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THE WALL STREET JOURNAL.

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As of 12 p.m. ET DJIA 21204.01 ▲ 0.14% NIKKEI 19909.26 ▼ 0.38% STOXX 600 389.15 ▼ 0.01% BRENT 48.12 ▲ 0.12% GOLD 1275.20 ▼ 1.15% EURO 1.1210 ▼ 0.42% DLR \$110.12 ▲ 0.27%

What's News

Business & Finance

Tribeca Investments, one of the activist investors targeting BHP for a sweeping overhaul, is sounding out possible candidates for a shake-up of the company's board. **A1**

◆ China's three tech titans are spending billions of dollars in the search for new growth in the world's biggest internet market. **A1**

◆ Alibaba said its annual revenue in fiscal 2018 could grow as much as 49%, sending its shares higher. **B1**

◆ The House is poised to pass legislation that would change the rules governing Wall Street. **B5**

◆ Uber fired a top executive who obtained medical records of a woman raped by her Uber driver in India. **B4**

◆ Members of the family that founded Nordstrom are exploring the possibility of taking the retailer private. **B2**

◆ Amazon has a multimillion-dollar plan to dive into the online grocery business in India. **B4**

World-Wide

◆ Ex-FBI Director Comey testified before Congress that he believed Trump was trying to pressure him to drop the investigation into Flynn, and he accused the president of trying to defame him and the bureau after his dismissal. **A1**

◆ The ECB removed a reference to a possible interest-rate cut in its regular policy statement, but Draghi said its monetary stimulus would continue. **A1**

◆ Iranian officials blamed Islamic State for attacks that killed 17 people in Tehran this week, saying the terrorists had been recruited in Iran. **A3**

◆ The Myanmar navy and fishermen pulled 39 bodies and airplane wreckage from waters off the southern coast, a day after a military plane disappeared. **A3**

◆ North Korea fired multiple cruise missiles into the waters between Korea and Japan. **A3**

◆ Chinese exports in May were up 8.7% from a year ago, more than expected. **A4**

Inside MANSION W9

A Simpler, More Seductive Spain

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Comey Says Trump Defamed Him



During his testimony before Congress, James Comey said he believed the president mistreated him by claiming the FBI was poorly led.

Fired FBI director says he feared the president would lie about their private conversations

By DEL QUENTIN WILBER AND BYRON TAU

WASHINGTON—Former FBI Director James Comey testified before Congress that he believed President Donald Trump was trying to pressure him to drop an investigation into a White House adviser, and he accused the president of trying to defame him and the bureau after his dismissal.

Mr. Comey declined to offer his opinion on whether he thought Mr. Trump was trying to obstruct justice, but he said that issue is something that the special counsel would examine. He said he took detailed notes of his conversations with the president because he was concerned Mr. Trump would lie about what the two had discussed.

Mr. Comey began his highly anticipated testimony on Thursday. Please see COMEY page A5

China's Tech Titans Shift Focus to Lifestyle

By LIZA LIN

SHANGHAI—In the search for new growth in the world's biggest internet market, China's three tech titans are spending billions of dollars on dozens of fronts to find the next big thing.

The latest battleground is China's lifestyle trends, with companies investing in apps that offer a variety of services including food, face-lifts, child care and bike sharing. E-commerce giant Alibaba Group Holding Ltd., social-media champion Tencent Holdings

Ltd. and search engine Baidu Inc. are betting that one-stop shops that match merchants with consumers represent the next wave of consumption.

China's internet giants have been on a tear. Alibaba said Thursday that revenue in fiscal 2018 could grow as much as 49%, sending its shares higher. Both it and Tencent have notched stock-price gains of more than 40% this year, with analysts predicting even more growth.

Still, the country's market of 731 million internet users is

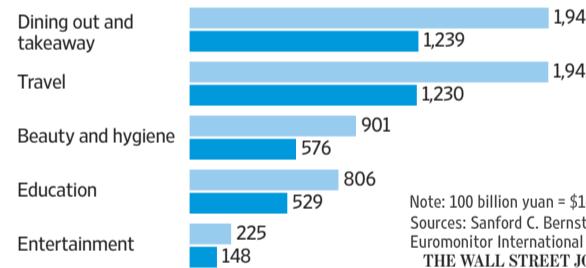
peaking, with several times the number of people accessing the web and shopping on smartphones as in the U.S. As growth opportunities narrow, the big three internet companies are increasingly cutting across each others' businesses, including online video streaming, cloud computing and internet finance.

With deep pockets and a powerful influence on day-to-day Chinese life, the companies have amassed a tangled array of investments, becoming kingmakers for startups

Please see TECH page A2

Mobile-Driven Consumption

China's consumer spending online is expected to increase sharply by 2020.



Note: 100 billion yuan = \$14.7 billion
Sources: Sanford C. Bernstein; Euromonitor International
THE WALL STREET JOURNAL.



U.K. Votes Amid Tight Security

ON THE LOOKOUT:

Britain headed to the polls in an election that will likely determine the U.K.'s Brexit strategy.

The campaign was colored by three terrorist attacks in as many months. A polling site in London, left. **A4**

ECB Rules Out Rate Cut, But Continues Stimulus

By PAUL HANNON AND TODD BUELL

The European Central Bank removed a reference to the possibility that it might lower interest rates in its regular policy statement Thursday, but its president said a weaker inflation outlook meant it was too early to cut its monetary stimulus.

In a news conference fol-

lowing the ECB's decision to leave its policies unchanged, Mario Draghi presented an upbeat view of the eurozone's economic outlook, saying growth would likely be higher than previously expected over the coming years.

But that "stronger momen-
Please see ECB page A4

◆ Heard on the Street: For ECB, slow is the way to go..... B8

How Low Has the Dollar Sunk? Even Some Rappers Prefer Euros

* * *

As hip-hop becomes increasingly global, more artists are snubbing 'Benjamins'

By CHELSEY DULANEY

It's been a humbling year for the almighty U.S. dollar. Investors, concerned about political instability in Washington and signs of an economic slowdown, have driven its value down to pre-election levels.

More dispiriting, however, is the greenback's deflated reputation among its most historically devoted support group.

Like a lot of hip-hop artists, Remy Banks is more obsessed lately with amassing foreign currencies. In "Cold World," Mr. Banks raps of "diving in the deep end of a pool full of euros, pounds, and yen."



Fetty Wap

"I'm talkin' color money, purple yen and blue dirham," she rapped about the aqua-toned notes.

Money has been a dominant theme in hip-hop since

Please see MONEY page A6

Please see ACTIVE page A2

A Few Firms Help Stock Pickers Fly High in 2017

By CHRIS DIETERICH AND SARAH KROUSE

It is one of the least creative trades of the year—and one of the most profitable.

Many stock pickers that have beaten the market in the early months of the year have five of the best-known technology companies to thank: Facebook Inc., Amazon.com Inc., Apple Inc., Google parent Alphabet Inc. and Microsoft Corp.

Those five stocks have accounted for 41% of the S&P 500's market-capitalization advance this year through Wednesday. Of the 101 top-performing actively managed U.S. stock funds this year, 84 count two or more of those technology firms in their top five holdings, according to Morningstar Inc.

Please see ACTIVE page A2



WORLD NEWS

Qatar Crisis Turns Into Proxy Battle of Rivals



MIDDLE EAST CROSSROADS

By Yaroslav Trofimov

Qatar may be tiny, but that's where all the major fault lines in the Middle East are converging these days.

The sudden cutoff of ties with Qatar by several Saudi-led Arab states has already turned into a proxy fight between supporters and opponents of political Islam and between partners and enemies of Iran.

After a series of tweets against Qatar by President Donald Trump, the conflict has also been infused with the simmering hostility be-

tween the American president and his European critics such as Germany.

Pitting one group of long-standing American allies against another, the Qatar confrontation has put the U.S.—which maintains more than 10,000 troops in the Persian Gulf emirate—squarely in the middle. If allowed to escalate, it risks undermining the U.S. campaign against Islamic State and the war in Afghanistan, both run out of the Al Udeid base near Qatar's capital Doha.

The crisis over Qatar began just days after Mr. Trump essentially endorsed Saudi Arabia's claim to lead the Arab and Muslim world at a summit with dozens of regional leaders convened by King Salman in May in Riyadh. That claim is far from being universally accepted, even in Saudi Arabia's immediate neighborhood where Qatar—fueled by its natural-gas wealth—has long been a maverick.

Whether Saudi Arabia brings Qatar to heel, and at

what cost, will be a major test of the kingdom's rising ambitions.

Geopolitical rivals including Turkey, Russia and predictably Iran are already lining up behind Qatar to make sure that doesn't happen. On Wednesday, Turkey's parliament rushed a vote authorizing the dispatch of as many as 3,000 troops to Qatar. With Saudi airspace now closed to Qatari planes, Turkey and Iran have also offered a logistic lifeline allowing Doha to escape isolation.

The immediate trigger for the Qatar crisis was almost comical in nature: a statement, allegedly by Qatar's emir, that criticized Saudi Arabia and Mr. Trump. It was published online by the Qatari news agency following the Riyadh summit. Qatar quickly said the news agency had been hacked and that the emir, Sheikh Tamim bin Hamad, never made these remarks. But by then, it didn't really matter.

State-controlled media in

Saudi Arabia, the United Arab Emirates and Egypt went on a campaign against Qatar, demanding it end support for Islamist groups such as Muslim Brotherhood and Hamas and distance itself from Iran.

After a defiant Sheikh Tamim made a phone call to the Iranian president, the Saudi-led nations on Monday cut diplomatic ties with the emirate and closed their land, airspace and ports to Qataris and Qatari trade. Unless Qatar buckles, these states envision additional sanctions such as punishing companies that do business with Qatar.

"They are adamant to escalate until the Qataris bow down," said Hassan Hassan, a fellow at the think tank Tahrir Institute for Middle East Policy.

These steps are extraordinary considering that, just a week ago, Qataris, Emiratis and Saudis could freely live and work in each other's countries under Gulf Cooperation Council rules.

But Saudi Arabia, Egypt and the U.A.E. have all nursed their own longstanding grievances with Qatar.

Egyptian President Abdel Fattah Al Sisi resents Qatar's traditional support for the Muslim Brotherhood, his key domestic foe. The U.A.E.'s de facto leader, Crown Prince

soft line toward Tehran.

The harshness of the Saudi-led campaign against Qatar has also given pause to Kuwait and Oman, two fellow GCC monarchies that are trying to mediate the dispute. Both fear they could be next if Qatar loses the ability to run its affairs autonomously.

From Tehran's standpoint, the Qatar crisis can only offer benefits, at least in the short run. The dispute has already undermined the GCC, weakened attempts to establish Sunni unity against Iran, and is likely to undermine Turkish-Saudi cooperation on behalf of Sunni rebels in Syria, said Vali Nasr, dean of School of Advanced International Studies at Johns Hopkins University and a former State Department official.

"The split, Tehran thinks, shows Saudis to be heavy-handed," Mr. Nasr said.

"That will worry many actors and open doors for Iran in the region and across the Muslim world."

Saudi-led cutoff of emirate turns into fight over political Islam and ties to Iran.

Mohammed bin Zayed, is staunchly opposed to the Muslim Brotherhood and has championed an uncompromising crackdown on Islamists across the region.

Then there is the issue of Iran. Qatar's main natural-gas field—the source of the emirate's wealth—is shared with Iran, a reality that forces Doha to adopt a relatively

ACTIVE

Continued from Page One

The best-performing funds by definition pick the best-performing stocks. While funds in the past have had large holdings of big tech firms, what's unusual about 2017 is that the biggest stocks are doing particularly well, meaning investors must make more outsize bets to beat their benchmarks.

The average price gain for the S&P 500's 10 largest U.S. stocks was 12% through the first five months of this year, the second-highest mark for that group over the past two decades, according to WSJ Market Data Group. The S&P 500's tech sector had gained 20% this year through May, compared with the broader index's 7.7% advance.

Yet gains by big tech companies have left some investors uneasy, concerned that prices have run up too far, too fast but also reluctant to pare holdings on the market's strongest performers. Facebook, Apple and Amazon all climbed at least 32% this year through May; Alphabet was up 25%, while Microsoft had tacked on 12%.

A survey of nearly 200 fund managers last month by Bank of America Merrill Lynch found that money managers view the tech-oriented Nasdaq Composite Index as the world's "most crowded trade."

"These stocks are up 30% [this year], and so are they getting pricey? Yeah," said Michael Lippert of the Baron Opportunity Fund, which owns big slugs of Amazon, Alphabet, Facebook and Netflix Inc. and is up 29% this year through Tuesday. "But ask yourself: What else do you want to own five years from now?"

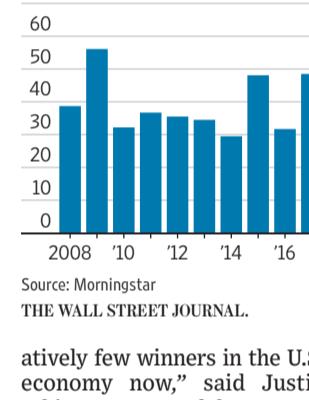
The rally in technology and internet stocks is in some ways reminiscent of the dot-com bubble in the late 1990s, when the promise of the information superhighway translated into bullishness that ultimately imploded with excess.

In the dot-com boom, as now, there was pressure on fund managers to place large bets in the technology sector to keep up. Fund managers say one difference between then and now is that firms like Amazon and Alphabet are more deeply entwined in the day-to-day lives of customers, enjoy more of an edge over rivals and are expanding into more industries.

"The reality is there are rel-

Stronger Start

Percentage of actively managed U.S. stock mutual funds beating their benchmark in the first five months of the year



Source: Morningstar
THE WALL STREET JOURNAL.

atively few winners in the U.S. economy now," said Justin

White, manager of the T. Rowe Price New America Growth Fund, which is up 21% this year, according to Morningstar. It has large holdings of Amazon and Facebook shares.

The boost from big technology companies is helping stock pickers achieve one of their best starts to a year since the end of the financial crisis. Nearly half of all actively managed U.S. stock funds, about 49%, beat their benchmark through May. That is the highest percentage of those funds outperforming in that period since 2009, when 56% did so.

The firms that try to beat the market have faced pressure in recent years from funds that aim to mimic the performance of broad market indexes, often at a much lower cost.

Some fund managers say they are wary of how fast tech shares are accelerating. Mr. White of T. Rowe Price said he dialed back some of his bets on technology firms because their shares have risen so much this year. He said, however, that he is reluctant to hold less of the sector than his fund's benchmark because there is still potential for further gains.

The growth of large technology stocks this year is "obviously unsustainable," said Gavin Baker, manager of the \$15.1 billion Fidelity OTC Portfolio. But he said the group was hit hard in late 2016, dwarfing that of the U.S.

Mr. Baker, whose fund is up 25% year to date, called Google, Amazon and Facebook artificial intelligence companies that he expects to expand over the next five to seven years.

By some comparisons, the shares have room to run. Tech valuations were higher in 2000. The average stock price of S&P 500 tech shares trades at 19 times the earnings that analysts expect over the next year, according to FactSet. That is above the S&P 500 index's price/earnings ratio of 17.7, but is far below the P/E of 53.4 that the tech sector traded at in March 2000.

Stock pickers say one of the biggest threats Google, Amazon and Facebook are likely to contend with is new regulations targeting online privacy and the way customer data is collected and used.

Investors also say that, while antitrust concerns are a risk, especially in Europe, there is no way to predict their timing or impact.

TECH

Continued from Page One and contributing to a funding glut that has created more than 100 billion-dollar start-ups in China, surpassing the number in the U.S.

Tencent, China's most valuable company by market capitalization, is a global game giant and owns China's largest social network, WeChat. The app is prevalent in the lives of its more than 900 million monthly users. In recent years, Tencent has accelerated its push into mobile payments. According to research firm Analysys, it had 40% of China's mobile-payments market, snatching some of that from Alibaba, whose affiliate Ant Financial at one time monopolized the industry.

Alibaba—which runs China's most popular e-commerce websites, Taobao and Tmall, and has more sales than Amazon and eBay combined—chronicles the spending habits of more than 450 million customers through its payments affiliate. It competes neck-and-neck with Baidu on internet mapping services in China.

Baidu, whose market capitalization has lagged behind that of its two rivals of late, dominates internet searching in China and is often referred to as China's Google. It has bet heavily on artificial intelligence and driverless cars, a field that Tencent is moving quickly into.

The frenzy to invest means the three tech giants sometimes overlap. Tencent and Alibaba are both investors in China's ride-hailing app, Didi Chuxing. Baidu and Tencent also jointly back electric-car maker NextEV, which will start production of an electric SUV in China this year.

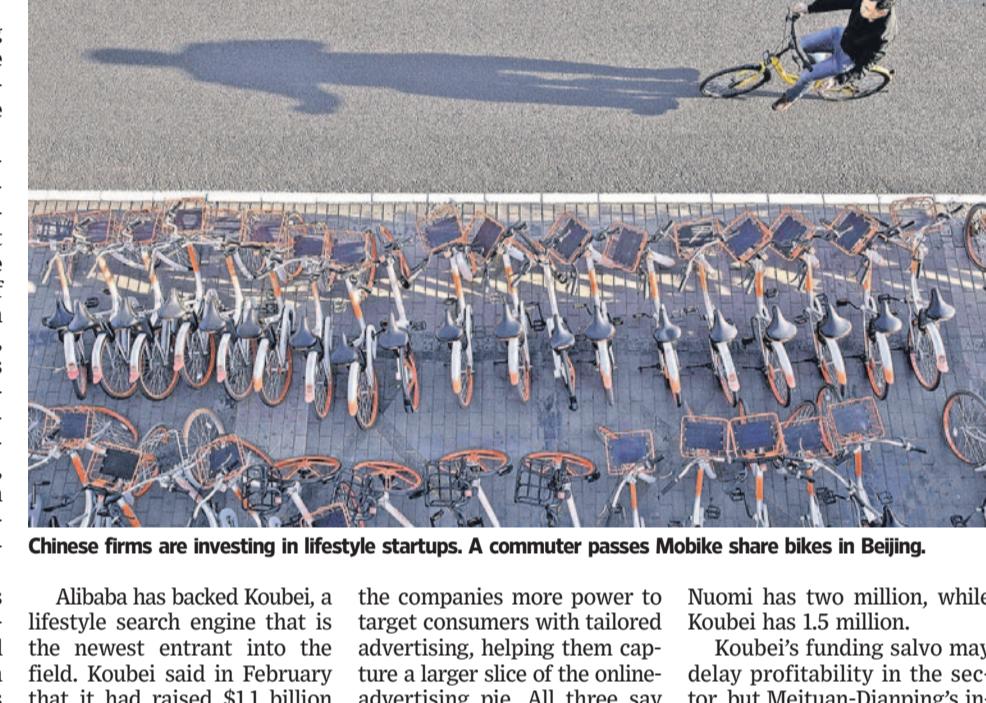
Currently, these three companies are fighting over the untapped segments of Chinese consumer lifestyles such as booking real-world services through the internet, referred to in the industry as online-to-offline services.

China's internet-driven lifestyle-services industry is forecast to grow to 7.8 trillion yuan by 2020 (\$1.15 trillion) from almost 5 trillion yuan in 2015, according to Sanford C. Bernstein, dwarfing that of the U.S.

Those apps go further than those available elsewhere, such as Yelp Inc. Users can not only order food and make an appointment with a hairdresser, but they can also book day trips, holidays and educational classes, and hail rides.

Meituan-Dianping dominates China's industry, with 75.5% market share last year, according to Analysys. Baidu's Nuomi is second, with 24%. Koubei has yet to establish a major presence.

The competition offers another prize: a wealth of big data companies can use to unlock more money in a market where user growth is slowing. The data those services yield give



Chinese firms are investing in lifestyle startups. A commuter passes Mobike share bikes in Beijing.

Alibaba has backed Koubei, a lifestyle search engine that is the newest entrant into the field. Koubei said in February that it had raised \$1.1 billion from investors, giving it a valuation of \$8 billion. Weeks later, Tencent-backed Meituan-Dianping said it had raised 1.5 billion yuan (\$218 million) to start a venture-capital fund to help restaurant- and leisure-related merchants grow.

Beijing-based Baidu said it is accelerating efforts to use its artificial-intelligence technologies, such as virtual-reality hotel tours, to boost merchants on its platform. Its location and search data can also advise merchants on optimal locations to open a physical store. Several consumers searching for a manicure salon in an area could indicate demand for one.

Koubei, whose name translates to "word-of-mouth" said it can sell services to businesses that want to better manage their customer base and customize promotions.

Restaurants know very little about their customers," said Koubei CEO Samuel Fan, whose app leverages Ant Financial's customer database. "They don't know if he lives nearby, or is he a student or a professional? How does he shop online? We offer them our database of information to give them this insight."

Meituan-Dianping, the \$18 billion industry leader, uses order and browsing history to send targeted ads. It has added ride-hailing and homestay bookings to the app.

The company has five million merchants on its platform, the most among the three.

Nuomi has two million, while Koubei has 1.5 million.

Koubei's funding salvo may delay profitability in the sector, but Meituan-Dianping's investors aren't perturbed. Meituan-Dianping's first-mover advantage and user reviews will help it hold on to its lead, said early-stage investor James Mi, Lightspeed China Partners' co-founder.

"In such industries, there is usually only space for one big player," Mr. Mi said.

—Lilian Lin contributed to this article.

CORRECTIONS & AMPLIFICATIONS

The first name of Peter Meehan, a co-founder of Newman's Own Organics, was incorrectly given as Paul in an article about Paul Newman's Rolex watch in the June/July edition of WSJ Magazine.

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

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WORLD NEWS

Tehran Attackers Were Recruited in Iran

High-level security breach could raise questions about military strategy

Iranian officials blamed Islamic State for unprecedented attacks that killed 17 people in Tehran this week, saying the terrorists had been recruited in Iran, as an investigation into the incidents intensified.

By Aresu Eqbali in Tehran and Asa Fitch in Dubai

"Those individuals who carried out the attacks on Wednesday in Tehran had joined Islamic State from different places inside Iran," Reza Seifollahi, deputy secretary of Iran's Supreme National Security Council, said on state television. Another official identified three of the people involved in the attacks as Iranians.

Iranian authorities haven't released the attackers' identities, but the Intelligence Ministry published grisly photos purporting to show five of their bodies, along with their first names.

The attacks took place at Iran's parliament complex and at the shrine for Ayatollah Ruhollah Khomeini, the Islamic Republic's founding figure. They were the first Islamic State-claimed attacks inside Iran,



EUROPEAN PRESSPHOTO AGENCY

A man looks out of a window in Iran's Parliament a day after a deadly attack on the complex.

bringing the regional battle against the Sunni Muslim extremist group to the heart of Shiite Iran.

The breach in security at two heavily guarded and symbolic pillars of the Iranian system could raise questions about the country's military strategy and the ability of newly re-elected President Hassan Rouhani's ability to shield it from extremism, analysts have said.

Many Iranians exchanged messages of solidarity on social media. Some also questioned

the costs of Iran's military involvement in Syria and Iraq and its failure to keep extremism at bay.

Iranian leaders, including Mr. Rouhani, said the attacks would only strengthen Iran's resolve to fight terrorism. "The Iranian nation will withstand terror, violence and extremism more resiliently than before," he said, according to the official Islamic Republic News Agency.

Islamic State claimed responsibility for the attacks in a statement on its official Amaq

news agency.

Islamic State once held large swaths of territory across its self-declared caliphate in Iraq and Syria, but has more recently fallen back on guerrilla-style suicide attacks as it faces battlefield losses.

The attackers had joined Islamic State and left Iran to fight in Mosul in Iraq and Raqqa in Syria, an intelligence ministry statement said Thursday. It didn't say when they left.

They returned to Iran in July of last year under the command

of an Islamic State operative identified as Abu Ayesheh, it said, intending to strike the country's holy cities.

They then fled Iran to an unnamed location after their network was crushed and Abu Ayesheh was killed, it said, but didn't elaborate on when or how they returned to carry out Wednesday's attacks.

Iranian authorities have foiled more than 100 terrorist plots in the past two years, Intelligence Minister Mahmoud Alavi told state television, and the country has long relied on tight monitoring to combat attempts by Islamic State to carry out attacks on its soil.

Security forces arrested 11 people last October on suspicion of planning attacks, and seized large amounts of explosives. State media said the authorities disrupted another attack last June.

Official accounts published Wednesday by Iranian state media said three attackers dressed as women tried to enter the parliament complex on the pretext of a meeting with lawmakers.

They killed a guard at the entrance before shooting people inside. One of the attackers blew himself up. It took security forces several hours to kill all the attackers.

In an attack at the shrine around the same time, security forces stopped two attackers who were trying to enter.

One blew himself up in the

courtyard, and security forces then targeted the second, according to Hossein Zolfaghari, deputy interior minister for military and security.

A person working at the shrine was killed in that attack, state television said.

Iranian authorities said they arrested six people in connection with the attacks.

They included a woman, who was taken into custody at the shrine and was being interrogated by intelligence forces. Alaeddin Boroujerdi, the chairman of the parliament's national security and foreign policy committee, was quoted as saying by the semiofficial Mehr News Agency.

Global leaders condemned the rare attacks, including U.S. President Donald Trump who said he grieved for the victims and the Iranian people. But his remarks caused controversy when he underscored "that states that sponsor terrorism risk falling victim to the evil they promote."

In a tweet Thursday, Iranian Foreign Minister Javad Zarif called Mr. Trump's statement "repugnant."

The U.S. has designated Iran a state sponsor of terrorism since 1984. The designation relates mainly to Iran's support for Shiite militias in Iraq, Shiite militia and political movement Hezbollah in Lebanon and Palestinian militancy, according to a State Department report.

North Korea Fires Multiple Missiles

By JONATHAN CHENG

SEOUL—North Korea fired multiple cruise missiles into the waters between Korea and Japan on Thursday morning, a day after Seoul said it would suspend any further deployment of a controversial missile-defense system to conduct an environmental review.

The South Korean Joint Chiefs of Staff said they were likely antiship missiles fired from near the city of Wonsan on North Korea's east coast that flew about 125 miles.

The missile launch comes less than a week after the United Nations Security Council passed a new resolution expanding sanctions against North Korea as punishment for its missile tests.

It also comes a day after South Korean President Moon Jae-in formally said he would halt the deployment of a controversial U.S. missile-defense system in South Korea while the government conducts an environmental assessment of the site in southern South Korea.

The Terminal High-Altitude Area Defense, or Thaad, battery currently has two launch-

ers, short of the full array of six launchers that typically comprises a Thaad battery.

The Moon administration said that those two launchers could remain, but that any further deployment would be subject to the review. The U.S. says that the battery, with its two existing launchers, is operational and capable of shooting down North Korean missiles.

Launch follows South Korean pledge to freeze missile-defense deployment.

Both the White House and Pentagon referred questions about the launches elsewhere. Thursday's launch didn't appear to involve the use of ballistic missile technology, the primary concern of U.S. officials for its potential threat to the American homeland.

Officials in Washington have avoided comment on the controversy surrounding the Thaad missile defense battery, saying they regard it as

a domestic issue in South Korea. Proponents of the deployment said the system remains critical to efforts to protect South Koreans from Pyongyang's increasingly sophisticated abilities.

"I hope any environmental concerns related to the full deployment of Thaad will be dispelled with a quick and thorough review," said Rep. Ed Royce (R., Calif.), chairman of the House Foreign Affairs Committee. "And we must continue to press China and Russia to play more productive roles, since North Korea's nuclear program endangers us all."

Earlier this month, Mr. Moon ordered an investigation after the South Korean Ministry of National Defense deliberately withheld information from the presidential Blue House about the arrival to South Korea of four additional launchers for the Thaad battery.

Mr. Moon has said in recent weeks that he would put the Thaad battery through a full environmental review, following on his campaign pledge earlier this year that he would review the Thaad decision process. But during a meeting last

week with Sen. Richard Durbin of Illinois, the second-ranking Senate Democrat, he said that he wasn't planning to reverse Thaad's deployment, according to the presidential Blue House's account.

At other times, Mr. Moon has also appeared to soften his campaign stance against Thaad, notably in his inaugural speech last month, where he said he would work to strengthen the U.S.-South Korea alliance. "Strong security is made possible with mighty defense capabilities," Mr. Moon said then.

Thursday's test-firing comes nearly two weeks after the North's most recent missile launch, which Pyongyang later said was far more precise than any other missile it has launched. Before Thursday, North Korea had launched 12 missiles this year, claiming a number of technological advances as it ramps up its testing in pursuit of an arsenal of missiles that can threaten the U.S. mainland and its allies in the region.

—Gordon Lubold & Carol E. Lee in Washington and Lingling Wei in Beijing contributed to this article.



Japan's GDP grew for a fifth straight quarter in early 2017, but the government reduced the initial estimate.

Weak Spending Takes Pizazz From Japan

By KOSAKU NARIOKA

TOKYO—Japan's economy grew at a slower pace than initially estimated in the first quarter, as an inventory rundown and weaker household spending took some of the shine off Japan's longest economic expansion since 2006.

The nation's gross domestic product, the broadest measure of economic activity, grew at an annualized pace of 1.0% from the previous three months, according to government data released Thursday.

The initial report last month estimated GDP rose 2.2%.

The revised figures confirm that the economy extended its most recent stretch of growth under Prime Minister Shinzo Abe to five quarters, though the expansion in the first three months of 2017 proved much slower than first thought.

While economists had expected growth to be revised higher, they said the rundown in inventories meant that the overall picture of an economy gradually gaining strength hadn't changed.

A government official said a decline in oil inventories was one of the main factors behind the slower growth, along with softer-than-estimated auto sales. Some analysts said the inventory drop would likely be a positive factor for growth in the current quarter.

The revised figures also showed softer private consumption.

The contribution of household spending to overall

growth essentially halved. The weaker household spending partly reflects a lack of strong gains in wages despite robust corporate earnings, an issue that continues to subdue Japan's growth.

Still, an improvement in capital spending offered a sign that firms are becoming more optimistic about the economic outlook.

Firms spent 0.6% more on business investment in the first quarter than in the previous months, compared with an initial estimate of 0.2%—a factor that many economists had cited in their earlier projections of faster growth.

Looking ahead, Yuichiro Nagai, an economist at Barclays, said that while the overall economy is expected to improve, attention must be paid to potential risk factors such as a slowdown of the Chinese and the U.S. economies.

A sharper slowdown in China or a strengthening of protectionist measures by the Trump administration could disrupt manufacturing activity world-wide in the coming quarters.

Other analysts took a slightly brighter view.

Masayuki Kichikawa, chief macro strategist at Sumitomo Mitsui Asset Management, said he expects the Chinese economy to stabilize and some U.S. fiscal stimulus to be implemented by the end of the year, with Japan's stimulus measures also giving support to the economy over the coming quarters.

Plane's Debris Found Off Myanmar

By Myo Myo

YANGON, Myanmar—The Myanmar navy and local fishermen pulled 39 bodies and airplane wreckage from waters off the country's southern coast Thursday, a day after a military plane disappeared carrying 122 people, many of them the family members of soldiers.

Authorities in the Southeast Asian nation lost contact with the plane Wednesday af-

ternoon as it was flying from the southern city of Myeik, also known as Mergui, to the country's largest city, Yangon, the military said. The aircraft, a Chinese-made Y-8 200F transport plane, was carrying 14 crew members and 108 passengers including soldiers and scores of family members. There were 15 children on board, the military said.

"We're waiting for news," said Yangon resident Wai Lin Aung, whose mother was among the passengers on the flight. "Until now, we don't know the situation exactly."

A navy vessel and fishermen separately found 10 bodies early Thursday in the Andaman Sea off southern Myanmar, along with a tire, life jackets and luggage, the military said. By afternoon, rescue teams sent to the area had found 29 more people. The remains recovered included those of 12 children.

Local fishermen joined nine

navy ships, five military aircraft and three helicopters in the search, a military spokesman told the Associated Press.

Information was limited, and authorities have yet to announce a cause of the plane's demise. Military spokesman Gen. Aung Ye Win said that weather conditions had been poor at the time communication was lost, about a half-hour into the flight, with the plane flying at 18,000 feet.



Local residents in Myanmar watched a navy vessel that was carrying bodies from a military plane that crashed at sea.

WORLD NEWS

BRUSSELS BEAT | By Stephen Fidler



Two elections in two countries within the space of three days, and history appears to be reasserting itself. The U.K. is turning away from the European Union and France toward it.

Britain's suspicion of Continental entanglements dates back centuries. After World War II, its leaders shunned the Franco-German project that became the EU, certain it would fail. It finally joined in 1973. Now, once again, it is now turning its back.

In almost every U.K. election outcome predicted by opinion polls, Britain moves further away from the EU. Even as anxiety rises in some business sectors and higher inflation begins to erode living standards because of the drop in the pound following last year's referendum, the U.K. seems to be headed ineluctably out of the EU.

France seems to be going in the other direction. President Emmanuel Macron campaigned on an unmistakably pro-EU ticket and

has driven all before him. Opinion polls suggest his new party's candidates will sweep the board in elections for the National Assembly, the first round of which is on Sunday. That will give him the mandate to push through long-awaited changes to the French economy that he hopes will cut unemployment and spur growth.

"The elites in Britain and France have always had very different views on the merits of EU membership," says Charles Grant, director of the pro-EU Centre for European Reform.

There are other differences across the English Channel. Mr. Macron has marginalized the traditional center-right and center-left parties of French politics, creating a powerful new force in the middle. The Gaullists and Socialists will be left as shadows on the fringes of the National Assembly, polls predict.

In the U.K., meanwhile, a political realignment seems as far away as ever and the traditional two-party system appears to have reas-



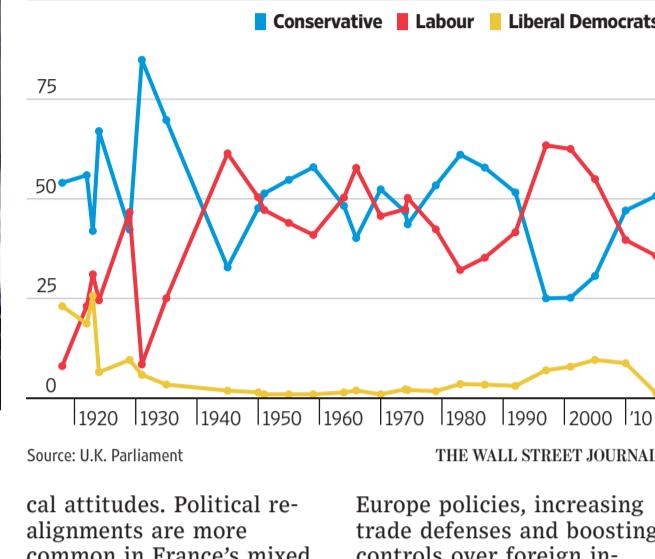
Emmanuel Macron met with Theresa May in February.

serted itself. Most constituency battles in England were fights between the Conservative and Labour parties, though Labour's path to government is held back by the Scottish National Party's domination of Scotland, once a happy hunting ground for Labour.

That difference is as much a consequence of the countries' different political traditions as of any fundamental difference in politi-

U.K. Voting History

Share of seats won by party in general elections



Source: U.K. Parliament

THE WALL STREET JOURNAL.

the Conservatives deviated dramatically from Margaret Thatcher's free-market legacy, declaring: "We do not believe in untrammelled free markets."

"We haven't had such an illiberal pair of political leaders" in many decades, says Mr. Grant.

Britain and France are thus diverging. A reform-minded French president has doubled down on the EU while the British have turned their backs on the bloc.

Both economies start out on these different paths at a similar size. Their future trajectories will have a demonstration effect that could have important consequences for the future of Europe.

If the British economy performs successfully, confounding the expectation of most economists who think Brexit makes success less likely, leaving the EU may look less perilous to others. If the French economy outperforms while it is embedded inside the bloc, the economic arguments for other countries to leave will be weakened.

French President Bets on Rookies to Win Vote

BY WILLIAM HOROBIN

NICE, France—French President Emmanuel Macron's quest to win a parliamentary majority and pass contentious labor changes hinges on candidates like Caroline Reverso-Meinetti.

A lawyer by training, the 31-year-old has never before run for public office. When voters head to the polls for the first round of legislative election on Sunday, Ms. Reverso-Meinetti will represent Mr. Macron's party on the ballot, competing with seasoned candidates who would have likely brushed neophytes like her aside in any other year.

Polls suggest 2017 will be a political year like none other in France's recent history. The wave of support that carried Mr. Macron, 39, to victory last month is likely to propel his fledgling political party, La République en Marche, into the driver's seat of the 577-seat National Assembly.

A nationally representative survey conducted by Ipsos Sopra-Steria between June 2 and June 4 showed his party garnering 29.5% of the first-round vote, followed by the center-right Les Républicains with 23%.

Projections by the same pollster indicate the second-round vote on June 18 would hand Mr. Macron a clear majority, with between 385 and 415 seats.

A victory for Mr. Macron's party in constituencies like Nice would amount to a deathblow for France's political establishment. It would also strengthen the new president's hand in pushing unpopular



Caroline Reverso-Meinetti, parliamentary candidate for Mr. Macron's La République en Marche party, campaigning Saturday in Nice with French Interior Minister Gérard Collomb.

economic overhauls through Parliament—something Mr. Macron and his European allies say is vital to fixing the European Union and its common currency.

By streamlining France's sclerotic labor code, Mr. Macron hopes to persuade Germany and other Northern European countries to allow the strongest members of the eurozone to act as financial backstops for the weakest.

"Without this majority we will be blocked for another five years," Ms. Reverso-Meinetti said.

Mr. Macron's party flaunts the inexperience of its candidates as it makes a play for seats in conservative strongholds long considered impervious to challengers. Nice is the

fief of incumbent Eric Ciotti, a conservative stalwart and Républicains party chieftain whose tough-on-terror résumé has long made him unassailable for opponents from any party, including the far-right National Front of Marine Le Pen.

Nice was the target in July of an Islamist terrorist's truck attack that killed 86 people among the thousands lining the coastal city's promenade to watch a Bastille Day fireworks display. Mr. Ciotti, who headed a 2015 parliamentary commission on jihadist networks, has held his district for a decade.

Mr. Macron has maneuvered to divide Mr. Ciotti's party by appointing senior lawmakers from Les Républicains as ministers in his new government. The president has also backed away from fielding his own candidates in about 50 constituencies—including some in the Nice area—where Les Républicains candidates have indicated they would ally with the French leader if elected.

Mr. Ciotti said Mr. Macron was focusing on politicizing "with the complicity of those who betrayed their beliefs to get a position."

On Saturday, the president dispatched top ministers—one from Les Républicains and the other a Socialist—to Nice to campaign alongside Ms. Reverso-Meinetti.

"There is a national reconfiguration taking place. We have to take part and leave

our bitterness to one side," said Budget Minister Gérald Darmanin, an ally of former French President and Les Républicains leader Nicolas Sarkozy.

As Mr. Darmanin arrived, Mr. Ciotti's supporters fanned out around city hall and a nearby flower market to hand out leaflets and urge voters not to give Mr. Macron a blank check.

Ms. Reverso-Meinetti's foray into politics began in January when she spent 10 minutes filling out an online application to become a parliamentary candidate for Mr.

Macron's movement. At the time, Mr. Macron was behind in the polls, and Ms. Reverso-Meinetti's friends mocked her as utopian, she recalled.

Nice is one of the most challenging districts for Mr. Macron. François Fillon, the presidential candidate for Les Républicains, garnered the largest share of the vote here in the first round of the presidential election.

Mr. Macron finished third behind Ms. Le Pen of the National Front, which is also fielding a candidate here for the legislative election.

ECB

Continued from Page One
tum" wasn't showing up in the outlook for inflation, as changes in the way the job market works have kept pay rises low.

"The economic expansion has yet to translate into stronger inflation dynamics," Mr. Draghi said. "Therefore a very substantial degree of monetary policy accommodation is still needed."

The ECB's economists raised their forecasts for gross domestic product growth and now see output rising by 1.9% in 2017, 1.8% in 2018 and 1.7% in 2019. In each case, the forecast rate is a tenth of a percentage point higher than expected in March.

The euro dipped slightly after the ECB update Thursday, hitting a day's low below \$1.12, down from around \$1.1240 beforehand. It later recovered to trade at \$1.1210, down 0.42% on the day.

German government bonds rallied slightly, with the yield on the 10-year note declining

by around 0.03 percentage point to 0.252%, according to Tradeweb. Bond yields rise as prices fall.

Mr. Draghi said policy makers now believed it was as likely that growth would be faster than forecast as weaker. That balanced outlook is a departure from their previous view, which saw downside risks predominating.

The ECB president stressed it was too early to consider a removal of stimulus.

Their more upbeat take on growth opened the way for a change in the stance on interest rates.

In its statement, the governing council said it expected rates would "remain at their present levels for an extended period of time"—dropping to the possibility that they could be lowered.

"Deflation risks are not there any longer and that's why

we have removed one of our easing biases," Mr. Draghi said.

He stressed it was too early to consider a removal of stimulus, since wages weren't rising quickly enough to push inflation sustainably higher. The ECB retained its reference to increasing its bond-purchase program in both size and duration should conditions worsen and Mr. Draghi said policy makers hadn't talked about the means or timing of a reduction in stimulus.

"There wasn't any discussion on normalization," he said.

The ECB's economists cut their inflation forecast for this year to 1.5% from 1.7% and their forecast for 2018 to 1.3% from 1.6%.

Mr. Draghi said the recovery was creating new jobs, but they were lower quality than in precrisis years, helping to limit pay rises.

The officials assembled in Tallinn, Estonia, amid signs of gathering strength in the eurozone. Growth in the 19-nation bloc outpaced the U.S. in the first three months of 2017 and unemployment has fallen to an eight-year low of 9.3%.

WORLD WATCH

CHINA

Exports Grew for Third Month in May

Chinese exports in May were up 8.7% from a year earlier, more than expected, as resilient global demand drove a third straight monthly increase.

The increase followed an 8% gain in April and beat the 7% forecast of economists polled by The Wall Street Journal.

Imports in May were up 15%, the General Administration of Customs said Thursday, accelerating from April's 11.9% pace.

China's trade surplus widened to \$40.81 billion from \$38.05 billion.

The world's second-largest economy got off to a strong start this year with first-quarter growth of 6.9%, the best in a year and a half. But in recent weeks, data that track factory inflation, industrial output and corporate profits have all weakened.

May's trade data buck the trend.

"Overall, I still think first-quarter growth was the peak," said Standard Chartered Bank Ltd. economist Shuang Ding, "with

export growth perhaps the only bright spot."

Economists say Chinese exports last month benefited from strong U.S. and European Union demand—China's shipments to both grew at close to double-digit rates from a year earlier—and a more stable Chinese currency.

Since the start of the year, the yuan has been relatively stable against the dollar and a basket of currencies, providing a tailwind for exporters after a volatile 2016.

The monthly trade data augur well for global trade. While exports have become a less-important growth driver for China in recent years as its domestic economy expands, the country remains the world's top exporter as well as its top commodity importer, so its trade data are closely watched as a barometer of global demand.

—Mark Magnier

GLOBAL TERROR

ISIS Says it Killed 2 Chinese in Pakistan

Islamic State fighters executed two Chinese nationals who

were kidnapped from southwestern Pakistan last month, the group said Thursday, a development likely to raise concerns about the security of foreign nationals in Pakistan.

The claim was released by Islamic State's Amaq news service and reported by the SITE Intelligence Group, which monitors jihadism communications.

Pakistani officials say Islamic State doesn't have an organized presence in the country. However, the group has claimed several high-profile attacks in recent months. Pakistan's military said it destroyed last week a well-stocked hideout of a local militant group that was trying to help establish an Islamic State presence in the country.

Armed men abducted the two Chinese nationals in the city of Quetta in southwestern Pakistan on May 24, Pakistani police said. Thousands of Chinese have moved to Pakistan over the past two years to support investment under Beijing's flagship "Belt and Road" infrastructure building program across Asia and Europe.

—Qasim Nauman

U.S. NEWS

Trump Says Obamacare Is in Chaos

President Donald Trump declared the Affordable Care Act a "horrendous" disaster, and called on Republican senators to push through their own

By Louise Radnofsky,
Stephanie Armour
and Kristina Peterson

health-care legislation, in an Ohio speech where he sought to capitalize on the state's insurance market woes.

"Obamacare is in a total death spiral, and the problems will only get worse if Congress fails to act," Mr. Trump said on landing in Cincinnati, flanked by two families that the White House has called victims of the law.

Mr. Trump's tarmac health-care remarks on Wednesday were added late to his schedule in Ohio, apparently after reports Tuesday that Anthem Inc. was pulling out of the insurance exchange created there by the Affordable Care Act for next year. The move will likely leave at least 18 Ohio counties with no plans to buy under the health law.

The remarks occurred directly ahead of a planned speech on infrastructure, in which Mr. Trump repeated some of his health-care themes.

Supporters of the 2010 health law say insurance markets are struggling not because of Obamacare but because Mr. Trump has sabotaged them by creating a state of uncertainty over their future. "If President Trump wants to know who created these victims, he should look

in the mirror," said Leslie Dach, campaign director of Protect Our Care and a former Obama administration official.

Mr. Trump's comments came on the heels of lawmakers' return to Washington on Monday, and a White House visit with GOP congressional leaders on Tuesday in which the president said he was confident Senate Majority Leader Mitch McConnell (R., Ky.) could "get a bill across the finish line this summer" that would overturn much of the 2010 health law and enact Republican measures in its place.

Mr. McConnell took the first procedural step toward bringing health-care legislation to a vote on Wednesday. However, a lunch of Republican senators on Tuesday yielded no immediate consensus on the major sticking point, the future of the Medicaid federal-state health program for the poor that is a particularly divisive issue for Republican-dominated states.

Still, some strategists said they remained optimistic as long as GOP senators hadn't declared an impasse. And lawmakers and lobbyists said they were starting to see signs of consensus among Republicans on other difficult issues, such as whether insurers should be required to sell coverage to everyone at the same price regardless of their medical history.

GOP senators said Wednesday that they were coalescing around some key components of their health-care plan. Wary of the backlash House Republicans faced over the implica-



President Donald Trump greeting a family whose insurance premiums rose under the Affordable Care Act on Wednesday in Cincinnati. MARY ALTAFFER/AP

tions their bill carried for people with pre-existing conditions, Senate Republicans said they plan to require insurers to cover that population.

"People are demanding that now, even though that's added a tremendous cost to the bill," said Senate Finance Committee Chairman Orrin Hatch (R., Utah). "On the other hand, who wouldn't want to do that if they can?"

But GOP senators said they have embraced part of the House bill that would allow states to give insurers flexibility to opt out of covering some specific benefit categories, known as essential health benefits. "There is support for the House approach on that, which had that flexibility in it"

for states, said Sen. John Thune of South Dakota, a member of Senate GOP leadership.

The party can afford no more than two defections among its 52 senators to pass a health-care bill along party lines. To get a health-care bill without Democrats, Republicans are using a budget process that spares them from having to get 60 votes but that also carries with it particular parliamentary limitations and a deadline to complete the work if the party wants to move on to a tax overhaul.

Mr. Trump's visit to Ohio took him to the state of GOP Sen. Rob Portman, a key figure in the Senate working group on health-care legislation.

The Ohio trip became more

relevant after the Anthem news, which was first reported in The Wall Street Journal Tuesday. The White House has planned for weeks to harness particular states' insurance-market woes to help lift the GOP's health-care measure over hurdles in the Senate, arguing that they have no choice but to act.

The speech followed a meeting between the president and "victims of Obamacare," small-business owners Dan Withrow and Raya Whalen.

Mr. Withrow, president of CSS Distribution Group Inc. that sells pallets and other packaging in Louisville, Ky., has long been an advocate for conservative health policy. He testified in Congress in 2012

about objections to the health law's requirements on employers.

In a Wednesday interview, he said he had been in recent contact with a former aide to Mr. McConnell about his health-care concerns that included increased premium costs for people buying coverage on their own.

Mrs. Whalen, described by the White House as the co-owner of PlayCare LLC in Troy, Ohio, also cited higher premiums and deductibles combined with problems getting to see the doctors of her choice after core provisions of the 2010 health law kicked in. The White House also said that she had founded the Young Republican Women of Cincinnati.

COMEY

Continued from page A1
day before a Senate committee regarding his abrupt firing on May 9 by saying the president's "shifting explanations" for his dismissal "confused me and increasingly concerned me." He testified he took the president at "his word" that he was fired in response to his supervision of the investigation into Russia's alleged meddling in the 2016 presidential elections.

The former director said he believed Mr. Trump had mistreated him and the FBI by claiming the bureau was poorly led and disorganized.

"Although the law required no reason at all to fire an FBI director, the administration then chose to defame me, and more importantly the FBI, by saying the organization was in disarray, that it was poorly led, that the workforce had lost confidence in its leader," Mr. Comey said, adding that "those were lies, plain and simple."

Mr. Comey said the memos he recorded of his meetings with Mr. Trump were shared with a friend at Columbia Law School to get them to the media. Mr. Comey said he hoped the disclosures might prompt the appointment of a special counsel.

The Senate Intelligence Committee, along with several other congressional panels, is investigating whether associates of Mr. Trump colluded with Moscow to meddle in last year's election. Former FBI Director Robert Mueller III was appointed on May 17 as special counsel to oversee the Russia probe.

Russian officials have denied that the government sought to influence the U.S. election, and Mr. Trump has denied any collusion and described the investigation as a "witch hunt."

The session of the Senate Intelligence Committee was one of the most closely watched in recent memory, as Mr. Comey laid out a portrait of what he depicted as repeated attempts by the president to obtain his loyalty and affect the course of an investigation. The White House has sharply rejected those assertions, and Republican senators emphasized that Mr. Comey, by his own account, told Mr. Trump several times he wasn't personally under investigation.

Lawmakers also questioned



MARY ALTAFFER/AP

Patrons at a restaurant-bar in Brooklyn watched Mr. Comey's Senate testimony on Thursday.

FBI Pick Known for Low-Key Approach

FBI Director nominee Christopher Wray and former Director James Comey both went to elite law schools, served as federal prosecutors, and worked at top Southern law firms before taking senior posts in the Bush Justice Department. But that might be where their similarities end.

While Mr. Comey is known as a gregarious figure—President Donald Trump has called him "showboat"—Mr. Wray, 50 years old, is known for an under-the-radar approach.

In 2003, when Messrs. Comey and Wray, then top Justice Department officials, held a joint press conference to announce a special counsel to investigate the leak of a CIA employee's identity, Mr. Comey answered all of the 32 questions asked while Mr. Wray stood silently by his side, according to a

why Mr. Comey had not raised more of an alarm, given his dire view of how Mr. Trump was conducting himself. Mr. Comey responded that he was "stunned" by the interactions. Many senators focused on Mr. Comey's description of an encounter that he believed amounted to the president seeking to direct him to drop an investigation of former national security adviser Mike Flynn.

Lawmakers also questioned



LAWRENCE JACKSON/AP

Christopher Wray

transcript of the briefing.

Mr. Trump wrote in an early Wednesday tweet he would nominate Mr. Wray to the Federal Bureau of Investigation post, calling him a "man of impeccable credentials."

Mr. Wray, an Atlanta lawyer, has spent the past decade in private practice, representing high-profile clients including New Jersey Gov. Chris Christie, a Republican, and Credit Suisse AG.

In a Feb. 14 Oval Office meeting, Mr. Comey said in his prepared testimony that the president told him, "I hope you can see your way clear to letting this go, to letting Flynn go. He is a good guy. I hope you can let this go."

At the time, the FBI was conducting an investigation into Mr. Flynn's conversations with a Russian diplomat during the transition, Mr. Comey said. Mr.

But he earned his reputation as a hard worker and straight shooter early on in his career at the Justice Department. Mr. Wray declined to comment for this article.

Hailing from a liberal Manhattan family of lawyers, Mr. Wray went to Andover, Yale College and Yale Law School before moving to Atlanta and becoming a federal prosecutor there. He spent four years at the U.S. attorney's office in the Northern District of Georgia, prosecuting crimes from church to public corruption.

Mr. Wray moved to Washington to spend two years in the deputy attorney general's office in the aftermath of the Sept. 11 terrorist attacks. In 2003, he was tapped to run the department's criminal division.

"Chris is straight as an arrow," said Andrew Hruska, one of his colleagues at King & Spalding. "He will do everything in an absolutely professional way."

—Aruna Viswanatha
and Del Quentin Wilber

Flynn had resigned a day earlier under pressure for misleading Vice President Mike Pence about what he and the Russian envoy discussed.

"I took it as a direction," Mr. Comey told lawmakers on Thursday, referring to Mr. Trump telling him that he hoped he would let the Flynn probe go. "This is the president of the United States with me alone saying 'I hope this,'" Mr.

RNC Leads Testimony Offensive

BY MICHAEL C. BENDER
AND PETER NICHOLAS

President Donald Trump is outsourcing much of the response to ex-FBI Director James Comey's testimony to the Republican National Committee, leaning on a team of about 60 staffers to lead a political offensive aimed at Democrats as well as the nation's former top law enforcement officer.

The White House press team will also refer more substantive questions to the president's outside counsel, Marc Kasowitz, as they have done since the New York-based attorney's hiring was announced last week.

The White House did that on Wednesday when copies of the statement Mr. Comey delivered to the Senate Intelligence Committee were released.

The president's allies seized on a section of the prepared testimony. "The President is pleased that Mr. Comey has finally confirmed his private reports that the President was not under investigation in any Russian probe," Mr. Kasowitz said in a statement.

"The president feels completely and totally vindicated. He is eager to continue to move forward with his agenda."

The RNC issued a similar statement, yet neither denied that Mr. Trump had urged an end to the Flynn probe. Mr. Trump has denied that he asked Mr. Comey to end his probe of Mr. Flynn.

The RNC said it has lined up a host of surrogates to appear on national and local television and radio to support the president, and has a database of research on how Democrats have criticized Mr. Comey in the past. "It's the RNC's top priority to support and defend the White House," Ryan Mahoney, RNC's communications director, said.

Ari Fleischer, a former White House press secretary for George W. Bush, said there should be two goals for crisis control for the nation's chief executive: Don't make it worse, and refocus the nation on a different topic.

U.S. NEWS

Infrastructure Faces Urban-Rural Divide

By TED MANN

WASHINGTON—President Donald Trump's plan to tap the private sector to rebuild \$1 trillion worth of roads, bridges and rails has encountered an early problem: geography.

The administration says it will rely on private investors to supply the vast majority of cash to support a decadelong infrastructure rebuilding effort. But members of Congress from rural areas are wary.

That is because private investors are looking for infrastructure projects that throw off steady streams of revenue, from which they derive their profits, and those tend to be found near population centers. Some rural lawmakers have already begun to raise doubts about the few specific infrastructure proposals Mr. Trump has made.

Republicans such as Sen. Jerry Moran of Kansas have questioned Mr. Trump's endorsement of a plan to privatize the air-traffic control system, saying private ownership could give short shrift to small rural airports.

Sen. John Barrasso, (R., Wyo.), chairman of the Senate's environment and public-works committee, has told local media outlets that an infrastructure package shouldn't require tolls on the lightly traveled highways in his state, the least populous in the country.

Support from Republicans, many who represent rural areas, will be crucial in getting a large infrastructure package through the GOP-led Congress, since many Democrats have said they would oppose efforts to rely on tolls, rather than federal aid, to pay for building projects.

Mr. Trump's fellow Republicans have expressed concern about his proposals to rely on private investors to fulfill his \$1 trillion promise since the administration's first days. Sen. Shelley Moore Capito, (R., W.Va.), quizzed Transportation Secretary Elaine Chao during her confirmation hearing in January about how the administration would apply its plan in rural states, which can lack the traffic necessary to raise funds for investors through tolls and user fees.

Ms. Chao avoided the question. "It's a huge issue that demands the best thinking of all of us," she said.

That question looms large now that the administration has said it would intentionally shift more responsibilities to pay for infrastructure to cities and states, in some cases providing incentives to those local governments that are willing to raise fees and tolls on residents to do so.

Incentives to bring in private investment will be beneficial, said Ananth Prasad, a senior vice president at HNTB and former secretary of transportation



The Horseshoe highway project in Dallas is seen in this September 2016 photo.

for the state of Florida.

But, he said, it "doesn't solve the overall problem" of finding the revenue to pay for investments.

Whether construction is funded and managed through traditional government outlays or through private investment consortia, Mr. Prasad and others in the construction business say, someone has to pay.

Amid a whirl of other controversies such as the hearings on Russia's involvement in the election, Mr. Trump is con-

tinuing a series of events this week to highlight his commitment to infrastructure building, though the administration hasn't issued a detailed proposal and aides wouldn't say when one might emerge.

The president was set to meet Thursday with mayors and governors at the White House to hear their views and concerns. And senior administration officials said the president would visit the Transportation Department on Friday to repeat his calls to cut back on permitting requirements

that can delay the launching of major construction projects.

The administration has signaled its openness to rural concerns. The White House told reporters on the way to a presidential speech in Ohio on Wednesday that the president's program would include federal grants for bridges, roads and waterways in rural areas.

Because the administration hasn't released a concrete plan, it isn't clear whether similar grants will be offered to urban areas.

Mr. Trump hinted at a will-

ingness to raise the gas tax as one alternative way to fund an infrastructure package in an interview with Bloomberg last month. But White House press secretary Sean Spicer walked that back within hours, telling reporters Mr. Trump hadn't endorsed the idea.

Mr. Prasad said that a gas-tax increase could be beneficial and that Congress should take its lead from Republican-leaning states, including Tennessee, Utah, Georgia and South Carolina, that have raised their own gas taxes to fund highway repairs.

Some urban areas will be able to fund new projects like the Port of Miami tunnel, a public-private partnership Mr. Prasad helped oversee. That project is a 30-year partnership in which the state is reimbursing private investors who financed the construction through a series of "availability payments," paid out of Florida gas tax revenues, as an alternative to a toll.

"It's a good model of public-private partnership," Mr. Prasad said, but one that requires a large and steady tax base, or a large stream of traffic that states are willing to toll to raise revenue.

"That can't work on a reconstruction of I-70 in Kansas and Missouri," he said, "because if you're not going to toll that, they don't have the revenue to put together an availability payment."

U.S. WATCH

ECONOMY

Unresolved Debt Ceiling Dims Forecasts

Once again, economists must consider the risk that Congress may be unable to easily deal with the nation's statutory borrowing limit.

Forecasters in The Wall Street Journal's monthly survey have raised their assessments of the risk facing the U.S. economy. For the first time since the presidential election, a majority of economists in the survey are concerned the economy could do worse than forecast.

That is a reversal from earlier in the year, when the possibility of rapid moves to reform the tax code or create a \$1 trillion infrastructure package seemed like they could happen quite quickly and boost the economy.

Congressional deadlocks over fiscal policy have repeatedly lasted until the 11th hour in recent years, raising the specter of the government not paying the nation's debts. Congress has always ultimately raised the debt ceiling, but one skirmish in 2011 led Standard & Poor's to lower its rating of U.S. debt.

The nation hit its debt ceiling back in March, and the Treasury has been relying on cash-management strategies to pay the nation's bills. The Bipartisan Policy Center, a think tank that tracks Treasury's cash balances, estimates those strategies may work only through October, and Congress is running low on legislative days before taking its August recess.

—Josh Zumbrun

FEDERAL RESERVE

Household Net Worth Rises to \$94.8 Trillion

The total net worth of U.S. households climbed by \$2.3 trillion in the first quarter of 2017, reaching a record \$94.8 trillion as the stock market soared and home prices climbed in many parts of the country.

Household wealth in the stock market climbed by \$1.3 trillion in the quarter, showing just how much the market's climb to Dow 20000 and beyond has created a swell of wealth on American's investment statements that is helping underpin consumer confidence.

The figures are from a quarterly Federal Reserve report, known as the Flow of Funds, that tracks the aggregate wealth of all U.S. households and nonprofit organizations.

The report showed that the value of household real estate rose by about \$500 billion in the quarter, reflecting a continuing increase in national home prices. The sum Americans held in savings accounts rose by about \$100 billion in the quarter.

—Josh Zumbrun

MONEY

Continued from page A1
it began in the 1970s. There has been a natural focus on the U.S. dollar, reflecting the genre's roots in American cities. Puff Daddy famously rapped in 1997 that "It's all about the Benjamins" in his tribute to the \$100 bill, which bears Benjamin Franklin's likeness.

Even a decade ago, rappers nodded only a handful of times to any currency other than the dollar. In 2007, the euro appeared in just one rap song in the database of Rap Genius, a crowdsourced website that annotates rap lyrics. The Japanese yen appeared twice, and the peso a half-dozen times.

But as hip-hop music has become more global, rappers are internationalizing their lyrics, too, and references to foreign currencies are multiplying.

Peso appeared in 40 rap songs last year, Rap Genius said, while yen was mentioned in 10 and euro in seven. The Indian rupee, Russian ruble and British pound are also popping up in hip-hop lyrics with increasing frequency.

An additional 38% were test in Dallas, and three were killed in Baton Rouge, La.

In Congress, bills are moving forward that would make killing or assaulting most officers a federal crime and make it more likely for those convicted of such murders to face the federal death penalty.

Yet even as death sentences have declined sharply nationwide, more than half of those charged with fatally shooting a police officer from 2012 through 2016 are on death row or facing the death penalty, according to the Journal analysis of data from the Officer Down group.

An additional 38% were

sentenced to life in prison or currently face that punishment, the analysis found.

An unusual coalition of state prosecutors and civil-rights activists—groups frequently at odds on criminal justice issues—oppose the congressional bills, saying they are unnecessary and include provisions that would limit the filing of civil lawsuits in police brutality cases.

Any prosecutor who doesn't already pursue a police killer to the full extent of the law "wouldn't be a prosecutor for very long," said Bill Fitzpatrick, chairman of the National District Attorneys Association

and district attorney in Onondaga County, New York. "There are lots of other things that state and local prosecutors need federal assistance on and this isn't one of them."

One of the bills, which the House passed last month, would make the murder of a police officer, firefighter or other first responder an "aggravating factor" in federal sentencing decisions.

Another bill, sponsored by the No. 2 Senate Republican, John Cornyn of Texas, would create a new federal crime for murdering a law-enforcement officer; a convicted killer

would be subject to the death penalty, while assaulting an officer would carry a mandatory-minimum sentence.

Congress has broad power to enact criminal laws, even affecting behavior that isn't federal in nature.

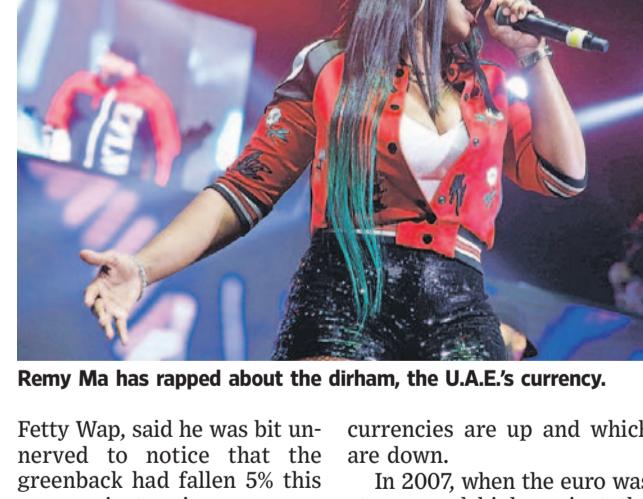
Police unions have applauded these efforts, especially, they say, because the previous administration was too quick to criticize law enforcement.

"When you're killing somebody whose main responsibility is to preserve life and happiness, you are showing a total disregard for humanity," said Chuck Canterbury, national president of the Fraternal Order of Police, which has 330,000 members.

Criminal-justice experts said that ratcheting up penalties won't do anything to prevent violence against police.

The fact that so many gunmen die at the hands of police or by suicide shows that the fear of the death penalty doesn't weigh heavily on their minds, said Michael Radelet, a professor who specializes in capital punishment at University of Colorado Boulder.

The 31 states that have the death penalty also have a higher per capita rate of police killings than states that don't, raising more questions about its impact on deterrence, according to a study by the Death Penalty Information Center, a nonpartisan research organization.



Remy Ma has rapped about the dirham, the U.A.E.'s currency.

Fetty Wap, said he was bit unnerved to notice that the greenback had fallen 5% this year against major peers.

"If I were making a verse, it would be like, 'I don't want dollars, they not worth nothing, we want euros,'" he freestyled during an interview with The Wall Street Journal.

Mr. Maxwell, who has also rapped about the peso, says he wishes he could be paid in the euro—the best-performing

currencies are up and which are down.

In 2007, when the euro was at a record high against the dollar, hip-hop artist Jay Z took note. In a video for a single from his album "American Gangster," he flashed stacks of pink euros while driving around the streets of New York. The Brooklyn native has also at times referred to himself as "Jay Peso" and "Euro Jay" in songs.

Rappers often brag about having piles of cash, and that is a frequent refrain in songs about foreign money, too.

In the song "Tokyo Drift," Yung Lean boasts about travel-

ing to Japan, which he calls "Yen Land" and "Rollin' green off a flat, spend a million yen, get it back." That's worth about \$9,000.

In most ways, however, the dollar still reigns supreme. Rappers have dozens of synonyms for the U.S. currency, from "lettuce" to allusions to "dead presidents" whose faces are on many U.S. bills. Stacks of green dollar bills are frequent props in music videos and album covers. Artists have incorporated the dollar symbol into their stage names, from the New Orleans-born rapper Curren\$y to Ty Dolla \$ign.

Rap historians are at a loss to name many widely used slang terms for foreign bills.

The closest may be the one used by Ms. Ma, who keeps a Japanese yen from her first big overseas tour in a scrapbook.

She refers to all cash besides U.S. dollars as "color money."

"It's a cool thing to have color money," she said. "It means you're traveling."

Despite the dollar's slide this year, Fetty Wap says the blue \$100 bill—the basis of his nickname "Papa Smurf"—remains his preferred currency.

"Being an American, the dollar is always going to be my favorite," he said.

—Josh Zumbrun

BOOKS

'Older men declare war. But it is the youth that must fight and die.' —Herbert Hoover

The Bloody Pivot

Twenty-four days of nonstop urban battle that turned the tables in Vietnam

Hué 1968

By Mark Bowden
Atlantic Monthly Press, 594 pages, \$30

BY KARL MARLANTES

MARK BOWDEN'S ACCOUNT of the Battle of Hué—"the bloodiest of the Vietnam War, and a turning point not just in that conflict, but in American history"—is an extraordinary feat of journalism.

Like all battle histories, it concerns military units, their movements and casualties. Like the best of such histories, it makes brilliant use of contemporary records and of previously untapped archives. It tells the story from the points of view of American and Vietnamese politicians and generals as well as the battle's participants and civilian witnesses.

"Hué 1968" is expertly researched military history, but, as Mr. Bowden writes in his source notes, it is "mostly the work of a journalist," the result of four years of travel, investigation and, above all else, interviews with those who were there. In this last element—the first-person, human element—it's a battle history alone in its class.

"Hué 1968" doesn't expound either side's purported ideals or assumptions, nor does it deal in foreign-policy generalities like the domino theory. It deals instead with these generalities' consequences in a battle that can stand as an epitome of the entire war.

Those consequences were, and remain, myriad and complex. One reason I call this book an extraordinary feat of journalism is that Mr. Bowden makes events vivid and easy to understand for a reader with no military experience and only limited knowledge of the Vietnam War. The results are in every way worthy of the author of "Black Hawk Down" (1999), Mr. Bowden's meticulously reported account of the Battle of Mogadishu.

The Battle of Hué began during the predawn hours of Jan. 31, 1968, the first day of the Lunar New Year, known in Vietnam as Tet. Hué (pronounced "Hway") was Vietnam's capital from 1802 to 1945; in 1968, it was the South's third-largest city and the largest near the demilitarized zone dividing the communist North and the American-supported South.

By mid-1967, the government in Hanoi had begun planning its so-called Tet Offensive, a coordinated series of surprise attacks on the South by the National Liberation Front, a coalition force comprising members of the North Vietnamese Army and the Viet Cong, the South's antigovernment guerrilla group. The taking of Hué was the Tet Offensive's chief objective, a bold move that Hanoi hoped would win the war.



FOG OF WAR Two U.S. soldiers near the cloud from a yellow smoke grenade, Hué, February 1968.

When the battle ended, on Feb. 25, Hué lay in ruins. An estimated 5,800 civilians were killed by American and Front fire. An additional 300 to 2,800 were murdered by Front executioners. The lower number is the official figure from today's Socialist Republic of Vietnam; the higher is based on a count of mass gravesites made immediately after the battle by Douglas Pike, an American foreign-service officer.

Two hundred and fifty U.S. Marines and soldiers were killed at Hué and 1,554 wounded. Four hundred and fifty-eight South Vietnamese (ARVN) soldiers were killed and an estimated 2,700 wounded. Front losses are estimated from 2,400 to 5,000, depending on which side you ask. As Mr. Bowden writes, both sides were "known to lie about such numbers."

"When you add the numbers of combatants killed to estimates of civilian deaths," Mr. Bowden concludes, "the final toll of the Battle of Hué numbers well over ten thousand." After Hué, "debate concern-

times use like the antagonist in a novel to hold the reader's attention.

If there is an antagonist in "Hué 1968," it is arrogant leadership: generals and politicians blindly issuing orders from their offices in Hanoi, Saigon, Washington and other positions of safety. For me it brought back many memories, most of them angry, of my time as a Marine in Vietnam.

untenable positions; to help with the execution of civilians by political commissars; to fight for weeks after it was clear that nothing could be gained, except to keep a North Vietnamese flag flying over the Citadel, the 19th-century fort within the city. Hanoi used the image of this flag to mislead the world that the North Vietnamese had taken the city and defeated the Americans.

cruelty, self-sacrifice, bravery, cowardice and love. Mr. Bowden undertakes this task with the talent and sensibility of a master journalist who is also a humanist and an honest man.

To make sense of a complicated battle, a journalist must narrate from an omniscient point of view, which can lack emotion and color. Many journalists resort to varying degrees of dishonesty to help along their narratives: "General Smith awoke on the morning of battle to the smell of brewing coffee. Outside his tent, a nightingale sang."

Mr. Bowden never slips into fiction. He records only what has been reported to him. He doesn't imagine what someone might have seen. That's what novelists do. Still, the book is full of emotion and color.

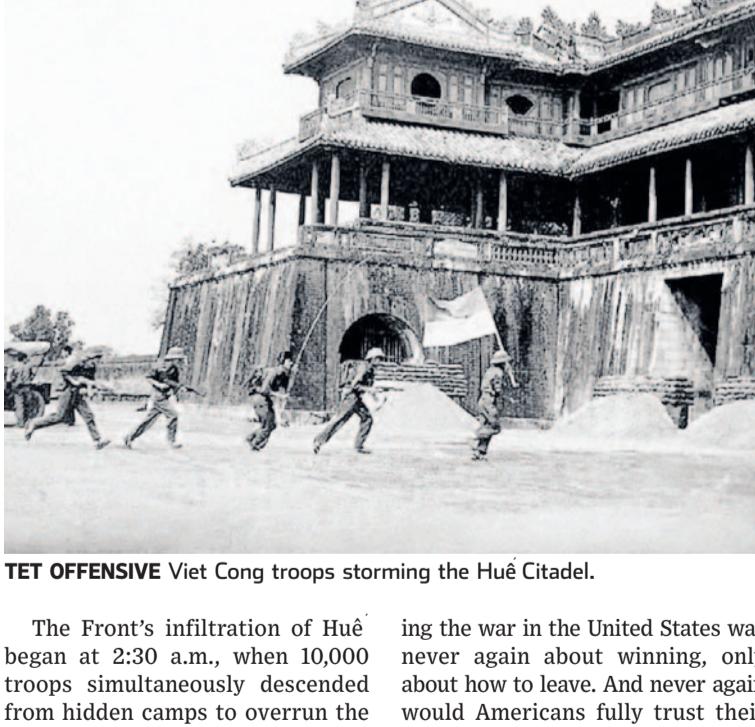
Mr. Bowden also covers those who covered the battle. This is important, because journalists helped break down the blindness of the American high command to the facts on the ground, changing their tactics.

It was reporting by newsmen—including CBS's Walter Cronkite, who flew in to see the battle—that changed America's view of the entire war. Upon returning to New York, Cronkite made his famous televised remarks: "It is increasingly clear to this reporter that the only rational way out then will be to negotiate, not as victors, but as an honorable people." "Hué 1968" is about a turning point in American history.

I urged several friends as well as my wife's book club to read this book. I now recommend it to the readers of this newspaper. Governments and militaries are run by readers like you. Though stupidity and arrogance will always be with us, it is reasonable to hope that the more people who read and learn from books such as "Hué 1968," the more will lend their weight in the war against folly.

More generally, because you are part of humanity, you need to know the heights and depths that humanity can reach and that each of us can reach individually. To understand what it is to be human, you must understand war, which is unique to our species. In "Hué 1968," we read about humanity placed in a crucible, out of which comes both refined steel and slag. Here the best and worst of human behavior is exposed in glaring light.

You will find the reading gripping.



BRIDGEMAN IMAGES

TET OFFENSIVE Viet Cong troops storming the Hué Citadel.

The Front's infiltration of Hué began at 2:30 a.m., when 10,000 troops simultaneously descended from hidden camps to overrun the city of 140,000. By sunrise the Front "had achieved complete surprise," writes Mr. Bowden, "taking all of Hué save for two embattled compounds, one an Army of the Republic of Vietnam (ARVN) base in the city's north, and the other a small post for American military advisers in its south. Both had no more than a few hundred men, and were surrounded and in danger of being overrun."

"It would require twenty-four days of terrible fighting to take the city back," Mr. Bowden continues.

ing the war in the United States was never again about winning, only about how to leave. And never again would Americans fully trust their leaders."

Mr. Bowden conducted interviews with scores of survivors of Hué. According to his source notes, the American subjects numbered 112; the Vietnamese subjects, interviewed with the help of three native-speaking translators, numbered 42.

Mr. Bowden treats both sides with impeccable fairness and shows the bravery and cruelty of each. There is no "enemy side," no sinister force of the kind that lesser journalists and historians sometimes

Day after day, the U.S. high command fed in small units against impossible odds, increasing the casualties and lengthening the battle. Finally, inundated by evidence from grunts and reporters, they changed their views. They brought in the entire 1st Marine Regiment part of the 1st Air Cavalry Division, along with aircraft and supporting arms. Going in hard at the start would have avoided the much worse end result. Hué was flattened. Eighty percent of its buildings were destroyed or damaged.

Mr. Bowden describes how North Vietnamese and Viet Cong soldiers were likewise abused by their superiors. They were ordered to hold

It's not an illness; it's a vaccination. And Mr. Bowden's book is a powerful booster shot.

"Hué 1968" is also an exploration of what is common to all wars: humankind's capacity for violence,

Mr. Marlantes, a recipient of the Navy Cross, is the author of "Matterhorn: A Novel of the Vietnam War" and "What It Is Like to Go to War."

BOOKS

'How to tell a shattered story? By slowly becoming everybody. No. By slowly becoming everything.' —Arundhati Roy

FICTION CHRONICLE: SAM SACKS

Occupy Delhi

SOMETIMES lengthy intermissions are what novelists need to reinvent themselves. William Gaddis waited 20 years to write a follow-up to "The Recognitions," and that novel, "J.R." won the National Book Award. Marilynne Robinson's "Gilead" came 24 years after her first novel, "Housekeeping." It took the Pulitzer Prize.

Now, 20 years after the worldwide hullabaloo that greeted her award-winning debut, "The God of Small Things," Arundhati Roy returns to fiction with "**The Ministry of Utmost Happiness**" (Knopf, 449 pages, \$28.95). The book is loosely organized around the central character Anjum, a hermaphrodite who flees her home in Delhi to share a house with other *hijras*, or transgendered women.

Hijras, though persecuted, have a longstanding role in Indian society—they often perform at weddings and festivals—and the glamorous Anjum rises to national celebrity. But after witnessing the riots against minority Muslims in Gujarat in 2002, Anjum moves in protest to an abandoned cemetery and constructs a makeshift settlement, attracting a motley group of fellow-outsiders and antigovernment activists.

The novel then shifts to explore the lives of some of these comrades. One is a *chamar*, or untouchable, who witnessed his father's murder by a mob of Hindu nationalists and, in a show of toughness, adopted the name "Saddam Hussain."

"I want to be this kind of a bastard," he says when Anjum denounces his near-namesake's ugly legacy. "I want to do what I have to do and then, if I have to pay a price, I want to pay it like that." A long section turns back to the "blood-dimmed years" of the Kashmir insurgency, following an independence fighter named Tilo, whose lover, a freedom fighter named Musa, has disappeared underground to escape the Indian military.

Aspects of this fragmentary novel echo "The God of Small Things," a lushly written melodrama that took on caste inequalities and taboo love affairs. Others draw from Ms. Roy's numerous nonfiction polemics against government abuses and the costs of rapid modernization.

The author is often in the news for her activism: In 2010 she was threatened with arrest for her criti-



GETTY IMAGES

cisms of India's actions in Kashmir and in 2015 she received a criminal contempt notice for an article denouncing the police. The continuities make it apparent that "The Ministry of Utmost Happiness" isn't a work of literary re-creation so much as an extension of Ms. Roy's undertakings as a political dissident.

This explains her eagerness to cram her protest novel with as many subjects as possible, at the expense of a coherent story. Ms. Roy has a habit of taking up a grievance—industrial pollution, say, or eminent domain—worrying it for a few paragraphs and then rushing off to something else.

One chapter reproduces news clippings and diary entries from a scrapbook Tilo made about the fighting in Kashmir. It reads more like the raw material of a novel that has yet to be written. The 20-year hiatus from fiction has given Ms. Roy a stockpile of rich stories and characters; synthesizing it all into a powerful novel would seem to have needed more time.

Political novels like Ms. Roy's are built from moral convictions. Spiritual novels, like Catherine Lacey's "**The Answers**" (Farrar, Straus & Giroux, 294 pages, \$26), grow from a host of insoluble questions. First among equals in Ms. Lacey's book is this classic: What do we mean by the word "love"?

Mary Parsons, a young transplant to New York City, is the person asking. In order to pay for an expensive New Age health treatment that has given her relief from an arsenal of mysterious chronic ailments, Mary applies for an "income-generating experience" she finds listed online. This turns out to be a highly confidential project called the Girlfriend Experiment—GX

A Booker Prize-winner returns to fiction to protest the way that India lives now.

for short—in which a handful of women, each carefully selected by a research team, address the compartmentalized relationship needs of a world-famous actor named Kurt Sky. The Maternal Girlfriend does his shopping and housekeeping. The Intimacy Girlfriend provides sex. The Anger Girlfriend is "responsible for fighting, nagging, and manipulation." As Emotional Girlfriend, Mary's job is to listen to Kurt talk, offer him unconditional support and, after a suitable interim, tell him that she loves him.

"The Answers" is in part a sparkling satire of our era of big data,

sending up the all-too-believable idea that, by optimizing human emotions, technology can be put to use "solving love." But the novel is also a poignant spiritual lament, deepening the themes of Ms. Lacey's excellent debut, "Nobody Is Ever Missing" (2014), about a woman who flees her marriage for an aimless and increasingly desperate trip across New Zealand.

Flashbacks return to Mary's upbringing in a militantly religious household in rural Tennessee. Having escaped it, she is bereft not only of family but also of a reliable compass for meaning. "I keep wondering what, in me, might be constant," she thinks. "I catch myself looking for that remainder, retracing my steps as if in search of lost keys. I am always wondering if there's something holy between people, a formless thing, something that can't be bruised."

The specter of holiness haunts Ms. Lacey's book like a phantom limb. "I came close to praying a few times," Mary says during a period of acute suffering, "but everything felt unanswered enough and I didn't want another frame for the silence." These searching, religious dimensions add to the fresh commentary on present-day godheads to make "The Answers" not just one of the most ingenious novels of 2017 but also one of the most moving.

MYSTERIES: TOM NOLAN

Pastiche As Prologue



'AS FAR AS I'M concerned, you can't beat a good whodunit' states fiction editor Susan Ryeland in "Magpie Murders,"

(Harper, 236 pages, \$27.99). London author Anthony Horowitz's very clever and greatly enjoyable new mystery. "[T]he twists and turns, the clues and the red herrings and then, finally, the satisfaction of having everything explained to you in a way that makes you kick yourself because you hadn't seen it from the start." Ryeland, who works at Cloverleaf Books, a small "throwback" independent publisher, is about to experience a few twists and turns of her own.

Her first big surprise is the fictional book called "Magpie Murders"—number nine in the much-loved and world-bestselling Atticus Pünd series—which editor Ryeland settles down to read in prepublication typescript on a wet August weekend in her Crouch End flat. The manuscript that Ryeland looks forward to reading is written by one Alan Conway ("by far our biggest name") and upon its success rests his publisher's "entire business plan."

An ingenious funhouse mirror of a novel sets a vintage 'cozy' mystery inside a modern frame.

Thus, with us reading over Ryeland's shoulder, begins Conway's "Magpie Murders," which continues for some 219 pages: a smoothly written murder mystery (somewhat in the manner of P.D. James) that challenges the talents of 65-year-old Pünd, a German-born private detective working in England (often assisting the police). Pünd looks bland enough to be mistaken for an accountant, yet "his eyes . . . were endlessly watchful" and he carries a rosewood walking stick that "on more than one occasion . . . had proved to be a useful weapon."

The reader first meets Pünd in a doctor's office, where he receives news that an inoperable tumor will incapacitate and then kill him in a very few months. "Magpie Murders" will be Pünd's last case. It proves a worthy test of his powers: The linked deaths of a gossip-gathering housekeeper and her aristocratic employer, Sir Magnus Pye. In the "classic" Golden Age manner, there are plenty of plausible suspects: the embittered groundsman, just fired by Sir Magnus; the vaguely anxious vicar; Sir Magnus's twin sister, cheated of her inheritance at birth, and so on.

Pünd is an agreeable series hero, with his exotic background, his ascetic habits, and his propensity for making statements at once sententious and meaningless. ("One can think of the truth as . . . a sort of deep valley. . . . There are no wasted journeys in the detection of a crime.") But the reader finds (along with editor Ryeland) that author Conway's manuscript does not include an ending. The text concludes as Pünd is on the brink of explaining all. In the wake of that surprise comes the news that Alan Conway himself has died. Pünd's last case will also be Conway's swan song.

So what's become of the book's final pages? And what's the explanation for Conway's sudden death? First reports say he accidentally fell from his country house's roof, but his publisher receives a handwritten Conway message that seems to be a suicide note. Why, though, would Conway kill himself? Ryeland thinks it makes no sense; she assumes the mantle of an independent investigator, determined to solve the mystery of what she's sure is the author's murder.

Mr. Horowitz has written "official" pastiches of Sherlock Holmes and James Bond stories, and is himself an internationally bestselling novelist and creator of the popular English TV series "Midsomer Murders" and "Foyle's War." Here he has, like a magpie, taken themes, devices, techniques and shtick from the styles of at least half a dozen other writers (Agatha Christie to Sophie Hannah, E.C. Bentley to Robert Harris) in order to concoct an entertaining hall-of-mirrors work in which art imitates life and vice versa. As parody, pastiche or a whole new sort of puzzle, "Magpie Murders" holds one's attention from first to last. Its echoes and allusions continue to tease the brain even after the book is closed.

Maupassant's Eternal Feminine

Like Death

By Guy de Maupassant

NYRB, 218 pages, \$15.95

BY MARTIN RIKER

WE KNOW Guy de Maupassant (1850-93) as France's greatest practitioner of the short story. He is as widely anthologized as O. Henry and is known, in the U.S. at least, for much the same thing: the carefully contrived tale-like plot with a surprise ending.

But while O. Henry made a career of such light-hearted "twist" tales, for Maupassant they were only a small part of a diverse literary output. The best of his writing can call to mind the meticulous realism of his mentor Flaubert, the socially conscious "naturalism" of his friend Zola, the ghostly sensationalism of Poe or the psychological complexity of Henry James. In one explosively prolific decade (1880-90) he wrote six novels, more than 300 stories, and numerous plays, poems and travel memoirs, a streak that petered out a few years before his death, from syphilis and psychosis, at 42.

We've been slow to recognize the many facets of Maupassant's excellence in part because much of his work never made its way into English or is available only in dated or substandard versions. Over the past decade, New York Review Books has taken steps to remedy this situation with fresh translations of his later works.

In 2008 came "Afloat," Douglas Parmée's magnificent rendering of "Sur l'eau" (1888), a work of travel writing that expands lyrically into historical and personal anecdotes, polemics and dreams. In 2009, the venerable Richard Howard gave us

"Alien Hearts," a translation of Maupassant's final novel, "Notre Coeur" (1890). Now Mr. Howard has followed with "Like Death," his version of the 1889 psychological novel "Fort comme la mort."

A story of love's destructive irrational power—think Proust's "Swann in Love"—"Like Death" centers on Olivier Bertin, a famous painter who in his youth began an affair with Anne, Comtesse de Guilleroy. Now entering their 40s, the lovers remain as devoted as ever, though Anne, still married, lately worries that Olivier will tire of bachelorhood and seek a wife.

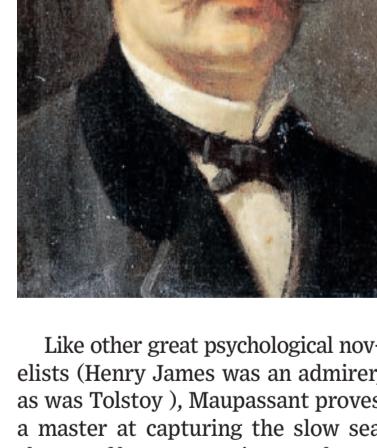
Two lovers, sharing a midlife crisis, struggle to understand each other's feelings, and their own.

He assures her otherwise, yet both have grown anxious, she about losing him, he about his art, "the fear of being depleted, of having reached the end of his inspiration." At the height of their powers, they find themselves teetering on decline, "like one of those rosebushes that begin blooming all season until, in an hour, they fall to pieces."

The falling-to-pieces starts when Anne's daughter Annette returns from her schooling, grown-up and bearing a striking resemblance to her mother. Faced with a younger, more beautiful version of his lover, Olivier grows increasingly obsessed with Annette, though he refuses to admit to himself the power her youth holds over him.

Meanwhile, Anne suffers not only the loss of her lover's attention but the revelation, when compared to her daughter, of her own fleeting beauty:

"This face suddenly seemed to her that of another woman, a new face that was distorted, decomposed, irreparably diseased." In the simplest terms, "Like Death" is the story of two lovers sharing a midlife crisis, each struggling to understand the other's feelings and to reason through their own.

 GETTY IMAGES

Like other great psychological novelists (Henry James was an admirer, as was Tolstoy), Maupassant proves a master at capturing the slow sea change of human emotions, and even more their complexity. There is plenty of despair in "Like Death," but in place of the anger or resentment we might expect between two characters destroying themselves, there's remarkable sympathy. Anne realizes early her daughter's effect on Olivier and warns him of the impending catastrophe: "When you've reflected you'll understand that I pointed out a great danger to you when there was still time to escape from it."

When, much later, Olivier finally does admit how deeply he's fallen, they discuss it as friends, both terrified by the destruction to their own love this new passion has wrought. They commiserate that it is not really

Annette he loves but rather her likeness to her mother; the true source of their self-destruction is not a new love but the ghost of their old one. "From this natural and willed resemblance," says Maupassant's narrator, "was born in the painter's mind and heart the whimsical impression of a double being, old and new, intimately known and almost unknown . . . of the same woman perpetuated, rejuvenated, having become once more what she had been."

Maupassant's tragedy is built upon such sophisticated ironies and complicated sympathies. Passion is not idealized but fraught with self-consciousness, while lust looks more like a desperate form of adulthood. The sources of anxiety are never simple but always multiple, such as when a performance of Gounod's "Faust" sends Olivier immediately from thoughts of art to age and love: "He felt old, done for, lost! Ah! To expect no more of life, to have no hope, no further expectations, to be waiting for nothing more, to be hoping for nothing more, no longer to have even the right to desire."

The result is a wonderfully mundane tragedy, albeit with a dramatic end. Maupassant does not plumb the depths of the psyche as voraciously as Dostoevsky or Henry James, but he turns an impassioned chronicle of destructive love into a very modern-seeming portrait of aging, friendship and loss.

Mr. Riker teaches English at Washington University in St. Louis. His novel, "Samuel Johnson's Eternal Return," will be published next year.

BOOKS

'Peace is an armistice in a war that is continuously going on.' —Thucydides

Collision Course

Destined for War

By Graham Allison
Houghton Mifflin Harcourt,
364 pages, \$28

BY ROBERT D. KAPLAN

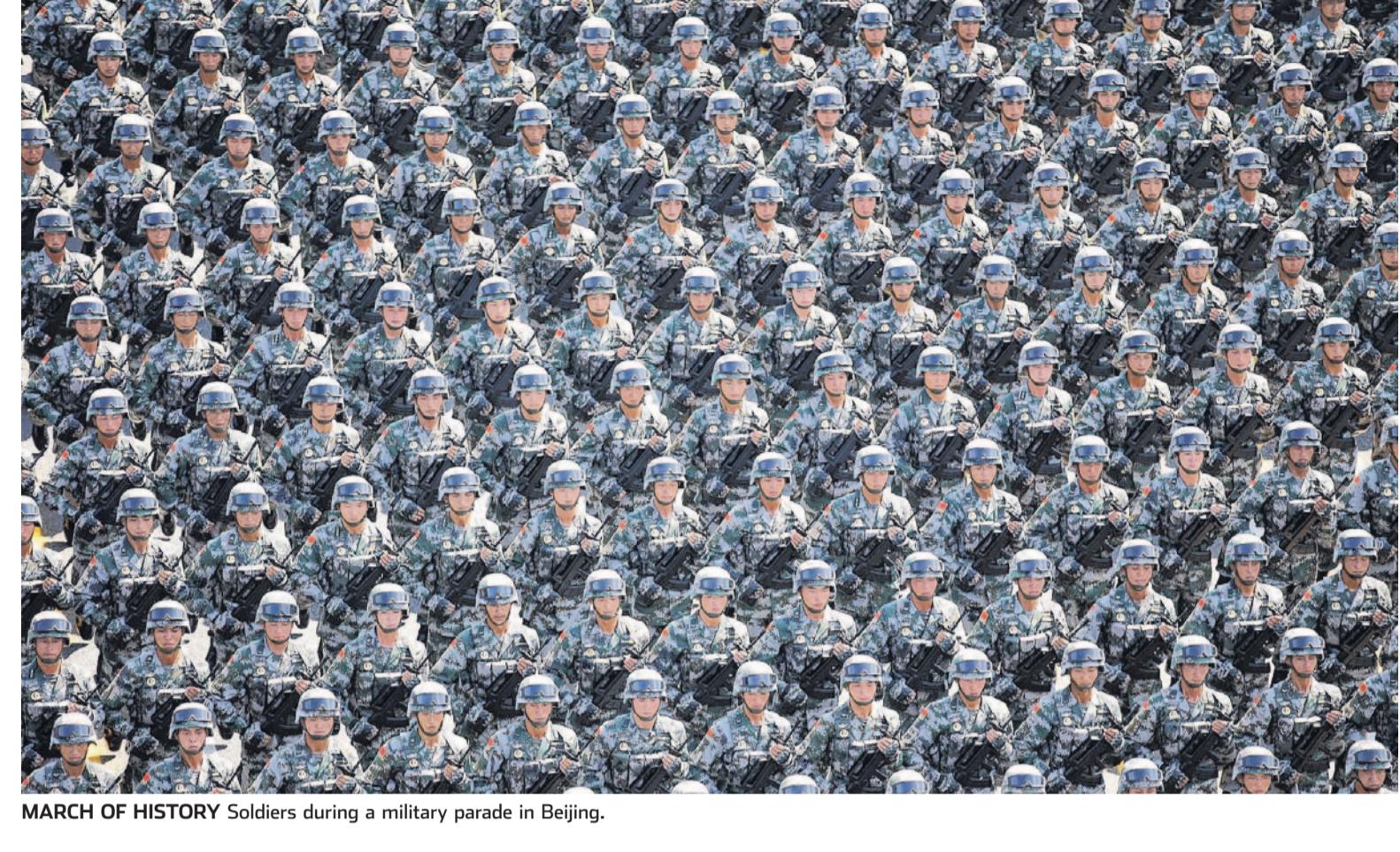
THUCYDIDES, WHO CHRONICLED the Peloponnesian War that shook the classical world, believed that behind the specific events that lead to war lie deeper, structural stresses. It is fear, honor and self-interest, mixed with domestic hysteria and years of building tensions, that can overwhelm sound analysis during a crisis. In "Destined for War," a brief but far-reaching book in which potted history is incisively deployed, Graham Allison explores how America and China may be on a collision course because of what he calls "Thucydides's trap."

As he reminds us, the ancient Greek historian wrote: "It was the rise of Athens and the fear that this instilled in Sparta that made war inevitable." As we revisit this passage, Mr. Allison says, "alarm bells should sound," because of the rise of China and the fear it has instilled in the United States.

Mr. Allison, a professor at Harvard's Kennedy School, has found 16 cases in the past 500 years "in which a major nation's rise has disrupted the position of a dominant state," most notably a rapidly industrializing Germany threatening Britain's domination in the late 19th and early 20th centuries. The result of that rivalry, he writes, was a "new category of violent conflict: world war." In 12 of the 16 cases he surveys, the result was war of some kind.

In the case of Japan in the late 1930s and early 1940s, war was driven, in significant measure, by a trade conflict. In other cases, domestic politics played a role, prompting leaders to appease local factions by undertaking aggression for the sake of a perceived sense of honor. In many instances, a rising state's actual intentions were less crucial than its growing military capabilities and how they were interpreted abroad. That's why in 1907 Britain demanded that Germany stop its naval expansion—it thought standing up to a "bully" was the best strategy. The German response was to build warships faster.

Descending into war is lamentably easy, Mr. Allison suggests. He quotes the historian Paul Kennedy saying that both Britain and Germany considered their clash in 1914 as "but a continuation of what had been going



MARCH OF HISTORY Soldiers during a military parade in Beijing.

on for at least fifteen or twenty years." Miscalculations and small incidents intensify existing strains between nations.

The America-China rivalry fits many of these scenarios, Mr. Allison believes. In both countries populist upheavals have roiled domestic politics and challenged the "historic mission" of the rival state, leading to a kind of doubling down among members of the establishment in Beijing and Washington regarding issues such as trade and the South China Sea. Chinese President Xi Jinping's anticorruption drive and intensifying nationalism, as well as President Donald Trump's America First dogmatism, fits this historical pattern.

As Mr. Allison notes bluntly: "The United States and China are alike in at least one respect: both have extreme superiority complexes." America thinks its accumulation of world power is benign. Well, so did ancient Athens, and it led only to a cataclysmic war with Sparta.

One of the many strengths of "Destined for War" is the restoration of Samuel Huntington's "Clash of Civilizations" theory, disparaged in the mid-1990s but subliminally gaining force by the day. Mr. Allison approvingly paraphrases Huntington's notion that "the Western myth

of universal values" is "not just native but inimical to other civilizations, particularly the Confucian one with China at its center." The march toward war builds with such seemingly lofty but in fact self-centered concepts.

Aggravating the possible march toward war, according to Mr. Allison, is China's economic growth. In 1980 America's share of the global economic market was 22%, while China's was 2%. Now America's share is 16%, and China's is 18%. Mr. Allison con-

tinues that growth in China has come down by a third since the recession of 2008 but notes that global economic growth during this period has been cut in half.

Indeed, the U.S. economy has been averaging just 2.1% annual growth, several points behind China. Meanwhile, China's "One Belt, One Road" initiative—aimed at joining an array of nations in a transportation infrastructure network—amounts to nothing less than several Marshall Plans for Asia.

Mr. Xi is remaking China's sense of itself with an appeal to national greatness, and he is playing the U.S. perfectly in the South China Sea. Chinese strategists see war as

A U.S. war with China would be judged by history as perfectly normal: How to deal with a rising power is a classic problem for a dominant state.

To the Chinese, the mere presence of U.S. warships in the South and East China seas, coming from half a world away, is blatantly hegemonic, while the presence of their own warships in those seas is altogether natural, little different from America's Navy and Coast Guard in the greater Caribbean. For America's leaders, far-flung U.S. power is, in general, a check on regional bullies whose actions would threaten the interests and autonomy of American allies.

Faced with such differences in perspective, a descent into war by way of some instigating incident—at sea, in the air, amid a North Korean crisis—would be judged by history as perfectly normal.

cedes that growth in China has come down by a third since the recession of 2008 but notes that global economic growth during this period has been cut in half.

Whether the result will be external aggression—making war a likely destination—or a partial political breakdown that makes China less able to wage war is unknown. One thing is clear: The next few decades in China will be far harder for us to interpret than the past few.

Mr. Kaplan, a senior fellow at the Center for a New American Security and a senior adviser at Eurasia Group, is the author of "Asia's Cauldron: The South China Sea and the End of a Stable Pacific."

As the End Approaches

The Bright Hour

By Nina Riggs

Simon & Schuster, 310 pages, \$25

BY LAURA LANDRO

FOR ALL THE RECENT strides in treatment and the inspiring tales of patients who beat the odds, cancer can still be a relentless killer. At age 38, the poet Nina Riggs learned that a spot on her breast, at first thought to be a manageable problem, was in fact triple-negative breast cancer, an aggressive form of the disease often unresponsive to hormonal therapies and drugs and more likely than other forms of breast cancer to spread or recur after treatment. The prognosis for Riggs was, in a word, grim.

Yet "The Bright Hour," her posthumously published memoir, is the antithesis of grim: an irreverent and poignant Baedeker through the country of illness. With two young sons as an extra incentive to survive, Riggs found a top doctor and entered the ring prepared for a fight; but as each new round of treatment failed and the cancer spread, she also began preparing for the worst.

As end-of-life challenges become a growing part of the conversation, authors are exploring how to have a good death as well as a good life. Atul Gawande's "Being Mortal" (2014) reflected on end-of-life care, and Paul Kalanithi's memoir of his terminal lung cancer, "When Breath Becomes Air" (2016), described the experience of the doctor as patient as well as his search for life's meaning.

Riggs—whose husband, John Duberstein, shepherded her manuscript to publication following her death in February—adds the perspective of a

mother facing the unfathomable: that she will no longer be there to guide her children through to adulthood; that her beloved husband won't be able to teach them all that she can; that someone else will take her place in their lives.

For comfort and inspiration, Riggs turns to literature and poetry, including the work of one writer to whom she has a special connection: her great-great-great-grandfather Ralph Waldo Emerson. His musings help her keep her thoughts from spinning into darkness and chaos.

As her cancer persists, the author turns to literature, poetry and her own dark sense of humor for comfort and inspiration.

Escaping from chemo one day, she walks into the woods, the taste of the drugs in her mouth and the steroids making her nearly manic. She is reminded of the drawing of a giant eyeball on long legs—dressed in top hat and waistcoat—that a 19th-century artist created to illustrate a passage in the essay "Nature." As Emerson wrote: "Standing on the bare ground—my head bathed by the blithe air, and uplifted into infinite spaces—all mean egotism vanishes. I become a transparent eye-ball; I am nothing; I see all; the currents of the Universal Being circulate through me; I am part or particle of God."

The image is exactly how the drugs make Riggs feel: a ludicrous transparent eyeball taking in all the currents

around her. "Emerson felt that nature was the closest we can get to experiencing God, and he believed that in order to truly appreciate nature you must not only look at it and admire it but also be able to feel it taking over the senses," she explains, noting the irony of how her senses are being heightened. "Emerson rolling in his grave: Steroids and chemo are the

closest I get to God." She also draws succor from one of Emerson's heroes, the French essayist Montaigne, especially his words about the approach of death: "Let us make good use of our time. We still have so much of it that remains idle and ill-used."

But her mind is occupied by less philosophical thoughts as well. When her breast is removed, she and her husband joke about its whereabouts; she gets a breast-shaped cushion to fill her bra, but the dog finds it and devours it. In a terrible coincidence, her friend Ginny is also diagnosed with triple-negative breast cancer. The texting between them includes ideas for a morbid line of thank-you

cards aimed at well-meaning but annoying "casserole bitches" who come bearing covered dishes and bat their eyelashes at the nearby husband. (Ginny catches one of them canoodling with her own spouse and adds divorce to her bucket list.) Among the suggestions: "Xanax is white, Zofran is blue, steroids make me feel like throttling you."

GINNY CATCHES ONE OF THEM CANOONING WITH HER OWN SPOUSE AND ADDS DIVORCE TO HER BUCKET LIST.

IT IS CLEAR WHERE RIGGS GETS HER DARK SENSE OF HUMOR: AT THE TIME SHE IS DIAGNOSED, HER MOTHER IS FIGHTING A LONG AND ULTIMATELY LOSING BATTLE AGAINST ANOTHER MALIGNANCY, MULTIPLE MYELOMA, BUT KEEPS ON WITH HER LIFE OF BOOK CLUBS, FAMILY DINNERS AND WISECRACKING UNTIL THE BITTER END.

Her reply to any text intended to cheer her up is a personal emoji with a hand coming out of the grave that says: "literally dying."

The mother-daughter relationship, fraught in the past, becomes a source of strength for both. They read Dr. Gawande's "Being Mortal" together and find that it defines a goal. As Riggs puts it: "how to distill what

matters most to each of us in life in order to navigate our way toward the edge of it in a meaningful and satisfying way."

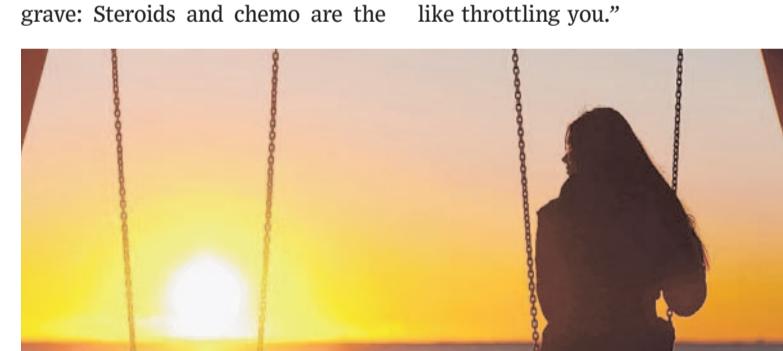
Riggs decides to love the days she has left as she would love any other stretch of days, keeping her children on course and her husband from falling to pieces. When the boys are annoyed that she is going back into chemo because she won't be there to pick them up from school or schlep them to piano lessons, she notes appreciatively that "their enormous self-centeredness is still intact."

But they are not unscathed; one son makes a birthday wish that mommy's breast will grow back without cancer. When she decides that it will be educational to show them the linear accelerator that delivers her radiation, they admit later that they hated it and wish they hadn't seen it. "Whoops," she quips with regret, "I guess I just damaged everyone for life a little."

DURING A RESPISE WHEN THE TUMORS STOP GROWING, RIGGS IS ABLE TO TAKE A TRIP TO PARIS WITH HER HUSBAND AND A FAMILY VACATION AT A THEME PARK. SHE WANTS TO SAY TO THOSE SHE LOVES MOST: I AM SORRY FOR WHAT I AM ABOUT TO DO TO YOU. SHE PANICS OVER BOTH THE MUNDANE AND THE MOMENTOUS, WORRYING ABOUT UNRETURNED LIBRARY BOOKS AND "THE UNIVERSE COMING UNDONE AT THE SEAMS."

BUT AS SHE EMBRACES HER CHILDREN IN THE EARLY MORNING, SHE TURNS TO EMERSON'S WORDS ABOUT THE START OF A NEW DAY AND THE FEELING IT CAN BRING: "TO CEASE FOR A BRIGHT HOUR TO BE A PRISONER OF THIS SICKLY BODY AND TO BECOME AS LARGE AS THE WORLD."

Ms. Landro is the author of "Survivor: Taking Control of Your Fight Against Cancer."



GETTY IMAGES

OPINION

REVIEW & OUTLOOK

The 'Independent' Mr. Comey

The U.S. Senate Intelligence Committee finally heard from James Comey on Thursday. Far from documenting an abuse of power by President Trump, the former FBI Director managed to reveal his own misunderstanding of law enforcement in a democracy.

In his prepared statement, Mr. Comey recounted his nine encounters with the President-elect and then President, including an appearance at Trump Tower, a one-on-one White House dinner and phone calls. He describes how he briefed Mr. Trump on the Russia counterintelligence investigation and what he calls multiple attempts to "create some sort of patronage relationship."

But at worst Mr. Comey's account of Mr. Trump reveals a willful and naive narcissist who believes he can charm or subtly intimidate the FBI director but has no idea how Washington works. This isn't new information.

When you're dining alone in the Green Room with an operator like Mr. Comey—calculating, self-protective, one of the more skilled political knife-fighters of modern times—there are better approaches than asserting "I need loyalty, I expect loyalty." Of course the righteous director was going to "memorialize" (his word) these conversations as political insurance.

Mr. Trump's ham-handed demand for loyalty doesn't seem to extend beyond the events of 2016, however. In Mr. Comey's telling, the President is preoccupied with getting credit for the election results and resentful that the political class is delegitimizing his victory with "the cloud" of Russian interference when he believes he did nothing wrong.

Mr. Comey also confirms that on at least three occasions he told Mr. Trump that he was not a personal target of the Russia probe. But Mr. Comey wouldn't make a public statement to the same effect, "most importantly because it would create a duty to correct" if Mr. Trump were implicated. This is odd because the real obligation is to keep quiet until an investigation is complete.

More interesting is that Mr. Trump's frustration at Mr. Comey's refusal raises the possibility that the source of Mr. Trump's self-destructive behavior isn't a coverup or a bid to obstruct the investigation. The source could simply be Mr. Trump's wounded pride.

The most troubling part of Mr. Comey's statement is his belief in what he calls "the FBI's traditionally independent status in the executive branch," which he invokes more than once. Independent? This is a false and dangerous view of

His prepared testimony shows why he deserved to be fired.

law enforcement in the American system.

Mr. Comey is describing an FBI director who essentially answers to no one. But the police powers of the government are awesome and often abused, and the only way to prevent or correct abuses is to report to elected officials who are accountable to voters. A director must resist intervention to obstruct an investigation, but he and the agency must be politically accountable or risk becoming the FBI of J. Edgar Hoover.

Mr. Comey says Mr. Trump strongly suggested in February that he close the Mike Flynn file, but after conferring with his "FBI senior leadership" he decided not to relay the conversation to Attorney General Jeff Sessions or any other Justice Department superior. If he thought he was being unduly pressured he had a legal obligation to report, and in our view to resign, but he says he didn't because "we expected" that Mr. Sessions would recuse himself from Russia involvement.

Well, how did he know? Mr. Sessions didn't recuse himself until two weeks later. Mr. Comey also didn't tell the acting Deputy AG, who at the time was a U.S. attorney whom Mr. Comey dismisses as someone "who would also not be long in the role."

This remarkable presumptuousness is the Comey mindset that was on display last year. He broke Justice Department protocol to absolve Hillary Clinton's mishandling of classified material, without the involvement of Justice prosecutors or even telling then Attorney General Loretta Lynch. Mr. Comey's disregard for the chain of legal command is why Mr. Trump was right to fire him, whatever his reasons.

* * *

On Wednesday two leaders of the intelligence community told the Senate that they hadn't been pressured to cover up anything. "I have never been pressured—I have never felt pressured—to intervene or interfere in any way with shaping intelligence in a political way or in relation to an ongoing investigation," said Director of National Intelligence Dan Coats.

National Security Agency Director Mike Rogers added that he never been asked "to do anything I believe to be illegal, immoral, unethical or inappropriate."

Meanwhile, Mr. Trump announced that he is nominating respected Justice Department veteran Christopher Wray as the next FBI director. Let's hope Mr. Wray has a better understanding of the FBI's role under the Constitution than Mr. Comey does.

Islamic State Targets Iran

Islamic State claimed credit for a coordinated attack on Iranian government targets Wednesday morning that killed at least 17 people. We're reminded of the warning about those who live by the sword.

Discussion of security vulnerabilities is taboo in the Islamic Republic, and the details are likely to remain murky. Several assailants infiltrated the Majlis, Iran's Parliament, and opened fire before security forces neutralized them. A suicide bomber also struck outside the mausoleum of regime founder Ruhollah Khomeini.

No act of terrorism is justified, including these, but the irony is hard to miss. Khomeini's followers

The Tehran regime pioneered the use of terrorism as statecraft.

pioneered many of the tactics deployed by today's Islamists, Sunni and Shiite. These range from hostage-taking as statecraft, to behemoth suicide bombs like the one that killed 241 U.S. service members in Beirut in 1983, to the Iranian-made improvised explosive devices that wreaked havoc on American forces in Iraq after 2003, to *fatwas* issued against blasphemous novelists and cartoonists.

Having unleashed those murderous techniques on the world—and justified their use for years—Iran now finds itself a target of the same. That's a tragedy for ordinary Iranians who, already victimized by their regime, are now at risk from its enemies.

The Death of Obama's Slush Funds

Despite the tweets and Comey maelstrom, some good things are happening in the executive branch. An important example is Attorney General Jeff Sessions's Monday order ending a program to treat legal settlements like political appropriations.

The misuse of settlement slush funds was one of the Obama Administration's worst practices, which it used to end run Congress's constitutional spending power. After the GOP took the House and tried to cut spending for liberal interest groups, the Obama Justice Department began to force corporate defendants to allocate a chunk of their financial penalties to those same groups.

Banks were made to fund left-wing activists such as NeighborWorks—though these groups were neither victims nor parties to lawsuits. In 2015 JP Morgan was required to pay \$7.5 million to the American Bankruptcy Institute's endowment for financial education. In 2016 Volkswagen was required to invest \$2 billion in zero-emis-

Sessions ends an abuse of law enforcement as income redistributor.

sions technology and promote zero-emissions cars. Government enforcement became an income redistribution mechanism without having to go through Congress.

Mr. Sessions's brief memo instructs Justice's 94 U.S. Attorneys to immediately halt the practice. It correctly notes that financial penalties are designed to punish and provide relief to

victims—not to generate political payola. Save for limited exceptions—such as payments expressly authorized by statute—the memo instructs that future settlement money will go directly to victims or to the U.S. Treasury.

Credit in particular goes to Virginia Republican Bob Goodlatte, who introduced legislation in 2016 to stop the practice. Mr. Goodlatte has more recently called on Justice to claw back an estimated \$380 million the Agriculture Department paid to special interests to settle a discrimination class action—which is worth investigating. But at least this abuse of enforcement power is over for now.

Are You Sitting Down?

These pages have been reporting on the intellectual decline of American higher education, but maybe all is not lost. One near-miraculous sign of life is the appointment of constitutional-law professor John Manning as the next dean of Harvard Law School.

Mr. Manning, who joined the law-school faculty in 2004, takes over a post on July 1 that is typically held by a liberal, most notably by current Supreme Court Justice Elena Kagan. He is a well-known expert on administrative law and statutory interpretation who doesn't hide his jurisprudential conservatism.

John Manning, the new dean of Harvard Law, is a conservative.

The new dean has served two stints at the Justice Department and clerked for Justice Antonin Scalia, as well as Judge Robert Bork on the D.C. Circuit Court of Appeals. Following that distinguished tutelage, Mr. Manning has become one of the premier textualists in the legal academy, meaning that he emphasizes the importance of lawyers and judges reading

and interpreting the plain text of a law. Mr. Manning has been deputy dean and perhaps his competence in that role made him a natural choice. But in an academy that usually treats conservatives like the walking dead, credit Harvard for promoting on merit regardless of ideology.

Can Trump Govern?



The answer to the question—can President Trump govern?—is yes, but the window is closing.

In recent days, events outside and inside the White House have combined to produce an environment toxic to governing. The Comey circus, the internal tensions created by Mr. Trump's tweets on the travel ban and Qatar, and Attorney General Jeff Sessions's reported offer to resign: All this turbulence is pounding a ship of state that needs calmer waters if it's going to get home in one piece.

This column raised the question in February of whether the Russia story was becoming Mr. Trump's Watergate. Forever Trumpers objected to the analogy, arguing correctly that the legal particulars of the two events weren't the same. The point, however, wasn't about the law or facts but about politics, which respects neither. A president's blood is in the water, and a feeding frenzy is on.

The idea that the Trump campaign colluded with Russia to defeat Hillary Clinton by now looks like a ghost story. On Sunday, Sen. Mark Warner, Democratic vice chairman of the intelligence committee, said, "There is a lot of smoke," but there is "no smoking gun at this point."

None of that diminishes the political threat evident in the appearance Thursday of former FBI Director James Comey before the Senate Intelligence Committee.

It is a familiar spectacle, in which a president is subjected to Washington's version of the ancient trials by ordeal. It did it to Richard Nixon—and Lyndon Johnson, who descended into political madness from watching the evening news report his troubles on three televisions in the Oval Office.

In the Trump trial, James Comey is playing the role of John Dean, the earnest lawyer who presented himself to the Watergate Committee as the last honest man in the Nixon White House. The media's dramaturges love to fashion political saints, thus the elevation of Jim Comey.

The dangers to the viability of the Trump presidency's agenda at this pivotal moment shouldn't be underestimated. Successful governing means putting multiple players in motion toward a common goal—White House staff, Congress and its staffs, and the administration's political appointees, whose job is to push presidential policy through the bureaucratic swamps. That effort goes forward on the shoulders of a skeleton crew.

We are into the sixth month of the Trump presidency, and of 558 key positions requiring Senate confirmation, 427 have no nominee, according to the tabulation by the Partnership for Public Service. The permanent bureaucracy is running much of State, Defense, Justice and Education.

Having unleashed those murderous techniques on the world—and justified their use for years—Iran now finds itself a target of the same. That's a tragedy for ordinary Iranians who, already victimized by their regime, are now at risk from its enemies.

Full implementation of the agreement likely would reduce the temperature increase substantially, on the order of one degree Celsius compared with business as usual, according to several analyses. This may not sound like a lot, but consider that temperatures have risen about one degree since the preindustrial age, and in that time we've seen retreats of mountain glaciers and accelerated sea-level rise. The 10 warmest years since 1880 all occurred in the past 19 years.

More importantly, the Paris agreement provides a mechanism for countries to regularly revisit their contributions and ratchet up their ambitions over time. That the Paris agreement doesn't do enough today to address climate change is a reason to stick with it and strengthen it—not abandon it.

Paris provides an unprecedented framework for global cooperation on this serious threat. In our view, U.S. withdrawal from it is a grave mistake.

RON PRINN, SC.D.
JOHN REILLY, PH.D.
Co-directors, Joint Program on the
Science and Policy of Global Change,
Massachusetts Institute of
Technology
Cambridge, Mass.

Affluent countries are wealthy enough to afford air conditioners as the planet warms. The "get rich enough to not care" view ignores that the environmental cost is borne by the poorest populations.

At the State Department, virtually every position below Secretary Rex Tillerson and his deputy John Sullivan has no nominee, including assistant secretaries for every region of the world.

For why this matters, look to Asia, where North Korea's nuclear threat occupies everyone's waking hours. Mr. Trump has met with Japanese Prime Minister Shinzo Abe, and Mr. Tillerson and Defense Secretary Jim Mattis all have visited the region to address North Korea.

But if you ask Asian governments about the status of the follow-up, they will tell you they don't know what's next because the U.S. has no assistant secretary for East Asian and Pacific affairs and therefore no daily liaison executing Mr. Trump's policy goals. Much of the Trump government is close to becalmed.

The White House has arrived at a binary choice: Choose chaos or choose success.

The appointee holdup at State is due, in part, to the Trump White House's virtual ban on anyone in the foreign-policy community who publicly opposed Mr. Trump's candidacy. Presumably this is about loyalty. After this week, though, the White House's fastidiousness may be irrelevant.

Three things happened that bear on the administration's ability to recruit or retain good people: Attorney General Sessions's reported offer to resign over the president's unhappiness with his refusal from the Russia investigation; Mr. Trump's tweet repudiating his Justice Department lawyers' handling of the travel-ban case; and his tweet taking personal credit for Saudi Arabia breaking relations with Qatar. That required a stabilizing intervention from Secretary Tillerson because the U.S. has 11,000 troops based in Qatar. Welcome to team Trump.

One relevant footnote is George Conway's unexpected decision to withdraw last week as Mr. Trump's nominee to lead the Justice Department's civil division, followed by his Twitter statement supporting the department's handling of the travel-ban litigation. Who needs "House of Cards"?

One simply cannot duck the corollary question to these events: What top lawyer or professional at this juncture will join an administration whose ability to calm the political storms, execute policy or support its own people is in doubt?

On Fox News Tuesday evening Sen. Lindsey Graham offered the president some wise counsel: "Mr. President: Your words matter now, you're no longer a candidate for office. You're the president of the United States and a lot of us want to help you. Help us help you."

Normalcy is the oxygen of good governance. The Trump White House has arrived at a binary choice: Choose chaos or choose success.

Write henninger@wsj.com.

LETTERS TO THE EDITOR

Leaving Paris: Good Move or Terrible Error?

Your editorial "Trump Bids Paris Adieu" (June 5) refers to our research to draw what we consider to be the exact wrong conclusion about the importance of the Paris agreement to addressing climate change. With full implementation of the nationally determined contributions that countries submitted in Paris, it is true that the world likely would still experience an unacceptable rise in global average temperature by 2100; but Paris is nevertheless a vital early step in a longer journey.

Full implementation of the agreement likely would reduce the temperature increase substantially, on the order of one degree Celsius compared with business as usual, according to several analyses. This may not sound like a lot, but consider that temperatures have risen about one degree since the preindustrial age, and in that time we've seen retreats of mountain glaciers and accelerated sea-level rise. The 10 warmest years since 1880 all occurred in the past 19 years.

More importantly, the Paris agreement provides a mechanism for countries to regularly revisit their contributions and ratchet up their ambitions over time. That the Paris agreement doesn't do enough today to address climate change is a reason to stick with it and strengthen it—not abandon it.

Paris provides an unprecedented framework for global cooperation on this serious threat. In our view, U.S. withdrawal from it is a grave mistake.

TIM BULAT
Yardley, Pa.

We need the answers to three questions if the Paris agreement is to be renegotiated. What are the primary components of the Paris agreement that impact the U.S.? What will it cost America when implemented? When will the agreement be sent to the Senate for ratification?

FRED STABBETT
Scottsdale, Ariz.

The environmental denier is ceding America's leadership in the world. No more will other countries follow America's lead, or even agree to cooperate with us, having seen that at any time our president can pull out, rescind and cancel our agreed-upon responsibilities. We are losing the competition to lead the next technological revolution, that of sustainable energy production.

China now leads in solar, Denmark in wind and the Netherlands in tides. America leads in turning backward and inward. As our planet's temperature increases, we will suffer more destruction from hurricanes, floods, drought and fires. Instead of creating productive jobs by committing to sustainable energy, we will require jobs to clean up debris, fight fires, build seawalls and bury victims.

BRUCE JOFFE
Piedmont, Calif.

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

When China's Behavior Betrays Its Words

By Lynn Kuok

A Chinese newspaper reported last month that the People's Liberation Army installed rocket launchers on Fiery Cross Reef, a disputed feature in the South China Sea. In mid-December, the Center for Strategic and International Studies in Washington released satellite photos that showed China deploying weapons on artificial islands constructed in the past three years. These developments have alarmed Southeast Asian nations because they suggest Beijing intends to further change the status quo in the South China Sea with force or the threat of force.

Whether Beijing is sincere about its desire for regional harmony must be judged by its actions on the South China Sea.

Beijing has repeatedly said that such moves are defensive, and that it can do what it likes on its own territory. And it's true that a state generally has the right to do as it wishes on sovereign territory.

But features in the Spratly Islands are claimed by five other claimants. International law on the responsibility of an occupying state in a disputed area is far from clear.

China's actions are all the more surprising given its self-image as the region's peacemaker. Last month, President Xi Jinping called the Belt

and Road Initiative an attempt to "create . . . a big family of harmonious co-existence."

The most prudent course for all claimants in the South China Sea would be to refrain from provocative activities, especially those that involve irreversible changes to a feature. The Declaration on the Conduct of Parties in the South China Sea concluded between China and the Association of Southeast Asian Nations member states in 2002 explicitly exhorts parties to "exercise self-restraint in the conduct of activities that would complicate or escalate disputes and affect peace and stability." Beijing has warned its neighbors not to increase their presence on features under their control.

In April, Philippine President Rodrigo Duterte ordered his military to occupy features under the country's control in the South China Sea. The president also mentioned that he might visit Thitu Island (also known as Pag-asa Island), the largest feature the Philippines occupies in the Spratly Islands.

A week later, after Beijing had some strong words with Mr. Duterte, the president made an about-turn, announcing that he would no longer push through with his plan. He explained that the Chinese government convinced him that it would cause trouble if "every head of state of the contending parties . . . will go there to plant their flags."

Beijing's call for restraint wasn't based on claims that Mr. Duterte's proposed actions were unlawful. Rather it was prompted by the likelihood that such actions would raise tensions and spark off a negative spiral of action and reaction.



EUROPEAN PRESSPHOTO AGENCY

The USS Dewey on the South China Sea on May 6.

The reasoning behind China's advice to the Philippines could also usefully be applied to Beijing's island-building and construction activities as well as its reported deployments of weapons and equipment on features it occupies. China isn't the only nor the first claimant to engage in such activities, but the speed and scale of development has dwarfed others and caused much anxiety in the region and beyond.

Moreover, none of China's actions in this respect bolster its claims in the South China Sea. A court or tribunal doesn't look at state actions after a dispute arises to determine sovereignty.

In pursuing these actions, Beijing is likely motivated more by the worrying goal of seeking to change the status quo on the ground. Enhancing its physical presence on features in-

creases its ability to project power in the region.

Some analysts have criticized China's island-building and construction activities as well as its "militarization" of features for flouting a 2016 United Nations tribunal's decision on the South China Sea. But such criticism is misguided.

The tribunal didn't rule on whether China's island-building and construction activities as well as militarization of the high-tide features it occupies in the Spratly Islands, including Fiery Cross Reef, were unlawful. The lawfulness of these acts depend on whether China has sovereignty over these features, which the tribunal did not determine, and the responsibility of an occupying state in disputed areas, which is unclear.

Rather, the tribunal ruled that China's island-building and construction activities were unlawful because

they violated environmental obligations under the United Nations Convention on the Law of the Sea (Unclos), aggravated and extended the dispute before the tribunal and had the effect of permanently destroying evidence of the natural condition of features in question.

Nevertheless, China's actions, including recent reports of deployments of weapons, are worrying because they undermine trust, heighten tensions and encourage retaliatory measures by other parties. They also run counter to the obligation of restraint under the 2002 declaration between China and ASEAN member states.

All parties who have an interest in lowering tensions in a fraught region should hold themselves to two tests: first, adherence to international law, including Unclos; and second, restraint where action might not necessarily be unlawful but would nonetheless increase tensions. Peace and stability in the region depend on this.

As China comes bearing gifts and countries seek to assess its intentions, Beijing's willingness to consistently abide by these two tests will be an important gauge of its sincerity in seeking a "big family of harmonious co-existence." It will also indicate the type of power China will be. A truly great one upholds the rule of law and exercises wisdom and prudence in all things.

Ms. Kuok is a senior visiting fellow at the Centre for International Law, National University of Singapore, and a senior research fellow at the Centre for Rising Powers, University of Cambridge.

By Judy Shelton

Much has been made of President Trump's supposed lack of interest in human rights and the promotion of American ideals. Stepping back from his rhetoric and looking at his actions suggests an alternative conclusion.

If it were an easy task to set up a flourishing democracy, the entire world would be experiencing peace and prosperity. But it has never been simple. Many people around the world understand that liberty, opportunity and fairness flow from democratic institutions. But establishing such systems takes time, and progress is uneven. The growing pains of warring internal factions and harsh retributions meted out by ruthless authoritarians slow the march toward democracy.

President Reagan sought to address the issue in a speech before the British Parliament on June 8, 1982. He affirmed it was a mistake to ignore the rise of tyrants: Britain had paid a terrible price in World War II after allowing dictators to underestimate its resolve.

He further maintained that democratic nations needed to resist as a matter of self-expression. Reagan said we must think of ourselves as "free people, worthy of freedom and determined not only to remain so

but to help others gain their freedom as well."

The 40th president proposed countering totalitarianism and its terrible inhumanity by actively promoting freedom and democratic ideals throughout the world. He envisioned the creation of a bipartisan U.S. political foundation that would assist democratic development by openly providing support to those seeking equality and liberty for their countrymen. Building the infrastructure of democracy—free elections, free markets, free speech and rule of law—would empower people to choose their own way to reconcile their own differences through peaceful means. "Democracy is not a fragile flower," Reagan observed. "Still, it needs cultivating."

The National Endowment for Democracy, launched as a result of that speech, remains faithful to its founding mission: to help others achieve a system that protects the inalienable rights of individuals and guarantees the people's freedom to determine their own destiny. The endowment provides modest grants to democracy activists around the world, but its greater gift is the imprimatur of moral support from the American people. Brave individuals on the front lines of the struggle for democracy in their own countries draw strength from that connection.

That simplistic narrative is wrong. Consider Secretary of State Rex Tillerson's remarks to his department's employees last month. He adjured them to "remember that guiding all of our foreign-policy actions are our fundamental values," which include "freedom, human dignity, the way people are treated." As Mr. Tillerson explained, the objectives of the administration's America First approach—encouraging economic pros-

perity and maintaining military readiness—are crucial if the U.S. is to promote its values abroad.

Mr. Trump's decisions ultimately make the difference. "I see in the president somebody who said a lot of things in the campaign," former Secretary of State Condoleezza Rice noted in a recent *Journal* interview. "But when he was sitting in that chair and watched Syrian babies choking on chemical gas said, 'I can't let that stand.'"

What Mr. Trump apparently felt at a gut level is entirely in keeping with that uniquely American quality of being unable to ignore injustice—that inability to stand idly by while the rights of others are cruelly violated by despots. Does he appreciate that America's own hard-fought path to democracy and equal rights means we never retreat from leadership or abstain from righteousness in a world prone to malevolence?

One notable event may provide a telling indication. In February, Mr. Trump met in the Oval Office with Lilian Tintori, wife of jailed Venezuelan opposition leader Leopoldo Lopez. Afterward the president tweeted a thumbs-up photo of himself, together with Vice President Mike Pence and Florida Sen. Marco Rubio, standing beside Ms. Tintori. "Venezuela should allow Leopoldo Lopez, a political prisoner & hus-

band of @lilianintori (just met w/ @marcorubio) out of prison immediately," read his accompanying message.

"Here in Venezuela, jaws dropped," wrote Emiliana Duarte, managing editor of the English-language blog Caracas Chronicles, in the Atlantic. "For Venezuelans accustomed to living in fear of their authoritarian government, the sight of the president of the United States siding publicly with the most fearless champion of Venezuelan democracy was powerful."

As someone who has thought deeply about democracy promotion, I take this as evidence that America's leader—an admirer of Reagan—has the head and the heart to act with fundamental decency. American decency is born of gratitude for what this nation's founders had the courage and vision to establish. It is what compels Americans to stand for the rights and liberties of those who can't stand for those rights and liberties themselves. It is what drives the aspiration to share the American values that have made the U.S. not only successful but honorable.

Ms. Shelton is chairman of the National Endowment for Democracy. She served on the Trump transition team.

Trump as a Democracy Promoter

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His responses to abuse in Syria and Venezuela suggest he cares about freedom and human rights.

the U.S. no longer aligns with the preferences of American voters. The most cynical voices claim Mr. Trump neither accepts nor comprehends the profound influence of America's moral authority in the world.

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Greece's Creditors Undermine Reform

gram, or quantitative easing, and would signal to investors the country's return to normalcy.

The deal failed to materialize, and is likewise unlikely to at the June 15 meeting. A compromise between the International Monetary Fund, which has made debt relief a condition for joining the Greek program, and Germany, the chief naysayer, was rejected by Greece at the May 22 meeting as offering too few specifics.

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Germany's finance minister, Wolfgang Schäuble, insists that debt isn't the real problem in Greece. It is, instead, an economy with structural weaknesses

LIFE & ARTS

FILM REVIEW | By Joe Morgenstern

'Mummy': A Sand Trap for Cruise

SOME QUESTIONS about "The Mummy," a movie that goes beyond defying comprehension to being truly incomprehensible:

What is Tom Cruise doing here? He's had his ups and downs over a long career, but a Tom Cruise movie has come to mean a professional production that is, if nothing else, good to look at. This one, his worst ever, isn't worth a first look, let alone a second one, unless you thrill to a luridly silly villain—more about her in a bit—and an infestation of digital mummies munching everyone in sight. The plot is subprofessional chaos with vague aspirations to parody. Mr. Cruise, who plays a soldier of fortune named Nick Morton, looks like a baffled bystander when he isn't running, jumping, shooting and fighting his way through the subterranean reaches of contemporary London. (That's where much of the story is set, even though spasms of action take place in Iraq, and on sand dunes meant to evoke "Lawrence of Arabia.")

How could Nick have been made so nonlikable? Unlike Indiana Jones, an archaeologist with a buoyant spirit (or the perfectly pleasant Rick O'Connell in those mummy movies with Brendan Fraser), Nick is basically a robber of graves and antiquities. What's more, according to Jenny Halsey, a beautiful archaeologist played vervelessly by Annabelle Wallis, he's a lover who cannot simulate human feelings for more than a few seconds at a time. (We are mercifully spared any love scenes, or even suggestions of sexual chemistry.) Jenny does say at several points that there's a good man inside him. While that man is struggling to get out, though—struggling with an evil curse that threatens to turn "The Mummy" into "The Exorcist"—Nick says unheroic things like "I don't know who I am" and "I don't know what I'm doing." Neither do we, and we don't give a damn. (The director was Alex Kurtzman.)

What's going on? This question is less general than situational. The basic plot is perfectly comprehensible. An ancient, and particu-



Tom Cruise and Annabelle Wallis as Nick Morton and Jenny Halsey, above, and Sofia Boutella as Ahmanet, below



larly nasty, princess raises hell on earth after the inadvertent unearthing of her sarcophagus. More often than not, however, it's hard to know where we are, and exactly when. Nick is afflicted by music-video visions that take him here, there and everywhere in temporal spurts, while the script is afflicted

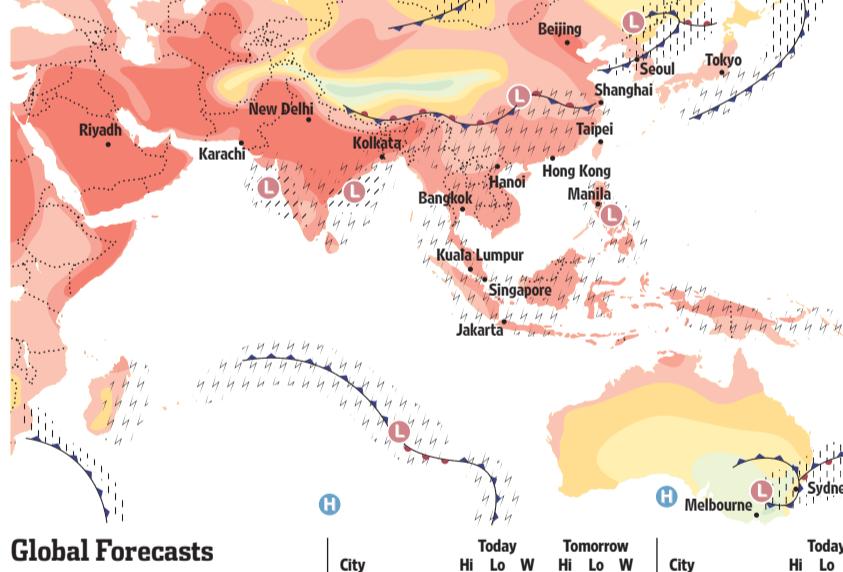
by serious continuity glitches. In one of them, a battle between good and evil is raging in a tunnel of the London Underground, but then Nick and Jenny are suddenly underwater, and not because they borrowed too much on their mortgag-

age.

Why is the villain so intractably

silly? No reason why the mummy shouldn't be female this time around; her name is Ahmanet, she's played by Sofia Boutella and she's formidably statuesque, with a fierce visage enhanced by hieroglyphic tats, though sometimes sullied by holes in her cheeks à la Tim Burton's "Corpse Bride." But

Weather



Global Forecasts

s...sunny; pc...partly cloudy; c...cloudy; sh...showers;

t...storms; r...rain; sf...snow flurries; sn...snow; l...ice

Today Hi Lo W Tomorrow Hi Lo W

City Hi Lo W Today Hi Lo W Tomorrow Hi Lo W

Amsterdam 19 14 sh 21 15 pc

Anchorage 17 11 c 15 9 r

Athens 28 19 s 27 19 s

Atlanta 28 19 pc 30 20 s

Bahrain 45 27 s 46 26 s

Baltimore 27 15 pc 31 18 s

Bangkok 31 26 t 32 26 t

Beijing 38 16 s 31 14 c

Berlin 27 12 t 22 12 pc

Bogota 18 9 sh 18 10 c

Boise 22 9 c 20 9 c

Boston 21 17 sh 27 18 pc

Brussels 21 12 t 24 15 s

Buenos Aires 15 8 pc 19 6 s

Cairo 37 22 s 35 21 s

Calgary 19 7 pc 17 6 r

Caracas 31 27 pc 31 25 pc

Charlotte 28 18 pc 30 19 s

Chicago 29 17 pc 32 22 s

Dallas 30 22 t 32 22 s

Denver 34 15 s 35 17 s

Detroit 25 16 c 31 20 pc

Dubai 40 29 s 39 29 s

Dublin 18 12 c 20 11 sh

Edinburgh 17 10 sh 18 12 r

Frankfurt 22 11 t 24 14 pc

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The WSJ Daily Crossword | Edited by Mike Shenk



THE SHOW-ME STATES | By Matt Gaffney

The answer to this week's contest crossword is a U.S. state.

Across

1 About

5 Adams or Hamilton

10 DNA kit tool

14 God associated with oak trees

15 Text in a temple

16 Video game in which players battle the Covenant

17 Driving force behind the Austro-Hungarian Empire

20 Granny, in Germany

21 Zig instead of zag, say

22 India's prime minister since 2014

23 Sign maker's instrument

27 With 56-Down, Uttar Pradesh wonder

30 ____ Gay

31 Flower welcome gift

32 Wishy-washy answer

34 North Pole worker

36 Trip around the track

38 Ill-mannered oaf

39 Self-promoter's mention

43 Pole, e.g.

44 1950 noir classic

45 Android rival

46 Fit for any car

48 Supporting clothing

50 "Comprende?"

54 Mimic

55 "I'll second that!"

58 Surrounding glow

60 Glimpse

61 Spotify genre

PUZZLE CONTEST

28 Put ____ in one's ear (make a suggestion to)

29 CEO's perk

33 Ready to roll

35 Nourished

37 Letter for Yanni

39 Duel initiator, traditionally

40 Come to blows

41 Part of the ear

42 Jumped up and down

43 Place for de-stressing

47 Bull's-eye hitter

49 Not here

51 Possible explanation

52 Autobiography

53 Made weaker

56 See 27-Across

57 Figures out the intentions of

59 Cabinet pt.

62 Purring pet

63 Boston-born Thurman

64 Bird that runs very fast

19 Societal standard

24 Testator's words

25 Go over again

26 Asian autos

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LAMB

Continued from the prior page
500 separate genetic lines of sheep, looking for high levels of intramuscular fat and the ability to thrive in the cold hill country to which many sheep farms had been pushed, after lowland pasture was taken by more-profitable crops and dairy cows.

The winner was Ram 211, a sheep that also had high levels of Omega-3, a fatty acid that around a fifth of Americans take as a nutritional supplement.

'The difference between Te Mana lamb and other lamb is quite striking.'

"He was right in the top five for everything," said Ram 211's keeper, Lumsden farmer Simon Saunders, pointing out the animal on a recent afternoon.

From Ram 211, the Omega Lamb Project developed a breed of sheep with high fat levels, which it eventually named Te Mana. The group experimented with feed as well, testing out around 20 different types of forage in summer, after the sun had dried out the grass in the hills. So far, the group has spent 25

million New Zealand dollars (US\$18 million) on the project.

The group is also paying close attention to marketing, taking a page from New Zealand's wine industry, which boosted profits by moving from a strategy of churning out cheap, bulk wine to focusing on high-quality vintages like a variety of Sauvignon Blanc that grows well in the country's chilly climate.

The Omega Lamb Group has so far slaughtered 30,000 Te Mana lambs for trial sales, mostly in New Zealand. The group hopes exports will help increase that number to 60,000 next year and 1 million by 2025. New Zealand currently slaughters around 20 million lambs annually.

Early sales suggest restaurants are willing to pay as much as double the price of regular lamb for Te Mana, depending on the cut, says Mike Tate, general manager of Omega Lamb.

"The difference between Te Mana lamb and other lamb is quite striking," said chef Samuel Wilkes, who tried out Te Mana at Japanese fusion restaurant Zuma in Hong Kong.

Exports began in May, with farmers targeting Michelin-starred restaurants in Hong Kong—part of a strategy to project a premium image. The group plans to export to Europe, North America and Dubai later.

—Lucy Craymer contributed to this article.

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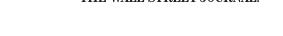
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BUSINESS & FINANCE

Shipping Is Bottoming Out

Freight rates have started recovering with improvement in the global economy

By COSTAS PARIS

The shipping industry, which has ailed for years, is finally showing signs of recovery.

The sector has struggled with overcapacity, price wars and freight rates far below break-even levels. Now, thanks to the improving global economy, industry executives and analysts say the worst may be over, at least for container and dry-bulk ship operators. Early hints of a recovery in the oil-tanker business are also starting to emerge.

"Shipping is more than alive and kicking. There is a spring in the air and there is a spring in the world economy," said Singapore Minister of Transport Khaw Boon Wan.

Container shipping, which moves 95% of all manufactured goods, was rattled last year by the bankruptcy of South Korea's Hanjin Shipping Co., which stranded billions of dollars worth of cargo at sea. The top 20 operators by capacity posted combined net losses in 2016 of \$5 billion. Since then, the big players have merged or formed alliances and most are expected to swing to a profit this year.

Among other signs of life: The cost to transport a container in the benchmark Asia-to-Europe route rose to \$965 in May, up 55% from a year



CHARLES MOSTOBER/BLOOMBERG

The industry has been battered by overcapacity and price wars.

Container Ships: Rates Recover

Container freight rates rose from last year on higher volumes.

Cost per container ■ Asia to Europe ■ Asia to U.S. West Coast



Source: Braemar-ACM Shipbroking

earlier. At the port of Singapore, which the industry uses to gauge trade flows, container volume in the first quarter rose 5% from a year earlier. And demand for container capacity cut the percentage of idle ships to 3.5% in the first three months of 2017, compared with 6.5% in the previous quarter.

Operators of the biggest dry-bulk cargo ships known as capsize vessels have hit hard over the past few years by anemic demand in China for the coal, iron ore and other commodities those ships transport. Dozens have suspended operations or gone through painful restructurings. The Baltic Dry Index, which tracks the cost of

moving such products, fell to a record low of 290 points in February 2016 from its peak of 11793 in May 2008. It now hovers around 850 points.

Industry experts expect the market to turn around this year. Demand is forecast to grow about 3%, compared with a 1% growth in capacity. This has been spurred by Chinese iron-ore imports, which rose 11% year-over-year in March to 95.5 million metric tons, the second-largest monthly amount on record. Imports of the thermal coal used in power plants also are up sharply, and so far this year, capsize daily rates have averaged around \$11,000, triple the rate in early 2016.

Tankers, which move the world's crude oil, got off to a rough start this year with too many vessels chasing too little cargo, while inland storage facilities were full. In late May daily charter rates for very large crude carriers, known as VLCCs, moving crude from the Middle East stood at an average \$17,000, below the break-even rate of about \$22,000.

Used tankers have been decreasing in value over the past 12 months, with the price of a five-year VLCC falling to \$58 million in May from \$68 million a year earlier. However, a combination of low tanker prices and the scrapping of old ones has prompted a buying frenzy, with 69 new and used VLCCs bought in the first five months of this year, compared with only eight last year, a sign that prospective owners expect a recovery.

Nordstrom Weighs Going Private

By EZEQUIEL MINAYA AND SUZANNE KAPNER

Members of the family that founded Nordstrom Inc. are exploring the possibility of taking the retailer private, signaling they are ready to double down on the business at a time when many investors see a bleak future for the American department store.

The luxury department-store operator said Thursday that six Nordstrom heirs are considering acquiring the outstanding shares of the 116-year-old company. Assuming a typical takeover premium and including the company's debt, such a deal could approach \$10 billion.

The wealthy family, whose members still run the business and own a combined 31% stake, haven't made an official proposal, though the retailer said its board has formed a special committee of independent directors to consider any potential offer.

Shares in the company, which had slid 16% so far this year through Wednesday's close, shot up 10% to \$44.54 in early afternoon trading on Thursday.

As recently as 2015, the stock traded above \$80 a share.

Nordstrom and its peers have been battered by investors worried about the health of department stores, as fewer shoppers visit malls and online rivals squeeze traditional retailers' profits. Some chains such as Macy's Inc., J.C. Penney Co. and Sears Holdings Corp. are closing hundreds of locations to stem losses.

But Nordstrom, which has fewer locations and is mostly in higher-end malls, is better positioned than many of its peers, analysts and investors say.

The company already gets about 20% of its revenue from online orders and sales are still rising in its Nordstrom Rack off-price business.

"Everyone is trying to determine who will be the survivors of the Amazon.com-led nuclear winter and I think Nordstrom is one of those survivors," said Maxim Group analyst Tom Forte, noting the family is moving when shares of the company are undervalued by investors scared away by the woes of the wider sector.

"The valuation discount is so significant that I think it warrants consideration."

MUMMY

Continued from the prior page headed for a so-so opening of about \$40 million in the U.S. and Canada, said people who have seen pre-release survey results. It may perform better overseas though, as evidenced by its \$6.6 million debut Tuesday in South Korea, the biggest opening day in that country.

The film will open with a "Dark Universe" logo to brand the film as part of a new series. Mr. Kurtzman, working with writer-producer Chris Morgan, created an overarching story about a monster-hunting organization that will connect the pictures. Its leader, Henry Jekyll, is played by Russell Crowe.

Universal has already signed other big name actors to star in future films, including Johnny Depp as the Invisible Man and Javier Bardem as Frankenstein's monster.

The only movie the studio has put on its release calendar, however, is a remake of "Bride of Frankenstein," for February 2019. The film will be directed by "Beauty and the Beast" director Bill Condon. It doesn't yet have a star, though the studio is hoping to cast Angelina Jolie, said a person close to the project.

The other films are in development but not yet far enough along to have release dates. On at least one, the script was initially written



CHIABELLA JAMES/UNIVERSAL PICTURES/EVERETT COLLECTION

The action-adventure film 'The Mummy' stars Tom Cruise, right.

without any connection to the broader universe, including the monster-hunting organization, said a person involved.

Unlike Marvel, where President Kevin Feige and his team carefully plot out each film's place in a larger story years in advance, Universal is figuring out how the pieces of its Dark Universe will fit together as it goes along, said people with knowledge of the matter.

When and how monsters meet will be figured out later, if their individual movies are successful.

"The interconnectedness is going to build as the movies build," said Mr. Kurtzman.

When Sony released a reboot of "Ghostbusters" last year, it opened it with a logo for "Ghost Corps," signaling its intention to release a series of films set in the world of spirit hunters. But after that film fizzled at the box office,

those plans were mostly shelved.

Similarly, its plans for a Spider-Man cinematic universe that would follow 2014's "The Amazing Spider-Man 2" were set aside after that movie turned in a weak box-office performance.

Sony recently revived plans for two related movies, however, based on high expectations for this summer's "Spider-Man: Homecoming," which it is producing with Marvel.

Warner Bros., meanwhile, has found it challenging to release DC films at the pace Mr. Tsuijihara initially promised as it has dealt with directors who have dropped out,

BUSINESS NEWS

Grain-Transport Fears Loom in U.S.

Deteriorating river systems are making it more costly to export crops in the heartland

BY JACOB BUNGE
AND JESSE NEWMAN

President Donald Trump's focus on infrastructure this week highlights a long-festering problem in the U.S. heartland: crumbling river systems that can make it more costly to transport crops.

The U.S. river system ferries nearly three-quarters of export-bound U.S. grain to ocean ports that ship U.S. goods around the world. But most locks and dams, which allow grain-laden river barges to move between higher elevations and lower-lying waters, have outlived their intended 50-year lifespans, according to U.S. farm and industry groups.

Sporadic breakdowns in river infrastructure add to transport costs of grain exporters like Cargill Inc., Archer Daniels Midland Co. and Bunge Ltd. Additional costs resulting from idled boat crews and the need to shift more grain onto railroads add up.

Grain exporters typically pass some of those costs on to farmers by way of lower prices paid per bushel of corn or soybeans. "The river sets the tone that domestic [crop] prices tend to feed off," said Rick Calhoun, who oversees barge operations for Cargill, the largest U.S. agricultural company by sales.

Any unplanned long-term closings of certain locks on the Upper Mississippi or Illinois rivers could compound transport costs and result in a drop of as much as 21 cents for corn and 44 cents for soybeans in the per-bushel prices that grain companies pay to nearby farmers, according to U.S. Department of Agriculture research. Such closings could leave grain companies with



Locks on the Ohio River. Farmers and grain exporters worry about breakdowns in river transportation.

aren't now systematically pricing in lock or dam failures on U.S. rivers, the threat of a 60- or 90-day closure looms. If such a breakdown were to hamper transport, it could slash the prices U.S. farmers get for their crops at a time when they already face sharply lower commodity prices and incomes.

U.S. farm groups and agricultural conglomerates have complained about underinvestment in locks and dams for years while highways and airports have had priority for government funding. In late 2015, Congress authorized \$405 million to upgrade locks and dams primarily on the Ohio River.

Five years ago, drought in the Midwest led to low water levels on the Mississippi River south of St. Louis, exposing riverbed rocks that threatened barges hauling the autumn harvest. Grain companies had to run fewer barges carrying lighter loads down the river while the U.S. Army Corps of Engineers blasted the rocks away.

Kenneth Hartman, an Illinois farmer based about 25 miles south of St. Louis, said per-bushel prices offered for his grain dropped by about 14% versus other parts of the state. Most local buyers of his crops, who ship them down the river, lowered the prices they were offering to compensate for the extra transport costs they faced during the emergency maintenance.

"Reliability is the really big concern we have," said Mike Steenhoek, executive director of the Soy Transportation Coalition, noting that crumbling concrete walls and rusty gate mechanisms are plain to see at locks in the Farm Belt. "It's only a matter of time before you have failure at one of these sites."

Cargill's Mr. Calhoun said while grain traders like Cargill log of high-priority maintenance at some \$8.7 billion.

The Mississippi, Illinois and Ohio rivers are most critical for barge transport of grain. Locks in the Pittsburgh area are among the nation's oldest, and facilities on the Upper Mississippi and Illinois rivers also need maintenance, industry groups say. The La Grange lock and dam on the Illinois River is in dire need of rehabilitation, according to the Soybean Transport Coalition.

Some grain companies have invested in rail facilities around St. Louis or further south so they have more options in case of problems on the upper river system.

Added transport expenses also can make U.S. crops less competitive on global grain markets, where they are pitted against crops from Russia and Brazil, whose land is cheaper and labor costs are lower. Export rivals from South America and Eastern Europe have eroded the U.S.'s long-held dominance in grain markets. U.S. exporters absorb some of the financial toll of inefficient transport.

Boeing to Shift Some Assembly Overseas

BY DOUG CAMERON

Boeing Co. is moving some work completing aircraft to China and other overseas markets but doesn't expect this to affect its U.S. manufacturing workforce, said the chief executive of the world's largest aerospace company.

Dennis Muilenburg is trying to reshape the company by boosting the profitability of its core commercial jetliner business and increasing defense exports while trimming costs with job cuts and more automation.

"My goal over time is to add manufacturing jobs, but these will be different kinds of jobs," Mr. Muilenburg said in a recent interview.

Mr. Muilenburg and other manufacturing CEOs are under pressure to help deliver on President Donald Trump's pledge to boost employment in the sector in return for tax and regulatory changes. However, potential changes to trade policies sit uneasily with some big exporters such as Boeing.

Boeing has been cutting its U.S. workforce through a mix of buyouts and involuntary layoffs, with the aim of revamping its factories through increased automation and use of new technologies it says can lower the cost of jet and defense systems' production. Boeing's employee roll fell to around 145,000 at the end of May, down 30,000 from 2012, though it hired 11,000 new workers last year.

But Mr. Muilenburg said that overseas facilities such as the new plant it is building with a Chinese partner near Shanghai aren't directly harming U.S. jobs. He said the effort is an essential part of doing business in a China market that is expected to generate sales of 6,800 jets over the next 20 years.

Employees at the Chinese plant will paint jetliners destined for the Chinese market and equip them with seats and other interior fittings. Boeing is building the plant in partnership with state-owned Comac, which is spearheading China's own efforts to develop a more advanced aerospace sector, recently flying for the first time its C919 jetliner, a competitor to the Chicago-based company's own best-selling 737.

A Westinghouse spokeswoman declined to comment. Lawyers at Weil Gotshal didn't respond to requests for comment.

Russell Gold and Peg Brickley contributed to this article.

Toshiba Seemed Unaware of Unit's Problems

BY KOSAKU NARIOKA
AND TAKASHI MOCHIZUKI

TOKYO—Toshiba Corp. didn't know its U.S. nuclear subsidiary was preparing for a bankruptcy filing even after the unit had hired lawyers for the task, according to court records and Toshiba's official timeline.

In a Nov. 30, 2016, letter, a lawyer at New York firm Weil Gotshal & Manges LLP wrote that Toshiba unit Westinghouse Electric Co. had engaged the firm to work on "the potential filing and administration of a chapter 11 proceeding under the United

States Bankruptcy Code."

A Toshiba spokesman, reiterating earlier statements by company executives, said this week that no one at Tokyo headquarters was aware of the potential for major losses or bankruptcy at Westinghouse until early December 2016. Toshiba Chief Executive Satoshi Tsunakawa learned of the problem in mid-December, the spokesman said.

At a news conference on Dec. 27, Mr. Tsunakawa said Toshiba was facing a multibillion-dollar loss in connection with cost overruns at Westinghouse nuclear projects in the U.S. but didn't discuss a possi-

ble bankruptcy.

If Toshiba's timeline is accurate, it suggests poor communication between parent and subsidiary contributed to letting the problems at Westinghouse get out of hand. Toshiba, one of Japan's biggest and oldest conglomerates, has said it has doubts whether it is a going concern because of its unit's bankruptcy.

Conversely, if Toshiba did know about the unit's bankruptcy plans ahead of time but failed to disclose them promptly, it could worsen trust among investors at a time when stock-exchange officials in Tokyo are weighing whether

to delist Toshiba shares.

Cost overruns and delays have long plagued nuclear-reactor projects undertaken by Westinghouse in Georgia and South Carolina. Some analysts had speculated for years that Toshiba might take a large hit on its Westinghouse holding, but the Japanese company maintained the nuclear unit had a bright future until revealing the losses at the Dec. 27 news conference.

The Toshiba spokesman said the company began to consider a bankruptcy filing by its U.S. subsidiary around the time of that news conference—about a month after the

U.S. unit had already hired lawyers to prepare the filing.

Westinghouse filed for protection from creditors under chapter 11 on March 29. Toshiba, which owned 87% of Westinghouse at that point, has estimated that Westinghouse-related write-downs led to a loss of ¥950 billion (\$8.65 billion) in the year ended March 31, 2017.

A Westinghouse spokeswoman declined to comment. Lawyers at Weil Gotshal didn't respond to requests for comment.

Russell Gold and Peg Brickley contributed to this article.

Honda Steps Up Program For Electric Vehicles

BY SEAN MCCLAIN

HAGA, Japan—Honda Motor Co.'s strategy for overtaking Tesla Inc. includes a 1,000-horsepower sports car burning rubber on a test track.

At the Japanese auto maker's research center here this week, a race-car driver showed off a battery-powered electric version of the Acura NSX sports car, with flashy turns and screeching brakes. The car isn't for sale: It was built specially for a race up Pikes Peak last year in Colorado Springs, Colo. But it is a test for some of the technologies Honda is working on to stand out in an electric-car field that is getting more crowded.

"I want our R&D to establish how we can compete against and distinguish ourselves from Tesla," said Katsumi Hishiki, Honda's head of electric vehicle development, at the center two hours north of Tokyo.

On Wednesday, Honda said a new electric vehicle is being designed from the ground up by Mr. Hishiki's team, and it plans to show off the results at an auto show this fall. It is the first stage of Honda's plan to make two-thirds of the cars

it sells electric-powered by 2030.

Established auto makers are all rushing to devise electric-vehicle strategies, and many are hoping to draw attention away from Tesla. General Motors Co. late last year introduced its Chevrolet Bolt electric hatchback, which sells for about \$30,000 after tax incentives—less than half a Tesla Model S. Tesla is expected to roll out its own mass-market model later this year.

Honda's goal is to keep its electric cars affordable but infuse them with a sporty feel in hopes of expanding its audience beyond people trying to make an environmental statement. In addition to the bat-

teries-electric version, there is also a hydrogen fuel cell version and a plug-in hybrid version. Honda's ambitions are limited: It plans to sell 75,000 units of the Clarity in the U.S. over four years, roughly the same number of cars it sold in May alone.

Bigger hopes rest on the new electric vehicle that Honda is building from scratch. It didn't say when that will be available.

Honda President Takahiro Hachigo hopes to pick up the pace of development. Once known for innovative vehicles born from its involvement in motor sports, the company has tended to lag in technology in recent years.

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A Honda electric concept car participated in the Pikes Peak International Hill Climb last year.

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Amazon Nears Online Store in India

By RAJESH ROY

NEW DELHI—Amazon.com

Inc. has a multimillion-dollar plan to dive into the online grocery business in India, as looser government restrictions allow it to sell some products directly to consumers.

New Delhi is set to give the online retail giant the green light to invest around \$500 million over the next five years to build a nationwide network to stock and deliver groceries, a Trade Ministry official said.

The South Asian nation typically bars foreign companies from selling products directly to consumers to protect the countless mom-and-pop shops

the official, who asked not to be identified. "We will approve it this month."

Amazon, which applied to set up an online food-retailing venture this year, wouldn't comment on the official's remark but said it believes its investments could help modernize India's retail scene.

"We are excited by the government's continued efforts to encourage FDI in India for a stronger food-supply chain," an Amazon spokeswoman said. "We have sought an approval to invest and partner with the government in achieving this vision."

Amazon, which dominates online shopping in the U.S. but has gained little traction in developing countries, is investing \$5 billion in its logistics network and on advertisements in the world's second-most populous country. It has made rapid progress in India since launching in 2013 and is challenging the dominant homegrown rival, Flipkart Internet Pvt. Ltd.

The push to sell food directly to consumers in India could resemble the firm's AmazonFresh, a subscription service in the U.S. and the U.K. that provides quick food delivery for online orders.

The approval process for foreign investment in India has been streamlined, after Prime Minister Narendra Modi's government recently approved the dismantling of a Finance Ministry wing that used to scrutinize most of the foreign-investment proposals, often leading to delays. The Trade Ministry now makes the decisions on foreign investment in retail.

"There is no problem with Amazon's proposal" to start selling groceries online, said Newley Purnell in Hong Kong contributed to this article.

Uber Fires a Top Executive in India

By GREG BENSINGER

Uber Technologies Inc. fired a top executive who obtained medical records of a woman raped by her Uber driver in India, and then shared the documents with Chief Executive Travis Kalanick, according to a person briefed on the matter.

Eric Alexander, Uber's president in Asia, sought the medical report in 2014 in pursuit of a theory that local rival Ola pushed the story to damage Uber's reputation in India, this person said. Uber fired Mr. Alexander on Tuesday after reporters inquired about the matter, this person said.

The firing raises questions about the comprehensiveness of two investigations into workplace misconduct. On Tuesday, Uber said it fired more than 20 employees over the past few months following one of the investigations. Mr. Alexander wasn't among those employees, the person said.

Mr. Alexander didn't respond to a request to comment. A spokesman for San Francisco-based Uber confirmed Mr. Alexander was fired Tuesday but declined to provide details. Representatives of Ola, whose parent is ANI Technologies Pvt. Ltd., didn't respond to a request to comment.

The matter stems from an incident in December 2014, when a New Delhi woman



RALK RAJ/HINDU TIMES/GETTY IMAGES

Eric Alexander, shown in December 2014, had obtained medical records of a woman raped by her Uber driver in India.

claimed she was taken by her Uber driver to a secluded area and raped. As a result of the allegations, city officials banned Uber and other app-based ride-hailing firms for months over what it said were inadequate background checks.

Mr. Alexander, based in Hong Kong, obtained the medical records soon after the incident and showed it to Uber officials, including Mr. Kalanick,

ick, this person said.

The Uber spokesman said Wednesday the company worked with law enforcement and provided witnesses to the prosecution for the crime. Mr. Alexander was among those who testified at the trial.

The driver was convicted in 2015 and sentenced to life in prison. At the time of the allegations, Mr. Kalanick condemned the rape. Uber ultimately settled with the rape victim for around \$3 million, another person familiar with the matter said.

Uber has scrambled to investigate potential misconduct following a February blog post written by a former engineer that alleged the company ignored complaints of sexual harassment and sexism. Uber has ordered two investigations including one led by former U.S. Attorney General Eric Holder and his law firm Covington & Burling LLP, and another by law firm Perkins Coie LLP.

The circumstances of the firing were reported earlier by news site Recode.

YUAN

Continued from page B1
YouTube and Facebook.

Yes, China heavily censors the internet. Many people are frustrated by the limits on life and work imposed by what's collectively called the Great Firewall.

Still, the majority of Chinese aren't focused on what they can't reach because domestic websites more than fill the void.

When a 13-year-old relative from the mainland came to visit me in Hong Kong earlier this year, I asked her if she wanted to watch videos on YouTube. No, she said, she prefers Chinese video sites. It isn't about the language barrier; her English is excellent. It's about familiarity. She grew up watching Chinese TV dramas and variety shows online.

2. Even when foreign apps aren't blocked, Chinese competitors win because so many people are using their products that they become indispensable.

Internet calling and messaging apps Skype, WhatsApp and Slack are accessible, but they're just no substitute for Chinese products that locals are using in droves. Take WeChat, the social-messaging app from Tencent Holdings Ltd. that has more than 900 million accounts.

"China runs on WeChat. So do our startups," says Ji Ke, program director at HAX Accelerator. The venture firm brings mostly North American and European hardware startups to Shenzhen to take advantage of the city's proximity to manufacturing facilities and supply chains. One of the first things HAX does with those foreign transplants, Mr. Ke says, is put them on WeChat so that they can communicate with locals, make payments and organize events.

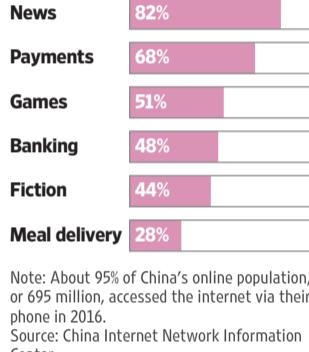
They tried to use Slack several times, he says, but reverted to WeChat after a few days because many of the people they were talking to didn't have Slack.

3. Once a technology or a business model is out there, Chinese nimbly adapt it to the local market—which in China is known as "micro-innovation."

Oppo and Vivo, the No. 1 and No. 3 smartphone brands by market share in 2016, appeal to young people and residents in smaller,

Going Mobile

China's mobile-app usage in 2016 as a percentage of total mobile-internet population



Note: About 95% of China's online population, or 695 million, accessed the internet via their phone in 2016.

Source: China Internet Network Information Center

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less-wealthy cities. Their phones look like iPhones and pack many of the same features, but with China's lower cost base for manufacturing, they cost less than half the price of an iPhone.

That has helped Oppo and Vivo double their market share, while Apple's has fallen by 13% to the fourth position.

Meituan Dianping started as a copycat of Groupon, the daily-deals site. Now, Meituan delivers meals, books hotels, sells movie tickets and offers a Yelp-like rating service. Groupon remains well, a daily-deals site.

4. Rapid adoption is creating demand for new products and business models.

Mobile payments, nearly nonexistent in China five years ago, are now every-

where—restaurants, taxis, convenience stores—making it possible to live a cashless life.

China's mobile-payment volume rose by almost four-fold in 2016 to 58.5 trillion yuan (\$8.6 trillion), according to iResearch. Some \$800 billion of that went to ride services, games and shopping. By comparison, mobile payments in the U.S. rose 39% to \$112 billion in 2016, according to Forrester Research.

That's spawning new services, like shared bikes. Users can make payments and unlock the bikes via apps so there is no need for credit or stored-value cards or docking stations. The bikes have taken over Chinese cities.

5. Now the copying has reversed—in some ways.

Facebook followed WeChat's footsteps in adding e-commerce, friend-to-friend money transfers and ticket buying—which the website Tech in Asia called "Facebook's WeChatification." Apple announced this past week that its iMessage service will also support a friend-to-friend payment transfer feature.

When my Wall Street Journal colleagues reported last week that fast-food chains and high-end restaurants in the U.S. are expanding lunch-delivery services, my first thought was, "This is so China in 2015."

Follow Li Yuan on Twitter @LiYuan6 or write to li.yuan@wsj.com.

BUSINESS WATCH

VERIZON

Firm to Cut 2,100 Jobs at Yahoo, AOL

About 2,100 people will lose their jobs at Yahoo and AOL after Verizon Communications Inc. completes its acquisition of Yahoo and combines the two one-time internet rivals, a person familiar with the matter said.

Yahoo shareholders approved the \$4.5 billion transaction on Thursday. The deal, which was delayed by Yahoo's disclosure of two massive security breaches, is expected to close on June 13.

The layoffs, which affect roughly 15% of the roughly 14,000 people in the combined workforce, will occur evenly across AOL and Yahoo to reduce duplication and streamline the organization, the person said. Employees in product and engi-

neering roles will be the least affected, the person said.

The Yahoo purchase and the pending layoffs will help bring closure to a drawn-out deal process that has damped morale at the internet pioneer. AOL CEO Tim Armstrong will lead the combined company under Verizon's new businesses unit.

—Ryan Knutson and Deepa Seetharaman

JBS

Meatpacker Won't Sell Core Assets

Brazilian meatpacker JBS SA said Wednesday it won't sell core assets in the U.S. or elsewhere, including its majority stake in U.S. chicken processor Pilgrim's Pride.

JBS, which has recently moved to the center of Brazil's

largest corruption investigation, said on Tuesday that it agreed to sell its beef operations in Argentina, Paraguay and Uruguay for \$300 million.

The owners of JBS told Brazilian prosecutors in April that they had made illicit payments to politicians for several years in exchange for favors, including easier access to credit. JBS's parent company, J&F Investimentos, has agreed to pay a fine of 10.3 billion reais (\$3.14 billion) to settle Brazilian authorities' investigations. Many analysts said they expect the owners of JBS to sell more assets to pay for the settlement and keep the group's liquidity high, but JBS said Wednesday that the transaction in Latin America represented a strategic divestiture of a noncore asset in a less-strategic market.

—Luciana Magalhaes



ERALDO PEREIRA/ASSOCIATED PRESS

The Face of Real News

Lingling Wei's expert insights into China and its economy helped answer some of the most pressing questions when the yuan significantly devalued. Her work gave readers an insider's look at the mechanisms at play during the complex turn.

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FINANCE & MARKETS

Wells Attempts a Pivot to Growth

After months of focus on scandal, bank faces challenges in trying to expand business again

BY EMILY GLAZER

Wells Fargo & Co. has spent roughly nine months working to reform the sales culture that led to a \$185 million fine, public humiliation and the departure of its chief executive. Now, the bank is confronting a new challenge: growing again.

So far, the San Francisco-based lender has focused on cutting costs and urging investors to be patient, though shareholders, analysts and some employees question how the bank will match its past performance without the sales tactics that got it in trouble.

Complicating the bank's challenge are broader factors including low interest rates and a sluggish U.S. economy. "If you turn the clock back 10 years ago, we were in an environment where the economy was growing more quickly and revenues, candidly, were a little bit easier to come by," Chief Executive Timothy Sloan said during an investor conference last week.

Wells Fargo was fined \$185 million in September by regulators for opening as many as 2.1 million accounts that used fictitious or unauthorized customer information. The bank and regulators disclosed then that the bank had fired 5,300 employees over five years for improper behavior including opening up accounts for customers without their knowledge.

Since the fall, the bank's revenue growth has slipped for the first time in years. Its shares are the worst-performing of the four biggest U.S. banks both in the year to date and since the



Wells Fargo shares are the worst-performing of the four biggest U.S. banks this year.

November election.

Asked about growth, a Wells Fargo spokeswoman noted the bank's diversified business model and strong, steady results as well as opportunities in its wholesale, wealth and investment management, and consumer businesses.

Getting the retail division right is crucial for Mr. Sloan and other Wells Fargo executives. It sits in the bank's community banking unit, which last year accounted for more than 50% of Wells Fargo's overall net income.

Wells Fargo's return on equity, a key measure of profitability, was down to 11.5% last quarter from its recent high above 14% in 2014.

Even as it contends with broader economic trends affecting all banks, Wells Fargo must address lingering and potentially distracting impacts of the scandal. Agreements with regulators have put the bank in a less likely position to ask for approval on certain

deals it would have pursued in the past.

In December, the bank was sanctioned by U.S. regulators over its "living will" contingency plan, required of all banks, on how it would avoid a taxpayer bailout if it were about to go bankrupt. In March, it was downgraded on its ability and willingness to serve lower-income populations. The bank later passed the living-will test, and it is cooperating with other investigations.

As it moves ahead, Wells Fargo has many among its 75,000 retail-bank employees who feel hamstrung by the company's new way of doing business.

The bank eliminated product sales goals, concluding they had been emphasized too much and led employees to use questionable tactics to meet their numbers.

A new incentive-compensation system this year seeks to change the orientation of the retail division from lofty prod-

uct-sales goals to a focus on customers' overall satisfaction. Employees are measured on customer service, customer usage and deposit growth, among other factors.

Questions, however, persisted about the new strategy and growth during the bank's investor day last month.

"It seems like a lot of what you're saying over retail strategy is pretty ambitious, and it seems like there's a fundamental tension between a lot of what you're trying to do," UBS Securities LLC analyst Saul Martinez said during the investor day.

Mary Mack, the executive in charge of Wells Fargo's retail branches, responded to Mr. Martinez that there is "alignment" between the business changes she has enacted and the bank's growth plans. She also told analysts Wells Fargo was increasing its "loans, deposits and investments."

She is also focused on shifting the bank's culture through manager training this

summer and recent executive shuffling in her unit. "We have to help people continue to get comfortable with the change and create clarity" for employees, she said in a recent interview.

In preparing for certain reviews recently, a bank finance manager advised some regional executives they should be prepared for conversations with Ms. Mack to shift from seeking stability post-scandal "to growth and strategies around spurring growth," according to an April email reviewed by The Wall Street Journal.

Yet some employees have expressed concern that it isn't clear how to drive new business absent the bank's prior emphasis on product sales. One executive said questions among employees include: "How am I going to grow the business...with these constraints? How do I do it in a way that doesn't appear to be sales pressure?"

Wells Fargo's numbers are falling. In March, the most recent data available, consumer checking accounts at Wells Fargo fell 35% and credit-card applications dropped 42% from a year earlier.

While the decline is less severe than seen soon after the September announcement, bank executives said last week that they don't expect the credit-card business to bounce back for a few quarters. A spokeswoman noted that internal customer-loyalty scores had increased since the scandal.

Speaking at last week's industry conference, Mr. Sloan said it would take time for the company's postscandal approach to bear fruit. "You don't just roll out a plan to 75,000 people and say, 'good luck,' right?" he said. "There is a lot of management that is required to make sure that that plan is in place."

Fintech Firm Gets A Pile of Funding

BY PETER RUGEAR

A little-known software company that helps businesses pay their bills electronically has quietly amassed more investor funding than all but a handful of U.S. financial-technology companies.

AvidXchange Inc., a firm that automates bill-payment processes for businesses, said Thursday that it raised \$300 million in equity from a group of new investors to bring its service to new industries, potentially acquire smaller competitors and to expand internationally.

Investors in the funding round include **Mastercard** Inc., Singaporean state investment firm **Temasek Holdings** Pte. Ltd., Canadian pension fund Caisse de dépôt et placement du Québec and Peter Thiel, the investor and co-founder of payments company **PayPal Holdings** Inc. Since its founding, Charlotte, N.C.-based AvidXchange has raised over \$500 million, more than amounts raised by Stripe Inc., Credit Karma Inc. and other well-known fintech players.

The latest investment, one of the largest for a fintech company since lender Social Finance Inc. announced a \$500 million fundraising in February, values AvidXchange at around \$1.4 billion, according to people familiar with the matter.

Other digital-payments services including Apple Inc.'s Apple Pay and PayPal's Venmo have attracted mass followings among consumers. But the act of businesses paying their suppliers and vendors remains relatively old fashioned with a heavy reliance on checks.

In 2016, just over half of so-called business-to-business payments in the U.S. were made by check, according to data from the Association for Financial Professionals, a trade group. That is down from 67% in 2010 but up a bit from 50% in 2013. For consumers, the percentage of bills paid by check fell to 17% in 2016 from 23% in 2013 and 37% in 2010, according to consulting firm Aite Group.

In business-to-business payments, some banks, including **KeyCorp** and **Fifth Third Bancorp**, are opting to distribute AvidXchange's products rather than develop their own. Both banks earlier took a minority stake in AvidXchange in addition to signing commercial agreements.

Mastercard will also promote AvidXchange to banks that issue credit cards that run on its network.

SEC Is Set to Name Blass for Funds Post

BY DAVE MICHAELS

WASHINGTON—The Securities and Exchange Commission is poised to hire as its top mutual-fund regulator an attorney whose spouse is about to step down as chief lawyer for the industry's trade group, according to people familiar with the matter.

Dalia Blass is the leading candidate to run the SEC's division of investment management, the people said.

Ms. Blass's husband, David Blass, is general counsel of the Investment Company Institute, a mutual-fund group that op-

posed many details of the SEC's postcrisis rules.

Mr. Blass plans to leave the ICI this week. Simpson Thacher & Bartlett LLP, a law firm with many Wall Street clients, said in May that Mr. Blass would join the firm.

Ms. Blass would have to recuse herself from any decisions that specifically affect firms that were counseled by Simpson Thacher. She also would have to step aside for one year from matters that directly affect her own former clients at Ropes & Gray LLP, where she has worked since September 2016.

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FUND NAME GF AT LB DATE CR NAV YTD 12-MO 2-YR

Chartered Asset Management Pte Ltd - Tel No: 65-6835-8866 Fax No: 65-6835-8865, Website: www.cam.com.sg, Email: cam@cam.com.sg CAM-GF Limited OT MUS 06/02 USD 307280.21 1.7 11.1 -3.7

FUND NAME GF AT LB DATE CR NAV YTD 12-MO 2-YR

VP Class-Q Units AS EQ HKG 06/07 USD 139.64 21.9 28.3 -3.2

VP Class-Q Units AS EQ HKG 06/07 USD 17.61 21.9 28.4 -3.5

VP Class-C Units AUD H AS EQ HKG 06/07 AUD 14.53 21.7 29.4 -3.3

VP Class-C Units CAD H AS EQ HKG 06/07 CAD 14.01 21.0 -4.3

VP Class-H Units HKD H AS EQ HKG 06/07 HKD 11.96 21.4 27.4 NS

VP Class-C Units NZD H AS EQ HKG 06/07 NZD 14.52 20.4 27.5 -3.1

VP Class-C Units RMB H AS EQ HKG 06/07 CNY 11.74 12.7 25.6 NS

VP Class-C Units RMB H AS EQ HKG 06/07 CNY 11.92 24.0 31.3 NS

VP Multi-Asset Fund Cls A HKD OT OT HKG 06/07 HKD 10.39 8.0 NS

VP Multi-Asset Fund Cls A USD OT OT HKG 06/07 USD 10.49 7.4 9.0 NS

VP Taiwan Fund AS EQ CYM 06/07 USD 19.41 15.9 24.7 10.5

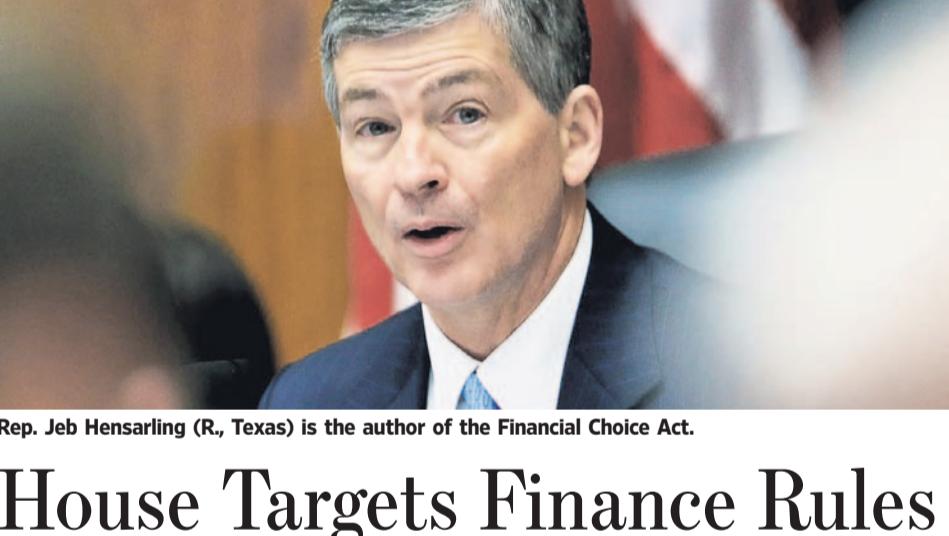
For information about listing your funds, please contact: Freda Fung tel: +852 2504; email: reda.fung@wsj.com

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THE WALL STREET JOURNAL.



Rep. Jeb Hensarling (R., Texas) is the author of the Financial Choice Act.

House Targets Finance Rules

WASHINGTON—The House was due to pass sweeping legislation Thursday that would rewrite the rules governing Wall Street, an opening Republican bid to encourage economic growth by loosening regulation of the financial sector.

By Andrew Ackerman, Ryan Tracy and Rachel Witkowski

The GOP-led bill, called the Financial Choice Act, is unlikely to become law as it isn't expected to earn enough support in the Senate. Aspects of the legislation could be implemented by the Trump administration, but officials there have laid out a more modest agenda. The administration is expected to release a report next week outlining its financial regulatory goals.

The Choice Act, expected to advance through the House along party lines, would mark the first time Republicans have successfully passed broad legislation aimed at replacing the 2010 Dodd-Frank financial-overhaul law, the Obama-era response to the financial crisis.

Senators are working on their own regulatory rollback, which they hope to pass with support from at least some Democrats. But the Senate is preoccupied with other priorities, such as health-care and tax overhauls, and it is unclear if it will even take up a broad financial-overhaul package.

The House's Financial Choice Act would unwind major parts of Dodd-Frank by relieving healthy banks of some

regulatory requirements and forcing failing firms through bankruptcy rather than a liquidation process spearheaded by the regulators. It would also repeal the Volcker rule restricting banks from speculative trading. Supporters of the Choice Act say scrapping what they view as onerous regulatory requirements will ultimately help smaller businesses, allowing them to grow and create jobs.

Dodd-Frank represents the greatest regulatory burden on our economy," Rep. Jeb Hensarling (R., Texas), the author of the Choice Act, told reporters Wednesday.

To garner sufficient votes to pass the measure, Mr. Hensarling agreed last month to remove a controversial provision that capped the fees banks charge merchants for debit-card transactions. The provision pitted retailers and banks against one another and had divided GOP lawmakers.

The main trade-off embedded in the Choice Act: Banks can win significant regulatory relief if they maintain a so-called leverage ratio of 10%, meaning they must fund every \$100 of loans or investments with at least \$10 of equity raised from investors, as opposed to borrowed money like derivatives.

Supporters say relying less on borrowed money makes banks more stable. Most big banks oppose the idea because they don't meet that standard. The current requirement is about 5% for the biggest banks.

Another target of the bill is the Consumer Financial Protection Bureau, a federal agency created by Dodd-Frank to write rules and examine financial-services firms for compliance with consumer protection policies. Mr. Hensarling's bill would eliminate the CFPB's supervisory and rule-writing functions, reducing it to an enforcement agency.

Democrats generally support higher bank capital requirements, but they say Mr. Hensarling's bill puts Americans at risk by cutting many other regulations. They oppose most changes to the consumer bureau, among other provisions in the bill, which some dubbed "The Wrong Choice Act."

"It's a deeply misguided measure that would bring harm to consumers, investors and our whole economy," said Rep. Maxine Waters of California, the top Democrat on the House Financial Services Committee, in a written statement.

"The bill is rotten to the core."

In a move symbolic of their opposition, House Democrats weren't expected to offer amendments to the GOP measure on the floor. In the lead-up to the vote, they withdrew proposed amendments that could have divided the Democratic caucus, such as whether to support efforts to repeal an Obama-era regulation related to retirement advice.

A spokeswoman for the House Democratic leader, Rep. Nancy Pelosi of California, said the decision reflects Democrats' belief the House bill is "fatally flawed."

MARKETS DIGEST

Nikkei 225 Index

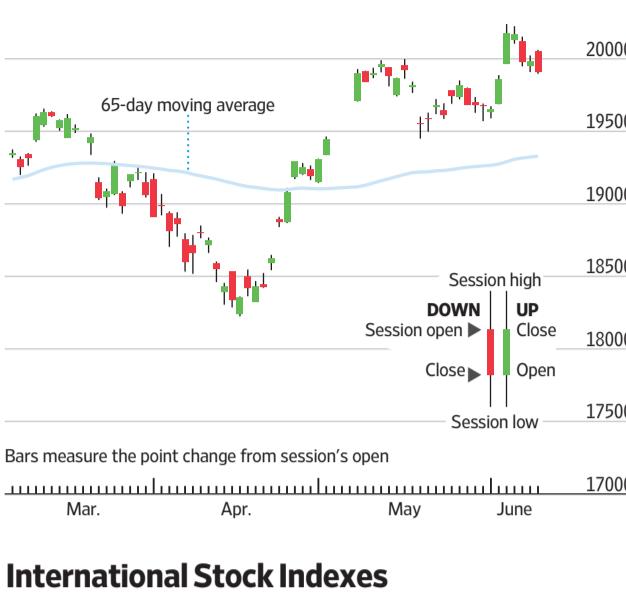
19909.26 ▼75.36, or 0.38%

High, low, open and close for each trading day of the past three months.

Year-to-date
52-wk high/low
All-time high

2017.28 14952.02
38915.87 12/29/89

▲ 4.16%



Bars measure the point change from session's open

STOXX 600 Index

389.15 ▼0.03, or 0.01%

High, low, open and close for each trading day of the past three months.

Year-to-date
52-wk high/low
All-time high

396.45 308.75
414.06 4/15/15

▲ 7.67%



S&P 500 Index

2435.10 ▲1.96, or 0.08%

High, low, open and close for each trading day of the past three months.

Data as of 12 p.m. New York time
Last Year ago
Trailing P/E ratio 24.08 24.22
P/E estimate * 19.01 17.81
Dividend yield 1.95 2.18
All-time high: 2439.07, 06/02/17

Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.



International Stock Indexes

Data as of 12 p.m. New York time

| Region/Country | Index | Close | Net Chg | % chg | 52-Week Range | Low | Close | High | YTD % chg |
|---------------------|-------------------------------|-----------------|---------|--------------|---------------|----------|---------|------|-----------|
| World | The Global Dow | 2776.09 | -0.21 | -0.01 | 2193.75 | 2191.48 | 2791.48 | 9.8 | |
| | MSCI EAFE | 1893.66 | -10.21 | -0.54 | 1471.88 | 1956.39 | 10.3 | | |
| | MSCI EM USD | 1017.82 | 2.07 | 0.20 | 691.21 | 1044.05 | 28.2 | | |
| Americas | DJ Americas | 583.97 | 0.50 | 0.09 | 480.90 | 585.50 | 8.1 | | |
| Brazil | Sao Paulo Bovespa | 62433.48 | -737.26 | -1.17 | 48066.67 | 69487.58 | 3.7 | | |
| Canada | S&P/TSX Comp | 15374.33 | 2.19 | 0.01 | 13609.58 | 15943.09 | 0.6 | | |
| Mexico | IPC All-Share | 49136.47 | -138.50 | -0.28 | 43902.25 | 50154.33 | 7.7 | | |
| Chile | Santiago IPSA | 3698.28 | -19.07 | -0.51 | 2998.64 | 3786.05 | 14.7 | | |
| U.S. | DJIA | 21204.01 | 30.32 | 0.14 | 17063.08 | 21225.04 | 7.3 | | |
| | Nasdaq Composite | 6310.33 | 12.95 | 0.21 | 4574.25 | 6311.89 | 17.2 | | |
| | S&P 500 | 2435.10 | 1.96 | 0.08 | 1991.68 | 2440.23 | 8.8 | | |
| | CBOE Volatility | 10.13 | -0.26 | -2.50 | 9.56 | 26.72 | -27.8 | | |
| EMEA | Stoxx Europe 600 | 389.15 | -0.03 | -0.01 | 308.75 | 396.45 | 7.7 | | |
| | Stoxx Europe 50 | 3199.13 | -2.37 | -0.07 | 2626.52 | 3279.71 | 6.3 | | |
| France | CAC 40 | 5264.24 | -1.29 | -0.02 | 3955.98 | 5442.10 | 8.3 | | |
| Germany | DAX | 12713.58 | 41.09 | 0.32 | 9214.10 | 12878.59 | 10.7 | | |
| Israel | Tel Aviv | 1425.70 | -1.72 | -0.12 | 1372.23 | 1490.23 | -3.1 | | |
| Italy | FTSE MIB | 21042.41 | 302.50 | 1.46 | 15017.42 | 21828.77 | 9.4 | | |
| Netherlands | AEX | 523.55 | 0.45 | 0.09 | 409.23 | 537.84 | 8.4 | | |
| Russia | RTS Index | 1038.50 | 4.19 | 0.41 | 884.83 | 1196.99 | -9.9 | | |
| Spain | IBEX 35 | 10953.10 | 81.40 | 0.75 | 7579.80 | 11184.40 | 17.1 | | |
| Switzerland | Swiss Market | 8811.62 | -65.11 | -0.73 | 7475.54 | 9136.95 | 7.2 | | |
| South Africa | Johannesburg All Share | 51958.27 | -159.30 | -0.31 | 48935.90 | 54716.53 | 2.6 | | |
| Turkey | BIST 100 | 97977.54 | 361.02 | 0.37 | 70426.16 | 99278.08 | 25.4 | | |
| U.K. | FTSE 100 | 7449.98 | -28.64 | -0.38 | 5788.74 | 7598.99 | 4.3 | | |
| Asia-Pacific | DJ Asia-Pacific TSM | 1631.60 | -4.04 | -0.25 | 1308.52 | 1635.46 | 14.7 | | |
| Australia | S&P/ASX 200 | 5676.60 | 9.40 | 0.17 | 5103.30 | 5956.50 | 0.2 | | |
| China | Shanghai Composite | 3150.33 | 10.01 | 0.32 | 2833.07 | 3288.97 | 1.5 | | |
| Hong Kong | Hang Seng | 26063.06 | 88.90 | 0.34 | 20038.42 | 26063.06 | 18.5 | | |
| India | S&P BSE Sensex | 31213.36 | -57.92 | -0.19 | 25765.14 | 31309.49 | 17.2 | | |
| Indonesia | Jakarta Composite | 5702.92 | -14.40 | -0.25 | 4807.23 | 5791.88 | 7.7 | | |
| Japan | Nikkei Stock Avg | 19909.26 | -75.36 | -0.38 | 14952.02 | 20177.28 | 4.2 | | |
| Malaysia | Kuala Lumpur Composite | 1785.57 | -0.35 | -0.02 | 1614.90 | 1791.01 | 8.8 | | |
| New Zealand | S&P/NZX 50 | 7458.66 | -9.24 | -0.12 | 6664.21 | 7571.11 | 8.4 | | |
| Pakistan | KSE 100 | 49958.33 | -204.48 | -0.41 | 36940.88 | 52876.46 | 4.5 | | |
| Philippines | PSEI | 7958.63 | -43.69 | -0.55 | 6563.67 | 8102.30 | 16.3 | | |
| Singapore | Straits Times | 3237.05 | 6.56 | 0.20 | 2729.85 | 3271.11 | 12.4 | | |
| South Korea | Kospi | 2363.57 | 3.43 | 0.15 | 1925.24 | 2371.72 | 16.6 | | |
| Taiwan | Weighted | 10225.78 | 15.79 | 0.15 | 8458.87 | 10226.84 | 10.5 | | |
| Thailand | SET | 1570.28 | 3.70 | 0.24 | 1406.18 | 1591.00 | 1.8 | | |

Source: SIX Financial Information/WSJ Market Data Group

Currencies

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



| Country/currency | Thu | US\$ vs. Yen | YTD chg (%) | Country/currency | Thu | US\$ vs. Euro | YTD chg (%) |
|---------------------|-----------|--------------|-------------|--------------------|-----------|---------------|-------------|
| Americas | | | | Hong Kong dollar | 0.1283 | 1.7971 | 0.5 |
| Argentina peso-a | 0.0625 | 15.9978 | 0.8 | India rupee | 0.0156 | 64.2520 | -5.5 |
| Brazil real | 0.3047 | 3.2824 | 0.8 | Indonesia rupiah | 0.000752 | 13298 | -1.7 |
| Canada dollar | 0.7407 | 1.3502 | 0.4 | Kazakhstan tenge | 0.003206 | 3181.87 | -5.9 |
| Chile peso | 0.001503 | 665.30 | -0.7 | Macau pataca | 0.1245 | 8.0311 | 1.5 |
| Colombia peso | 0.0003425 | 2919.72 | -2.7 | Malaysia ringgit-c | 0.2346 | 4.2620 | -4.5 |
| Ecuador US dollar-f | 1 | 1 unch | | New Zealand dollar | 0.7215 | 1.3860 | -4.0 |
| Mexico peso-a | 0.0550 | 18.1971 | -12.2 | Pakistan rupee | 0.0095 | 104.825 | 0.4 |
| Peru so'l | 0.3057 | 3.2713 | -2.4 | Philippines peso | 0.0202 | 49.530 | -0.2 |
| Uruguay peso-e | 0.0352 | 28.420 | -3.2 | Singapore dollar | 0.7237 | 1.3817 | -4.5 |
| Venezuela bolivar | 0.100150 | 9.99 | -0.1 | South Korea won | 0.0008903 | 1123.19 | -7.0 |
| Asia-Pacific | | | | Sri Lanka rupee | 0.065707 | 152.19 | 2.5 |
| Australia dollar | 0.7539 | 1.3264 | -4.5 | Taiwan dollar | 0.033232 | 30.115 | -7.2 |
| China yuan | 0.1471 | 6.7989 | -2.1 | Thailand baht | 0.02935 | 34.070 | -4.9 |

Source: Tullett Prebon, WSJ Market Data Group

Key Rates

| | Latest | 52 wks ago |
| --- | --- | --- |

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FINANCE & MARKETS

Private Equity Takes Aim at Asia

BY JULIE STEINBERG
AND LIZA LIN

Two big private-equity players are planning to raise billions of dollars to invest in Asian companies, in a sign of how the region is becoming a hotter draw for global money after a slowdown during the past few years.

Morgan Stanley is talking to investors to gauge interest in a new \$2 billion Asia-focused private-equity fund it plans to launch during the next few months, according to people familiar with the matter.

Separately, Hong Kong-based **All-Stars Investment Ltd.**, an early investor in China's Uber equivalent, **Didi Chuxing Technology Co.**, is seeking to raise \$800 million for a new private-equity fund aimed at late-stage Chinese technology startups, said All-Stars' Chief Investment Officer Richard Ji.

The two firms join a rush of other private-equity funds raising money for investments in Asia during recent months, as yield-hungry investors are drawn by the region's continuing promise of growth. Private-equity giant **KKR & Co.** last week closed a \$9.3 billion fund dedicated to investments



Morgan Stanley plans a \$2 billion Asia-focused fund.

in Asia, the largest such in the region, citing "rising consumption and urbanization trends," as well as attractive valuations.

The pickup suggests Asia-focused private-equity funds are ready to stock up on cash again after slowing to concentrate on using the money they had already collected, and to let some surging valuations—particularly in Chinese startups—come down. Private-equity fundraising for Asia dropped to \$42 billion last year from \$68 billion in 2014, while unused capital—so-called dry powder—rose to

\$147 billion as of September 2016 from \$110 billion at the end of 2014, according to data provider Preqin.

Now, industry watchers say that many investments in Asia look reasonably priced again, while global investors are flush with cash from a few years of good private-equity returns.

In the first quarter of this year, more funds targeted Asia to deploy their investments than any other region in the world except North America, according to Preqin. Asia-focused private-equity funds have raised about \$29 billion

so far this year, ahead of the roughly \$20 billion raised in the first half of last year, Preqin said.

Morgan Stanley's new fund will be the fifth from its Asian private-equity arm, and is expected to be slightly larger than the previous one, which raised \$1.7 billion in 2014. The funds are weighted heavily toward investments in China and in industrial- and consumer-product companies. They have had successes including a return of nearly five times the \$26 million investment in Hong Kong financial services firm **AMTD Financial Planning Ltd.**, when Morgan Stanley sold the majority of its stake in 2015, according to an internal marketing document viewed by The Wall Street Journal. The funds netted investors an annual return of 19.4% after fees as of September 2016.

Morgan Stanley Private Equity Asia has had one significant black eye, however: Chinese chemicals firm **Tianhe Chemicals Group**, in which it invested a few years before the company went public on the Hong Kong exchange in 2014. Hong Kong regulators recently suspended Tianhe from trading over concerns that the company's initial public offer-

ing prospectus and other statements had "materially false, incomplete or misleading information," Tianhe said in a securities filing. Tianhe said it is seeking legal advice on how to address the regulator's concerns and resume trading.

All-Stars, which has more than \$1 billion under management, was also an early investor in smartphone maker **Xiaomi Corp.** and **Airbnb Inc.** rival **Tujia**. It is looking to put money in domestic internet startups again, now that the skyrocketing valuations that many Chinese tech firms had a few years ago have come down, said Mr. Ji, a former Morgan Stanley analyst.

Mr. Ji said part of the pressure on valuations has come from a scarcity in dollar funding for Chinese startups due to the tightening in China's capital controls during the past year. That tightening has made it harder for the Chinese investors who provided some of that funding to convert their yuan into dollars. Investors are also skeptical about the outlook for China's economic growth, he said.

Still, All-Stars bets that Chinese internet companies and other tech firms will continue to grow fast even if traditional industries falter, he said.

European, U.S. Stocks Mixed

BY RIVA GOLD AND AKANE OTANI

Stocks in Europe inched down Thursday while U.S. stocks edged up.

The Stoxx Europe 600 fell less than 0.1% to 389.15 as investors were awaiting results of the U.K.'s general election

and after the **THURSDAY'S MARKETS** European Central Bank left its interest rates and bond-purchase program unchanged, as expected, but tweaked its policy statement to remove a reference to possibly cutting rates further in the future.

It is 'just the first step of a very long process of removing or slowing down [quantitative easing] and eventually moving rates higher,' said Charlie Diebel, head of rates at Aviva Investors. He doesn't expect to see rates rise until the end of 2018, if not later, citing continued concerns about inflation.

The FTSE 100 index dropped 0.4% to 7449.98.

The euro traded at \$1.1208 late in the afternoon London time, down 0.5% on the day, after the ECB also lowered its inflation forecasts at its meeting Thursday. By early afternoon in New York, the euro was down 0.4% at \$1.1213.

In the U.S., gains in shares of financial companies helped offset broad losses elsewhere. The Dow Jones Industrial Average added 65 points, or 0.3%, to 21241 at early afternoon. The S&P 500 rose 0.1% and the Nasdaq Composite gained 0.2%. Major indexes traded in a tight range as former FBI Director James Comey testified before Congress.

In Asia, the Shanghai Composite rose 0.3% after robust trade figures from China. But Japan's Nikkei Stock Average fell 0.4% after data showed Japan's economy grew at a slower pace than initially estimated in the first quarter.

Elliott Advisors Adds Investing Firepower

BY LAURENCE FLETCHER

Hedge fund **Elliott Advisors** has recruited a head for its European private-equity operations to give it greater firepower beyond the activism in stocks and bonds for which it is known, according to a person familiar with the matter.

The firm, the European affiliate of Paul Singer's Elliott Management Corp., hired Paul Best, who was previously managing director at Warburg Pincus, in the newly created role, said the person.

The move comes amid an

increased appetite among investors to access private markets. Hedge-fund returns from actively trading public stock markets in recent years have often been poor, while concerns have grown that gains from passively tracking equity markets could quickly reverse.

Private-equity returns, in contrast, have been buoyant of late. Funds produced an annualized 15.3% over the three years to September, according to a blended return from funds compiled by data group Preqin. Hedge funds' annualized return was 5.6%.

Elliott, which runs \$32.7 billion and is known for activist campaigns in stocks such as **Akzo Nobel** and Arconic Inc. and a successful battle over payouts to holders of Argentine debt, has invested in private equity for years. Investments have included Charter Court Financial Services and **Ark Data Centers**.

The latest hire marks a step up in its private-equity ambitions. The aim is to give Elliott more expertise in purchasing companies amid what it sees as a growing opportunity in private equity, the person said.

Mr. Best, a Cambridge University graduate who started on Monday and reports to Gordon Singer, the head of the London office, is the first employee in Europe to focus solely on private equity. He has sat on the boards of companies including U.K. budget retailer **Poundland** and Dutch cable company **Ziggo**.

Last month Mr. Singer, whose fund raised \$5 billion from investors in 24 hours, wrote to investors warning about equity prices.

"Eight-plus years of radical

monetary easing in the developed countries has created a world of manipulated (by governments) and false prices," he said in the letter, which was reviewed by The Wall Street Journal. There has "never been a larger (and more undeserved) spirit of financial market complacency in our experience."

The firm, which also invests in commodities and real estate, has made money in its **Elliott Associates LP** fund almost every year since its launch in 1977, last losing money in 2008.

The Face of Real News

Jon Hilsenrath's investigation into the economic workings of America's heartland uncovered the brewing dissatisfaction that led to the election of Donald Trump.

Real journalists and real news from America's most trusted newspaper.

WATCH HIS STORY AT WSJ.COM/JON

#TheFaceOfRealNews

THE WALL STREET JOURNAL.

Read ambitiously

MARKETS

'Boring' Cobalt Market Shows Some Pep

Electric cars put the metal in the spotlight; some investors amass all they can get

By STEPHANIE YANG

Every few months, Robert Mitchell travels from his office near Portland, Ore., to a Connecticut warehouse and checks in on his biggest investment.

Mr. Mitchell's fund owns millions of dollars worth of cobalt. He is so confident that its use in electric-car batteries will cause demand to surge that he has been buying and storing more than a thousand metric tons of the stuff—worth more than \$56 million at current prices.

He feels he has little choice but to hold physical metal, since acquiring a cobalt position in financial markets is so hard.

"There's a lot of money looking for a home in cobalt," Mr. Mitchell said. "They really don't have a great way to play it."

Cobalt has long been a component in tires, magnets and smartphones. Now, it is the latest material, along with lithium and copper, to benefit from its use in the lithium ion-batteries that power electric vehicles.

Slightly more than half of all cobalt bought or sold last year went toward rechargeable batteries, up from 20% in 2006, according to Benchmark Mineral Intelligence.

Battery manufacturers' soaring demand for the hard, silvery metal has propelled cobalt's value to its highest level since 2008. Prices were up 70% this year through Wednesday at \$56,500 a metric ton, making it the top-performing commodity traded on a major futures exchange.

Yet there is a problem for many investors eager to add a position: How do you get it?

A Charged-Up Trade

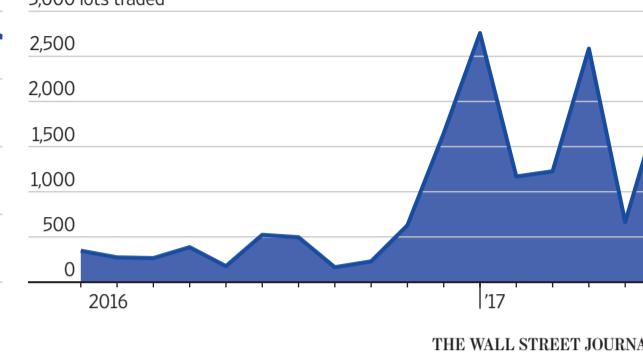
Cobalt prices are skyrocketing as investors and battery manufacturers stock up, predicting a shortfall in the next few years.

London Metal Exchange cobalt price



Sources: Thomson Reuters (prices), LME (trading volume)

LME cobalt trading volume, monthly



THE WALL STREET JOURNAL.



STEPHANIE YANG/THE WALL STREET JOURNAL

Robert Mitchell's fund has more than a thousand metric tons of cobalt in Connecticut warehouses.

the mineral instead.

Instead, some money managers have purchased shares of companies that produce cobalt. But since cobalt is a by-product of copper and nickel mines, the big producers come with a lot of exposure to other metals. Copper is up 1.6% so far this year, but nickel has dropped by nearly 12%.

The dearth of options has prompted investors like Mr. Mitchell, the general partner of Portal Capital LLC, to buy

rest is in physical cobalt, which he stockpiles in two warehouses in 250-kilogram drums.

He even stores cobalt for other investors who aren't invested in his fund but want to own the metal. He chose to keep his haul in Connecticut because the east coast receives big cobalt deliveries.

Mr. Mitchell said whenever he is in New York for business meetings, he stops by the warehouse to talk with the

warehouse managers about what they are "seeing and hearing" about the metal.

Lithium surged early last year as Tesla Inc. started to grow the market for battery-powered cars. Many investors seek to participate in lithium gains by owning shares of producers like Albemarle Corp. and Galaxy Resources Ltd.

Metals including copper, aluminum and nickel are also beginning to generate more demand related to electric

cars. Electric vehicles use copper as a conduit for electricity, and aluminum is expected to increasingly replace steel as manufacturers seek to lighten automobiles.

But no other commodity has been moving as rapidly as cobalt. Matthew Langsford, portfolio manager at Terra Capital, has about 35% of the fund's \$100 million in assets invested in cobalt and lithium stocks.

Mr. Langsford considered buying physical cobalt but was worried that unloading a big pile of cobalt might be difficult if he needed to sell quickly. Instead he purchased shares of cobalt miners such as eCobalt Solutions Inc. and Equator Resources Ltd. last June.

A Toronto-based firm called Cobalt 27 is hoping to capitalize on the booming demand for cobalt and its lack of investability by creating a publicly traded vehicle that buys the material and royalties on mining assets. The firm said it is in the process of raising money and is seeking a stock-market listing.

Battery makers are also purchasing more cobalt themselves, analysts and traders said, to stock up on cobalt before prices rise further.

Cobalt faces other issues that threaten to make it scarcer: A lack of mine investment due to years of low nickel and copper prices could spark a shortage in cobalt supply in the next few years, analysts said.

But some suggest the opposite is more likely. Morgan Stanley analysts warn that the material's prospects may dim as battery makers buy cheaper metals instead of cobalt, and the restart of major copper mines adds to market supply.

"It's been a rather boring, tedious market," said Guy Darby, owner of U.K.-based cobalt trading firm Darton Commodities. "Now is the fun time."

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

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For ECB, Slow Is the Way to Go

The European Central Bank is shifting policy by fractions of a degree by removing the suggestion of further cuts to already deeply negative rates. Markets shouldn't confuse the move however. The message remains very dovish.

Importantly, ECB staff, despite raising their growth outlook, cut forecasts for inflation to 1.5% in 2017, 1.3% in 2018 and 1.6% in 2019—still some distance from the target of "below, but close to" 2%. ECB President Mario Draghi continued to warn that there was still no sign of a convincing pickup in underlying inflation, despite saying risks to the growth outlook are now "broadly balanced."

He is clearly reluctant to close down his options. So while the ECB ended its easing bias on interest rates—a cheap concession, since no one expected a further rate cut—it officially remains ready to extend or expand its bond-purchase program.

That makes it hard to see Thursday's tweak as a real step toward the exit from ultraloose monetary policy.

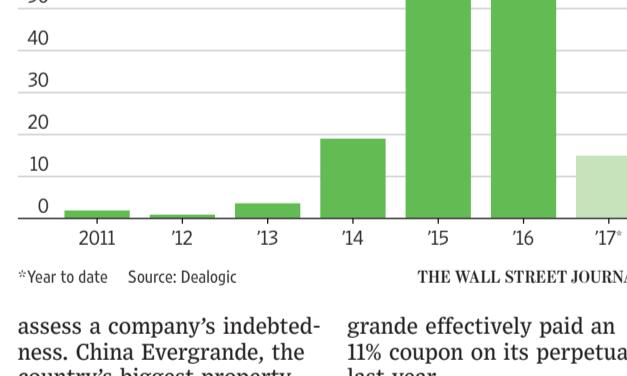
But further bond buying may yet prove tricky. In the past two months, purchases of German bonds have fallen short of the amount indicated by the "capital key" that divides up buying across eurozone members by size. That has raised some concerns about scarcity of paper to buy.

Investors, judging by the calm in the euro and European interest rates, seem willing for now to be patient. At Mr. Draghi's snail's pace, substantive talk about the exit from either negative rates or bond buying may only come toward the end of the year. —Richard Barley

The Eternal Is Different in China

Forever and Ever

Perpetual securities issued by Chinese companies



THE WALL STREET JOURNAL.

assess a company's indebtedness. China Evergrande, the country's biggest property developer by assets, had a net debt-to-equity ratio of 120% as of December. That ratio would have jumped to 432% if its perpetual bonds had been counted as debt.

Investors are happy to play along as the perpetuals usually pay higher yields. Ever-

have a majority shareholder, and therefore nearly always pay a dividend, that rarely applies.

Moreover, perpetuals in China often include a clause that automatically steps up the coupon rate, usually after three to five years. Since the step-up is usually steep, issuers have a strong incentive to redeem their perpetuals early—making them not so perpetual, after all.

Debt or equity, perpetuals present a challenge because of their costs. Payments on Evergrande's perpetuals wiped out almost two-thirds of its net profit last year. The company now says it will redeem all its perpetuals this year, one reason its share price has surged in recent weeks.

Investors hoping to live happily ever after with perpetuals ought to scrutinize why companies are issuing such disguised debt—and whether it is really in their interests. —Jacky Wong

OVERHEARD

Someday investors might fall in love with stock pickers again. But rebranding active fund managers won't bring the cash flooding back.

This week, retirement giant TIAA launched a new robo-investing service. When using TIAA's new products, investors will be able to choose from three buckets: active, passive or socially responsible. The catch is that passive isn't passive; it is "basic." Active is now "insight," which assumes fund managers actually offer some.

The record doesn't back that claim. The majority of active managers have beaten their benchmarks twice in the past decade, and last year just 19% did so, according to Goldman Sachs.

TIAA's timing might be good. So far this year, just over half of large-cap mutual-fund managers are beating their benchmarks, mainly by loading up on hot tech stocks. Not so much insight there.

Citigroup: Cheap for Now, but Turnaround Is in the Works

Citigroup, the last truly cheap major bank in the U.S., is approaching two key turning points that should help its shares close in on a better valuation.

The major overhang for the bank is excess capital. Its common-equity Tier 1 capital ratio of 12.8% is significantly higher than the three other largest U.S. banks. A ratio of around 11.5% would be sufficient to keep it comfortably above regulatory minimums.

These high levels of capital in turn drag down its return on equity, which at 7.4% in the first quarter remains decidedly subpar. This helps explain why the bank trades at just 0.8 times book value, compared with an average 1.2 times for its three closest peers.

The Federal Reserve holds the key to solving this problem through the annual stress tests, which determine how much capital banks can return to shareholders. Following last year's test, Citigroup announced that it would return \$10.4 billion to shareholders over four quarters starting in the third quarter of 2016. It later raised this amount to \$12.2 billion. That still falls well short of the roughly \$15 billion of net profits that Citigroup earned over the period, meaning excess capital is still accruing.

The results of the latest stress tests will be announced in late June, and investors are expecting to see a significant increase in Citigroup's dividends and share buybacks. If the company can start paying out more than it earns, as appears likely, it will start the process of reducing the excess capital.

Coincidentally, Citigroup's aggressive expansion of credit-card lending is expected to start paying off around the same time, in the second half of this year. The bank began rolling out new cards in the middle of 2015 and said at the time that it would take around two years for them to become profitable as borrowers start to build up balances and pay interest.

Separately, Citigroup acquired American Express's Costco credit-card business in June 2016. It initially had

Capital Buildup

Citigroup's common-equity Tier 1 capital ratio



Source: the company

THE WALL STREET JOURNAL.

to book provisions for losses on existing loans, but gave guidance indicating that the portfolio would start contributing to the bottom line in the second half of 2017.

The bank's total credit-card loans in North America were up 17.7% from a year

earlier to \$126 billion in the first quarter. The high rates on these loans should help Citigroup boost its overall returns.

The risk, of course, is that defaults could be higher than expected, especially on its \$44 billion portfolio of cards issued in partnership with retailers, which target less-creditworthy borrowers. Given recent signs that consumers are getting overstretched on auto and student loans, this risk bears watching in the quarters ahead.

Nonetheless, the overall picture at Citigroup is of a bank finally turning the page on lingering issues. America's cheapest major bank looks like a good bet.

—Aaron Back

As elite restaurants grow cost-prohibitive, the 'fast-fine' category is born **W3**



OFF DUTY



Concoct a classic Salade Niçoise for four in a mere 20 minutes **W4**

EATING | DRINKING | STYLE | FASHION | DESIGN | DECORATING | ADVENTURE | TRAVEL | GEAR | GADGETS

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THE WALL STREET JOURNAL.

Friday - Sunday, June 9 - 11, 2017 | **W1**

WALLPAPER: An A-to-Z GUIDE

Overwhelmed by choice? Hang two wall coverings in the same room. Here, 26 to mix and match, plus pro advice on seamless combinations

Z
IS FOR
ZOOLOGY

F
IS FOR
FLORAL

BY DEBRA JO IMMERGUT

FOR MANY HOMEOWNERS, walls papered in even one pattern are the stuff of nightmares. Haunted by memories of the blaring flower-power prints of the 1970s or the chintz-and-stripes overload of the '80s—and especially by the money and tedious hours spent remediating such fashionable forays—even design pros have shied away from wallpaper.

"I used to fear it," said New York interior designer Phillip Thomas. But water-soluble adhesives have supplanted oil-based pastes, he noted, making for easier paper removal that's kinder to drywall. Now that you can strip a room in only a few hours, he no longer shrinks from committing his clients to wallpaper.

Upping the ante, Mr. Thomas and his professional peers have taken to hanging more than one pattern in a single room—a bravado move in keeping with the eclectic exuberance of maximalism that has replaced the

Please turn to page W6

OFF DUTY

Wilder Dreams

Hoping to avoid coddling and control-freak guides, a family heads to a lodge deep in Alaska where nature is served up raw



ARTURO POLO ENA (PARK, LODGE); DIANA KAPP (BEAR, KAYAKS); MAP BY JASON LEE

BY DIANA KAPP

IN OUR WANDERINGS over the years, from Japan to Italy, we have arrived travel-worn at lodges to be handed a flute of fresh-squeezed juice, or a frosty bottle of water. At a mountain hideaway in India, the proprietor received us by pressing a red-powder dot onto our foreheads. But at Tebay Lodge, nestled deep in Alaska's Wrangell-St. Elias National Park and Preserve, about two hours from Anchorage by amphibious prop plane, the welcoming gesture was an introduction to the air horn. "You will find an air horn in every room. Don't go anywhere without it," Jay Claus boomed to my family of five—myself, my husband, my two teens and a tween. "Blow it and I'll know there is a bear in camp. I'll come running with my gun," he said matter-of-factly. "Even to the bathroom in the middle of the night. Especially then."

Tebay Lodge, which opened last June on the banks of sapphire-blue Tebay Lake, sits in a major bear thoroughfare, midway to the animals' all-you-can-eat buffet that is the summer spawning ground of the Copper River salmon just up lake. Jay, a 28-year-old native, built his lodge by hand, first clearing a gravel runway so he could get there, then felling and debarking trees and shaping them into sturdy pillars and posts. It sleeps only about ten guests and in summer, you need to rent the property in full, which is what we did, meaning that we had Jay, another guide and the lodge chef, who also happens to be Jay's girlfriend—to ourselves. Over our weeklong stay, Jay rarely made a move without his guns, a rifle slung casually across his chest and a discreet handgun at his waist. I learned to gauge grizzly danger by noting the trigger readiness of his calloused hands.

Nearing the end of our third day's outing, I saw Jay's fingers clench in high alert. Returning from a day-long trek several thousand feet up to a mountain pass, we were still a mile from our clanky motorboat, our trans-

port back to home base. Though we'd spent a half-day climbing up to the pass, our descent had whizzed by in 90 minutes, as we glissaded down the snowfields in our hiking boots, slipsliding along like penguins. In my many guided hikes on snow, I had never been allowed, let alone encouraged, to glide—“too dangerous, you can lose control!” the guides had warned. But Jay's core philosophy decreed that wilderness jaunts are meant to be a little wild. “When was the last time you experienced any unpredictability?” he queried my 16-year-old son, without waiting for a response before spouting his view that outdoor experiences have become overly controlled, almost hermetically sealed. I thought about the coddling we received on our other outdoorsy trips—like the time we trekked up Mount Whitney and our guide kept us on a tight leash, even insisting on a strict schedule of rest stops. I can't imagine Jay would have approved.

Once the snowfields, then scree gave way to meadows lush with wild iris and columbine in a deep valley, we spied the pond ringed with dense vegetation where we had begun our hike. Our motorboat was moored in Lake

A black bear streaks through the foliage 30 feet in front of us.

Tebay, on the other side of the pond, but before we could reach it, Jay stopped cold. “Bear,” he muttered. He spotted it across the valley heading toward the water, right in our direction. “We're going to meet,” he announced. “There's no other way out.”

“Ho bear. Hellooo,” Jay called out, as we cowered behind him. “We're just passing through. We're not planning to invade your territory.” “Hooooo bear,” my husband echoed meekly. Seconds later, 30 feet away, the bushes shook and a smallish black bear streaked through the foliage, then bounded away. On seeing its small stature, we



BROUGHT TO BEAR Clockwise from top: Flying through Wrangell-St. Elias National Park toward Tebay Lodge; guests returning to Tebay Lodge; a grizzly sighted by the author; kayaking on Tebay Lake.

sighed with relief, but Jay immediately disabused us of our naivety. “These little guys are actually meaner,” he said.

Two days earlier we'd encountered a much larger bear: We had just pushed off shore in the boat when we saw a gargantuan grizzly the color of cinnamon toast standing on his back feet at the water's edge. He was in Smokey stance. “He's scared of us,” Jay reassured us. “These bears don't stand like that unless they're threatened.” My daughter, clearly projecting, asked, “Did you worry a lot about bears as a little kid?” Grinning, Jay replied, “Nah. I started packing a rifle when I was five.”

Jay's grandfather staked a land claim to 5 acres on the nearby Chitina River in the 1950s under the Homestead Act, and Jay's father raised his family 100 miles from the nearest road. Jay's forebears were among the first humans to inhabit their valley deep in a 13.2-million-acre backyard, which, in 1980, became the Wrangell-St. Elias National Park (now America's largest). In the 1960s, the family opened the rustic-chic Ultima Thule Lodge, now hosting Hollywood starlets and tech titans for unique flight safaris.

In 2014, looking for independence, Jay struck out to develop Tebay.

Friends flew in to assist with roof alignment, the installation of solar panels and counters (using flat stones found nearby) and the building of a wood-fired sauna and the two most enjoyable outhouses I have ever used (stocked with incense and climbing magazines). Jay also refurbished an old trapper's cabin, where my husband and I bunked. It was quite deluxe, with a cowhide rug, a fur throw draped on the big bed and a mosquito net hung like a princess canopy, yet still felt plenty rugged with no heat or toilet.

Our final day began with great anticipation: All week Jay had talked up a day of water play on Tebay Lake, which seemed preposterous—the water was 55 degrees and we'd awoken to a sky full of mean, spitting clouds after two sun-bright days. But because we had lugged along wetsuits from California (as instructed), and because we had come to trust Jay's definition of fun, we were game.

A few of us hiked halfway around the lake to an agreed-upon meeting spot while the others boated over with fishing gear, stand up paddleboards, kayaks and



shot, which was fine since he leapt seven more times.

Midday, Jay lit a driftwood bonfire on shore. We huddled close, our wetsuits still on. Lunch arrived via boat delivery. As we bit into warm empanadas and sipped hot tea, we watched rainbow trout leap out of the water.

On our return to the lodge we raced to the sauna, peeled off our clothes and sprawled across the built-in benches. As the warmth from the wood fire enveloped us, its logs chopped from trees on the property, I couldn't help but appreciate the power of hardscrabble ingenuity, and the very human instinct to make something from nothing. “Wouldn't it be awesome to build one of these in San Francisco?” I asked my husband. He fully agreed.

THE LOWDOWN // THRILL-SEEKING IN ALASKA

Getting There The fastest way to reach Tebay Lodge from Anchorage is to charter a float plane through Regal Air, which leaves from Lakewood Airport, about a 10-minute cab ride from Ted Stevens Anchorage International Airport. The flight is about two hours, and costs about \$2,700 each way for up to seven people. Alternatively, fly commercial on Alaska Airlines to Cordova, and then charter a float plane through Cordova Air for the final 50 minutes to Tebay Lodge. The cost is \$925 one-way for the charter, which holds up to four people (Cordova Air: 907-424-3289; Regal Air: 907-243-8535).

Staying There In summer, Tebay Lodge is open for exclu-

sive-use bookings only, for up to 10 people, from June to September (from \$5,000 a night for the entire lodge, including meals; ultimathulelodge.com). The short winter season runs mid-March through April. You can rent the lodge in full or by the room (from \$4,200 a person for a six-night stay, including guided ski excursions, some ski-plane flights, meals and transfers from Anchorage, pacificpineguides.com).



OFF DUTY

A Grown-Up Guide to Fast-Fine

Two non-millennials navigate a dawning dining trend: dialed-back service with haute expectations

BY JANE BLACK

MY DAD does not have bad taste in restaurants—far from it. But even he will admit he's a little old fashioned. He likes his dining rooms quiet and the service leisurely. The response to his order of a gimlet should be, "Yes, of course," not a series of follow-up questions about newfangled brands of gin. For Dad, the food matters, but dining out is more about the occasion, the experience of sitting down and enjoying the meal.

Which makes my father both the best and the worst person I could have invited to Made Nice, in Manhattan, the new "fast-fine" restaurant from Will Guidara and Daniel Humm. The pair has pedigree: Their flagship, Eleven Madison Park, widely celebrated for cosseting its customers, won the number one spot on this year's World's 50 Best Restaurants list, the influential annual ranking published by UK-based William Reed Media Group. In contrast, the service at Made Nice is purposefully quick, and the ambience is decidedly casual (read: noisy). The food is on trend, though thankfully not "vegetable-forward," a buzzword that would send Dad's eyes rolling dangerously far into the back of his head.

This is not just a tale of a pushy food writer and her father. It is a story that plays out over and over as long-held notions of what it means to dine out are challenged by a new breed of restaurants. Called "fast-fine" or "fine-casual"—no one in the industry can even agree on the jargon—these places are a hybrid of the assembly-line fast-casual format pioneered by Chipotle and the traditional fine-dining restaurant, where waiters deliver artfully arranged plates to your table.

Service models vary, but at most fast-fine restaurants you order at a counter, then waiters bring the food to your table and let you order more drinks or dessert without queuing up again. So it goes at Souvla, Barzotto and Corridor in San Francisco; Destroyer and burgeoning franchise MidiCi in Los Angeles; and Chop Shop in Denver.

The concept is shaped by mighty cultural and economic winds. Millennials crave value but demand sophisticated flavors, too, while restaurants seek to balance labor costs driven up by rising minimum wages and health-care costs. Dad and I arrived at Made Nice at 1:10 p.m., soon after its April 24 opening, and saw a line stretching out the door. The customers in front of us were hunched over their cellphones checking the menu; at a table nearby, another was eagerly photographing a dish of a daffodil-colored cauliflower curry. "I'm the oldest person here by 40 years," Dad shouted over the din. Then, looking at me, he conceded: "Well, at least 27 years."

As we approached the front of the line, an open kitchen showcasing the restaurant's main selling point—the top-level culinary talent and technique behind its dishes—came into view. An affable young woman with an iPad took our order. Five minutes later, they called our name, and we carried our dishes from the counter to a table. Our food came chickily presented on what looked like slate trays (they

are actually made out of old skateboards); our servings of New York state-made Cabernet Franc came in rather elegant but plastic tumblers. Dad tried the confit pork (\$14), surrounded by a wreath of salad greens and orange and purple carrots, followed by that emphatically Instagrammable cauliflower curry (\$11). "This food is too good for a place like this," Dad said. "It deserves to be appreciated."

The same features that cause my father to raise an eyebrow appeal to 20- and 30-somethings, who eat out, research shows, once, sometimes twice a day. At fast-fine restaurants, you get a proper meal, made to order, that allows you to sit down, briefly, then get back to work. The menus are modern and generally healthy-ish.

Will Guidara, who is 37, said Made Nice represents his attempt to create the restaurant he would want to go to every day: "My life is not one where I can sit down [for long], especially during the day. What that means is that a few times a week I eat well and the rest of the time it's salads or burgers or tacos. This is our way of saying you can have restaurant-quality food without having to linger."

The goal's the same at Barzotto in San Francisco's Mission. Diners order big bowls of pasta ranging from \$10 (paccheri with pecorino and black pepper) to \$17 (pappardelle with braised beef, mushrooms and Parmesan). Compare that to much-lauded full-service SPQR over in Pacific Heights, where a plate of bucatini with blue cheese, walnut, kale and brown butter goes for an eye-popping \$31.

At L.A.'s Destroyer, a \$13 plate of rice porridge, caramelized broccoli and puffed rice looks like a work of art, but the set-up and no-reservations policy require guests to jockey for the rickety tables. Service, comfort and—especially important to Angelinos—parking are all sacrificed to offer extraordinary food for the price of a takeout salad.

To date, millennials have favored fast-casual restaurants; 67% of them eat at them at least once a week compared to 59% of Gen-Xers and 45% of baby boomers, according to research firm Technomic. But fast-fine is "going to hit an all-new sweet spot," said Eve Turow, author of "A Taste of Generation Yum: How the Millennial Generation's Love for Organic Fare, Celebrity Chefs and Microbrews Will Make or Break the Future of Food." To this younger demographic, she added, "it feels like an attainable, rational indulgence."

Meanwhile, major cities have seen a recent spate of high-profile, fine-dining closings: Annisa and Da Silvano in New York; Bon Marché and Volta in San Francisco. The economics, restaurateurs say, no longer work. Rents are astronomical and minimum wages are gradually edging up to \$15 an hour. This means that the lowest-paid employee will get \$15 while managers are paid as much as \$30 per hour. To cover those costs, restaurants will have to raise prices. And there are only so many people who are willing to shell out \$18 for a green salad and \$6 for an after-dinner cup of coffee.

For Charles Bililis, CEO of San Francisco fast-fine chainlet Souvla, the question was, "How do we operate a profitable business in a very challenging environment?" The number-one way: Reduce



HAVE IT YOUR WAY // A TAXONOMY OF CONTEMPORARY DINING



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Your Server Disembodied voice at the drive-through.

FAST-CASUAL

Food made to order,



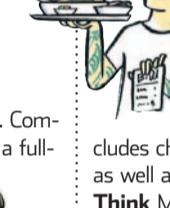
FAST-FINE or fine-casual. Composed dishes like those in a full-service setting, picked up at a counter. Booze usually offered.

Your Server Waiter who takes order, brings food and bill to table; may or may not be waiting tables to support

usually on an assembly line, at the customer's direction.

Think Chipotle, Sweetgreen, Chop't.

Your Server Cashier.



CASUAL DINING Full-service restaurants with little pretension but the full slate of hosts, servers, cooks and bar staff. Includes chic independent eateries as well as national chains.

Think Momofuku Noodle Bar (New York), Delphina (San Francisco), Applebees and TGI Fridays (nationwide).

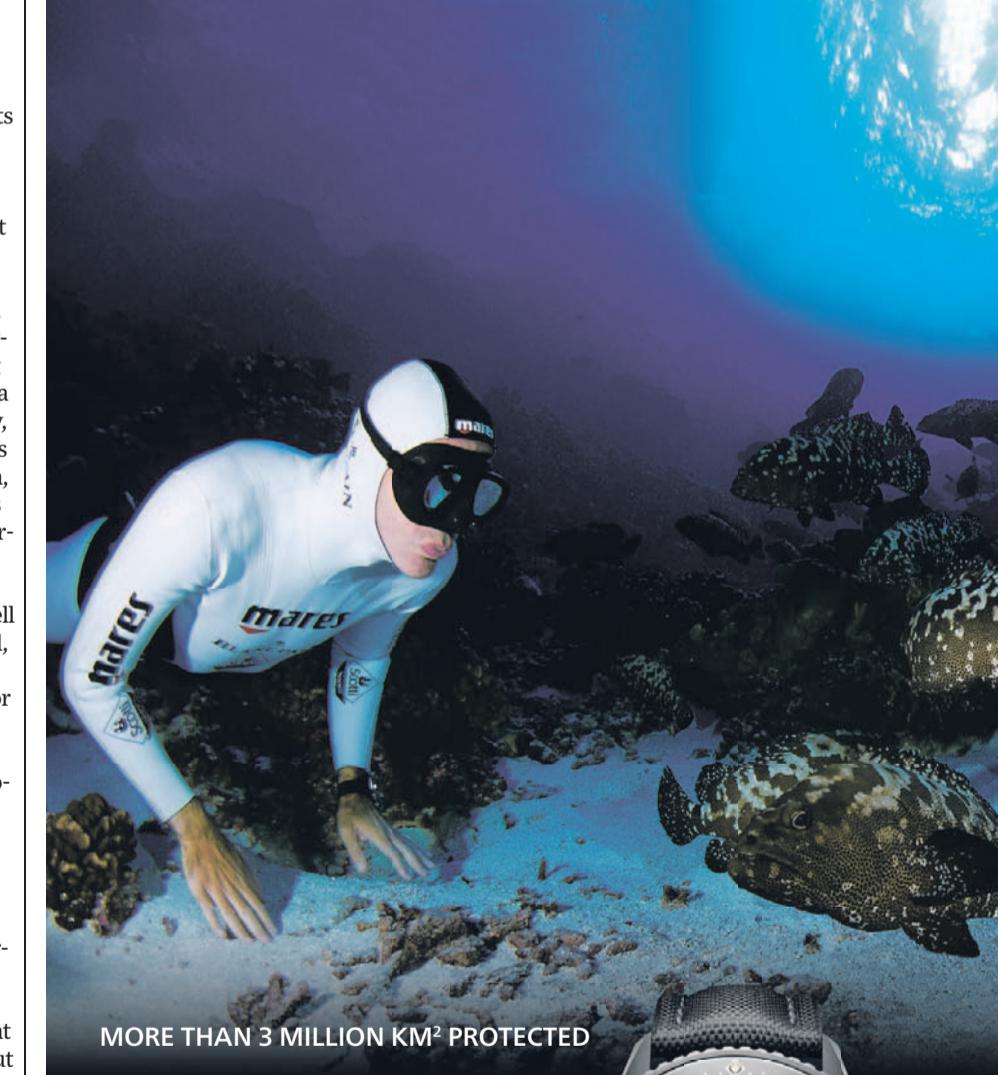
Your Server Waiter who takes order, brings food and bill to table; may or may not be waiting tables to support

an incipient screenwriting career.

FINE DINING Special-occasion destinations with scrupulous service—waiters, sommeliers, captains—and gourmet food served in high style. There is generally an unwritten but formal dress code.

Think Eleven Madison Park (New York), French Laundry (Yountville, Calif.), Alinea (Chicago).

Your Server Career professional trained in the arts of hospitality and wine service.



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OFF DUTY

ON WINE LETTIE TEAGUE



You Say Rosé—But Why Not Rosado?

THE WINES OF SPAIN are unquestionably popular, but while the reds and whites sell very well, the rosés, well-made and affordable, often sit on the shelves. In fact, when I went searching for Spanish rosés, aka rosados, in recent weeks, I found the latest bottles from 2016 alongside quite a few left over from the previous vintage. Why had these wines failed to find buyers? The answer could be summed up in a single word: "Provence."

The pale, dry rosés from this region of southern France, ubiquitous in wine stores in this season, are the standard by which other rosés are judged. Whether made in Italy or Spain or the U.S., a rosé must look Provençal to sell. "It's the label, it's the packaging, it's the color," said Jon Visser, who was until recently the rosé wine buyer of Gary's Wine & Marketplace in Wayne, N.J.

I met Mr. Visser and the stores' proprietor, Gary Fisch, in front of a sizable rosé display. At each of the four Gary's stores in suburban New Jersey there are around 100 different rosés—the vast majority from France, and the vast majority of those from Provence. On the shelf in front of us, only six hailed from Spain. "We really have to listen to the customer," said Mr. Visser. "If they want Provence, that's what we have to give them."

Mr. Visser brought Spanish and French rosés to the store's tasting desk. The Spanish rosés that were pale and packaged with simple, tasteful labels like the Provençal wines did well, he said. The French know how to turn out bestsellers, as in the Château d'Esclans Whispering Angel from Côtes de Provence, whose pale hue and flagon-shape bottle helped make it a hit.

The 2016 Vega Sindoia rosé from Navarra, Spain, looked downright lurid by comparison, with its neon-bright label and dark red color. Such a wine has to be actively promoted by the staff, said Mr. Visser. It was, in retail parlance, a "hand sell."

Eric Solomon of European Cellars in Charlotte, N.C., has imported wines from France and Spain for several decades and often advises producers on what will



GWENDA KACZOR; F. MARTIN RAMIN/THE WALL STREET JOURNAL (BOTTLES)

sell stateside. For example, he counseled the winemakers behind Bodegas Izadi in Rioja on their 2016 Larrosa rosé, from production to packaging. The result—a pale-peach-colored wine—looks a lot like Whispering Angel, is quite refreshing and lively and, at \$12 a bottle, is a very good deal.

Mr. Solomon acknowledged that achieving the Provençal style was a driving force behind the design, but he also believes the paler Spanish rosés reflect a general retreat from big, dark Spanish wines. "It's a trend that mirrors the move away from extraction and the 'big is better' approach that defined much of the emerging Spanish wine landscape for red wines in the late 1990s and early 2000s," he wrote in an email.

The Spanish rosés that were pale and packaged with simple, tasteful labels like the Provençal wines did well.

The portfolio of Polaner Selections, an importer based in Mount Kisco, N.Y., includes several pale rosés from various parts of Spain. "It's Provençal or Provençal-looking wines and then everything else," said Adam Rieger, Polaner's Spanish-wine portfolio director. One of my favorites among Polaner's offerings came about almost accidentally,

when an Australian importer asked the winemaker at Bodegas Exopto in Rioja—a Frenchman named Tom Puyaubert—to produce a rosé for Australia. Mr. Puyaubert had a vineyard, planted to Garnacha, that was a bit too cool to produce a fully ripe red but ideal for making a rosé. The result, the 2016 Bozeto de Exopto Rosado, was such a hit that Mr. Puyaubert began bottling more and selling it abroad.

According to Ana Fabiano, the North American trade director of the Denominación de Origen Rioja (DOCa) and the author of "The Wine Region of Rioja," her group counsels Rioja's rosado producers to label their wines rosés, as that is "the universal market term," said Ms. Fabiano. (Spanish producers can use

either or both words on labels; in Rioja, they can also use "clarete" to indicate a particular kind of pale wine with an orange tinge.)

"Probably about 90% of the rosés from Spain are made in Rioja," Ms. Fabiano said. Other rosé-producing regions include neighboring Navarra, whose rosés tend to be more deeply colored—much like Basque Txakolina rosés, which range from light-red to frothy and pink.

I found a few attractive Txakolinas, including a delicious if rather expensive sparkling Ameztoi "Hijo de Rubentis" Txakolina rosé (\$28) and a lively still one from the same producer (\$18), as well as a couple of rosé cavas. The Jaume Serra Cristalino rosé, a fun, fruity, dark-red sparkler, goes for a mere \$10.

Still, the majority of the wines I bought were from Rioja, in the requisite pale-salmon color. Some were made entirely from Garnacha or a blend of Tempranillo, Garnacha and the white grape Viura. One of my favorites, a wine I buy year after year, the soft and beguiling 2016 Muga Rioja Rosé (\$12), has the prescribed pale color—though it was not made in response to the market, said Muga's export director, David de la Fuente. Muga has been making this style "since the foundation of the winery in 1932."

The pale Rioja rosés were refreshing and bright, apart from a few rather simple, dilute ones. The more substantial Rioja rosés paired well with food. The cherry-colored 2016 Bodegas Ilurce Rio Madre Rioja Rosé (\$8), for instance, had a richer, fruitier profile that proved a boon to sausage cooked on the grill.

Those unsold bottles on the shelves notwithstanding, the larger picture is bright for Spanish rosés. More than 40 Rioja producers are selling rosés in this country today, compared to just 15 in 2014. At Gary's Wine, sales are up 100% over last year, said Mr. Visser. Is it thanks to their pale color, better packaging and low prices, or is it simply because they're a real pleasure to drink?

► Email Lettie at wine@wsj.com.

OENOFILM // SPANISH ROSADOS, THE PALE AND BEYOND



2016 Izadi Larrosa Rioja Rosé (\$12)

This all-Garnacha rosé is produced from a high-elevation old-vine vineyard in Rioja Álava. It's a delightfully floral and quite elegant rosé made in a "Provençal" style.



2016 Bodegas Ilurce Rio Madre Rioja Rosé (\$8)

This full-bodied wine fairly bursts with aromas of red fruit—think cherries and strawberries. It looks almost like a red, and it drinks like one too. Made from the Graciano grape, it's the perfect rosé for grilled meat.



2016 Muga Rioja Rosé (\$12)

This rosé debuted in 1932 and has been a mainstay in the American market since 1992. Made from a blend of Tempranillo, Garnacha and Viura, it's a soft, elegant, marvelously versatile wine—and a very good deal.



2016 Bozeto de Exopto Rosado (\$18)

Made from equal parts Tempranillo and Garnacha, this pale-salmon-colored rosé is a compulsively drinkable wine marked by wild-berry aromas and a crisp, mineral finish.



2016 Antxiola Rosado (\$18)

This is only the third vintage of a rosé from Txakoli producer Bodegas Zudugarai in the Basque region of Spain. Made from the native Hondarribia Beltza grape, it's soft and joyously juicy with a touch of effervescence.

SLOW FOOD FAST SATISFYING AND SEASONAL FOOD IN ABOUT 30 MINUTES

The Simplest Salade Niçoise



The Chef
Günter Seeger

His Restaurant
Günter Seeger in
New York City

What He's Known For
Precisely executed,
elegant cooking
that favors excellent
ingredients and
attention to detail
over flourishes

GROWING UP in rural Germany, Günter Seeger learned the value of good ingredients. "My family owned a large produce business," he said. "Knowing the seasons and smells was our business." It clearly shaped the way he cooks.

Take this salade Niçoise, Mr. Seeger's third Slow Food Fast contribution, a plateful of seasonal bounty. The tomatoes, snappy green beans and hunks of potato become a substantial meal with the addition of soft-boiled eggs and flaky tuna.

Juicy, truly ripe tomatoes are a must here. If you can't find them this early in the season, swap in good cherry tomatoes.

TOTAL TIME: 20 minutes SERVES: 4

8 new potatoes

2 ripe tomatoes, diced

Salt and freshly ground black pepper

1/4 cup olive oil, plus more

for seasoning

1 pound French green beans, cut into bite-size pieces

1/2 cup pitted Niçoise olives

4 eggs

8 ounces olive-oil-packed tuna, drained and flaked into large pieces

Juice of 1/2 lemon

1. Bring a medium pot of salted water to a boil over high heat. Add potatoes and boil until fork-tender, about 15 minutes. Meanwhile, place tomatoes in a large bowl and season with a generous pinch of salt.

2. Once potatoes are cooked, use a slotted spoon to remove them from pot, keeping water on the boil. Pat potatoes dry, then cut into bite-size pieces and season with salt. Stir oil into tomatoes. Gently fold in potatoes to coat in tomato juices.

3. Add beans to boiling water and blanch until bright green and crisp-tender, about 2 min-

utes. Use a slotted spoon to transfer beans to a colander, keeping water on the boil. Rinse beans under cold water, then toss dry. Fold beans and olives into potato-tomato mixture.

4. Lower eggs into boiling water and boil until yolks are just fudgy at center, 8 minutes. Remove eggs and run under cold water to halt cooking. Peel eggs.

5. Gently toss vegetables with lemon juice to taste. Add more oil or salt, as needed.

6. To serve, top vegetables with tuna. Halve eggs and sprinkle with salt. Nestle eggs into salad. Drizzle with oil and serve.



CHILL OUT Remove the boiled eggs from the pot after exactly 8 minutes and immediately run under cold water. You want that bright-yellow, fudgy yolk.



She's a fan.



OFF DUTY

OVER THE PAPER MOON



ASIA MAJOR
An oriental theme unifies the wallcoverings in the hallway of London designer Solange Azagury-Partridge's country home.

Continued from page W1
measured neutrality of recent decades. "Mixing wallpapers, especially motifs with different patterns and scales, creates a chic 'jewelry box' look," said Kirill Istomin, based in Moscow and New York.

With this grand gesture, you can update a room. "You have to bring visual texture to a space," said Mr. Thomas, and a maximalist duet of wallpapers is one way. "Then you can keep the palette of fabrics simple and create a successful space."

The new, vast selection of papers is energizing designers, said industry veteran Dennis Shah, president of Studio Printworks in Hoboken, N.J. His company creates handmade papers via centuries-old processes such as block and screen printing, but he has also invested in digital printers, which can produce giant seamless panels, scale designs up and down to fit any wall and achieve effects not possible with analog methods, such as subtle watercolor-esque gradations and razor-sharp photorealism. With this flexibility, "designers are excited, unusual ideas are coming to fruition and rules are being broken," said Mr. Shah.

Indeed, powered in part by the ease of browsing and purchasing online, the wallcoverings industry is bouncing back after decades in the doldrums, said P.J. Delaye, president of York Wallcoverings in York, Penn., the largest U.S. manufacturer. His firm has seen wallcovering sales increase 6% over each of the past five years.

Over the same five years, a 27% jump in wallpaper sales to the hospitality and commercial realms (where trends that spread to homes typically surface) "speaks to where the residential market is going," said Matt Bruno, head of the Wallcoverings Association.

The cautiously curious might mix papers by sticking to one print in two colorways, said Farrow & Ball head of creative Charlotte Crosby: "You maintain the pattern but flex a bit with color." In the London living room shown here, she paired the coral and gray versions of her firm's Hornbeam print. Papered entirely in coral, the room might have overwhelmed, she said, but restricting the coral to underneath the chair rail "grounds the space."

Braver souls can choose two or more patterns that share a color scheme. In his small TV room, also shown here, Martyn Lawrence Bullard of Los Angeles stuck to gray palettes, covering the walls with a Moorish geometric print and the ceiling with a striped pattern that



PATTERN PLAY Martyn Lawrence Bullard adhered to black and gray on the walls of his Los Angeles den, above, while two colorways of a Farrow & Ball paper enliven a London living room.



mimics the look of Bedouin tents (both options come from his eponymous to-the-trade line). As a finishing touch, he bordered the two papers with black gift wrap. "It's like a Moroccan womb," he said.

The truly intrepid can take a third tack: outfitting a room with two or more disparate wallcoverings in a wide range of patterns and hues that hang together thematically. Designer Solange Azagury-

Partridge nailed this approach in her polychrome English country home. The key to working with seemingly chaotic mixes, she noted, lies in choosing papers with similar stylistic influences (all 1960s modern, for example). In her bedecked bedroom and its adjoining hallway, shown here, the walls all speak with an Asian inflection; she combined a wallpaper printed with a bamboo-trellis design and ornate chinoiserie fabrics found on eBay. Repeated notes of orange-red and citron also help the surfaces feel unified—and entrancing. "Sometimes when I'm supposed to be watching television, I'll just be looking at the wallpaper," Ms. Azagury-Partridge said.

So how does the design fan who's barely warmed to the idea of pattern on the wall navigate the options? Draw on this field guide to the flora, fauna and wild cards of the wallcovering world, with tips on how to master mixing.



A

IS FOR ART DECO
You can get this jazzy design—based on a 1930s French pattern—scaled up or down, or color customized, then printed on matte paper or vinyl.

Geometric Art Deco, from \$15 per square foot, rollout.ca



G

IS FOR GEOMETRIC

Brooklyn's Callidus Guild builds layers of marble-dust plaster on a paper ground to create a bas-relief, then waxes, compresses and burnishes it. At once opulent and quiet, the resulting wall covering suits minimalists contemplating a move away from stark walls. Folded Origami, \$304 per yard, callidusguild.com



L

IS FOR LINEAR

Ultrabold graphics pair well with organically shaped furnishings and natural surfaces, said Denver designer Andrea Schumacher. This blur of wiry chairs is achieved via a traditional gravure method, in which a metal cylinder engraved with a design is rolled onto paper. Cadires 1991-1 by Tres Tintas Barcelona, \$100 per 11-yard roll, newwall.com



Q

IS FOR QUIRKY

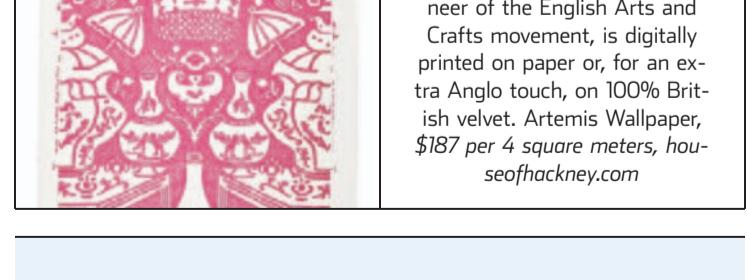
For a tongue-in-cheek statement in a tiny urban kitchen, consider New York artist Sparrow King's reimagining of traditional Dutch Delft tile. Appropriately titled "New Amsterdam," it features quintessential sights of New York City, from dog walkers to straphangers. \$250 per 5-yard roll, studioprintworks.com



V

IS FOR VESSEL

For decades, Manhattan's Clarence House has produced this print, a riot of Chinese vases, but now offers it in 26 colorways. The original pattern came from influential British designer David Hicks, a 1960s-era maestro known for statement-making graphics and audacious color combos. The Vase, \$221 per 5-yard roll, clarenceshouse.com



W

IS FOR WILLIAM MORRIS

House of Hackney's dynamic reinterpretation of a floral pattern by William Morris, the pioneer of the English Arts and Crafts movement, is digitally printed on paper or, for an extra Anglo touch, on 100% British velvet. Artemis Wallpaper, \$187 per 4 square meters, houseofhackney.com



WINNING COMBINATIONS // HOW TO CREATE AN

K + N

CAPITALIZE ON A COMMON THEME
The Satori kintsugi wallpaper and the National Gallery's portrait print speak to each other in hushed tones about the hand of the artist, and the woman's skin picks up the Satori's peachy hues. "I would install the portrait paper at the end of a long hallway with the side walls washed in the softness and shimmer of the kintsugi," said Boston designer Melissa Hammond.

OFF DUTY

B

IS FOR BLOCK PRINT

Painstakingly hand-blocked in Connecticut, this spiral motif is derived from Japanese Neolithic pottery circa 2000 BC. The design is monochromatic but interesting, in deep colors such as ink blue and eggplant. Renju, from \$120 per yard, adrienneneff.com



C

IS FOR CHINOISERIE

Sumptuous Asian-themed nature scenes have a distinct elegance, said Los Angeles designer Mark Sikes. This restrained mural features hand-painting and -embroidery on paper-backed silk. Paradiso Chinoiserie, \$885 per yard, fromental.co.uk



D

IS FOR DAMASK

A textile with woven-in patterns, damask was first loomed in medieval France and Italy, then later used to upholster walls. Charleston designer Betsy Berry recently papered a room in light and dark violet versions of Farrow & Ball's damask-informed Lotus print for "a youthful twist on that classic pattern," she said. Lotus, \$265 per 10-meter roll, us.farrow-ball.com

E

IS FOR EMBROIDERED

In a screen-swiping society, 3-D materials appeal, said Jonsara Ruth, professor of interior design at Parsons School of Design. For her, the semicircles in Custom's digitally embroidered Arc paper hark back to "something more connected to history and physicality." \$249 per 5.5-meter roll, custom.co.uk



H

IS FOR HAND-PAINTED

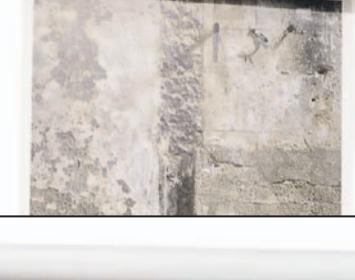
Usually carried out in much more traditional modes (see "C is for Chinoiserie"), hand-painting loosens up on this drippy, non-repeating wallpaper from Porter Teleo, a partnership between artist Kelly Porter and interior designer Bridgett Turner. Brushing highly pigmented inks onto handmade Japanese paper, the makers turn out eye-popping large-scale abstract florals—perfect for homeowners with nonexistent art collections. Floral Graffiti from \$190 per yard, porterteleo.com



I

IS FOR IMPERFECT

Flavor Paper's Galapagos Wall mural offers a slice of hipster history. The non-repeating image of a wall-sooty concrete and all—from renowned Brooklyn performance hall and nightclub Galapagos Art Space (1995–2014), can be scaled and cropped to fit any area. From \$9 per square foot, flavorpaper.com



J

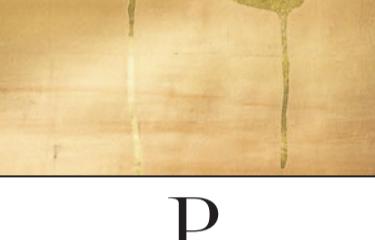
IS FOR JUTE

Jute, often seen in rug form, climbs the walls in Arte International's Align pattern. This patchwork of jute rectangles on a foil base is available in five color schemes. "A fabric paper gives you a look of an upholstered wall, but the cost isn't too great," said Boston designer Melissa Hammond. "And it adds depth and texture that paint can't mimic." \$95 per yard, arte-international.com

K

IS FOR KINTSUGI

Inspired by kintsugi, a 500-year-old Japanese technique in which broken pottery is repaired with metallic lacquer, the Satori non-repeating paper is quietly marbled. "Muted tones are amenable to a space you would actually want to inhabit," said Rhode Island School of Design's Martin Smick, who teaches wallpaper as art. \$54 per square foot, calicowallpaper.com



M

IS FOR METALLIC

Glitz kicks up controversy in the design world. Some pros find it cheesy, others love the light it adds. This chinoiserie-inspired paper—a sophisticated, non-repeating mural of three panels—may satisfy both camps. Beaujeu Metallic Paper by Aerin, \$1,990 per 108-inch-square mural, leejofa.com

N
IS FOR NATIONAL GALLERY
From misty Dutch landscapes to muscular Michelangelo nudes, any painting in the collection of London's National Gallery can be scaled to any size and digitally printed on vinyl—as a mural or a repeating pattern—by the British décor firm Andrew Martin. Selected and hung with care, and paired with furnishings that take their cues from the artist's palette, this daring decorating move meshes technology and tradition. Andrew Martin x Kravet National Gallery Collection, \$260 per square yard, NY Design Center, 212-679-9500x19



O

IS FOR ORIGAMI

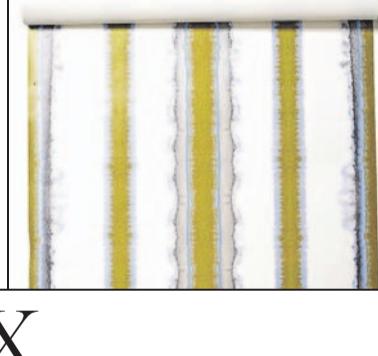
The work of British artist and designer Tracey Tubb revels in wrinkles—usually anathema in the world of wallpaper. In her Folded Origami series, she crimps, pleats and stitches coated paper to form intricate textured panels. From \$500 per square meter, traceytubb.co.uk



S

IS FOR STRIPED

Per its designers at innovative U.K. firm Timorous Beasties, digitally printed Blotch Stripe paper "recontextualizes the blunder" with its witty faux water-staining. \$232 per 10-meter roll, timorous-beasties.com



T

IS FOR TACTILE

An eye-pleasing twist on prosaic wood paneling, this wallcovering gains its compelling texture from extremely thin strips of Pauwlonia, a fast-growing, sustainably harvested Asian tree. The wood-veneer strips are applied in starburst patterns on a flexible paper backing, then stained one of 15 different colors, including Natural, shown here. Sunburst from the Ajiro Collection, \$123 per yard, mayaromanoff.com



X

IS FOR XTRA-LARGE

Struck by the universe-like complexity of soap bubbles viewed under a microscope, Boaz Cohen and Sayaka Yamamoto, the founders of design concern BCXSY, handmade prints using bubbles and pigments, then digitally colored and scaled them to Gulliver-size murals. The frothy images, rendered in subdued palettes of pastels, grays and blacks, would be easy to live with in a bedroom and thematically appropriate in a bath. Microcosmos Wallpaper by BCXSY, \$32 per square foot, calicowallpaper.com



Z

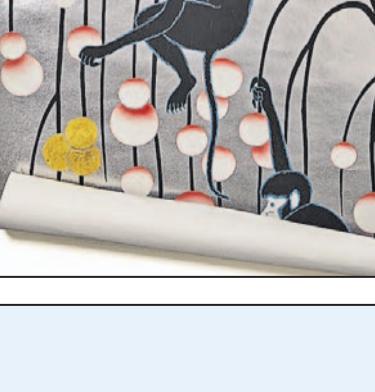
IS FOR ZOOLOGY

"In a smaller room, don't be afraid to be very bold," suggested Ms. Hammond. A playful choice for such a space would be this almost-manic monkey print, inspired by a textile scrap from the 1920s and created by venerated London wallcoverings firm de Gournay. Hand-painted on sterling-silver-gilded paper, it could turn a blah bathroom into the glamdest show on earth. Deco Monkeys, \$328 per yard, degournay.com

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Market Editor:

Kelly Michèle Guerotto



INTERIOR THAT'S GREATER THAN THE SUM OF ITS PAPERS

M + J

LIMIT YOUR PALETTE

An easy path to a pleasing match: Hew to a single color scheme. For Charleston designer Betsy Berry, the warm whites and creams in Aerin's Beaujeu Metallic Paper (far left) and the palest colorway of Arte International's Align pattern blend comfortably, the overall effect being "elegance with an organic touch."



G + Z

TURN UP THE CONTRAST

Dark versus bright, serene versus energetic: The right angles of Callidus Guild's geometric paper (far left) contrast with the curves and droops of the de Gournay print (here, in Terracotta), but the two designs share warm tones. They "feed off each other beautifully," said Mitchell Hill, a Charleston designer, who pictures the combo in a library or breakfast room.



S + S

CUT AND PASTE

Get the lively mixmaster effect with a single wallpaper by hanging it both horizontally and vertically. This works best with lines (such as Timorous Beasties's Blotch Stripe), noted New York designer Richard Mishan, who called the look "a DIY Sol LeWitt," referring to the 20th- and 21st-century American artist who famously juxtaposed graphic patterns.

OFF DUTY

RUMBLE SEAT DAN NEIL



Le Mans: A Race for the Future of the Automobile

IN MY OPINION, 99% of motor-sports competition is a pointless, brainless waste of time and gasoline. Drag racing is for morons and children, with a lot of Venn overlap between. Formula One is so numbing you could pierce my ears during the simulcast and I'd never know.

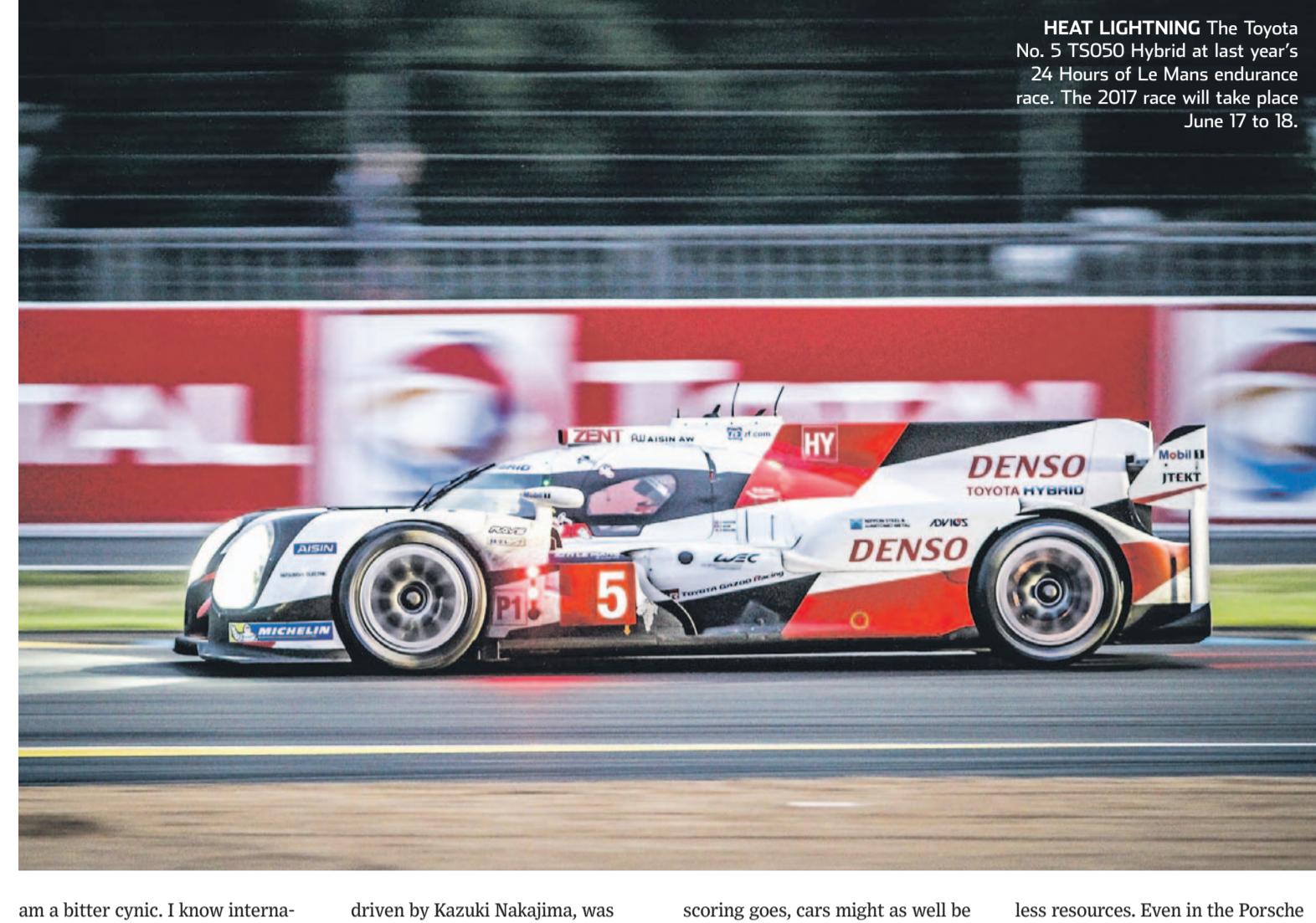
Le Mans is the 1%. The 24 Hours of Le Mans (this year, June 17-18) is the world's oldest endurance road-racing event, first staged in 1923 by the Automobile Club de l'Ouest (ACO) in the Sarthe department of central France. The modernized, 8.47-mile circuit combines sections of public roads—running through the villages of Arnage and Mulsanne—with geologically scaled features such as the mighty Indianapolis curves, through which the elite prototype cars stream at 180 mph, even at night, headlights slashing the darkness, apparitions cloaked in Doppler-warped roar. This is a landscape of giants.

Unlike Nascar—a lame and noisy ruse to sell chicken wings—the 24 Hours of Le Mans still means something. Using the world's most prestigious race as leverage, the ACO has required competing auto makers to lower consumption and invest in propulsion technology that might benefit a wider world. For example, some top-class Le Mans hybrid prototypes (LMP1's) have used lithium-ion batteries to store energy, while others have experimented with flywheels and supercapacitors.

Consider the anatomy of last year's winner, the Porsche 919 Hybrid: a 2.0-liter, turbocharged V4 gas engine (500 hp) combined with huge electric power in front (400 hp) and two separate systems to recuperate energy: regenerative braking and exhaust gas turbines, both charging the lithium-ion battery. The LMP1 cars are allowed 8 megajoules (2.2 kWh) of energy-recovery per lap.

However imperfect an instrument, the ACO's rules have gotten results. Last year's winning 919 Hybrid delivered about double the efficiency of Porsche's own Le Mans-winning GT1 of 1998; and the 919 covered hundreds of more miles in the process.

Beneath my romantic exterior, I



GETTY IMAGES

am a bitter cynic. I know international endurance racing is a business proposition, driven by global auto makers' money and marketing needs. Toyota, Porsche, Chevrolet Corvette come to Le Mans to sell cars. The ACO isn't exactly Unicef, either.

But once the *tricolore* flag drops at 15h00 local time, nothing of the mercantile and pecuniary matters. Over the next 24 hours, the good and the wicked are betrayed equally. That is Le Mans' teachable moment. As French philosopher Michel Foucault observed, human reality is teased out only in the fraying of extreme experience. Or as I like to say, racing proves there is no God.

Just ask Toyota. On a brilliant Sunday afternoon just one year ago, the #5 Toyota prototype sports car,

driven by Kazuki Nakajima, was leading the race with six minutes to go, comfortably ahead of the pursuing Porsche 919, which had made a late stop for tires. Scripts had been loaded into the teleprompters; champagne was chilling in the garage; victory hats waited in boxes. The Japanese flag had already been moved to the winner's rostrum.

It's fair to say that everyone—friend and foe, even team members of Porsche—would have been happy to see the Japanese giant win, finally—a mood of *Please, put us out of your misery*. In 18 appearances on motorsports' biggest stage, and after spending the hundreds of millions of dollars required to develop spaceshiplike prototypes, Toyota had placed second on four previous occasions, each an abyss of regret for team and company. Now victory was at hand.

The last few minutes of a 24-hour endurance race are surreal anyway, as a whole day and night of heroic effort and purpose, armies of men and machines, all the genius and folly that is global motorsports become consecrated in just a few telling minutes.

It's at this point that the Zen of Le Mans emerges. All the wheel-to-wheel combat you see, the dicing and out-braking, the brake rotors glowing like jack-o'-lantern? It's an illusion. To win, a car must cover the most distance in the elapsed 24 hours. Period. For example, last year's 919 Hybrid completed 384 laps while putting 3,252 miles under its carbon keel. As far as timing and

scoring goes, cars might as well be alone on the track.

The #5 Toyota was about this solitary mission when, at 14:54 local time, Mr. Nakajima radioed that the car had lost engine power (investigators later determined a failure in the turbocharger plumbing). The hybrid streamliner suddenly slowed, limping around the vast track until, pitilessly, it stopped at the start/finish line, between the packed grandstands and Toyota's own garages, which were even then swelling with dignitaries and guests.

Unlike Nascar—a loud and noisy ruse to sell chicken wings—the 24 Hours of Le Mans still means something.

In the grandstands, flags stopped waving and horns grew quiet, as a couple-hundred thousand fans fell into a groan of bemused awe. Perhaps Kaz thought the race was over? Moments later the #2 Porsche 919 Hybrid that had chased the Toyota for six hours blasted past in a ruthless blur, on its way to Porsche's record 18th overall win.

As millions joined the broadcast, race commentators groped for words: *cruel, unimaginable, gutting*. Somehow, Toyota had managed to lose at Le Mans again from a position of dominating speed and limit-

less resources. Even in the Porsche garage there was no *schadenfreude*. "To give away such a great race this way on the last lap is something you wouldn't wish on your worst enemy," said team principal Andreas Seidl.

But while the Europeans in Toyota's pits allowed themselves tears, the Japanese executives and team managers just stood there looking up at the monitors, as impassive as Easter Island's moai. My God, that was a manly display. Cam Newton, take note.

As I pack up for my 12th Le Mans, I hereby declare my partisanship in favor of Toyota. I demand justice. Motorsports fans remember that Toyota also competed in Formula One for eight seasons (2002-2009), spent hundreds of millions and never won a single race! The Curse of the Bambino was nothing compared with the hex on Toyota.

I feel horrible for them, for it, I guess. Stipulated, Toyota is a soulless industrial concern employing hundreds of thousands. But it does exhibit a will, and an ego, and a personality, co-located in the boardroom of Toyota City. And around that table, I know they desperately want to win.

Think of the national jubilation in Japan last month when Tokyo native Takuma Sato won the Indy 500. Sports victory on the global stage is very much a general joy in Japan, and motorsports—with its resonances of national might—brings particular validation. I say *bon chance* and *banzai!*



Toyota driver Kazuki Nakajima (wearing helmet, at right) after losing the lead in the Le Mans race last year.



TECH ESSENTIALS

BRIAN FEE

The director of Pixar's 'Cars 3,' out next week, on the decline of Prius design and why a BIC is still his go-to pen

I draw with whatever I'm holding, and most of the time I'm holding a **BIC Cristal** ballpoint pen. There's not a person in the world who would say this is the best tool to create art with, but as a kid I was always drawing, and most of my drawings were done with a ballpoint pen borrowed from my mom's purse. Throughout my life, I've created most of my art with it.

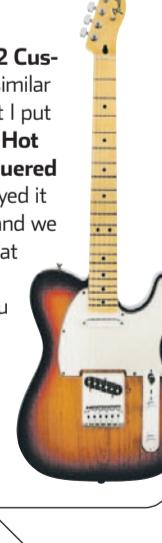
I spent a lot of time auditioning artists and [considering] songs for "Cars 3" using **Spotify** and **Pandora**. I have an hour's drive between Pixar and my home, and I'll listen to songs and imagine the movie in my head. It led to a cover of a Tom Petty song that's in the movie.



I don't like stale air. I don't like stagnant air. There's something about moving air—it makes me happy on a cave-man level. At home, I use a retro-looking **metal fan** that's not actually retro [similar model from Hunter shown].



I am not what you would call a gamer by any stretch, but I purchased an **Xbox** years ago. Sometimes, problems come up during the workday that won't leave you alone when you get home; they're like voices in your head. The Xbox works very well when I need to quiet those voices. After everyone's in bed, I can visit a different world and exercise a different part of my brain.



I've got a reissued **Fender Japan '62 Custom Telecaster** [similar model shown] that I put through a **Fender Hot Rod Deluxe Lacquered Tweed amp**. I played it in the rockabilly band we used to have here at Pixar. When you set the amp so you get a clean note with a little bit of grit on the edges and add some Fender reverb, it's just heaven.

My first car was a used **1982 Oldsmobile Cutlass Supreme**. It was not in good shape, the dashboard was cracked and it had a funny smell. But to me, it was freedom.

Today I drive a **2009 Toyota Prius**. I prefer it visually to the new Priuses—I'm not a fan of where the design is going on these cars. They were never beautiful to start with and I think they're getting worse. It's been a good car. It has well over 150,000 miles on it. It's gotta last me until the Tesla Model 3 comes out. —Edited from an interview by Chris Kornelis

MANSION

HOMES | MARKETS | PEOPLE | UPKEEP | VALUES | NEIGHBORHOODS | REDOS | SALES | FIXTURES | BROKERS

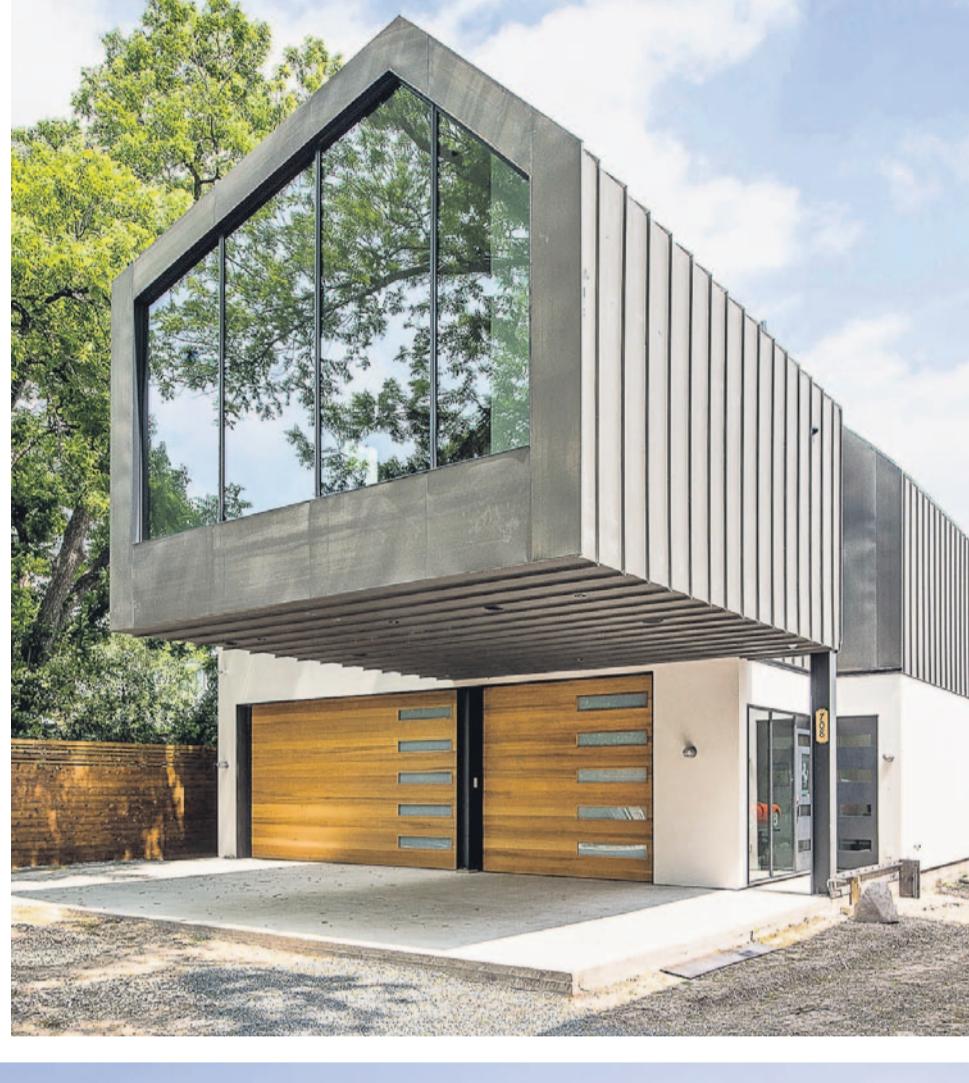
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THE WALL STREET JOURNAL.

'For outward show is a wonderful perverter of the reason.'

—Marcus Aurelius

Friday - Sunday, June 9 - 11, 2017 | W9



Austin's Weird and Crazy, Mixed-Up Architecture

In the Texas capital, rapid growth and evolving tastes have led to a hodgepodge of luxury home styles; some locals fear a loss of historical identity.



STYLE GUIDE Blake and Jamie Chandee put a \$300,000 addition on their Italianate-style home, top left, in the Tarrytown neighborhood. John and Lisa Weinberger built a modern home, top right, for about \$1 million in Bouldin Creek. Scott and Cindy Trainer spent more than \$1 million to build their Zilker Park home, above, described as a combination of Midcentury Modern and classic James Bond.

BY NANCY KEATES

JAMES BOND MEETS Midcentury Modern. Italianate villa—with a sky bridge. A white stucco and steel home primarily designed for cars.

These are some of the luxury home styles you'll find in Austin, Texas, where the transformation of the city from laid-back college town to high-tech magnet is rapidly reshaping the architectural landscape.

New homes are going up fast. Single-family home permits are up 138% over the past five years, according to census data. The median price for single-family homes has increased 48.2% from \$250,000 in April 2012 to \$370,600 in April 2017, according to the Austin Board of Realtors.

Meanwhile, city ordinances designed to limit the size and density of new homes have had some unintended consequences. To get around size restrictions, homeowners are adding more carports and screened-in porches, which qualify

for a larger exemption than garages. The result: some odd workarounds and construction quirks that add to the eclectic look of many new or renovated homes.

Right now, the landscape is "fluid," says Matt Fajkus, principal of Austin firm Matt Fajkus Architecture. "Sometimes, while we are working on a house, the entire neighborhood will change," he says. "It's an interesting challenge. Are you designing something for the way the

Please turn to page W14

A SIMPLER AND MORE SEDUCTIVE SPAIN

More well-heeled expats are moving to Valencia, drawn to the city's sunny weather, beaches, culture and good schools. One downside: an abundance of outdoor cafes can make for noisy streets.

BY KATY MC LAUGHLIN

BRENDON CRAIGIE was searching for a city somewhere in the world with great weather, British schools and "undervalued real estate." A Google search suggested Valencia.

So last summer, Mr. Craigie—originally from London but living in Manhattan at the time—flew with his wife for the first time to Valencia, which lies on the eastern coast of Spain, about a 3½-hour drive south of Barcelona. They returned at the end of the year with their three children, enrolled them in a British school and rented, for about \$5,600-a-month, a 10,000-square-foot modern mansion with views of the sea and mountains in Los Monasterios, a country-club community about 25 minutes north of Valencia.

"We didn't want another London or New York, which is why we didn't want Madrid or Barcelona," Spain's first- and second-largest cities, said Mr. Craigie, who left his post as chief executive officer of Hotwire PR, a public-relations firm headquar-



A NEW LIFE Ellen Raphael in her family's 10,000-square-foot modern mansion in Los Monasterios, a country-club community.

tered in London. He is now collaborating with his wife, Ellen Raphael, who works as a consultant, on a book about the future of the industry, and working on

building a new public-relations firm, he said.

Spain's third-largest city has a population of just under 800,000. It is attracting a growing number of expats

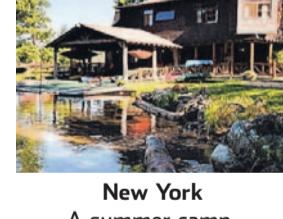
who move to the region purely for lifestyle reasons as opposed to corporate relocation, real-estate agents say.

The area is known for some of Spain's best

weather, with nearly year-round sunshine. There are orange tree-lined streets, beaches, bike paths, good restaurants and the City of

Please turn to page W10

HOUSE OF THE DAY
wsj.com/houseoftheday



New York
A summer camp in the Adirondacks



New York
An artist creates a Manhattan triplex



Washington
A Tudor-style Seattle home on the water

JAMES RAJOTTE FOR THE WALL STREET JOURNAL

CLOCKWISE FROM TOP LEFT: WYNN MYERS FOR THE WALL STREET JOURNAL; CASEY WOODS FOR THE WALL STREET JOURNAL; ANY MIKLER FOR THE WALL STREET JOURNAL

MANSION

SIMPLER SPAIN

Continued from page W9

Arts and Sciences, a collection of futurist museums and cultural buildings designed in large part by native-son architect Santiago Calatrava. The Jardín del Turia, a lush urban park that snakes through the city like the river it used to be, offers ample space for sports, picnicking and cultural events. Valencia is also the birthplace of paella. Luxury apartments sell for about half as much in Valencia as in Barcelona, said Alejandro Aznar, an agent with Engel & Völkers Valencia.

Real-estate transactions in the first two months of this year were up 9.4% compared with the same year-earlier period, said Juan Luis Herrero, Valencian partner of Lucas Fox, a Barcelona-based real-estate company that specializes in luxury sales to foreigners. Prices across Valencia are up 4.6% compared with the first quarter of last year, while prices in the historic Old Town area of the city have risen by 8.9%, Mr. Herrero said.

On a drizzling day in April, Mr. Aznar and his colleague, agent Jorgen Cordy, led a tour of two apartments on the market in the city's upscale Eixample neighborhood. The first was a roughly 3,100-square-foot home in a 1914 building designed by Francisco Javier Goerlich, considered one of Valencia's leading architects of Modernisme, a style characterized by nature-based motifs and curved lines. The apartment, with five bedrooms and three bathrooms, is listed for \$1.69 million.

Another apartment, steps from the Mercado Colón, a Gaudí-like market occupied by upscale cafes and shops, is on the market for \$1.35 million. The highlight of the three-bedroom apartment is a curved staircase leading to the front door. Mosaic-tiled floors and curvy, wood-enclosed windows exemplify Modernisme style.

Marcus Collardin, 50, a private-equity investor who most recently lived in San Francisco, moved this week to Valencia with his fiancée and infant. He said he began searching for a new home after the presidential election. As a dual U.S. and German citizen, he had his choice of European countries, but wanted warm weather. Rejecting Barcelona as "overrun by tourists," he flew to Valencia in November to explore the city.

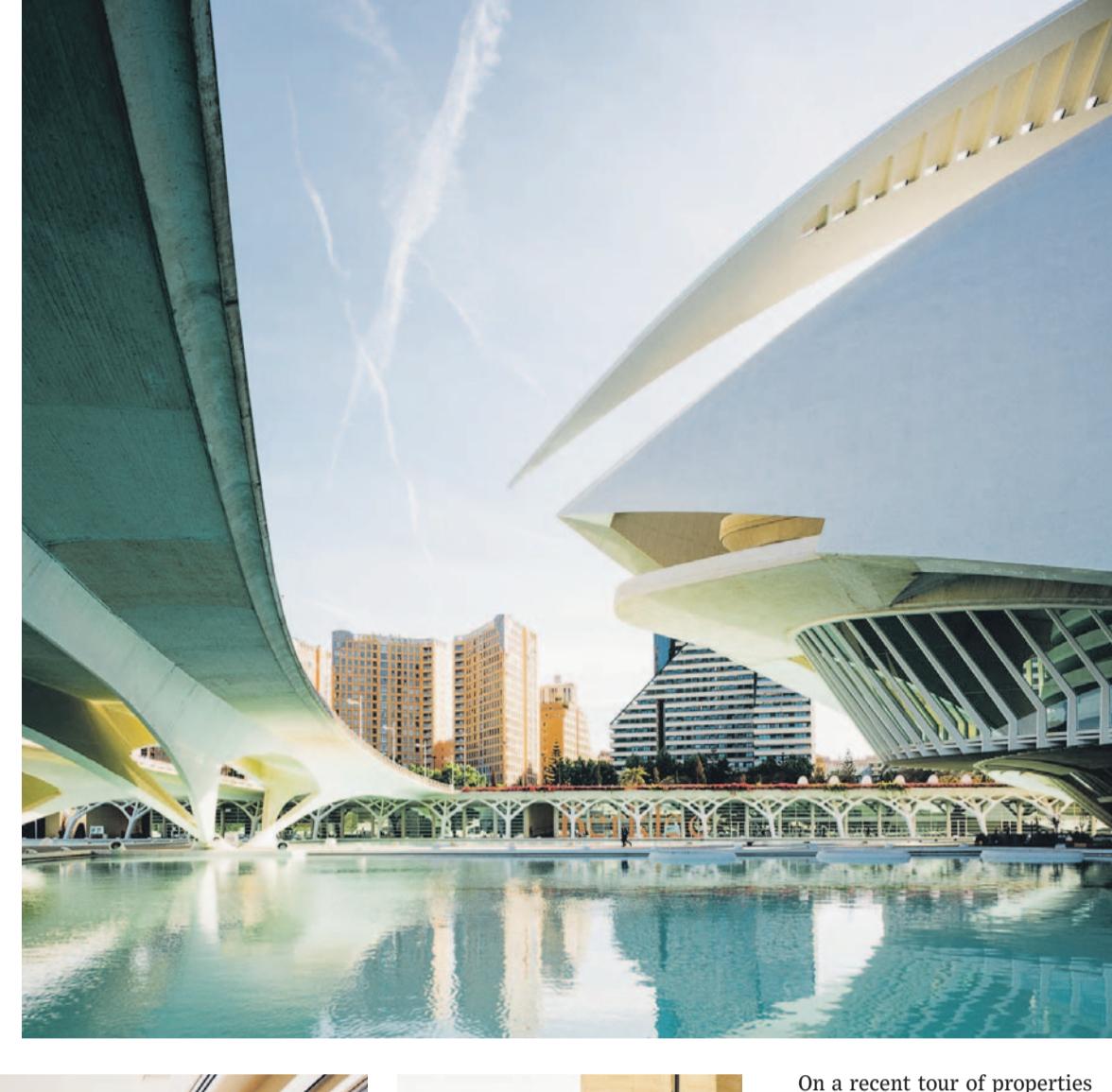
In February, Mr. Collardin closed on a 2,700-square-foot, five-bedroom apartment for \$750,000. Transaction costs added about \$100,000 and remodeling about \$110,000 more, he said.

"I love the architecture, the juxtaposition of old and new, the beaches and unbelievable weather," Mr. Collardin said of Valencia. And "it's much cheaper than San Francisco," he added.

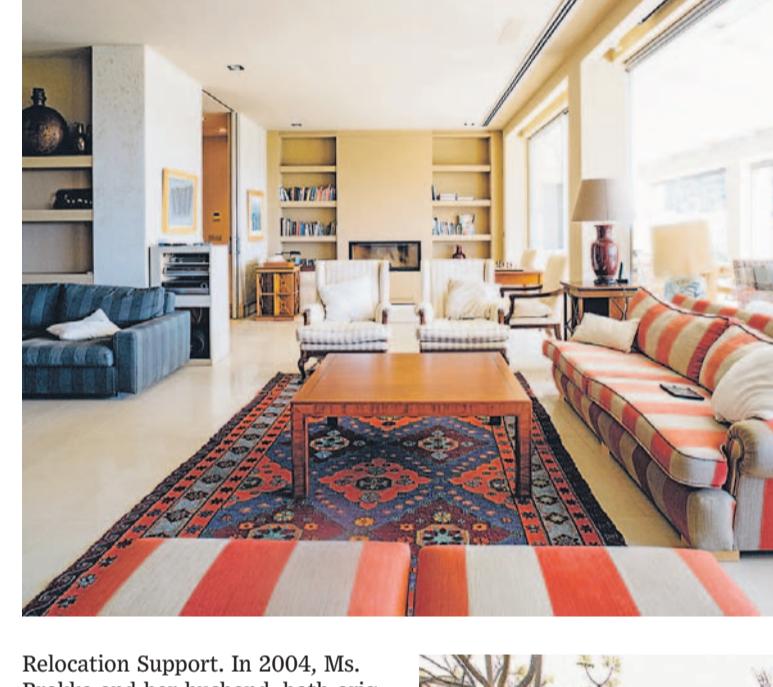
Mr. Craigie and Ms. Raphael enlisted the services of Christa Brokke, owner of moving2valencia



SOMETHING OLD, SOMETHING NEW A section of Valencia, top; the City of Arts and Sciences, a collection of futurist museums and cultural buildings designed in large part by native-son architect Santiago Calatrava, right.



JAMES RAJOTTE FOR THE WALL STREET JOURNAL (5); MAP BY JASON LEE



Relocation Support. In 2004, Ms. Brokke and her husband, both originally from Holland, moved to Valencia where they live with their two children, she said.

Most of Ms. Brokke's clients want to live in the central Eixample area, which is home to many popular bars and restaurants. In the most elegant part of the neighborhood, she advises clients that restored properties run between about \$450,000 and \$2.8 million; rentals range from about \$1,700 to \$5,000. Prices can be highly negotiable, said Ms. Brokke, a sentiment echoed by Mr. Aznar, who said negotiability for luxury properties can be 15% to 20%.



MAKING THE MOVE Brendon Craigie and Ellen Raphael and their home; having moved at the end of last year, they are now looking to purchase a house in the same neighborhood.



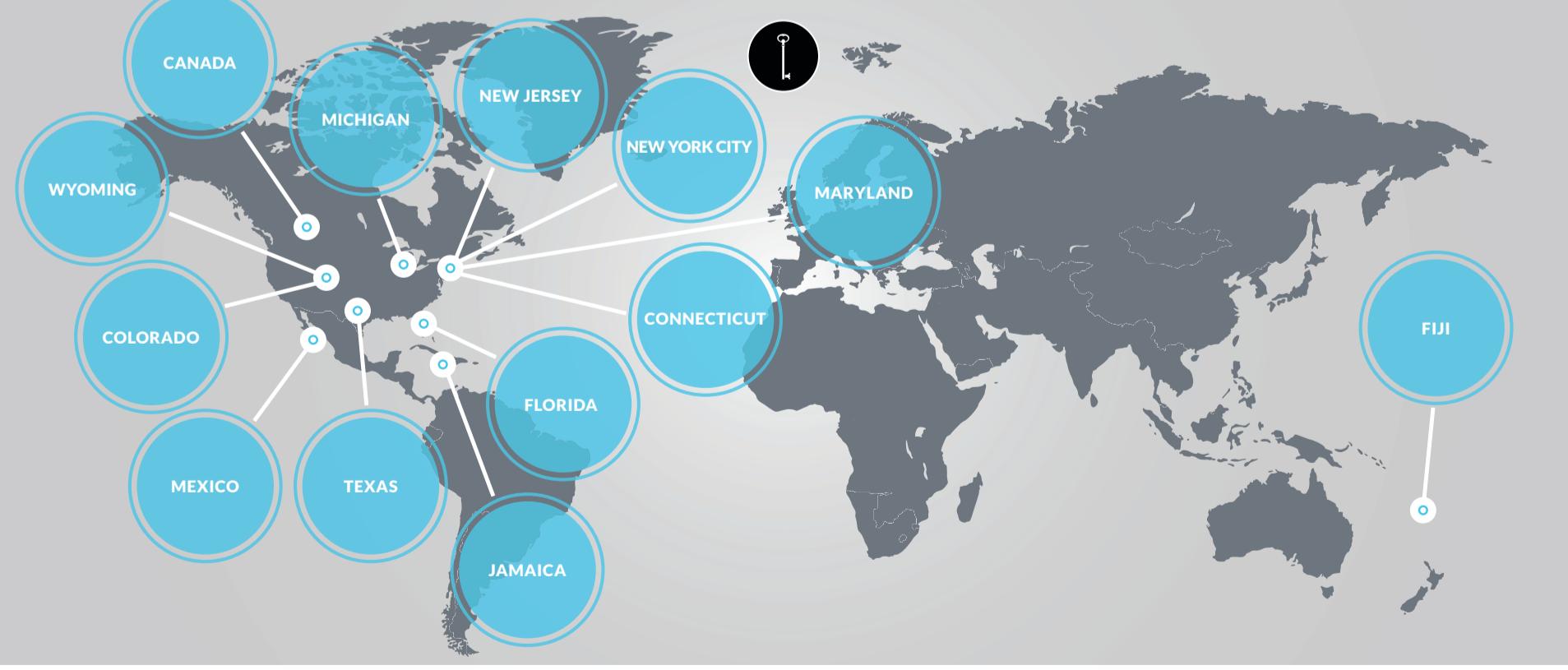
On a recent tour of properties in Los Monasterios, where Mr. Craigie is currently looking to buy a house, agent Pau Mollá of brokerage Class Home Inmobiliaria pointed out the homes of famous soccer players and business executives. The neighborhood population is approximately 40% expats, said Mr. Mollá, who are drawn to the community mainly because of an American school, a British school and other private schools nearby. Large, modern houses, with pools and views of both the Mediterranean and the Sierra Calderona mountains, range roughly between \$675,000 and \$3.4 million; rents start at about \$1,900 and go up to about \$6,800.

Negatives to life in Valencia include an unemployment rate a point higher than Spain's overall 18.75%. Locals grumble about corruption and public-works boondoggles, such as a second provincial airport that has barely been used. Another quibble: noisy streets. A tradition of festivals, plus lots of cafes with outdoor seating, make for a loud cityscape. Valencia's economy, traditionally based on exports of citrus, furniture, ceramics, and automotive parts, increasingly relies on tourism, which is evident everywhere.

Mr. Craigie said his family loves the school, the surrounding mountains and sea, and the quick commute into the city and airport. Another favorite thing: the local cuisine.

"The food is really good, fresh produce is amazing here, and it's not expensive," said Mr. Craigie.

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MANSION

BALANCE SHEET

A Couple Committed to Nooks and Crannies

Londoners who once embraced wide-open floorplans opt for a cozier layout in their \$1.4 million renovation

BY RUTH BLOOMFIELD

OPEN-PLAN LAYOUTS

might be all the rage, but for Jessica and Cem Savas, the reality of living without walls had its drawbacks: "We liked the airiness of the open plan," Mrs. Savas said, "but we wanted some more cozy, private spaces."

So when the couple moved from their open-plan property to a fixer-upper in London's Clapham neighborhood, they took a hybrid approach, opting for partial walls and open bookcases to separate and define rooms, as well as a separate basement level designed as a guest suite.

The project was the couple's most ambitious home remodel, although not their first attempt at modernizing a period house. The U.S.-born Mrs. Savas, 36, and Mr. Savas, 38, from Germany, moved to London in 2007 when Mrs. Savas's job in finance was transferred to the British capital. Since then the couple has made a habit of buying homes in need of TLC, renovating them, and then moving on.

"As soon as we finish a house we get quite antsy," admitted Jessica, who quit her finance job and now works as an interior designer and property developer full time. "We are always looking to experiment; it is about the challenge."

Their most recent challenge was an Arts and Crafts-style home built in 1913 that would have originally featured intricate



GOING FOR BOLD A bookcase, above, separates the living room from the dining room in this 1913 Arts and Crafts home, far left. Cem and Jessica Savas, left, in the living room of their addition. Below, the kitchen is part of the new extension, where sliding, floor-to-ceiling glass doors lead to the backyard, with multiple outdoor-seating areas.

KEY COSTS

Purchase price

\$1.8 million

Basement

\$540,000

Interiors and updates

\$474,000

Concrete and foundation

\$135,000

Kitchen and cabinetry

\$122,000

Windows, glass doors

\$84,000

Home automation

\$45,000

Living room and fireplaces

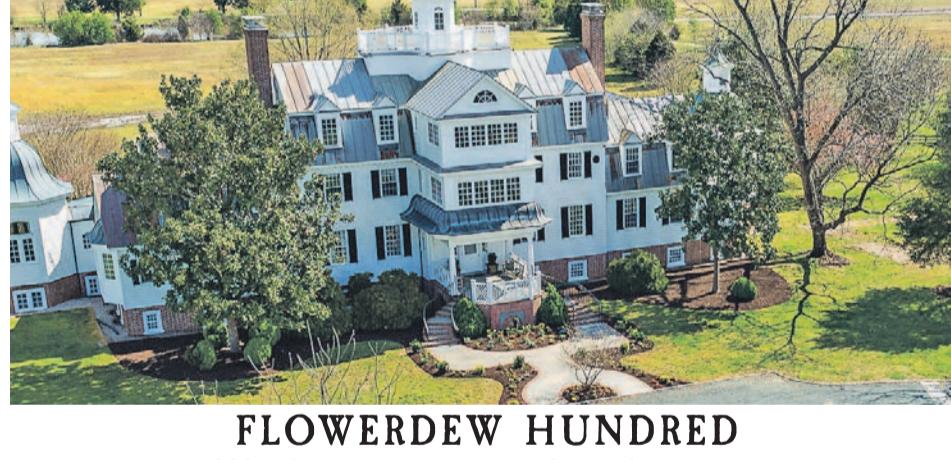
\$15,000

TOTAL:

\$3.215 million

FOR AUCTION OWN A PIECE OF HISTORY

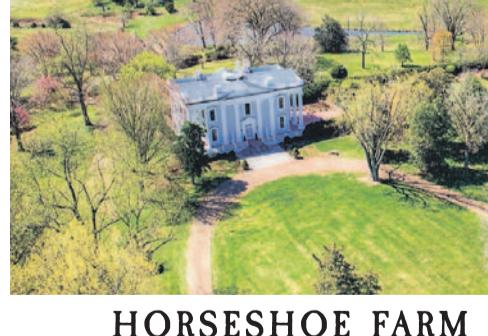
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woodwork and paneling. But the four-bedroom, 2,300-square-foot house that Mr. and Mrs. Savas bought in 2014 for \$1.8 million had lost most of its original features during the 1950s and 1960s. Instead, it boasted electric fireplaces and linoleum flooring—not the kind of period piece they were after.

But they loved its secluded—and spacious by London standards—backyard. "It was like this very surprising oasis," said Mr. Savas, who is the co-owner of Plentiful.com, a home-services marketplace. "We thought we could do something outside the box. We wanted to go bold."

The couple enlisted the help of architect Micah Sarut, managing director of Inter Urban Studios, asking for a self-contained guest apartment and a tranquil master bedroom.

Mr. Sarut's solution was an extension projecting into the yard, with sliding, floor-to-ceiling glass doors. Outside, they created seating areas, a vegetable garden and raised planters full of lush shrubs and flowers.

The house already had a generous entrance foyer leading to a living room at the front of the house. A handmade oak shelving unit partially separates this room from the adjacent dining room, where an existing bay window has been enlarged into an alcove to create a

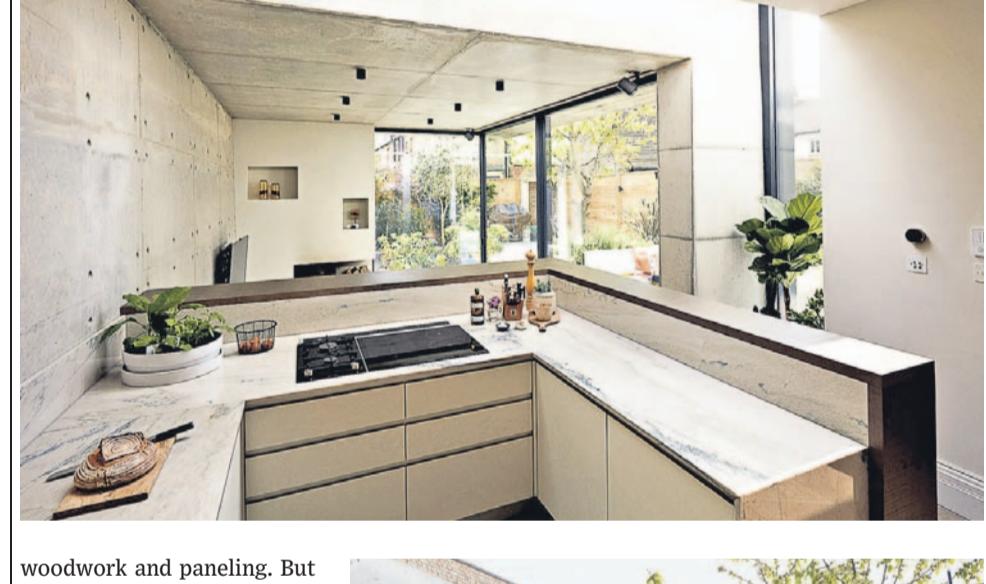
sunny work area. This space leads to the kitchen and a second living room in the new extension.

To give extra space for guests, a new basement level has been dug, creating a two- to three-bedroom apartment, brightened by a series of light wells and skylights. Upstairs, the main house has an en suite master bedroom with dressing room. Three guest rooms and two bathrooms are also located upstairs.

"It was not...[only]...about the need to create extra space, but about creating space that was beyond the traditional cellular arrangement the house had—of one box-shaped room, then another," said Mr. Sarut. "It was about creating a sequence of semi-open spaces which each had different personalities."

Work on the \$1.4 million build began in late 2014. By the start of 2016, Mr. and Mrs. Savas were finally able to move into their new home. "How was the build? It was exciting—but it was way too long," said Mrs. Savas. Since its completion the house has been appraised by local estate agents at between \$3.9 million and \$4.5 million.

Like many expensive habits, renovating old houses can be addictive, and the Savases' love of a challenge means that, even after spending so much time and money on their house, they might not stay put. "We walk around the house and think about what we might do differently next time and what we might do again," said Mrs. Savas. "Will we be living here in two years' time? The likelihood is no."



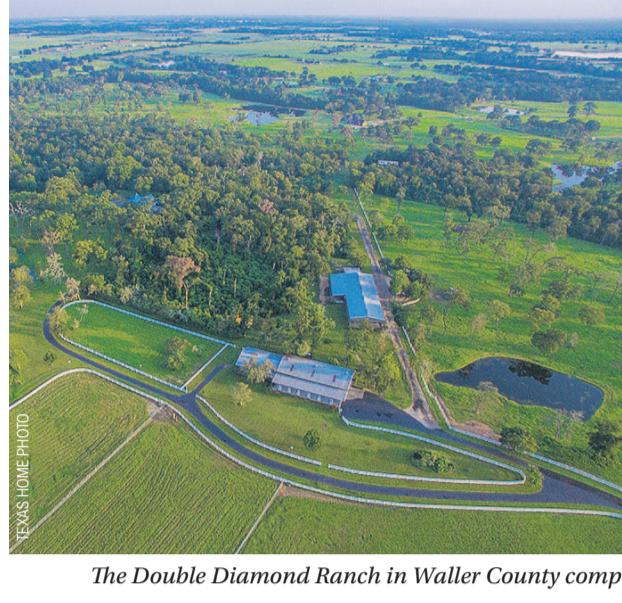
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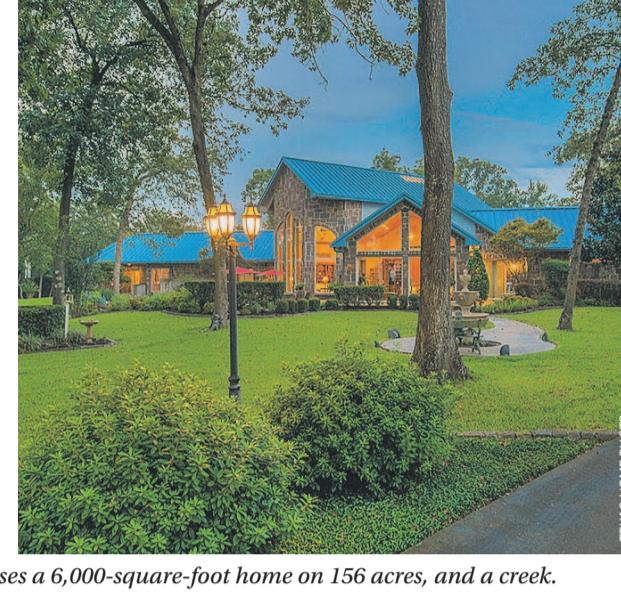
New Amenities Trending In Trophy Ranches

By Tonie Auer



TEXAS HOME PHOTO

The Double Diamond Ranch in Waller County comprises a 6,000-square-foot home on 156 acres, and a creek.



TEXAS HOME PHOTO

"BUYERS WANT TO BUILD THEIR OWN HOME AND PUT THEIR SIGNATURE ON THEIR PROPERTY."

Ms. Robertson currently has a listing for the Double Diamond Ranch, a \$4,899,000 property with 156 acres in Waller County, featuring a private gated entrance, 6,000-square-foot home with natural lighting, covered riding area, ponds, heavily wooded acreage for hunting and recreation, and a creek that runs through a portion of the property.

RESORT RANCHES

Investors and buyers looking for trophy ranches of several hundred to thousands of acres usually have to leave Texas to buy those properties in places like Colorado or Wyoming, she adds. Buyers gravitate to ranches close to resort areas, as well. Those sites tend to have deeded with about 2,000 acres and may be adjacent to leased land with a grazing permit, water rights, etc.

Buyers there also tend to like the big log homes with more rustic designs.

Tonie Auer is a freelance writer specializing in real estate.

As trends come and go, one thing remains steadfast in the demand for luxury homes on trophy ranches and farms: personal choice. "Buyers want to personalize their properties," says Deitra Robertson, ALC (Accredited Land Consultant and member of the REALTORS Land Institute) at Deitra Robertson Real Estate, Inc., just outside of Houston. "I specialize in the recreational lifestyle ranches and horse properties in the \$2 million to \$5 million price point: many of my buyers want to build their own home in that price point and put their signature on their property."

A property that already has a high-end home with larger square footage is sometimes harder to sell than a large piece of property with a smaller home, Ms. Robertson says. Restored vintage farm houses that can be used as a guest house or a place to stay on their land until they build their dream house are always popular.

COMFORT AND RELAXATION

Of the trends she's seeing, most buyers want great indoor/outdoor spaces with pools, sporting clays ranges, and comfort so they can relax and entertain family and friends. Open, light and airy are popular descriptions, but with less structure than a mansion in a city.

She recently sold a magazine publisher's ranch less than an hour from Houston with more than 1,300 acres, and comments, "There are not a lot of properties here that large."

COLORADO



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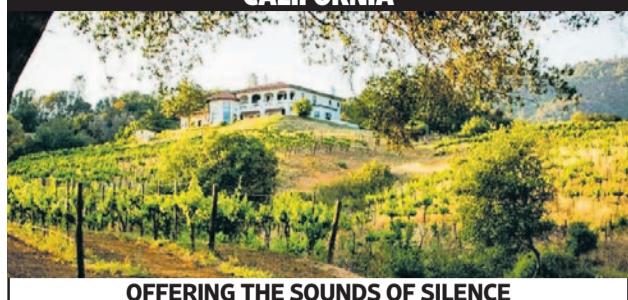
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MANSION



OLD WORLD Blake and Jamie Chandee with their children, left, and dog, Ellie Mae. The couple enlarged the area over the garage to create more space. Above, the loggia; below, an entryway.



IN AUSTIN, A HODGEPODGE OF HOMES

Continued from page W9
neighborhood is now or how the neighborhood will be?"

In older neighborhoods near downtown, tiny, dilapidated shacks sit across the street from new boxy white contemporaries. Frank Lloyd Wright-inspired mansions are catty-corner to what look like breezy beach bungalows.

Mr. Fajkus, who is also an associate professor of architecture at the University of Texas, recently finished designing a 1,000-square-foot, one-bedroom home in the Bouldin Creek neighborhood that cost about \$1 million to build. The modern white stucco and steel house was designed around a couple's vast vintage-car collection and includes 2,000 square feet of garage and outdoor space. The home's upper-level cantilevers are 20 feet out from the box-shaped lower level.

The owners, John and Lisa Weinberger, moved from Chicago to Austin in 2014, when many homes in Bouldin Creek were run-down. They bought a new four-bedroom spec house, then bought the lot next door and built their new modern home—mainly used as a place to put their cars.

"Houses are coming down by the week," says Mr. Weinberger, 85, an auto-dealership owner and car racer.

Just down the block from the Weinberger property, a plain 1,412-square-foot house is listed for sale—with marketing that suggests it is ideal as a teardown or gut renovation. ("What a lot!") The asking price: \$650,000.

The rapid change has some locals fearing that Austin will lose its identity. "It's

not just the streetscape and character we are losing, it's also visual elements of our city's past," says Kathie Tovo, an Austin City Council member and the city's mayor pro tempore.

Scott and Cindy Trainer recently custom built a 3,700-square-foot, four-bedroom brick-and-stucco home for over \$1 million last year in the Zilker Park neighborhood. Asked to describe the style, Mr. Trainer hesitates: It's a combination of Midcentury Modern and classic James Bond, he says, pointing out both the long cedar roof overhangs and the floor-to-ceiling steel-framed glass walls.

Austin Architect Michael Hsu, whose firm designed the Trainers' house, says "luxury is being redefined here." The only unifying stylistic theme he sees is what he calls "casual modernism," which he describes as modernism that is authentic and accessible. His clients are moving to Austin from places like New York, Los Angeles and San Francisco because they want a lifestyle shift; they don't want the kinds of homes they've left behind. "Everyone deserves a place to live of their choosing. There's not a prescription for Austin for how you should be."

Mr. Trainer, 57, moved to Austin in 1982 from upstate New York after visiting his brother. He got an environmental-engineering job and moved to the Zilker Park area, first buying a small bungalow for \$56,000, renovating it and selling it for \$100,000 in 1991. That same year he bought a 1/4-acre lot for \$50,000 and built a



ROOMY Cindy and Scott Trainer, right, and the open-plan home they built for over \$1 million, above. Below, Suzi.



three-story home, selling it in 2011 for \$1.3 million because he and his 46-year-old wife, a real-estate agent, wanted a home better suited for their two children.

Their new house replaced a larger, 4,500-square-foot home with a pool they bought for \$650,000 that hadn't been updated since 1959. Mr. Trainer, who became a commercial real-estate developer in 2004, had admired the property for years because it is on a bluff overlooking a large park and part of the Austin skyline.

The house, slightly angled, is designed with minimal windows facing the street. Instead, all-glass walls on the back of the home face the park and expansive skyline. It has concrete floors, soaring ceilings and a splayed back that folds around a courtyard

and swimming pool. The master bedroom and bathroom are in a wing that is 4 feet higher than the rest of the house, a way to get separation, since the subdivision doesn't allow homes with more than one story.

Currently, the City of Austin has what it calls "McMansion regulations" that limit the scale and bulk of new construction, remodels, and additions to make sure homes are compatible in with existing neighborhoods.

While the goal of the McMansion ordinance was to preserve the character of neighborhoods and has helped curb size, some detractors say it has also had negative effects. For example, carports, which are not fully enclosed spaces, don't count as square footage under the ordinance, but garages do. As a result,

moved into a five-bedroom, five-bathroom mansion they bought in the Tarrytown neighborhood.

Two years ago, the couple embarked on a \$300,000 addition to their 6,000-square-foot home, built in the Italianate style, with a red-tile roof and rounded rooms. They wanted a playroom but couldn't change the footprint of the house because of limits on "impervious surfaces"—which is any surface like a roof or driveway—that can't absorb rainwater.

So they asked Hugh Jefferson Randolph—the home's original architect—to enlarge the space over the garage and link it to the second story of the main house with a sky bridge. The addition gives their Old World-style home some decidedly modern touches.

Since they moved to Tarrytown, there has been non-stop construction in the neighborhood, Mrs. Chandee, 34, says. Around the corner, a modern home sits next to a small bungalow. A few doors down a nondescript two-story, five-bedroom, seven-bathroom home with a three-car garage and a swimming pool is replacing a 2,972-square-foot ranch house built in the 1950s.

"There's a lot of variety. That's what makes Austin unique," says Mrs. Chandee.



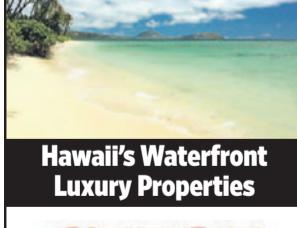
CAR CARE The rooftop lounge, above left, of John and Lisa Weinberger's one-bedroom home, which was built primarily as a place to keep their collection of vintage cars, above right. The couple live mainly in a four-bedroom house that's next door to this one.

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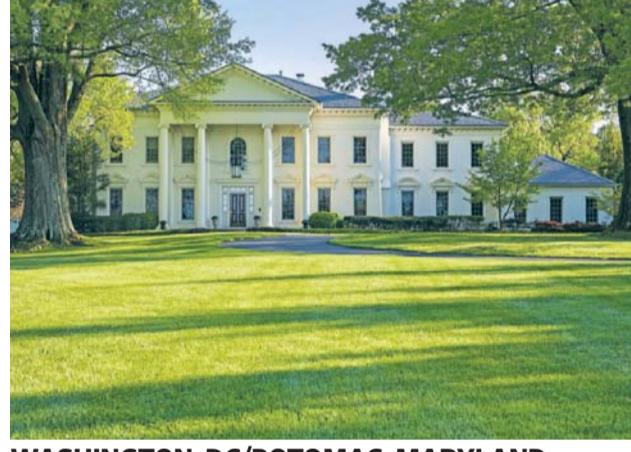


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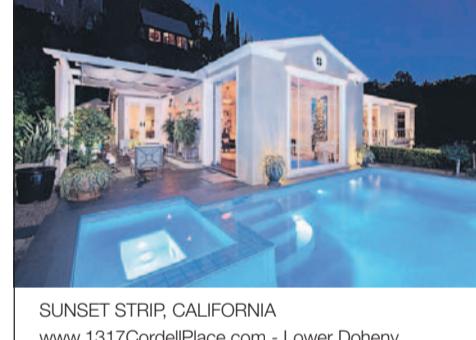
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