partners" and "the healthy growth of the internet industry will benefit users, industry players" and the economy. Alibaba didn't respond to requests to comment.

Alibaba and Tencent need to tread carefully. Some of China's wealthiest businessmen ended up in jail, often when they appeared to fall out of favor with the government. Earlier in June, the government said it was investigating the borrowings of some highflying private conglomerates to rein in runaway debt.

Bitterness from the old guard is already spilling into view. On a popular business program on national television late last year, beverage tycoon—and once China's richest man—Zong Qinghou dismissed as "nonsense" Alibaba Chairman Jack Ma's idea that a new world is being created as data and growing computing power transform industries from retail to manufacturing.

"He's not in the physical economy. What does he make?" Mr. Zong said. The other two panelists, heads of



WANG平/XINHUA/ZUMA PRESS

Tech entrepreneurs like Alibaba's Jack Ma sometimes engender criticism from the old guard.

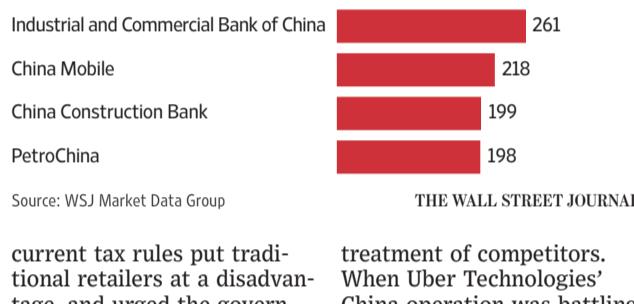
the two biggest electronic appliance makers, concurred. An Alibaba executive was quoted in Chinese media at the time as saying that Mr. Zong's comments were illogical.

Mr. Zong is one of the more outspoken among a cadre of traditional entrepreneurs raising questions about whether the internet businesses should continue to benefit from preferential policies. Online shops operated by individuals and small businesses, for example, pay extremely low to no taxes under a policy that was aimed at nurturing a fledgling e-commerce sector. But that sector is now huge.

Members of this business lobby raised the e-commerce taxation issue during spring meetings of the legislature and a top government advisory body. They noted that

Riding High

Alibaba and Tencent have much larger market values than more traditional state-owned enterprises.



Source: WSJ Market Data Group

IN BILLIONS, AS OF JUNE 29

Alibaba \$358

Tencent 350

Industrial and Commercial Bank of China 261

China Mobile 218

China Construction Bank 199

PetroChina 198

THE WALL STREET JOURNAL.

current tax rules put traditional retailers at a disadvantage, and urged the government to heed their complaints because they employ more people than the online firms.

Big tech firms have also been called bullies and monopolists because of their

treatment of competitors. When Uber Technologies' China operation was battling Didi Chuxing Technology more than a year ago, for example, Tencent, a Didi investor, blocked some of Uber China's service accounts on WeChat, its popular messaging app. Some online com-

mentators excoriated Tencent for abusing its power. Uber sold its China operation to Didi last year.

Above all, there is their delicate relationship with the government. As I wrote earlier, once disruptors, China's internet companies are now part of the system. But still, they are private enterprises founded by ambitious men.

"The question is whether these companies will demand more say in things as they grow bigger," said Jingzhou Tao, managing partner of China practice at law firm Dechert.

Mr. Tao points out that private ownership is increasingly at odds with the current political environment. The Communist Party is strengthening its command of state-owned businesses and building up its presence in private and multinational companies. "Will it come to a point that the party committee will take charge of private enterprises too?" he said.

For now, neither side is testing the line in the sand. The government knows these companies are important and globally known. The companies are being supportive of Beijing's goals. Alibaba's Mr. Ma recently traveled to the U.S. to talk up the benefits of China-U.S. trade, and Tencent's Pony Ma organized a forum on improving the competitiveness of Hong Kong, a former British colony, and the surrounding area.

Both sides are looking for "the best way to coexist," says an executive who has worked on government relations for decades.

Follow Li Yuan on Twitter @LiYuan6 or write to li.yuan@wsj.com.

GOOGLE

Continued from page B1
pected on them over the next year.

Google launched its search engine in the late 1990s as a list of 10 blue links to webpages relevant to users' queries. Over two decades, Google has reshaped its search results to also offer tools to find everything from jobs to plumbers to financial information. The search engine also now delivers song lyrics, internet-speed tests, and direct answers to users' questions, such as "How big is the sun?"

Such changes often reduced traffic to competing websites, hurting their ability to provide quality offerings. Critics also argue that Google's services are sometimes not as good as competitors', such as restaurant reviews on Yelp Inc. or Expedia Inc.'s flight-search tool. Affected companies for years have cried foul.

"We built search for users, not websites, and no matter what we do, there will always be some websites unhappy with where they rank," Alpha-

bet Chairman Eric Schmidt told the U.S. Senate in 2011, when the Federal Trade Commission was investigating Google for antitrust violations.

In 2013, the FTC declined to press charges, going against some FTC staff recommendations. The FTC prioritized the effect on consumers over market competition, said Paul Gallant, a tech-policy analyst at Cowen & Co. "The U.S. is willing to tolerate some competitive damage if consumers win in the end," he said.

Google's U.S. defense failed with EU antitrust regulators, who care more about a monopoly's effect on smaller competitors, Mr. Gallant said. The split between U.S. and European regulators is why many of Google's U.S. competitors—including Yelp, Oracle Corp., and News Corp, owner of The Wall Street Journal—have focused lobbying efforts in the EU.

"Google absolutely believes that everything it has done in the evolution of its business is improving the consumer experience. That doesn't mean they're not guilty of competition problems, but it is why this case could be hard to settle," Mr. Gallant said.

Inmarsat Bets on In-Flight Wi-Fi

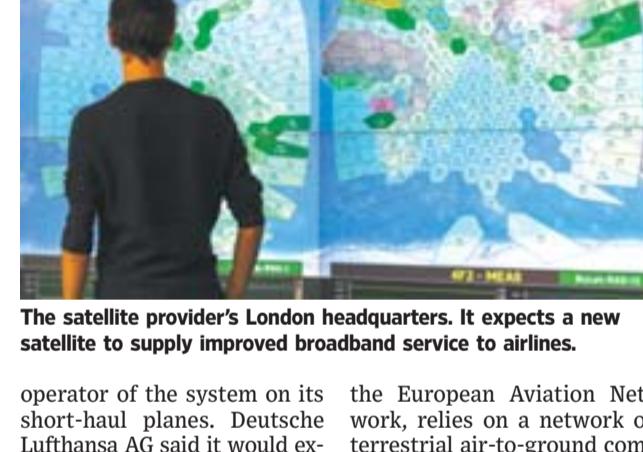
BY ROBERT WALL

LONDON—One of the world's biggest satellite providers is betting big on in-flight broadband.

Passengers used to watching movies or live sports on their smartphones at home or on the go have become increasingly frustrated when unable to stay connected when airborne. Airlines have become eager to address that demand either by charging to boost sales or offering a free service to lure customers.

Britain's Inmarsat PLC is betting that a new satellite, launched late Wednesday by the European Ariane 5 rocket from the Guiana Space Center in French Guiana, will address those concerns. Passengers "will have a high-quality Wi-Fi experience akin to a top-quality hotel or internet cafe," Inmarsat Chief Executive Rupert Pearce said in an interview.

British Airways, a unit of International Continental Airlines Group SA, has committed to becoming the launch



CHRIS RATCLIFFE/BLOOMBERG NEWS

The satellite provider's London headquarters. It expects a new satellite to supply improved broadband service to airlines.

operator of the system on its short-haul planes. Deutsche Lufthansa AG said it would experiment with the system.

The new satellite carries payloads for a subsidiary of Saudi Arabia-based Arabsat and for Inmarsat, whose equipment serves as the key element of its in-flight connectivity offer. Inmarsat's dedicated in-flight system, called

the European Aviation Network, relies on a network of terrestrial air-to-ground communications towers, built by Deutsche Telekom AG. The satellite link provides additional capacity and fills in the spots in Europe that the ground towers can't cover.

Using the ground towers will help cut costs, Mr. Pearce said, helping fuel passengers

use of the service.

The European Aviation Network could serve as a blueprint for the company to target other regions. "There is an opportunity to take that knowledge to work in other markets and North America could be one of them," Mr. Pearce said.

Gogo Inc., which provides internet in the U.S. on planes from American Airlines Group Inc., Delta Air Lines Inc. and others, has disappointed many travelers because of limited capacity and low speed. Gogo last year signed a contract with global satellite operator SES SA to boost bandwidth.

SES last year also agreed to build a powerful new satellite to help France's Thales SA provide in-flight broadband equivalent to fiber connectivity starting in 2020.

Inmarsat has made a big bet on providing broadband to planes. A series of other spacecraft, called Global Xpress, aim to beam the internet to planes, ships and users on the ground.

All Grow Up

iPhone total unit sales have reached 1.2 billion, a number expected to leap as 10th-anniversary phones hit the market this year.

iPhone



2007	YEAR	2016
1.4 million	PHONES SOLD	211.9 million
0.51%	PCT. OF APPLE REVENUE	63.39%
Black	COLORS	Rose gold, gold, silver, black, jet black, red
Revolutionary touch screen	MILESTONE	Water resistance; dual camera
3.5" - 150,000 pixels	SCREEN SIZE	5.5" - 2.1 million pixels
8GB	MAX STORAGE	256GB
N/A	APPS IN STORE	18 million

Source: the company

THE WALL STREET JOURNAL.

Hack Hobbles a Prominent Law Firm

BY JACOB GERSHMAN AND KATE FAZZINI

One of the world's largest law firms is still reeling from the Petya ransomware attack that hit computer systems across Europe and the U.S. on Tuesday.

DLA Piper, which commands an army of thousands of lawyers across dozens of countries and represents some of the largest companies, has been at a virtual standstill for more than two days.

As of Thursday afternoon, its lawyers still couldn't access firm computer systems or emails and were mostly "doing their best" from home computers, according to one New York partner.

DLA Piper's data blackout is starting to disrupt active litigation. In at least five civil cases in the U.S., including a patent dispute involving Apple Inc., firm lawyers have sought deadline extensions.

In a court filing in federal court in Houston on Wednesday, for instance, a DLA Piper attorney representing a client

in a trade-secret dispute stated that "no U.S. attorney has access to the firm's document management system...the firm's email system is inaccessible as well."

The lawyer said she needed several extra days to submit a dismissal motion due June 29 because she lacked access to the draft document, telling the judge she was trying to finish it from home. The DLA Piper litigator said she doesn't expect to regain access to her document system "until the end of this week."

"We have seen no evidence that client data was taken or that there was a breach of confidentiality of that data," a DLA Piper spokesman said Thursday. "We are in the process of bringing our systems back online."

DLA Piper said its IT team "acted quickly to prevent the spread of the suspected malware and protect our systems."

The spokesman said he knew of no other law firms that were hit by the Petya virus.

Cybersecurity experts have long raised concerns about the

risk of cyberattacks against law firms, whose troves of valuable trade secrets, market-moving deal news and other sensitive information make them attractive targets.

Petya's assault on DLA Piper follows a string of other data breaches striking the legal industry. It was revealed last year that hackers broke

into the computer networks of New York law firms Cravath Swaine & Moore LLP and Weil Gotshal & Manges LLP.

Cybersecurity experts say other law firms that have been victimized by malware and hackers recovered more swiftly.

"I've never seen a situation where a firm the size of DLA has gone dark for this length

of time," said Chicago plaintiffs' lawyer Jay Edelson, who specializes in privacy and data-security litigation.

DLA Piper has transformed into a legal giant after a series of acquisitions and hires. The firm's clients include global Fortune 500 companies, multinational corporations, investment banks, pharmaceuticals, power, oil-and-gas companies. It also advises the governments of several countries, including Saudi Arabia.

DLA Piper spans virtually the entire legal field: securities compliance, corporate restructuring, bankruptcy, real estate transactions, regulatory guidance, tax matters, patent and copyright law, white-collar defense and data security.

Legal-industry experts say law firms in general have lagged behind their corporate clients in data-security measures. Tod Beardsley, a security engineer and director of research for IT security firm Rapid7 Inc., said the hodgepodge of methods law firms use to store data can complicate their response to an attack.

FINANCE & MARKETS

Berkowitz's Comeback Bet: Sears

After setbacks, the fund manager stakes his return to glory on another contrarian call

BY SARAH KROUSE

Bruce Berkowitz was named mutual-fund manager of the decade in 2010. Today, his fund has lost 89% of its assets from a 2011 peak and he is staking a comeback partly on one of America's most beaten-down companies: **Sears Holdings Corp.**

Mr. Berkowitz's flagship Fairholme Fund has lost 12.9% so far this year while the S&P 500 is up about 9%. Over five years, the Fairholme Fund returned 7.6% compared with 15.1% for the S&P. At \$2.2 billion in assets, the fund is at just a fraction of the \$20 billion in assets it held in 2011.

Performance has hit assets in the fund, but so have redemptions. Many investors who once relished Mr. Berkowitz's concentrated bets have taken their cash elsewhere. The fund manager is now the firm's largest customer after several years of customer withdrawals.

Mr. Berkowitz is unapologetic for the poor returns, noting he always has promised his investors ultra-concentrated, often contrarian bets and high volatility was a likely result.



MELISSA GOLDEN FOR THE WALL STREET JOURNAL

Bruce Berkowitz is known for making very concentrated wagers.

"The people who had the smoothest ride were those in Bernie Madoff. Life is not smooth," he said.

Since the Fairholme Fund was started in 1999, it has delivered an annualized total return of about 10% versus about 5% for the S&P, according to **Morningstar Inc.**

Mr. Berkowitz is an anomaly in the investing world. He still does what a shrinking number of his peers do: mining regulatory filings himself, gauging his faith in company leaders, conferring with analysts and at times playing the role of activist.

That type of examination is behind his growing bet on Sears, the formerly quintessential American retailer that has reported seven years of losses.

Last month, Sears raised concerns about its ability to continue operating as a "going concern."

Most days, he works from his Coral Gables, Fla., home, calling his staff located at a nearby white-and-glass office building. His day-to-day appearance is more country club than Wall Street—he often wears boat shoes and jeans or khakis. Together with his wife, he runs a charitable foundation

and collects art including works by Jackson Pollock and Andy Warhol.

Mr. Berkowitz says one part of his comeback—big bets on government-backed mortgage financing giants—could pay off in the next six months.

Treasury officials have said they want to reform **Fannie Mae** and **Freddie Mac**, which could include moving them out of government control. Such a move could put an end to litigation over their future and deliver a windfall to investors. For now, however, the future of the two entities and what that will mean for investors is unclear. Preferred shares in the two represented 38% of the Fairholme Fund at the end of February, according to a regulatory filing, the most recent holdings information available.

Mr. Berkowitz started building a position in Sears stock in late 2005 and now owns both debt and equity in a number of Sears entities. He also owns shares in its spinoff real-estate investment trust **Seritage Growth Properties**. He has continued to add to some of those holdings in recent years.

As of the end of February, more than 10% of the fund was invested in Seritage shares, Sears and appliance seller **Sears Hometown and Outlet Stores Inc.** stock and various Sears entities' corporate debt, according to the filing. The

fund's holdings also include warrants to purchase Sears common stock.

Mr. Berkowitz has been adding to his Sears exposure in recent years as its stock price has declined. This year through Wednesday, Sears shares had fallen 14%.

"The deaths of today's malls and other enclosed spaces is greatly exaggerated," Mr. Berkowitz said in a recent interview.

He believes restaurants are returning to malls, but in the form of outdoor eateries. Mr. Berkowitz said traditional clothing chains may die, but their space will be replaced by movie theaters and auto showrooms. As online retailers reshape shopping, he says the parking lots and properties traditional retailers occupied will be redeveloped and used for new services or homes.

When that happens, he says anchor properties will have heightened value given their footprint and location. And, Sears often inhabits the largest corner of malls. Still, many landlords have lost anchor tenants in recent years, and some analysts and property owners have questioned whether a resurgence of such malls is possible.

"No one thinks about the parking lots. Those already have infrastructure, highways, secondary roads, sewers, water systems," he said.

Pine River Readies \$1.7 Billion Spinoff

BY JULIET CHUNG

Pine River Capital Management plans to spin off a nearly \$2 billion government bond-trading fund into a stand-alone firm Jan. 1, in what is likely to be one of the biggest new hedge-fund launches next year.

The Minnetonka, Minn., firm profited off the rebound in government-backed mortgage bonds following the financial crisis, but its assets have shrunk recently. Executives for Pine River told investors on calls Tuesday and Wednesday that Renos Dimitriou and his London-based team would launch the roughly \$1.7 billion fund next year, said people familiar with the matter. A Pine River spokesman confirmed the plan.

The 40-year-old Mr. Dimitriou expects to launch Elan Capital Management in London and to follow the same investment strategy he runs at Pine River. Mr. Dimitriou's fixed-income, relative value fund focuses on the debt of Group of Seven countries. The firm buys bond instruments it thinks are cheap and bets against related bonds or contracts it thinks are expensive, hoping the assets will converge in price. It doesn't make macroeconomic calls on the broader direction of interest rates.

The fund's average annualized return since its late 2011 start was more than 11% through May, said a person familiar with the matter. Mr. Dimitriou became the fund's sole portfolio manager in 2014 after becoming co-portfolio manager in 2012.

Mr. Dimitriou, who emigrated from Greece to the U.S. after getting a green card at the 15 years old, has told investors that the political instability and monetary-policy shifts that have led to profitable trades for his fund will continue for the foreseeable future, said people familiar with the matter.

Mr. Dimitriou spent 12 years on Wall Street trading government bonds before joining Pine River in 2012.

Pine River executives told investors on the calls this week it would hold for an undisclosed number of years a passive minority stake in Elan, sharing in Elan's management and performance fees. Pine River plans to continue trading government rates.

The spinoff is expected to further shrink Pine River's assets under management to a little more than \$7 billion from a peak of about \$15 billion in 2015.

China Regulators Struggle to Rein In Banks

BY SHEN HONG

SHANGHAI—One of Chinese banks' favorite tools for increasing leverage has staged a remarkable but worrisome comeback just two months after a regulatory crackdown on leveraged investment, highlighting the difficulties Beijing faces in its effort to cure the economy's addiction to debt-fueled growth and investment booms.

Chinese banks' issuance of negotiable certificates of deposit in June nearly hit the high recorded in March, data from Wind Info showed. NCDs, a type of short-term loan, have become extremely popular in recent years with Chinese banks, especially smaller lenders due to their weaker ability to attract deposits.

During a clampdown on runaway debt in April, Chinese regulators warned banks against abusing the tool for speculative, leveraged bets in capital markets. But after a deep but brief drop, NCD issuance has risen again as regulatory attention appeared to ease in recent weeks, hitting 1.96 trillion yuan (\$287.73 billion) in June, up sharply from 1.23 trillion yuan in May and

just a touch below March's record 2.02 trillion yuan.

The latest development suggests a tug of war between some of China's most aggressive and speculative lenders and policy makers, who are trying to stem slowing economic growth and reduce financial risk at the same time.

"The surge in NCD issuance volume this month in a way reflects a Tom and Jerry situation between regulators and markets," said Liu Dongliang, senior analyst at China Merchants Bank, referring to the famous cartoon cat-and-mouse rivalry.

China introduced NCDs in 2013 as part of steps to liberalize interest rates, allowing banks to use the new fundraising tool to help set borrowing costs according to supply and demand.

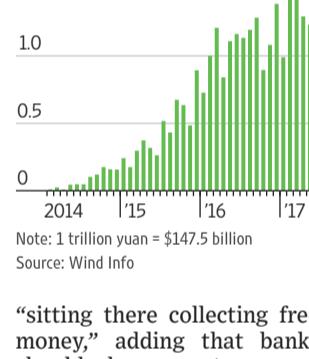
The NCD market started taking off last year, as a rallying bond market encouraged banks, particularly the more aggressive and profit-driven smaller lenders, to use such short-term loans to further leverage their investments.

In early April, the country's banking regulator criticized such behavior as "working without bending down" and

Debt Addiction

Issuance of negotiable certificates of deposit surged again in June, accompanied by declining borrowing costs.

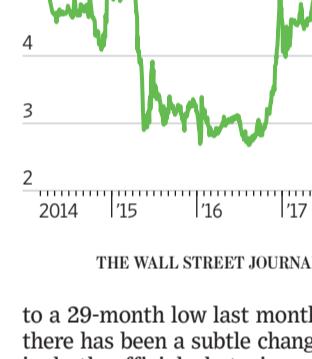
NCD issuance volume



Note: 1 trillion yuan = \$147.5 billion

Source: Wind Info

Three-month NCD issuance cost



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sitting there collecting free money," adding that banks should do more to ensure money flowed to China's "real economy."

The regulator's warning came hot on the heels of the Chinese central bank's decision to raise short-term interest rates in February and March as Beijing intensified its campaign to discourage leveraged investment.

However, after the so-called deleveraging campaign caused Chinese bond prices to tumble

to a 29-month low last month, there has been a subtle change in both official rhetoric and action.

In an apparent effort to appease nervous investors, the official Xinhua News Agency ran a commentary in early June that said the authorities will strive to maintain market stability. "Don't panic," it urged investors.

In the following week, the People's Bank of China injected the largest amount of cash into the financial system

for a single week since mid-January, which led to large declines in bond yields as well as the cost of NCD issuance.

The interest rate that banks pay to issue a three-month NCD fell to 4.40% Thursday after hitting a near 27-month high of 5.19% on June 8.

There are signs that many banks are issuing NCDs to roll over maturing loans, giving themselves a lifeline to cover frequent short-term funding needs.

Currently, NCD issuing costs are only marginally lower than the prevailing returns on Chinese corporate bonds, one of the most popular that banks purchase with such borrowed funds.

Yields on three-year AA-rated, or high-yield Chinese corporate bonds are at 4.77%, while those on safer, AAA-rated debt are at 4.48%.

In an indication of the banks' heavy reliance on this new tool, NCDs have accounted for 56% of all newly issued bonds in China in June. That is down from the record in February, when seasonal slowness for government- and corporate-bond sales because of the Lunar New Year holiday pushed the proportion to 71%.

FINANCE WATCH

Panel Pushes Climate Disclosure

BY SARAH KENT

LONDON—A panel of top financial institutions and companies has launched guidelines to push for more disclosure about the impact of climate change, highlighting rising concern about the potential investment risks posed by global warming.

The task force, which was commissioned by a group of global regulators known as the **Financial Stability Board** and led by former New York City Mayor Michael Bloomberg, said companies should disclose in financial filings how they are planning for risks and opportunities related to climate change. It also called for companies to develop specific metrics and targets to measure performance in that area.

The task force included executives from J.P. Morgan Chase & Co., **Unilever** PLC, miner BHP Billiton Ltd. and other large companies.

Climate-change risks are a concern for financial institutions and big companies, which fear both global warming itself and the regulatory threat from governments seeking to lessen its impact.

The recommendations have the support of over 100 companies, whose joint market capitalization totals more than \$3.3 trillion, the task force said.

"Transparency is increasingly important to our consumers," said Graeme Pit-



Shell has endorsed calls for providing climate-related information.

kethly, chief financial officer at Unilever and a vice chairman on the task force. "They want to know the values of the companies they are buying from, particularly millennials."

A recent report by IHS Markit, funded by oil companies including BP PLC, Chevron Corp. and Total SA, warned that recommendations contained in an earlier draft of the report "could obscure material information and create a false sense of certainty around the financial implications of climate-related risks."

The report, which took over a year to complete, says all public companies should disclose more. However, the panel singled out the energy industry as one of four sectors most at risk from climate change that should consider providing more information to investors.

In May, Exxon Mobil Corp. faced a revolt when 62% of voting shareholders approved a resolution calling for more information on how climate change and regulation could affect the company. Chief Executive Officer Darren Woods said the company would step back and reflect on how it could better express its position. Exxon declined to comment on the new report.

In Europe, some big oil companies have embraced demands for more climate disclosure. Royal Dutch Shell PLC and BP both endorsed proposals asking for more disclosure on climate-change risk in 2015.

Shell welcomed the task force's report, but warned that detailed disclosure of forward-looking and potentially commercially sensitive information within official financial filings could be difficult.

NATIONAL BANK OF GREECE

Lender Sells Stake In Insurance Unit

National Bank of Greece, one of the country's largest lenders by assets, approved the sale of a majority stake in its insurance subsidiary to American-Caribbean consortium **Calamos EXIN**, the bank and the consortium said.

Exin agreed to buy the 75% stake in National Insurance, Greece's oldest insurance company, for €718 million (\$817 million). NBG will retain a 25% stake.

The deal, which was expected to be completed in 2016, is part of a restructuring plan for the lender approved by the European Union, calling for it to exit nonbanking operations.

Earlier this year, NBG sold its South Africa Bank of Athens subsidiary to AFGR Holdings. In December, it sold its 99.1% stake in United Bulgarian Bank to the Belgian bank KBC Group.

—Nektaria Stamouli

BNP PARIBAS

Bank Takes Heat On Rwanda Transfer

Three French associations filed a complaint with a court in Paris against **BNP Paribas** SA, accusing the lender of helping the Rwandan government buy arms during the genocide that killed about 800,000 people 23 years ago.

The nongovernmental organizations Sherpa, the Collective of Civil Parties for Rwanda and Ibuka France said the bank allegedly authorized two money transfers totaling more than \$1.3 million in June 1994 from the BNP Paribas account of the National Bank of Rwanda to the Swiss bank account of an arms dealer in South Africa.

"BNP knew necessarily the destination of the funds and knew it could contribute to the ongoing genocide," a spokeswoman for Sherpa said.

On May 17 that year, the United Nations Security Council voted on an embargo that for-

bade the delivery of arms to Rwanda. BNP said it heard of the claim through the media and didn't have enough information to comment.

—Noemie Bisserbe

IPOS

Blue Apron Fails To Gain on First Day

Shares of **Blue Apron Holdings** Inc. ended unchanged in their public debut after the shares were priced at a lower price than the company had expected earlier.

In a rare move Wednesday, the New York company lowered the expected price range for its shares to \$10 to \$11 apiece, from the \$15 to \$17 range it sought earlier. The offering was priced at \$10 a share, and was at that level in 4 p.m. New York trading on Thursday.

Blue Apron offers a subscription service delivering pre-measured gourmet ingredients and recipes for customers to cook.

—Imani Moise

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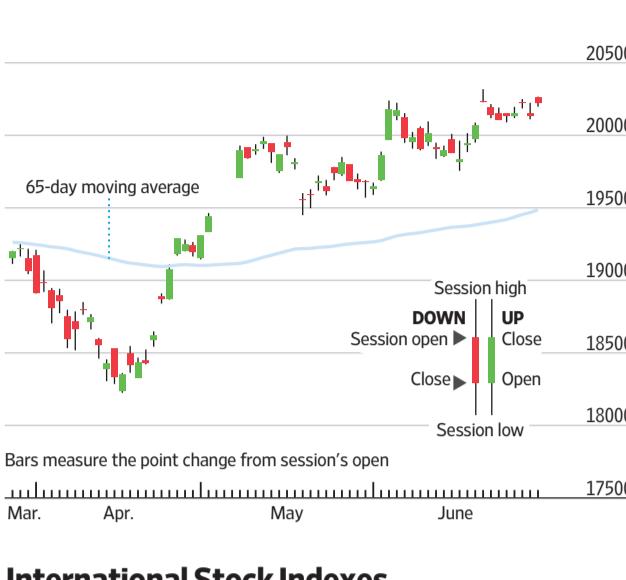
FUND NAME NAV -%RETURN-
GF AT LB DATE CR NAV YTD 12-MO 2-YR
Chartered Asset Management Pte Ltd - Tel No: 65-6835-8

MARKETS DIGEST

Nikkei 225 Index

2020.30 ▲ 89.89, or 0.45%

High, low, open and close for each trading day of the past three months.



Bars measure the point change from session's open

STOXX 600 Index

380.66 ▼ 5.16, or 1.34%

High, low, open and close for each trading day of the past three months.



International Stock Indexes

Region/Country	Index	Data as of 4 p.m. New York time					
		Close	NetChg	% chg	52-Week Range	YTD High	% chg
World	The Global Dow	2777.12	-10.21	-0.37	2285.55	2802.79	9.8
	MSCI EAFE	1898.96	-2.19	-0.12	1471.88	1956.39	10.6
	MSCI EM USD	1011.72	-0.38	-0.04	691.21	1044.05	27.4
Americas	DJ Americas	581.74	-4.75	-0.81	502.42	588.61	7.7
Brazil	Sao Paulo Bovespa	62171.77	153.80	+0.25	50585.06	69487.58	3.2
Canada	S&P/TSX Comp	15211.67	-143.91	-0.94	13967.61	15943.09	-0.5
Mexico	IPC All-Share	49198.25	-141.86	-0.29	43998.98	50154.33	7.8
Chile	Santiago IPSA	3594.06	-12.72	-0.35	3095.14	3786.05	11.5
U.S.	DJIA	21287.03	-167.58	-0.78	17711.80	21535.03	7.7
	Nasdaq Composite	6144.35	-90.06	-1.44	4774.52	6341.70	14.1
	S&P 500	2419.70	-20.99	-0.86	2070.00	2453.82	8.1
	CBOE Volatility	11.63	1.60	+15.95	9.37	23.01	-17.2
EMEA	Stoxx Europe 600	380.66	-5.16	-1.34	318.76	396.45	5.3
	Stoxx Europe 50	3142.47	-44.18	-1.39	2720.66	3279.71	4.4
Austria	ATX	3088.84	-6.27	-0.20	1997.21	3212.50	18.0
Belgium	Bel-20	3796.57	-42.94	-1.12	3211.08	4055.96	5.3
France	CAC 40	5154.35	-98.55	-1.88	4062.07	5442.10	6.0
Germany	DAX	12416.19	-231.08	-1.83	9304.01	12951.54	8.1
Greece	ATG	819.72	-2.90	-0.35	520.40	828.32	27.4
Hungary	BUX	35130.27	-325.70	-0.92	26133.23	36168.63	9.8
Israel	Tel Aviv	1433.63	-2.60	-0.18	1372.23	1490.23	-2.5
Italy	FTSE MIB	20704.65	-343.15	-1.63	15293.10	21828.77	7.6
Netherlands	AEX	508.53	-7.86	-1.52	419.45	537.84	5.2
Poland	WIG	61475.96	64.23	+0.10	43534.02	62666.49	18.8
Russia	RTS Index	1000.45	-2.38	-0.24	898.05	1196.99	-13.2
Spain	IBEX 35	10531.10	-171.60	-1.60	7857.80	11184.40	12.6
Sweden	SX All Share	579.01	-7.66	-1.31	457.08	598.42	8.3
Switzerland	Swiss Market	8944.04	-132.69	-1.46	7585.56	9148.61	8.8
South Africa	Johannesburg All Share	51355.97	-240.87	-0.47	48935.90	54716.53	1.4
Turkey	BIST 100	100190.32	-427.37	-0.42	70426.16	100990.5	28.2
U.K.	FTSE 100	7350.32	-37.48	-0.51	6309.98	7598.99	2.9
Asia-Pacific	DJ Asia-Pacific TSM	1635.99	9.59	+0.59	1351.93	1643.59	15.0
Australia	S&P/ASX 200	5818.10	62.40	+1.08	5156.60	5956.50	2.7
China	Shanghai Composite	3188.06	14.86	+0.47	2929.61	3288.97	2.7
Hong Kong	Hang Seng	25965.42	281.92	+1.10	20495.29	26063.06	18.0
India	S&P BSE Sensex	30857.52	23.20	+0.08	25765.14	31311.57	15.9
Japan	Nikkei Stock Avg	20220.30	89.89	+0.45	15106.98	20304.1	5.8
Singapore	Straits Times	3258.65	42.95	+1.34	2787.27	3271.11	13.1
South Korea	Kospi	2395.66	13.10	+0.55	1953.12	2395.66	18.2
Taiwan	Weighted	10421.65	31.10	+0.30	8575.75	10513.96	12.6

Source: SIX Financial Information; WSJ Market Data Group

Currencies

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



London close on June 29

US\$ vs. Country/currency

— Thu — YTD chg

Country/currency — Thu — per US\$ (%)

FINANCE & MARKETS

U.K. Bankers Struggle To Clarify Brexit Plan

BY MAX COLCHESTER

LONDON—The City of London is back in the dark over Brexit after June's general election muddied the outlook for the U.K.'s departure from the European Union. Banking chiefs have been left to wonder whether to accelerate plans to move operations into the EU.

This week, Prime Minister Theresa May sealed a deal with a group of Northern Irish lawmakers that will keep her Conservative Party in government despite the loss of its parliamentary majority. But with Mrs. May's position weakened and a reshuffle of several high-level political backroom staff, the spectrum of Brexit outcomes facing banks has widened.

The likelihood of the U.K. crashing out of the EU without a deal has increased, but equally so has the chance Britain could push for closer ties with the trading bloc, analysts and bankers say.

"A lot is open to debate again," says Stephen Adams, a partner at consulting firm Global Counsel.

Pressure from regulators is mounting. By July 14, financial firms in the U.K. must submit plans for life after Brexit to the Bank of England. In particular, the central bank wants to know what lenders will do if the U.K. is suddenly cut off from the single market.

Major banks have mostly drawn up blueprints based on a worst-case scenario. Morgan Stanley is expected to finalize a plan in coming weeks to create a hub in Frankfurt and bulk up several European offices, according to people familiar with the matter. Japan's Daiwa Securities Group Inc. and Nomura Holdings Inc. both announced this week that they would also look to move operations to Frankfurt.

But the extent to which the banks will have to execute these plans remains unknown.

If the British government opts to negotiate close ties to the EU, then banks may be able to maintain a bigger chunk of their operations in the U.K.

At receptions this week, talk was regularly punctuated with bankers lamenting Brexit uncertainty. "We don't know who to call in government," says one public affairs chief at a big British bank. Another joked that the only person who would answer the banks' calls was "Larry," the Downing Street cat.

Up until May, investment banks in London were preparing for an exit from the EU's single market. Several lenders detailed plans to move operations into the EU to ensure they could sell to clients there. The lobbying battle had been reduced to ensuring banks have enough time to restructure their operations before the U.K. formally quit the trading bloc.

A lot is open to debate again,' says consultant Stephen Adams.

"The election results gave an opportunity to reflect and reset the tone as the U.K. enters negotiations," says Catherine McGuinness, policy chairman, City of London Corp., which promotes the city as a financial-services center.

In the days after the vote, banks began to consider a public relations drive via trade associations to push the government to secure greater access to the EU for financial services and soften its stance on immigration, officials say. The momentum stalled as bank staffers struggled to get a clear understanding of the government's thinking on Brexit and which officials they should lobby, officials say.

Europe M&A Going Strong

While Brexit worries pose challenges, deal value has surged and looks set to stay solid

BY BEN DUMMETT

LONDON—European deal making is set to march on in the second half of the year despite Britain's latest election surprise and early signs of an acrimonious breakup with the European Union, some investment bankers say.

U.K. voters in June unexpectedly denied British Prime Minister Theresa May a majority government, while disagreements over Britain's financial commitments to separate from the EU are flaring.

Both developments pose potential challenges for deal making, particularly in the U.K.—among Europe's most active merger-and-acquisition markets—as political uncertainty brings potential changes to tax, trade and other policies that make valuing transactions more difficult.

Still, deal value has soared in Europe this year despite recent geopolitical quakes that have surprised markets, most notably the Brexit vote.

Overall, deal value in which the acquirer or target is a European has risen nearly 16% this year through June 26 from the year-earlier period, according to Dealogic, a data provider, despite a dip in the number of transactions by 2.1%.

That trend highlights the preferences for mergers and acquisitions for some big North American and European companies as they seek to cut costs, boost investment in new technologies, or seek new sources of revenue to boost profit. They are encouraged by cheap financing and rising equity markets.

"Investors like M&A at the moment because it's an alternative to organic growth," for companies that face weak demand from their existing business or technological disrupt-



CHRIS RATCLIFFE/BLOOMBERG NEWS

Luxottica, maker of Ray-Ban sunglasses, struck a \$49 billion merger deal with Essilor International.

tion, said Dietrich Becker, a senior investment banker at Perella Weinberg Partners.

"That's an overriding theme [and] that's something that's going to continue to drive people's agendas."

And if European companies don't seize the initiative to act, activist investors are showing signs of impatience. Nestlé SA faces such a scenario in the form of U.S. hedge fund Third Point LLC, which disclosed on Sunday that it bought a 1.25% stake in the packaged-foods giant for \$3.5 billion and urged changes to help boost the company's stock price.

Several large deals announced this year have set the pace for the rest of 2017.

Among them Thermo Fisher Scientific Inc.'s \$5.2 billion deal to acquire PathoN NV, a Dutch-based drug development technology company, and the €16.3 billion (\$18.5 billion) bid that same month by Italian infrastructure group Atlantia

SpA for Spanish rival Abertis Infraestructuras SA.

As other big deals are completed—such as the \$49 billion merger between Luxottica Group SpA and Essilor International SA in January—bankers expect a raft of smaller deals to take their place.

"We are going to see more smaller-scale deals" for the rest of the year, said Wilhelm Schulz, Citigroup's chairman of M&A for Europe, Middle East and Africa.

Experts don't expect the activity to be led by China. Chinese deal making into Europe, last year a key driver of activity, remained muted in the first half of 2017 due to Beijing's restrictions on capital outflows.

In another potential setback, China's banking regulator recently initiated a review of the borrowing activity of some of the country's more acquisitive conglomerates, including Anbang Insurance Group Co., HNA Group Co. and

Fosun International Ltd.

However, the country's global ambitions remain. China Investment Corp. in June agreed to buy Blackstone Group LP's European warehouse business for €12.25 billion. China's Fortune Fountain Capital, meanwhile, recently agreed to acquire 90% of Baccarat from a group of private-equity firms for €164 million, aiming to accelerate the French luxury crystal maker's expansion plans in Asia and the Middle East.

"There's ample rationale for, and evidence that, Chinese groups will continue to make acquisitions in Europe and elsewhere in the West," said Thierry d'Argent, global co-head of coverage and investment banking at Société Générale.

Interest rates in Europe remain near record lows, continuing to benefit from central-bank efforts to stimulate economic growth.

THE WALL STREET JOURNAL.
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ARE YOU THE NEXT
BIG THING IN TECH?

The Wall Street Journal is scouring the globe for the world's most promising undiscovered startups. Finalists will take the stage at D.LIVE in Laguna Beach, California from October 16th-18th to face a panel of judges, Fortune 500 CEOs, entrepreneurs and global investors. The audience favorite will be featured in The Wall Street Journal.

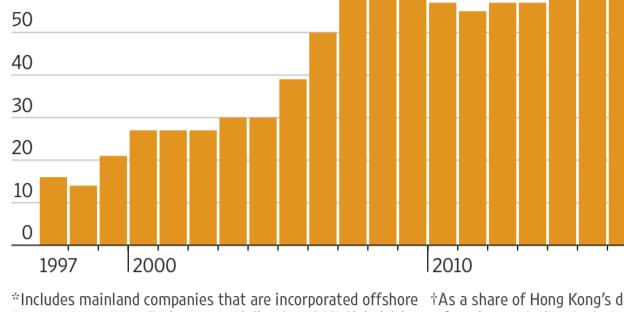
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MARKETS

Becoming Chinese

Mainland companies account for the majority of Hong Kong's stock market by value...

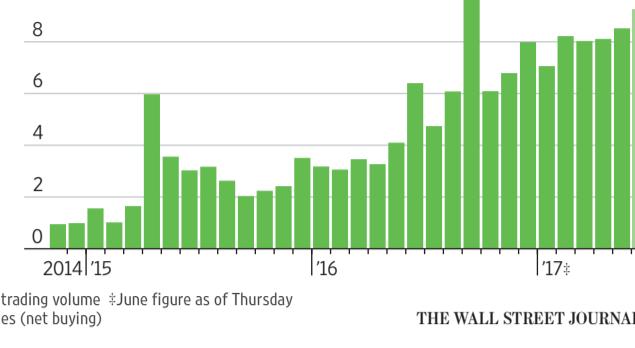
Share of total capitalization*



*Includes mainland companies that are incorporated offshore

...and Chinese investors are playing a bigger role.

Net buying by Chinese buyers via trading link with Shanghai†



†As a share of Hong Kong's daily trading volume

‡June figure as of Thursday

Sources: Hong Kong Exchanges and Clearing, S&P Global (share of market capitalization); Jefferies (net buying)

THE WALL STREET JOURNAL.

Euro's Gains Sink Continental Stocks

By AKANE OTANI
AND JON SINDREU

The Stoxx Europe 600 fell 1.3%, with losses across sectors offsetting gains in banks as expectations grew that policy makers are poised to scale back monetary stimulus.

The euro rose, creating a headwind for European exporters,

statements by policy makers at the European Central Bank that investors have interpreted as a sign that tighter policy is on the way.

The euro and the pound were both up 0.6% against the U.S. dollar.

"At some point, we're going to see a flushing out of the weak hands," said Tom Stringfellow, president of Frost Investment Advisors. With stocks already trading near where many analysts expect them to finish the year, further pullbacks wouldn't be surprising, he said.

At the same time, sell-offs have been relatively short-lived, suggesting investors don't want to miss out on a market that has been rising this year.

Technology shares fell 1.7% in the S&P 500 in late trading Thursday, with Google parent Alphabet, Microsoft and chip maker Nvidia losing 2.2%, 1.8% and 3.3%, respectively. The S&P 500 tech sector was up 16% this year as of intraday trading Thursday, but had fallen nearly 3% in June as some investors questioned whether the group's run-up had been overdone.

Financial shares edged higher, benefiting from a recent rise in Treasury yields, as well as the Federal Reserve's decision Wednesday to allow big U.S. banks to ramp up dividend payouts and share buybacks. The KBW Nasdaq Bank Index of U.S. commercial lenders added 1.6% in late trading.

The yield on the 10-year U.S. Treasury note rose to 2.270%, according to Tradeweb, from 2.223% Wednesday. Higher rates tend to boost banks' net-interest margins, a key measure of lending profitability.

Hong Kong's Big Makeover

China's influence on city's markets has been huge in the 20 years since handover

By STEVEN RUSSOLILLO

HONG KONG—When China regained sovereignty over Hong Kong in 1997, the flourishing financial center seemed set to become a gateway for foreign investors to the then-largely closed mainland economy.

Two decades on, Chinese influence over Hong Kong's markets, rather than foreign investors' clout in China, is far more striking.

From the ever-rising activity of China's traders to the plethora of mainland companies listing on Hong Kong's stock exchange, China looms over Hong Kong's markets in a way few expect to dissipate in the coming years.

At the time of the handover, Beijing pledged to keep the former British colony as a largely independent entity for half a century. Less than halfway through that arrangement, Hong Kong—still one of Asia's leading financial markets, despite the rise of mainland rivals such as Shanghai—is increasingly being molded

in China's image.

"The influence of the mainland is ubiquitous," says Paul Gruenwald, Asia-Pacific chief economist at S&P Global.

One sign of China's importance to Hong Kong's markets is a shift in the largest constituents of the city's stock benchmark, the Hang Seng Index. Back in 1997, the index's biggest companies were either conglomerates owned by local tycoons or traditional British colonial firms, such as banking giant **HSBC Holdings PLC**.

Of the index's 10 biggest constituents by market capitalization then, only HSBC remains in its same form. Hutchison Whampoa and Cheung Kong Holdings, two companies 20 years ago, have since merged into **CK Hutchison Holdings Ltd.**, which is in the top 10.

Today, the Hang Seng is dominated by state-owned lenders such as **China Construction Bank Corp., Industrial & Commercial Bank of China Ltd.** and **Bank of China Ltd.**, which are also listed in Shanghai.

Chinese technology and telecom companies are a big presence, too. **Tencent Holdings Ltd.**, the owner of China's largest social network, WeChat, holds the Hang Seng's largest weighting at 11%.

It isn't just the market leaders that have changed. In 1997, mainland Chinese companies, including those incorporated offshore, made up less than 20% of Hong Kong's market capitalization, according to Hong Kong Exchanges & Clearing Ltd., which operates the city's stock market.

Today, that number has ballooned to north of 60% and looks set to rise, given the high level of new listings in Hong Kong accounted for by

Mainland traders are influencing which stocks outperform in Hong Kong.

mainland companies. Some 92% of the total volume of initial public offerings in the city was from Chinese companies last year, according to Goldman Sachs Group Inc., helping Hong Kong retain its mantle as the world's most popular venue for listings for the second consecutive year.

This trend has proved controversial. Companies from the mainland often have high investment from so-called cornerstone investors, who buy

up large amounts of the company's stock ahead of the IPO, pledging to hold on to the shares for a few months. When state-owned Postal Savings Bank of China Co. raised \$7.4 billion in its IPO in September, 80% of the shares were preordered by six other, mostly state-owned firms.

The presence of cornerstone investors makes it easier for companies to launch their IPOs. But critics say such deals are diluting the quality of the Hong Kong market.

"Hong Kong has essentially become a China growth derivative," says Kinger Lau, chief China strategist at Goldman Sachs.

China is also changing the way Hong Kong stocks are traded. The advent of the Stock Connect trading links between Hong Kong and the Shanghai and Shenzhen stock markets on the mainland in recent years has allowed mainland investors to buy shares of Hong Kong-listed securities via the link. Foreigners, in turn, can buy shares in China more freely than before.

Mainland traders are influ-

encing which sort of stocks outperform in Hong Kong, ana-

lysts say. Mainlanders often

buy into big Chinese companies

with listings in Hong Kong,

such as state-owned banks.

In the U.S., the Dow Jones Industrial Average fell 167.58 points, or 0.8%, to 21287.03, with Cisco Systems, Intel, Apple and Microsoft among the

biggest decliners. The S&P 500 lost 0.9%, and the Nasdaq Composite fell 1.4%.

Many investors said they see few reasons to extend bets on stocks that are already trading near all-time highs. Recent economic data, especially inflation, have been middling, expectations for policy changes like tax cuts and fiscal stimulus have been tempered and second-quarter earnings season has yet to begin in earnest.

"There's a lot of complacency out there," said Tom Stringfellow, president of Frost Investment Advisors. With stocks already trading near where many analysts expect them to finish the year, further pullbacks wouldn't be surprising, he said.

At the same time, sell-offs have been relatively short-lived, suggesting investors don't want to miss out on a market that has been rising this year.

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HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

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Premier Foods Hunts New Recipe

Going Stale

Premier Foods' share price



Sources: FactSet; the company

flation to customers in the highly competitive U.K. market, and make the best of a limited marketing budget.

Another obstacle is the 20% stake held by **Nissin**, the Japanese food group that invented instant noodles. Nissin and Premier revealed they were discussing a deal to cooperate on distribution, marketing and products in March 2016 when the U.K. group first rejected McCormick's approach. The next day it announced Nissin had bought a 17.3% stake held by private-equity group Warburg Pincus. Nissin later added to that holding.

Other large shareholders Standard Life and Paulson & Co were frustrated by this outcome and the latter has since cut its stake significantly. Meanwhile, Hong Kong activist Oasis Management has built an 8% stake.

Any transaction would need Nissin's support. But with Premier's stock so low, the pressure on management to do something is building.

—Paul J. Davies

and Ben Dummert

OVERHEARD

Everyone knows that China's famous bamboo muncher—the giant panda—is big business and a key, cuddly component in Chinese diplomacy.

Some entrepreneurial Chinese farmers are hoping to make big profits from another bamboo eater, the not-so-elusive bamboo rat.

Xiao Ling, a farmer from Hubei province, recently purchased 117 mating pairs and expects to earn about \$9,000 from the rats, which are regarded by some as a pest and are often sold for meat and fur, according to China Daily.

Chinese markets are notoriously bubble prone, and online marketplace Mr. Bamboo Rat shows that Mr. Xiao might be mistaken.

That site has vendors from all over China selling premium quality south China specimens for \$40 to \$80 a pair.

Still, there aren't many vendors listed from Hubei—Mr. Xiao may be onto something.

H&M Needs To Update Its Fashion

Finally, some good news from **H&M**: It is keeping a close eye on costs. But a return to meaningful sales growth would be much better news.

H&M doesn't disclose changes in same-store sales, but Barclays estimates they were down between 4% and 5% in the six months through May. This has accelerated a decline in margins that started in 2010, when H&M moved to cut prices and improve quality amid intensifying competition.

Historically, H&M has been reluctant to prop up margins. Roughly 30% of the company's shares are owned by Chairman Stefan Persson, son of the founder. Management—now led by Mr. Persson's own son Karl-Johan—hasn't seemed under

pressure to conform to the Wall Street fashion for offsetting weak growth with muscular cost management.

Until now: The quarterly operating margin reported Thursday was higher than a year earlier, despite the continuing decline in same-store sales. Brokerage Jefferies estimates that costs were down between 5% and 6% on a like-for-like basis.

There may be more fat to cut, but the junior Mr. Persson also needs to be careful he doesn't jeopardize the company's chances of recovery.

Where Inditex-owned Zara has maintained its fashion cred, H&M seems to have slipped. Once a youth fashion brand, it has turned into just another clothing chain, while the group's other brands are still too small to move the needle.

Cost discipline is welcome, but isn't enough to lure back long-term investors.

—Stephen Wilmot

Rite Aid Stock Crashes Into the Drugstore Bargain Bin

What seems like a bleak day for Rite Aid may actually be a new beginning.

Shares of the drugstore chain fell about 25% Thursday after Walgreens Boots Alliance said it was dropping its \$9.4 billion bid to acquire Rite Aid and would instead be buying half of its stores for \$5.18 billion in cash. Rite Aid will also receive a \$325 million breakup fee. The new agreement was spurred by the growing likelihood that the government would reject the original deal.

But while Rite Aid will be losing several billion dollars a year in revenue, the company could use the proceeds from the sale to pay down as

much as 70% of its more than \$7 billion in debt. Assuming pro forma earnings before interest, taxes, depreciation and amortization of \$500 million, or half of Rite Aid's trailing 12-month figure, that would lower its net debt to around 3.8 times.

That compares with 6.3 times trailing Ebitda today.

If Rite Aid used the proceeds of the deal to pay down debt, Moody's would consider raising its current credit rating, which is in the middle of the junk range, said analyst Mickey Chadha. Rite Aid said the per-store sales and adjusted Ebitda of the remaining stores would be higher than its company

wide average, a signal that Walgreens may be taking some of Rite Aid's lower-performing stores off its hands.

For Rite Aid, which re-

ported a net loss of \$75 million and interest expense of \$109 million for the first quarter of fiscal 2018, lower debt could free up cash to invest in its struggling stores. Same-store sales fell 3.9% in the quarter as the company felt the impact of lower reimbursement rates for pharmaceuticals. That should be offset somewhat by Thursday's deal, which gives Rite Aid the option to purchase generic drugs from a Walgreens affiliate at roughly the same cost as

Rite Aid could also merge with Fred's, a pharmacy chain that had agreed to purchase more than 800 Rite Aid stores in a deal done to appease regulators.

Granted, Rite Aid still isn't particularly cheap. The company trades at about 10 times the assumed pro forma Ebitda, after adjusting for net debt, about the same as the healthier Walgreens.

Still, Rite Aid is in better shape after the deal than it was, it remains a national chain and its shares are down by two-thirds this year. Sales like that don't last long.

—Miriam Gottfried and Charley Grant

—Stephen Wilmot

You call that
an orthopedic
shoe? (Actually,
we do)
W3



OFF DUTY



Attention,
collectors: It's a
grand, really,
really, really
old flag
W7

EATING | DRINKING | STYLE | FASHION | DESIGN | DECORATING | ADVENTURE | TRAVEL | GEAR | GADGETS

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THE WALL STREET JOURNAL.

Friday - Sunday, June 30 - July 2, 2017 | **W1**



Make a SPLASH

You needn't be an expert swimmer to master water sports. With the right gear, sailing, surfing, paddling or even idle bobbing is easier than ever

FOR MANY OF US, aquatic education ceases somewhere around age 10—about the time we're proficient enough to pass the deep-end swim test. Sure, a few eventually go on to approximate the always-showy butterfly stroke or execute a swamminish dive, but most Americans are stuck with the aquatic aptitude of a grade schooler.

Unfortunately, that arrested development holds a lot of us back, convincing us that the full breadth of summer water sports is beyond our reach. We'll drift aimlessly in a stable-feeling paddle boat from time to time, but when it comes to undertaking more adventurous activities in a lake or ocean, we quietly hang back, resigned to let the confident water jocks hog all the joy.

The good news is you don't need to be a human otter to get in on the action. From kayaks that are nearly capsizé-proof to surfboards that make getting up and gliding a lot less challenging, a slew of new game-changing gear and techniques is lowering the barrier to entry. Here, a guide to the equipment every merely average swimmer needs to know about. All that's required is a willingness to dive right in.

TURN TO PAGE W2 FOR A ROUND-UP

[INSIDE]

A SWILL TIME WAS HAD BY ALL
An insider's travel guide to Bordeaux, the wine capital of France **W4**



THE FINALE OF STRETCH?
As the trend for Lycra-boosted denim fades, jeans return to their roots **W3**



PITCHER THIS
Entertaining outdoors? Try this grapefruit-inflected riff on the Aperol Spritz **W6**



DIGGING GRAVLAX
Our two favorite ways to serve up cured salmon for breakfast **W6**

STEVE SCOTT

OFF DUTY

JUST ADD LOTS OF WATER

Can't Surf? Maybe Your Board Is to Blame

Watching an experienced surfer glide effortlessly across the face of a wave can be as intimidating as it is inspiring. If you've tried surfing only to quickly admit defeat, the issue might not be your lack of balance but your surfboard. Unless beginners have the right kind, they're basically setting themselves up for a big ol' wipeout.

Among the most common newbie mistakes is opting for a short, pointy, hard-fiberglass surfboard, the kind favored by experienced riders. What you need is a buoyant soft-top longboard. After years of testing, we favor the Boardworks Froth! 9-foot softboard. At 3 1/4 inches thick and 23 1/2 inches wide, the Froth! provides a very stable, confidence-inspiring platform.

While a cheaper soft-board from a big box store (like the ubiquitous \$150 Wavestorm sold at Costco) might tempt you, the superior Froth! makes learning to surf easier and more fun. Cheaper "foamies" tend to be too flexible and can absorb water over time, making them heavy and floppy.

The Froth! does things right. Its solid EPS foam core is covered in epoxy resin and buttressed with wood stringers for stiffness. Durable rubber that's soft yet grippy encases the rails and top deck. And unlike other softboards, this model's deck allows for traction without the need for sticky surf wax, which gets messy and can irritate bare skin on your thighs, stomach and chest—especially when it's caked with sand (think: 80-grit sandpaper).

A slick skin on the bottom of the board ensures decent speed, while three rubberized fins provide good maneuverability without being sharp and hard, like those found on conventional surfboards. Those flexible fins, along with the board's soft, rubbery exterior, mean you're less likely to get injured by the board as you learn to shred the waves. From \$225, boardworkssurf.com

—Mark Anders



Set Sail Without Getting Scuttled

Don't let sailing's notoriously steep learning curve keep you landlocked. Last year, Austria-based X-Cat released the Multi-Sport Catamaran, which offers exceptional stability (its two hulls are more stable than one), but unlike many easy-to-manage small boats, it doesn't compromise speed or excitement.

Thanks to its near-indestructible hulls, which are filled with buoyant closed-cell polypropylene foam, and a diminutive 14-foot-9-inch mast (short, even for a beginner boat), the X-Cat is very forgiving, easy to maneuver and difficult to capsize. And if the wind dies down (or if

you're simply not yet adept enough to harness it), you can just furl the sails and start rowing, using X-Cat's double-jointed oars. If even that sounds too taxing, simply engage the lithium battery-powered motor (a \$2,265 upgrade).

The X-Cat also eliminates the need for a boat trailer or launch ramp: Weighing just 120 pounds, the cat can be transported atop your car, assembled in 10 minutes and launched from the shore. \$7,700, plus \$2,700 for the rowing system, x-cat.com

—Brigid Mander

Paddle Like a Pro

If you're new to recreational boating, a kayak makes for a sensible starter vessel. It's relatively affordable, easy to paddle and sufficiently light and compact that one person can carry and stow it himself. Yet for many beginners, a kayak can feel disconcertingly wobbly.

You have to work pretty hard, though, to flip Perception's recently released Hi Life. Seriously. Whether you're buffeted by a wave or you decide to lean all the way over to one side to view the fishes, the Hi Life will keep you upright.

The stability results from the kayak's broad, long shape (roughly 11-by-3 feet) as well as all the empty volume inside its shell, which provides exceptional buoyancy. A small rudderlike fin—an unusual feature for a kayak—helps the vessel track forward smoothly as you paddle.

The Hi Life has an open-deck design: The padded seat, with a back that flips down flat, keeps you elevated well above the waterline (most kayaks sit you below it). Although



this positioning may leave you with wet feet, the open deck means you can also use the Hi-Life as a stand-up paddle board.

Despite its compactness, the Hi-Life crams in amenities, like a spot under the seat to stash drinks, and a long, narrow compartment that runs

down the center of the vessel to hold your fishing pole or camera mount. A small rear platform can serve as a swim deck kids can use to pull themselves out of the water—or as a perch for a water-loving but capsizel-phobic pup. \$799, perceptionkayaks.com

—B.M.

Skimboarding: For Those Too Chicken to Surf

As far as crazy-fun summer sports go, skimboarding is about as beginner-friendly as it gets. While it might lack surfing's thrills and glamour, you need little more than an inexpensive board and a pair of passably stylish shorts to give it a try. Getting the hang of it takes an afternoon or two.

Unlike surfing, which requires you to venture out into the ocean, skimboarding goes down on shore, in shallow water. There's not a lot to the sport. Just toss your board in front of you and jump on.

There's no need to spend a small fortune on your board, either. Tom Grenfell, a longtime employee of Cleanline Surf shops in Cannon Beach

and Seaside, Ore., recommends the DB Standard Proto (dbskimboards.com, \$190), which has foam on the surface to provide traction, so you never have to wax it. Waxing, he explained, is a huge hassle. "If you get any sand on that wax, it's gonna stick to that wax and you're gonna have to clean it up a lot."

Once you master skimboarding, you'll be able to glide gracefully along the shore for hours. As a kid, I used to go up and down the Oregon Coast, spending a good part of the day trying to skim my way to Haystack Rock.

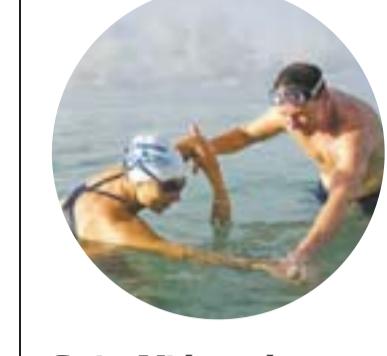
To be sure, there's no glory in being a skilled skimboarder—especially as an adult. It's kind of like an adult riding a scooter. At one time in my life, I was

more self-conscious about hopping on a skimboard than I was revealing the gut I'd acquired fighting in the Craft Beer Revolution.

But all that changed a few years ago when I interviewed Jack Johnson—the Hawaii-raised surfer turned Grammy-nominated songwriter. I couldn't help asking: Should adults be ashamed to skim? "I skimboard to this day," he told me. "The more you can be in the ocean the better. Skimming is cool. I don't care what they say."

Look, if Jack Johnson says it's cool for me to ride my skimboard with pride, that's good enough for me. And I hope it's enough to get you on the water, too.

—Chris Kornelis



Swim Without the Struggle

Despite being a member of the swim team when I was young, I've never found the act of swimming itself much fun. Frolicking in the surf is one thing, but having to get from point A to point B usually entailed inefficiently windmilling my arms, gasping for breath, wondering why swimming had to be so damn hard.

Well, it doesn't—as I discovered a few years ago when I learned a technique called Total Immersion (TI). Developed in the 1970s by American swimming coach Terry Laughlin (who teaches it with his wife, Alice, at a swim studio in New Paltz, N.Y.), TI has something of a cult following among amateur triathletes because it allows you to swim long distances with relative ease. The method is equally helpful if you just want to reach the floating dock where all the fun seems to be happening without your lungs burning.

I'd always thought that the key to becoming a better swimmer was simply to work harder: Kick faster, reach farther with each stroke, breathe with more precision. But unlike traditional freestyle techniques, TI looks downright lazy. The kicks are super-slow, and the arm movements feel so relaxed it's as though you're just dropping your hand into the water. The body roll gives you as much time as you want to breathe. The approach feels weird at first, but it's also highly efficient. Once I got the hang of it, I could bang out lap after lap.

You can teach yourself Total Immersion with books and online videos, but you'll grasp it faster if you attend a weekend workshop. Offered by certified instructors around the country, these classes can transform the way you swim in a couple of days. The lessons are a worthwhile investment for those who haven't taken a swim class since they were 12—or who suspect that swimming is tougher than it needs to be. DVD, \$25; see totalimmersion.net to find a workshop near you.

—Sara Clemence

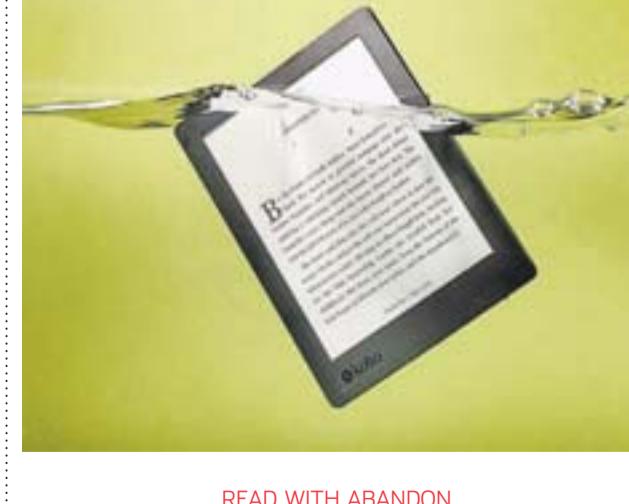


SLAM-DUNK GADGETS // THREE WATERPROOF GIZMOS TO PERCH PRECARIOUSLY ON YOUR POOL FLOAT OR THE BOW OF YOUR CANOE



SHOOT MORE STEADILY **Sony FDR-X3000R**

This video camera fits in the palm of your hand, but don't let its cute proportions fool you. There's enough tech packed into this sleek gadget to help you capture superlative footage in 4K—even if you've got one hand on a tiller. What sets the FDR-X3000R apart from the competition is the steady technology inside, called Balanced Optical SteadyShot, which brings an unusual degree of image stability to action shots that would otherwise be shaky and choppy. Slide it into the clear plastic housing it comes with (shown) to make it waterproof up to 197 feet. From \$350, sony.com



READ WITH ABANDON **Kobo Aura H2O Edition 2**

Summer can be cruel to books. Humidity curls their pages; an accidental dip in the pool will literally brick them. So thank goodness for waterproof e-readers. Kobo's first-gen Aura H2O reader was waterproof but required that you seal its ports with tiny rubber gaskets. This recent upgrade can be fully submerged in up to 6.5 feet of water, no port-covers required. As evening approaches, it will also gradually reduce the amount of blue light it emits so it won't mess with your circadian rhythms while you read "20,000 Leagues Under the Sea" into the wee hours of the night. \$180, us.kobobooks.com



ROCK OUT ON A RIVER **JBL Charge 3**

Looking for a compact, portable summertime sound system that won't drown? The Charge 3 can handle more than collateral splashing from an overzealous cannonball. This IPX 7-rated device can be fully submerged in 3 feet of water for up to 30 minutes. And should it happen to fall in the drink, the speaker will conveniently float back to the surface while awaiting rescue. It's available in electric-blue, red or teal (all well suited for hopping pool parties)—or classic black to best accompany moody summer storms. \$150, jbl.com —Lane Florsheim

OFF DUTY

Truer Blues

As the backlash to skinny stretch-jeans grows, women are rediscovering the more authentic joys of 100% cotton denim

BY NANCY MACDONELL

FOR MORE THAN a decade now, well past the lifespan allotted most trends, skinny jeans have dominated denim sales. Many women consider them the closest thing to an infallible garment the 21st century has yet produced. Skinnies owe their existence and money-grabbing allure to elastane, also known as Lycra, the stretchy synthetic fiber that allows for figure-sculpting cuts that Mr. Levi Strauss could never have imagined. But skinnies may have reached their snapping point: 100% cotton denim—known in the industry as “rigid”—is in the midst of a comeback.

Consider this: Brands that staked their reputations on an ability to craft jeans that cradled the derrière and calves like a girdle, including Frame, Citizens of Humanity, and Current/Elliott, have all begun offering pure-cotton styles. One of the current exemplars of rigid denim is New York label Brock Collection's Wright jean (seen below). The brand reports a high, over 80% sell-through rate for the style at Barneys New York. Even Gap, always a reliable barometer of trend saturation, has returned to its roots with jeans completely free of Lycra.

“I feel old and not cool now when I wear my skin-nies,” said Amy Leverton, 37, author of the 2015 book “Denim Dudes,” about indigo-loving guys (“Denim

Dudettes” is due out next year).

The stretch backlash gained momentum in 2015 when streetwear label Vetements, designed by Demna Gvasalia, repurposed vintage Levi's, said Barneys fashion director Marina Larroudé. “Fashion insiders were getting old 501s tailored for a long time, but Gvasalia brought [reworked Levi's] to a wider audience,” she said. Despite a four-figure price tag, Vetements' pure cotton jeans—pieced together from various vintage pairs—were a hit.

Although stretch denim first appeared in the 1970s, said designer Chloe Lonsdale, founder of M.i.h Jeans, it wasn't until the early aughts that it became the industry standard. Ms. Lonsdale, whose father owned Jean Machine, a seminal London denim boutique, sees the return to rigid as a quest for authenticity: “That classic jean aesthetic, that Lauren Hutton feeling, you don't get that in a skinny jean that hugs your ankles.”

Those making the switch should keep a few things in mind. The cut of vintage denim doesn't always work for modern sensibilities; older jeans will likely require alterations. When it comes to new iterations, Ms. Larroudé recommends a slim straight-leg style with a mid- or high-rise, like Calvin Klein's fresh take on its original nothing-comes-between-me-and-my-Calvins jeans.

While rigid jeans eventually excel at comfort, be pre-

pared for an initial struggle, said Ms. Lonsdale, who grew up hearing stories of customers lying on the floor of her father's shop while a salesperson pulled up their zippers with a clothes hanger. But the jeans will, in time, ease up and mold to your body. More important, that fit, unlike that of stretch denim—which eventually loses shape—will stay. The beauty of rigid jeans is that they last for decades. “It's like leather. It's tough. So it's going to age beautifully,” said Erik Torstensson, co-founder of denim brand Frame. The indigo dye eventually gets scraped away from the cotton fiber over time. “You get that beautiful fading as you wear them,” said M.i.h's Ms. Lonsdale. And should you decide to let down their hem or chop your rigid jeans into cutoffs, they'll play along by fraying beautifully. Stretch fibers snap and break.

For those loath to relinquish stretch entirely, denim brands are making styles with as little stretch as possible. M.i.h recently launched a style called Cult that uses denim with stretch only in the warp fibers and not in the weft. That means that they give lengthwise—which makes sitting easier—but not crosswise, avoiding the telltale bagging at the knees that even the best stretch jeans eventually exhibit.

And remember: Denim is not a zero-sum game. “On a long flight, I'm not going to wear rigid jeans,” said Ms. Leverton. “When I want to look cool, I will.”



HAVE A GOOD FRAY

Unlike stretch versions, jeans made of 100% cotton, such as these 501s on Danish model Ulrikke Hoyer, can be cut off with stylish results.

THE ALLURE OF PURE // FIVE MODERN STYLES OF SO-CALLED ‘RIGID’ JEANS, MADE WITHOUT A WHISPER OF STRETCH



Dior
\$850, [Dior](#),
212-931-2950



Frame
\$245,
[frame-store.com](#)



Brock Collection
\$475,
[barneys.com](#)



Junya Watanabe
\$410, [Comme des Garçons](#),
212-604-9200



Gap
\$80,
[gap.com](#)

POINTS OF DISTINCTION



SHHH! MY SANDALS HAVE A SECRET

Created by an ex-podiatrist with a rare eye for elegance, these strappy heels prove that genuine comfort can look refined. Here's what supports their hidden agenda

BY REBECCA MALINSKY

MARION PARKE does not want people to call her shoes comfortable. So apologies in advance, but having personally tried them, I can attest that they redefine comfort. It's hard to forget about the hidden cushionness of her Italian-made heels once you've experienced it.

Dr. Parke, an ex-podiatrist who launched a line of footwear last year, stresses that she aimed to avoid the classic orthopedic look: “The insole is not brown or orange with perforated holes.”

Still, she called on her medical training to banish the pain that chic shoes often cause. She developed a last—the technical term for the mold around which a shoe is created—that provides extra support to the arch of the foot. “It gives more surface contact between the bottom of your foot and the shoe,”

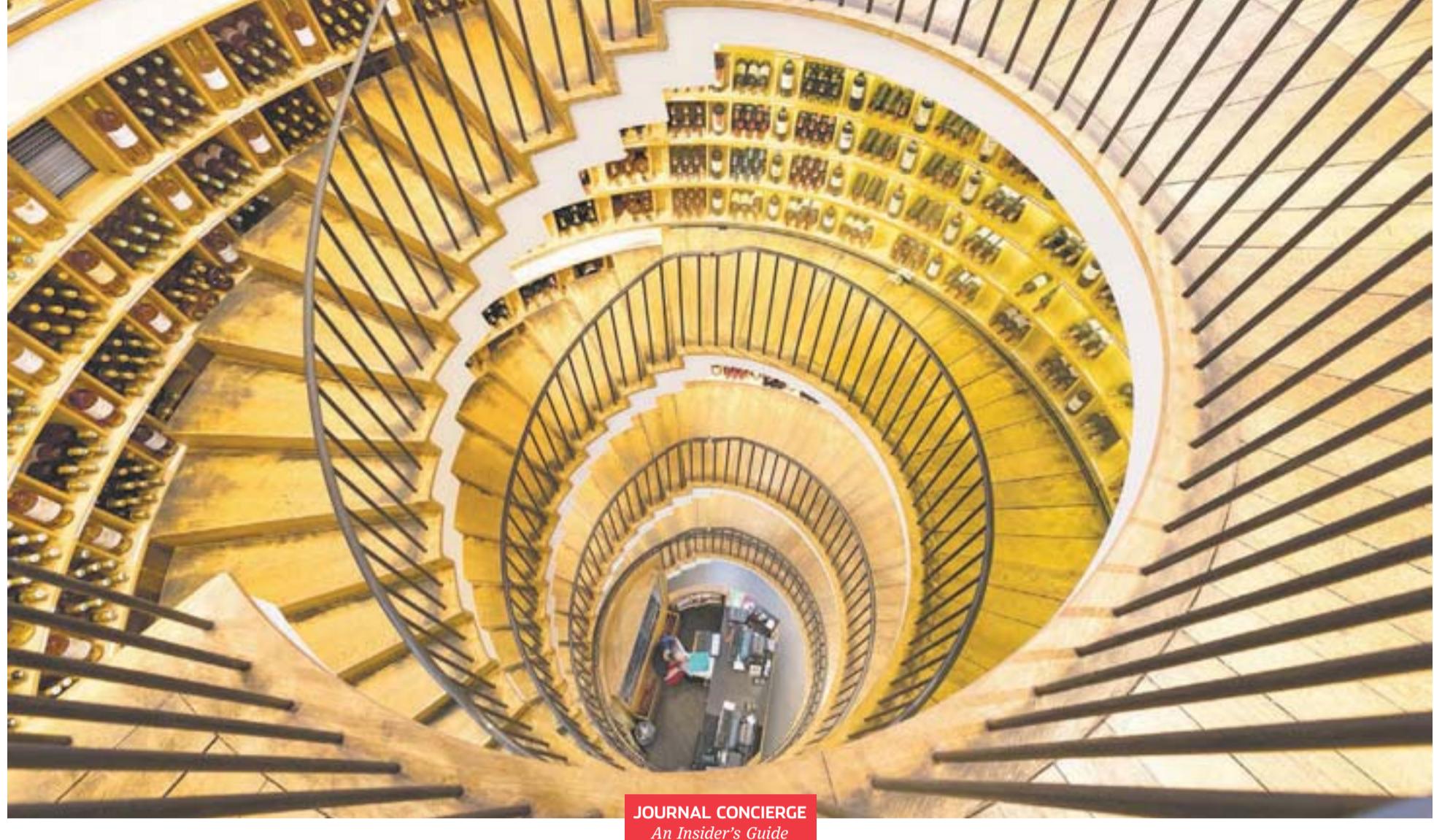
she explained. It also distributes weight more evenly to reduce pressure on the ball of your foot. Inside the sole is a thin medical-grade foam called P-cell—used, among other things, to line prosthetics—that molds to feet over time.

The solid block heels are 60 millimeters (just over 2 1/4-inches high). Dr. Parke settled on a sensibly chic mid-height based on aesthetics. Another aesthetic decision: the dainty width of the straps. They are, however, strategically placed to avoid friction with the ankle bone or anywhere else.

One potential irritant: all those buckles that need to be fastened and unfastened. Adjustable straps help the shoe better fit women with high arches, Dr. Parke said, adding, “Zippers would detract from the delicacy. I understand we all live a fast-paced life, but slow down and take a minute to buckle your shoe.” Sandals, \$625, [marionparke.com](#)

OFF DUTY

1. L'Intendant wine shop



JOURNAL CONCIERGE
An Insider's Guide

6. Musée des Arts Décoratifs et du Design



Bordeaux

How to make every slurp, every sight count in France's wine capital? Follow the lead of these local bon vivants

SPRAWLING VINEYARDS, cavernous wine cellars, formal, interminable meals—that's Bordeaux, right? Yes, but that's only half the bottle. France's fifth largest city, the riverside port of Bordeaux rivals Paris when it comes to historical monuments. Among the most notable head-turners: the 15th-century Porte Cailhau, a turreted gate that marks an entrance to the old city, and the imposing Place de la Bourse, built by Louis XV's architect and livened up considerably with the 2006 addition of the Miroir d'eau (water mirror), a 37,000-square-foot reflecting pool that turns into a spritzing



fountain every summer. The city's newest architectural standout, the year-old La Cité du Vin, is a high-tech wine museum, whose bulbous, gold exterior mimics a glass in mid-swish. At the bistros and bars in the quaint Saint Pierre and Chartrons districts, it's all about boundary-pushing cuisine and craft cocktails. What's more, the sea is only a half-hour away, and starting this month, the train trip from Paris will clock in at just over two hours, making it even easier to build a few days in Bordeaux into a trip to the capital. Here's how to spend them. —Sara Lieberman

2. La Canfouine au Canon



5. Cheese at Marché des Chartrons



4. Le Jardin Public



3. Le Magasin Général at Darwin Ecosystem



GABRIEL GUIBERT FOR THE WALL STREET JOURNAL

THE EPICURE

Frédéric Vigouroux
Chef and owner at
Le Bouchon Bordelais



THE DESIGNER

Joanne De Lepinay
Interior decorator of
homes, restaurants and
boutiques



THE CHOCOLATIER

Thierry Lalet
Fourth-generation artisan
at chocolate shop Saunior



THE WINE EXPERT

Sylvie Cazes
President of the Cité
du Vin Cultural Center
and Museum



CAKE BOSS // La Toque Cuivrée This bakery specializes in canelé, a small vanilla cake with a touch of rum flavor and a caramelized crust. It's been a Bordeaux specialty since the 17th century. *18 cours du Général de Gaulle, la-toque-cuivrée.fr*

BOTTLE UP // L'Intendant [1] I really fancy this wine store in downtown Bordeaux with an amazing 40-foot-high spiral staircase. The store keeps 15,000 bottles of the best Bordeaux grand cru wines and the staff are very welcoming. *2 allée de Tourny, intendant.com*

SIPS & DIPS // Aux Quatre Coins du Vins At this old-quarter wine bar a team of young sommeliers offers a large choice of wine from Bordeaux and all over France, and great appetizers. *8 rue de la Devise, auxquatrecoinsduvin.com*

OCEANIC ORDERS // La Canfouine au Canon [2] This lovely oyster and seafood restaurant on the sea is heaven, only 45 minutes from Bordeaux. *75 rue Sainte-Catherine, Lège-Cap-Ferret*

PLUS DON'T MISS... Casa Blanca B&B This 200-year-old townhouse consists of five spacious guest rooms, each with a fireplace and floor-to-ceiling French windows. *39 rue de la Course, casablancabordeaux.com*

// Symbiose At this speakeasy opened by two alums from Paris's famed Experimental Cocktail Club, try the Smoky Suzy cocktail, made with Cognac, Champagne and fresh mint. *4 quai des Chartrons, facebook.com/symbiosebordeaux*

// La Cité du Vin The top-floor tasting room at the city's new wine museum grants a panoramic view of the city over the Garonne River. *134-150 quai de Bacalan, laciteduvin.com*

// Darwin Ecosystem [3] Cross the river to explore this "renovated urban wasteland," filled with restaurants, an organic garden, a roller-derby rink and an outdoor general store. *87 quai des Queyries, darwin.camp*

MARKET WATCH // Passage Saint Michel I love to stroll this flea market to find vintage pieces of furniture for my projects. *14 Place Canteloup*

FRY DADDY // La Tupina For a cozy atmosphere and traditional regional cuisine, this is the place you need to go—especially for the french fries cooked in duck fat. *6 rue Porte de la Monnaie, latupina.com*

SHOW STOPPER // CAPC Museum of Contemporary Art Bordeaux's Museum of Contemporary Art has an amazing permanent collection. It's a must-see, if not for one of the exhibitions, then for lunch on the restaurant terrace. *7 rue Ferrere, capc-bordeaux.fr*

A LA MODE // Espaces Here you can find all the best luxury clothing brands with a boudoir spirit, such as Céline, Chloé, Saint Laurent. Martine, the owner, is the best adviser when talking about fashion. *39 cours Georges Clemenceau, boutique-espaces.com*

LIVING MEMORY // Musée des Arts Décoratifs et du Design [6] It's a little museum in an old house where you can see how a rich Bordeaux family lived in the 18th and 19th centuries. *39 rue Bouffard, madd-bordeaux.fr*

NOSH HOUR // Marché des Capucins Les Capucins is an outside market with a bakery, butcher, cheese—everything. Arrive early, at 7, and you'll see people starting the day with a coffee and croissant and others finishing the day outside of the disco with a whiskey. *marchedescapucins.com*

HAPPY MEAL // Garopapilles Tanguy Laviale serves really fresh and simple food in perfect harmony in a small, casual place, with maybe 20 seats. *62 rue Abbé de l'épée, garopapilles.com*

AMUSEMENT PARK // Le Jardin Public [4] This is a garden for people who live in the center of Bordeaux. On Sundays, they arrive in swimsuits and stay on the grass all day. You can come to read, to play le foot or rugby, to eat lunch. *Rue de la Course and Cours de Verdun, bordeaux.fr*

STAGE CRAFT // Trianon Theater This small, renovated 20th-century theater is incredible. They put so much energy into renewing it and offer terrific programming. *rue Franklin, théâtre-letrieranon.com*

SHOP AROUND // Centre Commercial Les Grands Hommes This shopping area, in a beautiful round structure, has high-quality shops for things like linen and ceramic plates. *12 place des Grands Hommes, lesgrandshommes.com*

OFF DUTY

MESSAGE IN A BOTTLE NOVELIST MATTHEW KLAM ON NELSON'S FIRST 108 TENNESSEE WHISKEY



The Stories That Whiskey Unbottles

I'M PROBABLY NOT the only one, but since November I've been drinking more. To look forward to a drink at the end of another bizarre day is not a crime. So it seemed well timed when an editor at The Wall Street Journal sent me a bottle. Then I saw it was whiskey. For a long time I've thought whiskey tastes like old socks soaked in gasoline. I had an experience with Yukon Jack at a Ramones concert in 1982 and have kept whiskey at arm's length ever since.

This bottle of Nelson's First 108 Tennessee Whiskey from Nelson's Green Brier Distillery arrived along with an official history: Charles Nelson, age 15, set sail from Germany, together with his parents and siblings, for a new life in America. His father, John, had liquidated the family's candle- and soap-making business, converted his assets into gold and had the gold sewn into his clothing for easy transport. On the crossing, John fell overboard and drowned. The family arrived without a penny but somehow recovered. Young Charles later moved to Tennessee and became one of the largest manufacturers of whiskey in America. But the business went belly-up in 1909, following the passage of legislation prohibiting the manufacture of alcohol in Tennessee. A century later, Charles's great-great-great-grandsons, Andy and Charlie Nelson, revived the brand.

That told me very little about the whiskey itself—and as I've pointed out, my experience with whiskey had been extremely limited over the last 35 years—so I decided to share the bottle with someone who knows something about spirits. The guy who lives next door to me here in D.C. retired from his job at NASA at 48 and turned to woodworking. Some years later he was hired to build the interior of a tasting room for a hard-cider manufacturer in Middleburg, Va., with wood-paneled walls that rise to the copper ceiling. One day, he and the guy who owns the cidery decided to buy a still, pour cider into it and make apple brandy. Peter's been making booze there ever since. They call their cidery and distillery Mt. Defiance.

I bought my house from Peter, after he renovated it with his own hands. He built our kitchen using cherry he lathed in his basement and built our dining-room table from African mahogany. I'm somewhat awed that he left his first career to be a woodworker, then changed again to be a booze-maker. This kind of thing isn't for everyone, but Peter seems to know what he's doing. At NASA he helped design the International Space Sta-

TO LOOK FORWARD TO A DRINK AT THE END OF ANOTHER BIZARRE DAY IS NOT A CRIME.



crafted whiskey, FEW Bourbon. We sniffed, swirled and rinsed between shots. Other employees of the cidery weighed in, agreeing that one had a better nose, the other a smoother, lighter finish. Or something. For my own part I'd say that, drunk straight, both whiskeys tasted like rat poison.

Then Peter mixed a batch of Manhattans using the First 108 in a Pyrex pitcher filled with ice, adding bitters, a slice of orange peel and Mt. Defiance sweet vermouth. He stirred it with the handle of a knife. Vermouth, I learned, is just wine fortified with honey and herbs—or, in the case of Peter's own recipe, grapefruit peel, bitter lemon, peppermint, lavender, hyssop, orris root, bitter orange peel and shiitake mushrooms. The shiitake, I was told, helped bring out the smokiness in the whiskey. The bitters were made in the "Creole style," whatever that means, using cinnamon, clove and star anise. I took the first sip, kept my mouth closed, and breathed out through my nose. All sorts of divine aromas and tastes registered. The drink was dusky, tangy and sweet.

We sat and blabbed about his booze business, and about our neighbors, and about the book I'm about to publish. I realized then that I'd been carrying around an almost unspeakable weight, one that seemed to undermine the modest, happy little life I lead next door to Peter. I'd been hired to write for a TV show in L.A. and was still trying to wrap my mind around going out there to live for six months.

"Alone?"

"Yes. I'll fly back when I can, which might be once a month." My daughter just turned 12. Peter knows me to be a fairly attentive father. I haven't missed many bedtimes.

He thought about it. Our relationship isn't the kind that normally traffics in this sort of material. "When I was a kid, my dad went to Vietnam for a year, and he had no way to communicate with us." He thought some more. I reminded myself that I'd be able to FaceTime, that going off to L.A. for a few months is not like going off to war. Peter said, "He mailed us tapes every few months and we all listened to them."

"Like cassette tapes?"

"No, reel-to-reel." I pictured his concentrated stare, watching the wheels of the reel-to-reel spin, as his father's voice came forth. We finished the pitcher, talking in a way we hadn't before.

Mr. Klam's novel "Who Is Rich?" will be published by Random House on July 4.

SLOW FOOD FAST SATISFYING AND SEASONAL FOOD IN ABOUT 30 MINUTES

Peperonata Salad With Chèvre and Country Ham



The Chef
Steven Satterfield

His Restaurant
Miller Union
in Atlanta, Ga.

What He's Known For
A deep affinity for vegetable cookery, from root to stem. Inventive dishes that seem timeless.

SOMETIMES the garnish comes first. Known for his way with vegetables, Steven Satterfield of Miller Union in Atlanta likes to start a salad with a schmear of goat cheese on the plate and then pile greens on top. "It's a bit of a chef-y trick, but it translates nicely to homes and looks impressive," he said.

In this recipe, Mr. Satterfield's first Slow Food Fast contribution, the cheese is seasoned with basil, black pepper and lemon zest. A mound of arugula and fresh basil goes on top, along with some tangy peperonata, the sweet-sour stew of red and yellow bell peppers cooked in olive oil. Boiled new potatoes and pieces of thinly

sliced ham ring the plate. Typically, peperonata calls for slow stewing, but here Mr. Satterfield streamlines the process so the peppers get just a quick fry in olive oil before steeping in a vinegar bath. A splash of vinegar goes into the water the potatoes simmer in, too. "A little acidity gives them zing and seasons them from the inside out," the chef said.

It's a fun dish to eat. Once you've scooped up the cheese with forkfuls of greens, there are plenty of other ways to construct delicious bites. "Take a potato, swoosh it around and pick up the juices," said Mr. Satterfield. You won't want to miss a bit. —Kitty Greenwald

TOTAL TIME: 35 minutes SERVES: 4-6

Kosher salt and freshly ground pepper	olive oil	at room temperature
½ cup cider vinegar	4 sweet bell peppers, stemmed, seeded and cut into strips or rings	Zest and juice of 1 lemon
12 small new potatoes	6 ounces fresh goat cheese,	1½ cups roughly torn basil
½ cup plus 3 tablespoons		8 thin slices country ham
		5 ounces arugula

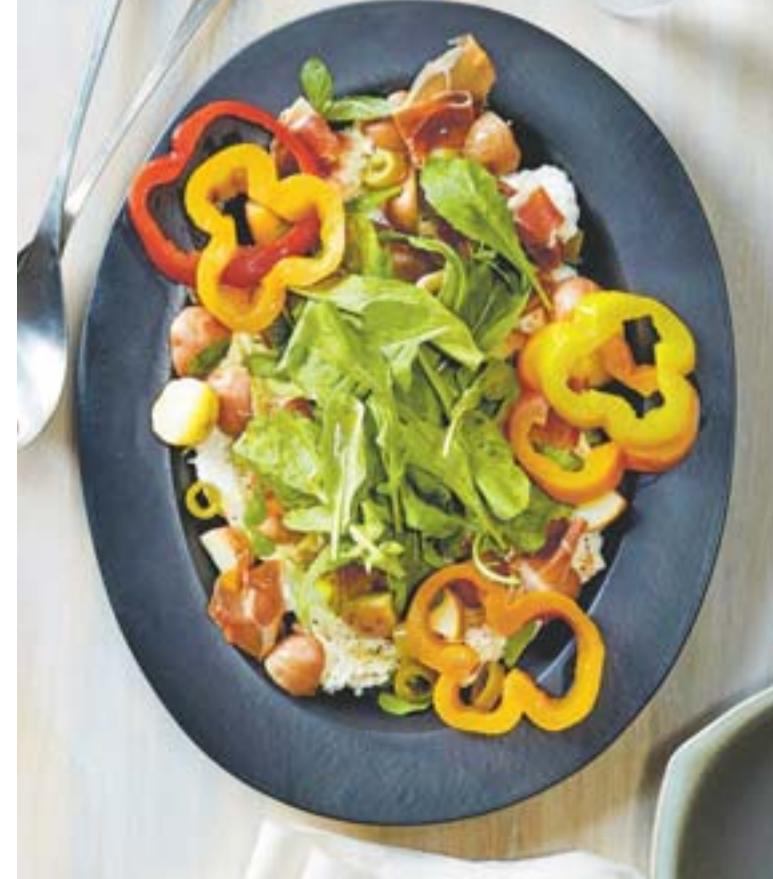
1. Fill a medium pot halfway with salted water and half the vinegar. Bring to a boil over high heat. Add potatoes and simmer until tender, 15-20 minutes. Drain potatoes and toss dry. When just cool enough to handle, break potatoes into rough, bite-size pieces and transfer to a medium bowl. Season with 3 tablespoons olive oil and salt and pepper to taste.

2. Meanwhile, in a second medium bowl, combine remaining vinegar with a generous pinch of salt. Heat remaining olive oil in a large skillet over medium heat. Add peppers and fry until soft, about 4 minutes. Transfer peppers to

bowl with vinegar, reserving oil in pan. Once oil cools to warm, pour it over peppers.

3. In a small bowl, mix cheese with lemon zest and lots of black pepper. Spread cheese over a platter, leaving a 1-inch border all around. Scatter ¼ cup basil over cheese. Arrange potatoes around edge of platter. Tear ham into pieces and scatter over potatoes.

4. In a large bowl, combine arugula, remaining basil and lemon juice, and season lightly with salt. Drain pickled peppers and gently toss into salad. Mound salad over goat cheese.



AIM FOR THE STARCH Hunks of boiled new potato make an excellent medium for scooping up the cheese and the juices from the pickled peppers.

OFF DUTY

BREAKFAST 2.0

One Fish, Two Fish

Cure your own gravlax for an easy, elegant brunch. Then use the leftovers in a hearty rye-bread hash

BY SARAH KARNASIEWICZ

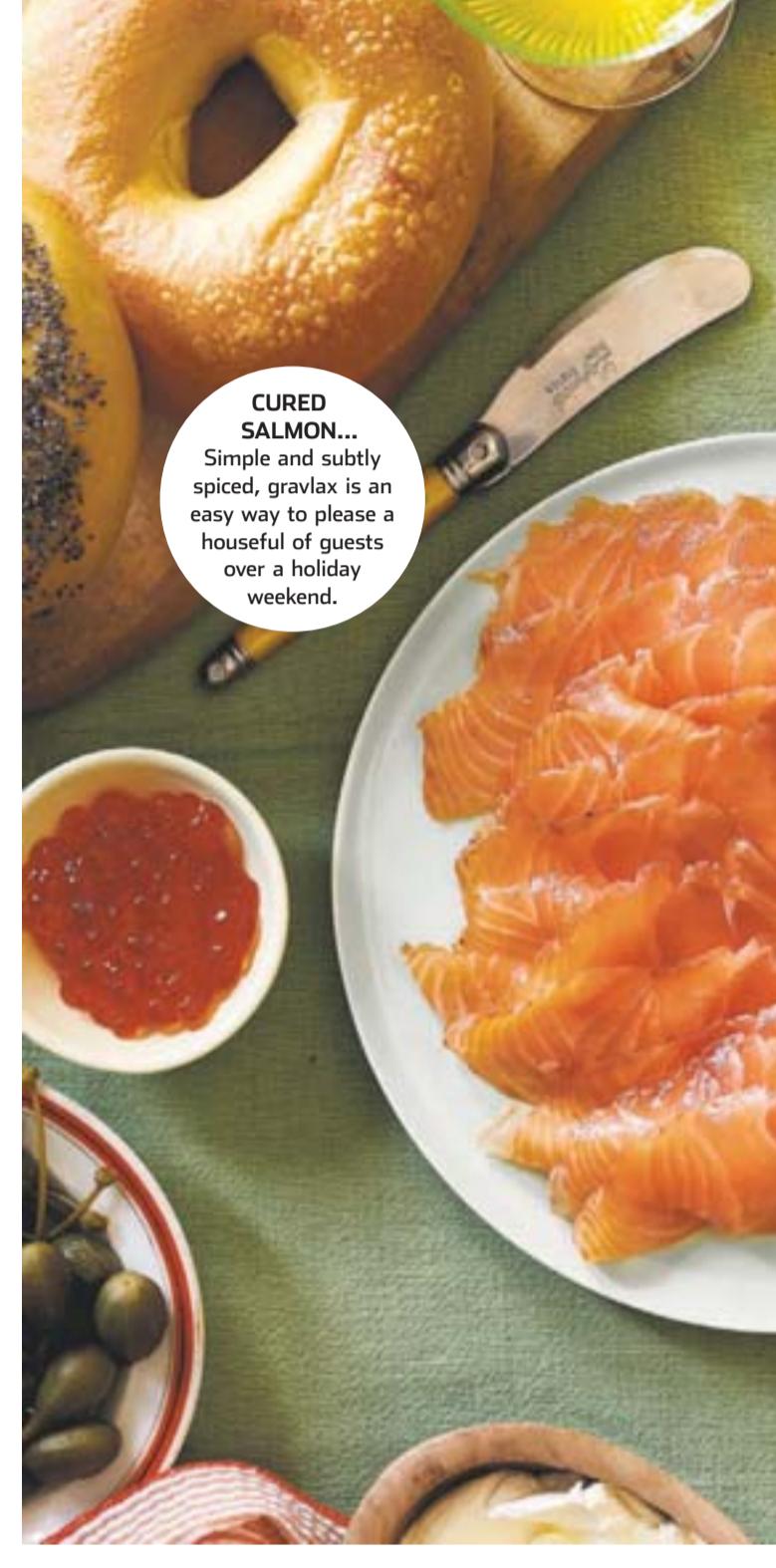
EAGER TO impress your overnight guests? You could spend a small fortune on 800-thread-count sheets—or about 10 minutes prepping a batch of silky, tender, caraway-scented gravlax. With a few days' stay in the fridge, the latter is guaranteed to inspire serious breakfast-table swooning. Come Saturday morning, slice the salmon thinly enough to read the horoscopes through and array it on a tray alongside a dozen plump bagels. Add a snowy peak of scallion cream cheese, some sliced onions and summer tomatoes, a scattering of capers and a few other niceties. No one will want to get out of their pajamas. You win the weekend.

With its seashell-pink hue and delicate texture, gravlax looks a lot like cold-smoked salmon and tastes like that brunch stalwart's milder cousin: sweeter, cleaner, and of course, smoke-free. For home cooks—even timid ones—this is a DIY project with little risk and enormous rewards.

There are endless ways to tweak the formula based on regional tastes and personal recipes, but the basic method—which harks back to the days when Scandinavian sailors preserved their catch by salting and burying it along the shore—remains remarkably simple. Grab a slab of the freshest salmon you can find. Ask your fishmonger to remove the skin. (And if wild Alaskan salmon is in season, splurge. It's worth it for the buttery texture and Crayola color alone.) Slather on a rub of salt and sugar and whatever herbs strike your fancy—dill and caraway are a nice nod to the Nordics, and a hefty pinch of black pepper never hurts—then wrap the whole thing tightly in plastic wrap and pop it into the refrigerator, weighted with a few hardcovers from your summer reading stash. (A couple of cans from the pantry will also work.) The longer you let it cure, the firmer the fish's flesh will be and the bolder the flavor—but generally speaking, two to three days gets the job done.

It really is as easy as that. Hearty slices of pumpernickel or bagels and cream cheese are, of course, classic pairings. But you can bring as much bling to your appetizing platter as the occasion warrants, adding bowls of cucumber salad for cool crunch, a sunny egg salad flecked with herbs or even a few spoonfuls of briny caviar.

Leftover gravlax is a rarity, but any that isn't gobbled up will keep at least five days in the refrigerator. My favorite vehicle for scraps is a hash made with hunks of rye bread. Studded with beets and slivers of salmon and crowned with a dollop of crème fraîche, it's another dead-easy dish that affirms the greatest luxury is doing next to nothing.



Black Pepper and Caraway Gravlax

ACTIVE TIME: 10 minutes
TOTAL TIME: 2 days (includes curing)
MAKES: 1 pound

1/2 cup light brown sugar
1/2 cup kosher salt
1 tablespoon freshly ground black pepper
1 teaspoon caraway seeds
1 (1-pound) salmon fillet, skin and pin bones removed

1. Combine sugar, salt, pepper, and caraway seeds in a small bowl, using your fingers to break up any clumps. 2. Spread a large piece of plastic wrap over your work surface. Sprinkle half the spice mixture onto the plastic, spreading it into an even layer that is just bigger than your salmon fillet. Place salmon on top of spices, then sprinkle on remaining spice mixture, using your hands to

make sure it is evenly packed around fish.

3. Wrap plastic tightly around salmon, leaving ends open so moisture can escape during curing. Place wrapped salmon on a wire rack set on a rimmed baking sheet. Top with another baking sheet and weigh down with something heavy. (A few cans of beans, a cast-iron skillet or even some big books should do the trick.) 4. Transfer trays to refrigerator. Flip salmon once a day and drain off any liquid that has accumulated on baking sheet. For a light cure, let cure 2 days. For a stronger flavor and firmer texture, cure 3 days. 5. Before serving, unwrap salmon, rinse off spice mixture and pat dry. Slice very thinly, on the diagonal. Serve with bagels, sliced red onions, caper berries or capers, sliced cucumbers, sliced tomatoes, assorted cream cheeses and salmon roe.

Rye Bread Hash With Beets and Gravlax

TOTAL TIME: 25 minutes SERVES: 4

2 eggs
1/2 cup milk
1/2 crème fraîche, plus more for serving
Kosher salt and freshly ground black pepper
3 cups cubed dark rye or pumpernickel bread
4 tablespoons olive oil
1 leek, white part only, halved lengthwise and sliced into half-moons
1 red onion, coarsely chopped
1/2 teaspoon caraway seeds
1 large or 2 medium cooked beets, cut into 1/2-inch dice
4 large pieces homemade gravlax or smoked salmon, sliced into strips
Capers, for serving
Chopped chives, for serving

1. In a wide, shallow bowl or baking dish, whisk together eggs, milk and crème fraîche. Season generously with salt and pepper. Add bread and toss. While completing remaining steps, toss occasionally to fully saturate bread. 2. Heat 2 tablespoons oil in a large skillet over medium heat. Add leeks and onions and cook, stirring occasionally until soft and golden, 5 minutes. Gently stir in caraway and beets, and cook until fragrant, 2 minutes. Transfer to a bowl. 3. Wipe out skillet and return to stove over medium heat. Add remaining oil. When hot, add bread mixture. Cook until crisped on underside, 3 minutes, then use a spatula to gently turn. Continue cooking, turning occasionally, until crisped all over, 8 minutes more. Stir in reserved onion-beet mixture. Cook until warmed through, 2 minutes. 4. Divide hash among 4 plates. Top with gravlax, a dollop of crème fraîche, a spoonful of capers and chopped chives. Season with salt and pepper to taste.

DRINKEASY

CHILL OUT, ITALIAN STYLE

This pitcher-friendly take on the spritz cocktail takes aperitivo hour to new heights of low-key luxury

WHEN IT COMES to leisure, my hat is off to the Italians. So you're just hanging out at this outdoor café because that's what you do after work? On a Monday? Their mastery of kicking back manifests in cocktail form with the Aperol spritz.

This is the most famous of the spritzes, the sparkling wine-based cocktails that rule the aperitivo hour across Italy. The recipe is as easy as 3, 2, 1: three parts Prosecco, two parts Aperol, one part soda water, over ice with an orange, lime or grapefruit garnish.

It's a thirst quencher, sure, cool, sparkling and quaffable. But the Aperol spritz also has a certain la dolce vita to it that, say, a gin and tonic doesn't. Prosecco will do that. And so will the color red—just ask anyone who is fortunate enough to own a Ferrari that color.

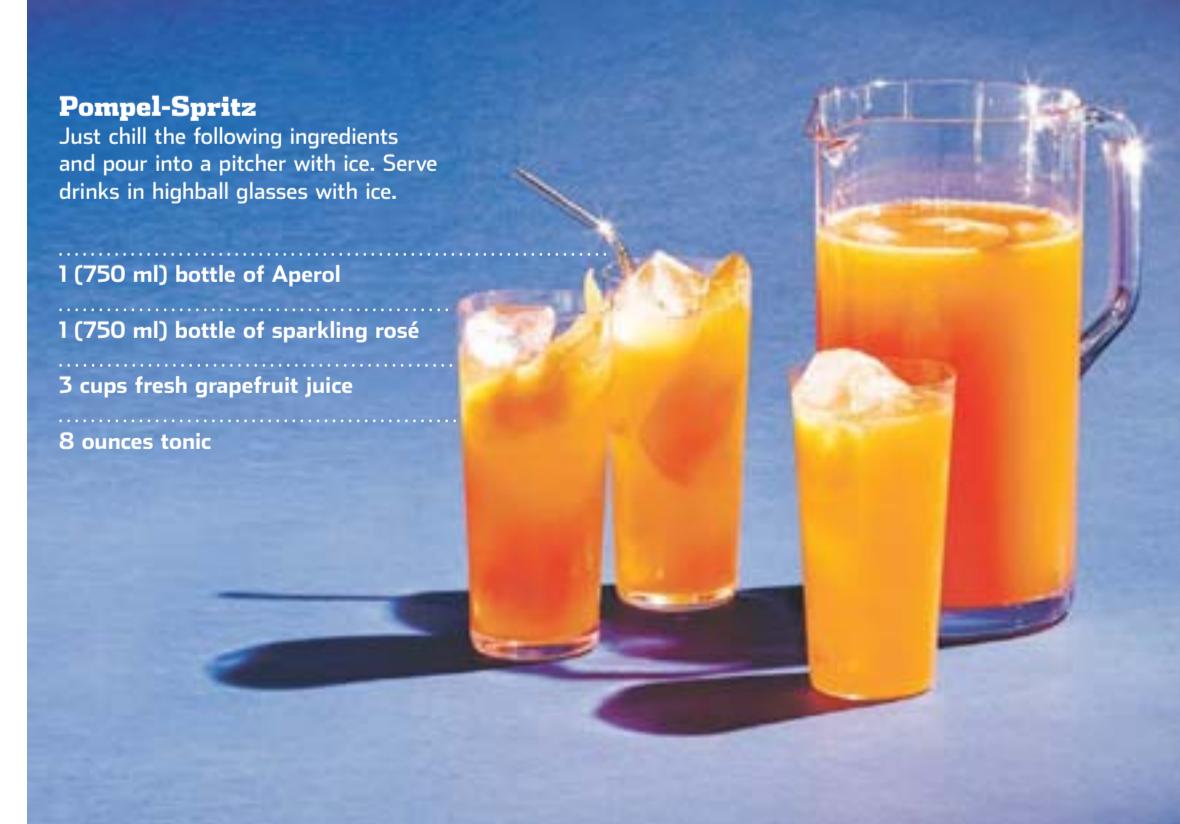
How do you further summerize the quintessential summer drink? Make it pitcher-friendly, because even a cocktail this easy becomes a chore when you have to mix one after another. The Pompel-Spritz, a twist dreamed up by Pamela Wiznitzer, creative director of New York cocktail bar Seamstress, dials back the sparkling wine and adds grapefruit juice, a natural companion to the delectably bitter Aperol.

This drink, like all spritzes, is best in the late afternoon, with some antipasti, as you wait for the sun to set and the temperature to drop before settling into a late dinner of tortelli followed by grilled polpi and then maybe some formaggi and honey. You know, a typical Monday in Italy. But, hey, a long weekend and a backyard grill will work too. —Kevin Sintumuang

Pompel-Spritz

Just chill the following ingredients and pour into a pitcher with ice. Serve drinks in highball glasses with ice.

1 (750 ml) bottle of Aperol
1 (750 ml) bottle of sparkling rosé
3 cups fresh grapefruit juice
8 ounces tonic



OFF DUTY



LOVE STORY

The Star-Scrambled Banner

A Fourth of July appreciation of the soulful beauty of antique American flags—pre-standardization and mass production

BY STEVE GARBARINO

GROWING UP outside Philadelphia, the “Cradle of Liberty,” I couldn’t avoid the trappings of Yankee patriotism. The flag-waving fervor reached numbing levels in 1976, when banners paraded, bunting draped and star-spangled tchotchkes proliferated: mugs, key chains, T-shirts, bikinis.

An unlikely trigger, the revival of 1969’s “Easy Rider,” made the teen me see the red, white and blue with more appreciative eyes. I loved the look of Peter Fonda on his custom chopper, Old Glory painted on the gas tank, his helmet and leather jacket mirroring the motif, too.

The actor’s Stars and Stripes display—cool and attitudinal, symbolic of individuality more than of patriotism—hooked me. I see now that my new allegiance to the flag had much in common with the Founding Fathers’ motives. What

were they but rebels—their cause, independence?

“Consider that if the revolution had failed, all the guys who signed the Declaration of Independence would have been hung,” said Steve Winters, whose Historical Americana Company, in Atlanta, deals in antique flags.

I hadn’t thought of displaying one in my home until I visited the National WWII Museum in New Orleans, my adopted hometown. I saw framed and encased specimens—and in particular a battle-worn, faded version from D-Day, so beautiful and full of character as to qualify as art.

Studying the market, I found that early-American flags have become sought-after Americana. In May, a 13-star campaign flag from James Buchanan’s 1856 candidacy (above, center) set an auction record when it sold for \$275,000 to Jeff Bridgeman American Antiques, in York County, Pa.

Modest finds remain, however. A 48-star version, from 1959, before Hawaii and Alaska gained statehood, can be had unframed for \$10 to \$150, Mr. Winters said.

Sail and tent makers likely fabricated early flags, which flew from ships and forts, said Jeff Bridgeman. “Private use really didn’t begin until the Civil War,” he said. “Then homemade examples first appeared in a significant number.” Not until 1912 did the federal government standardize the design, which explains varieties like two flags shown here (top left and top right) that distinctively arrange 31 stars, reflecting California’s 1850 admission as the country’s 31st state.

Materials and configurations reflect events of their day. Although many flags are made of wool, silk or cotton, the 30 Xs that stand in for stars on a WWI-era example (middle left) appear to be made of medical tape. It was fashioned, said Mr. Bridgeman, by Belgians welcoming

U.S. soldiers into the previously Germany-occupied city of Virton.

Customers prefer specimens that show age and usage, said C. Garrett Bonsell, owner of Bonsell/Americana, in Hillsdale, Ill. This makes flags an anomaly; with most other collectibles, “mint condition” increases value. “People want it clear, even upon first glance, that the flag is old and unusual,” he said. Mr. Winters noted that when early hand-printed examples age, the red turns shades of orange, the blue fades and the white mellows to tan or cream. “They take on a surreal look and have wonderful, glowing chromatic colors,” he said.

Kate Schelter, a New York stylist and author of “Classic Style,” scours estate sales for vintage American banners. One hangs in the staircase of her cedar-shingled Cape Cod home. “It makes a wonderful focal point,” she said. Flags sit well, too, in interior designer Miles Redd’s bold rooms, which of-

VERY OLD GLORIES Clockwise from top left: circa 1850, \$45,000; and circa 1896, \$1,195, both from historicalamerica.com; circa 1850, \$22,500, bonsellamerica.com; circa 1890, \$25,000; 1876, \$25,000; Civil War Era, \$175,000; circa 1890, \$60,000; circa 1917, \$22,000; circa 1856 (not for sale); all from jeffbridgeman.com

ten pop with primary hues. “They’re incredibly distinguished and graphic,” he said.

Despite a deepened respect for early American flags, I still don’t possess one. Yet this Fourth of July, my fashion-designer wife plans to sell pocket squares she made from a roll of 1950s-era, 48-star mini-banners she found at an estate sale. I will stuff one in my sports jacket’s pocket and cruise to the levee fireworks on my scooter, not motorcycle, come Independence Day. Born to be mild.

COPY CAT

CABINET FEVER

How to emulate the faceted look of a memorable credenza spotted in a new Miami hotel

CASE STUDY Joseph Dirand riffed on the concrete geometric facades of midcentury Miami for his credenza, left.



CHECKING IN TO Miami’s newly opened Four Seasons Hotel at The Surf Club, designed by American architect Richard Meier, my wife and I were upgraded to a top-floor oceanfront room. I’ve always had a thing for Mr. Meier’s minimalist glass and white-steel residences. Now we were going to spend five vacation days in one.

I opened the door and gasped. It’s one thing to see Mr. Meier’s work in photos or YouTube clips. But walking into this room was like stepping into a painting. Sunlight sailed through the floor-to-ceiling windows and filled every space. It ricocheted off the bleached and crenulated walls, leapt up to white, shallowly coffered ceilings and poured across the travertine floor. Kicking off my flip-flops, I fell back

on the king-size bed.

That’s when I saw it between my bare feet: a sublime chalky-cream credenza. Roughly 8.5 feet long, the piece deftly combined the sleek silhouette of a 1950s stereo console with a 1930s Euro Deco aesthetic. Facets on the four doors created a spine-like geometric pattern of light and shadow. And burnished brass lined the gap between the case and doors. The cabinet was sculptural, understated, cool.

Back in New York, I called the designer of the piece and all of the hotel’s guest-room décor, Paris-based architect Joseph Dirand. He told me the doors were coated with a special lacquer that crackled faintly while drying to give the wood relief its ceramic appearance. “The credenza’s doors pay tribute

to Miami’s geometric architectural facades,” he said, referencing the concrete patterns that grace many of the city’s midcentury buildings.

While Mr. Dirand’s cabinet isn’t yet available to the public, any of the alternatives shown here could fit into most contemporary spaces. Still, adding one to an eclectic interior requires some finesse. “You don’t want too many large horizontal pieces competing for the eye,” warned Rachel Newton of Red, a Brooklyn, N.Y., interior design studio, adding that the silhouette of such a credenza is best appreciated in uncrowded rooms. “Give it room to breathe,” she said. To visually link one to a layered interior, she suggested topping it with a plant with large architectural leaves or a sculptural lamp. —Marc Myers



Erinn V. Diamond Door Credenza, \$7,600, jamieshop.com



1970s Small Brutalist Sideboard with Marble Top from Morentz, \$4,300, 1stdibs.com

OFF DUTY

Zen and the Art of Car Cleaning

New tools are allowing car lovers to give their rides pro-quality detailing—and attain a state of bliss in the process

BY JESSE WILL

SOME FOLKS achieve a Zen state by meditating; others run. And a few do so by lovingly detailing their cars. "It's something I look forward to every week," said Jacquelyn Tyner, a student at Cal State Monterey Bay, of the two hours of zealous, focused cleaning she lavishes on her 2006 Mini Cooper S Convertible. "It's very manual, very therapeutic."

Ms. Tyner is among a growing number of car-care hobbyists who take the craft to new levels—thanks to cleaning tools and materials once available only to pros. Detailing a car involves ministering to every surface, and can also involve buffing out scratches, correcting paint imperfections and even going so far as to smooth out bumpy "orange peel" factory finishes. "The truth is that it's easier than ever for the average Joe to do a pretty good job with a detail now," said Scott Nichols, a detailer and restorer in Scottsdale, Ariz., who chiefly prepares vintage cars for Concours-level competitions from Lake Como to Pebble Beach. "Both the compounds and the machines have gotten so much better."

Quality instruction for DIYers abounds, as well. If you want to read "Infinite Jest"-length discourses on different types of microfiber towels, well, there's a place for you (start with [reddit.com/r/autodetailing](https://www.reddit.com/r/autodetailing) and the forums on [autogeekonline.net](https://www.autogeekonline.net)). If you're more visually inclined, YouTube offers enough video tutorials to keep you enthralled for years.

Larry Kosilla is the king of car-detailing on YouTube, where his channel has nearly 400,000 subscribers.

Larry Kosilla, a former commodity trader, is the king of car detailing on YouTube, where his Ammo NYC how-to channel has nearly 400,000 subscribers. That's how Jennifer Vogt got hooked. A physician in the Navy Reserve in San Diego, Ms. Vogt now details her car weekly, she said. "I've been known to be out on the driveway at 4:30 a.m."

After studying Mr. Kosilla's how-to videos, Ms. Vogt tried her hand on her own cars, including her 2014 Maserati Quattroporte GTS. She'd had pros detail the vehicle (at upward of \$400 a pop) but realized she could do a better job herself, she explained. "When you have an eye for it, it becomes a kind of art."

That art starts with a standard carwash (see sidebar). After that,



JOSH MCKENNA

things get a little more nuanced.

Obsessive detailers, for example, don't just want a vehicle to look slick; they want it to feel slick, too. When you run your hand over a car's finish, it's likely to feel rougher than you expect. Those imperfections are contaminants like tree pollen and brake dust that have bonded to the clear coat over time.

But devotees such as Warren Naugler, a campaign manager from Carlsbad, Calif., get their cars glassy smooth by laboriously rubbing a "clay bar" over every inch of its finish to expel the pollutants. Made from synthetic resin, these pliable hunks pull tiny debris out of the clear coat. Mr. Naugler spends hours doing this about every two months. (He also admits to waking up in the middle of the night to remove bird droppings from the hood of his 2008 Lexus IS-F. "It's therapy. I'll stay out there just to think," he said.)

But clay bars can't do it all. For deeper stuff—clearing up a hazy finish, say, or eradicating etching damage from baked-on bird poop, you'll need a dual-action polisher. Once a tool of the pros, this has become essential to the DIY set. Unlike rotary polishers, which spin on a single axis, dual-action models have heads that oscillate randomly, so you won't leave swirl marks and damage your finish.

Budget-minded DIY-ers can pick up a basic dual-action polisher from Harbor Freight for \$70 and up, but

SQUEAKY SHEEN // CAR-CARE TECHNIQUES FOR FANATICS

Ditch the Dish Soap It may be gentle on your hands, but it's more abrasive than car soap—and will strip away protective wax and dry out plastic trim. Products like **Meguiar's Mirror Bright Automobile Shampoo** (\$13, meguiars.com) are pH neutral to protect paint and provide a light waxing, too.

Use Two Buckets One for soapy water, one for rinsing grime out of your mitt. Place a **Grit Guard** (\$7, chemicalguys.com) in your bucket to provide a washboard-like surface for the task.

Go Woolly Many DIY detailers swear by wool wash mitts like the **CarPro Merino Wool Wash Mitt** (\$20, carpro-us.com), which hold

suds but release dirt easily when dipped in a rinse bucket. To avoid damage from brake dust, some detailers use a dedicated wash mitt and bucket just for the wheels.

Spin a Good Yarn Good quality microfiber towels, like a 25-by-35 inch **Griot's Garage Microfiber Drying Towel** (\$27, griotsgarage.com), leave a streak-free finish without scratches.

Don't Be a Hoser For environmental reasons as well as convenience, more enthusiasts are using rinseless wash products like **Optimum No Rinse & Shine** (\$16, optimumcarcare.com) in lieu of hosing down their vehicles. Its polymers help usher dirt off a car's surface.

mer-based waxes and sealants are longer lasting, more effective and go on in one pass. "You're not grabbing for that can of carnauba and having to repeat it every two weeks," said Ms. Vogt.

Meanwhile, advanced ceramic coating is threatening to obviate waxing all together. Unlike waxes and sealants that sit on top of a car's finish and soon break down, this silica dioxide—like liquid glass—fuses to the clear coat and can last for months or years with maintenance.

What many DIYers love about it is that the coating's low surface tension has a hydrophobic effect—allowing a spray of water to disperse dirt. Companies like Ceramic Pro have a network of installers that charge from around \$300 for six months of coverage to \$1,700 for the life of the car. Or, assuming your car has been perfectly paint-corrected, you can do it yourself with a product like CQuartz (from about \$58, carpro-us.com).

Yet not all detailers are convinced. To holdouts like Mr. Naugler, high-tech coatings that promise to take the elbow work out of maintaining a perfect finish are hogwash. "All that high tech ceramic, Teflon, do-it-once-in-a-lifetime stuff is B.S.," he said. "Just wax your car."

Whether you prefer to polish manually or rely on nanotech, Mr. Naugler does have some words of warning about the addictiveness of detailing: "Once I realized what a clean car looked like, it threw me over the edge. I can never go back."

those with the means go for tools from Rupes, an Italian manufacturer that recently arrived in U.S. retailers. Its Big Foot series of polishers (from about \$300) has become the de facto standard among serious DIY-ers and pros alike. "I love it to death. It's a game changer," said Mr. Nichols. Rupes' latest innovation is the Nano (\$590), which can use pads just 1 inch in diameter. Ms. Vogt extols its agility. "You can do pillars, and mirrors, nooks and crannies. It's so much fun," she said.

For a dual-action polisher to do any good, you'll need a polishing compound. In recent years these have become safer to use—less likely to leave swirls or haze. Compounds have gotten more workable. Before, you really had to know what you were doing, because they'd dry out," said Mr. Nichols.

One of the most basic steps in detailing a car—waxing—has evolved, too. No longer do you need to rub a layer of wax onto your hood and then wait a half-hour for it to dry, the way your father likely did: Poly-

MY TECH ESSENTIALS

MIKE REYNOLDS

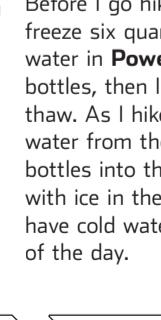
The superintendent of Death Valley National Park on cold-water strategies for hikers and the best vehicles for desert living



Two park rangers and I recently went up Dry Mountain. It's one of the more extreme hikes any of us has ever taken in the park. Leading up to it, I did research on panamintcity.com and summitpost.org, where people post their routes and compare experiences. I used the sites to make notes on my paper map about ways to get around challenging spots.



Before I go hiking, I freeze six quarts of water in **Powerade** bottles, then I let three thaw. As I hike, I pour water from the thawed bottles into the ones with ice in them, so I'll have cold water most of the day.



I usually carry a small roll of **duct tape** with me. [Survive Essentials 2-by-50-inch rolls shown.] You can use it to fix hiking boots, clothes, cars—just about anything in the field. I also take a small Ziploc bag with a few supplies, mostly bandages and medical tape.



To effectively live in a remote place like Death Valley, you pretty much need two vehicles. Just to go to the grocery store, you're doing 300 miles round trip, all paved, so I have a 2012 Ford Focus for the gas mileage. On the other hand, you need a good four-wheel-drive vehicle to get around this park, where 95 percent is backcountry or only accessible by hard-core roads. My four-wheel-drive vehicle is a **2015 Toyota Tacoma**, which is my desert vehicle of choice for its short turning radius, high clearance and its durability.



I have a super-old, **2011 ACER Aspire One** netbook that I use to track all of my hikes in an Excel spreadsheet. I've been tracking my hikes obsessively, more or less on the same spreadsheet, since 1995—about 20,000 miles worth of hikes. It's interesting to look back and compare the averages across months and parks. Death Valley miles, for example, are really difficult versus Yellowstone miles. I can also see the people I've hiked with—almost 600 different people in that time frame.



There's only one gas station here and it generally charges around \$2 a gallon more than the ones in town. So never buy gas in Death Valley. When I'm going to town, I use an app called **"GasBuddy"** that tells you where the cheapest gas is.

—Edited from an interview by Chris Kornelis



In the summertime, I typically run at 5 in the morning, when the temperature's great, like 85 degrees. This January, I finally got a GPS watch, **Garmin ForeRunner 25**. I use it to track my runs and hikes, and it's been neat to precisely track how far I've gone and where I've gone.

MANSION

Design is 'not just what it looks like and feels like. Design is how it works.' —Steve Jobs

HOMES | MARKETS | PEOPLE | UPKEEP | VALUES | NEIGHBORHOODS | REDOS | SALES | FIXTURES | BROKERS

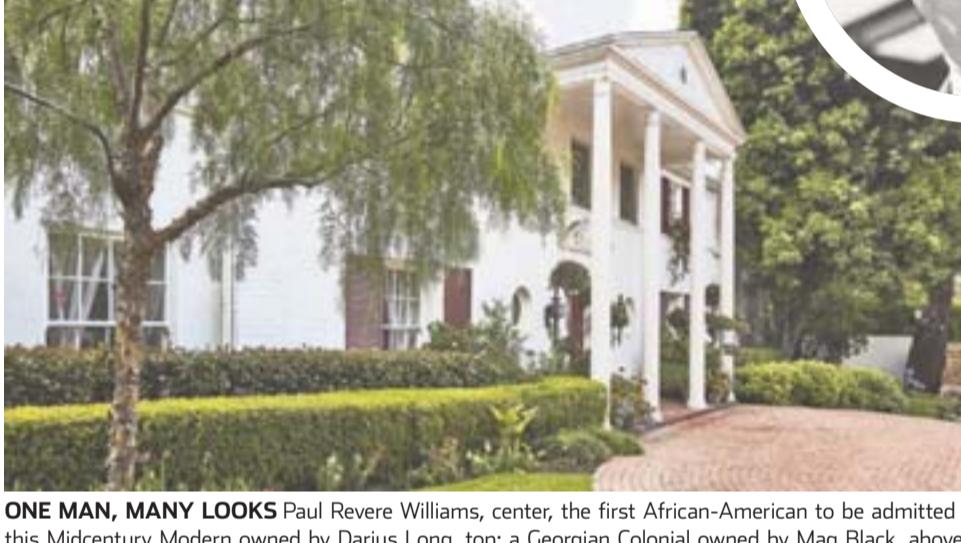
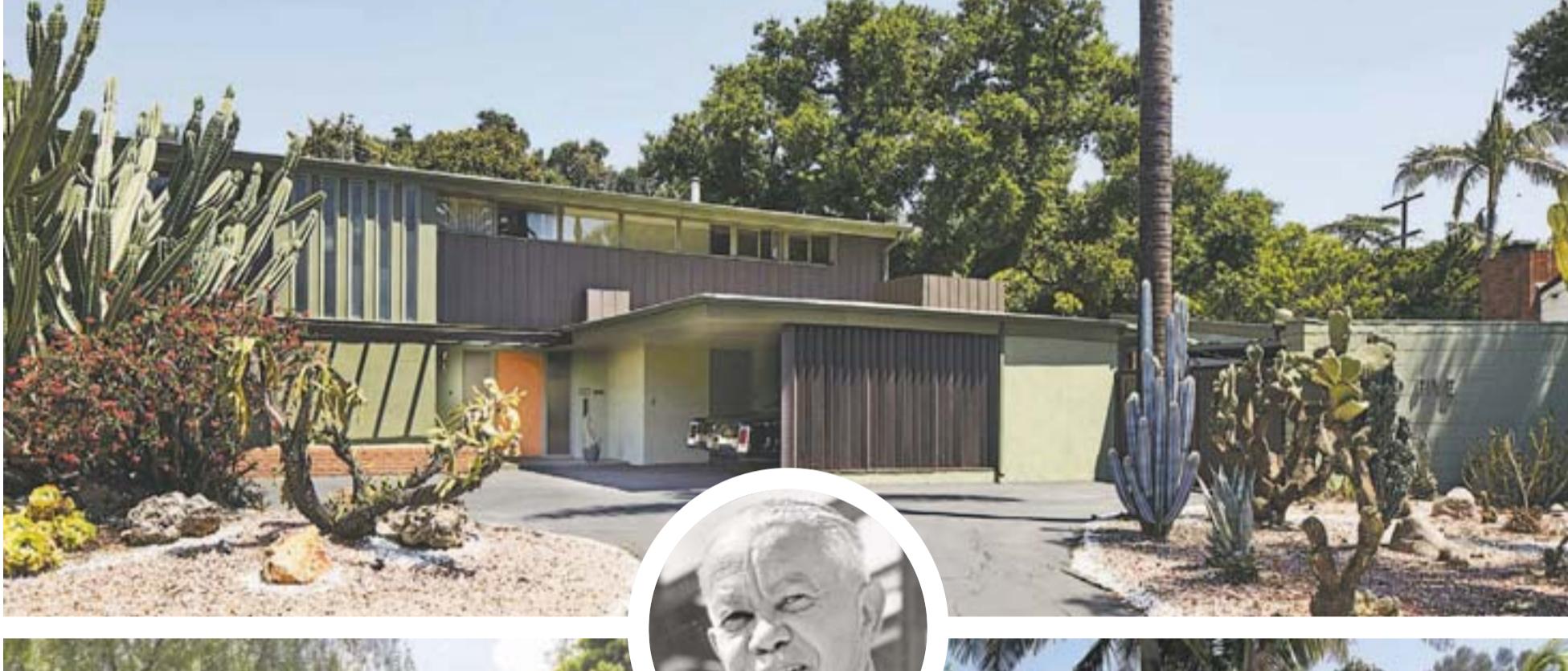
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THE WALL STREET JOURNAL.

Friday - Sunday, June 30 - July 2, 2017 | W9

The Paul Williams Premium

A surge of interest in the late African-American architect means top dollar for his Southern California homes; the former home of Frank Sinatra and Audrey Hepburn.



ONE MAN, MANY LOOKS Paul Revere Williams, center, the first African-American to be admitted to the American Institute of Architects, worked in many styles. His homes in Southern California include this Midcentury Modern owned by Darius Long, top; a Georgian Colonial owned by Mag Black, above left; and this Spanish Colonial Revival owned by John Sweeney, above right.

BY STEFANOS CHEN

The list of celebrities who have passed through Mag Black's Los Angeles home is classic Hollywood: Frank Sinatra, Mia Farrow, Audrey Hepburn, Eva Gabor.

But when the 7,000-square-foot, Georgian Colonial-style home listed this month for almost \$14 million, one star took center stage: Paul Revere Williams, the architect. "I didn't know a

thing about him, but everyone ooh'd and ahh'd when they heard this was a Paul Williams," says Ms. Black, who recently relisted her home for \$13.95 million, an 8% increase, partly due to the growing strength of the Williams pedigree.

The late Mr. Williams, whose career spanned five decades and an array of architectural styles, is back in vogue—and not just with the Tinseltown set. The first African-American to be admitted to the American Institute of Architects in 1923, Mr. Williams has long been revered in the

city's affluent pockets for his willingness to put the client before convention, and for his attention to detail. (His biographer said she can identify a bona fide Williams by the gentle rise of the staircase.) Now a number of posthumous honors, including an AIA Gold Medal in December, which is shared by the likes of Frank Lloyd Wright and Le Corbusier, have shined a brighter spotlight on the architect's work.

Agents say that renewed name-recognition

Please turn to page W10

LONDON COUNTS ON THE COOL CROWD

To boost the city's sluggish real-estate market, developers are targeting millennials and young professionals with upscale apartments and hip amenities, such as craft-beer bars and a fitness center that specializes in circus skills.

BY RUTH BLOOMFIELD

TO REVIVE flagging apartment sales, London real-estate developers are using trendy street art, cafes serving avocado toast, and bike-repair stations to lure young professionals and fashionable millennials.

Earlier this month, Union Developments launched its boutique development Monohaus, a reboot of a former record factory in the Hackney neighborhood of east London, very much the hipster heartland of the British capital.

In addition to 47 apartments, the development will feature a craft-beer bar, vinyl music shop, artisan bakery and a Nordic-themed cafe serving the currently in-vogue snack of avocado on toast.

The apartments themselves are industrial style, with huge windows and polished-concrete floors. When Monohaus opens in October, prices will start at about £500,000, or about \$635,000, for a one-bedroom apartment ranging up to around \$1.78 million for



OPENING IN OCTOBER An architectural rendering of Monohaus, a development in the Hackney neighborhood with 47 apartments.

Prices range from about \$635,000 for a one-bedroom unit to about \$1.78 million for a three-bedroom penthouse.

Please turn to page W14

HOUSE OF THE DAY
wsj.com/houseoftheday



Massachusetts
Colonial-style home in a storybook setting



New York
Hamptons home with expansive gardens



Tuscany
Villa has 17th-century chapel and three pools

JOE SCHMELZER FOR THE WALL STREET JOURNAL (3); LIFE PICTURE COLLECTION (3); GETTY IMAGES (WILLIAMS HISTORICAL)

REN NICKSON PHOTOGRAPHY

LYNNE SMITH ARCHITECTS

SIMONE VANNUCCHI/BEAUCHAMP ESTATES

JAKE RAIS

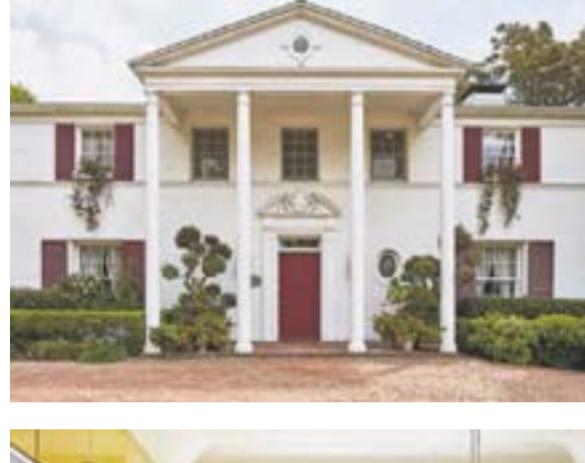
SIMONE VANNUCCHI/BEAUCHAMP ESTATES

MANSION

THE PAUL WILLIAMS PREMIUM



JOE SCHNEIDER FOR THE WALL STREET JOURNAL (9)



HOLLYWOOD ROYALTY This Williams-designed Holmby Hills home was rented by Frank Sinatra, Mia Farrow and Audrey Hepburn. Owner Mag Black, seen with husband David Scott, recently relisted her home for 8% more, partly due to the growing strength of the Williams pedigree.

selling the 1.1-acre property to be closer to family in Florida. They listed the home last year for \$12.95 million with Jade Mills of Coldwell Banker. They took it off the market near the end of 2016 "to refresh" it and redecorate, Ms. Black said.

In June, they relisted it for \$13.995 million on the strength of the market and Mr. Williams's surging name value, Ms. Mills said. (His AIA award and a subsequent honor from the University of Southern California Architectural Guild were given this year.)

In Ontario, Calif., about an hour east of the heated Los Angeles market, Darius Long is preparing to sell a very different Williams home—a 2,250-square-foot, International-style Midcentury Modern, circa 1947.

"People thought it was a pharmacy," says Mr. Long, 54, a semi-retired aerospace electronics buyer, about the avant-garde design. Surrounded by Colonials, the two-level, two-toned, green-and-brown home is sited on an angle to create a large semicircular drive. Mr. Long bought the home from the original owner for \$435,000 in 2004, records show.

Inside, there is original wood-work and built-ins from renowned craftsman Sam Maloof. With ample glass on the front and rear of the home, the open floorplan is filled with natural light. Floor-to-ceiling glass sliders in the rear open to a yard with a centuries-old oak tree. The finishes, even down to the linoleum floors and the 1960s General Electric stovetop, are as the prior owner left them. "I consider myself a docent—just a caretaker of the house," says Mr. Long, who says he has changed almost nothing about the home.

Mr. Long plans to list the home for around \$1 million in the next few months to downsize to a home in another western state. Matthew Berkley of Deasy/Penner & Partners, the listing agent and an architectural historian, says that the unusual design and the fact that this is one of only two known Paul Williams-designed homes in the city justifies the listing price. Homes of a similar size nearby are listed in the \$600,000 range. Mr. Long says he will only sell to a buyer who wants to preserve the spirit of the home.

Williams-designed homes haven't been immune to buyers' demands. Ms. Hudson estimates that, "on the low side," about 40 of her grandfather's homes have been demolished in the Los Angeles area. In 2006, one of his most notable homes, the Midcentury Modern bachelor pad of Mr. Sinatra, was torn down to make way for new construction, she says.

In Los Angeles, due to the damaging effects of hot weather and limited housing supply, homes older than 20 years are becoming scarce, because developers believe they can maximize their investment by building new, says Jeff Hyland of Hilton & Hyland. But the rising profile of architects like Paul Williams is helping to turn the tide.

"It's a reason to say to a seller, 'Wait, don't tear that down—we think it's worth more if you keep it,'" he says.

There is another safeguard for Williams homes—they seldom come up for sale.

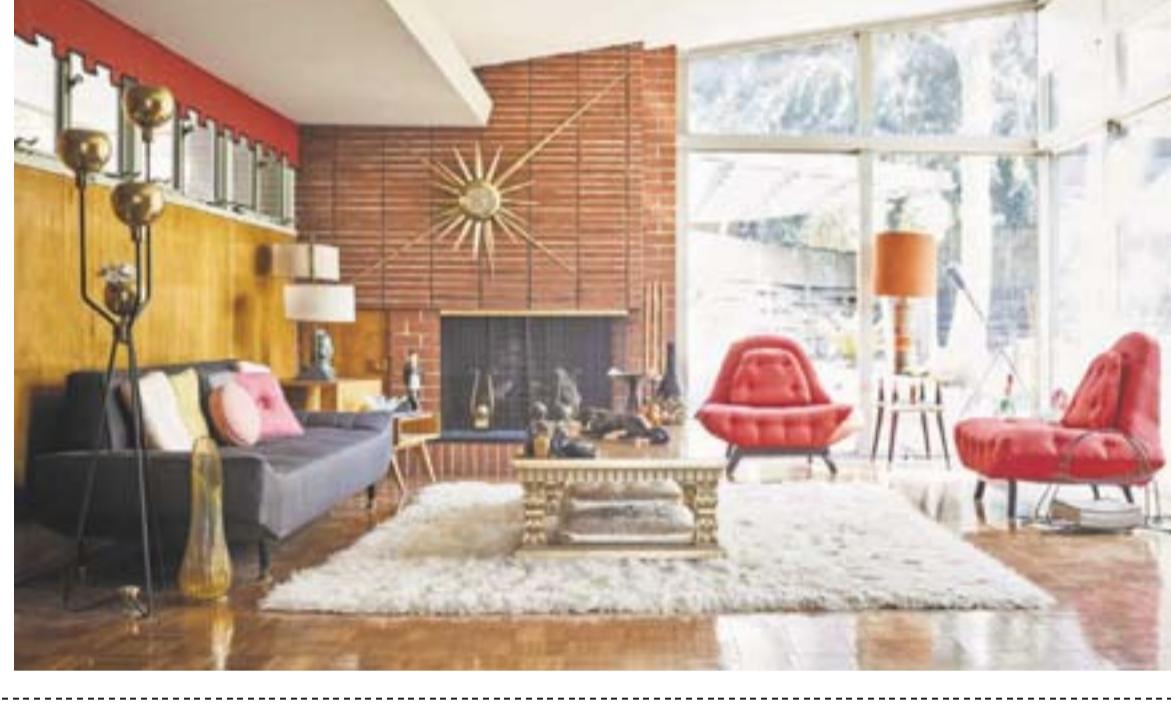
John Sweeney, 65, a civil-rights attorney, bought a 6,000-square-foot Spanish Colonial Revival in the Los Feliz neighborhood of Los Angeles for \$1.975 million in 2003, according to city records. "I feigned that I didn't know Paul Williams," Mr. Sweeney recalls, to drive a hard bargain. "Of course, I knew everything about him."

Mr. Sweeney, who is African-American, says he found a kindred spirit in Mr. Williams, who faced discrimination, even as he became a household name.

"It was very special to me to live in a house that was designed by an African-American who couldn't live there," he says. The original neighborhood covenants, he discovered, only allowed the home to transfer to white home buyers.

In 2008, he had the 1927 home designated a Los Angeles historic cultural monument, effectively making it more difficult for the home to be demolished. He has no plans to sell, but should his family decide otherwise, there are protections in place.

"I wanted to make sure," he says, "that nobody can take down these walls."



TIME CAPSULE Darius Long says he has changed almost nothing in his Williams-designed, Ontario, Calif., home—down to the linoleum floors and 1960s-era stovetop.



STILL STANDING John Sweeney, seen at left with his wife, Cheryl, had his Williams-designed, 1927 home designated a Los Angeles historic cultural monument, effectively making it more difficult for the home to be demolished.

Continued from page W9
can translate to a premium for home sellers. In June there were six Williams-designed homes publicly listed for sale, ranging from a \$2.4 million auction for a Mediterranean four-bedroom in San Clemente, Calif., to an \$88 million, 30,000-square-foot remodeled mansion in Los Angeles's Holmby Hills. In 2015, one of his 1931 Spanish Colonial Revivals sold for \$38 million in the posh Bel-Air neighborhood—almost \$19 million more than when it sold in 2011. At least two other million-dollar homes for sale are described as "Williams inspired"—agents say that is common practice in a town that is inclined to name-drop.

"I think there's a resurgence of interest in him," says Robin Col-

lins, an agent with Keller Williams who, in May, listed a \$3.2 million Mediterranean Mr. Williams built in 1926.

Mr. Williams, a Los Angeles native whose first luxury-home commissions began in the 1920s, designed over 2,000 private homes across the globe, about 300 of which are located in Los Angeles's so-called Platinum Triangle neighborhoods, says Karen Elyse Hudson, Mr. Williams's granddaughter and biographer. He died in 1980 at the age of 85.

Mr. Williams amassed an impressive clientele, including Lucille Ball, Lon Chaney and Bill "Bojangles" Robinson, thanks in part to his willingness to work in whatever style his client demanded, Ms. Hudson says.

In an era of deeply held prejudice, he learned to draw renderings upside down, he wrote in an 1937 article, so as to never force his white patrons to sit beside him. Today his homes are prized for their intricate detailing and elegant proportions—two qualities that have spared many of his homes from the wrecking ball of new-home developers.

"He could see forward and around corners," says Ms. Black, 73, a wealth manager who owns the 1938 Georgian Colonial in Holmby Hills. She bought the home for \$2.1 million in 1996, records show. Unlike many homes of that era, the 7,000-square-foot home has taller, 9-foot ceilings. Its largely open floorplan, with an emphasis on outdoor living, is

echoed in new luxury homes today. The foyer and curving grand staircase, a hallmark of Williams's designs, is decorated with a Baccarat chandelier purchased by Hollywood starlet Ms. Gabor, the former homeowner, Ms. Black says.

Former renters include Frank Sinatra, Mia Farrow and Audrey Hepburn, according to Ms. Hudson's book, "Paul R. Williams: Classic Hollywood Style."

The sitting room hides an amenity from the first homeowner, "From Here to Eternity" producer Buddy Adler: A hidden storage area once used for film reels and projector equipment in what was then a home theater.

Ms. Black, who lives at the five-bedroom home with her husband, David Scott, a retired astronaut, is

MANSION

PRIVATE PROPERTIES

Onetime Steve Wynn Tahoe Estate Sells



A Lake Tahoe waterfront estate that once belonged to casino mogul Steve Wynn has sold for \$31.1 million.

The sales price is a record for the tony enclave of Incline Village, Nev., said listing agent Patricia Lantz of Lakeshore Realty.

On 4.972 acres, the Incline Village home includes 210 feet of lake frontage and a private beach with a pier and boat

hoist. The 12,661-square-foot main house has four bedrooms, a theater and a four-car garage. The guesthouse includes three bedrooms.

The buyers are Nora Betyousef Lacey and her husband Michael Lacey, a pathologist. "It's a very elegant place to be on the lake," said Ms. Lacey, founder of bio-tech company Cell Marque, which produces cancer detection products and

which she sold to Sigma-Aldrich for \$170 million in 2014, she said.

Ms. Lacey said she plans to make only a few changes. "We want to keep the legacy of the Wynns," she said. She dubs the property, which has been known as Old Forge, the Wynn estate. "I basically call these estates by the name of the person who created them," said Ms. Lacey, whose other homes

include the approximately 30,000-square-foot Morgan estate in Los Altos Hills, Calif., which she bought for \$25 million in 2015. "The Wynn estate is our permanent home and our main home, and the Morgan estate is a beautiful place when we want to get away."

Ms. Lacey said she was attracted to the setting as well as the community. "It's a beautiful lake and we have a great com-

munity here, a lot of philanthropists of the same mindset," she said.

Homeowners in the neighborhood include Workday co-founder David Duffield, Oracle billionaire Larry Ellison and financier Michael Milken. Ms. Lancy said she dedicates her time to her foundation, which supports Assyrian entrepreneurs and charities.

The property was first put

on the market in 2016 with an asking price of \$45 million. Ms. Lantz shared the listing with Victor Lockhart, also of Lakeshore Realty.

The seller was Ten-Four-One Realty Trust, which bought the property from Mr. Wynn in 1998 for \$17 million, according to public records. Janet Pahl of Sierra Sotheby's International Realty represented the Laces.

—Sarah Tilton

MANHATTAN PENTHOUSE COMES WITH A BONUS

Wait, there's more: For \$48 million, you get not only a sprawling downtown Manhattan penthouse, but two staff apartments and two parking spaces.

The roughly 7,100-square-foot duplex penthouse under construction sits on the top two floors of Madison Square Park Tower, a glassy condominium on 22nd Street. The two studios, which can be used for staff or guests, are located on a lower floor and each measures about 600 square feet, said Ian Bruce Eichner, founder of Continuum Co., the building's developer. The two parking spaces are among 16 in the building and normally sell for

about \$500,000 each.

The penthouse, on the 64th and 65th floors of the building, will have a double-height living room and views of the Empire State Building, said Fredrik Eklund of Douglas Elliman Real Estate, who is handling sales in the building with colleague John Comes.

While it will likely end up with about five bedrooms and five baths, it is being marketed as a "white box," with the expectation that buyers will create their own layout, Mr. Eklund said.

Overlooking Madison Square Park, the 83-unit building started sales in 2014 and is roughly 75% sold, Mr. Eichner said.

said. He said construction is mostly completed and closings should begin in the next few weeks.

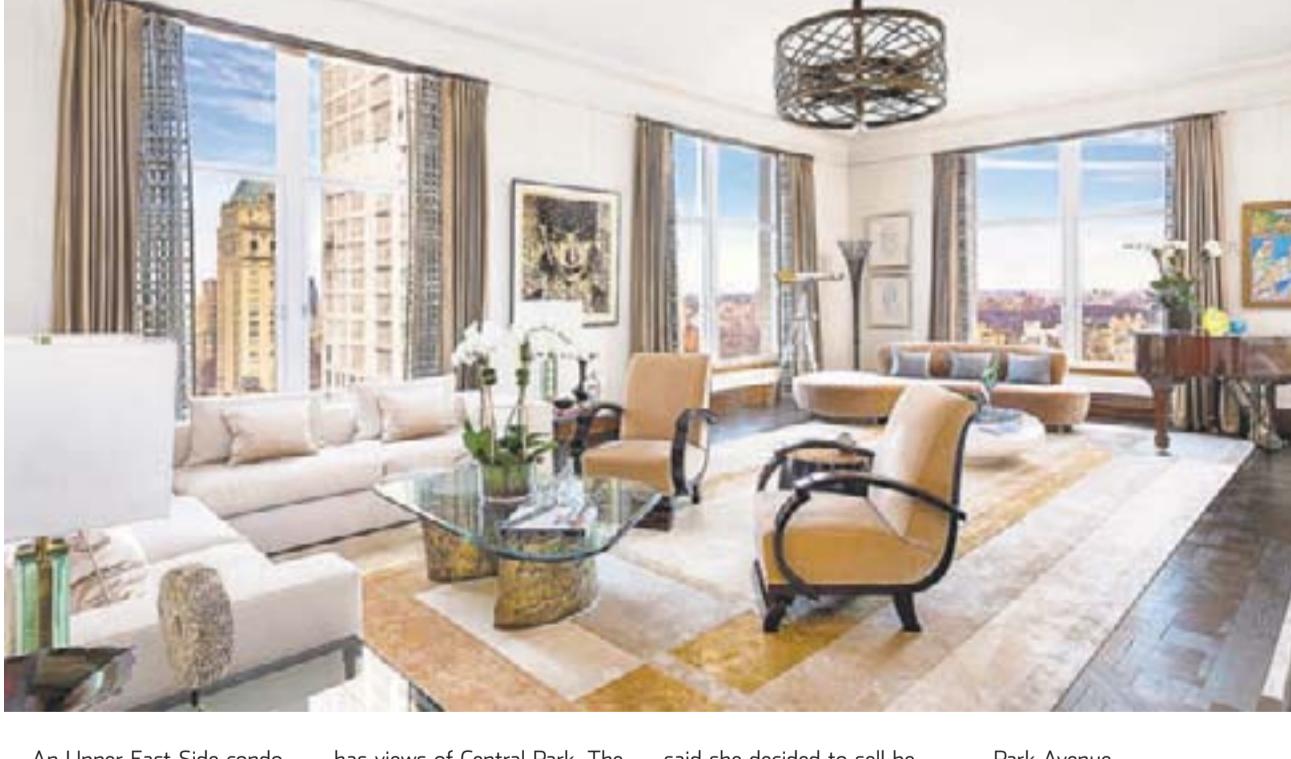
Another penthouse measuring about 6,000 square feet was listed for \$38 million in early 2016 but was taken off the market while it is being completed, Mr. Eichner said. A unit on the 62nd floor listed at \$24.95 million is in contract, Mr. Eklund said.

Building amenities include a half basketball court, a yoga studio, a gym and a golf simulator room. There is also an outdoor entertaining terrace, a poker room and a billiards room.

—Candace Taylor



MANHATTAN CONDO SELLS FOR \$26 MILLION—A 26% DISCOUNT



An Upper East Side condo has sold for \$26 million, or 26% off its original asking price of \$35 million.

The roughly 5,000-square-foot Park Avenue condo, which comes with a separate studio apartment on a lower floor for guests or staff, was listed in February, according to Tak Cheung of Rutenberg NYC, who represented the buyer.

A duplex spanning the 36th and 37th floors, the apartment

has views of Central Park. The four bedrooms each have en suite bathrooms clad in onyx. The studio apartment measures about 635 square feet, Mr. Cheung said.

The seller was Sheila Rosenblum, who said she previously owned the home with her ex-husband Daniel Rosenblum, deputy chairman at ED&F Man Holdings, a commodities trade house. Ms. Rosenblum, who owns and manages racehorses,

said she decided to sell because her son graduated from high school.

Mr. Cheung declined to identify the purchasers but said they are a family originally from China. He said the discounted price is due in part to the supply of new construction condos in the neighborhood, including buildings such as nearby 520

Park Avenue.

"Do I wish I had gotten a little more? Yes," said Ms. Rosenblum of the apartment's sale price. "But am I satisfied? Yes. I could have tried to hold out and I might have had it for another few years."

The listing agency was Douglas Elliman Real Estate.

—Candace Taylor

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MANSION

BALANCE SHEET

An Internet Entrepreneur's Vision in Vienna

The onetime California resident added a touch of West Coast to his \$9.5 million villa—minus the hassles

BY J.S. MARCUS

AFTER SPENDING eight years in California, Austrian internet entrepreneur Roman Scharf had come to hate America-size commutes. So when he and his wife returned to Vienna in 2014 with their daughter, they knew just what they wanted: a home close to school in the capital's premier villa belt in the far northwest of the city.

The pickings were slim despite their multimillion-euro budget. The couple wanted to avoid the waste of tearing down one of the decades-old villas typical of the area. As it happened, a developer had already started the process.

The Scharfs found an unusual spec house in mid-construction on a prime lot where a humdrum house once stood. They bought the high-tech, low-energy home in spring 2015, and moved in the following Au-



ROIS & STUBENRAUCH FOR THE WALL STREET JOURNAL (4)

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WHO'S WHO IN LUXURY REAL ESTATE



Nassau, Bahamas

Refined spacious living is the hallmark of this remarkable residence overlooking the 18-hole championship golf course in luxurious Ocean Club Estates, Paradise Island. 8 BD, 11 BA. \$9,500,000. mknowles@bahamasrealty.com.



Virgin Gorda, British Virgin Islands

Villa Brise de Mer is a breathtaking four-bedroom luxury villa tucked into the hillside in the community of Oil Nut Bay. \$8,000,000. Jaime Rae Turnbull, 248.672.2020, hbieganay@virginislands.com.



Carmel, CA USA

Inspired by the organic setting, this oceanfront house & guesthouse rests on 1 acre along the CA coastline. The Pacific Ocean provides an ever-changing work of art. 10 minutes to downtown Carmel. \$6,800,000. Shelly Lynch, 831.277.8044.



Oakland, CA USA

This 5 BD, 4 BA property invites you to swim, sip, relax and repeat. A chic urban farmhouse on 1 acre welcomes you with lush landscaping and privacy. www.5640fernhoff.com. \$2,295,000. Heidi Marchesotti, 510.387.7865.



Pebble Beach, CA USA

Newly rebuilt estate with ocean views above The Lodge at Pebble Beach. Spacious living with manicured grounds. Private gated estate with putting green, 5 bedrooms, game room, terraces & elevator. \$3,700,000. Shelly Lynch, 831.277.8044.



Santa Barbara, CA USA

Gated 2.26 acre estate with 7,700+ SF, 180-degree views, offering 6 BD, including private guest quarters, contemporary styling, pool, extensive gardens, & private well. \$805,252.2773, emilykellenberger.com, emily@villagelite.com.



Jupiter Island, FL USA

Glamorous European Villa offers privacy and serenity, 146' frontage + dock for yacht. Pool house, sandy beach, Partial or entire 8.5 AC Ocean to ICW parcel. \$10,500,000. Jennifer Hyland, Illustrated Properties, 561.632.4042.



Chicago, IL USA

Unobstructed panoramic views in all directions of lake, city, park and skyline. Spectacular condominium recently completed with views from raw space. 1555 North Astor #35 West. \$2,250,000. Realtor.JanetOwen.com, 312.268.0700.



Glencoe, IL USA

Dramatic and stunning executive style 4 BD ranch in a private, serene setting facing the prestigious Skokie CC Golf Course. 4 season sunroom beckons. Linda Lincoln, 847.638.5040, linda.lincoln@koenigrubloff.com.



Bigfork, MT USA

Deer Creek Ranch, 5 bedroom/6 bath, 14,235 square foot residence and separate guesthouse on 73 amazing acres, surrounded by the beauty of Montana. \$6,495,000. MLS#21706318. Call Jennifer Shelley, 406.249.8929.



Glenbrook, NV USA

European style home with views of Lake Tahoe. Additionally, there is a guesthouse with indoor pool and a gate house. \$5,995,000. Charlene Meeman, 888.401.7616.



Hamptons, NY USA

Modern Hamptons resort-like luxury on 4 private acres with tennis. Short distance to beaches, ocean & bay 6 BD & 4½ BA. IN# 5311. \$2,595,000. Carol Moyse, Saunders & Associates, 631.458.4885, www.hamptonsrealestate.com.



Charleston, SC USA

91 & 91.5 East Bay Street. Circa 1787, beautifully restored historic residence on Rainbow Row. 4 BD, 4 full & 2 half BA's, rooftop deck with spectacular views. \$750,000. Handsome Properties, Debbie Fisher, 843.810.4110.



Charleston, SC USA

20 South Battery. The Stevens-Lathers House, circa 1843, includes a 5 BD private residence and charming 11 room Inn. 15,699 SF total. \$5,399,000. Handsome Properties, Debbie Fisher, 843.810.4110.



Hilton Head Island, SC USA

Palmetto Dunes, 5 bed/6 bath home with the most spectacular lagoon/golf views on Hilton Head Island, steps to ocean. \$1,895,000. Philip A. Schembra, Broker/Owner, Schembra Real Estate Group, 800.845.9506. (SCREA)



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THE WALL STREET JOURNAL
EUROPE

AUSTRIA MODERN The 5,700-square-foot, four-level home in Vienna has views of the city center.



KEY COSTS

Property **\$1,674,000**

Construction **\$1,897,000**

Electrical system **\$603,000**

Elevator **\$50,400**

Floors/Doors/Interior **\$535,700**

Architect Fees **\$580,000**

Kitchen **\$106,000**

Heating/Cooling **\$279,000**

ALL WET Roman Scharf, below right. His open-plan home has views of outdoor ponds and pool, above. Below left, the basement spa facilities.



gust, a day before their daughter, now 9 years old, started school, just a short drive away.

To date, Mr. Scharf has spent about \$9.5 million on the 5,700-square-foot, four-level home, on a one-third acre lot at the edge of the Vienna Woods. He created three bedrooms from five bedroom spaces, and outfitted six bathrooms and two powder rooms.

Living in Palo Alto and Beverly Hills had given the couple some firm ideas on luxury living. They wanted a wide-open ground floor, vetoing the home's original plan for a hallway off the entrance. They also wanted a home theater on the ground floor rather than in the basement "where you have to hide yourself away," says Mr. Scharf, 46, co-founder and CEO of Talenthause, a global platform connecting brands and artists.

A giant screen disappears into the limestone floor of the family-room area, and an oak-strip acoustic ceiling, suitable for large public spaces, means "the kids can watch a Disney movie" in the family room," says Mr. Scharf, "while the adults can have a normal conversation" in the dining area.

Adult- and child-friendly spaces fill the basement. Mr. Scharf, who developed a taste for premium Napa red wines during his years in Silicon Valley, opted for a glass-enclosed wine lounge rather than an old-school cellar. The basement also has

spa facilities: a steam room, a sauna and an indoor pool area separated from the wine lounge by a glass wall.

On the other end of the pool, another glass wall offers a view into the adjacent outdoor pool.

Kids love the novelty, while adults can supervise from the lounge, glass in hand. "We can watch the kids without getting splashed," Mr. Scharf says.

The spa facilities cost \$201,500, and Mr. Scharf spent \$22,400 on the wine lounge, which has two wine refrigerators, at \$5,600, that simulate cave conditions.

The third level has his daughter's double bedroom with a terrace, a guest room and an office. The top floor has an open-plan master suite with two terraces. Views include the heart of the city with the steeple of St. Stephen's.

Mr. Scharf and his wife have family in Croatia and Hungary. They took it as a good sign that the spec home's creative team was a Croatian-born architect, Zoran Bodrozic, and his Hungarian collaborator, interior designer Zsolt Szalai.

To bring more light inside, Mr. Bodrozic filled the backyard with two large ponds—one of which serves as a natural filtering system for the adjoining pool.

Meanwhile, Mr. Szalai designed everything from the bookcases under the family room's tricky slanted wall to the sinks and tubs in the bathrooms—outfitted with

faucets from Denmark's Vola.

The bathrooms cost \$133,700. The open master suite—with combined bedroom and bath—features a tub and shower with a skylight. "When you take a shower at night," Mr. Scharf says, "you can see the stars."

Mr. Scharf's big splurge? The landscaping: about \$302,000 for the small lot, plus the ponds and pool. He sought the help of an A-list Austrian company, Kramer & Kramer. The potted olive and fig trees are picked up and stored in greenhouses over the winter. Several newly planted mature pine trees offer privacy.

Mr. Scharf, who drives a Tesla, is a futurist who plans one day to equip the house with enough solar energy to generate its own electricity needs. His immediate concern was to have all his home's smart functions in one system. He combed the world but found the solution nearby: a Viennese startup called Integius, which uses a visual system to simplify controls for everything from security cameras to speakers—for \$167,000.

Mr. Scharf has moved his family nearly a dozen times over the past several years, but he plans to stay put until his daughter graduates from high school. He has one regret about his new Vienna villa: the spruce trees, whose needles cause extra upkeep for the yard's ponds. "We're stuck here for the next 10 years," he says, "but it's not a bad place to be."

MANSION

HOUSE CALL | EDDIE IZZARD

A Lost Childhood Found

The British actor and comedian gets a surprise gift in Sweden that transports him back to an early home

When I was a child, I was addicted to sugar. All kinds—liquid and solid—everything, except licorice. I thought licorice was disgusting and that it had nothing to do with the world of sugar.

Sweets were so important that when I was 6 and at boarding school, I went so far as to chew gum that I found in a hedge.

I grew up in Bangor, Northern Ireland, about a half-hour northeast of Belfast on the coast. My parents and my older brother, Mark, and I lived in a one-level bungalow. I loved it there. Those were golden days spent playing with friends, mucking about and picking berries.

My mother, Dorothy, was everywhere—cooking, cleaning and getting up in the middle of the night to make me a milky coffee. That was sweetened warm milk with a bit of instant coffee. My mum had been a nurse, so she was patient and loving.

Around the time I was 5, our family went on a summer vacation to Gothenburg on the west coast of Sweden. My father, Harold, worked for British Petroleum, and a colleague of his had invited us.

Soon after we returned home, we moved from Northern Ireland to Skewen, Wales. My father was transferred there. He was a self-trained accountant who, despite never having taken the accounting exam, had redesigned the way BP crunched its refinery numbers.

One day in March 1968, Mark and I rushed into my mother's room to say goodbye before leaving for school. My mom was yellow and had been ill, but we gave her a kiss anyway before heading off. That was the last time we saw her. She died later that day. For us, childhood was over the moment we returned from school.

Later, I learned that my mother

had colon cancer and that my dad had asked to be transferred to Wales. Skewen was on a direct route from London, so mom's immediate relatives could drive up or take the train.

Our two-story house in Wales was white. We didn't have a garage, which was disappointing. I had hoped for that American TV experience where you open the kitchen door and there's the car.

But we did have an air-raid shelter in the back from World War II. It was down a few steps, and the space was damp and musty, like a sunken garage. Dad used it for storage.

Wales was different from Northern Ireland. My brother and I had to be driven to school instead of walking, and we wore a uniform and cap, which was sort of fun.

Mark and I shared a room and slept on bunk beds, with my brother on top—which meant I controlled my own nightlight. My dad often read us books before bed, including C.S. Lewis's "Chronicles of Narnia" adventure series.

When I began boarding school in 1968 after my mother's death, the other boys left me alone because I would just argue with them. I was stubborn and scared, and trying not to show my fear. I wasn't one of the gang who used to pry the putty out of window frames, remove the glass and sneak into town to steal breakfast cereal. I never liked the herd mentality.

I got my first laugh when I was 12. A teacher wrote a bunch of sketches, and I was asked to mime the behavior of a cricket player. I



JOURNEY Eddie Izzard, top right, who calls himself an 'action transvestite,' in London in 2015; above on right, with brother, Mark, in Bishop's Stortford, England, in 1970; right, with his mother, Dorothy, in Bangor, Northern Ireland, in the mid-1960s.

had all the mannerisms down. When I finished, the whole school audience laughed.

After that experience, I realized I loved comedy and watched it all the time on TV. I even taped sketches with my recorder to listen back and develop my timing.

When I graduated high school, I went off to the University of Sheffield in England to study math, accounting and financial management. I had a head for numbers.

But during college, I realized that accounting was going to be too rigid. My mind couldn't sit



still, so I dropped out. A friend, Rob Ballard, and I teamed up as street performers and made a go of it in London.

My first stand-up comedy appearance came in 1987, when I was 25, at the Banana Cabaret in South London.

I got on stage and did five minutes on St. Paul writing a contemporary letter to the Corinthians. It went over well, and I began hammering my way up the comedy ladder.

Today I live in London and Los Angeles. In London, I live in the central part of the city, near Victoria Station.

My three-story house has a basement, which is my favorite space. It's a big open room with a large table in the center and a kitchen. It's a bit of a mess, but it's my mess. I don't keep sugary

things in the house. I'm running marathons now, so I avoid them. As a substitute, I eat dried mango.

Years ago, when I was in Sweden doing a stand-up gig, the youngest daughter of the family we had stayed with when I was little came up to me. She said her father had Super 8 film for me.

At home, when I looked at a copy of the faded footage, I was stunned. There was my mother moving about, the sun in her face, while holding my hand and my brother's hand. In an instant, she was alive again and so was my childhood. I've watched the film many times, and it always brings my mother back to bright and shining life.

—As told to Marc Myers

Eddie Izzard, 55, is a comedian and actor. He is the author of "Believe Me: A Memoir of Love, Death and Jazz Chickens" (Blue Rider).

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LONDON COUNTS ON THE COOL CROWD



CLOCKWISE FROM TOP: VIVE LIVING; LYNN SMITH ARCHITECTS; GRANT FRASER / ENSTAR CAPITAL; ENSTAR CAPITAL; DIANE AUCKLAND / FOTHAUS

JAVA SPACE In Deptford, Childers Street has a coffee hangout and bar, rendering above. Rents start at \$1,700 a month for a one-bedroom unit to \$2,750 a month for a three-bedroom unit.



BOUTIQUE Trendy shops under disused railway arches near Deptford Market Yard, a development that opened last year.

Continued from page W9
a three-bedroom penthouse.

"I hate the term hipster but I suppose that is who it is aimed at," said David Pollock, a director of Union Developments. "It is the generation involved in startups or who works in the City," London's nearby financial district.

Mr. Pollock anticipates his buyers will range in age from their early 20s to mid-40s, and added that the company won't actively look for either investor landlords or overseas owners.

"We want the place to have life," he said.

In the Notting Hill neighborhood of West London, building permits were issued earlier this month for apartments in a Victorian-era building renamed Sartoria House. The facade will feature a 7-by-14-foot work by the street artist Banksy that was salvaged from the side of the building. The developer, Enstar Capital, plans to protect the piece, "The Painter," which it says is worth \$2.9 million, with bulletproof glass.

Sartoria House, which will also include restaurants around an open-air piazza, is expected to be completed late next year. Rental apartments will start at about \$1,300 a week.

The move toward homes geared at hipsters comes at a challenging time for luxury London property. Since 2014, the prime market has quieted thanks to a mixture of tax increases, Brexit and domestic political upheaval. New developments continue to go on the market, and developments started in around 2014 are coming to completion.

Many early buyers are attempting to "flip" their purchases on to new owners. Discounting has become the norm, with buyers able to knock 5% or 6% of asking prices, said Nick Parr, a director at Knight Frank and specialist in new homes.

This glut of luxury homes means developers are now changing tack, targeting the young, fashionable and solvent rather than the super wealthy, and focusing on east London, where prices are lower than in prime neighborhoods.

"Where we used to see massive gyms and sky lounges we are now seeing tech as the driver," said Mr. Parr. "A main reason is that ser-

vice charges were getting very, very high and people were getting nervous about paying them."

Mr. Parr said many developers are opting for a "warehouse-style" aesthetic, prioritizing super high-speed broadband and bicycle parking over spas and swimming pools. Another popular—and economical—offering is dedicated apps for residents to communicate with

A glut of luxury homes means developers are now changing tack, targeting the young and fashionable rather than the super wealthy.

neighbors, posting events and creating a community feel.

Developers are also curating the retail units they allow onto their sites.

"Ground-floor uses drive residential values more than anything else," said Mr. Parr. "People don't want to live in a building with a Starbucks underneath. What they want is a cafe serving craft beer and artisanal bread."

In Deptford, a trendy neighborhood in southeast London, residents at Childers Street, a former propeller factory, converted into 83 rental apartments have a coffee hangout and bar, an on-site movie theater with regular film nights, communal workspaces and a communal roof terrace.

The apartments themselves feature high ceilings, huge windows and industrial styling, along with integrated Sonos music systems.

"We did a lot of research, speaking to 20 and 30 year olds, and the feedback was loud and clear," said Jamie Lester, group marketing director.

Childers Street opened in mid-June, with rents starting at about \$1,700 a month for a one-bedroom apartment to \$2,750 a month for a three-bedroom unit—prices that the developer, Vive Living, says are comparable to area rents.

"We are seeing this sort of thing more and more," said Jason Margetts, head of east London res-

idential development at Savills. Developers are looking at "quality amenities like an artisan bread maker, a really good barista, which might not already exist in an up-and-coming area."

This market showed its muscle at Deptford Market Yard, a development close to Childers Street that opened late last year. It features 121 modern apartments and 11 townhouses.

Its appeal, location aside, comes from the mix of shops built into disused railway arches below. Developer U+I included trendy hairdressers, design shops and boutiques, Little Nan's—which features cocktails served in teapots—a coffee shop, several restaurants and a fitness center specializing in circus-skills training.

All but one apartment in the development was sold off plan back in February 2014, at prices starting at about \$334,000 for a studio up to \$960,000 for a two-bedroom penthouse.

Even with discounts, this new breed of apartments will pose financial challenges to buyers and renters alike. The apartments might well appeal to young and fashionable startup bosses and aspiring writers, but in reality, it is only those with affluent families or high-paying finance jobs who are likely to be able to afford them.



DESIGN FOR THE AGES Monohaus, rendering above, will feature industrial-style design. Developers of Sartoria House in Notting Hill salvaged street art by Banksy, below, and will display it under bulletproof glass when the building is finished next year, depicted in rendering at bottom.

