

THE WALL STREET JOURNAL.

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What's News

Business & Finance

UPS plans to charge extra fees for deliveries during peak holiday weeks, creating a new challenge for the retail industry. A1

◆ The oil industry and investors are adapting to the idea of a longer period of cheaper crude, three years after prices began a rapid descent. B1

◆ EQT agreed to buy Rice Energy for \$6.7 billion, the latest tie-up between energy producers suffering from low oil and gas prices. B3

◆ Tech stocks posted their biggest gain of 2017, leading the S&P 500 and Dow to new highs. The blue chips jumped 144.71 points to 21528.99. B1

◆ The Whole Foods deal came together so rapidly that Amazon's strategy for the acquisition is said to be still largely in the air. B1

◆ Citigroup's Corbat faces a growing consensus that now is the time for the bank to change its narrative. B1

◆ Billionaire Li Ka-shing has told associates he plans to step down as chairman of CK Hutchison by next year. B3

◆ Sen. Warren urged the Fed to oust a dozen Wells Fargo directors who served during the sales scandal. B10

◆ The FTC plans to file a lawsuit to block the merger of fantasy sports companies DraftKings and FanDuel. B4

◆ Paulson joined Valeant's board, a sign that the investor remains bullish on the drugmaker's prospects. B10

◆ Time Warner's Turner and Warner Bros. will create original shows for Snapchat under a \$100 million deal. B6

World-Wide

◆ Senate GOP leaders have set a timeline to vote next week on a health bill, though they don't yet appear to have the support to pass it. A1

◆ Otto Warmbier died, days after his release from North Korea with a brain injury, adding to pressure for stronger action against Pyongyang. A1

◆ The U.S. will press China to boost pressure on North Korea in talks Wednesday. A9

◆ The Supreme Court agreed to consider whether there are limits on redistricting for political gain. A2

◆ The justices ruled that the government can't reject trademarks that some people might find objectionable. A2

◆ The court quashed a case against Ashcroft and others filed by immigrants detained after the 9/11 attacks. A2

◆ Russia threatened to track American warplanes in Syria after a U.S. pilot shot down a Syrian jet. A7

◆ Britain's May vowed to crack down on all extremism after a van rammed Muslim worshippers in London. A7

◆ A car plowed into a police van in Paris in an assault being investigated as a possible terror attack. A7

◆ The U.K. and EU concluded their first day of Brexit negotiations, with divergent views emerging. A8

◆ Voter data on nearly 200 million Americans was left unprotected online, a computer-security firm said. A4

◆ NATO said its deterrent force is fully in place in the Baltic area, a deployment criticized by Russia. A8

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The President Summons a High-Powered Help Desk



MIND MELD: President Donald Trump on Monday hosted top executives from the tech industry at the White House for meetings aimed at updating federal computer systems, including, from left, Apple CEO Tim Cook, Microsoft CEO Satya Nadella and Amazon CEO Jeff Bezos. A4

Ex-Prisoner Warmbier Dies

Family blames death of U.S. student on 'torturous' treatment by North Korea captors

By FELICIA SCHWARTZ AND JON KAMP

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

The death of Mr. Warmbier, who was 22 years old, came as top U.S. and Chinese officials were set to meet in Washington

on Wednesday to discuss security and diplomatic matters.

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

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

"We hold North Korea accountable for Otto Warmbier's

unjust imprisonment, and demand the release of three other Americans who have been illegally detained," Secretary of State Rex Tillerson said in a statement Monday.

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

South Korean President Moon Jae-in, who took office last month, is set to visit the

White House next week. He and President Donald Trump are expected to discuss economic issues and "coordinate on North Korea-related issues, including countering the growing North Korean nuclear and missile threats," the White House said last week.

Mr. Trump said in a statement: "Otto's fate deepens my administration's determination to prevent such tragedies from befalling innocent people at the hands of regimes that do not respect the rule of law or basic human decency. The United States once again condemns the

Please see KOREA page A2

◆ U.S. seeks ally on North Korea in Beijing..... A9

Terror Probe in Paris Car Crash



POLICE TARGETED: A car rammed into a police van Monday before bursting into flames on the Champs-Elysées in Paris. The driver died at the scene, but no one else was injured. A7

CHINA STARS IN NEW MOVIE ROLE: THE INVESTOR

U.S. studios trying to capture the world's hottest movie market vie for Chinese partners

By ERICH SCHWARTZEL AND BEN FRITZ

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

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

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

drama's Chinese investor.

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

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

The question is echoing across boardrooms as Hollywood

Please see CHINA page A10

UPS to Add Surcharge to Cost of Holiday Shipments

By PAUL ZIOBRO

United Parcel Service Inc. plans to charge retailers extra fees to deliver packages during the busiest weeks before Christmas, creating a new challenge for an industry already coping with a shift away from traditional stores.

The surcharges, announced Monday, are a shot across the bow for retailers, including giants such as Wal-Mart Stores Inc. and Macy's Inc., that have been ramping up their e-commerce businesses as they seek to offset declining foot traffic to shopping centers. It also adds to the costs of Amazon.com Inc. and other online

players, which rely on UPS and rival FedEx Corp. to handle a surge in holiday shipments.

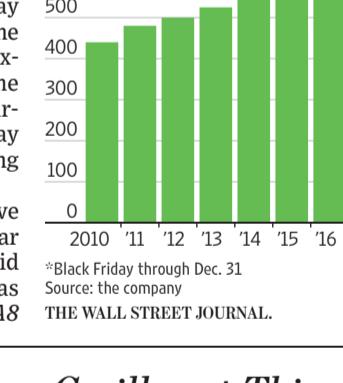
The fees will force retailers to decide over the next few months whether to raise shipping prices—something that is difficult to do when online shoppers are reluctant to pay shipping fees—increase the prices of goods or eat the extra costs themselves. Some may seek to avoid the surcharges by spreading holiday deals to other weeks during the season.

Patrick Gill, chief executive of the high-end fishing gear site TackleDirect.com, said news of the surcharge was

Please see UPS page A8

Shipping Surge

UPS global deliveries during the peak holiday period*



*Black Friday through Dec. 31

Source: the company

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INSIDE



ADVERTISERS' PERILOUS PATH ON THE WEB

SPECIAL REPORT, RI



THE SECRET TO WARM, CUDDLY RELATIONSHIPS

LIFE & ARTS, A13

Come Back! Some Gorillas at This Park See Foreign Tourists and Run

* * *

Rangers at a Congo wildlife preserve must teach the world's largest subspecies to relax

By MICHAEL M. PHILLIPS

KAHUZI-BIEGA NATIONAL PARK, Congo—It wouldn't be fair to accuse Mpungwe of racism.

But the first time the 500-pound gorilla saw a white man, he did flee into the forest and succumb to an urgent bout of stress-induced diarrhea. And chief gorilla habituator Robert Mulimbi did have to slog through the heavy undergrowth in a makeshift white-guy mask cut from a manila envelope to bring Mpungwe around.

"When we got this idea, it seemed like a joke," giggled one of Mr. Mulimbi's assistants, ranger Sandro Masumbuko. "But it got a good result."

Such is the curious life of

the man charged with acclimating Kahuzi-Biega's gorillas to tourists. Park officials here are eager to attract well-heeled Europeans and Americans for gorilla trekking vacations, and it is Mr. Mulimbi's job to make sure the gorillas are on board.

Kahuzi-Biega is the wild frontier of gorilla tourism. The eastern edge of the Democratic Republic of Congo has been beset by on-and-off war and roving militias since the Rwandan genocide spilled across the border in the mid-1990s.

The park, however, is the only place in the wild where visitors can see the world's largest gorillas, the Grauer's subspecies, and Congo's park service hopes a period of relative peace will put Kahuzi-Biega on the bucket list.

Please see CONGO page A10

Mpungwe

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U.S. NEWS

High Court Weighs Gerrymanders

BY BRENT KENDALL

WASHINGTON—The Supreme Court on Monday agreed to consider whether there are constitutional limits to how far lawmakers can go in drawing electoral districts to maximize partisan political advantage, a case that could have profound implications for U.S. elections.

The justices in a brief written order said they would review a redistricting case from Wisconsin, where a three-judge lower court last year invalidated a redistricting plan enacted by the Republican-controlled Wisconsin Legislature in 2011.

In a hint of the potential divisiveness of the case, the high court on a 5-4 vote stayed the effect of the lower court ruling while it hears the case. That means Wisconsin officials for now won't have to put a remedial redistricting map in place.

The stay suggests the court is proceeding with trepidation as it wades into a highly political issue that has bedeviled justices in the past. The court's four liberals would have denied the stay and left in place the lower court's order requiring a new map by Nov. 1.

Political gerrymanders are as old as the republic, though they have become more sophisticated as the technological possibilities of mapping have expanded. Both Republicans and Democrats have been accused of engaging in excessively partisan line-drawing in states where they hold power.

Critics say the tactic creates too many uncontested districts, encourages overly partisan candidates and enables the

After Redistricting, Less Competition

Redistricting following the 2010 state elections resulted in a decline in the number of districts considered competitive, according to an analysis by Ballotpedia.

Net change in competitive races following redistricting, 2010-2012 by method of redistricting

Method	States	Change in competitive races
Legislative process	23	-40
Appointed commission	11	-27
State executive board	1	+8
Computer-generated	1	-2

State chambers with the biggest decline in competitive races

Massachusetts House	-18	Washington House	-6
Connecticut House	-12	New York Assembly	-6
Texas House	-10	North Carolina House	-6
Rhode Island House	-7	Oklahoma House	-5
Rhode Island Senate	-7	Wisconsin Assembly	-5
Ohio House	-6		

Source: Ballotpedia analysis of 44 state legislative chambers in 36 states that redrew their district boundaries between 2010 and 2012 and maintained the same number of districts.

THE WALL STREET JOURNAL.

party in power to skew voting results in its favor.

Other cases are pending in court, including ones challenging Republican-backed lines drawn in North Carolina and mapmaking by Democrats in Maryland. Any rules announced by the high court would almost certainly affect districts drawn by state lawmakers both for Congress and for state legislatures.

Justin Levitt, a professor at Loyola Law School in Los Angeles, said the timing of the case was particularly important with a new census on the horizon in 2020. States traditionally redraw their congressional and legislative districts after each decennial census.

The lower court in Wisconsin said lawmakers redrew the state's districts after the 2010 census to unlawfully maximize the number of Republicans elected and dilute the power of Democratic voters. Election results since then have shown the redistricting had that effect, with the GOP winning a larger majority in the state Assembly, even as the statewide tally of votes was nearly even, the lower court said.

Some Supreme Court justices have previously expressed concern about partisan gerrymandering, but a majority of the court has been

hesitant to say how much partisanship is too much. On the other hand, gerrymandering that discriminates against minority voters long has been held unconstitutional.

Critics of gerrymandering

say both racial and partisan gerrymandering often overlap, because party affiliation frequently correlates with race.

The court took up a major case on partisan gerrymandering 13 years ago involving a challenge by Democratic voters to a Republican drawing of Pennsylvania's congressional districts. The ruling produced a 5-4 vote that threw out the lawsuit, but the court's reasoning left the issue unsettled.

Four conservative justices in that case said courts couldn't referee partisan gerrymandering claims because there was no workable standard for deciding when partisan line-drawing crossed a constitutional line, and because there wasn't a good way for a court to fix a violation if

one did exist.

The court's fifth conservative, Justice Anthony Kennedy, agreed the specific lawsuit should be thrown out, but he left open the possibility that the court in a future case could declare that the use of partisan favoritism in drawing districts was unconstitutional.

Historical accounts vary on who first coined the portmanteau "Gerry-mander," officially linking the district's creation to the governor.

But on March 26 of that year, the Boston Gazette printed a political cartoon that gained wide notoriety. The illustration, titled "The Gerry-mander," showed the Essex County district as a menacing, winged dragon.

—Ashby Jones

Supreme Court Rejects Curbs on Trademarks

BY BRENT KENDALL

WASHINGTON—The Supreme Court, citing free-speech protections, ruled Monday that the government can't reject trademarks that some people might find disparaging or offensive, a decision that upheld a long-standing rule in the intellectual-property world.

The justices sided with the Asian-American rock band the Slants and invalidated a 70-year-old provision in federal trademark law that prohibited the registration of disparaging trademarks.

The ruling effectively removes a gatekeeping role from the U.S. Patent and Trademark Office, which in recent years has been at the center of heated cultural debates about certain trademarks, most notably over the marks for the Washington Redskins football team.

The club could be among the most immediate beneficiaries of the decision. It has been fighting a legal battle to save its trademarks after the Patent and Trademark Office canceled them in 2014 on the grounds that they disparaged Native Americans.



The Washington Redskins, whose trademarks were canceled by the Patent Office, are likely to benefit.

Anthony Kennedy, offered additional views on why the Patent Office should lose.

"A law that can be directed against speech found offensive to some portion of the public can be turned against minority and dissenting views to the detriment of all," Justice Kennedy wrote.

Mr. Tam said his band was fighting racial stereotypes, with the name following a tradition in which members of minority groups have reclaimed derogatory terms and turned them into badges of pride.

"The Supreme Court has vindicated First Amendment rights not only for our The Slants, but all Americans who are fighting against paternal government policies that ultimately lead to viewpoint discrimination," Mr. Tam said in a statement posted on his Facebook page.

Lisa Blatt, a lawyer for the Redskins football club, said the team was "thrilled" with the ruling, "as it resolves the Redskins' longstanding dispute with the government."

A spokesman for the Patent Office said it would issue further guidance after it reviews the court ruling.

KOREA

Continued from Page One
brutality of the North Korean regime as we mourn its latest victim."

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

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

Another last-resort move would be to eliminate travel by Americans to North Korea, a step U.S. officials previously have considered but set aside, although the State Department strongly discourages people from traveling there. A bipartisan bill in the House of Representatives would block U.S. citizens from traveling to North Korea for tourism, and Rep. Ed

Royce (R., Calif.), the chairman of the House Committee on Foreign Affairs, called Monday for the ban to be enacted.

Mr. Tillerson told lawmakers

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

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

On Monday, Young Pioneer Tours, the China-based company offering "budget tours" to North Korea that organized Mr. Warmbier's trip to Pyongyang, said Mr. Warmbier's death had "led us to reconsider our position on accepting American tourists."

Though North Korea is isolated, roughly 5,000 Western tourists visit the reclusive nation each year.

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

fringed on the free speech of those expressing disfavored or negative viewpoints.

The Supreme Court agreed, in an opinion written by Justice Samuel Alito.

"This provision violates the Free Speech Clause of the First Amendment. It offends a

bedrock First Amendment

principle: Speech may not be banned on the ground that it expresses ideas that offend," Justice Alito wrote.

The justices were unanimous in ruling against the government and all joined parts of Justice Alito's opinion. But one group of four justices, in a concurring opinion by Justice An-

tony Kennedy, offered additional views on why the Patent Office should lose.

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U.S. NEWS

Coal's Decline Goes Beyond Appalachia

Shutdowns of generating units hurt communities that relied on power-plant jobs

BY JON KAMP
AND KRIS MAHER

SOMERSET, Mass.—Far from the mines of Appalachia, the decline of coal is hitting communities that relied on coal-fired power plants for jobs and income.

During the past five years, roughly 350 coal-fired generating units shut down across the U.S., ranging from small units at factories to huge power plants, according to data from the Energy Information Administration. A single power plant could have one or several units.

Many of these plants were built near the source in Appalachia and western states. But generators built in far-away places like New England have also turned off.

The shutdowns can cost communities both high-paying jobs and important sources of tax revenue. Natural-gas-fired plants have quickly mushroomed up across the U.S. to replace the retiring coal generators, but those plants need far fewer workers—one for every five that worked at a coal plant, by some estimates.

A 54-year-old coal-fired plant here stopped operating three weeks ago, and local officials started raising property taxes several years back to compensate for lower revenue from the town's largest taxpayer as production slowed.

In Adams County, Ohio, where Dayton Power & Light has said it will shut two coal-fired plants, county auditor David Gifford sees a host of knock-on effects including layoffs for public employees, program cuts for seniors, libraries and schools, as well as a steep hike in property taxes. The plants contributed more than 30% of the county's \$27 million in total tax revenue.

"If the power company



Brayton Point, the last coal-fired power plant in Massachusetts, stopped operating three weeks ago. Hundreds of coal-fired generating units have shut down across the U.S.

shuts their doors, then John Doe on the street is going to have to pay for it," Mr. Gifford said.

A DP&L spokeswoman said the company decided the plants wouldn't be economically viable beyond mid-2018, and "we faced an important and difficult outcome."

It is a scenario being played out elsewhere as more coal-fired power plants retire, squeezed out in part by new, cheaper-to-run natural gas-fired plants.

Two plants in New Jersey also closed in June, and more coal units are scheduled to close in places like Tennessee and Michigan. Carbon County, Utah, is still smarting from the loss of a small coal-fired plant two years ago, said Seth Oveson, the county clerk and auditor.

Cassville, Wis., lost 55% of its tax revenue when two former coal plants on either side of town, including one that was converted to burning biomass, shut within four months of each other in 2015, said Kevin Williams, president of the village of 950 people.

Mr. Williams himself worked at one plant for 31 years before retiring. Others moved away to find work. The village on the Mississippi River has cut staff and put off projects, he said.

"We're a small community. When you lose 90 jobs, that's 10% of your population," Mr. Williams said.

Last year, natural gas surpassed coal for the first time in U.S. electricity generation, providing 34% of the nation's power, versus 30% for coal, ac-

cording to the EIA. As recently as 2011, coal provided roughly 43% of generation.

In Somerset, Brayton Point was the last coal-fired power plant in Massachusetts, and one of just four left in New England. Prior plant owner Energy Capital Partners decided in 2014 to shut the plant due to competition from cheap gas, and current owner Dynegy Inc. followed through.

Electrician David Kutz, a 32-year Brayton Point veteran and area homeowner, will receive severance, but said he plans to find new work to help cover medical insurance.

"This plant put so many kids through college, bought so many houses, paid so many taxes," said Mr. Kutz, who is 59 years old. "It's hard now seeing people go."



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Policies Unlikely To Reverse Trend

The reduction in coal-fired power underscores the challenge for President Donald Trump in fulfilling his promise to aid a flagging coal-mining industry because power plants are by far the main consumers of American coal.

Mr. Trump's moves to undo environmental regulations, and the recent withdrawal from the Paris climate accord, are unlikely to reverse the closure of coal-fired plants, according to Adele Morris, policy director for the Climate and Energy Economics Project at the Brookings Institution. Ms. Morris said their closure is driven mainly by cheap gas and a federal rule limiting mercury and other pol-

lutants.

"There's an increasing awareness that coal will not return to its former glory," said Charles Patton, head of external affairs at American Electric Power Co., a Columbus, Ohio, utility that has shut nine coal-fired power plants since 2011.

Neither the Energy Information Administration nor the Bureau of Labor Statistics track how this shift has affected coal-fired-plant workers. Coal-fired plants require more staff than typically newer and simpler gas-fired units, according to workers and utilities. A spokesman for the Tennessee Valley Authority, which has also been retiring coal units, said a coal plant could employ roughly 150 to 250 while a new gas plant might need 35 workers.

In Ohio's Adams County, where 25% of the 28,000 resi-

dents live below the poverty line, the prospect of losing two plants is devastating.

David Gifford, the auditor for the county, said that if the power plants close, the county could be forced to raise the property-tax rate at least 500% in order to maintain school-district debt payments.

Joel Hanson, a veteran at one plant, said he had thought he would be able to work through to retirement at the power plant. Now he may uproot his wife and two young children from the nearby town of Manchester. "It's like having the rug pulled out from under you," Mr. Hanson, 43, said. The Utility Workers Union of America, which represents workers at the plants, is trying to find investors to buy them, according to the union.

—Jon Kamp and Kris Maher

cluded a fresh mandate to get the system running in an executive order.

It is a rare immigration initiative with bipartisan support. A biometric system would serve as a defense against terrorism, making it harder for someone to leave or remain in the country without detection. It also draws attention to people who have overstayed their visas and remain in the country illegally.

"We're out of time and we're out of excuses," John Wagner, who runs the program for the Department of Homeland Security's Customs and Border Pro-

tection agency, told a House committee last month.

The idea for a tracking system took on urgency after the 2001 terror attacks, when it was discovered that several of the terrorists were living in the U.S. on expired visas. Since 2004, Congress has directed use of biometric data—unique physical identifiers such as fingerprints or photos—to ensure people are who they say they are.

The government succeeded in creating a biometric system for people entering the U.S. The exit part has proved much tougher.

Administration officials say

they still have no plan for tracking people who leave the country by simply driving into Mexico or Canada.

DHS does track departures by air and sea, using biographic information off manifests supplied by airlines and shipping lines.

But that system doesn't guard against someone who remains in the country but wants authorities to think he has left, and has someone falsely exit using his passport, or someone who leaves using another person's passport.

DHS ran several pilot programs at large airports. A breakthrough occurred when the agency realized it could use a small, mounted camera to scan people's faces quickly at the boarding gate, Mr. Wagner said.

Mr. Wagner told a congressional committee last month that the government will need airlines to run the cameras.

If the Customs and Border Protection agency has to station an agent at every gate, he said, the cost would be "astronomical" because it would require hiring thousands of new agents. He said in an interview that it would run well over the \$100 million generated in fees each year that are earmarked for this program.



A checkpoint at Hartsfield-Jackson Atlanta International Airport.

DAVID GOLDMAN/ASSOCIATED PRESS

U.S. NEWS

A Measured Translation of Trump's Trade Talk



CAPITAL JOURNAL

By Gerald F. Seib

In most administrations, lower-ranking officials make the incendiary comments, while the president rises above to offer the calmer, more soothing explanations of his policies.

In the Trump administration, the opposite is true. That's especially the case on foreign affairs—and in particular on trade policy.

President Donald Trump sounds as if he wants to take a wrecking ball to the international trade system; people fear trade wars because his commentary often has a martial air about it. "I don't mind trade wars" when the U.S. is running big trade deficits, he said at one point. His talk of new tariffs should be read as a "threat," he said during the presidential campaign. He once referred to China as "our enemy" because of its trade practices, while Germany is "bad, very bad."

By contrast, his most influential trade adviser, Com-

merce Secretary Wilbur Ross, gives a more reasoned explanation of Trump policies. He also uses the "trade war" phraseology, but he offers a philosophical context to explain why he thinks that's already the state of affairs. Perhaps most important, he puts the administration's quest for change in the international trade architecture into a historical context—one with which many Democrats would agree.

When Mr. Ross appeared last week at the Journal's CFO Network, he described the international trade regime as a kind of anachronism—one that was founded with the best of intentions amid post-war rubble but that now has fallen out of sync with modern economic realities.

"After World War II, there was a deliberate matter of our public policy to try to help the war-ravaged nations rebuild themselves," Mr. Ross said. At that point, obviously, the U.S. was the world's dominant economic power by far, and its self-interest lay in helping its European allies and Japan pull themselves up economically to ward off the spread of communism. America not only could afford to be generous in trade relations, but had a profound self-interest in doing so.

That attitude, Mr. Ross argued, "morphed" into the alphabet-soup structures that constitute to-



PAUL MORSE FOR THE WALL STREET JOURNAL

Commerce Secretary Wilbur Ross, in Washington last week, has offered a historical trade context.

day's international trade architecture—first the Organization for Economic Cooperation and Development, then the General Agreement on Tariffs and Trade, and the World Trade Organization.

Along the way, the world evolved and the allies caught up with the dominant U.S., but, Mr. Ross argued, "our policies didn't really change. And so we now have a terrible structural problem that I think is really inhibiting free trade."

That history, he said, has produced some "oxymoronic" outcomes. For example, the

tariff on a European automobile sent into the U.S. is 2.5%, while the tariff on an American auto sent into Europe is 10%, despite the fact that the two markets now are roughly the same size.

Perhaps most important, the international trade structure didn't anticipate the rise of a command-economy giant in China as a trade juggernaut, with the imbalances that has created. Nor, given that the structure was created in an era of fixed exchange rates, did it anticipate the ability of countries to manipulate currency values to give their ex-

ports an advantage.

A few caveats are in order. On auto trade with Europe, for example, the European Union doesn't dispute the tariff imbalance. But it also notes that the same is true in reverse on, for example, passenger-train cars, on which the U.S. imposes a 14% duty on European imports, while the EU charges 1.7% on those bought from the U.S. "The EU wants to remove these duties and other barriers to trade, such as lengthy administrative checks, that increase the cost of trade in goods," the EU says in an on-

line explanation of its view.

Still, the broader Ross argument is one that many on the Democratic side in the U.S. would accept. "I think Ross is right," says Jared Bernstein, senior fellow at the Center on Budget and Policy Priorities and onetime adviser to former Vice President Joe Biden. The trade "macro infrastructure" is "problematic," he says. "There are countries that manage trade in such a way as to boost their trade surpluses and essentially import jobs from other countries."

Mr. Bernstein suggests changing international trade agreements to allow a country to offset currency manipulation by a trading partner by buying that partner's currency. More broadly, he advocates establishing a high-level, bipartisan commission to find a consensus approach to such issues—ideally led by investor Warren Buffett.

Ultimately, though, even the hard-line Trump view argues for, not against, negotiated solutions. Douglas Irwin, an economist and trade historian at Dartmouth College, notes that, unlike the U.S., Mexico "doesn't face any tariffs when they export their autos to Europe." Why? "Because they have a free-trade agreement....If we want to get rid of that tariff, we have to have a free-trade agreement with the EU."

President Pushes Technology Overhaul

BY MICHAEL C. BENDER

WASHINGTON—Saying the federal government is lagging behind the "technology revolution," President Donald Trump called for more than \$1 trillion in savings during the next 10 years by overhauling outdated computer systems and improving information technology.

"Our goal is to lead a sweeping transformation of the federal government's technology that will deliver dramatically better services for citizens, stronger protection from cyberattacks," Mr. Trump said Monday at the White House during a meeting with more than a dozen executives from some of the nation's top technology companies.

"That's a big problem, no question about it," he added. "We're going to be working on it, and we're going to solve the problem."

Mr. Trump didn't lay out specific plans to reach those savings, instead pointing to a recent announcement that the Veterans Affairs Department would be updating its electronic health records. He said a similar announcement would be coming soon.

Heading the White House effort are Jared Kushner, the president's son-in-law and senior adviser who leads the newly created White House Office of American Innovation; and Chris Liddell, a former Microsoft executive and now an assistant to the president.

Federal agencies maintain about 6,100 data centers that can be consolidated, Mr. Kushner told the executives during the summit.

"We are here to improve the day-to-day lives of the average citizen," he said.

Mr. Liddell said in an interview that he was pleased with the ideas the executives suggested. "Our job is now to collate those and decide which ones we want to pursue," he said.

—Peter Nicholas

contributed to this article.

Data on 198 Million Voters Exposed Online

BY SHANE HARRIS
AND KATE FAZZINI

A computer-security company said a proprietary data set containing personal information on nearly 200 million American voters and their predicted voting behavior was left unprotected online in a large cache of spreadsheets and other electronic files.

According to cybersecurity company UpGuard, the information, which was available on a public server accessible by anyone on the internet, was compiled by consulting firm Deep Root Analytics, which helps Republican campaigns choose which voters to target with TV advertising.

The voter records, which are public information, were augmented with proprietary analysis about voter behavior by Deep Root, which tries to predict voters' policy preferences and how likely they are to choose a particular candidate.

Beyond paying customers, that kind of information could be valuable to rival campaigns or even foreign entities trying to determine how to persuade American voters, elections experts said.

The discovery of the unprotected voter information comes as the integrity of American elections has become a top concern in state capitols and in Washington. Federal investigators and congressional panels are probing Russia's alleged meddling in the 2016 election, and U.S. and state of officials have taken steps to safeguard elections from potential hacking and other interference.

The information was found



Voters in New York City cast their ballots Nov. 8. Information on nearly all voters was recently found on publicly accessible servers.

on a publicly accessible cloud server, said Chris Vickery, an analyst with UpGuard. He said he discovered the information June 12 after trying different combinations of letters for web addresses that he thought might point to the information.

The voter information, portions of which were reviewed by The Wall Street Journal, includes the names and other personally identifying information about 198 million registered voters, which would appear to be nearly all of the

estimated registered voters in the U.S., the company found. The information includes dates of birth, mailing addresses and party affiliation, as well as self-reported racial demographics, Mr. Vickery said, but didn't include social security numbers or financial information.

In all, 1.1 terabytes of personal information were found on the server owned by Deep Root Analytics, he said.

In a statement, Deep Root Analytics acknowledged the

exposure.

The company "has become aware that a number of files within our online storage system were accessed without our knowledge," the statement said. The company added that "to the best of our knowledge," the information that was accessed consisted of proprietary analysis "as well as voter data that is publicly available and readily provided by state government offices. Since this event has come to our attention, we have updated the access settings and

put protocols in place to prevent further access."

Deep Root Analytics said it had hired a cybersecurity firm, Stroz Friedberg, "to conduct a thorough investigation," adding that "based on the information we have gathered thus far, we do not believe that our systems have been hacked."

Mr. Vickery said he notified federal authorities and that the information is no longer publicly accessible.

—Rebecca Ballhaus contributed to this article.

HEALTH

Continued from Page One

Democrats and consumer groups have criticized Senate Republicans for crafting the bill in closed-door sessions without any hearings or other input. As a form of protest, Senate Democrats are planning procedural maneuvers to try to delay legislation or nominees.

Democrats are planning to "embarrass the heck out of Republicans, who are as much in the dark as we are about their own leadership's plans on the bill," said Sen. Richard Blumenthal (D., Conn.). "Our tools are limited, but we're going to use every one of them."

For their part, many Senate Republicans have said they have yet to see their bill and want to make sure they are given enough time to review it. "There isn't a bill yet—nobody has seen any language," Sen. Chuck Grassley (R., Iowa) said Monday. Sen. Dan Sullivan (R., Alaska) said he wanted "significant time" to review the bill—"certainly days" rather than hours, he said.

Mr. McConnell has said all

next Thursday, before lawmakers scatter.

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Mr. McConnell has said all

52 Senate Republicans have been involved in the negotiations on issues the party has been talking about since the ACA passed in 2010.

Meanwhile, provisions in the GOP bill that had proved vexing, including the fate of Medicaid expansion and tax credits to consumers, appear close to being resolved, people familiar with the negotiations said.

The push for a quick vote before the weeklong July 4 recess could backfire.

Under an option being strongly considered, the bill would exact steeper financial cuts to Medicaid than under the House-passed legislation, the people said, a move likely to draw criticism from a number of Republican governors who want to preserve Medicaid open-enrollment funding and the ACA's expansion of the program.

The entire funding system for the state-federal program for low-income and disabled people would be changed to a per capita cap, which would limit federal spending to states. That is the approach that also passed in the House bill, which would cut federal spending on Medicaid by \$834 billion over 10 years.

Under one proposal, the Senate bill would lower Medicaid's spending growth to a rate set in the House bill until 2025, when it would then be more sharply curtailed, according to people familiar with the discussions. The bill would slow the growth of federal spending on Medicaid by tying its growth rate to a lower price index, a change sought by Sen. Pat Toomey (R., Pa.).

That is likely to draw opposition from Republicans in states that expanded Medicaid under the ACA, including Sens. Rob Portman of Ohio, Dean Heller of Nevada and Shelley Moore Capito of West Virginia.

Rob Portman of Ohio, Dean Heller of Nevada and Shelley Moore Capito of West Virginia.

"Rob does not support a growth rate that is lower than the House bill," Kevin Smith, a spokesman for Mr. Portman, said Monday.

The bill is expected to start phasing down enhanced federal funding to the 31 states that expanded Medicaid, people familiar with the deliberations said. States could get a lower amount of federal funding for new enrollees in 2020, and the amount would fully phase down by 2023.

The bill would also provide assistance to people who don't get health insurance on the job. But unlike the House version that set up tax credits based largely on income, the Senate version could provide subsidies that are larger for people who are low-income or in areas with high health costs, a person familiar with the proposal said.

A senior White House official said they expected to have a stronger sense of how the votes were lining up by the end of the week and that they were confident the tally was heading in the right direction.

—Louise Radnofsky and Natalie Andrews contributed to this article.

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U.S. NEWS

Black Vote Is Key In South Carolina

BY REID J. EPSTEIN

While Georgia's House special election Tuesday is a test of whether Republicans will cross party lines to support a Democrat, another contest the same day in South Carolina aims to measure a different proposition: Can a white Democrat drive enough black voter turnout to score an upset?

The race is to succeed former Rep. Mick Mulvaney, whom President Donald Trump tapped to serve as his budget director. Archie Parnell, a former Goldman Sachs executive, is running on the Democratic ticket against Republican Ralph Norman, who narrowly

black voters. Few African-Americans live in Montana or Kansas, and just 12% of voters in the Georgia district that votes Tuesday are black.

If Mr. Parnell, a 66-year-old former tax adviser who was born and raised in the district but has lived away from it for most of his adult life, can drive large numbers of African-Americans to vote for him, Democrats may have found another road map to victory in the 2018 midterm elections.

The Democratic Congressional Campaign Committee, the biggest outside contributor to the race, has spent \$275,000 to test a host of messages aimed at driving black voters to the polls. The results, officials say, will inform Democratic turnout efforts in African-American communities in the 2018 elections.

"We're aiming to try to get out 40,000 voters from the African-American community, and with that we'd be in a good place to win," Mr. Parnell said. "No one knows how many people are going to vote. Whether we'll be successful, time will tell."

Mr. Parnell has spent his 15-week campaign in black churches, barber shops and community events arguing that Mr. Trump is reversing the legacy of President Barack Obama. He speaks regularly about the Affordable Care Act's protections for diabetes and heart disease, ailments that disproportionately affect the black community, and the high incarceration rate of black South Carolinians.

"There is more excitement and more activity regarding this election than we've had in a long time," said Melvin Poole, a former president of the NAACP chapter in Rock Hill, S.C.

Republicans remain confident the district's voters are sufficiently conservative to make it unwinnable for any Democrat.

Black voters represent 28% of the district but typically are a far smaller percentage of the electorate. To win, former South Carolina Democratic Party Chairman Jaime Harrison said, black turnout Tuesday must be 35% or more of the electorate.

"We know how loyal this community is to the Democratic Party," Mr. Harrison said. "The question is: How do you get people interested enough to vote?"

South Carolina's is the first post-Trump congressional election with a large bloc of

advanced from a primary race.

With Mr. Trump's approval ratings at historic lows and Democrats showing double-digit gains in turnout during two prior unsuccessful House special-election pushes, South Carolina Democrats have spent recent weeks trying to build a machine to turn out the district's black voters.

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Jumping for a Record in Idaho



LOOK OUT BELOW: Miles Dasher, a member of the Red Bull Air Force, makes his first jump Monday during his unofficial world record attempt for most jumps in a 24-hour period off the I.B. Perrine Bridge in Twin Falls, Idaho.

DREW NASH/ASSOCIATED PRESS

U.S. WATCH

CANCER MEDICATIONS

Six Arrested in Sale Of Overseas Drugs

Canadian authorities arrested six people indicted in the U.S. in 2015 in connection with Canada Drugs, a Winnipeg, Manitoba-based online pharmacy that allegedly sold illegal and counterfeit cancer medications in the U.S.

The individuals were arrested on June 14 and 15 under extradition warrants stemming from an extradition request from the U.S., a spokesman for Canada's Department of Justice said. The six people, arrested in Manitoba and British Columbia, have been released on bail and are scheduled to appear in Canadian court on July 12, the spokesman said.

A spokeswoman for the U.S. attorney's office in Montana,

which filed the 2015 indictment, declined to comment.

The indictment focuses on Canada Drugs' sale to U.S. doctors of medications that were sourced overseas. The business is illegal in the U.S. because the drugs weren't made for U.S. sale at facilities inspected by the Food and Drug Administration, according to the indictment.

—Jeanne Whalen

VIRGINIA

Officer Heroism Cited In Ballfield Shooting

A female police officer with less than two years' experience withstood a barrage of gunfire from a gunman who wounded a top House Republican and others on a baseball field last week, allowing other officers to return fire

and kill the shooter, her police chief said Monday.

Alexandria Police Chief Michael Brown lauded the heroic actions of Officer Nicole Battaglia and two other officers who were the first to arrive at a field where GOP congressmen were practicing for their annual charity baseball game against Democrats. The Alexandria officers were uninjured.

On arriving at the scene, Officer Battaglia "immediately started taking fire from the suspect, and she jumped out of the car, without cover, and moved towards the firefight—not away from it, towards it, to the point where she was actually pinned down in the parking lot with a barrage of weapon fire from the shooter," Mr. Brown said.

The gunman, James T. Hodgkinson, 66 years old, had a history

of animus toward President Donald Trump and other Republicans.

—Associated Press

CALIFORNIA

Governor, Lawmakers Receive Raise in Pay

California Gov. Jerry Brown and state lawmakers will get a 3% pay increase in December, marking the fifth consecutive year of raises for state elected officials.

Mr. Brown's salary will rise to nearly \$196,000 and lawmakers' to \$107,000. That is a roughly 18% jump since 2012, or more than \$30,000 for Mr. Brown and \$16,000 for lawmakers.

Wages for Californians in the private sector have, on average, grown 1.2% to 2.4% annually since 2013, federal data show.

—Associated Press

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WORLD NEWS

Russia Warns U.S. as Risks Rise in Syria

Threat to track U.S. planes comes after American pilot shot down Syria regime jet

Tensions between Washington and Moscow escalated on Monday when Russia threatened to track American warplanes in Syria after a U.S. pilot shot down a Syrian jet for the first time in the country's six-year war.

By Dion Nissenbaum
in Washington
and Thomas Grove
in Moscow

The U.S. military responded to Moscow's warnings by shifting the flight routes of some pilots carrying out missions in Syria, U.S. officials said, an effort to minimize risks to American pilots as the White House and the Pentagon both appealed for calm.

Sunday's U.S. downing of the Syrian regime warplane came as American forces are increasingly at risk of direct confrontation with Syrian President Bashar al-Assad and his allies from Russia and Iran.

The U.S. military has stepped up its operations in Syria as the American-led coalition tries to push Islamic State from its stronghold in Raqqa. Over the past month, U.S. forces have shot down an Iranian-made drone that targeted coalition forces in



The U.S. responded to the Russian warning by shifting the routes of some pilots. Above, Russian planes took off from an aircraft carrier in the Mediterranean Sea off the coast of Syria in January.

southern Syria and carried out three airstrikes on Iranian-backed fighters. The U.S. targeted the Syrian jet on Sunday after it carried out an airstrike on American-backed forces near Raqqa in northern Syria.

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

On Monday, Moscow said it would treat U.S. and coalition aircraft flying west of the Eu-

phrates River in Syria as "targets" that could be tracked by air defense systems or Russian pilots. But Russia stopped short of threatening to shoot them down, giving some U.S. officials hope that the situation won't worsen.

"I think the worst thing any of us could do right now is address this thing with hyperbole," Gen. Joe Dunford, chairman of the Joint Chiefs of Staff, said Monday in Washington. "The only actions that we have taken against pro-regime forces have been in self-defense—and we've communicated that clearly."

As a practical matter, U.S.

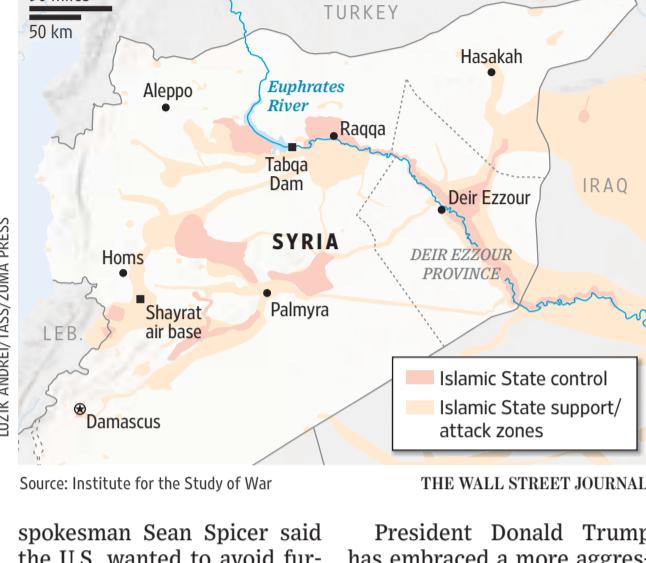
officials said, the Russian threat could have only a limited impact, since much of the American military focus right now is on driving Islamic State out of Raqqa, which is on the eastern side of the Euphrates.

The new standoff with Russia comes amid a swirling debate within the Trump administration over its Middle East strategy. While key military officials, including Gen. Dunford, want to focus on defeating Islamic State, other administration officials are pushing for a more aggressive confrontation with Mr. Assad and his Iranian allies.

At the White House,

Skies Above Syria

The Russian military said it would treat U.S. and coalition aircraft operating west of the Euphrates River as "aerial targets."



THE WALL STREET JOURNAL.

spokesman Sean Spicer said the U.S. wanted to avoid further clashes with Mr. Assad and his allies.

"The escalation of hostilities among all of the factions that are operating there doesn't help anybody," he said. "While we want to de-escalate the situation there...we will always preserve the right of self-defense."

The increasingly congested battlefield is raising fears that the U.S. could be drawn more deeply into the Syrian war. Under former President Barack Obama, the U.S. sought to avoid direct confrontations with the Assad regime while it focused on defeating Islamic State.

President Donald Trump has embraced a more aggressive approach in Syria by sending in more U.S. forces to work side-by-side with the Syrian Democratic Forces and other American-backed fighters battling Islamic State, also known as ISIS.

While the U.S. has stepped up direct military action against Syrian government forces in recent weeks, the Russian government has pushed a narrative that Washington is hampering its efforts to target Islamic State.

—Aresu Eqbali
and Rebecca Ballhaus
contributed to this article.

Probe Follows Car Crash In Paris

BY NOEMIE BISSEBERE

PARIS—A car rammed into a police van before bursting into flames on the Champs-Élysées, in an assault authorities are investigating as a possible terror attack.

The driver died at the scene, but no one else was injured in the incident Monday afternoon, police said.

Firearms and explosive materials were found in the car, French Interior Minister Gérard Collomb said.

"This shows that the terror threat remains extremely high in the country," Mr. Collomb said on national television.

Prosecutors have opened a terror probe into the attack, a spokeswoman for the Paris prosecutor's office said.

A string of attacks—including the Nov. 13, 2015, assault by Islamic State militants that killed 130 in Paris and the truck attack in Nice that killed 86 people on Bastille Day in July 2016—has put France on edge. The government has declared and renewed a state of emergency, but the crackdown hasn't stopped the drumbeat of periodic attacks.

This is the second attack in less than three months on the Champs-Élysées. In April, a gunman opened fire on the famous avenue, killing a police officer and wounding two other people. Police returned fire, killing the gunman.

U.K. Terror Attack on Muslims Sparks Outcry

LONDON—Prime Minister Theresa May on Monday vowed to crack down on extremism of all kinds, trying to soothe Muslim fears after a driver rammed a van into a crowd of worshippers in what police were treating as the latest in a string of terrorist attacks.

By Wiktor Szary,
Jenny Gross
and Georgi Kantchev

Witnesses described a scene of mayhem, saying the driver appeared to deliberately steer a white van into the crowd after Ramadan prayers in the Finsbury Park neighborhood not long after midnight. The attack sparked worries about more violence in an already tense country.

"There seems to be no end to this—and now Muslims are also targets," said Huseyin Ali, a 32-year-old charity worker.

"This was an attack on Muslims near their place of worship," Mrs. May said following a meeting of the country's emergency-security committee. "And like all terrorism, in whatever form, it shares the same fundamental goal. It seeks to drive us apart. We will not let this happen."

One person was dead, but police said it was too early to say if it was a result of the attack outside the Muslim Welfare House. Eight people were rushed to hospitals, several of them with serious injuries.

London's Metropolitan Police said they arrested a 47-year-old man, who they believed to be the sole suspect. Photos from the scene showed a white van with the logo of a Welsh rental company on the side. Police declined to name



Police officers maintaining a cordon in the Finsbury Park area of north London on Monday after a vehicle plowed into pedestrians.

the alleged attacker.

British media reported that the alleged attacker lived in Wales, and that police searched a property in the suburbs of Cardiff, the Welsh capital, in connection with the incident.

After the attack, the man jumped out of the van and fled, but was chased down and pinned to the ground as he shouted anti-Muslim obscenities, witnesses said.

"We saw a van was driving very fast, so we thought at the beginning he wanted to catch the traffic light," said Saeed Hashi, 28, who said he saw the attack. "But he didn't. He hit a

woman first and then two men. He carried on, and another three, or four, or five."

Mr. Hashi said he and five others restrained the alleged attacker. Some were punching him, but the mosque imam intervened, telling them to stop and wait for police, others said.

"He said, 'I've killed the Muslims, kill me, please,'" said a 30-year-old man who runs a coffee shop across the street and said he helped apprehend the attacker. "As he was being arrested, he blew us kisses and smiled at us," he added.

After criticism in the neighborhood and on social media

that the authorities were slow to declare the incident a terrorist attack, Mrs. May said police did so within eight minutes. Some at the scene had said they hadn't seen the same outpouring of grief as in other attacks.

Police said extra personnel would be deployed in London, especially to protect Muslims.

The imam at the Muslim Welfare House, Mohammed Mahmoud, told reporters that bystanders held the attacker down but couldn't restrain those trying to hit him, so he and others "pushed the people back."

He said people who wish to

divide the U.K. and London have influenced some who are "vulnerable and impressionable into thinking we're barbaric and that we are people who like to shed blood."

Some remained shaken. Adil Rana, 24, said he was in front of the mosque when he saw the van accelerate toward him. He took cover and then saw people on the ground covered in blood. "I'm extremely upset," he said. "This will only escalate violence. People are angry. I'm angry."

—Paul Hannon
and Joanna Sugden
contributed to this article.

Cascade of Fatal Violence Puts Uneasy Nation Further on Edge

BY JENNY GROSS
AND GEORGI KANTCHEV

LONDON—The thudding of helicopter rotors jolted Halima Ali awake after midnight on Monday morning. Instinctively, she said, she jumped from her bed to check on her 4-year-old daughter.

"I just knew in my bones it was another horror," said Ms. Ali, a 27-year-old university student.

Police had flooded into Ms. Ali's north London neighborhood in response to the fourth terror attack in Britain since March—this time by an assailant who plowed a rented van into a crowd of Muslims leaving Ramadan prayers. One man died and eight others were rushed to the hospital.

It was the latest in a troubling litany of events this year

that has exposed divisions in the U.K. along lines of religion, ethnicity and class, fraying a nation, and particularly a capital, that prides itself on keeping calm and carrying on.

"These have been a terrible few weeks for London, unprecedented in recent times," the city's mayor, Sadiq Khan, said Monday, before urging citizens to stay strong.

Monday's violence came days after a fire in a public-housing complex that left at least 79 people dead and missing, according to the latest official tally. That disaster has focused attention on the wide disparities between London's rich and poor and led to protests by critics who blame government spending cuts and lax enforcement of safety rules for the blaze and the shockingly high death toll.

Death Toll Grows In High-Rise Fire As Questions Mount

LONDON—Police said the number of dead and missing in a London high-rise fire rose to 79, while a public spat intensified over whether construction material that has become a focus for authorities in the tragedy's aftermath was compliant

with building codes.

A key question about the disaster was what role exterior cladding played in spreading the fire. Footage appeared to show the fire quickly spreading along the outside of the 24-story tower.

Philip Hammond, the U.K.'s Treasury chief, told the British Broadcasting Corp. on Sunday that the type of cladding used in the building was banned, while the U.K. Department of

Communities and Local Government has said its use wasn't compliant with building regulations.

That triggered a detailed rebuttal on Monday from CEP Architectural Facades Ltd., the company that supplied the cladding material to a separate contractor, Harley Facades Ltd., which installed the cladding on the building as part of a refurbishment last year.

—Denise Roland

Earlier in June, three Islamist extremists rammed pedestrians with a van on London Bridge and stabbed others, killing eight people and injuring dozens before they were shot and killed by police. In March, another Islamist terrorist—also using a

vehicle and a knife—killed five, including a policeman guarding Parliament.

In between those two attacks, a suicide bomber in May killed 22 people at a pop concert in the northwestern British city of Manchester.

That string of violence, sus-

tained by Monday's assault on Muslims, raised fears of further copycat and revenge attacks.

Britain and its government are grappling with all this amid great political uncertainty. Prime Minister Theresa May suffered a serious setback in national elections this month and was weakened after her Conservative Party lost its majority in Parliament.

At the same time, on Monday, formal talks began on Britain's exit from the European Union—a process that will redefine the country's place in the world after decades as a member of the bloc. Ali Ibrahim, a 23-year-old student who witnessed Monday's attack, said hatred and divisions within society feel palpable after so much violence in such a short period. "If we're united, we can overcome," Mr. Ibrahim said. "But right now, there's a lot of turmoil, with this Brexit, a hung Parliament. We don't know what direction we're heading in, you know? It could possibly be—I don't really want to say it—but London is falling at the moment."

WORLD NEWS

NATO's Baltic Buildup Roils Russia

BY JULIAN E. BARNES

ADAZI, Latvia—The North Atlantic Treaty Organization said its deterrent force is fully in place in the Baltic area with the addition of a Canadian-led battle group in Latvia, enhancing deployments criticized by Russia.

A ceremony on Monday, featuring parading troops from Latvia, Canada, Poland, Italy, Spain, Slovenia and Albania, marked complete deployment of the fourth and final alliance battle group to the Baltic region. In all, NATO has positioned some 4,500 troops in Latvia, Lithuania, Estonia and Poland.

Allied and Russian forces have both been building up in the Baltic region. The deployments have raised the risk of miscalculation, some analysts said, but both sides have said they are necessary defensive

initiatives.

The U.S. has deployed a tank brigade to Central and Eastern Europe and is conducting exercises in the Baltic Sea region. This month, the U.S. flew B-2 stealth bombers to Europe for what American military officials called a demonstration of reassurance for allies. The U.S. has also deployed other bombers and Army units for exercises in the Baltic Sea area.

Russia, too, is enlarging its forces. It is creating a larger permanent military presence in the region, including missiles and new army units, moves it says counter the NATO deployments. Russia and Belarus are also preparing for a large military exercise in September.

NATO Secretary-General Jens Stoltenberg said he didn't see any "imminent threat" to NATO forces or the Baltic states. He also said he hoped



Canadian troops took part in Monday's inauguration ceremony.

VALDA KALNINA/EUROPEAN PRESSPHOTO AGENCY

to convene a meeting between NATO ambassadors and their Russian counterpart so the two sides could brief each other on coming exercises.

"We see increased military presence in this region," Mr.

Stoltenberg said in an interview. "The increased military presence underlines the importance of transparency, predictability, and risk reduction."

Russia has said the NATO deployment violates an agreement

with Moscow not to permanently station significant combat forces on Russia's borders.

Russian officials have consistently said the NATO force is undermining, not improving, security. Alexander Grushko, the Russian ambassador to NATO, recently said the alliance should focus on fighting terrorism, not defending against Moscow.

Mr. Grushko also said NATO's buildup risked an arms race. "The situation is dangerous," he said. "We know from our previous experience when there is a military dynamic...it will reproduce the logic of having additional assets, additional assets, additional assets."

Mr. Stoltenberg said the alliance hadn't violated agreements with Russia. Canadian Defense Minister Harjit Sajjan said the NATO arrangements were clearly defensive.

U.S. Navy Collision Similar to 1985 Event

BY ALASTAIR GALE

TOKYO—In late 1985, a U.S. Navy frigate was sailing in the dark near Yokosuka port in Japan when it was hit by a Philippine-registered freighter, tearing a large gash in its right side.

The collision, which caused only minor injuries, bears a resemblance to the deadly impact in the predawn hours Saturday of the USS Fitzgerald, a destroyer, and a Philippine-flagged cargo vessel 56 nautical miles south of Yokosuka.

Seven U.S. sailors were killed in the weekend disaster.

While the incidents are 32 years apart and may have different causes, they highlight questions over safety in one of Japan's busiest maritime regions.

Yokosuka, home to the U.S. Navy's Seventh Fleet, sits at the entrance to Tokyo Bay, home to the major ports of Yokohama and Tokyo.

On Monday, a U.S. Coast Guard investigation team arrived in Japan to begin working on a safety probe into the latest collision.

The U.S. Navy is holding a separate investigation into the cause of the incident, while Japan's coast guard and Transport Safety Board have launched their own investigations.

Officials on both sides declined to provide initial assessments on the cause of the collision.

The cargo ship involved in the weekend accident, the ACX Crystal, finished unloading its cargo of containers on Monday in the port of Yokohama, officials from the ship's owner, Nippon Yusen KK, said. They added that damage to the front of the vessel would likely be repaired.

The U.S. Navy and Nippon Yusen declined to make crew members from either ship available for interviews.

The collision of December 1985 occurred around 1 mile outside Yokosuka harbor, according to an Associated Press report from the time.

The USS Lockwood sustained a hole 25 feet wide in front of the bridge on its right side. Three sailors sprained their backs and one broke his ankle, according to the report.

The U.S. Navy didn't respond to an emailed question about the result of the investigation into the 1985 incident.

John Durkin, a former crew member of the USS Lockwood who had been transferred off the ship shortly before the accident, said that the captain was immediately relieved from his position.

"In the Navy it doesn't matter whose fault it is, the captain is responsible," Mr. Durkin said, adding, "there's a very strong culture of responsibility."

—Chieko Tsuneoka contributed to this article.

Divisions Emerge as U.K. Exit Talks Begin

BY LAURENCE NORMAN
AND VALENTINA POP

BRUSSELS—The U.K. and the European Union concluded their first day of negotiations over Britain's departure from the bloc with the EU securing its preferred timetable for the talks and divergent views emerging over a divorce bill the EU is demanding from London.

The talks on Monday started almost exactly a year after the June 2016 U.K. referendum vote to quit the EU. They must be done in time for Britain to leave in March 2019.

In an early concession, 11

days after elections in which Prime Minister Theresa May's Conservative Party lost its parliamentary majority, British negotiators agreed to focus early talks on the EU's key priorities: settling the future rights of EU citizens in the U.K., discussing past spending pledges the EU wants Britain to fulfill, and avoiding a hard border in Ireland.

The EU has said only once there is "sufficient progress" on these issues can talks begin on the future trade relationship between the two sides. The bloc's chief negotiator, Michel Barnier, said he hopes the sides can reach that point by October.

In a sign of the tensions that lie ahead, EU officials said U.K. Brexit Secretary David Davis didn't accept the EU's legal case for a British divorce bill—financial commitments made by the U.K. that it hasn't yet fulfilled—saying there were different legal views on the issue. EU officials have said Britain has made spending pledges of at least €60 billion (\$67 billion).

At a news conference, Mr. Davis and Mr. Barnier categorized the talks as positive.

"The first session was use-

ful indeed to start off on the right foot and the clock is ticking," Mr. Barnier said.

The sides agreed to meet for one week a month to conduct negotiations, with the next talks beginning July 17. They set up three working groups on citizens' rights, the EU's financial settlement demands and other divorce issues.

They also established a separate dialogue, at a higher political level, to discuss the sensitive and complex issue of avoiding a hard border between Northern Ireland and the Republic of Ireland. Mr. Davis acknowledged solutions

for Ireland would take longer.

Britain started negotiations at a time of political volatility at home, with Mrs. May struggling to rebuild her authority after calling early elections that ended in disaster for her party.

Since the vote, there have been calls from senior Conservative politicians for Mrs. May to soften Britain's Brexit goals.

Mr. Davis said there would be no change in the government's intention to leave the EU's single market of goods and services and exit the EU's customs union. Mr. Barnier said the EU side also was negotiating on that basis.

German Building Boom Unearths Old Bombs

As new construction goes up, unexploded-ordnance technicians delve for remnants of past conflict

BY ANTON TROIANOVSKI

ELLENSDAMMERSIEL, Germany—This country's construction boom has reached such heights that its unexploded-ordnance-removal technicians can barely keep up.

"This really takes it out of you," one of them, Hans Mohr, said one recent Saturday after a 65-hour work-week—not counting this morning's assignment, which was digging up a railway bed. "I can't keep going on like this."

Thanks to low interest rates and a humming economy, new construction activity in Germany is approaching 20-year highs. That building boom is disturbing the thousands of tons of bombs, artillery shells, and hand grenades from two world wars that are still hidden underground.

People have been digging up unexploded ordnance in Germany for decades. But more than 70 years after the end of World War II, statistics from across Germany show that its governmental unexploded-ordnance technicians are now busier than they have been in years.

"We're not going to go ex-

A Dangerous Job on the Rise

An increase in construction activity in Germany is spurring a rise in bomb-removal work, including in the states of North Rhine-Westphalia, Hesse, Lower Saxony and Baden-Württemberg.

Ordnance-removal cases



tinct," said Karl-Friedrich Schröder, another veteran of the trade, as he locked up a secret bunker filled with recovered bombs in the Westphalian hills. "Interest rates are still low."

British and U.S. airplanes dropped some 1.4 million tons of explosives on German cities and production centers during World War II. The bombs that didn't explode are among the remnants of previous conflicts

and land-warfare ordnance, including artillery shells and hand grenades, now buried. The country's main construction trade group says that about 100,000 tons of unexploded ordnance still lie in German soil.

Mr. Schröder's office in the intensely bombed Ruhr region has seen its workload increase more than 30% this year. The state of Lower Saxony, where Mr. Mohr is based, disposed of 93 tons of

unexploded ordnance last year—the most in at least a decade. In the large German states of North Rhine-Westphalia, Hesse, and Baden-Württemberg, the number of inquiries received by ordnance-removal services is up more than 40% since 2011.

For construction projects the impact of unexploded bombs runs deep. In Dortmund, pump manufacturer Wilo SE is spending €150 million (\$168 million) to unexcavate the area where metal appears to be buried.

"You look at this and you know that very, very many people died there," she says about a black-and-white aerial photograph of a cluster of houses with their roofs blown off. "In terms of your feelings, you need to stand back from this."

Charlotte Albers spends her day peering at photographs taken by British bombers during World War II, searching for the signatures of unexploded bombs amid the wreckage.

"In the Arnsberg district of North Rhine-Westphalia, an industrial area where some city centers were virtually destroyed in World War II bombings, the ordnance-disposal office added five new employees since late last year, bringing its staff to about 40.

Charlotte Albers spends her day peering at photographs taken by British bombers during World War II, searching for the signatures of unexploded bombs amid the wreckage.

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WORLD NEWS

U.S. Seeks an Ally in Beijing

By FELICIA SCHWARTZ

WASHINGTON—The U.S. will press China to ramp up pressure on North Korea in a round of high-level talks on Wednesday, hoping for action on what Washington sees as a pre-eminent threat, a senior U.S. diplomat said Monday.

The Trump administration is pursuing a strategy of leaning strenuously on Beijing to curtail North Korea's nuclear weapon and missile programs, but provocations by Pyongyang have continued since President Donald Trump and Chinese President Xi Jinping met in Florida in April.

The State Department's top diplomat for Asia, Acting Assistant Secretary Susan Thornton, told reporters on Monday that China is the leading facilitator of North Korea's economic activity, and noted that Beijing's ban on buying North Korean coal has had an effect.

"But we would like to see China do more, and we're going to be talking to them about that this week," Ms. Thornton said, adding that the U.S. is working with China to try to crack down on North Korean entities that go through China to do business.

Chinese officials, meanwhile, are hoping to shift the focus of bilateral discussions to trade, as U.S. optimism for



Chinese State Councilor Yang Jiechi and Secretary of State Rex Tillerson, seen here in February, meet this week. The U.S. has called on China to raise pressure on North Korea to curb its weapons programs.

further cooperation over North Korea has dimmed.

Emphasizing how both countries stand to gain from closer trade links, Beijing is pointing to its recently lifted restrictions on imports of American beef, after 14 years, and how the growing appetites of Chinese consumers can benefit the U.S.

Secretary of State Rex Tillerson and Defense Secretary Jim Mattis will host Chinese State Councilor Yang Jiechi and Gen. Fang Fenghui, chief of the Joint Staff of the People's

Liberation Army, at the State Department.

Wednesday's meetings are the latest iteration of bilateral talks between Washington and Beijing that began under the Bush administration. During the Obama administration, economic, diplomatic and security issues were handled on a single track.

The Trump administration has altered the format, so that economic ties have their own session. There also are separate tracks for law enforcement

and cyber issues, as well as another for cultural exchange. Ms. Thornton said Washington and Beijing are likely to discuss norms for conduct in cyberspace on Wednesday, rather than specific incidents.

Mr. Trump frequently used heated rhetoric toward China while campaigning for president, but has moderated his tone and has linked together the trade and security relationships with Beijing.

—Josh Chin in Beijing contributed to this article.

China's Cash Blunts Europe's Criticism

By NEKTARIA STAMOULI AND WILLIAM WILKES

ATHENS—Greece's recent veto of a European Union statement condemning Chinese human-rights violations shows the return Beijing is getting on its multibillion-dollar investments in the bloc's cash-strapped periphery.

China's acquisition spree in Western Europe last year raised fears about the commercial costs of losing cutting-edge technologies. Less foreseen was

the degree to which Beijing's investment in poorer parts of Europe appears to have bought silence on China's human-rights record, according to analysts, diplomats and human-rights organizations.

On Thursday, Greece was alone among the 28 EU members in objecting to criticism of China by the bloc, which sought to challenge Beijing's crackdown on political activists and dissidents. "Greece's position is that unproductive and in many cases selective criticism

against specific countries doesn't facilitate the promotion of human rights in these states, nor the development of their relationship with the EU," a Greek foreign ministry official said.

EU officials played down the rift.

China has helped fund infrastructure projects in Europe's south and east, offering billions of euros in finance for railways, power lines, roads and bridges across such economically squeezed countries as Greece, Hungary, Croatia and Portugal.

For Greece, under pressure from international creditors to slash public spending, Chinese cash has been vital. It helped refurbish Greece's largest port and propped up its wheezing state-owned power-grid operator.

Chinese Foreign Ministry spokesman Geng Shuang said while Beijing didn't know specifics of internal EU discussions on the issue, China wanted to commend "the relevant country" for taking the right position on the matter.

EUROPEAN UNION

Divisions Hobble Bid To Lead Climate Deal

EU governments clashed over joint efforts to reduce greenhouse-gas emissions, highlighting the challenges facing the bloc as it vies to lead the global fight against climate change.

Environment ministers from the EU's 28 members on Monday struggled to bridge divides on legislation to cut emissions. Some pushed for carbon subsidies to help plug national shortcomings, while others warned such measures would undermine the bloc's Paris Agreement commitments.

The EU's internal squabbles come less than three weeks after President Donald Trump decided to pull the U.S. out of the global accord to halt climate change, providing an opening for Brussels to become the Paris deal's principal advocate.

"More than ever, there is a need for a strong signal from the European Union that we are ready to lead the way," Miguel Arias Cañete, European commissioner for climate action and energy, told the gathering of the bloc's environment ministers.

—Emre Peker

SOUTH KOREA

Seoul Powers Down Nuclear-Plant Sector

South Korea said it would scrap plans to build new nuclear-power plants and halt operation of the country's oldest reactor, marking a shift for a nation that ranks among the most reliant on

atomic energy.

President Moon Jae-in, the left-leaning leader elected last month, said Monday that he would permanently end operations at the Kori-1 reactor, which went online in 1978, at midnight on Sunday.

"The permanent shutdown of the Kori-1 nuclear reactor is the first step toward a nuclear-free state and a paradigm shift to a safer Korea," Mr. Moon said. "I will review nuclear-reactor policy in full measure and scrap all the existing plans to build new nuclear reactors and will not extend the lifespan of current ones."

—Min Sun Lee

PHILIPPINES

Southeast Asian Sea Patrols Begin

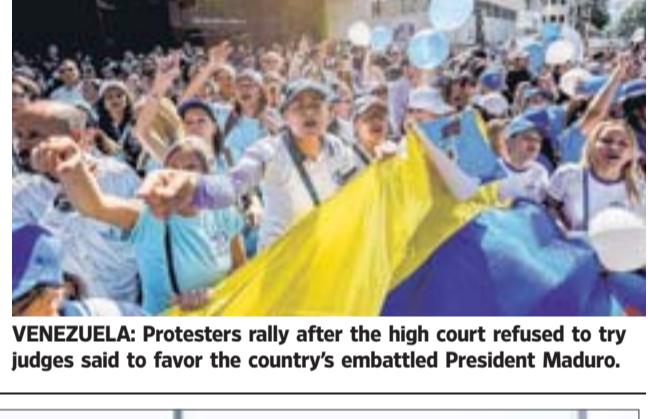
Three Southeast Asian nations under threat from Islamic State-linked militants launched joint maritime patrols in an effort to stop a conflict in the southern Philippines from spreading to other parts of the region.

The Philippines, Indonesia and Malaysia plan to police the Sulu and Celebes seas, a vast area prone to piracy and kidnappings.

The conflict in the southern Philippines, now entering its fifth week, is raising concerns in Jakarta that militants could flee to neighboring Indonesian islands.

The joint patrols were first agreed to more than a year ago, but were delayed over disputes such as overlapping territorial claims, said Ian Storey, a senior fellow at the Iseas-Yusof Ishak Institute in Singapore.

—Ben Otto



VENEZUELA: Protesters rally after the high court refused to try judges said to favor the country's embattled President Maduro.



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Tom Hanks,
Hidden Heroes Chair

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IN DEPTH

CHINA

Continued from Page One
wood absorbs a new maxim:
For a movie to make money in
China, make it worthwhile to
someone in China.

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

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

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

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

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

The coming "Transformers: The Last Knight" secured investment from three Chinese

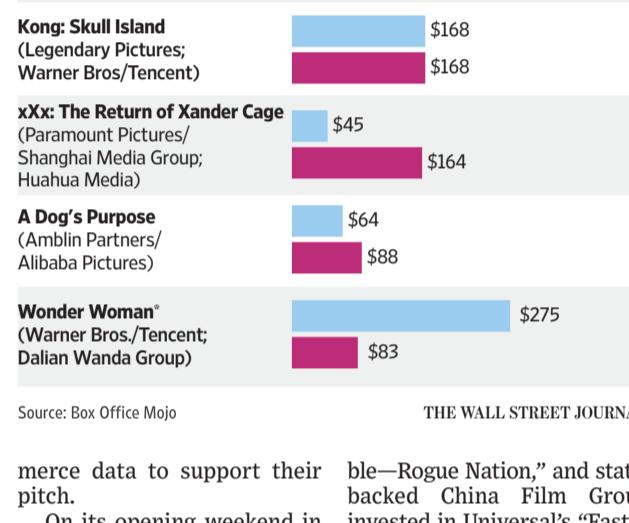


LINTAO ZHANG/GETTY IMAGES

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

Chinese Movie Magic

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



Source: Box Office Mojo

THE WALL STREET JOURNAL.

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

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

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

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

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

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

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

Thanks to its performance in China, "xXx" went from be-

ing a "substantial money loser to at least OK," the person familiar with the matter said. The success has led producers to greenlight another "xXx" sequel, producers said Monday, with Chinese partners already on board.

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Superheroes

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

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

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

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

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

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

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

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

—Lilian Lin in Beijing contributed to this article.

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

companies, including leading online-ticketing company Weying Technology Co.

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

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

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

These investors have shared high-profile screen credits

merce data to support their pitch.

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

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

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

ble—"Rogue Nation," and state-backed China Film Group invested in Universal's "Fast & Furious" series. The 2015 and 2017 installments of the car-race movies grossed \$391 million and \$392 million in China, respectively—more than either made at U.S. theaters.

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

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

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

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When the race issue surfaced in Kahuzi-Biega, Mr. Mulimbi had been following Mpungwe for a year, hacking his way through the dense undergrowth, searching for gorilla nests, dung and trails amid the wild celery stalks. "The gorillas put my children in university," said pygmy tracker Antoine Bakongo Lushombo.

When he locates the gorilla family, Mr. Mulimbi pays homage to the silverback. A tip: Don't surprise a gorilla. He won't like it. Mr. Mulimbi routinely coughs or emits a low growl to signal his friendly approach. If the big male is at ease, so are the others.

Mpungwe, however, frequently charges screaming through the underbrush, tearing at the branches before pulling up just short of gorilla-human contact. Mr. Mulimbi believes these mock attacks give him a chance to show Mpungwe he isn't a threat. When Mpungwe rushes the rangers, Mr. Mulimbi steps slowly aside and murmurs, "Calm, calm."

Rwandan authorities urge visitors not to make eye contact with a charging gorilla, but Kahuzi-Biega's rangers meet the silverback's gaze. Nobody recommends running. "It's like a man," said Mr. Mulimbi. "Sometimes he can be angry. Sometimes he can be good."

The bad moments are hard to forget. One time, a silverback named Mabalala grabbed Mr. Mulimbi, squeezed the breath out of him and carried him 15 feet before dropping

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CONGO

Continued from Page One
lists of the adventuresome. Gorilla tourism, they say, serves two purposes: It brings in revenue to protect the park and its wildlife, and it generates income for villagers who might otherwise consider the animals fair game for dinner.

There were some 17,000 Grauer's gorillas—also known as eastern lowland gorillas—in Congo in 1995. Some 77% of them were slaughtered during the fighting and the subspecies is now listed as critically endangered, according to the U.S.-based Wildlife Conservation Society. Among those killed were virtually every member of five families habituated to human presence in the 1.5 million-acre Kahuzi-Biega park, a Unesco World Heritage site.

When poachers approached, the gorillas didn't sense the danger, Mr. Mulimbi said.

With the fighting subsided, park officials believe they can now market Kahuzi-Biega as the best-kept wildlife secret since the mythical elephant graveyard. High-season mountain gorilla-viewing permits go for \$600 per person, per day in Uganda's Bwindi Impenetrable National Park. Rwanda recently doubled the price of its mountain-gorilla passes in Volcanoes National Park, to \$1,500. Kahuzi-Biega charges \$400 to visit the Grauer's gorillas, a per-pound bargain. "I don't know if

their gorillas are better than ours or what," said Juvenal Munganga, who is in charge of visits to Kahuzi-Biega. The park logged 1,124 visitors last year.

Park authorities are habituating enough gorillas to attract more ecotourists, while exposing as few animals as necessary to the dangers of habituation can entail. Some 200 rangers, armed with AK-47 rifles, defend the park from poachers.

Chimanuka was one of the few habituated gorillas who survived the onslaught of militia fighters, poachers and desperate civilians during the war. Now he is a full-grown silverback, and

he, his three wives and 15 children are the park's stars. The adults are largely indifferent to visitors of any race, placidly stripping leaves from vines and loudly passing gas while young gorillas engage in horseplay.

Mpungwe is another story, still tentative in his embrace of tourism. Even when Mr. Mulimbi approaches, Mpungwe keeps to the shadows, glaring through branches, then stages dramatic charges to test the threat level to his seven wives and 12 children.

Mr. Mulimbi, now 52, was giving tours at a local tea plantation when his English skills

caught the attention of park officials. He soon found he had a knack for cozying up to gorillas. Each day around 6 p.m., the silverback will beat his chest to signal it is time for the family to make camp for the night. Adults gather leaves and branches to create nests on the ground. Youngsters build theirs in the trees to keep watch.

In the morning, each Grauer's gorilla defecates next to the nest and the family sets off in search of a nice place to spend the day eating bamboo, leaves or sweet myrianthus fruit. A big male, who can stand about 5 feet tall, con-

sumes 70 pounds of food a day.

Trackers, many of them pygmies born to the forest, machete their way through the dense undergrowth, searching for gorilla nests, dung and trails amid the wild celery stalks. "The gorillas put my children in university," said pygmy tracker Antoine Bakongo Lushombo.

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Indeed, after months of tracking Mpungwe in manila-face, Mr. Mulimbi decided to ask headquarters to send him more white tourists. This time Mpungwe took them in stride.

GREATER NEW YORK

Cuomo Pushes for LIRR Fare Cut

The governor says riders should get a break for Penn Station repair disruptions.

BY PAUL BERGER

Passengers who face a grueling commute this summer because of rail disruption at New York's Penn Station deserve discounted tickets on the Long Island Rail Road, New York Gov. Andrew Cuomo said Monday.

Mitchell Pally, the Metropolitan Transportation Authority's Suffolk County board member, said later in the day that he strongly supports a fare discount and suggested it could be up to 15%.

Mr. Cuomo made his call for a fare discount during a news conference at Penn Station. The service disruptions are the result of emergency repair work being done by Amtrak, which owns and operates the Midtown Manhattan terminal.

The governor spoke to reporters as the head of the MTA, which owns the LIRR, was discussing issues related to the repairs with a committee of the agency's board in lower Manhattan. Veronique Hakim, the MTA's interim executive director, said that the MTA will withhold regular payments it makes to Amtrak for using Penn Station and that the MTA will send Amtrak a bill for costs incurred by the disruption.

"We expect their commitment to pay for what will be our costs over the next couple of months as we deal with the ramifications of their emergency construction work in



Gov. Andrew Cuomo and other New York politicians toured Penn Station's new concourse Monday.

Up to 20% of the LIRR rush-hour trains into and out of Penn Station will be canceled or diverted during the disruption, affecting an estimated 9,600 commuters daily.

Many morning trains will be diverted to stations in Brooklyn and Queens where passengers will get a free transfer to the subway. The MTA hasn't offered free subway transfers to LIRR passengers during the commute home.

The LIRR will also add 36 cars to trains at Penn Station. And it will offer bus service to 34th Street from eight park-and-ride locations and two ferry services.

Mr. Cuomo, who controls the MTA, said diverted riders "deserve a discounted fare for enduring the inconvenience of a disrupted commute."

Ms. Hakim agreed. "We intend to follow the governor's lead and make sure our riders are fairly compensated," she said.

Such a discount would have to be approved by the MTA's board.

Mr. Pally, who is chairman of the MTA's Long Island Rail Road committee, said Monday that the discount could be between 10% and 15%.

The MTA hasn't released an estimated cost for the disruption.

Mr. Pally said that the bill should be paid directly by Amtrak or by the federal government, just as the federal government would help with the cost of dealing with a natural disaster.

An Amtrak spokeswoman, Christina Leeds, said: "MTA has no basis to require Amtrak to pay for the cost of reductions in its fares."

Mayoral Candidate Promises Transit Fix

Republican mayoral candidate Paul Massey says he has the solution to New York City's transit woes.

Amid a rise in delays on subway lines and commuter railroads, Mr. Massey, a former real-estate executive, said his campaign would roll out "five transformative projects" in the coming weeks to ease commutes and improve infrastructure.

Penn," Ms. Hakim said.

Amtrak will reduce weekday rush-hour service into and out of Penn Station beginning July 10. The outages are needed so that Amtrak can carry out extensive repair work to rails and switches following two low-

ture.

One proposal promises "an immediate solution" to the planned closure of the subway's L line for 15 months beginning in 2019 for critical repairs. Mr. Massey said he would also find a way to connect the G train, which runs in Brooklyn and Queens, directly to Manhattan.

In another proposal, Mr. Massey said he would expand the PATH system, a railroad connecting New Jersey and Manhattan, to Staten Island.

Mr. Massey said Mayor Bill de Blasio, a Democrat up for

re-election this year, hadn't done enough for commuters.

"His neglect of our city infrastructure is a travesty and it is making life a nightmare for New Yorkers," Mr. Massey said.

The subway system isn't controlled by the mayor.

Dan Levitan, a spokesman for Mr. de Blasio, noted that the mayor had launched a city ferry system and had helped expand the city's bike share system.

"We are happy to compare his transit record against anyone," Mr. Levitan said.

speed derailments earlier this year.

In May, New Jersey Gov. Chris Christie announced that thousands of commuters on NJ Transit's Morris and Essex Lines Midtown Direct trains, who will be diverted to Hobo-

ken through Sept. 1, will be offered monthly tickets discounted by up to 63%.

The MTA initially dismissed offering discounted tickets. On June 12, Ms. Hakim said that the MTA was focused instead on "providing service."

Impasse In Albany On School Control

BY MARA GAY
AND LESLIE BRODY

After 15 years of mayoral control of New York City schools, the Legislature appears deadlocked over whether to extend it.

The state law gives Mayor Bill de Blasio authority over the school system of more than 1.1 million children, but the measure will expire on July 1 unless lawmakers act.

Without an extension, the city would return to a system of one central board, plus local school boards. While backers of this system said it gave more authority to local parents, critics said it was rife with patronage and dysfunction.

"There was corruption, it was rampant, it was obvious. There was patronage everywhere, unqualified people got hired all the time, and nothing could stop it," Mr. de Blasio said at City Hall on Monday at a rally urging lawmakers to renew the measure.

Senate Republicans have said they aren't opposed to mayoral control, but some have ques-

Without an extension, the city would return to one central board, plus local school boards.

tioned Mr. de Blasio's stewardship of city schools and sought more financial information before renewing the measure. Mr. de Blasio has cited improved graduation rates and test scores, and said he provided them with all the information they have requested. Former Mayor Michael Bloomberg was granted mayoral control for a seven-year stretch, and then again for six years.

While asking for the law's extension has become an annual ritual for Mr. de Blasio, the effort has taken on greater urgency this year, with Albany lawmakers deadlocked just three days before the end of the legislative session Wednesday.

Albany lawmakers in recent years have used the measure to eke concessions out of Mr. de Blasio, a Democrat who is unpopular among many state lawmakers. The mayor helped lead an unsuccessful push to flip the Senate to Democratic control in 2014.

In exchange for approving mayoral control, Senate Republicans have sought concessions from Mr. de Blasio on charter schools. He has said charter-school expansion should be considered separately from mayoral control.

Some people familiar with the matter said Assembly Speaker Carl Heastie, a Democrat, feels he has had to give up too much in recent years to secure mayoral control, and has put less effort into the push this year.

Mr. Heastie told reporters Monday he plans to leave Albany on Wednesday when the session is over and he isn't coming back to handle any outstanding issues. The Legislature already passed more aid to charters in the state budget earlier this year and didn't need to do more for them, he said.

—Mike Vilensky contributed to this article.

Playtime in the Park With Soccer Coach



HAPPY CAMPERS: Coach Mark Bohan sported soccer cones on his ears Monday as he encouraged young players to gather them up in Brooklyn's Cadman Plaza Park.

Art Dealers Charged With Selling Fake Hirst Works

BY CORINNE RAMEY

Three art dealers were indicted on accusations of selling fake Damien Hirst art, Manhattan prosecutors said Monday.

The Manhattan district attorney's office said Vincent Lopresto, 52 years old of New Orleans; Marco Saverino, 34 of Cottonwood, Ariz.; and Paul Motta, 50 of Sedona, Ariz., had stolen \$400,000 from dozens

of buyers by selling counterfeit art. They are accused of grand larceny, scheme to defraud and other crimes.

In January 2014, Mr. Lopresto pleaded guilty to identity theft and scheme to defraud for selling forged art advertised as Damien Hirst prints, prosecutors said. Mr. Lopresto was in a New York state prison from May 2014 until October 2015, records show.

"Vincent Lopresto is charged with resuming the same scheme to knock off Damien Hirst artworks that sent him to prison just 15 days after being released," Manhattan District Attorney Cyrus Vance Jr. said in a statement.

A lawyer for Mr. Lopresto declined to comment. Lawyers for the other men couldn't be reached. Mr. Lopresto pleaded not guilty in state Supreme

Court in Manhattan on Monday.

Prosecutors said that from October 2015 through February 2017, Mr. Lopresto used a printer, stamp and other tools to make fake prints, then worked with Messrs. Saverino and Motta to advertise the art online. They also used fake purchase receipts and certificates of authenticity, according to prosecutors.

The district attorney's office said the sales were made to

people in the U.S., United Kingdom, Italy, South Africa and other countries. The defendants made four sales to Manhattan residents and two to an undercover investigator, they added.

Mr. Hirst, a British artist, is perhaps best known for works such as a shark in a tank of formaldehyde. His so-called "spot" paintings are named after various pharmaceuticals. He couldn't be reached for comment.

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GREATER NEW YORK



Remnants of a cellblock, the oldest building in the Sing Sing Correctional Facility in Ossining, N.Y., that would be part of the museum.

Prison Capitalizes on Past

Local officials move closer toward opening a museum at the notorious Sing Sing

By CORINNE RAMEY

OSSINING, N.Y.—Sing Sing Correctional Facility, located 30 miles north of New York City, is known for its cameos in classic films and for infamous inmates.

But local officials believe the maximum-security men's prison, which holds about 1,600 inmates, also could attract a different sort of clientele: tourists.

For decades, local officials have sought to build a museum at Sing Sing. They view the prison as a historic landmark that could draw visitors, particularly from New York City, who would then eat, shop and explore other attractions in Westchester County.

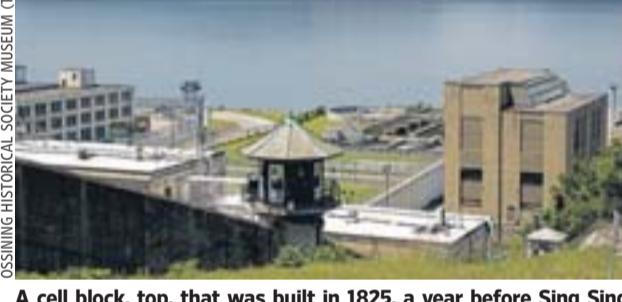
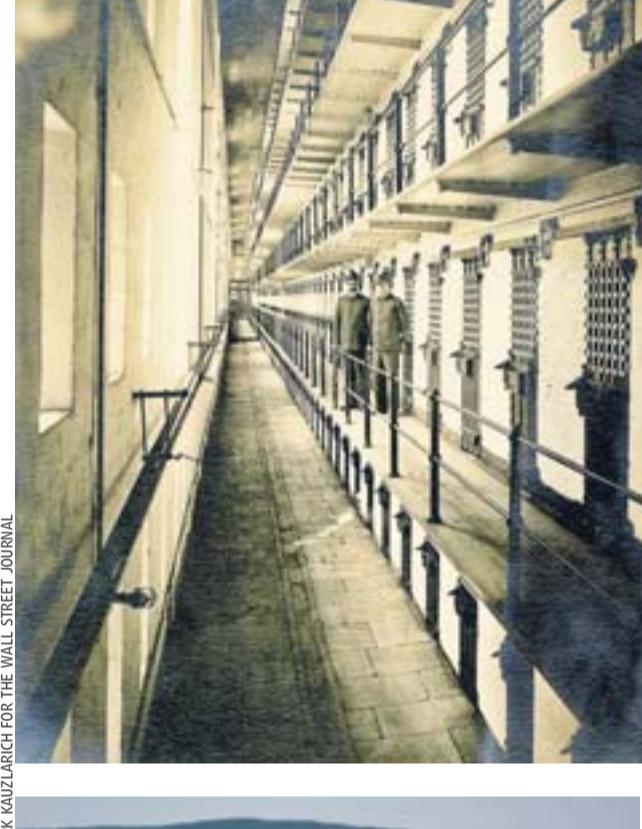
Capitalizing on broad interest in incarceration and so-called dark tourism—or visits to historic sites of death and punishment—Sing Sing Prison Museum would tell the story of Sing Sing's past and its present, and host criminal-justice events, officials say.

Local officials believe it would be one of the few prison museums in the U.S. on the grounds of an active prison. Most prison museums operate in decommissioned facilities.

"It's an untold story in a facility with amazing name recognition," said Jerry Faiella, executive director of Historic Hudson River Towns, a regional-tourism nonprofit leading the project.

Brent Glass, director emeritus of the Smithsonian's National Museum of American History, said Sing Sing's history illustrates that of criminal justice in the U.S. "Every chapter in the history of criminal justice in America has a few pages written at Sing Sing prison," said Mr. Glass, an adviser to the project.

The idea of a museum at Sing Sing has been floated intermittently since the 1980s and ultimately came to a halt during the financial crisis of



A cell block, top, that was built in 1825, a year before Sing Sing opened. Above, the prison seen recently along the Hudson River.

2008. But local officials say this time, the former pipe dream has made meaningful steps toward reality.

Late last year, the projected \$50 million project won a \$500,000 state economic-development grant. Last month, it selected board officers and the state approved the museum's charter, a step toward becoming a nonprofit.

Studies by consulting firms estimate the museum would draw just over 100,000 visitors each year and increase tourism

spending by \$12 million statewide.

Under the current plan, the museum would consist of two prison buildings. One, the so-called 1936 Powerhouse, is a former coal-powered plant now used as a maintenance garage for prison vehicles. The facility would hold exhibits and artifacts, including one of the series of electric chairs, nicknamed "Old Sparky," which were used to execute 614 inmates.

The other, the 1825 Cell-

wanted the institution closed.

"You've got this mythic place full of the baddest people in New York," said Ossining Village Historian Dana White. The prison, originally called Mount Pleasant State Prison, was renamed Sing Sing in the early 1850s. Fifty years later, the villagers decided they had had enough.

"Sing Sing Village was so tired of being associated with Sing Sing Prison that it changed its name to Ossining in 1901 in order to not have the same name," Ms. White said.

Now, some in the village on the Hudson River have come full circle with their support of establishing one of the few museums on active prison grounds

block, is the oldest building in the complex. Built by prisoners, the 1,200-cell limestone structure housed cells just larger than a yoga mat, with no running water and no toilets.

In those years, the prison was ruled by fear and brutality, said Dana White, the Ossining village historian. "In the first few decades, they were whipped, wore striped suits, had to not speak and were also punished with the cat o' nine tails," she said of the inmates.

In the 1980s, a fire destroyed much of the building's interior. Last week, ravens soared around the nearly 500-foot-long crumbling limestone walls. A raccoon carcass hung in barbed wire.

The two buildings would be connected by a walkway. In the Powerhouse, windows overlooking prison areas would be opaque to prevent visitors from gawking at inmates, officials said.

State prison officials have embraced the plan, which would include security features designed to keep prisoners and museum visitors separated.

Michael Capra, the prison's superintendent, noted that Sing Sing had "a lot of notoriety for a number of different things."

For the state, the museum offers a chance to showcase the prison's rehabilitative side, including college classes and arts programs, and make an argument for an evolving view of punishment.

"The museum is an avenue in which we can show the public that prison isn't a Jimmy Cagney movie," Mr. Capra said. "It's not a barbaric place where we put people in holes in the ground."

Major hurdles remain, however, including raising nearly \$50 million, Mr. Faiella said. But he hopes the initial phase, which includes \$3.8 million toward preservation and creating an event space in the Powerhouse, would open within the next two years, and the entire project would be completed by 2025, the 200th anniversary of the cellblock.

"In museum time," Mr. Glass said, "that's very soon."

"Sing Sing Village was so tired of being associated with Sing Sing Prison that it changed its name to Ossining in 1901 in order to not have the same name," Ms. White said.

"The museum is a way for the village to reclaim a relationship with the institution in a constructive fashion," Ms. White said.

—Corinne Ramey

Village Seeks New Ties With Prison

In the early decades of the infamous prison on the Hudson, residents of the Sing Sing village became so unhappy with inmate escapes and the prison's notorious reputation that they

wanted the institution closed.

"You've got this mythic place full of the baddest people in New York," said Ossining Village Historian Dana White. The prison, originally called Mount Pleasant State Prison, was renamed Sing Sing in the early 1850s. Fifty years later, the villagers decided they had had enough.

"Sing Sing Village was so tired of being associated with Sing Sing Prison that it changed its name to Ossining in 1901 in order to not have the same name," Ms. White said.

Now, some in the village on the Hudson River have come full circle with their support of establishing one of the few museums on active prison grounds

in the U.S.—embracing Sing Sing as a tourism opportunity and a chance to take part in a larger conversation around criminal justice.

"The museum is a way for the village to reclaim a relationship with the institution in a constructive fashion," Ms. White said.

—Corinne Ramey

owner AAC Holdings. A wage increase is also part of the deal.

Sunrise House workers voted

Friday night to ratify the contract with AAC Holdings.

"We didn't get everything we wanted, but overall I think our membership is pretty satisfied," said Steve Martin, a counselor at the facility and a member of the union bargaining committee.

Sunrise House will remain closed until the New Jersey Department of Health inspects and authorizes its reopening, which the AAC said it expects to happen within 30 days. Chief Executive Michael Cartwright said he looks forward to the reopening.

—Kate King

CRIME

Stabbing Suspect Pleads Not Guilty

A teenager accused of a fatal stabbing at a movie theater has pleaded not guilty to murder and other charges.

Westchester County District Attorney Anthony A. Scarpino Jr. said 16-year-old Michael Pettiford was arraigned Monday after his indictment in the death of 19-year-old theater worker Daij Thomas. The violence occurred around on April 15 at the Showcase Cinema de Lux at the Ridge Hill mall in Yonkers.

Police said the two teens

knew each other. Mr. Pettiford's attorney declined to comment.

—Associated Press

NEW YORK CITY

Security Heightened Near City Mosques

The New York Police Department has beefed up security near mosques around the city following a London attack in which a driver plowed into worshippers.

Police spokesman Peter Donald said the move is out of an abundance of caution and not due to any specific threat.

—Associated Press

Rosé Is Having Its Chill Moment

By CHARLES PASSY

A rosé is a rosé is a rosé—until it's frozen.

Frozen rosé—or frosé, as it is sometimes called—is fast becoming the cocktail of choice in drinking spots throughout New York City, say bar and restaurant professionals.

Demand is so strong, especially with the weather turning hot and muggy in recent weeks, that some establishments say they can barely keep pace.

Take Beaubourg Brasserie, a restaurant in Le District, the French-themed food hall in lower Manhattan's Brookfield Place. It says it sells up to 500 servings a day of its "Frosé All Day" \$15 cocktail, a slushy combination of rosé, peach liqueur and melon-flavored vodka, among other ingredients, that is prepared in a frozen-drink machine.

"We have a lot of regulars get here early" for it, said Beaubourg general manager Derek O'Connor.

The reason for the rush? The restaurant sometimes runs out of the drink, which means frosé-seekers will have to patiently wait until a new batch is frozen to the proper consistency and ready to pour.

Others establishments report a similar frosé frenzy, with the boom starting to extend beyond the city.

The Parlor, an Italian restaurant and pizzeria in Dobbs Ferry, N.Y., says it sells about 100 servings a week of its recently introduced \$10 Blushing Slush cocktail, a version of the drink that uses an Italian version of rosé—or rosato, as it is called.

The rush for frozen rosé is simply an extension of the rush for rosé, say food and drink experts: In the U.S., sales for the pink wine have surged in recent years, rising by 55% to \$217 million in the 52-week period ending in late May alone, according to market researcher Nielsen.

By most industry accounts, frosé first began popping up on New York City drink lists about a year ago. But this summer has brought a new level of interest, with many es-



Sales Heat Up

Sales of non-sparkling rosé wine in the U.S.

\$300 million



Note: Data are for the 52-weeks ending in late May of each year. Sales for retail channels only and don't include bars and restaurants.

Source: Nielsen

THE WALL STREET JOURNAL.

tablissements adding their own creative touches to the drink.

At Dante, a drinking spot in Manhattan's Greenwich Village, the cocktail is made using a sorbet, flavored with sparkling rosé and the bitter Italian spirit Aperol, as its base. Then, sparkling rosé is poured atop, creating the right slushy texture.

"People are loving it," said Dante beverage director Linden Pride of the \$13 cocktail, which is dubbed the Sgroppino Spritz.

Drinking spots also are having fun with how they serve their frosé. At the Vine, a restaurant in Chelsea's Kimpton Hotel Eventi in Manhattan, the \$16 Frosé cocktail is offered in a stylish stainless-steel cup.

But the choice of glass isn't just about the looks, says the restaurant. It also helps keep the cocktail in its icy state for much longer.

Tony Awards Are Boon, Or Bust, for Shows

By CHARLES PASSY

The Tony Awards may have come and gone, but the impact of Broadway's big night is still being felt at the box office.

A number of Tony-winning shows saw their ticket sales rise following the June 11 awards, based on weekly figures released Monday by the Broadway League, the industry's trade group.

The revival of "Hello, Dolly!" posted its best week to date, taking in nearly \$2.3 million, an uptick of \$275,000 from the previous seven-day stretch.

The show took home the Tony for best revival of a musical, and its star, Bette Midler, was recognized as best lead actress in a musical.

But even shows honored with less-heralded awards saw their sales grow.

"Bandstand," which was recognized for best choreography, also posted its best week to date, earning \$642,594—an increase of more than 60,000 over the week before.

"Bandstand" lead producer

reaction to the show, which tells the story of a group of World War II veterans who form a band after returning home.

Some plays that failed to garner certain top awards have announced closings in the wake of the Tonys. Among them: "Indecent" and "Sweat," both of which vied for best play honors, but came up short. The two shows will end their runs on June 25.

Even shows honored with less-heralded Tony awards saw their sales grow.

GREATER NEW YORK WATCH

NEW JERSEY

Treatment Center Workers End Strike

Employees are ready to return to work at a 110-bed private residential addiction-treatment center in Lafayette, N.J., after voting to ratify their first union contract, ending a labor dispute that had shuttered the facility for more than three weeks.

The contract addresses some of the staffing and security concerns that Sunrise House's 120 union members said were their main reasons for voting to go on strike after nearly a year of negotiations with Sunrise House

owner AAC Holdings. A wage increase is also part of the deal.

Sunrise House workers voted

Friday night to ratify the contract with AAC Holdings.

"We didn't get everything we wanted, but overall I think our membership is pretty satisfied," said Steve Martin, a counselor at the facility and a member of the union bargaining committee.

Sunrise House will remain closed until the New Jersey Department of Health inspects and authorizes its reopening, which the AAC said it expects to happen within 30 days. Chief Executive Michael Cartwright said he looks forward to the reopening.

—Kate King

CRIME

Stabbing Suspect Pleads Not Guilty

A teenager accused of a fatal stabbing at a movie theater has pleaded not guilty to murder and other charges.

Westchester County District Attorney Anthony A. Scarpino Jr. said 16-year-old Michael Pettiford was arraigned Monday after his indictment in the death of 19-year-old theater worker Daij Thomas. The violence occurred around on April 15 at the Showcase Cinema de Lux at the Ridge Hill mall in Yonkers.

Police said the two teens

knew each other. Mr. Pettiford's attorney declined to comment.

—Associated Press

LIFE & ARTS

YOUR HEALTH | By Sumathi Reddy

A Cholesterol Drug Tug-of-War

Patients struggle for insurance approvals of PCSK9 inhibitors, powerful drugs that lower bad cholesterol when statins don't work



SLIM AND ATHLETIC, Carlyn Cirrincione doesn't look like someone who should be worried about having a heart attack.

But the 22-year-old CrossFit enthusiast and avid runner has to think about the health of her heart and cholesterol levels all the time. No bacon for her. No egg yolks. Ice cream, a once-loved treat, is on the blacklist.

What she does need, according to her doctor, is powerful new drugs known as PCSK9 inhibitors that can dramatically lower LDL, or bad cholesterol levels when other drugs, known as statins, can't do the job.

There is just one problem: the price tag. Nearly two years after the drugs were approved by the U.S. Food and Drug Administration, doctors and patients say getting insurance to pay for the drugs, which list for more than \$14,000 a year before rebates or discounts, is a battle that requires countless hours, applications and appeals. Even then, the battle for insurance approval of PCSK9 inhibitors is successful less than half the time, according to several recent studies.

Ms. Cirrincione hasn't yet been approved despite her and her doctor's numerous applications and efforts. She was diagnosed four years ago with familial hypercholesterolemia (FH), a genetic disorder that causes high cholesterol because the liver is unable to remove excess LDL. Her cholesterol at the time of her diagnosis was off the charts, with a total of 387 mg/dL and an LDL level more than four times what doctors recommend for FH patients, at 297 mg/dL.

High levels of cholesterol, a fat-like substance, can build up in the arteries and slow down or block blood flow to the heart, causing heart disease and heart attacks, and to the brain, causing strokes. Doctors typically recommend LDL levels no higher than 100 mg/dL for healthy individuals and less than 70 mg/dL for those with heart disease.

Most people with high cholesterol try to bring it down with a combination of healthy diet, exercise and



Carlyn Cirrincione, 22, and her mother Tracey, 45, above, at their home in Gibsonia, Pa. Carlyn is hoping to be approved for Repatha, a PCSK9 inhibitor. Above, Dr. Seth Baum, president of the American Society for Preventive Cardiology, advocates for better access to PCSK9 inhibitors. Left, Repatha, made by Amgen Inc., is injected every two to four weeks.

facture than a normal pill. Patients inject them into their bodies every two to four weeks.

Sanofi and Regeneron remain concerned about restrictive access to PCSK9 inhibitors but are starting to see more approvals for Praluent and more confidence from prescribers in preparing the necessary documentation, said Ashleigh Koss, a Sanofi spokeswoman. Kristen Neese, a spokeswoman for Amgen, said while Repatha isn't a replacement for statins, "many patients are not adequately treated by statins and are at high risk for cardiovascular events like heart attack or stroke." She noted that payers don't pay the list price for the drug, and the price is supported by "robust" data from its clinical trial. The company is offering support, such as a \$5 copay card for eligible patients.

For people who are approved by their insurers, high copays can pose an additional barrier to obtaining the drugs. One recent analysis of all PCSK9 inhibitor prescription claims in the first year the drugs were approved found that 27% of claims had a monthly copay of more than \$400. The mean copay amount was \$107 for patients with commercial insurance plans and \$213 for those with government-funded Medicare.

Another recent analysis from Duke researchers found that 35% of approved patients never picked up the medication.

"We've been waiting for this kind of advance for quite a long time," said Seth Baum, president of the American Society for Preventive Cardiology. "We finally have it, and now we need to be able to use it."

Health insurers and their consultants say PCSK9 inhibitors have less-expensive alternatives in statin drugs. They also say that the PCSK9 drugs are a lifelong prescription at a high cost.

Insurance companies are also

What Is Familial Hypercholesterolemia (FH)?

FH is a genetic disorder that causes high cholesterol from birth because the liver is unable to remove excess LDL, which is known as bad cholesterol from the blood stream. High levels of cholesterol lead to heart disease and stroke, among other health problems.

FH is usually inherited from one parent with a dominant gene. It is estimated that about one in 250 people have FH which translates into 1.3 million patients in the U.S. and 30 million world-wide.

Experts say only about 10% of patients in the U.S. that have FH

have been diagnosed. Most doctors view it as a rare disorder, and even though the American Academy of Pediatrics recommends universal cholesterol screening for children between the ages of nine and 11 it isn't always done.

FH patients have a 50% chance of passing on the disorder to each of their children.

LDL levels of 190 mg/dL or more in adults, or over 160 mg/dL in children, and a family history of early heart disease are red flags for doctors to consider FH may be present. Untreated, FH patients have a 2.5-

to 10-fold increased risk of having heart disease.

Men who aren't treated have a 50% risk of having a heart attack by age 50, while untreated women have a 30% risk for having one by age 60.

FH is diagnosed using a series of clinical criteria based on personal and family history, blood cholesterol, and potentially genetic testing although genetic testing is rarely done in the U.S.

Sources: FH Foundation; Joshua Knowles, Stanford Center for Inherited Cardiovascular Disease; Seth Baum, American Society for Preventive Cardiology.

mindful of setting a precedent, said Helen Leis, a partner in the health and life sciences practice of consulting firm Oliver Wyman, a division of Marsh & McLennan Cos. Approving one set of pricey drugs could set a precedent when it comes to other expensive drugs that treat a larger population, such as cancer drugs.

In 2016, 88.4% of patients with a commercial insurance plan were rejected when trying to get a new prescription for a PCSK9 inhibitor, according to data from Symphony Health Solutions. That number declined to 72.8% after 14 days, likely due to patient appeals.

Doctors have had mixed reactions to results of Amgen's clinical trial for its drug, Repatha, announced in March. The study followed 27,564 patients over 2.2 years and found that Repatha reduced the risk of heart attacks and strokes by 20% compared with the standard treatment with statins.

For Dr. Baum, the trial was proof that that PCSK9 inhibitors are very effective, showing they could lower LDL by 60%. "We do know unequivocally that a lower LDL equals a lower risk of heart attack, stroke and death," said Dr. Baum, who has been paid as a consultant and scientific board member for Amgen and Sanofi/Regeneron.

But some doctors say the study would have been more convincing if the drug had lowered the heart attack risk more and caused a decline in deaths. The lower LDL "didn't translate into a mortality benefit," said Sanjay Kaul, a cardiologist at Cedars-Sinai Medical Center in Los Angeles.

Some health plans have entered into "value-based" contracts with drug companies, in which the drug

Please see DRUG page A12

MUSIC REVIEW | By Jim Fusilli

Monterey Pop Turns 50

Celebrating an early rock festival that marked the unofficial beginning of the Summer of Love



Monterey, Calif.

HELD JUNE 16-18, 1967, the Monterey International Pop Music Festival is often mistakenly cited as the first rock festival. That honor likely belongs to the Fantasy Fair and Magic Mountain Music Festival, which took place a week earlier in Northern California at Mount Tamalpais. But Monterey established a model for future festivals, much as did D.A. Pennebaker's documentary "Monterey Pop" for rock-concert films. Intended to position rock as a musical form as important as folk and jazz, which had their own festivals, Monterey Pop's lineup included Buffalo Springfield, the Byrds, the Grateful Dead, the Jimi Hendrix Experience, Jefferson Airplane, the Mamas & the Papas, Laura Nyro, Lou Rawls, Otis Redding, Simon & Garfunkel and the Who.

This past weekend, the 50th anniversary of Monterey Pop was celebrated at the same fairgrounds that hosted the original event.

Comparing lineups is a fool's errand: It's too soon to tell whose reputation will be as burnished as the big names of a half-century ago, but Leon Bridges, Gary Clark Jr., Father John Misty, Jim James, Jack Johnson, Norah Jones, Regina Spektor and Kurt Vile are among the two-dozen artists who appeared here who have cachet with 21st-century audiences. Remember, in '67 few Americans knew Hendrix, Nyro and the Who; and also on that year's bill were not-so-memorable acts like Beverley, the Group With No Name and the Paupers.

Well-organized by producer Lou Adler, the Mamas and the Papas' John Phillips and others, Monterey Pop '67 was also considered the unofficial beginning of the Summer of Love and may have been the counterculture's high point in live music. There was none of the soppy, mud-soaked anarchy of Woodstock or the violence at the Altamont Speedway Free Festival, held respectively

in August and December 1969. As confirmed by Mr. Pennebaker's films and several Monterey Pop boxed sets released across the years, attendees were served memorable music by many artists, most notably Hendrix, Janis Joplin, Redding and Ravi Shankar. If the Summer of Love was soon marred by overindulgence in which the use of marijuana and psychedelics went from an *amuse-bouche* to a glutinous buffet of life-consuming hard drugs, and if San Francisco's Haight-Ashbury, the hippie epicenter, devolved into a social cesspool, it wasn't the fault of Monterey Pop.

Fifty years later, musicians performed here unencumbered by outside social responsibilities to promote peace, love and understanding; and there was something quaint about the way the festival unfolded: With one stage and thus one artist

performing at a time—as opposed to as many as six stages in use at major festivals like Bonnaroo and Coachella—the days and nights flowed easily and stress-free. Largely organic and traceable to rock's past and its predecessors, the music was conveyed with minimal use of synthesizers—the predominant keyboard was the Hammond B-3 organ. Horn

sections provided the boost and color in soul- and R&B-informed sets by Charles Bradley and His Extraordinaires, Nathaniel Rateliff & the Night Sweats and Booker T. Jones's Stax Revue, among others. There was no punk, post-punk, rap or electronic dance music—après '67 inventions. At age 83, Mr. Adler roamed the fairgrounds and willingly reminisced.

The past was present on stage too. Performing on the same date he had 50 years earlier, Eric Burdon, his voice worse for wear, sang his "Monterey"—"Do you want to find truth in life? Don't pass music by"—as well as ancient hits by the Animals. Mr. Jones and his M.G.'s backed Redding here 50 years ago; on Sunday, his new revue honored him by playing "Respect" and "(Sittin' On) The Dock of the Bay," the latter prompting a whistle-a-long

before leaving the piano and picking up a guitar to play country, accompanied by a pining pedal steel.

Others excelled too. Sparked by a tasty performance by guitarist Josh Kaufman, M.C. Taylor's Hiss Golden Messenger played country rock with admirable ease. Mr. Clark, a Hendrix fan, eschewed his predecessor's histrionics to deliver a Sunday evening set of punishing blues and feathery soul. Exploring his solo catalog, Mr. James (most famously of My Morning Jacket) married hip-hop rhythms to psychedelia for his weighty tales of a frayed society. As for Father John Misty, the stage name of Josh Tillman, the sardonic character he plays was in full flower, exploiting his fascinating 2017 orchestral folk-pop album, "Pure Comedy." Their sets were at least comparable in quality to most played a half-century ago.

Which wasn't the point. If Monterey Pop 1967 set out to rocket rock and pop toward the cultural touchstone it became, Monterey Pop 2017's goal wasn't so ambitious. It presented music that draws from the past, shines in the present and promises a fine future. Having achieved and at times exceeded that modest goal, the festival was a thoroughly enjoyable success.

Mr. Fusilli is the Journal's rock and pop music critic. Email him at jfusilli@wsj.com and follow him on Twitter @wsjrock.

DRUG

Continued from page A11

company gives the insurer discounts on the drugs if the medicines don't help patients lower their cholesterol levels as much as expected.

For the highest-risk patients, such as Scott Sayers, these drugs seem essential.

The 48-year-old homicide detective was diagnosed with high cholesterol when he was 12 years old, tested after his father had bypass surgery at the age of 39. His doctors tried statins for decades, though they eventually wound up causing muscle tears. Mr. Sayers later had his own double-bypass heart surgery at 39 and a mild heart attack at 45. He remembers crying in his hospital bed, fearful that he was going down the same path as his dad.

He was diagnosed with FH last year after a genetic test showed he had two mutated genes, though he had been clinically diagnosed more than a decade before. Mr. Sayers's 13-year-old daughter was also diagnosed when she was 9. In 2015 he and his doctors applied for Repatha.

Getting approval was time-consuming but ultimately worked. His cardiologist, Dr. Melissa Carry, says the results of the genetic test helped in getting approval from his insurer.

He gets deliveries of the drug every three months, so every time he's coming up on three months he starts calling. "A lot of people will just give up and just quit," he said. "But I've had such massive results." By November of 2016 his total cholesterol was 120 mg/dL.



The lower LDL "didn't translate into a mortality benefit," said

Sanjay Kaul, a cardiologist at Cedars-Sinai Medical Center in Los Angeles.

His LDL, 60 mg/dL, the lowest it has ever been. At one point his LDL levels reached 348 mg/dL.

PCSK9 inhibitors are "very expensive drugs" and less expensive generic drugs, like statins, effectively treat most patients with high cholesterol, says Christine Cramer, senior director of corporate communications for CVS Health, the parent of Mr. Sayer's drug-benefit manager Caremark. CVS Caremark has processes in place to ensure that such patients have access to these drugs, said Ms. Cramer.

The approval process for PCSK9 inhibitors, which requires different criteria depending on the insurer, has become so cumbersome and time-consuming that some doctors

have completely stopped or cut back on even prescribing them even though the doctors fully believe in their potential.

Andres Ruiz, an interventional cardiologist in Florida, is one.

"At the end of the day, you would like to do what is best for the patient. But you really don't have the time to play the insurance games," he said.

Doctors say many rejections affect patients with heart disease and FH patients, such as Carlyn Cirrincione, who stopped taking Repatha because of side effects.

Her mom, Tracey, had never heard of FH until four years ago, when the 45-year-old Gibsonia, Pa., resident learned that all three of her children have the genetic disorder. Her husband also has FH.

Mrs. Cirrincione's sons—now 18 and 20—take statins, which have also been effective for her husband. But Carlyn, who recently graduated from Clarion University of Pennsylvania with a graduate degree in speech pathology, can't take statins, which caused debilitating muscular pain.

In 2015 her cardiologist told the family that PCSK9 inhibitors were approved for FH, and Carlyn started samples of Repatha. By April of last year her LDL was down to 82 mg/dL. Ms. Cirrincione's cardiologist has now filed three applications for Repatha. All three have been denied.

A spokeswoman for UPMC Health Plan, the family's current insurance plan, said it doesn't discontinue individual members' cases.

While the most recent application is on appeal, Ms. Cirrincione continues to receive samples of Repatha from her cardiologist. "The samples will run out. Then what do

I do?" she said. "I don't want to have open heart surgery when I'm 40 or 50 when I have something I can take to prevent it."

For Nancy Harris, a 66-year-old resident of Pataskala, Ohio, it took 18 months and half-a-dozen applications and appeals to get her insurance plan, Cigna, to finally cover a PCSK9 inhibitor last month.

Her doctor, Scott Merryman at Ohio Health in Columbus, diagnosed her with FH in June 2016, after she'd been on and off statins for years. His office applied for coverage of Repatha with Cigna even though she had been rejected in the past when a previous doctor had applied. Cigna rejected the request initially and then again on appeal.

Dr. Merryman applied for coverage again in March. His office received a rejection on March 22 and he sent in another appeal. On May 23, four days after a Wall Street Journal reporter had submitted a request to discuss its denials of Ms. Harris's applications, Cigna approved coverage of Repatha for her.

Cigna's repeated rejections of applications for Ms. Harris were because it didn't have documentation of an FH diagnosis and unsuccessful prior treatment with statins, said Mark Slitt, a spokesman. Mr. Slitt noted that Cigna's coverage denial was upheld by an external reviewer. On May 23, Cigna received the additional requested information, Mr. Slitt said.

Dr. Merryman said he had previously provided that information.

Ms. Harris said she's relieved to finally have been approved, but worried about the renewal process.

"I am a little worried," she said. "Are we going to have to go through this every year?"

Nancy Harris, 66
Pataskala, Ohio
Recently Approved

2013: Diagnosed with high cholesterol in 1994. Takes Lipitor for 19 years, until 2013. Off

statins, two years later, her cholesterol reaches 490 mg/dL and LDL cholesterol level is 415 mg/dL.

Nov. 30, 2015: Her primary care physician submits an application to Cigna to cover PCSK9 inhibitor Repatha. The application is denied. Cigna cites lack of diagnosis of FH, or cardiovascular disease and incomplete documentation of prior treatment history with statins.

Dec. 2015: She enrolls in a program through Amgen to receive six months of free samples.

Feb. 2016: Her doctor submits another request for coverage, which is denied due to lack of documentation of prior treatment history with statins and confirmation that Repatha would be used in combination with an appropriate statin.

March 2016: Initial denial is upheld on appeal by Cigna medical director because Cigna says it received no additional information on unsuccessful prior treatment with statins.

June 2016: Diagnosed with FH by lipid specialist, Scott Merryman. Goes on a low dose of statin, Crestor. Dr. Merryman files request with Cigna for Repatha which is denied on same grounds as before.

July 2016: Receives her last free sample injection of Repatha. Her cholesterol level is 144 mg/dL and LDL is 81 mg/dL.

August 2016: Cigna says an independent reviewer upheld the denial of coverage after performing an external review at the appeal level.

March 2017: Dr. Merryman files another request with Cigna for Repatha which is denied on the same grounds. Cigna requests additional information. Cholesterol level is back up to 300 mg/dL and LDL at 221 mg/dL.

May 23, 2017: Cigna says after receiving additional information and speaking to Ms. Harris' doctor, they confirm a diagnosis of FH and got additional clinical information. Coverage for Repatha is approved.

June 13, 2017: Ms. Harris receives first injection of Repatha since Cigna's approval.

Scott Sayers, 48
Dallas
Approved

2008: Diagnosed with high cholesterol in middle school after his father has bypass surgery at age 39. Put on statins. Later, in 1995, Scott's father dies of a heart attack at age 51. In 2008, Scott experiences chest pain while playing soccer. Gets a stress test and finds eight blockages. Two weeks later has double-bypass surgery.

Sept. 2014: After going off all of his medications, his cholesterol is 414 mg/dL and his LDL is 348 mg/dL.

Jan. 2015: After playing in a soccer game, he has chest pains. Goes to the hospital and has a mild heart attack.

Aug. 2015: He was given free samples of the PCSK9 inhibitor, Praluent, from a drug rep. Later that year, Melissa Carry, his cardiologist, starts the process of trying to get Repatha for Mr. Sayers.

Jan. 2016: Insurer says it needs a prior authorization, which is faxed that same day.

Feb. 2016: Repatha prescription approved by CVS Caremark.

April 2016: Starts insurance approval process again for Repatha, though it was unclear to Scott and his doctor why the redo was necessary. Prescription sent to pharmacy and approved. Mr. Sayers starts on Repatha the next month.

July 2016: LDL is still 184 on Repatha. Dr. Carry writes new, higher dose prescription for Repatha and puts him back on low-dose statin. Mr. Sayers gets a positive genetic test results showing he has two genetic mutations for FH.

Aug. 2016: Dr. Carry goes through prior authorization process again. A month later, confusion over dosage and number of injection pens is clarified after several calls.

Oct. 2016: New prescription for Repatha is sent in. Mr. Sayers gets samples from Amgen to have extra supply in case he hits obstacles.

Nov. 2016: Total cholesterol is down 120 mg/dL and LDL is 60 mg/dL.

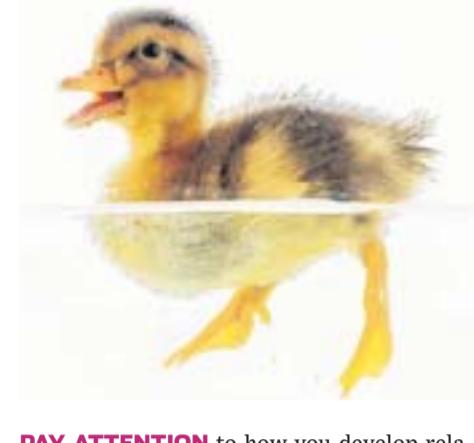
Jan. 2017: Resubmit prior authorization for Repatha because Mr. Sayers switches health insurance plans.

March 22, 2017: Dr. Carry's office is told prior authorization isn't complete. Resubmitted. A day later the prescription is approved for one year.

May 23, 2017: Cigna says after receiving additional information and speaking to Ms. Harris' doctor, they confirm a diagnosis of FH and got additional clinical information. Coverage for Repatha is approved.

June 13, 2017: Ms. Harris receives first injection of Repatha since Cigna's approval.

LIFE & ARTS



BONDS: ON RELATIONSHIPS | By Elizabeth Bernstein

The Secret to Love: Bunny Photos

People grow fonder of a partner after looking at cute animals

ASK HAPPY COUPLES what the secret to a long-term relationship is and they'll probably say communication, space or sex. New research suggests it might just be bunny photos.

In a study published online last month in the journal "Psychological Science," researchers at Florida State University, the University of Tennessee and the University of Minnesota found that people who viewed pictures of their spouse interspersed with photos of baby animals, beaches or sunsets, saw a significant boost in their relationship satisfaction.

Social psychologists call this evaluative conditioning. It's what happens when our mind learns to associate an object or person with a feeling—good or bad—that we had when we were previously around that object or person. Have you ever gotten sick after eating something and forever hated that food? Do you have a song that reminds you of your first love? You've experienced it.

The new research on evaluative conditioning was funded by the **U.S. Department of Defense** as part of the Military Suicide Research Consortium, an effort to stem the suicide rate of active military members and veterans. The goal is to find ways to strengthen soldiers' marriages and, therefore, their support systems.

The researchers brought into their lab 120 couples married for three to four years and assessed their implicit, or gut-level, feelings

toward their partner—the ones they may not want to acknowledge or even know they have. They did this by showing participants pictures of their partner followed by negative and positive words, timing how quickly they could identify the words. They also asked participants how they felt about their spouse.

They then showed the participants a slide-show once every three days for six weeks. Half viewed one that intermittently included photos of their spouse paired on a split screen with positive images (of puppies, bunnies and sunsets) and positive words ("incredible," "terrific," "amazing"). Half viewed one with photos of their partner intermittently paired with neutral images (of a chair, a shed, gravel) and neutral words ("If," "like," "when"). Researchers measured the participants' implicit attitudes toward their partner every two weeks for eight weeks, and again asked them how they felt about their spouse.

The people who viewed the bunnies and puppies images became happier in their relationship. Their implicit feelings improved, and they also reported that they felt better about their partner. "It was like they went on 13 artificial good dates," says Jim McNulty, a professor in the psychology department at Florida State, and the

lead researcher on the study.

The researchers haven't designed a way to intervene with soldiers and their spouses yet, they say. They believe they first need to figure out how many sessions of the slide-show and which photos will work best.

Dr. McNulty believes that evaluative conditioning can be used to improve other types of relationships in addition to romantic ones. We might be able to prime ourselves to like our difficult siblings, co-workers or in-laws more by actively trying to associate them with something positive. Imagine viewing a photo of your crabby boss alongside a picture of a duckling or a baby elephant.

People will need to be careful, though, because evaluative conditioning cuts both ways. Just as the positive thoughts or experiences we associate with a person can make us like him or her more, negative ones can make us like that person less. Arguments and fights, complaints about work, parenting stress: "We come to associate our partners with these negative effects, and they very reliably lead to relationship dissatisfaction," Dr. McNulty says.

Dr. McNulty's tips for using evaluative conditioning to improve your relationship:

PAY ATTENTION to how you develop relationships. Recognize that positive experiences make you feel positive toward someone, while the opposite is also true.

BOOST THE POSITIVE. Do more activities together that you both enjoy. Research shows that when romantic partners try something new together they feel more attracted to each other.

CREATE A NEW SCREEN SAVER. Split the screen: On one side, have a photo of your partner and on the other a photo of something that makes you smile, say a bunny or a beer. Better yet, use a photo of your loved one cuddling a cute baby animal.

MINIMIZE THE NEGATIVE. When you are together, try to put your bad mood aside because you will come to automatically associate complaining with your partner.

ALWAYS WEAVE IN SOMETHING HAPPY. When you want to be with your partner after you've had a bad day, try to include some positive emotions. Hug or cuddle.

Write to Elizabeth Bernstein at elizabeth.bernstein@wsj.com or follow her on Facebook, Twitter or Instagram at EBernsteinWSJ.

FROM TOP: CARL HARP/ROCK & ROLL HALL OF FAME; GETTY IMAGES

MUSEUMS

ROCK AND ROLL HALL OF FAME GOES TO TOKYO

BY JOHN JURGENSEN

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

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

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

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



The Rock and Roll Hall of Fame in Cleveland, above, will open its first foreign outpost in Tokyo. Beatles artifacts will be displayed.



essential that we're more than just a shrine to what happened before."

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

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

Last year, total annual attendance in Cleveland hit 543,000, the highest since the Rock Hall's opening and an increase of roughly 100,000

since 2014. Operating revenue jumped to \$24 million in 2016, up 18% from 2015.

The Rock Hall has explored the possibility of international expansion before, but talks with potential partners in London, Berlin and other cities didn't pan out. In

Tokyo, the initial exhibit will launch with artifacts from crowdpleasers such as Madonna, but the planned museum will emphasize music history relevant to Japan.

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

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



June Books of the Month

Start your summer reading list with 35% off and free shipping on ten new titles, featuring inside looks at the lives of Walter Cronkite and Arnold Palmer. Plus, we've included a few of our favorite iconic books from HarperCollins' 200th Anniversary Collection.

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SPORTS

MLB

Astros Cut Down on K's, Keep the HRs

BY JARED DIAMOND

Houston

FOR THE FIRST FIVE years of general manager Jeff Luhnow's tenure, the Houston Astros did one thing better than all of their peers: fail to make contact with the ball.

From 2012 through 2016, the Astros whiffed nearly 400 times more than their closest rival, appearing to epitomize the growing view that strikeouts are a necessary concession in the pursuit of power production.

But even as the once-embarrassing punch-out lost its stigma, the constant stream of hitters slinking back to the dugout bothered Luhnow, the architect of perhaps the sport's most data-driven club.

"I saw firsthand the second-order effect of the high-strikeout world, which is the killing [of] the rallies, the not being able to produce those extra runs from guys getting on base," Luhnow said in a recent interview at Minute Maid Park. "We hit a lot home runs, but it didn't necessarily help us win that many more ballgames."

So this winter, Luhnow fought back, and the numbers speak for themselves. More than 40% of the way through the season, the Astros own the best record in the majors, blitzing the competition with a lineup that defies all logic.

They still hit homers—just one behind the New York Yankees for the league lead entering Monday's play. But even when they don't, they put the ball in play at a rate practically unheard of for a group with so much thump, striking out in just 17.7% of their plate appearances, a MLB low.

If they continue their pace, the Astros could join the 1995 American League-champion Cleveland Indians as the only teams since 1913 to rank first in the majors in home runs and last in strikeouts.

Luhnow isn't asserting that the Astros have discovered a secret



Carlos Correa and the Astros are on pace this season to lead the majors in home runs and rank last in strikeouts.

formula to mashing home runs without a hefty helping of strikeouts. But he did seek to build a roster with more emphasis on contact this off-season. He acquired Nori Aoki, Josh Reddick and Carlos Beltran—three players with lifetime strikeout rates under 17%, far below the league average of 21.5%.

That trio complements an offensive unit loaded with young talent, from established stars Carlos Correa, to burgeoning ones like George Springer and Alex Bregman. All three of those players have seen their strikeout rates drop in 2017 from a year ago. All

told, the Astros lead the majors in batting average and on-base-plus-slugging percentage, to go along with their barrage of home runs.

"Contact is your friend in this game," manager A.J. Hinch said.

They have accomplished this by preaching an approach at the plate that seems to go against modern baseball wisdom. Reddick said that with the Boston Red Sox and Oakland Athletics, his employers from 2009 until last August, "We were taught to work counts and tire out the pitchers."

The Astros don't subscribe to that notion, empowering their

players to hack away at the first hittable strike the pitcher offers them. As a result, they see just 3.8 pitches per plate appearance, fifth fewest in baseball. Hinch calls it a "swing-first" attitude, rather than the "take-first" mind-set.

To Hinch, the ultra-patient style is an outdated model, and the Astros are at the forefront of a smarter way. Many teams have striven to drive the starter's pitch count up and force their opponent to turn to the bullpen. Now, with relievers becoming more dominant, "Starters are taken out early, anyway," Hinch said.

In most cases, the Astros believe, facing an opposing bullpen can be a death sentence.

"The notion that the manager is going to wait 100 pitches to take the starter out is not how it's handled," Hinch added. "The danger of going up trying to take pitches is you might miss a lot of pitches that you can drive."

Catcher Brian McCann struck out in 19% of his plate appearances for the New York Yankees over the past two seasons. A left-handed swinger, he said he "had gotten into some bad habits" by aiming for the short right-field porch at Yankee Stadium.

Since arriving in Houston in a trade, McCann has retooled his swing, focusing on keeping his front shoulder closed and working the middle of the field. His strikeout rate has plummeted to 14%. He is homering every 16.6 at-bats, the best mark of his career.

Success stories like that have come to define the 2017 Astros, as they chase the first World Series championship in the franchise's 55-year history. In his first season with Houston, Reddick's strikeout rate is four percentage points lower than his career average. Utility man Marwin Gonzalez is on pace to hit 28 home runs, while his strikeout rate has dropped from 23% to 19.7%. In his first full season, Bregman's strikeout rate has fallen from 24% last year to 18% this year.

All of this, the Astros players say, stems from the fact that at a fundamental level, they disagree with the idea that strikeouts are just like any other out.

"For me, it matters," said the 40-year-old Beltran. "I hate to strike out. Honestly, I do."

At that moment, he turned to Reddick, his neighbor at the next locker.

"Do you hate to strike out?" he asked.

"I hate it," Reddick responded. "We all hate it."

NBA DRAFT

THE CELTICS' BIG SHORT

BY BEN COHEN

IT'S IMPOSSIBLE to know which NBA team won the most fascinating trade of this season because it comes down to a question that simply can't be answered for several years: Is Markelle Fultz worth it?

That's the subtext behind the Boston Celtics shipping the No. 1 pick of Thursday's draft—and the right to select Fultz—to the Philadelphia 76ers in exchange for the

No. 3 pick and almost certainly another coveted pick in the 2018 or 2019 draft.

The No. 1 pick almost certainly will be Fultz (pictured), the University of Washington guard whose shooting makes him the perfect complement for Joel Embiid and Ben Simmons. By trading up two spots, Philly is betting that Fultz is a transformational star at the league's most important position.

Boston's risky move here is even more intriguing than Philly's. It's



unusual for a team to deal the No. 1 pick before the draft. It's even more unusual for a team that deals the No. 1 pick not to get an established star in return.

What the Celtics got instead was flexibility. By moving back two spots—likely because they wanted

someone other than Fultz or Lonzo Ball who could be available at No. 3 anyway—Boston added one more high lottery pick in another draft. They've become a good team with the assets of a bad team.

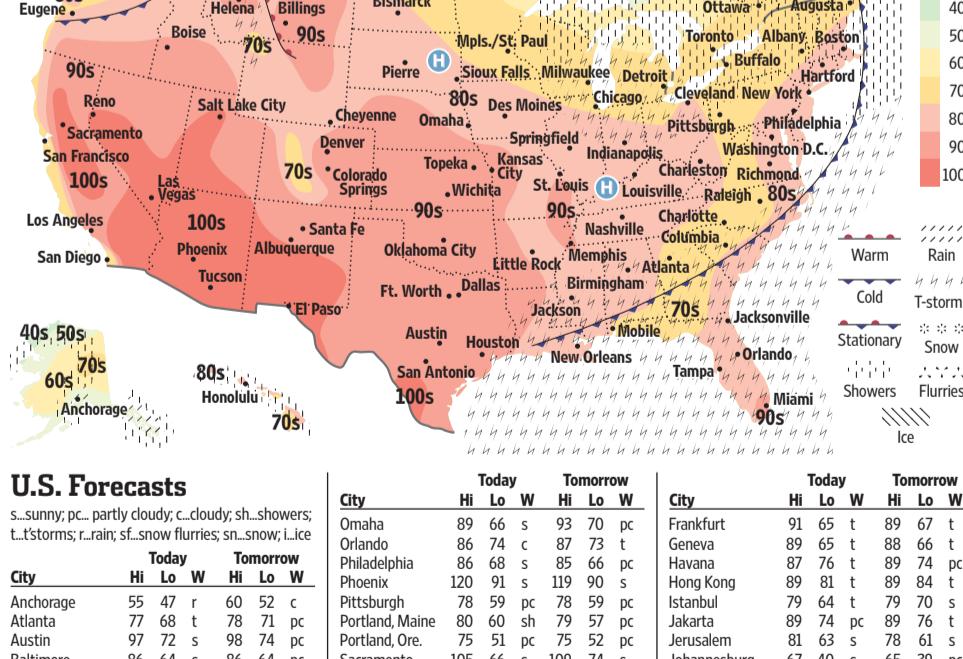
Next year's Lakers pick gets sent to Boston if the selection is No. 2 through No. 5, and the odds of that happening could be as high as 80% if the Lakers lose as much as most people expect. Boston still has the Brooklyn Nets' pick next year, too, as the result of a 2014 trade that turned out to be the most lopsided deal in NBA history. Which means the Celtics could have the No. 1 and No. 2 picks in 2018. But it might be preferable if they don't get that Lakers pick. Boston would then get the higher pick of the Six-

ers or Sacramento Kings' in 2019 as long as it isn't the top pick. It doesn't seem likely the Kings will be any better by then.

Here's the upshot: Boston has shorted the Nets, Lakers and Kings. The Celtics win if those teams lose. They have gambled against three of the NBA's worst teams at a time when the Celtics are one of the NBA's best teams.

That's what makes this blockbuster deal so uncertain. The Celtics' stiffest competition for years to come—especially if LeBron James ever gets worse at basketball—could be the Sixers, the team they helped create. They're now linked with the player they're not drafting. Boston's future depends on Fultz's.

Weather



U.S. Forecasts

S=sunny; pc=partly cloudy; c=cloudy; sh=showers; t=tstorms; r=rain; sf=snow flurries; sn=snow; l=ice

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OPINION

Democrats March on Georgia



MAIN
STREET
By William
McGurn

Get ready for an outbreak of headlines tomorrow about how Donald Trump portends the crackup of the Republican Party. Many of the stories have already been written. They await only a successful effort by Democrat Jon Ossoff to take the seat for Georgia's Sixth Congressional District that Republicans have held since Newt Gingrich won it back in 1978.

In a special election that has spawned a thousand lessons for our politics, the most obvious goes unmentioned: You can make any House seat competitive if you're willing to make the race for it the most expensive in American history. Yet somehow the scolds who are always moaning about the corrosive effect of money in politics have gone silent about the \$23 million Mr. Ossoff raised—most of it from donors outside the state.

Certainly a Democratic capture of a seat held by a Republican, Tom Price, who now serves in Mr. Trump's cabinet, would lift Democratic spirits. Still, the race has been overhyped. While it does offer lessons for both Republicans and Democrats, in general these are not the ones getting all the ink.

Start with the Republicans. Back in April, Karen Handel beat 10 other Repub-

lican candidates (all but one of them men) in the initial April 18 election. Mrs. Handel is a fairly standard-issue Southern conservative well known in the district from her prior runs, including unsuccessful recent bids in GOP senate and gubernatorial primaries.

Against Mr. Ossoff her greatest liability has less to do with her than with President Trump. Special elections frequently become referendums on the incumbent party. That's exactly what Mrs. Handel is now facing from a Democratic rival who got his initial boost from an online campaign based on the pitch "Make Trump Furious."

Mrs. Handel has tried to steer a middle course on Mr. Trump. Unlike some of her GOP rivals, who fully embraced him in the April contest (and lost handily), she's been more measured. Although Mr. Trump held a fundraiser for her and recently tweeted his support for her campaign, she tries to avoid mentioning his name on the stump. During a debate with her opponent earlier this month, she insisted she isn't "an extension of the White House."

With all this Mrs. Handel's biggest disadvantage isn't Mr. Trump but the lack of GOP legislative accomplishments in Washington. The result is that she hasn't been able to point to legislation as a way of contrasting her agenda with her opponent's.

That leaves her tied to Presi-

dent Trump the Personality rather than President Trump the Leader pushing through a GOP agenda making life better for the American people.

Mr. Trump inadvertently alluded to this dynamic in his own tweet on Monday supporting Mrs. Handel: "The Dems want to stop tax cuts, good health care and Border Security. Their ObamaCare is dead with 100% increases in

A special election in the Atlanta suburbs becomes a referendum on President Trump.

P.S. Vote now for Karen H." In fairness, Mr. Trump has been in office only five months, so it's early days. But if Republicans do not make good on promises like the ones Mr. Trump put in his tweet, in 2018 they will find themselves in a fix worse than Mrs. Handel's.

But Democrats have their issues too. For one thing, Mr. Ossoff doesn't even live in the Sixth District. For another, the redness of this district is more complicated than has been presented. In November, Hillary Clinton came within 1.5 percentage points of Mr. Trump. Mr. Ossoff himself came within 1.9 points of winning 50% of the vote in April, which would have spared him a runoff.

The 30-year-old Mr. Ossoff has been changing his tune as well. Making life hell for

Mr. Trump may be an excellent slogan for riling up the Democratic base and attracting notice from the national press. But in affluent Republican suburbs where the Democrat will need some GOP votes to push him over the top, the full Bernie probably won't do it.

So more recently Mr. Ossoff has been playing down the anti-Trump resistance in favor of a more centrist campaign that emphasizes bipartisanship and fiscal restraint. His advantage here is that he's never held office, so he doesn't have a record that can be used against him. Meanwhile, the Handel camp is running ads claiming that however moderate Mr. Ossoff may sound in Atlanta, once in Washington he'd be a Nancy Pelosi Democrat.

Plainly the voters are impassioned. Early voting has set a record. In an election hinging on turnout, and at a time when anti-Trump sentiment is at fever pitch, this would appear to be an advantage for Mr. Ossoff.

If he pulls it out on Tuesday, Mr. Ossoff's victory will no doubt be celebrated from coast to coast as the first clear sign that Republicans are in real danger of losing their House majority in 2018.

But if Mr. Ossoff—with all his millions, with all his volunteers, with all the free media—still manages to lose, will all those telling us the race is a harbinger of things to come ask what that means for the Democratic Party?

Write to mcgurn@wsj.com.

Fear Is What Changed Saudi Arabia

By Walter Russell Mead

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

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

The jury is out on whether the Saudis' new foreign and domestic policies will work, but no doubt something fundamental has changed in what used to be one of the world's most cautious and slow-moving countries. The question is why. Some look to the deputy crown prince, a

31-year-old reformer elevated to his current role in 2015. But his rise is more a sign of the times than the main force driving change. After all, in the old Saudi Arabia, a mere 30-something never would have been allowed anywhere near the reins of power.

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

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

The Trump administration has sought to reassure the Saudis that the "tilt to Iran" has ended, but their insecurity runs deep. From Riyadh, and from many other world capitals, the erratic shifts in American foreign policy—from Bush to Obama to

Trump—raise disturbing questions about the future. Who comes after Mr. Trump? Elizabeth Warren? Sean Hannity? As American politics becomes less predictable and more extreme, countries that have grounded their national strategy on the stability of an American alliance must reassess their options.

Why is Riyadh taking risks? It worries it can no longer depend on the U.S.—or on oil.

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

The shale revolution is shifting this balance. The U.S. and Saudi Arabia are no longer allies in the oil market. The shale revolution is shifting this balance. The U.S. and Saudi Arabia are no longer allies in the oil market.

American frackers, who can quickly increase or decrease output as prices change, are challenging Saudi Arabia's role as the global swing producer.

Worse, from a Saudi point of view, the long-term dynamics of the oil market seem to be changing. There is much less talk of "peak oil" in the sense of peak production, and more talk of "peak demand." Advances in energy efficiency and alternative power-generation are shifting the long-term demand curve for hydrocarbons. At the same time, Saudi Arabia's rapidly growing population will place increasing demands on its economy. Riyadh worries that if oil becomes less profitable, it will be unable to keep its people happy.

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

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

It's Lonely at the Top—or It Should Be

By Raymond M. Kethledge and Michael S. Erwin

Solitude has been instrumental to the effectiveness of leaders throughout history, but now they (along with everyone else) are losing it with hardly any awareness of the fact. Before the Information Age—which one could also call the Input Age—leaders naturally found solitude anytime they were physically alone, or walking from one place to another, or standing in line.

Like a great wave that saturates everything in its path, hand-held devices deliver immeasurable quantities of information and entertainment that now have virtually all of us instead staring down at our phones. Society did not make a considered choice to surrender the bulk of its time for reflection in favor of time spent reading tweets or texts.

Yet with an awareness of what we have lost, each of us

can choose to reclaim it. And leaders in particular—whose actions by definition affect not only themselves—have more than a choice. They have an obligation. A leader has a responsibility to seek out periods of solitude.

Leaders need time for reflection and hard analytical work, just like everyone else.

The assumption, unless the leader says otherwise, is that he is constantly accessible—if not in person, then electronically. But the task of changing that assumption requires only an act of will. A leader can designate a certain number of workdays each month as no-meeting days, as Endgame CEO Nate Fick does. A leader can mark off 60 or 90 minutes each day for time to think. A leader can make it known

that he does not text, and checks his email only intermittently or at certain points in the day. (One has to wonder what leaders who make a point of responding to emails within minutes are otherwise doing with their time.) A leader can declare weekends off-limits for work emails, as Wendy Kopp did at Teach for America.

There is a price to be paid for changes like these. Emails will go unanswered for hours rather than minutes, subordinates might have to wait 60 minutes to speak to the boss, and meetings might get pushed back a day.

So be it. Scheduling a leader's time is a zero-sum game, and fundamentally a manager must decide whether reflection and hard analytical work are important enough to warrant perhaps a third of his time.

There is another price for changes like these, namely the usual social levy upon nonconformity. Left unexplained, these changes will

lead others to say the leader is arrogant, aloof, unapproachable. But there is no reason to leave the reasons for solitude unexplained. The leader can simply make clear, in as much or as little detail as he sees fit, that doing the organization's work requires time to think.

And he can bear out that explanation during the times when he is accessible—by providing subordinates with clear comments on their work rather than vague ones, thoughtful answers rather than platitudes, and otherwise performing like a leader who has thought through his guiding principles rather than made them up on the fly.

Judge Kethledge sits on the Sixth U.S. Circuit Court of Appeals. Mr. Erwin is president of the Positivity Project. They are co-authors of *"Lead Yourself First: Inspiring Leadership Through Solitude,"* published this month by Bloomsbury.

BOOKSHELF | By Alonzo L. Hamby

Election Rancor Revisited

The Road to Camelot

By Thomas Oliphant and Curtis Wilkie
(Simon & Schuster, 433 pages, \$28)

The presidential election of 1960, coming on the heels of eight years of Republican power under America's great war hero, Dwight D. Eisenhower, carried for Democrats a hope of return to the 20-year period of party hegemony they had enjoyed under Franklin Roosevelt and Harry Truman. But it also posed the possibility that Eisenhower had reshaped American politics, bringing the Republicans to parity with their opponents. The sense that the United States was entering a new political era was heightened by the relative youth of the two candidates. John Kennedy was 43; Richard Nixon, 47. In "The Road to Camelot," Thomas Oliphant and Curtis Wilkie, both veteran political journalists, retell the story of this momentous campaign, reminding us of now-forgotten details of Kennedy's path to the White House. The authors are clearly admirers of Kennedy's but not hagiographers.

The contrasts between the candidates are by now legendary. Born to a lower-middle-class family, Nixon had worked his way through college and served in the Navy during World War II. Elected to the House in 1946, he had pursued the issue of communist infiltration in the government, won election to the Senate in 1950 and, two years later, became Eisenhower's vice president. A natural successor despite Ike's seeming lack of enthusiasm, Nixon turned back a challenge from New York Gov. Nelson Rockefeller, who was strong in the Northeast but too liberal for the GOP heartland.

Kennedy, by contrast, was the son of a self-made multi-millionaire and had been educated at an expensive prep school and Harvard. Like Nixon, he enlisted when war came, commanding a PT boat that was wrecked in a collision with a Japanese war ship. His older brother, Joe Jr., a Navy pilot, was killed, leaving Jack as the bearer of the family standard. Like Nixon again, he was elected to the House in 1946. A successful Senate race followed in 1952.

Kennedy's debut in presidential politics came at the 1956 Democratic convention, just after he had received national attention for "Profiles in Courage," a Pulitzer Prize-winning book that saluted figures who had taken principled but unpopular stands. When the nominee, Adlai Stevenson, threw the vice-presidential selection open, Kennedy was barely edged out by Tennessee Sen. Estes Kefauver, famous for leading an investigation of organized crime. The loss, such as it was, ensured that Kennedy would receive none of the blame for Stevenson's second trouncing by Eisenhower.

By 1960 the race for the Democratic nomination was a confusing melee, with Kennedy as one of several candidates, among them, Missouri Sen. Stuart Symington, Minnesota Sen. Hubert Humphrey and Senate Democratic leader Lyndon Johnson. Stevenson stood aloof, hoping for a deadlock.

Protestant leaders said JFK would follow the orders of the pope in matters of policy. Such comments created a backlash in Kennedy's favor.

Kennedy's money, strong showings in state primaries and organization all prevailed, giving him the delegates for a first-ballot victory at the convention. For vice president, Kennedy passed over the early favorite, Symington, and reluctantly offered the job to Johnson, who could be more helpful to him in the South and West and exercise more influence in Congress if the ticket won.

In the rural areas of the South and West, anti-Catholicism remained alive and well and constituted a problem for Kennedy's campaign. Some important Protestant churchmen—including Billy Graham and Norman Vincent Peale—charged that Kennedy would be obliged to follow the orders of the pope in matters of public policy. In large electoral-vote urban states, however, anti-Catholicism could generate a backlash in Kennedy's favor.

Kennedy attacked the problem head-on in a speech to the Greater Houston Ministerial Association, where he stated that if, as president, he found himself forced to choose between violating his conscience and violating the national interest, he "would resign the office." Messrs. Oliphant and Wilkie note that, in the question-and-answer session after the speech, the ministers' "convoluted questions . . . served as foils for Kennedy's concise answers" and ended up providing great "theater." When asked lengthily whether he would seek approval from the Vatican, Kennedy replied simply: "I don't have to have approval." The answer, the authors say, "elicited applause."

The campaign began a new tradition—the televised presidential debate. One especially portentous exchange involved policy toward Cuba and the emerging Castro dictatorship. Here Kennedy seemed more militant than Nixon—though Nixon knew that the Eisenhower administration was training Cuban exiles for a probable invasion. By holding his own with Nixon, Kennedy came out ahead.

A final dramatic event marked the campaign—the arrest of Martin Luther King Jr. in Georgia and his imprisonment in the state penitentiary. Kennedy's intervention to secure the civil-rights leader's release cemented a strong black preference for him in the election. In the end, Kennedy's narrow victory depended on razor-thin margins in key states—notably in Illinois, where the Chicago machine produced a dubious margin of victory. Some recriminations were inevitable, but the result was irreversible.

"The Road to Camelot" succeeds nicely in recounting a political campaign yet does not quite capture the appeal of its major character. Kennedy made several campaign appearances in New York. As a Columbia University graduate student, I went down to lower Manhattan to see him speak on the steps of City Hall. Many local dignitaries—among them, Mayor Robert Wagner and former Gov. Averell Harriman—arrived to polite applause. After a brief wait, an open car drove down the street with the candidate and his beautiful wife. As it passed, the crowd surged powerfully. Kennedy's words that day were not particularly memorable, but his tone of determination and the urgency of his manner were stirring. He was, at his best, charisma in action.

Mr. Hamby is the author, most recently, of "Man of Destiny: FDR and the Making of the American Century."

OPINION

REVIEW & OUTLOOK

Skirmishing Over Syria

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

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

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

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

The White House and Pentagon reacted with restraint on Monday, calling for a de-escalation and open lines of communication. But if Syria and its allies are determined to escalate, the

U.S. will either have to back down or prepare a more concerted effort to protect its allies and now U.S. aircraft.

Putin, Iran and Assad test the Trump Administration.

Mr. Putin might have been more cautious. Mr. Putin took the measure of Mr. Obama and gambled the former U.S. President would protest and do nothing. He was right. Now the Russian is testing President Trump as everyone maneuvers for post-ISIS advantage.

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

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

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

The Justices Act Like Grown-Ups

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

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

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

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

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

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

the public interest.

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

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

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

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

Victory for The Slants

The Supreme Court has done some of its best work in recent years on the First Amendment, and that continued with an 8-0 decision Monday protecting unpopular speech. The Justices ruled that an Asian-American rock band called The Slants can't be denied a federal trademark because the government fears the name might offend someone.

Simon Tam, front man for The Slants, sought to register the name with the Patent and Trademark Office as a rebuke to those who use it as a pejorative. The government denied the trademark, citing a Lanham Act provision that bans trademarks that "may disparage . . . persons, living or dead, institutions, beliefs, or national symbols." The Court ruled that this clause is unconstitutional (*Matal v. Tam*).

The idea that the government has an interest in suppressing viewpoints that offend "strikes at the heart of the First Amendment," Justice Samuel Alito wrote. "Speech that demeans on the basis of race, ethnicity, gender, religion, age, disability, or any other similar ground is hateful; but the proudest boast of our free speech jurisprudence is that we protect the freedom to express 'the thought that we hate.'"

The government claimed trademark registration is a form of government free speech, but that was also dismissed by Justice Alito. "If a trademark qualifies as government speech," he wrote, the government "is babbling prodigiously and incoherently," endorsing competing products and making contradictory statements.

The effort to "cleanse" commercial speech

The Supremes defend speech that offends and rein in the trial bar.

of any offense is also a nonstarter since there are many kinds of merchandise that "disparages prominent figures or groups and the line between commercial and non-commercial speech is not always clear." Think anti-Trump T-shirts.

Justice Anthony Kennedy wrote a concurrence making a useful point about how government could abuse such leverage over speech. "A law that can be directed against speech found offensive to some portion of the public can be turned against minority and dissenting views to the detriment of all," Justice Kennedy wrote. "The First Amendment does not entrust that power to the government's benevolence."

In other good news, the Justices on Monday continued to police legal forum shopping. In *Bristol-Myers Squibb v. Superior Court of California*, the Justice ruled 8-1 that California courts don't have jurisdiction to decide injury claims for some 592 out-of-state plaintiffs when the defendant company isn't based there and the injuries didn't occur there.

This is the third time this term the Justices have ruled against lawyers who file injury cases in so-called judicial hellholes known for jackpot verdicts regardless of an actual connection to the locale. Justice Alito's majority opinion called it a "straightforward application" of "settled principles of personal jurisdiction."

The sole dissenter was Justice Sonia Sotomayor, who frets that the decision will increase the burden on injured plaintiffs and prevent nationwide class actions, but suits with merit can always be filed in federal court.

LETTERS TO THE EDITOR

Two-State Solution to Pension Underfunding?

Your editorial "Pennsylvania's Lesson for Illinois" (June 14) describes newly enacted changes in the Keystone State's public pension plans designed to lower costs. You ask rhetorically, "Are you paying attention, Illinois and Connecticut?" The clear implication is that Illinois hasn't acted to reduce the future costs of its pension plans.

In 2010 Illinois was one of the first states to drastically reduce future pension benefits for new teachers and public workers to cut costs. The Illinois plan was more extreme than the changes implemented in Pennsylvania.

The Tier II benefit structure in Illinois essentially reduced by 30% the value of a public pension for new hires after 2011. Tier II members will pay for the entire cost of their pensions while subsidizing the pensions of older Tier I colleagues. Tier II members must work seven years longer to be eligible for a pension and will receive smaller cost-of-living adjustments in retirement.

Illinois currently has an unfunded pension liability of \$130 billion because the state hasn't once in 78 years fully funded its pension systems. As a result, this year \$3.6 billion of the state's \$9.4 billion pension contribution covers the actual cost of benefits. The remaining \$5.8 billion is for the unfunded liability.

The truth is Illinois has been paying attention. Tier II teachers and public employees are paying a steep price for a crushing burden built up over eight decades—a problem they didn't create.

RICHARD W. INGRAM
Executive Director
Teachers' Retirement System of the State of Illinois
Springfield, Ill.

You have often detailed the fiscal problems of Illinois and Connecticut. The Illinois and Connecticut budget deficits and public-employee pen-

sion liabilities have been attributed to Democratic governors, legislatures and their public-employee union allies.

Until 2000 Pennsylvania had a public-pension system that was overfunded. In May 2001, Republican Gov. Tom Ridge and a Republican legislature engineered a 25% increase in state-employee pensions for the future and retroactively. It gave lawmakers a 50% pension boost. Soon after, 9/11 sent financial markets tumbling and state-employee pension funding became a state crisis.

The Pennsylvania legislature has been dominated by Republicans since then and movement to correct this problem has been slow. Democrats and public-employee unions aren't always at fault for these public-pension problems.

JOHN SCHENKEL
Lancaster, Pa.

The employer (Pennsylvania taxpayers) contributions will remain above 30% for years to come. No business could survive mandatory payments at these levels, but state agencies can.

Pennsylvania's 500 school districts, for example, with the power of direct taxation, have raised property taxes every year to cover these outrageous expenses, while ironically amassing \$4.4 billion in their fund balances. In the last 10 years employer contributions have increased from 6.46% to 30.3% of salary; the rate in the 2017-18 school year is 32.57% and will increase to 36.4% by the 2021-22 school year.

These unsustainable payments won't shave one dollar from the unfunded pension liability as they push school property taxes through the roof and more residents to other states.

Are you paying attention, Pennsylvania?

JOEL SEARS
York, Pa.

Nuclear Options, First Strikes and Senators

Peter Wallison is right in "The Filibuster Is Not a Suicide Pact" (op-ed, June 2). The filibuster is a rule, not a constitutional quandary. Thomas Jefferson, a strict constitutionalist, faced a quandary with the purchase of the Louisiana Territory. He was hesitant to act without explicit constitutional authority. Where would we be today if he continued to dither?

The Democrats have brought the country to its knees in fiscal, economic, social and international affairs. We need the Republicans, elected by their countrymen and women, to enact legislation to get us on the right track again. If the Republicans don't kill the filibuster, the Democrats surely will in the next two to four years and America will be

If Russia Interfered, It Acted on Obama's Watch

Regarding David Satter's "From Russia With Chaos" (op-ed, June 13): The Democrats' hysterics about an alleged Russian interference with the last election overlaps the border between funny and sad. If there was Russian involvement in the last election, wasn't that a failure of the Obama administration? Wasn't the last administration in charge of national security during the election?

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

RICHARD A. YOUNG
Greenwich, Conn.

What if Russian "interference" had nothing to do with email hacking or Trump-campaign collusion, but had everything to do with the Russians exploiting the mainstream media and intelligence communities' loathing for Donald Trump and the hyperpoliticization these institutions underwent during the prior administration? Mr. Satter demonstrates how Russians could have leaked disinformation to the intelligence community and mainstream media, where useful idiots could have eagerly disseminated such disinformation, knowing this would destabilize American politics and handicap the new American president. Could anything be as ironic as the Russians destabilizing American politics simply by hitching a ride on the mainstream media's bandwagon?

KEN BECKERT
Abingdon, Md.

Mr. Wallison's article would be excellent if he could set aside his incorrect assumption that the Republicans have been the long-suffering paragons of moral probity. He forgets that the first major abuses of the filibuster came from the Republicans during the Clinton administration when they blocked confirmation hearings on nearly 60 appointees for four years. The Republicans have been just as committed to obstructionism as he claims the Democrats are now, from their 2010 pledge to block whatever policies President Obama pushed to their recent actions during the Merck Garland nonconfirmation.

Perhaps if the Republicans have the moral high ground he believes they have, there could be an argument made for a first-strike use of the nuclear option. One who lived through the Cold War and the era of mutually assured destruction should have a better understanding of what that would mean for the future.

JUSTIN JIN
Lexington, Mass.

Theresa, Come What May, Didn't Blame Anyone Else

Regarding British Prime Minister Theresa May's recent electoral wipeout ("Britain's Lesson for Conservatives," Review & Outlook, June 10): Perhaps, to borrow from Churchill, this is her finest hour. I have not heard her suggest that her loss was due to voter misogyny. Nor foreign influence. Nor her postnasal drip. Nor any of the 10,000 excuses that last year's losing American presidential candidate gave for her campaign mismanagement.

I'm happy to report to the British people and the world that Theresa May is no Hillary Clinton.

GREG DEBSKI
Howell, N.J.

Pepper ... And Salt

THE WALL STREET JOURNAL



"Problem solvers are a dime a dozen . . . making guys like me a rare and valuable commodity."

OPINION

Don't Raise the Debt Limit—Repeal It

By Jason Furman
And Rohit Kumar

Over the past eight years, high-stakes negotiations in Congress over the federal debt limit have repeatedly brought Washington to the verge of default. We were on opposite sides of these debates, as senior policy advisers to President Obama and Senate Republican Leader Mitch McConnell, and we continue to disagree about taxes and the proper size

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

of government. Yet we both believe that the statutory debt limit has outlived its usefulness as a mechanism for restraining the size of the national debt. Or, put more precisely, we think that whatever residual value the debt limit may have is far outweighed by the risk that a potential U.S. default poses to the global economic order.

Now the debate is heating up again: The Treasury Department is already taking "extraordinary measures" to avoid going above the debt ceiling, but that can last only a matter of months. Congress will have to act. But this time instead of merely raising the debt limit, lawmakers should

abolish it altogether—for the good of President Trump, all his successors and the American people.

The Constitution assigns Congress the power to tax and spend, which determines the annual budget deficit and, therefore, the debt. Separately, the Constitution authorizes Congress to "borrow Money on the credit of the United States." But what if lawmakers approve spending, and then later refuse to borrow the money needed to satisfy the obligation? The result would be a default: Washington either would stop paying bondholders or would fall short on its other commitments—for example, to disabled veterans or defense contractors or even taxpayers who are owed refunds.

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

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

For decades, this system worked effectively. But skirmishes over the debt limit began as early as 1953, when President Eisenhower asked



GETTY IMAGES/LIFE PICTURE COLLECTION

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

lawmakers to raise the figure. Sen. Harry F. Byrd Sr., a Democrat from Virginia, led the upper chamber's Finance Committee to reject the president's request. Then in 1967 the House, controlled by Democrats, rejected in a floor vote a debt-ceiling increase requested by President Lyndon Johnson.

The challenge of raising the debt limit became even more difficult over the following decades. In 1985 Treasury Secretary James Baker became the first to use "extraordinary measures" to prevent borrowing from

hitting the cap. An expanding set of such measures were deployed in 1995-96, 2002, 2003, 2011, 2013, 2014, 2015 and 2017. Now that these measures are used almost annually, it is hard to justify calling them "extraordinary."

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

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

Note that these costs are incurred simply by approaching the debt limit without actually reaching it. In a 1985 letter, President Reagan discussed what would happen if the

government did someday teeter over the edge: "The full consequences of a default—or even the serious prospect of default—by the United States are impossible to predict and awesome to contemplate." During the debt negotiations of 2011, President Obama similarly warned that hitting the limit "would risk sparking a deep economic crisis—this one caused almost entirely by Washington."

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

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

Lawmakers are right to be concerned about steep increases in the debt. But those worries should be expressed when the policies that actually increase the debt are voted on. Once new policies become law, defaulting on interest payments or veterans' benefits is hardly productive. A new mechanism is necessary to tackle the debt issue—and it must be one that does not prejudge the question of revenue increases versus spending cuts, which is for future Congresses to resolve.

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

Mr. Furman, a senior fellow at the Peterson Institute for International Economics, was chairman of the White House Council of Economic Advisers, 2013-17. Mr. Kumar, a principal at PwC, was policy director and deputy chief of staff to Senate Republican Leader Mitch McConnell, 2007-13.

Take Me Out to the Pill Game

By Dana P. Goldman
And Darius N. Lakdawalla

For perspective on the national angst over drug prices, let's pay a visit to the ballpark. The average Major League Baseball player earns an annual salary of more than \$4 million (plus \$100 a day in meal money)—far more than it takes to lead a comfortable, well-appointed life. Let's say the team owners cut those salaries by half, to \$2 million or so. Putting aside the union protections that the players enjoy, surely they would continue showing up to work. Almost certainly fans would continue to enjoy the same quality of play on the field.

Why are prescription drugs so expensive? Look to Major League Baseball for an answer.

Now consider the parallel to top-selling pharmaceuticals. The high price tags on popular drugs allow pharmaceutical companies to earn revenue far in excess of the cost of developing those drugs. Even if prices were cut drastically, these drugs would continue to sell. The question, both in the ballpark and the drug lab, is what happens next season, and the season after that.

For every successful Major Leaguer, there are hundreds of disappointed players whose careers end before they ever reach the big leagues. The promise of a big-league payoff must remain strong enough to continue to attract players to a career path with a high rate of failure. For the players of tomorrow, a drastic cut in the potential rewards of playing would encourage them to consider other sports, or even other careers. The 2014 Super Bowl-winning Seattle Seahawks quarterback, Russell Wilson, chose to enter the 2012 National Football League draft over spring training with the Colorado Rockies.

In the same way, the return on capital invested in successful drugs must be enough to compensate for all the lost bets on failed drugs. The typical investor—even a professional—

places both winning and losing bets; as in baseball, no one goes undefeated. Thus, the winning bets must

produce enough "excess" wealth to offset the losses from betting on the losers.

In baseball, the issue of player salaries faded long ago. The talent pool is deep, stadiums are full, beer and hot dog sales are brisk, and lucrative TV contracts keep owners flush. Equilibrium has been achieved. In drug pricing, the debate remains at full throttle. The big question: How much do we need to pay today to attract the investment that will keep drug discovery alive tomorrow?

Economists have tried to answer from a variety of angles. In all cases, price reductions are associated with less innovation, although the magnitude varies. A 1% reduction in price reduces innovation—meaning the number of new drugs launched—by as little as 0.25% or as much as 4%. A 2015 study published in the RAND Journal of Economics found that it takes about \$2.5 billion of additional expected pharmaceutical revenue to generate one additional new drug launch.

This research demonstrates that prices matter, but it doesn't answer the big question: What is the "right" price to guarantee innovation? Innovators should be able to share in the value they create for society, but how much?

Economists Anupam Jena and Tomas Philipson have found that the manufacturers of new medical technologies have historically captured about 15% of the surplus they generated for society. Drugs and devices allowing companies to exceed this threshold tend to face the greatest pushback. For example, the biopharmaceutical company Gilead Sciences earns 20% to 40% of the total social value created by sales of Sovaldi, which is used to treat late-stage hepatitis-C patients. Insurers, politicians and advocates raised a ruckus in 2013 at Sovaldi's hefty \$1,000 per pill price tag.

The pharmaceutical industry might find itself on safer ground politically if it remained closer to historical norms for the harvesting of social value. Such self-restraint may already be too late, given calls from President Trump and Sen. Bernie Sanders for a crackdown on drug prices. The levers they could reach for—increased importation, regulation of advertising and competition, even price controls—have broad popular support.

Economists agree that higher drug prices spur more drug discovery, but

they still don't know how much discovery is enough or how high prices need to be. What is clear, however, is that if pharmaceutical prices only covered R&D costs—with no surplus left over—then no one would want to play ball.

Mr. Goldman is director of the Leonard D. Schaeffer Center for Health Policy and Economics at the University of Southern California. Mr. Lakdawalla is an economist at the center. They are co-founders of Precision Health Economics, a consultancy to pharmaceutical companies.

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Over 65 million.* That is the amount of people who have been forced from their homes worldwide. Continuing conflicts and political instability in several regions around the globe continue to displace more and more people each day.

And still we have a tendency to focus on differences when we talk about humanity. We dwell on the things that separate us rather than the things we have in common. We see otherness when we should see kinship.

We see "them" and not "us."

But on a genetic level, human beings are 99.5% identical. This is pure scientific fact.

So today, on World Refugee Day, 23andMe pledges to join the International Rescue Committee in their continuing efforts to bring awareness to displaced populations around the world.

We do this because every person on the planet is united by a fundamental, common humanity. So, for a moment, let us look beyond the 0.5% of our DNA that gives us our genetic individuality. Because in times like these, it's important to remind ourselves that above all else...

we are all 100% human.



BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Tuesday, June 20, 2017 | B1

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Citigroup Looks to Go on Offense

CEO Corbat faces a growing consensus that now is the time for bank to shift tack

By TELIS DEMOS

Investors want Michael Corbat to change the narrative at Citigroup Inc.

Since taking the bank's helm in October 2012, Mr. Corbat's Citigroup has played defense. It has scaled back businesses, shrunk the firm's global retail-banking footprint and wound down crisis-era assets that dragged on returns.

For shareholders, it has been a slog. Citigroup's total return has underperformed those of its biggest rivals, save for Wells Fargo & Co., since

Mr. Corbat arrived on the scene. The bank has yet to show it can consistently generate returns that exceed its cost of capital; in the first quarter the bank's return on common equity was a tepid 7.4%. And the stock trades at just 85% of book value, the lowest valuation of the big U.S. banks.

Now, investors, analysts and even top executives within the bank say it is time for Mr. Corbat, a former Harvard football star, to shift to offense. That means boosting growth and profitability in areas such as credit cards, Wall Street stock trading and retail banking.

"What investors want now is to understand what's next in the story," said Conor Muldoon, fundamental portfolio

manager at Causeway Capital Management LLC. "What can you do to make the valuation better over time?"

Citigroup is among the largest holdings in the firm's Global Value fund.

The first test comes this week and next with the Federal Reserve's annual bank stress tests. A key indicator will be the bank's so-called payout ratio under the tests, a measure of whether it is given a green light to return more capital to shareholders than it is expected to earn in coming quarters.

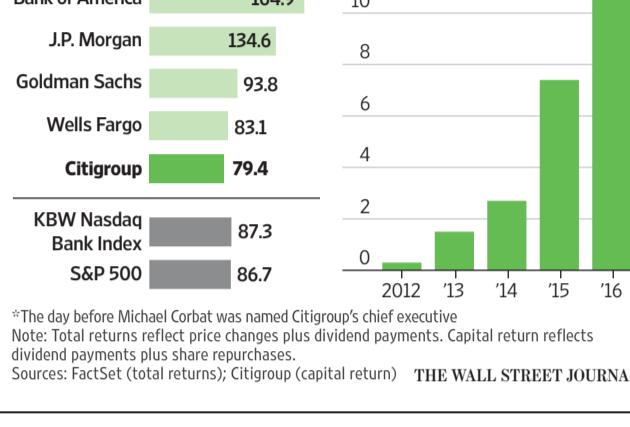
Citigroup shareholders want to see the payout ratio top 100%, meaning the bank would begin drawing down its capital pile rather than continue adding to it. If it can't

Please see CITI page B2

Banking on Returns

Citigroup's shares have lagged since Michael Corbat took over. But the bank is boosting capital returns through dividends and share buybacks in the hope of gaining ground.

Total return since Oct. 15, 2012*



*The day before Michael Corbat was named Citigroup's chief executive
Note: Total returns reflect price changes plus dividend payments. Capital return reflects dividend payments plus share repurchases.

Sources: FactSet (total returns); Citigroup (capital return) THE WALL STREET JOURNAL.

Bells Ring For Whole Foods and Amazon

Whole Foods Inc. Chief Executive John Mackey said Amazon.com Inc.'s pursuit of the health food chain began with "a blind date" more than six

By Laura Stevens,
Annie Gasparro
and Heather Haddon

weeks ago, a whirlwind courtship that culminated in Amazon's largest acquisition by far.

In a town hall meeting at Whole Foods' Austin, Texas, headquarters on Friday, the day the deal was announced, Mr. Mackey and other executives applauded the "historical moment" for Whole Foods, saying that the two companies hit it off right away, according to a security filing transcript.

"We just fell in love," Mr. Mackey said, according to the transcript. "It was truly love at first sight."

Details emerged Monday regarding the timeline leading to the \$13.7 billion deal, showing that it was somewhat spontaneous. The deal came together so rapidly—the companies signed a confidentiality agreement April 27—that Amazon's strategy for the acquisition is still largely in the air, according to people familiar with the matter.

Even so, Mr. Mackey said at the town hall that, as part of Amazon, other store formats might emerge under a different name that don't necessarily meet the brand's high standards for natural and organic foods.

The acquisition is "gonna change our culture. I mean, it's the truth. It's inevitable. But it doesn't necessarily mean it's a bad thing," he said.

"We admire the quality standards of Whole Foods. And I think it would be crazy to change them," said Jeff Wilke, chief executive of world-wide consumer at Amazon, at the town hall. An Amazon spokesman declined to comment on the town hall. Whole Foods also declined to comment.

Mr. Mackey told his employees Friday that a year and a half ago he had a vision. "I dreamed that we merged with Amazon," he said. "I woke up. I told my wife about it. And she said, 'That's crazy.'"

Mr. Mackey likened Friday's deal announcement to an engagement, and "like an old traditional marriage, where there are all kinds of rules and chaperones, we can't consummate the marriage, until we're actually officially hooked up."

"This is not a Tinder relationship," he clarified. "I got a feeling I'm off script. But I do wanna communicate...I am, like, super excited."

Oil Companies Adapt to a Low-Price World

Three years after the price of crude began its rapid descent, the oil industry and investors are finally resigned to the idea of lower prices for longer, potentially ending a period of crisis for the sector.

By Georgi Kantchev,
Sarah Kent
and Erin Ailworth

The price of Brent crude, the international benchmark, is down 59% since it settled at \$115.06 a barrel three years ago on Monday. West Texas Intermediate, the U.S. gauge, also is 59% lower than its \$107.26 settlement hit a day later.

The steep fall sparked a slump in oil company profits, recessions from Russia to Venezuela, and huge job cuts across the world's oil fields.

But now, petrostates, investors and major oil companies are adapting to a world in which they see a range of \$50 to \$60 a barrel as the new equilibrium. The industry has had little choice but to accept the new reality after the Organization of Petroleum Exporting Countries and other big producers failed to lift oil prices by capping their production, most recently at a meeting in late May.

Producers have cut costs, focused on more-profitable assets and no longer throw money at costly projects in places like the Arctic. Their ability to profit at lower oil prices has helped steady investors' nerves, and they are starting to fund new projects again, though a debate is still raging over the prospect of a supply crunch down the line.

"Lower for longer has become the new mantra in the industry," said Daniel Yergin, vice chairman of IHS Markit, and a longtime oil-market

Murky Picture

Oil prices are slipping, and predictions for crude's path are in decline...

Nymex crude-oil futures price



...but earnings at giant oil firms appear to have bottomed, reflecting cost-cutting efforts.

Quarterly net profit for:



watcher. "People are regearing themselves to a new price level and \$50 to \$60 seems acceptable to most."

To be sure, this new range is far from comfortable for some countries and companies, particularly in the services sector, which continue to struggle. Venezuela and its oil-fueled economy have collapsed, and others, like Iraq, are still facing economic challenges.

Before the bust, producers

often needed oil at \$80 to \$85 a barrel to break even.

Shale producers operating in a number of fields can break even at \$50 to \$60 oil today, according to oil-and-gas data firm Rystad Energy. There are a handful of companies that have learned to make money on wells at \$40 oil.

When the oil price began to fall, Bryan Sheffield, chief executive of Parsley Energy Inc. doubted his Austin, Texas-

based company would pull through.

"In year one, I wasn't sure we were going to survive. We went from \$17 to \$11 in like three days," he said of a decline in share price at one point in 2014.

Since the start of 2015, in the U.S., 105 producers and 120 oil-field-service companies have filed for bankruptcy, according to Haynes & Boone

Please see OIL page B2

tion is due to the conflicting nature of modern indexes as both measures of performance and the basis for investment. A measure of stock prices that excludes China is obviously flawed. Yet, tracking an index that includes China exposes investors to strict capital controls and arbitrary suspensions.

Investors in mutual and exchange-traded funds tracking indexes often think they are making a simple decision to follow what the market is doing. In reality the indexes have mutated from measures of the market into primitive investing algorithms, with sometimes odd effects.

Consider the latest plan by MSCI for China, watered down to cater to the needs of index trackers. China's \$7.8 trillion of domestically listed A shares are bigger

Please see STREET page B2

STREETWISE | James Mackintosh

Your ETF Isn't What You Might Think It Is

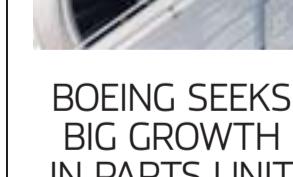
Much of the point of passive investing is to take away the effort and stress required in making investment decisions. It isn't working, at least when it comes to the world's second-biggest equity market, China.

MSCI will decide on Tuesday whether to include Chinese domestic stocks in the benchmark emerging-markets index, a decision that could lead to hundreds of billions of dollars eventually being invested there.

It might seem obvious that the \$7.8 trillion of A shares in China ought to be in the benchmark, given they make up more than 10% of the value of the world's stocks and more than 60% of the value of emerging markets.

The difficulty of the deci-

INSIDE



BOEING SEEKS BIG GROWTH IN PARTS UNIT

AVIATION, B3



ELIZABETH WARREN PRESSES WELLS

BANKING, B10

For AstraZeneca, Cancer Drug Weighs on Go-It-Alone Stand

BY DENISE ROLAND

LONDON—AstraZeneca PLC Chief Executive Pascal Soriot made a promise to investors three years ago as the Anglo-Swedish drugmaker was fending off takeover advances from Pfizer Inc.: If left alone, AstraZeneca would nearly double its revenue within a decade.

Three years into that commitment, Dr. Soriot still has a long way to go to convince investors that walking away from Pfizer was the right call. A series of drug-test successes have lifted AstraZeneca shares this year, bringing them within range of Pfizer's 2014 offer price. But AstraZeneca has hit some headwinds, including unfavorable currency rates and disappointing results of an attempt to widen the use of one of its new drugs.

Dr. Soriot faces his biggest test in coming weeks. Early results for a new lung-cancer treatment could shore up investor confidence in AstraZeneca's

VICTOR J. BLUE/BLOOMBERG NEWS

go-it-alone approach—or sow fresh worry. The drugs involved are part of a new breed of cancer medicine called immunotherapies, which boost the immune system's ability to fight tumors.

The trial, dubbed Mystic,

"will be a critical transition point for the company," said Jamie Freedman, who heads the company's cancer division. "Very soon we're going to see how that plays out."

The stakes in such trials are higher for AstraZeneca than most of its peers: It never diversified into fields outside the high risk-reward business of creating new drugs, which succeed or fail after costly development and clinical trials with uncertain outcomes.

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LLP. In a calmer environment, there might be one or two bankruptcies of note among oil and gas producers a year and a few more among smaller services companies.

U.S. shale drillers persevered by focusing on their best acreage and making technological improvements, such as drilling supersize wells with more sand to gain savings via economies of scale.

Parsley repeatedly sold shares to raise cash, bolstering its balance sheet and allowing it to make acquisitions in the Permian Basin, a drilling field in West Texas that has become one of the most economic places in the U.S. to operate, where producers can make money on wells even at low oil prices. Now, Mr. Shefield said Parsley can continue to expand even if oil drops down to \$40 a barrel.

Big oil, too, is settling in for an extended period of cheap crude. **Chevron Corp.**, **Royal Dutch Shell PLC**, **Exxon Mobil Corp.** and **BP PLC** have all indicated they will be able to generate enough cash at \$60 a

barrel to cover spending and shareholder payouts this year, a major focus for investors worried about the safety of dividends. At \$50 a barrel, the picture is more mixed. But the companies say they are focused on living within their means at even this price.

In the first quarter of 2017, many big oil companies posted their highest profit in over a year, and investments are

picking up again as cost-cutting efforts begin to pay off.

BP spent most of this decade retrenching in the wake of its fatal blowout in the Gulf of Mexico in 2010 and as the oil price skidded lower, but despite weaker crude prices the U.K.-based company is now preparing for a period of strong growth. It is planning to add 800,000 barrels a day of new production by 2020.

Others are also stepping up activity. On Friday, Exxon and its partners announced a \$4.4

billion project to develop one of the largest oil finds in the last decade off the coast of Guyana.

Shares in Shell and Exxon are trading at or just below the levels of much of 2011 to 2014, when oil prices were consistently over \$100 a barrel, showing that investors, too, believe big oil companies can handle the lower prices. Companies have driven down costs by squeezing suppliers and contractors, trimmed less profitable projects and tackled a once spendthrift culture.

This is all a big change from just three years ago.

In 2013, Saudi Arabia's then oil minister, Ali al-Naimi, declared \$100 a barrel a "reasonable price" for consumers and producers. Now, many people in the oil industry don't even want to see that price again, some analysts say. That is because high oil prices triggered a big investment boom that fueled a global supply glut and crashed the market.

In Iraq, the once-booming oil town of Basra is now dotted with half-finished construction projects and motorways that go nowhere, stalled as the oil price plummeted.

—Sarah McFarlane contributed to this article.

passed Goldman as Wall Street's biggest by revenue.

Currently overseeing 6,000 employees who generate about one-third of the firm's revenue, the 48-year-old New York City native has emerged as a leading contender to succeed Mr. Gorman, who has hinted he would like to remain at least a few more years.

In his rise up the ranks, Mr. Pick won over senior executives for resisting the urge to sugarcoat bad news.

He is a newcomer to fixed income, a more varied and fickle business than stock trading. Ranging from government bonds to complex derivatives contracts, it is one of the biggest fee pots on Wall Street.

Fixed income has also been a persistent problem child at Morgan Stanley. In 2007, the firm sought emergency financing after a \$9 billion losing bet on subprime mortgages. In 2011, it stumbled on Treasurys.

By late 2015, the fixed-income division hit what Colm Kelleher, Morgan Stanley's chief operating officer, called "a WITF moment." Morgan Stanley hadn't found its groove, and globally across banks, fixed-income trading fees were in a tailspin.

The firm did a top-to-bottom review of the unit. In late 2015, the firm promoted Mr. Pick to oversee the combined sales and trading operation. He brought along Sam Kellie-Smith, a British options trader who had been his deputy in equities, to run the fixed-income group. The pair swiftly fired 25% of the unit's traders, cutting deep in European credit trading, where activity had slowed,

BUSINESS NEWS

Boeing Aims to Expand Parts Unit

Aircraft maker targets doubling of business's sales to \$50 billion within five years

By DOUG CAMERON

Boeing Co. is doubling down on a profitable parts and services business that could bring the plane maker into competition with its own suppliers.

Boeing has complained for years that other companies profit more selling spare parts and services for its jets and military systems than Boeing makes building them. Boeing says it has just 8% of the business servicing the 10,000 Boeing jetliners and thousands of military jets in service.

Now the Chicago-based aerospace giant plans to more than double annual sales in its services business to \$50 billion in five years.

A new unit overseeing combined commercial and military services will open in Plano, Texas, on July 1.

The push is central to Chief Executive Dennis Muilenburg's efforts to cut costs and push up Boeing's profit margins to the midteens from around 10% now.

"I expect them to be accretive to that target," Mr. Muilenburg said of the new Boeing Global Services business in a recent interview.

Aircraft engine makers provide a model: They sell engines for little or no profit, but generate earnings from maintenance and new services that parse reams of data to find ways for airlines to fly more efficiently.

General Electric Co. has branched into other services such as storing aircraft maintenance records and airline crew data.

Boeing hired the head of GE's services business last year to run its own commercial airplanes arm and wants to take some business from GE and other suppliers.

"There is always going to be this healthy tension," Stan Deal, president of Boeing Global Services, said in an interview.

Suppliers are already eyeing Boeing's move warily. Eric Schulz, head of the civil aerospace unit at **Rolls-Royce Holdings** PLC, said the sector will invest less in the technol-



The Boeing 737 Max 10 plane on display at the Paris Air Show Monday. The company said 10 customers have committed to buying it.

Boeing Adds New Single-Aisle Jet

LE BOURGET, France—**Boeing** Co. on Monday formally

launched a new version of its single-aisle jetliner with more than \$16 billion in deals to regain market share lost to rival **Airbus** SE.

The plane, called the 737 Max 10, is the largest of Boeing's new narrow-body planes that represent the backbone of global air travel. "Our customers told us to build it bigger," said Kevin McAllister, president of Boeing Commer-

cial Airplanes.

Mr. McAllister said more than 10 customers have already committed to buying the plane. The deals, to be unveiled this week at the Paris Air Show, would be for more than 240 aircraft.

The plane carries a price tag of \$124.7 million each, though buyers get discounts. It is expected to enter service in 2020.

Boeing began the Paris Air Show announcing 135 deals for the 737 Max 10, though some buyers have switched from commitments previously made to other models. At list price, the value of the announced Max 10 deals tops \$16 billion.

Chicago-based Boeing lined up a list of plane-leasing companies to underpin interest in the new jetliner. Lessors have become increasingly important customers for plane makers.

Among them are General Electric Co.'s plane-leasing arm, known as Gecas, which signed an order for 20 of the planes.

BOC Aviation, another plane-leasing firm, signed a memorandum of understanding to take 10 of the planes. **AerCap Holdings** NV, the largest independent lessor, said it was in talks with Boeing about the plane, though it didn't buy any.

Indonesia's **Lion Air** placed the biggest commitment, agree-

ing to buy 50 of Boeing's new plane. The carrier is a large customer for Airbus and Boeing narrowbodies. Its Malaysian subsidiary last month became the first airline to operate a Boeing 737 Max, though a smaller version than the one just unveiled.

India's **SpiceJet** Ltd., another big narrow-body buyer, signed for 20 of the planes.

Not everyone is on board, though: **Qatar Airways** Chief Executive Akbar Al Baker said that he wouldn't buy the plane and would stick with the Airbus A321neo planes already ordered.

—Robert Wall

ogy needed for Boeing's next generation of jetliners if the plane maker encroaches too deeply in its turf.

Boeing and rival **Airbus** SE typically make about one-third of a commercial jet and rely on suppliers for the rest of the parts.

The suppliers in turn make the bulk of their earnings repairing and replacing parts for the airlines, leasing companies and governments that buy the planes from Boeing and Airbus.

The plane makers largely ignored the spare-parts business, licensing the rights to

make them to others, but that is starting to change.

"There are negotiations going on between the suppliers and [plane makers] to give up intellectual property to go down this path," said Robin Lineberger, head of the aerospace and defense practice at consultant Deloitte.

Boeing has already tightened licensing of its own intellectual property of plane parts made by others and is making more parts itself.

Mr. Deal, the head of the new services unit, said Boeing wants to drive a cultural shift from

to generate more money from

its products.

The company aims to boost annual service product launches from 17 last year to 100 over the next several years, taking on more work

from carriers eager to cut their own fixed costs and capital spending.

Boeing aims to use data from aircraft and airline operations to price its planned offerings more competitively.

"We've got very comfortable with taking more operational risk," Mr. Deal said.

Boeing also wants to service rivals' planes, said Mr. Deal.

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TECHNOLOGY

WSJ.com/Tech



A DraftKings' NHL shooting event in January. A few years ago, daily fantasy sports was one of the country's hottest businesses.

Fantasy Sports Deal on Ice

FTC plans suit to block merger of DraftKings, FanDuel, citing antitrust concerns

By BRENT KENDALL

WASHINGTON—The Federal Trade Commission on Monday said it would file an antitrust lawsuit that seeks to block the proposed merger of fantasy sports companies **DraftKings** Inc. and **FanDuel** Inc., alleging the deal would harm consumers who play daily fantasy contests.

The rival companies each offer daily games in which consumers pay to assemble virtual sports teams made up of real athletes that do battle against other virtual teams. The “managers” of winning teams that amass the best statistics take home cash prizes. The companies make money through entry fees.

The five-member FTC is

currently short-handed, with only two sitting commissioners, one Republican and one Democrat. Both supported the lawsuit. The state of California and District of Columbia are joining with the FTC to challenge the merger.

The commission argues the merger would deprive customers of substantial benefits that are produced by DraftKings and FanDuel competing against one another for business.

“We are disappointed by this decision and continue to believe that a merger is in the best interests of our players, our companies, our employees and the fantasy sports industry,” the companies said in a joint statement. “We are considering all our options at this time.”

When they announced the merger in November, the CEOs of the two privately held companies, DraftKings’ Jason Robins and FanDuel’s Nigel Eccles, said combining the companies would allow them to innovate

more by freeing up money. That, they said, would further efforts to entice more players of seasonlong fantasy sports leagues and more fans in general to play on their sites.

A few years ago, daily fantasy sports was one of the country’s hottest businesses. It allows players to draft virtual teams that typically compete against one another in a single day, rather than over an entire season as with traditional fantasy leagues. The industry was once forecast to hit \$18 billion in revenue by 2021. That forecast has been slashed—as of late last year standing at around \$5.3 billion by 2021—reflecting in part greater-than-expected user burnout and the loss of entire markets because of state regulations.

Several state attorneys general have launched regulatory and legal probes, saying the sites violate state gambling laws. The companies, which deny any wrongdoing, have

also faced civil lawsuits from consumers, as well as investigations by the Justice Department. The companies have lobbied heavily to try to persuade state legislatures to explicitly legalize the activity.

DraftKings and FanDuel account for the vast majority of daily fantasy sports players, which they estimate to number around five million. An attorney for FanDuel said when the deal was announced that he expected it to undergo an antitrust review. He argued that daily sites are one part of a broader fantasy sports universe that includes season-long leagues.

The FTC said Monday that seasonlong sports leagues wouldn’t preserve competition because consumers of paid daily fantasy sports are unlikely to view the seasonlong contests as a meaningful substitute.

—Alexandra Berzon and Rebecca Davis O’Brien contributed to this article.

Alibaba’s Ma to Offer Tips to U.S. Merchants

American homes are brimming with products made in China. This week, **Alibaba Group Holding** chairman Jack Ma will put on a show to help U.S. entrepreneurs flip the script.

In a two-day event starting Tuesday in Detroit, the e-commerce giant will offer an ex-

By Liza Lin in Shanghai and Laura Stevens in San Francisco

pected 3,000 U.S. small-business owners tips on how to market and ship their wares to Chinese consumers. There is also a “fireside chat” with Martha Stewart, and Mr. Ma will be interviewed by TV news personality Charlie Rose.

The event, to be held at Detroit’s Cobo Center, is being staged partly to show that Mr. Ma is making good on his pledge to President Donald Trump to help create one million new American jobs. But Alibaba, which is credited with starting China’s online shopping binge, could use some new Western goods to sell, analysts said.

Chinese rival **JD.com** Inc.

said Monday that it generated \$17.7 billion in sales during its 18-day “6.18” sales event in China this month, buoyed by tie-ups with U.S. retailer **Wal-Mart Stores** Inc. and Chinese social-media giant **Tencent Holdings**. Niche e-commerce providers are also starting to lure buyers away from the big sites.

“Expanding U.S. connections will help Alibaba attract more merchants and more products to its platform,” said Tian Hou, founder of equity research firm TH Capital in Beijing.

Alibaba President Michael Evans said China’s swelling ranks of middle-class consumers are looking for U.S. brands, “which the consumers in China find enormously appealing.”

Still, merchants and industry consultants say Mr. Ma has work to do.

One continuing issue is the presence of counterfeits on Alibaba’s Taobao site, which features products primarily sold by small businesses and consumers. Its other shopping site, Tmall, is used by brands themselves.

The U.S. Trade Representative’s Office reinstated Taobao on a list of “notorious” marketplaces for fakes last year, citing “the challenges right holders experience in removing and preventing illicit sales and offers of such goods.”

Cyndi Zlotow has been selling women’s and men’s fashion on eBay Inc. for 15 years. She says she will continue to sell there, and on Amazon.com, partly out of fear that if she sells on other channels, knock-offs will quickly show up and undercut her on price.

“If Alibaba was this great marketplace where I could sell my products at the prices I need to be at, yeah, I would sell on it,” said Ms. Zlotow, who lives in the Chicago area. “But we can’t sell against the fake products, and the price still matters. Even in middle-class China.”

Alibaba executives say they have worked tirelessly to police their site, and Mr. Evans said Alibaba will have experts on hand in Detroit to help merchants learn how to protect their goods from counterfeiters.

Even without the threat of fake goods, however, China has emerged as an online retailing behemoth. China will post an estimated \$771 billion in annual online retail sales this year, compared with \$446 billion in the U.S.

“U.S. brands aren’t blind to the fact that China has surpassed the U.S. to become the largest e-commerce marketplace globally,” said Lily Varon, a Cambridge, Mass.-based analyst with Forrester, adding that they are also familiar with stories of brands that have tried and failed to crack China.

BUSINESS WATCH

GENERAL MOTORS**Auto Maker Sets Layoffs in Kansas**

General Motors Co. will eliminate a shift at a sedan plant in Kansas City, Kan., laying off about 1,000 people as the nation’s largest auto maker continues to shed thousands of factory jobs amid a sharp downturn in demand for passenger cars.

GM on Friday notified workers that the factory’s third shift will be eliminated in late September, the company confirmed in a statement Monday. The Wall Street Journal reported last week that GM was extending the plant’s traditional summer shutdown and that permanent job cuts were likely.

“Lower demand for passenger cars across the industry has caused us to adjust production of some models,” GM said in a statement. The company said it is launching a “record number” of crossover SUVs to retain customers who are defecting from sedans.

The Kansas City factory makes just one model, the Chevrolet Malibu midsize sedan, a market segment that is shrinking rapidly as consumers flock to crossovers amid tame gas prices and many new entries from auto makers. Malibu sales fell 30% this year through

May, while midsize cars over all were down 14%, according to **Autodata Corp.**

The auto giant’s sales are off 1.1% in the U.S. through five months compared with the same period in 2016. Its performance is slightly better than the industry’s overall decline of 2% over the same span.

—Mike Colias

Kelly Show With Jones Ends Fourth

NBC News anchor Megyn Kelly’s Sunday evening interview with controversial radio personality and Infowars founder Alex Jones drew 3.5 million viewers, according to preliminary Nielsen ratings, falling short of the hype over the broadcast in the preceding days.

Despite facing off against reruns of “60 Minutes” on CBS and “America’s Funniest Home Videos” on ABC in the 7 p.m. hour, “Sunday Night with Megyn Kelly” finished fourth in total viewers and narrowly scraped out a third-place finish in the demographic of adults aged 25 to 54 that news programs target. Fox’s coverage of golf’s U.S. Open won the 7 p.m. hour in viewers and demographics.

In the three weeks since Ms. Kelly’s new Sunday news maga-

zine premiered, ratings have declined. NBC News this year hired Ms. Kelly away from Fox News.

The Alex Jones interview had turned into a public-relations nightmare for Ms. Kelly and NBC News. The network and Ms. Kelly were criticized for giving a platform to Mr. Jones, who has questioned whether the Sandy Hook Elementary School shooting was a hoax and has called the Sept. 11 terrorist attacks a government conspiracy.

—Joe Flint

PERKINELMER**Instruments Maker To Buy Medical Firm**

PerkinElmer Inc. said Monday it would buy a German-based medical-diagnostics company in a \$1.3 billion all-cash deal.

Scientific-instruments maker PerkinElmer said **Euroimmun Medical Laboratory Diagnostics AG** will help expand its reach into autoimmune and allergy diagnostic markets.

Euroimmun has 2,400 employees and generated sales in more than 130 countries last year. PerkinElmer, which had generated \$2.1 billion in revenue in its latest year, expects Euroimmun to generate about \$320 million in revenue this year.

—Ali Stratton

A Bloc of Engines, Some Assembly Required



ALL DOWN THE LINE: Volkswagen's plant in Chemnitz, Germany. The company said Monday it had completed its 15 millionth engine. The Chemnitz facility started production in 1988.

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ASTRA

Continued from page B1
comes. Drugs that become blockbusters eventually fizzle out when they lose patent protection and face competition from low-cost copycats.

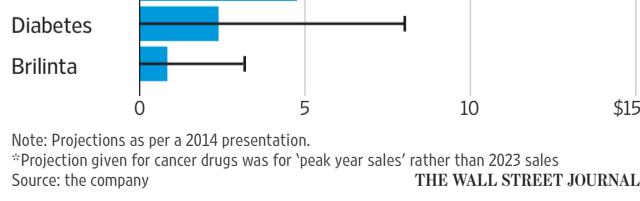
Slower but steadier businesses—over-the-counter medicines or personal-care products such as toothpaste—have provided a cushion for many of AstraZeneca’s competitors. GlaxoSmithKline PLC completed a \$20 billion deal with Novartis AG in 2015 that expanded its vaccines and drugstore-staples businesses while slimming down its prescription-drug arm.

When Dr. Soriot came aboard in 2012, AstraZeneca had a near-empty new-drug pipeline and a series of patent expirations that have pressured profit. Last year, annual earnings per share came in at \$2.77, down from \$7.33 in 2011.

Instead of diversifying, Dr.

Tall Order

AstraZeneca set ambitious 10-year growth forecasts for its drugs.

Drug revenue by disease area, 2016

Note: Projections as per a 2014 presentation.

*Projection given for cancer drugs was for ‘peak year sales’ rather than 2023 sales

Source: the company

THE WALL STREET JOURNAL.

steeper. In his 2014 presentation, Dr. Soriot said drugs for respiratory diseases would generate \$8 billion in 2023, compared with \$4.75 billion generated in 2016.

Dr. Soriot has tried to position AstraZeneca as an industry leader in cancer treatment. AstraZeneca brought in \$3.38 billion last year in that field, compared with \$11.5 billion that he estimated such drugs could generate at their peak.

There have been some disappointments. The blood-thinning drug Brilinta failed to show positive results in treating peripheral artery disease, making it unlikely the drug would hit its \$3.5 billion sales target by 2023, the company said.

A spokeswoman said AstraZeneca’s internal revenue forecasts have evolved to reflect clinical-trial successes and setbacks since 2014, and the contribution from each disease area is likely to differ slightly from the forecasts Dr. Soriot laid out when fending off Pfizer.

CFO JOURNAL

Index Mulls Booting Unequal Voting Shares

FTSE Russell proposal comes as big holders press for change; a stock's price at risk

BY RICHARD TEITELBAUM

A proposal being floated by a large index firm could force finance chiefs at companies such as **Alphabet Inc.**, **Facebook Inc.** and **Ford Motor Co.** to choose between keeping their places in broad stock benchmarks or changing their share class structures.

FTSE Russell is proposing possible restrictions on the inclusion of companies with unequal voting rights in its indexes, but the firm will weigh input from clients and investors before working out specifics.

The proposal calls for setting a minimum threshold for the percentage of voting control attached to company shares in an index. For example, a company whose Class A shares in an index control 40% of the total votes might be excluded from FTSE Russell's main indexes, like the Russell 3000 or Russell 2000, if the threshold were higher.

FTSE Russell, which is owned by **London Stock Exchange Group PLC**, gave until last Friday to respond to its proposal. A spokesman said it



MICHAEL NAGLE/BLOOMBERG

Fitbit Chief Financial Officer Bill Zerella says a ban's effect would depend on how restrictive it is.

expects to release a decision in July.

The firm asked for feedback on what the threshold might be. It also said it might ultimately decide not to change

FTSE Russell rules at all.

The proposal addresses a corporate governance issue important to key investors. "The future of the markets are at stake," said James Andrus,

an investment manager at the California Public Employees' Retirement System.

Many institutional investors are increasingly critical of unequal voting rights. Organiza-

tions like the Council of Institutional Investors, an advocacy group, have called for banning nonvoting shares from indexes.

Whether barring companies with unequal voting rights from indexes would prompt them to opt for a different share class structure when going public is uncertain. "The answer would depend on how restrictive [the ban is], that is how many indexes we were excluded from," said **Fitbit Inc.** Chief Financial Officer Bill Zerella in an email. "We would have to weigh that with the benefits of a dual class."

Fitbit went public in 2015 with Class A shares entitled to one vote and Class B shares entitled to 10 votes.

All things being equal, companies shifted from popular indexes are likely to see share prices fall because investors who track the benchmark are no longer required to hold their stock. "There are some studies that show it could make a 15% difference," Mr. Andrus said.

By FTSE Russell's estimates, 38.64% of Alphabet's voting power is represented by the shares included in its main indexes. For Facebook, 30.27% of total votes are represented by the shares in its main indexes and 59.64% for Ford Motor.

Alphabet and Facebook didn't respond to emails seeking comment on the proposal or FTSE Russell's estimates.

A Ford spokesman referred to a section of the company's 2017 proxy statement that says, "Our ownership structure has helped insulate our Company from business cycles and related short-term pressures."

Critics of unequal voting rights are likely to applaud restrictions. "The mere fact that they are considering keeping nonvoting shares out of the index is a good thing," said Charles Elson, a professor of corporate governance at the University of Delaware.

Kathleen Smith, co-founder of investment firm Renaissance Capital LLC, said excluding dual voting class companies may result in leaving out superior stock-market performers. "This could be a minefield," she said.

Rival index firms **S&P Dow Jones Indices** and **MSCI Inc.** also have launched reviews of nonvoting share policies.

A spokeswoman for S&P said the index firm would complete its consultations with market participants on June 30 and announce its decision soon after.

An MSCI spokeswoman didn't return requests for comment.

Post-Brexit Tax Changes Stir Uncertainty in Europe

BY NINA TRENTMANN

One consequence of Britain's exit from the European Union will be a more fragmented tax landscape for multinationals, which could result in higher tax contributions and compliance costs.

The uncertainty around potential tax changes has made the job of corporate tax managers more challenging. Several directives will no longer apply to the U.K. and that will impact both British and Conti-

nental European firms.

There have been pledges from the British government to limit friction. "We have the interests of both the British business community and all the international companies right at the center of our attention as we go into these negotiations," said Kim Darroch, the country's ambassador to the U.S., during last week's CFO Network Annual Meeting.

Still, after an unexpected election outcome—Prime Minister Theresa May's party lost

its majority in the House of Commons—Brexit talks are set to begin this week.

"We are concerned about tax changes," said Mark Wilson, finance chief at British luxury car maker Aston Martin Lagonda Ltd. "We are trying to assess the implications of this, but it is very difficult," he said.

Aston Martin has estimated the financial impact of the changes, but declined to publicly state them. The company said it would take it one or two years to be compliant with

amended tax rules. "There will be frictional costs associated with this," said Mr. Wilson.

Seadrill Management Ltd., a U.K.-based deep-water drilling contractor, also expects changes to its tax obligations. However, it is too early to say what these will look like, said Matthew Rose, vice president of Seadrill's tax unit.

"This will need to be assessed when the terms of the EU-exit are better known," Mr. Rose said.

Moving money between en-

tities in different countries could also become more costly.

Current regulations, according to which dividend payments from other EU countries aren't taxed in the U.K., could no longer apply after Brexit. Where there is now no withholding tax on dividend payments, there might be a 5% tax after Brexit.

It is likely Britain's separation from the EU also means that the country drops out of the current value-added tax regime. "That causes problems

for manufacturers, the car industry, virtually everybody that deals with goods across borders," said Richard Asquith, vice president of Avalara Inc.'s indirect tax business. Although VAT can be recovered, it takes time, and is a cash-flow risk, Mr. Asquith said.

Aston Martin said that VAT will be one of the biggest challenges, besides customs duties. Even now, with the U.K. still a member of the EU, reclaiming VAT is difficult, Mr. Wilson said.



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MEDIA



The Brooklyn headquarters of Vice Media, above. Vice will use some of the new money from private-equity firm TPG to create a subscription service.

Vice Media Wins TPG Investment

Digital media firm will use the \$450 million to boost spending on scripted programming

By LUKAS I. ALPERT
AND SHALINI RAMACHANDRAN

Vice Media has secured a \$450 million investment from private-equity firm TPG, as the youth-focused digital media company looks to step up its spending on scripted programming and plans a direct-to-consumer service.

The deal would give Vice a valuation of about \$5.7 billion, including the new investment, people familiar with the situation say.

Media giant Walt Disney Co., which has pumped \$400 million into Vice and owns an 18% stake, didn't participate in the funding round. Disney's stake will be diluted along with those of other existing shareholders, according to the people.

Last summer, there was speculation Disney could purchase all of Vice, in part because it already had placed a significant bet on the company. Neither side denied the merits of a potential union. But after an initial storybook

romance, a Disney takeover looks unlikely at this stage, the people familiar with the situation say.

Vice will use some of the new money to create a subscription service based on something similar it offers in Japan for mobile phones. The company also will invest in scripted programming for its fledgling Viceland cable channel and mobile and digital platforms, and expand its international footprint.

Viceland, a joint venture with A+E Networks, airs shows such as "Bong Appetit," which is about chefs who make cannabis-infused food, and "Balls Deep," about a journalist who immerses himself in others' lives.

It has struggled to build an audience, averaging just 96,000 viewers in prime-time since September including live plus same-day recorded viewing, according to Nielsen.

Vice executives are optimistic and point to the example of Discovery Communications Inc.'s Oprah Winfrey Network, which also got off to a slow start in the ratings before gaining traction after a few years. They also note that Viceland is attracting younger viewers than H2, the A+E

channel it replaced.

Vice executives contend that part of the challenge has been creating enough programming to fill 24 hours from scratch, as the company mostly develops its own shows in-house.

The move into scripted programming—such as the recently announced show "What Would Diplo Do?," a parody program

The deal with TPG would give the digital media firm a valuation of about \$5.7 billion.

in which "Dawson's Creek" star James Van Der Beek portrays the DJ and music producer Diplo—is expected to help.

The turbulence in the pay-TV world has affected Disney as much as anyone. Indeed, one reason its executives are less focused on Vice, people familiar with the matter say, is that their attention has been drawn to righting the ship at ESPN, which has begun to suffer the financial effects of losing cable subscribers in recent years.

Disney has been trying to

figure out where ESPN will fit in the streaming-media landscape. Disney last August plunked down \$1 billion to buy 33% of BAMTech, Major League Baseball's streaming-media unit, and has since said it plans to offer streaming services targeted at specific teams, regions and sports.

Disney remains committed to Vice and is optimistic about its potential, a person familiar with the situation said.

Vice, like BuzzFeed, Vox and other digital media outfits, looked especially attractive to traditional media companies a few years ago. All those companies were able to build large audiences of young people online at a time when cable TV was struggling to retain viewers under 35.

But sustaining fast-paced growth has been difficult across-the-board for digital media companies, and traditional media giants now evaluate their investments with even more scrutiny than they did before.

Disney's dance with Vice began in 2014, when A+E Networks—Disney's joint venture with Hearst—invested \$250 million in the digital media outlet. In late 2015, Disney invested an additional \$400 million over two separate rounds,

valuing the company at between \$4 billion and \$4.5 billion.

Last August, shortly after a Wall Street Journal article about the prospects for a Disney-Vice tie-up and interest in the idea on both sides, Vice Chief Executive Shane Smith told the Hollywood Reporter that such a deal "makes sense for them and it makes sense for us."

One person familiar with the matter says Mr. Smith has eyed a \$6 billion-to-\$7 billion price tag for the whole company.

In January, Mr. Smith brought a plan to the board laying out a road map for an initial public offering, but the company determined that the time wasn't right, people familiar with the situation said.

A person familiar with the matter said Vice, sensing that an acquisition by a strategic player like Disney wasn't in the offing, decided to bring in financial investors and pursued the private-equity deal.

A Vice spokesman disputed that Mr. Smith ever brought an IPO plan to the board and denied that the company viewed a private-equity round as a fallback plan.

—Ben Fritz
contributed to this article.

Snapchat Strikes Video Deal For Shows

BY SHALINI RAMACHANDRAN
AND GEORGIA WELLS

New shows featuring the likes of Ellen DeGeneres, Samantha Bee and Wonder Woman might soon be coming to Snapchat.

In a wide-ranging deal with **Snap Inc.**, Time Warner Inc.'s Turner cable channels and the Warner Bros. studio will create as many as 10 original shows a year for the ephemeral messaging app in genres including scripted drama and comedy, the companies said.

The deal also includes a path for Time Warner's premium network HBO to develop shows for the app. Snap's shows tend to run just three to five minutes, so traditional television companies, which are eager to reach Snapchat's young user base, don't view its efforts as a threat to their pay-TV businesses.

"You can envision a lot of really compelling marketing and programming that will drive viewership to our television and film content and new users for our emerging direct-to-consumer services," said Gary Ginsberg, Time Warner's executive vice president of corporate marketing and communications, in an interview.

The two-year deal shows how Snap is attempting to reinvent television for young, mobile users. In a video before its public offering, Snap's chief strategist, Imran Khan, framed Snap's opportunity by highlighting how young people ages 18 to 24 have shifted their attention to mobile phones from traditional TV.

"These users represent a big opportunity for us because they are harder to reach on traditional media, and they are often highly sought after by advertisers," Mr. Khan said in the video.

The \$100 million deal encompasses Time Warner's show investment for the app, as well as an advertising commitment from HBO, Warner Bros. and the company's Turner networks. Time Warner's sale to **AT&T** Inc. is pending with regulators.

Snap will keep 50% of the ad revenue from shows, while its media partners will keep the other half, The Wall Street Journal has reported.

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Casey Neistat, shown in March, will have a show rethinking news content for a younger audience.

CNN, Beme Woo Millennials

By ALEXANDRA BRUELL

When CNN acquired Casey Neistat's social app Beme last fall, the news organization said that by this summer, the pair would have a stand-alone media company focused on "timely and topical video and empowering content creators to use technology to find their voice."

They are still "weeks away" from a fine-tuned programming announcement, but Mr. Neistat and CNN Worldwide President Jeff Zucker dropped some hints on what is to come during a panel at the Cannes Lions International Festival of Creativity on Monday.

Mr. Neistat said a new show, called Beme, will air four days a week, with the aim of ultimately airing seven days a week. The show "will talk about the news, but isn't the

news," he said. Every day, he wants to tell something "you don't know." He is also "dying to do an investigative reporting series."

He didn't reveal more specific details on content or timing, only saying that it will launch when he deems it "very good."

The show will air on YouTube, where Mr. Neistat has been a sensation.

For CNN, it is about creating something new with Beme, versus just taking video reporting and putting it on "a platform where young people go," said Mr. Zucker.

However, rethinking news content for a much younger audience is indeed the objective with Beme, as well as other CNN ventures like the 2015 launch of millennial-oriented digital media brand Great Big Story.

The average age of a CNN viewer is 59 years old, which is more than twice the average age of a Great Big Story viewer, said Mr. Zucker. "Casey is someone I knew through my children," he said. Beme "is a way to attract an even younger audience than Great Big Story."

Still, old media and new media mashups aren't so simple, and Mr. Zucker and Mr. Neistat have had to work through their differences.

Mr. Neistat described news shows with talking heads, much like those on CNN, as boring.

"I don't know who those people are," he said. "I don't have a relationship with them. They're old." He would rather feature opinions from a "diversified cross-section of the world," through an app, he said.



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WISDOM OF A SEED KING EXPERTS FROM CHINA TAP INTO THE KNOWLEDGE OF IOWA, P3



FRUITS OF PROSPERITY

GREEN KIWIS HELP LIFT VILLAGE
FROM DEPTH OF POVERTY, P4

Women Show Off Exquisite Beauty of Traditional Dress

By CANG WEI
and TANG YAOCHANG



**Qipao remind me of
China and the beauty
of Chinese women. ...**

**Women in qipao are
very beautiful and walk
in a graceful way."**

MATHILDE BLASCHYK
FRENCHWOMAN WHO HAS LIVED IN
CHINA FOR SIX YEARS

qipao fashion show today."

She said that she is
fascinated by Chinese
culture, and learning to walk
in a qipao was fun.

Some of the women and
girls wore qipao printed
with views of Hangzhou,
a renowned tourist city in
China.

Women and girls aged
from 8 to 63 attended 12
qipao fashion shows in
Hamburg, Madrid, London
and Sydney last month.

They were part of the Global
Qipao Festival initiated by
Hangzhou to promote the
traditional dress, and the
city, to the world.

Thousands of women from many countries wore qipao, a traditional Chinese women's dress, in fashion shows and on the streets of Hangzhou, Zhejiang province, on May 26.

Hundreds of women attended the three shows at West Lake, Gongchen Bridge on the Beijing-Hangzhou Grand Canal and China Silk Museum. They sang, read poems and posed for cameras at the picturesque sites.

People wearing qipao were allowed special discounts in many shops and places of interest in the city on May 26, including bookstores, coffee shops and the famous Xixi National Wetland Park.

"Qipao remind me of China and the beauty of Chinese women," said Mathilde Blaschyk, a Frenchwoman who has lived in China for six years.

"Women in qipao are very beautiful and walk in a graceful way. I want to be more beautiful, and that's why I chose to attend the



Women from different countries in qipao, the traditional Chinese dress, during the Hangzhou Global Qipao Festival in Zhejiang province on May 26. DONG XUMING / FOR CHINA DAILY



President Xi Jinping delivers a speech at the Shanghai Cooperation Organization summit in Astana, capital of Kazakhstan, on June 9.

PANG XINGLEI / XINHUA

Xi Vows to Fight 'Three Evil Forces'

Development is a must in countering 'destabilizing factors' such as terrorism, president says, **An Baijie** reports

President Xi Jinping has highlighted China's firm stance on fighting terrorism and safeguarding regional peace as the world faces more threats to security.

Recent acts of terrorism show that the fight against "the three evil forces" — terrorism, separatism and extremism — remains a long and arduous task, Xi said in a speech at the Shanghai Cooperation Organization summit in Astana, capital of Kazakhstan, on June 9. Xi ended his four-day visit to the country on June 10.

"Without security, there would be no development to speak of," he said.

Foreign Minister Wang Yi said on June 10 that Xi's trip to Kazakhstan added impetus to building the Belt and Road Initiative, cemented the bond among countries for the community of a shared future and opened up broad prospects for peace and prosperity in the region.

During the Astana summit the member states signed the Shanghai Cooperation Organization Convention on Combating Extremism. The leaders of member countries also issued a declaration on jointly fighting international terrorism.

Xi's remarks came against the backdrop of a series of recent terrorist attacks. The world faces many uncertainties, but people expect a brighter future despite their frustration with the current situation, he said in a speech at the U.N.'s Geneva headquarters in January.

Since Xi took office in 2013 he has often talked publicly about ways to bring about a safer world. In Astana he said "destabilizing factors and uncertainties are on the rise." China is willing to work together with all parties to "build a common home of security, stability, development and prosperity," he said.

At the U.N. in January Xi urged all countries to build a world of common security for all.

"A country cannot have security while others are in turmoil, because threats facing other countries may haunt it also. When neighbors are in trouble, instead of tightening your own fences, you should



**Without security, there
would be no development
to speak of."**

XI JINPING
CHINESE PRESIDENT

extend a helping hand to them."

The notion of building a community of a shared future for all humankind, which Xi first put forward in late 2012, points to the direction in which the Chinese government believes global governance should head.

In March the U.N. Security Council for the first time incorporated this concept into a resolution on promoting security and stability in Afghanistan and the region, demonstrating the global recognition the proposal has gained.

Xi's firm stance on fighting terrorism and safeguarding peace has been translated into action by China in recent years, with the country making more contributions to improving global governance.

China, of the five permanent members of the United Nations Security Council, is the largest contributor to the United Nations peacekeeping force, and has deployed more than 2,600 of the 88,000 peacekeepers in 10 missions in countries such as South Sudan, Lebanon and Liberia.

China also uses multilateral platforms such as the Xiangshan Forum and the Shangri-La Dialogue to discuss security and defense cooperation with those in the Asia-Pacific region and others.

In his keynote speech at the U.N. Geneva headquarters in January, Xi announced that China would provide an additional 200 million yuan (\$29.4 million) in humanitarian assistance to help refugees and the homeless in the Syrian crisis.

In recent years China has advocated talks between the countries directly concerned to address the maritime disputes in the South China Sea, pushed for an early resumption of the stalled six-party talks

to end the Korean Peninsula nuclear issue, and helped achieve a landmark Iranian nuclear agreement in 2015.

He has pointed out many times publicly that in fighting terrorists, countries should not just treat the symptoms, but remove the root causes.

"We should intensify counterterrorism efforts, address both the symptoms and root causes, and strive to eradicate poverty, backwardness and social injustice," he said in a speech at the opening ceremony of the Belt and Road Forum for International Cooperation in Beijing last month.

"Development is the master key to solving all problems," he said.

During his first state visit to Egypt, President Xi made a speech at the Arab League headquarters in Cairo, where he stressed that development was the key to resolving most problems, especially growing terrorism and disorder, in the Middle East.

Jin Yong, a professor of International relations at the Communication University of China in Beijing, said the spread of terrorism would not be stopped except through development and creating job opportunities.

"Unemployment and poverty are the main causes of terrorism worldwide," he said, adding that the China-proposed Belt and Road Initiative could help remedy the rising risks of terrorism.

"As President Xi has said, we should focus on the fundamental issue of development in pursuing the Belt and Road Initiative."

Ruan Zongze, executive vice-president of the China Institute of International Studies, said Xi's proposal of "building a world of common security" shows that China is a responsible power, maintaining global peace and promoting cooperation.

Unlike many countries that have turned to protectionism faced with global challenges, China advocates inclusive growth by pushing forward the Belt and Road Initiative, he said, adding that the initiative will give impetus to global economic growth.

Xinhua contributed to this story.

Summit Ideas Turn Into Reality

By ZHANG YUNBI

Catalyzing sustained growth and perfecting globalization have been among top agenda items of China since it passed the baton of G20 Leaders Summit host to Germany.

The annual G20 summit will be held in Hamburg, Germany, on July 7 and 8, and officials and scholars say more effort is needed worldwide to translate into action what was agreed on at the Hangzhou summit in September.

The goal is to ensure that the new engines for growth, including innovation, can effectively tackle the looming global economic challenges, they said.

The world economy has begun to recover after a prolonged slump, but "imbalances in the economic structure and the lack of new economic driving forces have not been fully tackled," said Qian Keming, vice-minister of commerce.

Rising protectionism poses a new challenge against economic globalization, Qian told the BRICS

Media Forum in Beijing on June 8.

Many countries face a choice between isolationism and seeking to be open and to work with others, Foreign Minister Wang Yi warned in an article in Qiushi magazine in May.

In a push for more concerted action, Chinese leaders at important international events over the past year have called for support for globalization and introducing more engines for global growth.

Addressing the opening plenary of the annual meeting of the World Economic Forum in Davos, Switzerland, on Jan. 17, President Xi Jinping stressed the importance of developing a dynamic innovation-driven growth model, one of systematic collaboration.

On China's role, Xi said the country's rapid growth has been a sustained, powerful engine for global economic stability and expansion, and the interconnected development of China. Many other countries had helped bring balance to the world economy, he said.

One of the highlights of the G20 summit in Hangzhou was a set of proposals that were adopted relating to innovation-driven growth.

Speaking of implementing the outcomes of the Hangzhou summit, Vice-Premier Liu Yandong has said the G20 member economies should step up their efforts to put those measures into practice.

The hope is for economies to focus on innovation, the new industrial revolution and the digital economy, swap ideas, promote dialogue, integrate their policies and share research results to nurture new businesses, Liu told a ministerial level G20 meeting in November.

In addition to its efforts to promote innovation-driven growth, China has already hosted one major multilateral event this year, with another to come, aimed at promoting ideas and action that will give a fillip to the global economy, observers said.

SEE "SUMMIT" ON P2

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CHINA DAILY

21 G20

China's Credentials Ever Greener

But more is needed to make environmental financing catch on and work better,
experts say, **Cai Xiao** reports

China has made great strides in developing green finance with government support, but there is a lot of room for measures, including incentives, experts say.

In Hangzhou in September green finance was, for the first time, included on the Group of 20 summit agenda thanks to the efforts, mainly from China, to make the financial sector contribute more to environmentally friendly economic growth.

The previous month, the People's Bank of China, China's central bank, and six ministries and commissions jointly published guidelines for establishing a green finance system that can provide financial services to support efforts to fight climate change.

The China Banking Regulatory Commission has also adopted regulations relating to credit lines, management methods and performance evaluation policies of green credit and guarantees that funds are used in low carbon, recyclable and ecological fields.

The green credit balance of 21 Chinese banks totaled 7.3 trillion yuan (\$1.1 trillion) by the end of last June, accounting for 9% of their total amount, the China Banking Regulatory Commission says.

For example, Industrial Bank Co. Ltd. is carrying out financial services on energy conservation and emissions reductions.

By the end of April the bank had offered green finance funding totaling 1.2 trillion yuan, and its green credit balance totaled 567 billion yuan. It had 7,603 green financial clients, 573 more than at the start of the year.



Hamburg will host the G20 Leaders Summit from July 7 to 8. The Elbe Philharmonic Hall, shown here, has become a new landmark of the city. XINHUA

One of them is the air-conditioning manufacturer ShuangLiang Group. The company has received a green credit line of 1.5 billion yuan from Industrial Bank Co. Ltd. to support its energy conservation and emissions reduction programs.

ShuangLiang Group said its determination to promote green business has been reinforced thanks to its partnership with Industrial Bank.

Apart from green credit, China's green bonds are also developing fast. The country has overtaken the United States as the world's largest green-bond issuer. Last year China

issued green bonds valued at more than \$30 billion, or about a third of the \$92 billion total issuance value, a report by Bank of America Merrill Lynch in March said.

Much of the new issuance last year was driven by the People's Bank of China, which published the first green bond market guideline at the end of 2015 and the guidelines for establishing a green finance system led by the bank last year.

Ma Jun, chief economist with the research bureau of the People's Bank of China, who cochaired the G20 Green Finance Study Group,

said the group has done a lot of work in formulating green bond guidelines and developing green bond indexes and rating methods.

Green bonds are a tool to finance environmental protection projects, including in renewable energy, energy efficiency, water treatment, waste management and electric cars.

Wang Yao, head of the green finance international institute at Central University of Finance and Economics in Beijing, said the Chinese government is doing a great deal to promote green finance and has had good achievements.



In achieving sustainable development, green finance needs to be both meaningful and profitable."

GUO TIANYONG
FINANCE PROFESSOR AT THE CENTRAL UNIVERSITY OF FINANCE AND ECONOMICS

"I have a lot of confidence in the prospects of green finance development in China because it is in line with the sustainable development trend and is promoted extensively by the government," Wang said.

However, Wang said that if the development of green finance systems is to be successful it is vital that rules and regulations be updated. This includes making it clearer what environmental protection duties companies are bound by and the penalties they face in the event of violations, and perfecting environmental credit ratings.

Guo Tianyong, a finance professor at the Central University of Finance and Economics, said China should introduce incentives to encourage financial institutions and companies to take part in green finance programs. This could include subsidies.

"In achieving sustainable development, green finance needs to be both meaningful and profitable," Guo said.

Jiang Xueqing contributed to this story.

Summit: Economic Challenges Faced Head on

FROM PAGE 1

The Belt and Road Forum for International Cooperation, which was held in Beijing in May, yielded a long list of proposals and a joint statement by attending leaders.

The event to come is the ninth BRICS leaders meeting, to be held in Xiamen, Fujian province.

BRICS comprises Brazil, Russia, India, China and South Africa, and the grouping now accounts for 23% of the world's total economic volume, 16% of global trade and 12% of global outbound investment.

Wang Yimei, professor at the School of International Studies of Renmin University of China, said the annual contribution of China toward world economic growth has been above 30% in recent years, and the second-largest world economy is still a major driving force for global economic growth.

At the BRICS leaders' meeting later in the year, more work would be done on implementing measures adopted at the G20 Hangzhou summit, Wang said.

This will give impetus to the structural reform of major economies as well as the structural adjustment of the world economy, Wang said.

Ding Yifan, a senior researcher on world economics at the State Council's Development Research Center, said that many developed economies, including the United States and the European Union, offered little help to the emerging economies as the effects of the financial crisis began to be felt in 2008.

China's revival of the ancient Silk Road is one way of invigorating densely populated developing countries that need technologies and better infrastructure, Ding said.

To tackle problems that globalization has wrought, leaders

and observers have called for existing regulations to be fine-tuned to reduce unnecessary damage to vulnerable sectors and individuals.

Premier Li Keqiang said in a speech at the 12th China-EU Business Summit in Brussels in May that the benefits of globalization for China, Europe and the rest of the world have been clear.

To reduce any negative effects, countries should work together to perfect the global governance system and make globalization better benefit all countries and peoples, he said.

Hailing the role of global free

trade, Li said it is difficult for any two countries to have completely balanced trade at all times, and attempting to have that could affect the free trade process.

Zhang Yuyan, director of the Institute of World Economics and Politics, part of the Chinese Academy of Social Sciences, said one way of dealing with any negative impacts of globalization is to "make the whole cake bigger and achieve a fair allocation of resources."

The predominant role of bigger countries is a key to achieving well-coordinated action by all countries, Zhang said.

News Digest

Chinese rush to use VR and AR

Chinese consumers are leading the world in using virtual reality and augmented reality technology functions when buying products, says a report by Worldpay, a payments company with global reach whose headquarters is in London. The report said 95% of Chinese respondents said they had used VR or AR technology in the previous three months, which was more than three times the rate of VR use internationally.

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CHINA DAILY

Trade | 3



The dean of Renmin University of China's School of Journalism, Zhao Qizheng (second from left), and Guo Weimin (center), vice-minister of China's State Council Information Office, talk with farm owner Rick Kimberley. Representatives of Chinese leading think tanks visited the Kimberley Farms in Iowa on June 11. DIAO HAIYANG / CHINA NEWS SERVICE

Experts Harvest Insight on a Farm

Five years after Xi Jinping paid a visit, Chinese experts visit Iowa farming family for a chat, **Zhao Huanxin** reports

The United States' best-known farm in China, Kimberley Farms in Iowa, has received a group of think tank researchers from Beijing after becoming an attraction for Chinese visitors since President Xi Jinping went there five years ago.

At least 20 members of top Chinese think tanks, including the Chinese Academy of Social Sciences and the China Center for International Economic Exchanges, retraced the roads that Xi traveled in 2012 as a visiting vice-president.

They ended the tour with a field trip to patches of the 4,000-acre corn and soybean farm operated by Rick Kimberley in Maxwell, Iowa, about 35 miles northeast of the state capital, Des Moines.

The strong wind and scorching sun on June 11 seemed not to dent their enthusiasm for learning more about agricultural trade between the two countries and how farming is done in a safe and sustainable way in one of the top food exporters to China.

In what Kimberley described as "forthcoming and open dialogue" on the farm, the Chinese delegates asked how many workers the farm engaged, what he thought about genetically modified organisms and how the agricultural sector could retain young talent.

They also asked him and his fellow farmers what worries they had in trade with China.

Kimberley said only three or four people work the 4,000 acres, and they are now helping Hebei province develop a demonstration farm project of 3,000 acres that will also use new technologies being used in Iowa. An agreement on developing the project was signed at the end of May.

Iowa was the second-largest soybean-producing U.S. state last



Your success story may inspire more young Chinese to enroll in agriculture courses in universities."

ZHAO QIZHENG
DEAN OF THE SCHOOL OF JOURNALISM AT RENMIN UNIVERSITY OF CHINA

year, and it exports 60% of its soybeans, mainly to China.

When Xi visited the Kimberley farm in February 2012, he said he wanted to use the Iowa farmstead as a model for China's agriculture, Kimberley said.

"We've taken this to heart, and I've been to China eight times, visiting 30 cities in 10 provinces, to talk with agricultural officials and try to explain how we farm here and talk about bringing more technologies to China."

The visitors learned from Grant Kimberley, a manager at the Iowa Soybean Association and son of Rick Kimberley, how he sets the temperature control and calibrates the moisture of the corn and soybeans in the gigantic grain storages in Iowa through a mobile phone, even when he is traveling in China.

As Iowa is a top egg, poultry and beef producer, Wei Jianguo, deputy head of the China Center for International Economic Exchanges, suggested veterinarian training could be another area for collaboration between the state and China.

Grant Kimberley agreed, adding that both Iowa and Kansas states have very good veterinarian schools.

Zhang Yuyan, director-general of the Institute of World Economics and Politics, part of the Chinese

Academy of Social Sciences, asked what the U.S. farmers were most concerned about.

Rick Kimberley said it was trade barriers — a charge U.S. President Donald Trump made on his campaign trail regarding levying heavy tariffs on imports from China.

"I don't think that's going to happen," Kimberley said. "He likes to say something and then negotiates ... but it has really concerned us."

The Chinese visitors told Kimberley they understood that U.S. farmers, too, would not like to see a trade war between the two countries.

Grant Kimberley was curious about how China could make agriculture a lifestyle that younger generations would court.

Wei told him he wanted to know how young talent was retained on U.S. farms.

Kimberley said that agriculture is a good way of making a living, as has been proven in the U.S. A person needs to be versatile — being a scientist and a personnel and resources manager at the same time — to be a modern farmer, he said.

"I think it goes back to what the concept of 'modern farm' in the Hebei project is."

Zhao Qizheng, former minister of the State Council Information Office and dean of the School of Journalism at Renmin University of China, told Kimberley, "Your success story may inspire more young Chinese to enroll in agriculture courses in universities."

Kimberley said that when Xi visited his farm he had said he looked forward to seeing Grant's son Austin, who was a baby then, becoming the seventh-generation farmer on the farm.

"He has a tiny garden growing beans now. As he grows older he's going to do a larger farm and some day he will sell his produce to China."

Tycoon Sows a Fortune in Distant Pastures

By MAY ZHOU

For Harry Stine, a farm boy who became an inventor, businessman and the richest billionaire in Iowa by licensing his genetically engineered corn and soybean seeds to multinational companies, there are many reasons he has myriad connections with China.

"My first main business was in soybean plant breeding, and all of our soybeans originally came from Asia, primarily China. We would not have the success we had today if we didn't have the opportunity to use Chinese soybeans to start with," said Stine, pointing to the soybean nursery on the farm where Stine Seed lies in Adel, Iowa.

Stine Seed is the world's largest privately owned seed company. Stine was also one of the first people the Chinese government invited to visit China, in 1976.

Since that first visit to China, Stine



Harry Stine owns the largest private seed company in the world.

has taken his family on tours of China a couple of times. He also spoke at the China Development Forum in Beijing in 2015.

"Anyone who has been in China then and now has to have great admiration for the progress and change that has occurred," Stine said. "Combined with China's long history, I only have great respect

and appreciation for both China and its people."

Stine's father moved to the current farm in 1934, when it was relatively small. Today it has become a sprawling concern covering 11,331 hectares primarily used for seed breeding.

"We worked long hours and had a small income. I kind of identify with that kind of small farmers in China and want to help them wherever I can."

Beginning in 2012, with the help of Zhao Li at Iowa China Group, Stine began making connections with Chinese seed companies and now provides high-yield corn and soybean seeds to farms around China.

Stine said his genetics can help Chinese farmers increase their corn yield by one-third and their soybean yield by 10% to 20%. He wants to help Chinese farmers reach the same level of production as farmers have in the U.S.

Working Side-by-side is the Best Option, Symposium Told

By ZHAO HUANXIN



Dialogue costs far less than confrontation."

HONG LEI
CONSUL GENERAL OF CHINA IN CHICAGO

Defense Secretary James Mattis said earlier this month that the U.S. remained committed to providing Taiwan "the defense articles necessary." President Donald Trump can decide when arms sales will be conducted, and on what scale or how advanced the weapons are, Tao said.

Zhao Qizheng, former minister of the State Council Information Office, said rapid development of Sino-U.S. economic and trade cooperation epitomises Sino-U.S. relations. It also helps build a solid foundation for Sino-U.S. cooperation in other fields.

J. Stapleton Roy, a former U.S. ambassador to China, said the China-U.S. relationship is also the testing ground for several vitally important issues, including the so-called Thucydides trap.

"First and foremost is the question of whether a rising power, such as China, inevitably gets into conflict with the established power, which in the present case is the United States," he said.

China had rejected this concept, putting forward instead the concept of peaceful development, he said.

"This concept is also at the heart of President Xi Jinping's proposal that China and the U.S. should establish a new type of major power relationship marked by no confrontation, no conflict, mutual respect and win-win cooperation."

The symposium was jointly sponsored by the World Food Prize Foundation, the Chinese Academy of Social Sciences and the China Institutes of Contemporary International Relations.

For example, though U.S.

China is now approaching that stage," he said, predicting that the trade gap, which he said was \$250 billion by Chinese calculations last year, would narrow further.

Mike Naig, deputy secretary of the Iowa Department of Agriculture and Land Stewardship, said that U.S. and China should focus on what they had in common rather than on differences.



The value of imports is often overlooked. Over 50% of our imports are intermediate products used to produce high-value goods."

TORI WHITING
THE HERITAGE FOUNDATION

"We both face issues such as aging farming populations, access to land and dependence on trade. If we focus too much on our differences, we would forget to work together to deal with those issues."

Grant Kimberley, a farmer and market development director at the Iowa Soybean Association, said that what he worried about most in the bilateral relationship was a trade war between the U.S. and China.

That would affect farmers in Iowa adversely, he told Chinese think tank visitors.

Leaders from both sides, including the former U.S. ambassador to China J. Stapleton Roy, and the Consul General of China in Chicago Hong Lei said economic ties is the most important aspect of the relationship, and it is crucial that both countries work together.

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CHINA DAILY

4 | Tackling poverty

In a Hunan village, fortunes have risen and kiwi fruit are playing a role, **Liu Xiangrui** reports

When President Xi Jinping visited Shibadong village, Hunan province, in 2013 he passed by the home of Shi Basan and stopped to shake her hand—but she did not recognize him.

"How should I address you?" the villager, 64 at the time, asked Xi, drawing surprise from those around her. However, at the time many seniors in the mountain village may have struggled to identify the president.

Shibadong is a remote enclave in the Xiangxi Tujia and Miao autonomous prefecture. It has a population of nearly 1,000 and about 560 hectares of arable land. Homes made of wood and bamboo stand atop the hills to save the land below for farming, and narrow stone paths connect the neighborhood along the slopes.

At the time of Xi's visit the village was poor and isolated.

"Few strangers visited here," Shi said, explaining that the sole evidence of electricity in her smoke-blackened home was a dim light bulb. She had to watch TV at her neighbor's house, and spoke only the local Miao dialect.

Shi and her husband had to walk 1.2 miles on a winding mountain path to fetch drinking water from the valley below. After their two daughters married, the elderly couple farmed a small rice field and kept pigs.

Many seniors in Shibadong saw a car for the first time when a new road was built in 2001. Before that, villagers had to walk for more than an hour to the nearest road to catch a bus to the surrounding towns. They had to carry everything in and out on their backs.

"We had to sell our pigs before they grew too big; otherwise, it would be too hard for two men to carry them out of the village," Shi said.

Because of the lack of transport, she seldom left home except for fairs in the nearby township. The farthest place she had ever been before 2013 was Jishou, a city 25 miles away, to see her elder daughter, who was in hospital there.



A tourist with Shi Basan, 68. President Xi Jinping visited Shi's family in 2013 and introduced the concept of targeted poverty alleviation. LIU XIANGRUI / CHINA DAILY

During Xi's visit in 2013 he stressed the importance of precision in eradicating poverty, saying it should be based on real situations, must be targeted at the right people and industries and must use the right tools.

The Huayuan county government later sent work teams to villages where incomes were below the poverty line to guide poverty alleviation efforts.

"We try to help villagers explore things that can be copied and promoted in other places," said Wu Shiwu, head of the work team in Shibadong.

"It's our mission to motivate villagers and give them a passion to fight against poverty."

The team has worked with the

village committee to assist in developing industries, promoting agricultural products and upgrading infrastructure.

In the past few years, Shi said, she has witnessed many changes in the village.

The earthen floor in her old home is now smooth concrete. And instead of fetching water, she can turn on a tap. Both her kitchen and bathroom have been improved, and she has an LED TV on her wall.

Renovation projects were carried out in every home under the guidance of the work team, using government funds. Villagers were also organized to pave the old dirt paths.

Between 2013 and last year, more than 55 million people, about the



I feel honored. Nobody knew me before. My life has changed now."

SHI BASAN
SHIBADONG VILLAGER

population of South Africa, were lifted out of poverty in China, the State Council Leading Group Office of Poverty Alleviation and Development said.

The central government allocated 66.7 billion yuan for poverty alleviation last year, an increase of more than 43% compared with 2015, resulting in 12.4 million people being lifted out of poverty, the office said.

In addition, all of China's 128,000 poverty-stricken villages had officials appointed specifically to lead poverty alleviation efforts last year, it said.

China's top leadership pledged in November 2015 that all those living in poverty—more than 70 million by the end of 2014—would be lifted out of poverty by 2020.

Governments at various levels would help about 50 million people through means such as industrial development, relocation, education and medical care relief, while all others—most of them having lost all or partial ability to undertake manual labor—will be covered by government subsidies, the central government said.

In a meeting in February, President Xi called for greater efforts, including more precise measures, to ensure that poverty is eradicated in China by 2020. The country would face tougher challenges the closer it came to achieving the goal, he said.

Since Xi's visit in 2013 Shibadong village has become an attraction for sightseers, and village heads said there are plans to make tourism a pivotal part of the local economy,

tapping the potential of its ethnic flavor, traditional buildings, ecological environment, and the karst caves for which the village is named. Literally translated, the name Shibadong means 18 caves.

Tourism growth has brought benefits to villagers. Many rural restaurants have been started, and villagers can sell agricultural products at home at good prices.

Shi's meeting with Xi has made her popular, too, and many tourists drop by to take pictures with her. "I feel honored. Nobody knew me before. My life has changed now," said Shi, who sells smoked meat to tourists.

In 2014 Shi was invited by a company to sell Miao ethnic embroidery and smoked pork, a local delicacy, in Beijing. "I never dreamed I could visit Beijing. I realized China is so big only after I went there. The trip opened my eyes."

She has stopped farming as she has grown older. The village committee provides her with about 550 yuan (\$80) a month as allowance for an adequate standard of living.

The local government has been trying hard to explore new methods to eliminate poverty in areas like Shibadong. In 2015 the poverty work team in the village persuaded villagers to pool the relief funds provided by the government—about 6,000 yuan per person—and some of their own money to form a partnership with an agricultural company to start a kiwi fruit plantation.

Without enough farmland in the village, they creatively transferred land and rented about 67 hectares from a nearby village. The kiwi fruit trees will start bearing fruit this year. The plantation is expected eventually to bring in nearly 10,000 yuan annually for each villager. Some villagers work as employees.

With the guidance of the work team, seven cooperatives have been formed, focusing on such things as Miao ethnic embroidery and pig farming. These have also increased the incomes of villagers.

Inspired to Grow Peaches, Farmers Bid Poverty Adieu

By TAN YINGZI

After Shen Jianzhong graduated from college and returned to his hometown in Wulong county in Chongqing, western China, he said an elderly acquaintance would often tell him, "You shouldn't have come back to grow produce here. There is no money to be made from it."

But Shen has proved her wrong. Over the past two decades his peach plantation has not only brought him fame and fortune, but also helped put his neighbors on the path to prosperity.

Poverty-stricken Wulong, which is short on infrastructure and industry, is known for its unique karst landscape. Because of the topography, the ground is rocky, and the meager soil can hold little water.

In 1996 Shen, a graduate of a local agricultural college, started his peach-growing business in Fazi, a remote mountain village in Huolu town with about 2,000 residents.

According to a government survey in 2014, nearly 10% of the people in Fazi had incomes below the national poverty line, which was 3,000 yuan (\$435) annually per capita in Chongqing.

In 2015 the central government pledged to do more to help lift the country's 70 million poor people above the poverty line by 2020, promising



Shen Jianzhong presents peach varieties. TAN YINGZI / CHINA DAILY

impoverished families 1,500 yuan a year in seed funds to help them earn money by selling produce.

While at college Shen decided that after he graduated he would plant fruit trees rather than finding a job in the public service, often seen as a dream job for young people in rural areas.

"People in Fazi used to only plant traditional crops such as corn and potatoes, which aren't as profitable as fruit trees, which can yield 10 to 20 times the value of traditional crops," he said.

Shen rented 3.3 hectares of land on a barren hill to plant a peach orchard, but the soil was poor, making it difficult to grow crops. "We have a saying that a bowl of soil equals a bowl of food," he said. "Soil is precious here."

For the first three years, Shen and his wife had to carry soil to their hill using shoulder poles—they estimate 100,000 loads.

After years of research and experimentation, Shen developed a variety of peach that he named the fairy peach after nearby Xiannyu

Mountain, whose name means fairy mountain. The peach is highly adaptable to the local environment and is exceptionally colorful and large and is of top quality.

Shen, 46, now has 40 hectares of peach orchards that he says bring in about 6 million yuan a year.

Inspired by his success, more villagers started to plant peaches and other fruit, including plums and kiwi fruit.

In 2012 he set up the first cooperative in his village. He taught the farmers his planting and management skills and promoted green and scientific growing concepts. With his help, more than 200 families in the village have begun to cultivate peaches.

"Shen's success filled people here with hope and confidence," said Xie Yuxiang, head of Huolu. "Many young people have returned to the village to grow produce."

In 2015 Shen was named a national exemplary worker for his personal achievements and contribution to the community.

Without money or knowledge, poor families in the area used to struggle to grow produce.

Fazi now has 10 cooperatives, including seven fruit-growing ones. All 59 poor families have joined the cooperatives and have been given access to technologies and markets.

In 2015 Zhang Shenghong joined

Shen's cooperative and planted peach trees on a 0.8-hectare plot of land. The trees are expected to yield fruit this summer, and the cooperative will help him sell it for an estimated 200,000 yuan.

To give full technological support to farmers, another cooperative in Fazi, founded by Wang Xiaobing, the former village chief, provides peach saplings to members for 6 yuan each and professional management services for 3,000 yuan per hectare per year. Its agricultural technicians look after the trees along with educating the farmers.

Poor families are eligible for free services and can also work for the cooperative for 80 yuan a day.

"Many farmers have no idea how to grow peaches, and they are afraid of failure," Wang said. "Our services can help educate them and lift the worries from their shoulders."

So far 76 families, including 30 in poverty, have joined Wang's cooperative, with each making 5,000 yuan a year from the business.

"Pruning and pest control are important in peach farming," Wang said. "The farmers can learn from our technicians, and in two or three years they are able to work independently."

By the end of last year fruit farming, especially peaches and plums, had helped reduce the poverty rate in Fazi to less than 2%.

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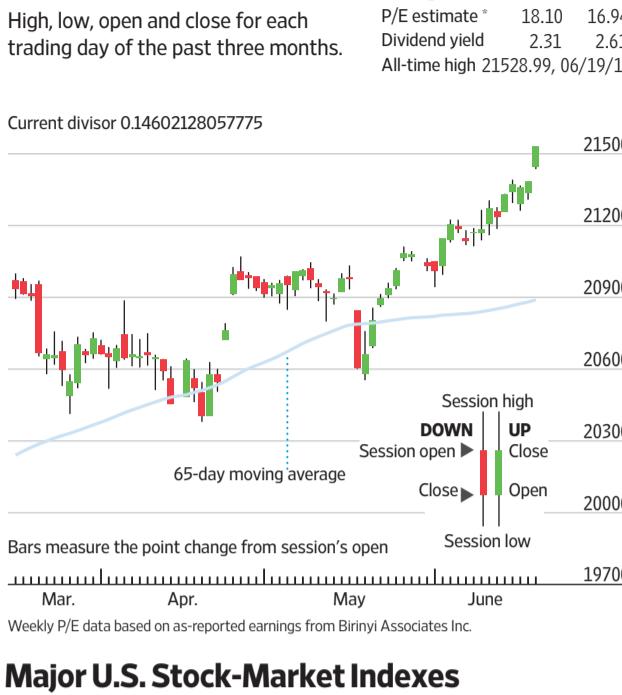
SMART EDITION



MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average



Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

S&P 500 Index



Nasdaq Composite Index



Major U.S. Stock-Market Indexes

Dow Jones	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr. ann.
	21528.99	21436.08	21528.99	144.71	0.68	21528.99	17140.24	20.9	8.9	8.4
Industrial Average	21528.99	21436.08	21528.99	144.71	0.68	21528.99	17140.24	20.9	8.9	8.4
Transportation Avg	9482.42	9407.88	9476.63	62.56	0.66	9593.95	7093.40	23.5	4.8	5.0
Utility Average	738.26	732.21	734.44	-3.07	-0.42	737.51	625.44	7.6	11.3	8.8
Total Stock Market	25404.88	25284.68	25399.65	208.26	0.83	25399.65	20583.16	18.1	9.1	7.3
Barron's 400	649.43	646.14	648.98	5.42	0.84	650.48	491.89	24.6	7.9	6.7

Nasdaq Stock Market

Nasdaq Composite 6243.31 6194.00 6239.01 87.25 1.42 6321.76 4594.44 29.0 15.9 12.7

Nasdaq 100 5776.37 5724.49 5772.22 90.74 1.60 5885.30 4201.05 31.2 18.7 14.9

Standard & Poor's

500 Index	2453.82	2441.79	2453.46	20.31	0.83	2453.46	2000.54	17.8	9.6	7.8
MidCap 400	1765.54	1757.99	1764.20	10.74	0.61	1769.34	1416.66	18.0	6.2	7.5
SmallCap 600	858.75	853.66	857.15	4.46	0.52	866.07	670.90	20.7	2.3	8.2
Other Indexes										
Russell 2000	1420.19	1407.07	1418.08	11.35	0.81	1425.98	1089.65	22.5	4.5	6.2
NYSE Composite	11836.96	11800.42	11833.34	61.32	0.52	11833.34	9973.54	13.2	7.0	2.5
Value Line	524.93	520.93	524.43	3.50	0.67	529.13	435.06	13.4	3.6	1.5
NYSE Arca Biotech	3790.86	3696.73	3774.40	82.55	2.24	3774.40	2818.70	23.8	22.7	11.5
NYSE Arca Pharma	535.39	531.68	534.72	3.57	0.67	554.66	463.78	4.6	11.0	1.0
KBW Bank	95.00	94.25	94.59	0.85	0.91	99.33	60.27	42.4	3.1	10.0
PHLX® Gold/Silver	80.59	79.26	79.67	-0.04	-0.05	112.86	73.03	-12.5	1.0	-7.0
PHLX® Oil Service	136.71	134.71	135.32	-0.87	-0.64	192.66	133.30	-20.2	-26.4	-23.5
PHLX® Semiconductor	1088.78	1079.93	1087.92	20.69	1.94	1138.25	648.32	56.1	20.0	19.7
CBOE Volatility	10.60	10.01	10.37	-0.01	-0.10	25.76	9.75	-43.5	-26.1	-0.8

\$Philadelphia Stock Exchange

Sources: SIX Financial Information; WSJ Market Data Group

Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Mkt and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 5,000 shares.

Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
SPDR S&P 500	SPY	12,833.1	244.41	-0.25	-0.10	244.70	242.65
Altaba	AABA	10,933.1	54.75	0.29	0.53	54.75	54.40
iShares MSCI Emg Markets	EEM	9,201.9	41.63	...	unch.	41.64	41.46
iShares MSCI EAFF ETF	EFA	5,817.3	65.66	-1.00	-1.50	66.72	65.66
Utilities Sel Sector SPDR	XLU	5,720.5	53.93	...	unch.	53.94	53.84
Van Eck Vectors Gold Miner	GDX	5,291.2	21.93	...	unch.	22.10	21.92
Van Eck Vectors Jr Gold	GDXJ	4,565.1	32.45	-0.01	-0.03	32.49	32.42
PwrShrs QQQ Tr Series 1	QQQ	4,150.1	140.25	-0.210	-0.15	140.48	138.27

Percentage gainers...

America Movil ADR	AMX	34.9	17.00	1.03	6.45	17.00	15.97
Cempra	CEMP	27.8	4.10	0.15	3.80	4.30	3.95
Range Resources	RRC	45.9	23.00	0.81	3.65	23.00	22.10
Bellicum Pharmaceuticals	BLCM	27.4	13.30	0.40	3.10	13.34	12.90
Portland General Electric	POR	21.7	49.00	1.32	2.77	49.00	47.64
...And losers							
Reliance Steel	RS	5.6	67.70	-4.81	-6.63	72.87	67.70
AveXis	AVXS	68.9	68.95	-3.08	-4.28	72.03	68.27
DDR Corp	DDR	41.1	8.50	-0.32	-3.63	8.82	8.50
Neos Therapeutics	NEOS	45.2	8.70	-0.30	-3.33	9.10	8.15
Famous Dave's of America	DAVE	15.0	3.47	-0.08	-2.25	3.47	3.47

Percentage losers...

ProShr S&P 500 BuyWrite	PBP	1,403	1493	22.29	0.22	23.00	20.00
Chinese Yuan DimSumBd							

COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

	Contract	Open	High	hilo	Low	Settle	Chg	Open interest
		Open	High	hilo	Low	Settle	Chg	Open interest
Copper-High (CMX) -25,000 lbs.; \$ per lb.								
June	2.5875	2.5875	2.5875	2.5895	2.0270	1,401		
Sept	2.5840	2.6140	2.5750	2.6060	0.0270	85,612		
Gold (CMX) -100 troy oz.; \$ per troy oz.								
June	1252.10	1252.20	1241.90	1244.20	-9.80	867		
Aug	1255.80	1257.30	1244.30	1246.70	-9.80	323,568		
Oct	1258.70	1259.50	1248.10	1250.30	-9.70	11,854		
Dec	1263.30	1263.30	1251.30	1253.70	-9.70	83,789		
Feb'18	1266.80	1266.80	1255.00	1257.00	-9.80	10,203		
Dec	1273.10	1273.10	1272.40	1273.90	-7.0	5,912		
Palladium (NYM) -50 troy oz.; \$ per troy oz.								
June	887.85	893.95	887.85	875.85	-12.80	32		
July	878.25	883.85	878.25	868.45	-10.05	42		
Sept	863.60	868.35	852.50	855.60	-10.05	34,205		
Dec	853.50	856.55	843.70	845.40	-10.05	2,154		
Platinum (NYM) -50 troy oz.; \$ per troy oz.								
June	925.40	926.80	925.40	926.00	0.10	4		
July	929.50	929.50	918.20	926.90	0.10	45,239		
Silver (CMX) -5,000 troy oz.; \$ per troy oz.								
June	16.510	16.530	16.500	16.483	-0.153	8		
July	16.670	16.680	16.445	16.502	-0.159	87,007		
Crude Oil, Light Sweet (NYM) -1,000 bbls.; \$ per bbl.								
July	44.68	45.06	44.26	44.20	-0.54	69,781		
Aug	44.89	45.28	44.26	44.43	-0.54	507,715		
Sept	45.11	45.51	44.53	44.69	-0.51	289,135		
Dec	45.85	46.24	45.32	45.46	-0.48	308,224		
June'18	46.90	47.28	46.43	46.58	-0.43	120,848		
Dec	47.54	47.92	47.17	47.28	-0.38	152,652		
NY Harbor USLD (NYM) -42,000 gal.; \$ per gal.								
July	1.4232	1.4381	1.4071	1.4111	-0.0159	58,840		
Aug	1.4298	1.4452	1.4149	1.4186	-0.0154	101,950		
Gasoline-NY RBOB (NYM) -42,000 gal.; \$ per gal.								
July	1.4523	1.4716	1.4460	1.4506	-0.0042	75,617		
Aug	1.4460	1.4658	1.4401	1.4446	-0.0055	99,910		
Natural Gas (NYM) -10,000 MMBtu.; \$ per MMBtu.								
July	2.966	2.971	2.877	2.894	-0.143	127,316		
Aug	2.995	2.995	2.902	2.917	-0.137	229,670		
Sept	2.982	2.985	2.895	2.910	-0.137	180,618		
Oct	3.019	3.019	2.918	2.935	-0.135	175,556		

Cash Prices | WSJ.com/commodities

Monday, June 19, 2017

These prices reflect buying and selling of a variety of actual or "physical" commodities in the marketplace—separate from the futures price on an exchange, which reflects what the commodity might be worth in future months.

	Monday	Monday	Monday
Energy			
Propane,tet,Mont Belvieu-g	0.5928		
Butane,normal,Mont Belvieu-g	0.7000		
Natural Gas,HenryHub-g	2.3860		
Natural Gas,TranscoZone3-i	2.810		
Natural Gas,TranscoZone6NY-i	2.730		
Natural Gas,PanhandleEast-i	2.610		
Natural Gas,Opal-i	2.690		
Natural Gas,MarcellusNE PA-i	1.850		
Natural Gas,HaynesvilleLA-i	2.810		
Coal,CAPLc,12500Btu,12S02-r,w	52.550		
Coal,PwdrRvrBsn,8800Btu,0.8502-r,w	11.550		
Metals			
Gold, per troy oz			
Engelhard industrial	1251.27		
Engelhard fabricated	1345.12		
Handy & Harman base	1248.15		
Handy & Harman fabricated	1385.44		
LBMA Gold Price AM	*1256.60		
LBMA Gold Price PM	*1255.40		
Kruegerand,wholesale-e	1295.27		
Maple Leaf-e	1307.72		
American Eagle-e	1307.72		
Mexican peso-e	1509.64		
Austria crown-e	1223.79		
Austria phil-e	1307.72		
Silver, troy oz.			
Engelhard industrial	16.6000		
Engelhard fabricated	19.9200		
Handy & Harman base	16.5550		
Handy & Harman fabricated	20.6940		
LBMA spot price	£13.0224		
(U.S.\$ equivalent)	16.6700		
Metals			
Gold, per troy oz			
Engelhard industrial	1251.27		
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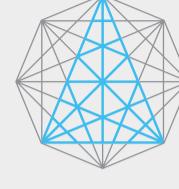
Borrowing Benchmarks | WSJ.com/bonds

Money Rates

June 19, 2017

Key annual interest rates paid to borrow or lend money in U.S. and international markets. Rates below are a guide to general levels but don't always represent actual transactions.

	Inflation			
May index	Latest	Week ago	52-Week High	52-Week Low
level	April '17		May '16	
U.S. consumer price index				
All items	244.733	0.09	1.9	
Core	251.835	0.08	1.7	
International rates				
Latest	Week ago	52-Week High	52-Week Low	
Prime rates				
U.S.	4.25	4.00	4.25	3.50
Canada	2.70	2.70	2.70	2.70
Japan	1.475	1.475	1.475	1.475
Policy Rates				
Euro zone	0.00	0.00	0.00	0.00
Switzerland	0.50	0.50	0.50	0.50
Discount window primary credit				
	1.75	1.50	1.75	1.00
Conventional mortgages				
n.a.	n.a.	3.56	3.41	
Treasury yields at constant maturities				
1-month	0.86	0.82	0.86	0.13
3-month	1.01	0.99	1.01	0.24
6-month	1.12	1.09	1.12	0.36
1-year	1.21	1.18	1.21	0.45
2-year	1.35	1.32	1.36	0.58
3-year	1.49	1.46	1.64	0.69
5-year	1.76	1.74</td		



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Whitehaven

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361 Capital

5-Year Best Single Sector CTA
Goldman Management, Inc.

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UOB-SM Asset Management Pte. Ltd.

5-Year Best Multi-Advisor Futures Fund
AC Investment Management

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PIMCO

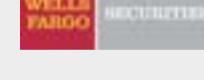
3-YEAR BEST HYBRID CTA

Splendor Capital Management, Ltd.

2016 BEST EMERGING CTA

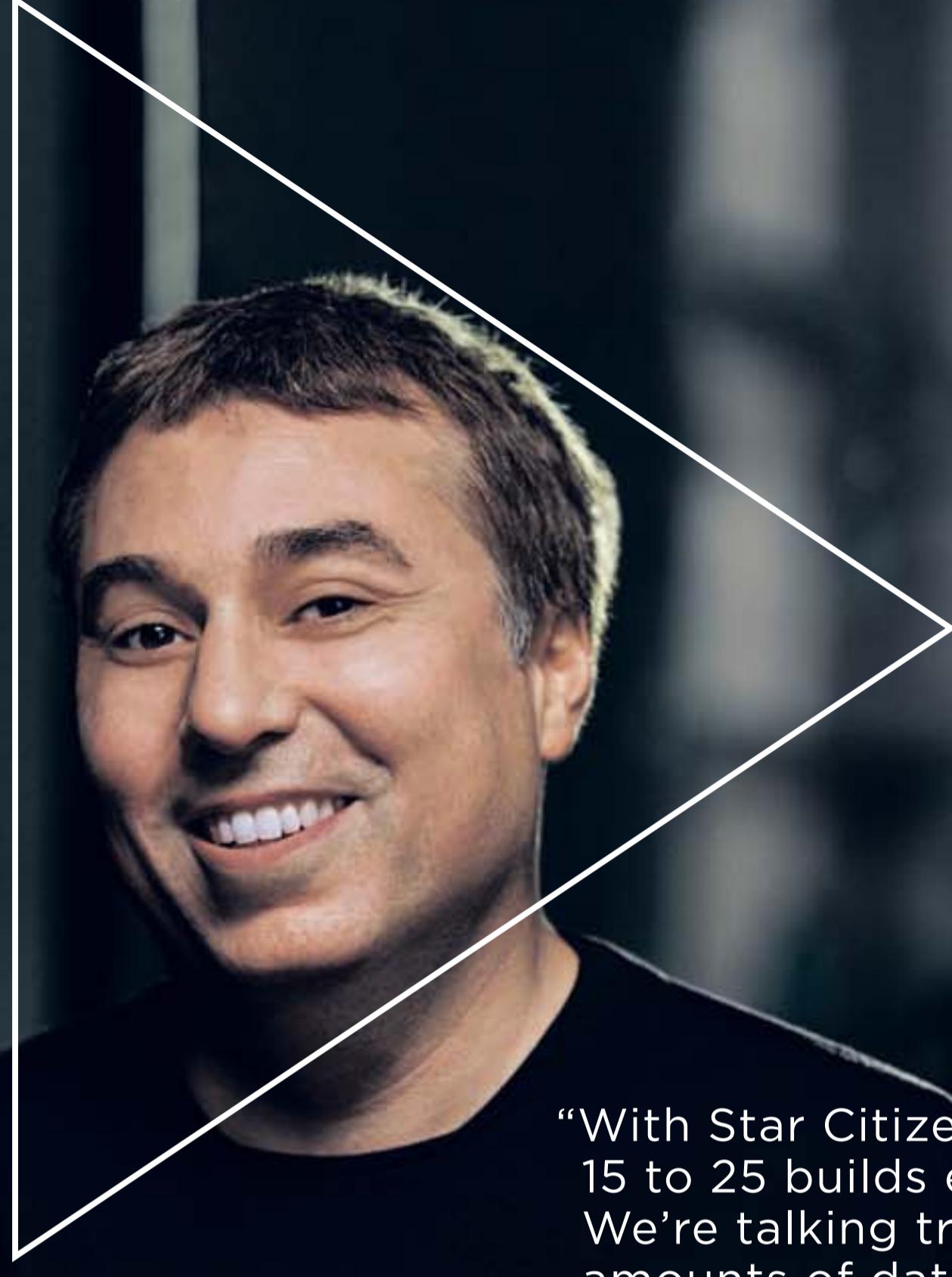
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How to Read the Stock Tables

The following explanations apply to NYSE, AMEX, Nasdaq and Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq OMX BXSM (formerly Boston), Chicago Stock Exchange, CBOE, National Stock Exchange, ISSE and BATS. The list comprises the 1,000 largest companies based on market capitalization. Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume. Boldfaced quotations highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Monday, June 19, 2017

Net

Stock Sym Close Chg

Stock Sym Close Chg

Net

BANKING & FINANCE

Warren Keeps Pressure on Wells

Senator exhorts Fed to oust 12 directors who served during sales-practice scandal

BY EMILY GLAZER

Sen. Elizabeth Warren is urging the Federal Reserve to remove a dozen Wells Fargo & Co. board directors who served during the bank's sales-practices scandal, according to a letter reviewed by The Wall Street Journal.

The letter sent to Federal Reserve Chairwoman Janet Yellen on Monday, the Massachusetts Democrat urged the Fed to invoke its authority under a rule that allows it to remove certain people associated with depository institutions under specific circumstances.

Sen. Warren pointed to 12 directors who served on the San Francisco bank's board between May 2011 and July 2015, a period in which Wells Fargo fired 5,300 employees for the bad behavior. The bank settled with two regulators and a city official in September for \$185 million over the practices. Its chief executive later abruptly retired, and the bank continues to face state and federal investigations, with which it has said it is cooperating.

A Wells Fargo spokeswoman said the board and its management team have "taken many actions in response to its retail-sales practices issues, including changes in senior leadership, executive accountability actions and numerous steps to ensure we make



Sen. Elizabeth Warren sent a letter to Fed Chairwoman Janet Yellen, urging her to invoke its authority to remove the board members.

things right with any customer affected by unacceptable sales practices."

The bank's board has also endured harsh criticism and faced opposition during a shareholder meeting in April. Several directors were re-elected by just a slim margin.

When former CEO John Stumpf appeared before the Senate Banking Committee to explain the problems, Sen. Warren lambasted him and

said he should resign and be criminally investigated.

In her eight-page letter to the Fed, Sen. Warren wrote that the sales-practices scandal "revealed severe problems with the bank's risk management practices—problems that justify the Federal Reserve's removal of all responsible Board members." In the wake of the scandal, Wells Fargo's board conducted an investigation of the bank, but largely

didn't fault with directors. Chairman Stephen Sanger in April said "the findings of the investigation showed the board took the appropriate actions with the information it had, when it had it."

Sen. Warren's letter cited the Fed's ability to remove board members, including if they "engaged or participated in any unsafe or unsound practice" that caused certain depository institutions to "suf-

fer financial loss" and that demonstrated "continuing disregard...for the safety and soundness" of the institution.

The 12 board directors mentioned in the letter are: John D. Baker II, John S. Chen, Lloyd H. Dean, Elizabeth A. Duke, Enrique Hernandez Jr., Donald M. James, Cynthia H. Milligan, Federico F. Pena, James H. Quigley, Mr. Sanger, Susan G. Swenson and Suzanne M. Vautrinot.

Paulson Joins Valeant's Board

BY IMANI MOISE

Hedge-fund billionaire John Paulson has joined the board of Valeant Pharmaceuticals International Inc., a sign that the investor remains bullish on the drugmaker's prospects despite accruing steep losses on investments in the firm.

Mr. Paulson has been one of the largest shareholders in the company for several years, betting early that consolidation in the pharmaceutical industry would accelerate. But a series of scandals at Valeant over its accounting practices and drug pricing have battered the company's stock, causing the value of Mr. Paulson's stake to plunge 81% to \$245 million at the end of last year from \$1.3 billion in 2015.

Paulson & Co., Mr. Paulson's hedge fund, had a 5.6% stake in Valeant as of Dec. 31.

Mr. Paulson on Monday expressed support for Valeant's current leadership and turnaround plan.

He has doubled down on his investment even as other large shareholders have bailed out. Valeant, once trading as high as \$262 a share, has been shedding assets to shore up its balance sheet and refocus on its core treatment areas and geographies. The shares rose 81 cents, or 6.4%, to \$13.47 in New York on Monday. Filings show Valeant had \$28.2 billion in long-term debt as of Dec. 31.

Two-Year Treasury Yield Rises After Fed Remarks

BY MIN ZENG

The yield on the two-year Treasury note rose to the highest level in more than three months and approached its 2017 high on

CREDIT MARKETS Monday after a top Federal Reserve official suggested that a third rate increase this year remains on the table.

Yields on short-term Treasury debt are highly sensitive to the Fed's rate policy outlook.

The yield on the two-year Treasury note settled at 1.364%, compared with 1.319% Friday. The yield marked the highest close since March 14 when it settled at 1.380%, the highest close since June 2009. Yields rise as bond prices fall.

The yield on the benchmark 10-year note was 2.188%, com-

pared with 2.157% Friday.

Investors sold Treasury debt after New York Federal Reserve President William Dudley held an upbeat assessment of the economy, suggesting that reports of slowing inflation haven't caused any worries.

Mr. Dudley said he was "very confident" that there is "quite a long ways to go" in the economic expansion, already the third-longest in U.S. history.

His remarks followed the Fed's decision last week to raise short-term interest rates. Fed officials stuck to their projections of an additional rate increase in 2017 and three more in 2018, even as some investors expect slowing inflation to derail the Fed's plan.

"Dudley's message to the bond market is that the Fed sticks to its rate-hike plan,"

said Edward Fitzpatrick, portfolio manager at J.P. Morgan Asset Management.

Mr. Fitzpatrick said he expects the two-year yield to climb to between 1.625% and 2% at the end of this year if the Fed raises rates again later this year.

In years past, Mr. Dudley and Fed Chairwoman Janet Yellen were considered by investors as strong doves in the Fed circle, as they had been leading advocates that the U.S. economy needs support of ultraloose monetary stimulus. Their stance on monetary policy appeared to be less dovish than before. Ms. Yellen surprised many investors last week when she didn't blink on the soft inflation data.

But the selling pressure following last week's Fed meeting has been mild in the bond market. The 10-year yield re-

mains near its 2017 closing low of 2.138%, set last Wednesday. For the year, the yield has been down from 2.446% at the end of 2016.

The decline of long-term bond yields, with its yield premium relative to the two-year note last week falling to the lowest since last September, reflects some investors' concerns that the Fed's pace of rate increases may undercut the economic growth momentum. Anxiety has been rising lately over whether the Fed may make a policy error by tightening policy with inflation readings falling below the central bank's 2% target again.

"It is a fairly significant vote of no confidence in the Fed's policy and inflation forecast," said Ethan Harris, head of global economics research at Bank of America Merrill Lynch.

Derivatives markets linked to the Fed's policy are showing skepticism toward the Fed. Fed-fund futures, a popular derivative market for hedge funds and money managers to bet on the Fed's policy outlook, suggested chances of 46% that the Fed would raise rates again by its December 2017 meeting, according to CME Group. The probability was measured at 41% on Friday.

The New York Fed's model projected Friday a 1.9% growth rate for the world's largest economy during the second quarter, down from 2.3% in an earlier forecast.

Some investors say the Fed may be forced to stand pat later this year if further data show disappointing growth or more deceleration in inflation. Ms. Yellen said last week that monetary policy isn't on a pre-

set course, signaling her flexibility in the tightening plan.

Bond buyers may be vulnerable if the Fed gets it right on their assessment over growth and inflation, say some traders. In this case, selling may hit the bond market as investors readjust their expectations over the Fed's tightening pace.

AUCTION RESULTS

Here are the results of Monday's Treasury auctions. All bids are awarded at a single price at the market-clearing date. Rates are determined by the difference between that price and the face value.

13-WEEK AND 26-WEEK BILLS

	13-Week	26-Week
Applications	\$123,915,925,300	\$110,511,195,600
Accepted bids	\$39,000,375,300	\$33,000,070,600
*noncomp	\$594,712,800	\$490,195,600
MomentumShares US Quant	\$200,000,000	\$300,000,000
Osh FTSE AsiaPac Qlty Div	99,744,694	99,433,778
Osh FTSE Eur Quality Div	0.101%	0.120%
Osh FTSE Eur Quality Div	0.1002	M
Schwab U.S. Lc Growth	11	1831
Schwab U.S. Lc Growth	2.4	3084
Schwab U.S. Mid-Cap	1.4	1648
Schwab U.S. REIT	2.4	2457
Schwab US Broad Mkt	18	265
Schwab US Dividend Equity	2.9	3312
Schwab US Large Cap	18	2653
Schwab US Small Cap	13	2147
Tow Strategic Income Fund	3.9	0.055
U.S. Equity Hi Volatility	12.0	28815
ValSh US Quantitative Val	0.13	0.07967
ValueShares Int'l Quant	2.6	1927

Both issues are dated June 22, 2017. The 13-week bills mature on Sept. 21, 2017; the 26-week bills mature on Dec. 21, 2017.

Blue Apron Sets IPO Range

BY EZEQUIEL MINAYA

The company said it would use some of the proceeds to pay down about \$125 million in debt. The balance would be used "for working capital, capital expenditures, and general corporate purposes," the company said.

Meal-kit delivery services like Blue Apron, in addition to online merchants and discounter, are working to steal share from traditional supermarkets as consumers change their food-spending habits. Last week, Amazon.com Inc.'s bid to pay \$13.7 billion to acquire Whole Foods Market Inc. became the latest and most formidable threat to traditional grocers.

Blue Apron, founded in 2012, intends to trade on the New York Stock Exchange.

The company offers a subscription service delivering premeasured ingredients and recipes for customers to cook. It does business in the U.S., shipping meal kits and wine along with selling cooking tools and a variety of other items on an online marketplace, though it has plans to expand abroad.

Blue Apron has reported that its top line has climbed from \$77.8 million in 2014 to \$795.4 million last year. Over that period its annual losses have widened from \$30.8 million to \$54.9 million.



Meal-kit delivery services like Blue Apron are aiming to take share from traditional supermarkets.

Exchange-Traded Portfolios | WSJ.com/ETFresearch

Largest 100 exchange-traded funds, latest session

Monday, June 19, 2017					
ETF	Symbol	Closing Price	Chg (%)	YTD (%)	
AlerianMLPETF	AMLP	11.49	-0.78	-8.8	
CnsmDiscSelSector	XLY	90.84	0.77	11.6	
CnsmStapleSelSector	XLK	56.22	0.48	8.7	
DBDGoldDoubleLGETN	DGP	23.14	-1.45	15.0	
DBDGoldDoubleShort	DZZ	5.66	-1.56	-14.5	
DeutscheXMSCLIAFEAE	DBEF	31.18	0.87	11.1	
EnSelectSectorSPDR	XLE	65.88	-0.63	-12.5	
FinSelSectorSPDR	XLF	24.54	0.33	5.5	
GuggS&P500Value	RSP	93.46	0.62	7.9	
HealthCareSelSector	XLV	78.50	1.04	13.9	
IndSelSectorSPDR	CIU	69.10	0.62	11.1	
IHS1-3YCreditBond	CSJ	105.26	-0.08	0.3	
IHS2-7YTreasuryBd	IEI	123.94	-0.17	1.2	
IHSCoreHDividend	HDV	85.82	0.19	4.3	
IHSCoreMSCIEmgM	IEFA	62.21	0.33	16.0	
IHSCoreMSCIEmgM	IEFM	50.40	0.99	18.7	
IHSCoreS&P500ETF	IVV	247.39	0.99	10.0	
IHSCoreS&PMdCp	IUR	176.29	0.65	6.6	
IHSCoreS&PmCp	IRH	70.39	0.46	2.4	
IHS&PTOTUSlMkt	ITOT	56.23	0.81	9.6	
IHSCoreUSAggBd	AGG	109.79	-0.14	-1.6	
IHSSelectDividend	DYV	94.50	0.11	6.7	
IHSEdgeMSCIMinUSA	EFAV	71.44	0.24	16.7	
IHSGoldTr	ESLD	50.02	0.49	10.6	
IAU	11.98	-0.75	8.1		
IshiBoxx5YrGrpBd	HYD	120.69	-0.12	3.0	
IshiBoxx5YrGrpBd	LGQ	88.42	0.31	2.2	
IshPMUSDengBd	EMB	115.45	-0.10	4.7	
IshMBSETF	MBB	107.13	-0.18	0.7	
IshMSCIACWIET	ACWI	66.66	0.59	12.7	
IshMSCIACWIET	ACWI	58.42	0.79	9.7	

Dividend Changes

Dividend announcements from June 19.

| Company |<th
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MARKETS

Mexico Draws Solid Interest in Oil Auction

The exploration blocks are located in shallow waters and could be producing by next year

BY ROBBIE WHELAN

MEXICO CITY—Mexico awarded 10 blocks of oil and gas for exploration and development to bidders from 10 different countries, including some of the world's major oil companies.

Of the 15 blocks offered at auction on Monday, all of them located in shallow waters of the Gulf of Mexico, five went unclaimed, while 10 were awarded to bidders that competed based on the portion of operating profits offered to the Mexican government.

Mexican Energy Minister Pedro Joaquín Coldwell said the auctions were "splendid for many reasons," including the diversity of countries of origin of the bidders and because the government was able to place two-thirds of the blocks on offer.

"It's an indicator that the country is competitive, to capture this type of investment in a global competition," Mr. Coldwell said. "In Mexico, we've developed a system of auctions that is robust and transparent."

Mexico's energy sector was closed to foreign investment from 1938, when President Lázaro Cárdenas nationalized the industry, until 2013, when constitutional overhauls under President Enrique Peña Nieto reopened the sector to outside capital.

Since then, there have been five auctions, including Monday's round. Initial auctions, which focused on less profitable shallow water and on-



SUSANA GONZALEZ/BLOOMBERG NEWS

Firms from 10 different countries were awarded 10 blocks in Mexico's auction, its fifth since constitutional overhauls in 2013 reopened the sector to outside bidders.

shore blocks, failed to attract the world's biggest oil companies. But a December auction of deep-water drilling rights attracted a handful of big global energy companies, including Exxon Mobil Corp., Chevron Corp., Total SA, Statoil Corp. and BP PLC.

Juan Carlos Zepeda, president of the National Hydrocarbons Commission, Mexico's energy regulator and organizer of the auctions, said the availability of geological information and the low prices of natural gas and heavy crude in the U.S. were two major factors determining which blocks

attracted the most competition Monday.

Mr. Zepeda said the first barrels of oil from the fields could be produced by the end of 2018 or early 2019.

"Light oil is where we are seeing the most competition and interest," he said. "There's more difficulty in the blocks where there is a lot of gas."

Mexican state oil company Petróleos Mexicanos, or Pemex, won stakes in two of the blocks up for grabs, one in partnership with Germany's DEA Deutsche Erdöl and another with Colombia's Ecopetrol SA. Pemex said the two ar-

eas it won are close to fields it has already been assigned, which will make it easier to share infrastructure for exploration and development.

"Pemex is maximizing the resources of the country and demonstrating that it's a competitive company and a highly attractive and trustworthy partner," Pemex said.

Italy's Eni SpA was the day's biggest winner, serving as partner in groups that won three blocks. In March, the company said that one of its exploratory wells in the Gulf of Mexico, won at an earlier auction, had uncovered re-

serves that were much higher than previously expected. Mr. Coldwell said representatives of the company had visited with Mr. Peña Nieto in Mexico in recent months to discuss plans to accelerate its production plans in Mexico.

"Eni has basically created a beachhead in Mexico and made it clear that Mexico is a strategic destination for their capital," said Pablo Medina, an analyst with Wood Mackenzie who covers Mexico. The auction also saw Royal Dutch Shell PLC make its upstream debut in the Mexican energy market. Shell teamed with

France's Total to win the final block auctioned Monday, offering the government a share of 30.1% of operating profit, one of the lowest bids of the day. The other bids ranged from 20.11% of operating profit to 75%.

Other winners of blocks Monday included Russia's Lukoil PJSC; Spain's Repsol SA working in partnership with Mexican startup Sierra Oil & Gas; Mexico's Citla Energy; Scotland's Capricorn Energy, a subsidiary of Cairn Energy PLC; and the Mexican unit of Malaysia's Petronas Bhd., or Petronas.

Dollar Up As Fed Is Bullish on Economy

BY IRA IOSEBASHVILI

The dollar edged higher Monday as investors looked ahead to a week of public appearances by Federal Reserve officials.

The Wall Street Journal Dollar Index, which gauges the U.S. currency against a basket of 16 others, rose 0.4% to 88.75.

Federal Reserve Bank of New York President William Dudley said

CURRENCIES Monday he was "very confident"

that there is "quite a long ways to go" in the economic expansion, which already weighs in as the third-longest in U.S. history.

The central bank raised interest rates by a quarter-percentage point last week and stuck to its projection for one more rate increase this year, even as some investors expect slowing inflation to complicate the Fed's plan. Higher rates tend to buoy the dollar by making it more attractive to yield-seeking investors.

"Doubts on the Fed raising rates again by the end of the year have crept in," said Joe Manimbo, a strategist at Western Union.

"If officials can make a convincing case for another rate increase, that would ultimately benefit the dollar," he said.

Federal-fund futures, a popular way for hedge funds and money managers to bet on the Fed's policy outlook, showed that the chances for another rate increase from the Fed this year stood at around 47%, according to CME Group.

The probability of that was measured at around 41% on Friday.

Monday evening was set to bring remarks from Chicago Fed chief Charles Evans, followed Tuesday by the Boston Fed's Eric Rosengren and Fed Vice Chairman Stanley Fischer.

Fed governor Jerome Powell and St. Louis Fed chief James Bullard are due later in the week.

—Michael Derby contributed to this article.

Ukraine Official Praises Senate Russia Move

BY PAUL SONNE

WASHINGTON—The head of Ukraine's state energy company cheered the U.S. Senate's decision to take aim at a Russian

ENERGY gas pipeline to Germany in sanctions legislation last week and urged the Trump administration to penalize companies helping Russia execute the project.

Andriy Kobolyev, chief executive of Ukrainian state energy firm Naftogaz, said the Nord Stream 2 project—which would double the existing capacity of a natural-gas link that runs from Russia to Germany through the Baltic Sea—goes against both U.S. and Ukrainian interests.

"We would urge [the U.S.] to extend sanctions as soon as possible on all companies that would potentially be involved in that project," Mr. Kobolyev said in an interview in Washington. He said the pipeline, which would further allow

Russia to bypass Ukraine when sending gas supplies to Europe, poses risks to Ukraine, rewards Russia and threatens European unity.

The Nord Stream 2 pipeline project has highlighted an uncomfortable reality for a Europe that has been working to

The U.S. Senate bill passed 98-2 and now moves to the House of Representatives.

counter Russian activities in Ukraine but also relies in part on Russian energy imports. About one-third of Europe's gas comes from Russian state gas giant Gazprom.

A consortium of five European energy companies—Royal Dutch Shell PLC, Engie SA, Uniper SE, OMV AG and Wintershall Holding GmbH—agreed in April to provide as much as

€4.75 billion (\$5.32 billion) in long-term financing for the Nord Stream 2 project, which is slated for completion in late 2019.

The U.S. Senate took aim at the project last week in a new Russian sanctions bill that passed 98-2. The bill reiterated U.S. opposition to Nord Stream 2 and authorized the president to sanction companies investing in Russian energy export pipelines on a certain scale.

The bill still must pass in the House of Representatives to become law. Because the pipeline stipulation isn't mandatory, President Donald Trump's administration also would need to authorize sanctions against companies involved in the pipeline project.

The provision angered Germany and Austria. "We cannot accept a threat of extraterritorial sanctions, illegal under international law, against European companies that participate in developing European energy supplies," the German and Austrian foreign

ministers said. "Europe's energy supply is Europe's business, not that of the United States of America."

But other European Union countries, such as Poland, have opposed the Nord Stream 2 project, making the pipeline a divisive project within the European bloc.

Ukraine also stands to lose from the pipeline. The country collects from 2% to 4% of its gross domestic product a year from energy transit fees, or \$2 billion to \$4 billion, Mr. Kobolyev says, which Nord Stream 2 would reduce. Most of the Russian gas that transits Ukraine goes to Italy, he said.

The Naftogaz chief characterized the issue not only as a financial concern for Ukraine but also a national-security matter. "We are convinced that one of the reasons the Russians have not launched a full-scale offensive against Ukraine...is the transit route," he said.

Mr. Kobolyev said the project would increase Gazprom's

ability to "abuse its dominant position in the European gas market," divide Europe and cause risks and negative consequences that the European Union so far has failed to recognize.

All market participants should be prepared for commercial competition based on a level playing field, rather than lobbying for Nord Stream 2 to become subject to other rules than all comparable projects," Sebastian Sass, Nord Stream 2's representative to the EU, said in a statement.

"At Nord Stream 2, we do actually rely on our commercial competitiveness, rather than calling for political intervention. Importantly, competitiveness also requires ongoing maintenance investments."

Mr. Sass said the pipeline would diversify Europe's gas supply by offering another piece of infrastructure for future gas demand of European customers.

—Emre Peker in Brussels contributed to this article.

Dow, S&P 500 Hit Records as Tech Bounces

BY MIKE BIRD
AND GUNJAN BANERJI

Technology stocks in the S&P 500 posted their biggest gain of the year Monday, leading the broader index to a fresh high.

The gains followed a three-session slump for the sector, which is up 19%

EQUITIES this year and the best-performing group in the index.

Apple was the biggest gainer in the Dow Jones Industrial Average on Monday, after falling in six of the past seven sessions. Some analysts said investors were eager to snap up shares after several days of declines.

"Now you're buying Apple at a discount," said Mike Bailey, director of research at FBB Capital Partners.

The Dow industrials added 144.71 points, or 0.7%—its biggest percentage gain in a month—to 21528.99, also a record close. The S&P 500 added 20.31 points, or 0.8%, to a record 2453.46, its biggest gain since April 24.

The Nasdaq Composite

climbed 87.25 points, or 1.4%, to 6239.01, in its biggest one-day surge since Nov. 7.

Apple climbed \$4.07, or 2.9%, to \$146.34, adding about 28 points to the Dow industrials. Shares of tech companies in the S&P 500 rose 1.7%, the sector's biggest one-day advance since December, but the group is still down 0.5% in June.

The Nasdaq Biotechnology Index jumped 2.5%. Clavis Oncology surged 27.91, or 47%, to 87.88 on Monday, the share's biggest rise in four years, after the company reported positive clinical trial data for its cancer drug Rubraca.

U.S. government bonds weakened, with the yield on the two-year Treasury note settling at its highest closing level since March, after Federal Reserve Bank of New York President William Dudley signaled a willingness to gradually increase interest rates. He also expressed optimism about the economy and the path of inflation.

The yield on the benchmark 10-year Treasury note rose to 2.188% from 2.157%

Defying Gravity

Apple shares rose Monday after falling in six of the previous seven sessions.



Friday. Yields rise as prices fall.

Mr. Dudley's comments offered some reassurance to those "worried that the Fed is looking to raise rates quickly, or too quickly," said Brian Nick, chief investment strategist at TIAA Investments, an affiliate of Nuveen.

These comments, along with the results from France's

ond-largest economy, while offering a further sign of the receding tide of populist European politics that had concerned some investors, analysts say.

"There is a new political wind blowing through Europe," said Vincent Juvyns, global market strategist at J.P. Morgan Asset Management.

"Macron can now more or less freely implement his program; he won't have to compromise as much as he did when he was economy minister."

France's CAC-40 index gained 0.9%. The Stoxx Europe 600 index also added 0.9%.

Japan's Nikkei Stock Average rose 0.6% in Monday trading, with a softer yen aiding a move back above 20000 points. Early Tuesday, it added a further 1.2%.

This week, investors are preparing for the start of formal Brexit negotiations and a decision on whether to include China's domestically traded A-shares in a benchmark emerging-market index that is widely followed.

—Ese Erheriene contributed to this article.

MARKETS

Argentina's 100-Year Bonds Break Ground

Century offering for yield-hungry investors is the first for a junk-rated government

By JULIE WERNAU
AND TAOS TURNER

Argentina sold a 100-year bond on Monday, the latest sign of investor hunger for debt as the country joined a small group to sell so-called century bonds.

The Argentine government raised \$2.75 billion through the debt issue with a yield of 7.9%, the country's Ministry of Finance said. Proceeds from the private-placement offering will go toward financing its budget and refinancing existing debt.

The yield was lower than the initial price talk of 8.25%, an indication that many investors around the world jumped at the chance to own debt with yields exceeding those of even many emerging-market issuers.

Argentina follows the governments of Mexico, the U.K. and Ireland as sellers of 100-year debt. But Argentina's bond offering marked the first time a junk-rated government sold century bonds.

The deal is another significant step in Argentina's turnaround in global financial markets. At the start of last year, Argentina was effectively barred from international bond markets, the result of an \$80 billion default in 2001 that was the largest government default ever at the time.

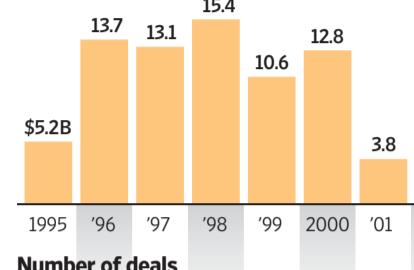
Yet after settling with creditors last year, the government was able to return to international debt markets in April 2016 with a \$16.5 billion global bond. That was the largest-ever sovereign-bond issuance by a developing country before Saudi Arabia later topped it.

Argentina Finance Secretary Luis Caputo said the issuance was possible because the country was able to recover credibility in world markets.

Back in the Swing

Argentina on Monday became the first junk-rated government issuer of a 'century bond' with a maturity of 100 years, reflecting both the enormous demand for higher-yielding debt and the South American nation's long road back from a 2001 default that effectively locked it out of the international market for years.

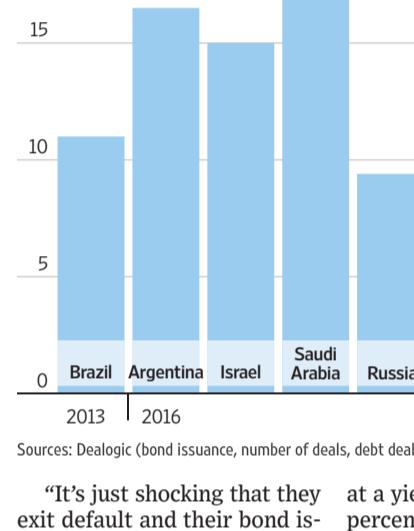
Argentina bond issuance, in billions



Number of deals



Developing countries issuing largest debt deals



Sources: Dealogic (bond issuance, number of deals, debt deals); UBS Wealth Management (century bonds); Thomson Reuters (price performance)

"It's just shocking that they exit default and their bond issue is a century bond," said Kathryn Rooney Vera, head of research and strategy at broker and investment bank Bulltick in Miami.

Nonetheless, she is advising her clients to buy the bonds as at least a short-term trade. The 100-year bond is being priced

at a yield premium of nearly a percentage point compared with Argentina's 30-year bond. The century bond was already trading one point higher in gray-market trading before formal issuance, she said.

Others said that 100-year bonds could prove attractive to some institutions that need to match their investments

with their long-term liabilities.

"The absolute yield level of these bonds will attract a certain type of investor, for instance insurance companies and pension funds," said Jan Dehn, head of research at fund manager Ashmore Group in London, who said before the pricing that he was considering a position.

What's more, as long as in-

terest rates remain near historic lows, some investors seeking yield will give Argentina a look, some analysts said. Following the U.S. presidential election, many thought that President Donald Trump and a Republican-controlled Congress would enact legislation to stimulate the economy and inflation, bringing to a close the

long period of rock-bottom rates. But legislative action to enact those policies has stalled and the 10-year Treasury yield recently closed at a new low for the year even after the Federal Reserve raised rates last week.

"The markets have become more skeptical that the Fed in fact will continue to hike into next year," said Jorge Mariscal, emerging-markets chief investment officer at UBS Wealth Management. "The interest-rate picture has become benign and that's supportive of long duration bonds."

Still, 100 years is a long time for a government such as Argentina, which has defaulted eight times since 1827, according to Harvard economist Ken Rogoff.

U.S. issuers have sold about three-quarters of so-called century bonds, according to UBS Wealth Management. Companies such as Coca-Cola and Walt Disney issued this debt in the 1990s. Only a handful of issuers in emerging markets have sold 100-year bonds and only Mexico and Brazil have had deals that topped \$1 billion, UBS said.

The century bonds have been one way for countries to lock in low rates, in some cases almost perpetually. In 2014, Britain repaid a chunk of debt that was so old it had been used to finance World War I, bundled together in 1927. The 4% callable, "perpetual" note was a good deal for the government for nearly a century before rates tumbled.

Argentina's bonds have outperformed the broader market: Its sovereign debt is up 8.3% in 2017 versus 6.92% for the J.P. Morgan EMBI-Global Diversified government-bond index.

Some investors remained skeptical of the deal. Diego Ferro, co-chief investment officer at Greylock Capital Management, said he isn't interested in buying into 100 years of Argentina. "Argentina structurally has a problem—it has a big fiscal deficit and they can't address it before the election; so they need to plug the hole," he said.

HEARD ON THE STREET

Email: heard@wsj.com

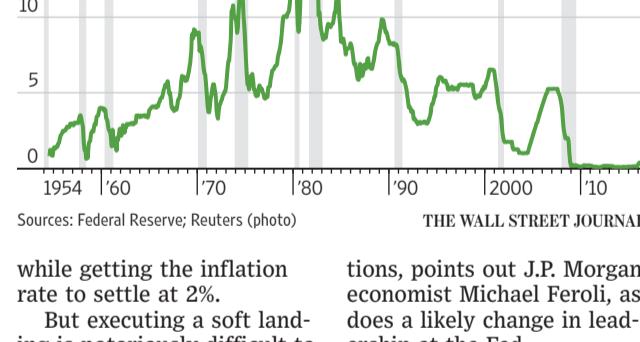
FINANCIAL ANALYSIS & COMMENTARY

WSJ.com/Heard

The Fed's Poor Record on Soft Landings

Track Record

Effective federal-funds rate, monthly average



Sources: Federal Reserve; Reuters (photo)



Federal Reserve Chairwoman

Janet Yellen

while getting the inflation rate to settle at 2%.

But executing a soft landing is notoriously difficult to pull off. The Fed can only

guess at what the economy's

just-right levels of growth

and employment are, and at

what level of interest rates

is consistent with hitting those

marks. The process of running down its balance sheet

introduces new complica-

tions, points out J.P. Morgan economist Michael Feroli, as does a likely change in leadership at the Fed.

Moreover, the Fed's track record with soft landings is incredibly poor. It has had,

with the benefit of hindsight,

a tendency to overtighten in

its efforts to tame inflation

and other excesses. Rates

suddenly go from looking as

if they are too low to too

high, and the economy suffers as a result.

By the time it stopped raising rates in 2006, for example, the housing bust that

would drag the economy into

recession and set off the finan-

cial crisis was under way.

The only time the Fed really

succeeded in executing a soft

landing, according to most econo-

mists, was when it raised rates through 1994.

In the mid-1960s and mid-1980s it had a couple of qualified successes. Its other tightening cycles over the past 60 years were followed by recessions, though in some cases a recession was necessary to wipe out inflation.

A recession seems far from imminent at the moment. Hiring appears to have slowed, but is still running fast to keep the unemployment rate slipping lower. Inflation has been stubbornly low, allowing the Fed to raise rates slowly, which might prevent the bank from tightening too much.

And while stock valuations are running high, the types of financial market excess that got the economy in trouble during the dot-com and housing bubbles haven't presented themselves.

Still, with the Fed trying to pull off a maneuver it has had little success with, investors should pay attention. And be a little nervous.

—Justin Lahart

Amazon's Shopping Spreads Fear

Amazon.com is coming to get you no matter where you are. From London to Sydney, investors have interpreted the technology giant's \$13.7 billion acquisition of **Whole Foods Market** as a warning shot to local grocers. Yet a more bullish interpretation is also possible: Amazon is coming to buy you.

Amazon's bid for Whole Foods has spread collateral damage surprisingly far: Shares of Australia's **Woolworths** fell 3.5% Monday, the first day investors had to respond to Friday's news. In Europe, shares of Amsterdam-listed **Ahold Delhaize** plunged almost 10% Friday afternoon while **Tesco's** stock fell 5%.

The Whole Foods deal also flags the difficulty of making e-commerce work in food without a store base. If Amazon wants to roll its U.S. strategy out in Europe or Australia, it could buy a local grocer.

Admittedly, market leaders like Tesco or Woolworths seem less likely targets than niche players like London-listed **Wm. Morrison Supermarkets**, which already supplies Amazon's U.K. grocery arm. Morrison shares have risen since the Whole Foods deal broke.

Ocado Group—an internet grocer active in the U.K.—best illustrates the difficulty of interpreting Amazon's move. Having fallen on the news, its shares rose 11% Monday. Some may argue that Amazon could now be more interested in Ocado's logistics; or you could say it logistics; or you could say it

that Ocado's pure online model didn't work.

Amazon remains coy about its ambitions for Whole Foods. Investors can expect a reassessment as a clearer strategy emerges.

—Stephen Wilmot

The Dark Side of Good News in Biotech

Deal making is a staple of the biotech industry, but betting on mergers and acquisitions is much harder than it looks for investors.

Fresh cancer data from **Clovis Oncology** illustrate this point. The company announced Monday that its late-stage clinical trial for cancer treatment Rubraca was a success in patients with ovarian cancer. Shares ripped more than 46% higher Monday. After the trading session, the company announced it would issue about \$250 million in shares.

That celebratory mood didn't spread to every corner of the industry, however. Cancer-drug rival **Tesaro**, which received Food and Drug Administration ap-

proval in March for a rival treatment in a class of drugs known as PARP inhibitors, initially sold off on the news, since a fresh competitor lowers its drug's scarcity value. Tesaro's drug Zejula has "broadly similar" efficacy to Rubraca, analysts at **Leerink Partners** said Monday.

Tesaro shares reached an all-time high this past winter amid rumors the company could be a buyout target but have dropped by roughly 25% since then. The Wall Street Journal reported last month that Tesaro was indeed exploring a sale, but that it had attracted lukewarm interest in preliminary stages.

Big pharma needs to find acquisitions to replenish its pipeline on a regular basis

and cancer is arguably the most exciting corner of drug development today. The rapid pace of innovation makes it tricky for acquirers to place M&A bets, though.

Beyond the clinical data, looming policy uncertainty further complicates the outlook for biotech deals. Shifting corporate tax rates, health-care policy and the outlook for high prescription-drug prices all should give acquirers pause before doing a splashy acquisition.

It remains possible that both Clovis and Tesaro will be acquired at the prices investors hope for. But for investors, banking on that possibility is no guarantee of future riches.

—Charley Grant

OVERHEARD

Does this cheese go with that wine? You may think the best way to figure that out is to ask the local wine shop owner or cheese monger, but why do that when you can rely on the real experts: economists.

Wine-cheese pairing is just one of the heady issues that will be taken up at the annual conference of the American Association of Wine Economists later this month in Padua, Italy.

In a paper slated for the conference, five economists detail how they experimented with "a temporal multidimensional sensory method" to deal with the dynamic complexities of taste (mastication and vola-

tile release are some of the issues). And to show that consumers think Epoisses goes with Pouilly-Loche.

Among the other items on the conference menu: A paper on the social and economic impacts of mislabeling bottles and other "wine crimes." A paper on young Italians' preference for sparkling wine. A paper on the risk preferences of French winegrowers.

Former Federal Reserve Chairman **William McChesney Martin**, a teetotaler, famously said the central bank's job was "to take away the punch bowl just as the party gets going." He probably didn't foresee what places economics might careen off to.

THE AD MAZE

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THE WALL STREET JOURNAL.

Tuesday, June 20, 2017 | R1

The Web's Perilous Paths For Brands

ILLUSTRATION BY PETER AND MARIA HOY

Advertisers are increasingly wary of objectionable content and fraudulent traffic, as they seek their goal: the attention of audiences who will buy their products

BY SUZANNE VRANICA

In February, Kieran Hannon, chief marketing officer of Belkin International Inc., noticed an odd tweet asking the electronics maker why it was advertising on Breitbart News Network, a right-wing website known for scorched-earth populism.

A banner ad promoting the company's new Linksys mesh router had appeared on the site, even though Breitbart wasn't among the roughly 200 sites Belkin had preapproved for its ads.

Mr. Hannon called his ad agency, which couldn't explain the mix-up.

"We still don't know how that happened," he said.

Such headaches are becoming all too familiar for marketing executives, as they come to grips with the trade-offs inherent in automated advertising. Known as "programmatic" ad buying, it is now the way the vast majority of digital display ads are sold.

Programmatic advertising allows the buyer to target consumers across thousands of sites, based on their browsing history or shopping habits or demographics. Doing so is more cost-effective than buying more expensive ads on a handful of well-known sites.

But marketers don't fully control whether their ads will show up in places they would rather avoid: sites featuring pornography, pirated content, fake news, videos supporting terrorists, or outlets whose traffic is artificially generated by computer programs.

The confusion stems from the convoluted infrastructure of the ad-technology world: a maze of agencies, ad networks, exchanges, publisher platforms and vendors. Instead of buying space on websites, brands can buy audiences—categories of people—and their ads are placed on sites those people visit.

The problems arise when those people are on sites where brands don't wish to appear.

As the issues pile up, marketers are taking action, with the help of companies that independently verify that their ads aren't going to toxic locations. Brands are cutting down their purchase of ads through open exchanges—public pools of ad space from hundreds of thousands of sites—opting instead for methods that give them more visibility into where ads are appearing.

On open exchanges, it "just becomes harder and harder to figure out if your ad is showing

up in a legitimate ad experience," said Kristi Argyilan, senior vice president of marketing at retailer Target Corp.

Marketers have been dealing with these issues for years. But the "brand safety" risks in digital advertising have hit home with multiple high-profile episodes in recent months.

In March, a number of big brands including PepsiCo Inc., Wal-Mart Stores Inc. L'Oréal SA and AT&T Inc. pulled their ads from YouTube and the Google Display Network, a network of third-party websites, after revelations that ads ran alongside objectionable content, including videos promoting anti-Semitism and terrorism.

Google, a unit of Alphabet Inc., promised to better police its content and give marketers more information about where their ads appear on YouTube. It also said it would bolster its technology that automatically screens video.

Please see BRANDS page R2

Race Is On to Challenge Digital 'Duopoly'

INSIDE

BY LARA O'REILLY

Facebook Inc. and Alphabet Inc.'s Google tower so far above the rest of the digital advertising world that no company can claim the mantle of No. 3. But many are trying.

Snapchat parent Snap Inc. believes it has the young eyeballs advertisers crave. Amazon.com Inc., ever the disrupter, has the ability to upend the whole business with its extensive data. Verizon Communications Inc. is betting on its blend of web content, location data and ad technology following the purchases of AOL and Yahoo, while AT&T Inc. thinks buying Time Warner Inc. will give it an edge.

With the exception of Chinese internet giants Alibaba Group Holding Ltd., Baidu Inc. and Tencent Holdings Ltd., which dominate their home market—where their Western rivals are restricted—none of the would-be challengers to the Google-Facebook "duopoly"

even cracks a 3% share of global digital advertising.

Google and Facebook together collect nearly half of global spending. Last year, the U.S. online ad market expanded by nearly \$12 billion and the two firms accounted for over 77% of that spending growth, according to eMarketer.

Advertisers are hoping for the emergence of a legitimate third player to provide competition that can give them more leverage and help keep prices in check. For ad agencies, the matter is existential: Google and Facebook have the resources to deploy entire teams to work with marketers directly, cutting out the middleman.

Wenda Harris Millard, vice chairman at advertising and media consulting firm MediavLink, said that to compete with Google and Facebook, other players will need to create premium content that appeals to advertisers or use new technologies that aren't yet main-

stream.

"Maybe the third player competes on different grounds," Ms. Millard said.

Many ad executives believe Amazon, which has expanded successfully beyond its core retail business into areas like streaming video and artificial intelligence, has the greatest chance of taking on the "duopoly."

Amazon already allows marketers to place search ads on its website, as well as display ads on all its platforms. The company also built a tool that lets companies tap the e-commerce giant's data on its consumers' shopping habits in order to more efficiently place ads elsewhere on the web. And Amazon is helping publishers make more money from the ads on their sites with a so-called "header bidding" product that gives multiple buyers a chance to bid on their ads at the same time.

EMarketer predicts Amazon will generate \$1.81 billion in ad revenue world-wide in 2017, a tiny fraction of Google's \$74 billion. Amazon declined to comment.

"Amazon is going to be an increasingly important force and one we have to better understand and link with effectively for our clients," Martin Sorrell, the chief executive of ad holding giant WPP PLC said at the company's annual meeting earlier this month. He said the company was "highly disruptive in many ways."

On Amazon's first-quarter earnings call in April, Chief Financial Officer Brian Olsavsky said the company was "very happy" with the growth of its ad business.

Snap is the newest contender for the third-place rosette. In 5½ years, Snapchat has grown to 166 million active users—a mere blip compared with Facebook's 1.24 billion daily active users, though the gap is much

Please see DUOPOLY page R4



'FEARLESS GIRL' IS A PUBLICITY COUP FOR STATE STREET

PAGE R6

ADVERTISING MISSTEPS RISK SPARKING VIRAL BACKLASH

PAGE R3

TV LOOKS TO TARGET SPECIFIC VIEWERS BY USING DATA, SOFTWARE

PAGE R7



The U.S. digital advertising market grew by nearly \$12 billion last year, with Google and Facebook collecting 77 cents of each new dollar spent, according to eMarketer, a research firm.

THE AD MAZE

A Landscape Full of Dangers, Opportunities

Gerard Baker, the Journal's editor in chief, introduces our report on an advertising world disrupted by technology and political change



Creative folk from the worlds of advertising, media and marketing like to consider themselves as sharp as anyone in identifying and reacting to the big social, economic and cultural change. They are, after all, not just supposed to be communications specialists. They are in some ways the diviners and even originators of consumer tastes, moods and attitudes.

But lately it seems the dizzying pace of change has caught even our data-heavy, tech-savvy media tribunes off guard. Political convul-

sions in the past year: populism, nationalism, Brexit, Trump—and the deeper cultural and economic trends that have given rise to them—crept up almost by stealth, rendering much of the received wisdom about popular attitudes uncertain. And even as companies have been rapidly adjusting to the new world of digital hegemony of the likes of Facebook and Google as the primary channels for advertising and marketing, new challenges have arisen. The proliferation of so-called "fake news" sources and the discovery that advertising material can appear alongside some of the most objectionable content the web has to offer have fostered further depreciation in trust, accuracy and even in the very value of truth itself.

For the media crowd that will gather on the beaches, in the conference halls and in the bars of the Cannes Lions advertising festival this week, these disruptive discoveries have created new sets of challenges. Marketers are seeking to understand better the audiences they reach; advertisers are becoming increasingly nervous about where their material appears; the media companies are dealing with all these challenges and the continuing migration of ad dollars to the digital field. And of course, all this takes place against a backdrop of the continuing digital revolution—as companies get access to better and more data, as new technologies such as virtual reality and augmented reality offer exciting new content pos-

sibilities, and as mobile-device ubiquity further shrinks distances and renders old distribution channels obsolete.

In this special report to mark the start of the Cannes festival, The Journal's team of advertising reporters explores these and the other pressing issues that confront modern corporate communications specialists.

Suzanne Vranica examines how marketers are re-evaluating their approach to buying automated ads, with more emphasis on "private" marketplaces that are safer for brands, and how they are demanding more accountability and transparency from the companies that sell them digital ads.

Lara O'Reilly explains why many

ad executives believe Amazon may be the company with the best chance to challenge Facebook and Google for online ad supremacy. And Jack Marshall takes a look at China's "triopoly" of ad giants, which dominate terrain that is unwelcome to their Western rivals.

We also explore the massive buzz generated by State Street's "Fearless Girl" statue—showing that there is no substitute for creative ingenuity, even in an era when technological advances get all the attention.

Throughout the week at the festival, The Journal will be hosting a series of events at which leading business figures will address these developments. Be sure to follow our coverage for the latest news and trends throughout the week.

The Tangled World of Digital Ads

Online advertisers and their partners can generally target specific groups of users based on certain characteristics. But their ads can still wind up in undesirable places across the web.

- 1 An advertiser contacts a media agency to plan a campaign for the placement of ads.



- 3 Demand-side platforms (DSP) purchase ad space across multiple exchanges, targeting users with the desired characteristics.

- 2 Data-management platforms use behavioral and demographic information to identify people potentially receptive to the ad.

How problems arise

Ads are placed on sites advertisers don't want to be associated with, despite having viewers matching the profile of the advertiser's desired audience.

4 Ad exchanges and networks make available ad space across thousands of websites, seeking to match the advertiser's needs with available inventory.

5 Publisher ad-tech platforms let websites plug into multiple exchanges to offer ad space for sale.

Publisher ad-tech platforms

let websites plug into multiple exchanges to offer ad space for sale.

Problems also arise when ads are shown to computer programs or 'bots' instead of real people.

THE WALL STREET JOURNAL.

BRANDS

Continued from the prior page
eos, and it set a 10,000-view threshold for a video channel to reach before it can make money from ads.

Some advertisers, satisfied with Google's efforts, have begun spending again, while others, including big marketers such as SC Johnson & Son Inc., Procter & Gamble Co. and J.P. Morgan Chase & Co., haven't returned, according to people familiar with the matter.

J.P. Morgan is working with Google to get its ads back on "safe YouTube channels" and expects to return soon, one of the people said.

P&G is working closely with YouTube to test the safeguards it has put in place since the problems arose, a spokeswoman for the company said. A spokeswoman for SC Johnson declined to comment.

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

Though the number of ordinary web users who saw an ad in an offensive YouTube video was likely small, the combination of the public-relations damage from the revelations and the potential for more widespread exposure down the road motivates to act.

Breitbart, which is popular with the "alt-right"—a loose conglomeration of groups, some of which embrace white supremacy and view multiculturalism as a threat—became a controversial landing spot for advertisers in the wake of the 2016 presidential election. Brands that have pulled out of Breitbart include Kellogg Co., eyewear company

Warby Parker and insurer Allstate Corp.

A spokesman for Breitbart declined to comment.

The recurring issues have caused brands to adjust their overall approach to automated ad buying.

Colgate-Palmolive Co. is adding language to the contract it has with its ad-buying firm, which requires it to maintain blacklists of sites the company doesn't want to have its ads appear on, according to people familiar with the matter. Colgate didn't respond to requests for comment.

Advertisers are doubling down on using online ad verification services such as Integral Ad Science Inc. and White Ops Inc.

OpenSlate, which helps advertisers vet YouTube channels, currently works with roughly 230 advertisers, more than twice as many as last year. "The interest in finding out where your ads are running and who

saw your ad has skyrocketed over the past three months," said OpenSlate CEO Mike Henry.

More marketers are purchasing ads through "programmatic direct" deals, in which a publisher uses technology to sell directly to advertisers, and "private programmatic marketplaces," in which a publisher or a select group of publishers can sell to a select group of advertisers, in real time. Automation is involved in both, but the risks are far lower than with open exchanges.

Display-ad spending on programmatic direct deals in the U.S. is expected to grow by 35% this year to \$18.2 billion, while spending on private marketplaces will increase 39% to about \$6 billion, according to eMarketer. By contrast, spending on open exchanges is forecast to grow by 8.4% this year to \$8.3 billion.

Target pulled back from buying via open exchanges at the end of 2015 and now uses private market-

places to buy ads from about 160 different publishers.

Hewlett Packard Enterprise, which spun out from Hewlett-Packard Co. in 2015, set up private marketplaces with about 15 publishers including Forbes and CNN about a year ago.

"We needed to make sure our ads are showing up where our ads make contextual sense," said Chris Drago, the company's senior director of global media. "I don't want to be on Victoria's Secret because someone is there buying bras for his wife."

While lower prices and the ability to better target customers often trumped marketers' desire to appear alongside specific content, ad executives said things are beginning to change.

"We focus on quality," rather than on price, said Mr. Hannon at Belkin, which has reduced its reliance on programmatic buying over the past few years.

What industry executives and marketing chiefs are saying about brand safety in the digital age



"Brands and agencies understand how hard we work to create the safest possible environment."

Sundar Pichai,
Google CEO

"You [Google] have to take responsibility for this as a media company."

Martin Sorrell, WPP CEO, on ads appearing alongside extremist content on YouTube

"[We need places] where we feel we can run ads without needing to audit that at all times."

Melissa Waters,
Lyft chief marketing officer

"A dearth of trust and a need for verification lie at the heart of [brand-safety issues]."

Bob Liodice, Association of National Advertisers CEO

"We have a media supply chain that is murky at best and fraudulent at worst."

Marc Pritchard, Procter & Gamble's chief brand officer

THE AD MAZE

Marketing Backlash Erupts Faster Than Ever

Consumers, activists on social media step up pressure on companies to pull ads they object to

By JACK MARSHALL

When Pepsi in April introduced a new ad in which Kendall Jenner offers a soda to a police officer in riot gear to the cheers of protesters, the outrage machine took no time kicking into high gear.

Before the ad even aired on television, **PepsiCo** Inc. was taken to task across social media for trivializing the Black Lives Matter movement. About 59% of the 2.7 million tweets that included the word "Pepsi" expressed negative sentiment during the week of April 3, according to data from Salesforce Marketing Cloud. Pepsi pulled the commercial only a day after it was posted online—and it never aired on TV.

Advertisers don't always hit the mark, whether it is with tone-deaf attempts at socially conscious ads or marketing messages that end up appearing alongside objectionable content.

But the backlash has reached new speeds and levels of intensity recently. Consumers' criticisms and calls for boycotts can quickly go viral, pressuring companies to take decisive action or risk further brand damage.

As Pepsi, Anheuser-Busch InBev NV's Budweiser, Daimler AG's Mercedes-Benz and many others have learned the hard way, a perceived misstep can quickly blow up into a public-relations nightmare.

"Ad buys are no longer just an asset; there's now maybe an equal chance they could become a liability," said Steve Rubel, chief content strategist at public relations and marketing firm Edelman.

Diving into the political fray has become riskier than ever in the polarized environment. Budweiser's Super Bowl



Ads perceived as offensive can backfire, such as this Pepsi commercial that was criticized for trivializing the Black Lives Matter movement. A post on Twitter by Bernice King, the daughter of civil-rights leader Martin Luther King Jr., was picked up by media outlets.

ad highlighting its co-founder's journey from Germany to the U.S. prompted short-lived calls for boycotts of the beer at a time when President Donald Trump's attempt to temporarily ban travel to the U.S. for people from several Muslim-majority countries was fiercely contested. Audi AG's big game spot promoting pay equity for women also drew blowback—some called it antimale propaganda while others said the auto maker, with an all-male board, was being hypocritical. Audi said it supported "pay equality, inclusivity, and the growth and development of all employees."

The rise of social media and mobile technologies has given consumers a louder megaphone, Mr. Rubel said. "The action is swifter now," he said. "Five years ago, you may have been able to contain these types of reactions but now it's much harder to do."

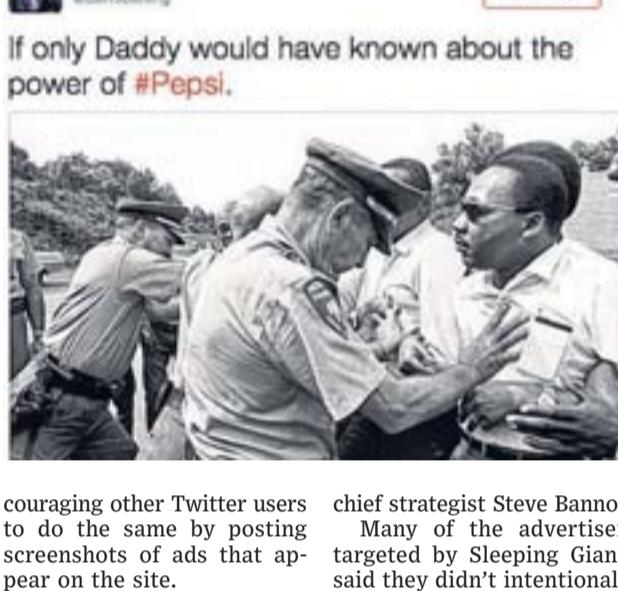
For example, soon after

Pepsi's protest ad appeared online, Bernice King, the daughter of civil-rights leader Martin Luther King Jr., posted on Twitter: "If only Daddy would have known about the power of #Pepsi." The tweet quickly spread, racking up over 150,000 retweets, and was picked up by numerous media outlets.

Watchdogs and activists now have an effective playbook to pressure advertisers: 1) Shame the brand publicly on social media; 2) Organize calls for a boycott that will inflict financial damage; 3) Demand the company withdraw the ad or prevent it from appearing on a specific site or program.

Perhaps no campaign has proven more effective at pressuring advertisers recently than the anonymous "Sleeping Giants" Twitter account, which has been systematically questioning companies about their relationship with the Breitbart News website and encouraging other Twitter users to do the same by posting screenshots of ads that appear on the site.

Breitbart became a particularly controversial site for advertisers as its influence and visibility grew with the 2016 presidential election. It is popular with the "alt-right"—some of whom embrace white supremacy and view multiculturalism as a threat—and was previously run by now-White House



chief strategist Steve Bannon.

Many of the advertisers targeted by Sleeping Giants said they didn't intentionally place ads on Breitbart or were unaware their ads might appear there when they set up their online ad campaigns. That highlights the potential risks of advertisers increasingly relying on automated ad-targeting technologies and ad networks to help them place ads across thousands of websites simultaneously.

Since it was formed in November to try "to stop racist and sexist media by stopping its ad dollars," Sleeping Giants has attracted 94,000 Twitter followers and says it has helped drive more than 2,200 companies, including Kellogg Co., Nestlé SA and Uber Technologies Inc., to pull ads from Breitbart.

A Breitbart spokesman declined to comment.

Reached via Twitter, a representative for Sleeping Giants, who wouldn't identify himself, said the group uses Twitter because it is public and companies are typically more responsive on social media than through other channels.

"Oddly as it's gotten bigger, it's actually gotten more manageable. In a way it's become a self-policing community of its own," the person said, in reference to the social media activity the account has helped stimulate.

A similar story played out with Bill O'Reilly after reports that the Fox News star was accused of sexual harassment by multiple women. Companies including Mercedes-Benz and **Hyundai** quickly stopped advertising on Mr. O'Reilly's top-rated show after social-media users questioned their association with him. In less than two weeks, the network had parted ways with Mr. O'Reilly, who denied the harassment allegations.

Brands can easily end up with an advertising message—or an advertising placement—that can be seen as offensive, particularly through a partisan lens.

Edelman's Mr. Rubel suggests the best course of action is for advertisers to better plan ahead for potential backlash to their advertising and to carefully monitor social media to spot the situation as early as possible.

"If you're buying advertising, it's not something that's happening to you," he said. "It's entirely inside of your control."

Advertising World Braces For Europe's New Data Rules

By NICK KOSTOV

PARIS—Advertising executives love to talk up how they use mountains of data to target consumers. But gathering that data is about to become more of a headache, at least in Europe.

New European Union legislation that goes into effect next May will restrict how companies can collect and use personal information about web users in Europe, requiring that they obtain "unambiguous" consent from those users.

The move contrasts with the U.S., where lawmakers recently voted to overturn rules that would have required telecom companies to get consumers' permission before sharing their web-browsing and app usage with third parties.

Privacy activists say the European rules are aimed at helping individuals take back control of their information. But they could hit the advertising sector hard, striking ad-tech companies, ad-buying arms of big agencies and web publishers, experts say.

Once the new rules are in effect, European users browsing the internet will have to provide their consent every time they enter a new website to allow that site's publisher to share their personal information with other companies, which may have to be named as part of the consent form.

Lobbyists say this could lead to more intrusive pop-ups upon entering websites.

"Anything that creates a higher bar to entry will affect both publishers and marketers," said Simon Morrissey, head of data and privacy at Lewis Silkin LLP in London. "If you can't get the consent that you need then you can't obtain the data that you want."

A group representing the EU's national data-protection regulators is still clarifying its guidance on exactly where it thinks the bar should stand for user consent.

In most cases, companies can no longer demand that users consent to the sharing of

The Dos and Don'ts Of the New Rules

- ◆ Consent must be 'freely given, specific, informed and unambiguous'
- ◆ Consent can't be bundled with other written agreements
- ◆ Consent must be active; can't be gained through inactivity or pre-ticked boxes
- ◆ Users can withdraw consent at any time and ask to have their data erased
- ◆ Users can't be asked for consent to gain access to a service, in most cases

their personal information with third parties as a requirement for access to an online service, said Jan Philipp Albrecht, a member of European Parliament who participated in the drafting of the rules.

Mr. Albrecht also said that marketing practices like pre-ticked boxes and consent forms that can be long and complicated will run afoul of the rules.

The rules also say companies can't collect data for one part of their business and use it for another. Finally, consent must be as easy to take away as it is to give. Citizens can also ask to have their data erased.

In Europe, companies that violate these rules could be fined as much as 4% of the firm's annual world-wide revenue, or €20 million (\$22.4 million), whichever is greater.

The new rules also apply to tech juggernauts like Alphabet Inc.'s Google and Facebook Inc., though they may be in a relatively stronger position because they have direct relationships with large numbers of consumers and the ability to mine their own data.

Most vulnerable are ad-tech firms that use data to target

ads across the internet without any explicit consumer relationship, according to Townsend Feehan, chief executive of the European unit of the Interactive Advertising Bureau, an online advertising trade group. Data-warehouse firms that buy data that may have been collected for different purposes also would be affected.

"The ad-tech companies are in a particularly difficult position," Ms. Feehan said. "They are going to be dependent on the publishers to get that consent for them."

Lawyers and lobbyists say there could be court battles to determine how strictly the new rules should be interpreted by the regulator.

GroupM, the media-buying giant owned by **WPP** PLC, has formed a working group that includes lawyers, privacy experts, product leaders, information officers, data architects and compliance professionals to make sure that its agencies comply with the regulations.

Ad-tech provider AppNexus is planning to invest in its European data-center infrastructure to ensure that data originating in Europe stays in Europe, said Julia Shullman, deputy general counsel of commercial and privacy at the company.

Axiom, a marketing-services company that collects data like how many times consumers shopped online over the past year with a particular brand, their household income, and whether they are interested in golf or art, has increased its privacy budget by about 30% to comply with the new rules, according to its privacy officer in Europe, Sachiko Scheuing.

Ms. Scheuing has documented what data Axiom holds on its customers, where it is held, whether it has permission to do so, whether it is stored safely, and how it can be extracted or deleted if requested.

"The key is really to show that you take accountability very seriously," she said.

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THE AD MAZE



DAMIEN SAGOL/REUTERS

The Chinese digital-ad market is surging as mobile-device usage proliferates.

China's Walled-Off Promise

BY JACK MARSHALL

China is home to some of the world's largest digital-ad players, mostly because they have a stranglehold on the world's second-biggest market, where their Western rivals are pretty much absent.

Baidu Inc., Alibaba Group Holding Ltd. and Tencent Holdings Ltd. are forecast to attract a healthy 15% of the global market this year, according to eMarketer, even as their digital-ad revenue comes almost exclusively from within China.

Only the industry's two behemoths, Alphabet Inc.'s Google and Facebook Inc., do better worldwide: eMarketer expects them to capture 49% of global digital-ad spending this year, despite their lack of presence in China.

China represents an attractive ad market that foreign companies can't easily access, largely because of restrictions placed on them by the Chinese government. Regulators blocked access to Facebook in 2009, and Google all but abandoned its China operations in 2010 over hacking and censorship concerns, although it has since attempted to slowly work its way back in.

Alibaba, Tencent and Baidu are expected to attract over 62% of the \$50 billion digital-ad market in China this year, eMarketer said, and command a predicted 70% of a \$76 billion market by 2019.

Each of the three Chinese ad giants has a different focus.

Alibaba operates the nation's largest e-commerce platforms Tmall and Taobao, where it collects vast amounts of data and makes most of its money by charging shops for advertising.

Tencent owns WeChat, the messaging app with more than 900 million users that has evolved to also offer mobile games, mobile payments and a social-media-style timeline.

Baidu runs the dominant search engine, accounting for nearly 80% of mobile searches in China in the first quarter.

"These three guys are pretty much dominant in the subsectors they operate in," said Michael Levine, a global technology and media investor and analyst.

The Chinese digital-ad market is growing rapidly, as mobile-device usage proliferates and ad formats and data-driven targeting capabilities continue to evolve. As that market

expands, the dominance of the three is only expected to increase.

"Ad spending in China continues to shift rapidly toward digital formats, fueled by rising time spent online and greater advertiser spending on mobile formats," said eMarketer forecasting analyst Cindy Liu.

While Alibaba and Tencent's presence is projected to quickly expand in China, Baidu's roughly one-fifth share of the digital-ad market there is expected to erode, with e-commerce ad revenue growth outpacing search-engine ads.

Still, a lack of significant product overlap and competition between the three companies has made it difficult for other Chinese companies to wrestle away market share, Mr. Levine said.

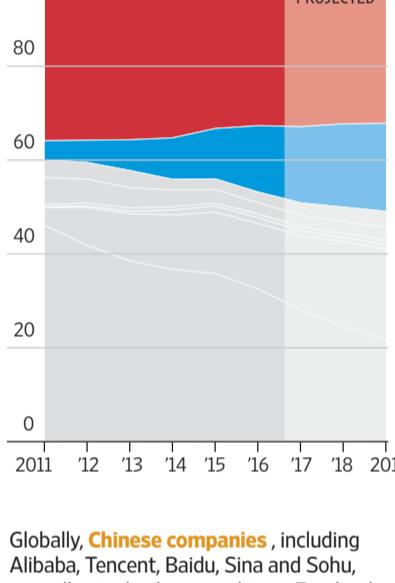
That could also help explain why other Chinese companies and bankers are choosing to invest in online ad firms outside of China, including in the U.S.

A group of Chinese investors led by the chairman of tech conglomerate Miteno Communication Technology Co. last year paid \$900 million to acquire Media.net, a Dubai-based online ad broker that gets 90% of its revenue from the U.S.

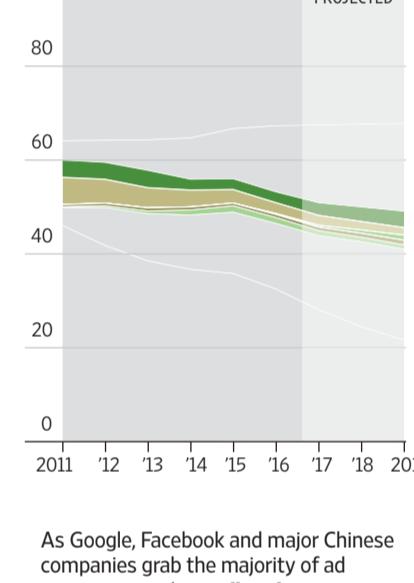
Two Goliaths and Not a Slingshot in Sight

World-wide digital ad revenue market share for 2011-2019

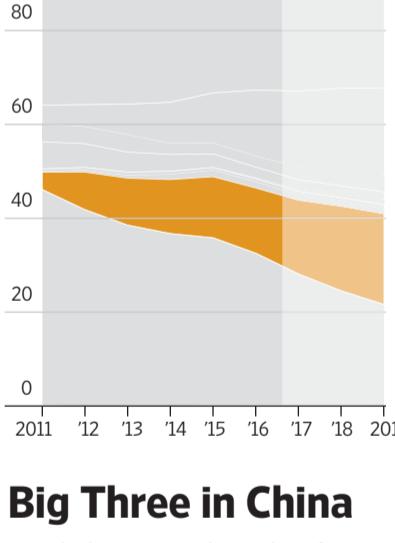
Google and Facebook will soon account for more than half the market. Facebook's share is expanding, while Google's is contracting slightly.



Outside of China, Microsoft, Verizon, Snapchat, Amazon and Twitter are all in a race for a distant third place. Their projected combined share for 2017 is 7%, world-wide.



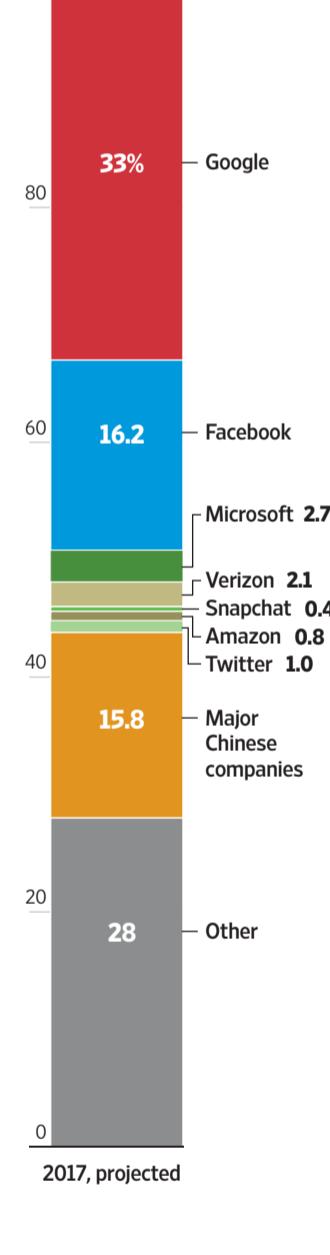
Globally, Chinese companies, including Alibaba, Tencent, Baidu, Sina and Sohu, are collectively almost as big as Facebook because of their dominance in China.



As Google, Facebook and major Chinese companies grab the majority of ad revenue growth, smaller players continue to get squeezed.

2017 digital ad revenue

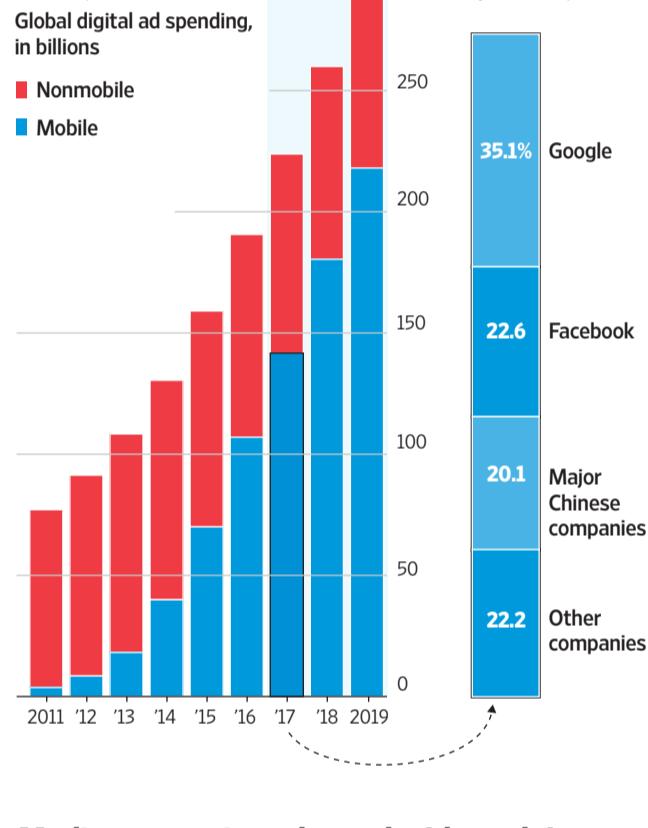
The 'duopoly' of Google and Facebook controls nearly half the market.



Mobile's march

The rapid growth in the digital ad market has been driven by the rise of mobile. Global digital ad spending, in billions

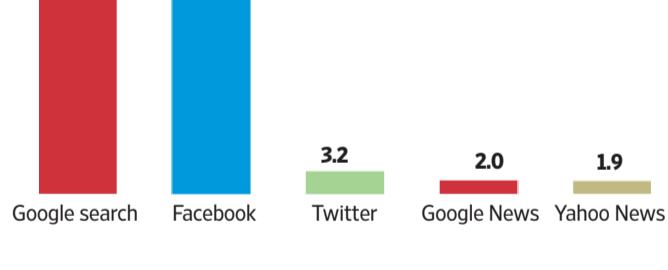
■ Nonmobile
■ Mobile



Who owns the mobile-ad space today?

Media companies rely on the 'duopoly'

Google and Facebook are the dominant outside sources driving traffic to publishers' websites.

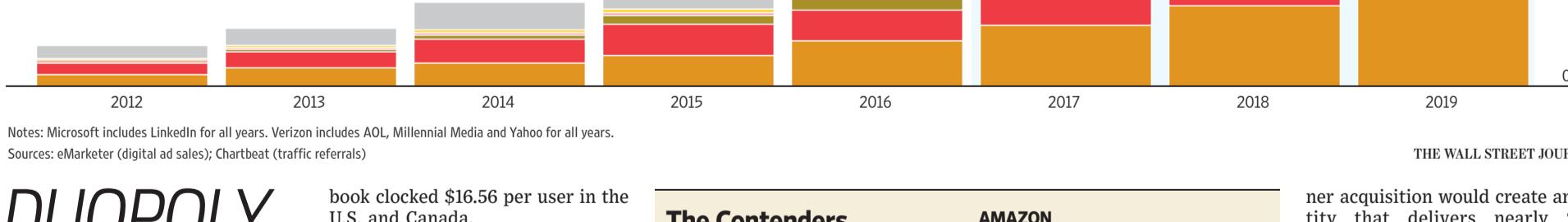


Big Three in China

Digital advertising in China, where foreign companies are restricted, has its own giants – Alibaba, Baidu and Tencent.

Net digital ad revenue share in China, in billions of U.S. dollars

■ Alibaba (includes Youku Tudou)
■ Baidu
■ Tencent
■ Sina
■ Sohu
■ Other Companies



Notes: Microsoft includes LinkedIn for all years. Verizon includes AOL, Millennial Media and Yahoo for all years.

Sources: eMarketer (digital ad sales); Chartbeat (traffic referrals)

ner acquisition would create an entity that delivers nearly "one trillion" ad impressions a year. Mr. Stephenson said his company will be able to make money from Warner Bros. and Turner shows at a higher rate because it has data on AT&T subscribers' internet usage that can help marketers more accurately target their intended audiences.

For the foreseeable future, Madison Avenue will have to get used to dealing with two dominant players, a dynamic that isn't totally alien in the ad business.

"From a small-business perspective it's not much different than when Yellow Pages was the only game in town," said Pivotal Research analyst Brian Weiser. "For large brands, it's not that different than the era where there were three [TV] networks."

Continued from page R1

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Snapchat's advantage is that its audience is mostly made up of the 18- to 34-year-old segment. On average, each Snapchatter spends more than 30 minutes daily in the app, giving advertisers lots of opportunities to target them. Snapchat has also brought on board several TV companies and publishers for the app's "Discover" section, offering marketers the opportunity to position their ads next to curated content.

Snap's ad business still has some catching up to do: Its average revenue per user in North America in its first quarter was \$1.81, while Face-

book clocked \$16.56 per user in the U.S. and Canada.

Snap declined to comment.

Verizon also is emerging as a "new" player, having just merged AOL and Yahoo to form an advertising and content unit of the company called "Oath."

"There are only three companies in the world that touch one billion consumers digitally—Facebook, Google, and Oath," said former AOL boss Tim Armstrong—now the CEO of Oath—in an interview.

Mr. Armstrong believes the company can expand its reach to two billion people worldwide and ratchet up revenue to between \$10 billion and \$20 billion by around 2020. The recipe: ad technology it has spent years investing in, location data and well-known web brands including HuffPost and Yahoo Sports.

He said rivals to Google and Facebook can zero in on "white spaces" with no dominant player:

"Promoting brands instead of specific products, and using newer technologies such as augmented reality and virtual reality, for example."

Verizon's chief rival, AT&T, has its own lofty ambitions. AT&T CEO Randall Stephenson said at a conference in May that the Time War-

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DUOPOLY

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THE AD MAZE

'Fearless Girl' Steals the Conversation

Placement of statue near Wall Street bull turns talk about gender equality into publicity win for State Street

BY SUZANNE VRANICA

It appeared overnight—a bronze statue of a young girl, hands on her hips, defiantly staring down the iconic charging bull on Wall Street.

Installed on the eve of International Women's Day in early March, the "Fearless Girl" statue was quickly embraced as a symbol of female empowerment and gender equality.

State Street Global Advisors, the investment arm of Boston-based State Street Corp., was responsible for commissioning and placing the work, and the result was a public-relations boon for the manager of index-tracking funds that is generally thought of as one of the most passive investors.

The 50-inch statue became a viral sensation, garnering plenty of attention from media outlets around the globe and trending on social-media sites such as Twitter with the hashtag #FearlessGirl. Legions of New Yorkers, tourists, politicians like Sen. Elizabeth Warren and celebrities including singer Cyndi Lauper have made the pilgrimage to lower Manhattan to take a picture of the sculpture or pose with it.

The stealth placement of the statue, a campaign crafted by Interpublic Group of Co.'s McCann New York, was intended to pressure the public companies in which State Street invests to add more women to their boards. It also promoted State Street's SHE fund, which invests in companies with women in top executive roles.

"Fearless Girl" is among the marketing efforts expected to rake up awards when Madison Avenue descends on the French Riviera for the annual Cannes Lions advertising festival this week, according to ad firm Leo Burnett Worldwide, the Publicis Groupe SA agency that has been predicting Cannes award winners for 30 years.

"It's a really interesting piece of work. It transcends how we think about work," said Mark Tutssel, Leo Burnett's global chief creative officer. "It's become part of the society" and "created conversations," he added.

Fearless Girl spawned almost one



SHANNON STAPLETON/REUTERS

million tweets and plenty of free publicity for State Street, including thousands of mentions on news and entertainment TV programs and hundreds of articles in major papers around the country. State Street estimates the traditional and social-media exposure the brand generated with "Fearless Girl" is valued at between \$27 million and \$38 million.

It isn't a bad outcome for a relatively cheap marketing effort. The company spent roughly \$250,000 on Fearless Girl, according to a person familiar with the matter. State Street declined to confirm how much it spent.

State Street is the latest company touching on social issues in their marketing, hoping to endear custom-

ers to their brands and drum up good publicity.

The Super Bowl was a good indicator of the trend, with an Airbnb Inc. commercial that highlighted unity and diversity and Audi AG promoting gender-pay equality. Still, some of the ads such as Audi's took some heat on social media.

The Academy Awards brought

more of the same, as Hyatt Hotels Corp. promoted unity with an ad that used a cover of the song "What the World Needs Now Is Love."

Richard Edelman, chief executive of PR giant Edelman, said it is harder to reach people through regular advertising nowadays—so brands have to be part of the "cultural discussions that are taking place on social media."

Still, the approach can backfire, particularly in the charged political environment. About 57% of consumers are buying or boycotting one or more brands based on the company's position on a social or political issue, according to a recent online survey of 14,000 people from 14 countries that Edelman conducted in the spring.

Fearless Girl had its share of detractors, who criticized State Street's own diversity issues or called Fearless Girl a publicity stunt, hollow feminist marketing tool or defamatory to the longstanding 7,000-pound

Bull! Bankers behind 'Girl' count few women as execs," read one headline from the New York Daily News. State Street said it addressed some of the criticism by releasing its gender-equality statistics.

The "Charging Bull" sculptor has accused Fearless Girl of distorting the meaning of his art with what amounts to an ad campaign, and another sculptor created a small statue of a urinating dog that was briefly placed next to Fearless Girl.

Stephen Tisdalle, chief marketing officer of State Street Global Advisors, said the company did have some reservations when it set out to craft the effort. But it was careful to make sure the sculpture and messaging were done in a meaningful way and not tied to a political movement.

The risk has paid off. "This put us on the map," he said. It's a "global phenomenon."

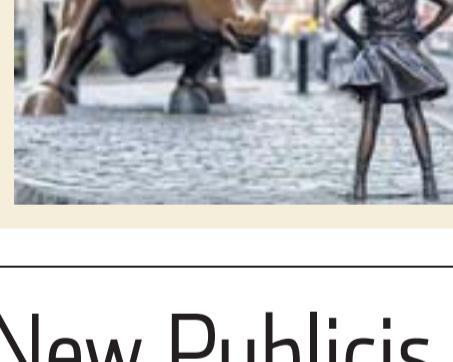
The publicity from Fearless Girl will likely help State Street increase its overall brand awareness.

The firm's SHE fund saw its average daily trading volume increase 384% in the days following the release of Fearless Girl, and the fund had \$315 million in assets as of May 22, up 8% from March 6. The company said that inbound calls from prospective institutional investors rose 15-fold in the four weeks after the company placed the statue, compared with the two weeks prior.

Free Media

958,923 tweets
4,122 TV segments
2,400 news articles
215,163 Instagram posts

Source: McCann, March 2017



MARK LENNIHAN/ASSOCIATED PRESS



CYNDI LAUPER



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SARA BLAKELY

New Publicis Chief Takes On a Turbulent Era

BY SUZANNE VRANICA

Madison Avenue has a new power player: Arthur Sadoun.

Mr. Sadoun was installed earlier this month as the new chief executive of advertising giant **Publicis Groupe SA**. The 46-year-old is only the third chief executive to lead the storied ad conglomerate in its 91-year history.

Known for his client-handling skills, Mr. Sadoun has big shoes to fill. He takes over from Maurice Lévy, the widely respected ad chief who led the Paris-based firm for almost 30 years and was named chairman of the supervisory board. Mr. Lévy transformed Publicis into the third-largest ad holding company in the world, with €9.73 billion (\$11 billion) in revenue last year and 80,000 employees crafting marketing for brands such as Nestlé SA, Samsung Electronics Co. and Citigroup Inc.

Mr. Sadoun is charged with navigating the company through the most turbulent time in marketing. Technology now enables consumers to more easily avoid ads, the dominance of Facebook Inc. and Alphabet Inc.'s Google continues to grow, and the trust between agencies and marketers in the \$529 billion global ad business has been damaged by a report that was released last year that said the U.S. ad industry is full of nontransparent business practices.

Mr. Sadoun will need to help the company get back on track after los-

ing significant assignments from a rash of companies such as Procter & Gamble Co. Its bold acquisition of Sapient has also failed to live up to expectations.

The Wall Street Journal caught up with the newly installed ad czar to discuss the brewing tensions between advertisers and tech giants, the challenges ad companies face, and how rising populism is affecting marketing.

Edited excerpts:

WSJ: What is the biggest threat to ad companies?

Mr. Sadoun: If the industry does not bring back growth to our clients' business, we will be in danger. We have to overcome the fragmentation that now makes marketing splintered. We must be delivering expertise in technology and data and think very broadly about creativity.

WSJ: Have Google and Facebook done enough to calm the concerns marketers have about brand safety and measurement?

Mr. Sadoun: We've been pleased to see Google and Facebook's recent efforts in this area. But there is a lot more they will need to do. Clients are worried by the lack of transparency on how and where their marketing messages are distributed and/or seen, how the algorithms work and the 'just trust us' approach. Today, leveraging data is key to marketing, but the limited amount of

data clients get back about their [marketing] programs and the lack of a true ability to work across platforms, like they can do on the open internet, is a problem. It's the clients' money and data after all. We need a lot more access.

WSJ: Publicis recently wrote down the value of Sapient, a digital-technology company. What's been the biggest challenge?

Mr. Sadoun: The premium we paid for Sapient was not completely justified due to slower growth than we had anticipated. So we reflected this slower growth by taking this non-cash charge. The struggles for growth, partly, came from us underestimating how difficult it is to get technologists and marketing working together. They are different cultures. We have been winning businesses and seeing momentum globally.

WSJ: There is a real lack of trust between agencies and marketers following the Association of National Advertisers' probe that discovered a lack of transparency in the way agencies conduct business. How can ad companies repair the relationships?

Mr. Sadoun: At Publicis, we believe any areas of conflict of interest must be eliminated right away and clients should never feel that there is any part of the process that they do not have transparency into. While we have passed all the audits to date, we remain committed to re-

affirming a trusted and principled relationship.

WSJ: There has been a huge rise in populism around the world. What does that mean for marketers?

Mr. Sadoun: We have to acknowledge that there is almost everywhere in the world a middle class that is really in pain. This is something that we need to take into account at the political level, but also in the way we communicate. It has never been so important to make sure that whatever you do, you make people understand what you bring into their day-to-day life. This is what we are trying to do with our clients. A brand that is strong is a brand that is playing a concrete role in people's life.

WSJ: Where will ad companies be in five years?

Mr. Sadoun: The one prediction I will make is that there is likely to be more changes in our industry in the next five years than in the past 20.



ARTHUR DELLOYE

THE AD MAZE

Don't Touch That Dial, We're Talking to You

Television networks look to target advertising to more specific audiences by using data, software

BY ALEXANDRA BRUELL

In the past two years, the cold and allergy relief brand Zicam has shifted its TV ad-buying strategy markedly. Instead of just buying ads aimed at gender and age groupings—the traditional currency of TV—the company chose to target audience segments most receptive to cold-medicine pitches.

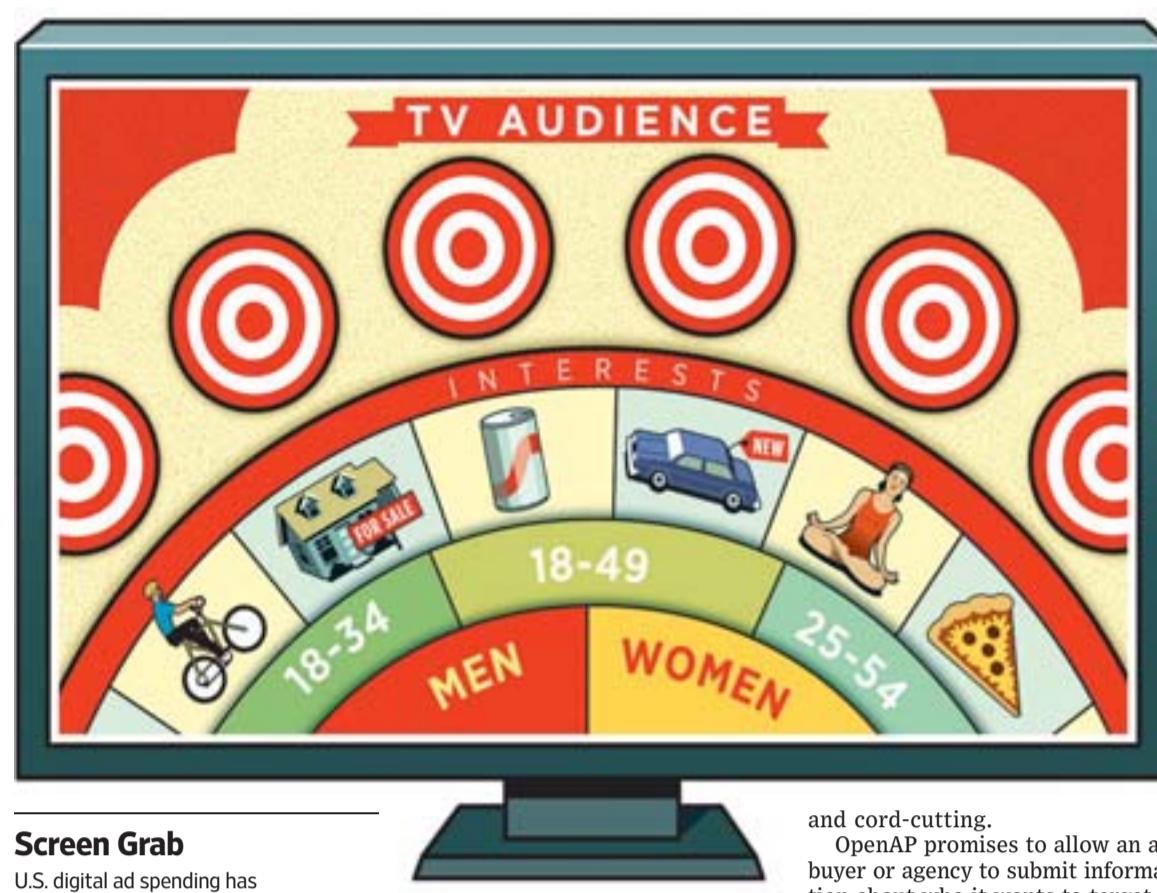
Zicam began giving big chunks of its media-buying budget to **Simulmedia**, whose software helps find TV audiences representing more specific groups of people. Zicam found more than 45 networks and shows that would be a good fit. In the cold season that ended in early 2016, Zicam put 60% of its TV budget into Simulmedia and said it enjoyed an 8% lift in sales.

Across the board, marketers are clamoring for these sorts of targeting opportunities in television, and the industry is racing to cater to their desires. Digital advertising has trained a generation of marketing executives to expect the ability to reach very fine audience segments, and TV's setup has looked hopelessly unsophisticated in comparison.

"TV has been limping around conducting business on a currency that doesn't reflect consumer behavior for decades," said Linda Yaccarino, head of ad sales for NBCUniversal.

Networks are doing everything they can to change that—whether it means joining with vendors like Simulmedia or developing their own proprietary ad-targeting systems, or both.

Viacom Inc., 21st Century Fox Inc. and Time Warner Inc.'s Turner joined forces a few months ago to start building OpenAP, a system intended to standardize the precise categories ad buyers can purchase in TV. That way an advertiser who wants to reach soda drinkers or people in the market for a minivan doesn't have to deal with different data approaches at different networks.



publishers, marketers can have a single view of how their money is working," said Michael Strober, executive vice president of client strategy and ad innovation at Turner.

The OpenAP media company participants are in talks with other networks about joining, according to people familiar with the matter. Some ad executives say the initiative needs more scale to be more relevant.

L'Oréal SA began selecting TV commercial space through advertising technology firm TubeMogul in 2015 to target certain consumers. By using detailed sets of first- and third-party data—loyalty program and purchase data, for example—L'Oréal is able to find audiences at levels as granular as women who bought lipstick from specific retailers over the past 30 days.

TubeMogul, which was acquired by Adobe Systems Inc. last year, uses TV viewing data to help L'Oréal buy inventory targeting similar households more broadly. After buying TV ads through TubeMogul, L'Oréal says it has seen a lift in product sales.

To group all consumers into a broad audience and expect the same desired action is "not the way of the future," said Nadine McHugh, a senior marketing executive at L'Oréal. "We understand the power of TV content, but how do we leverage our investment for optimal results out of our dollars in that environment?"

Advertisers can define their budgets and target audiences through TubeMogul's system. The software then sends recommendations for available TV inventory, along with specified pricing. If the advertiser chooses to buy the inventory, TubeMogul or the advertisers then need to deal with the relevant networks, which then check for availability.

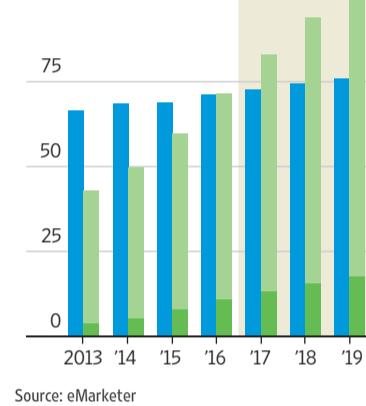
From there, the old-school negotiation and transaction commence—a sign that while targeting of ads on TV may be getting more "programmatic," booking of ad slots hasn't really changed.

"That's a limitation of the TV ecosystem," said Denise Colella, senior vice president of advanced advertising products and strategy at NBCUniversal. It's "programmatic."

Screen Grab

U.S. digital ad spending has surpassed TV ad spending.

■ TV ■ Digital ■ Digital video



Source: eMarketer
THE WALL STREET JOURNAL.

ten used to describe this activity in TV—in an effort to tie it to the use of automated or "programmatic" systems in digital advertising, in which buyers bid in real-time for available inventory.

But TV's targeting efforts are a far cry from what has happened in the digital ad world. The targeting opportunities still aren't anywhere near as granular. The nature of cable and broadcast TV means that selling and inserting ads in real time isn't possible, or even advisable. But that could all change when more households have internet-enabled TV systems and more programming is delivered on-demand rather than in a continuous, "linear" stream.

Credit Suisse predicts that targeted linear TV products will open up a revenue opportunity of more than \$100 billion for TV networks, according to its Future of Advertising report from April. Other analysts predict there will be increasing turbulence in TV advertising from the growth of online video

and cord-cutting.

OpenAP promises to allow an ad buyer or agency to submit information about who it wants to target—people who buy yogurt, for example—and use various data sources to drill down. Perhaps, for example, they know yogurt buyers tend to be women in their 20s who like to do yoga, and from anonymized data they know where those people live. The networks will cross-reference that information with data on what similar households tend to watch. Ads can then be purchased on

Targeting efforts by networks are a far cry from what has happened in the digital ad world.

shows with viewers that fit that profile. Deals will then be hammered out with the networks one-by-one.

The real benefit is getting three big media companies on the same page. "By organizing this across



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