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DJIA 22124.87

▲ 0.03%

NIKKEI 19865.82

▲ 0.45%

STOXX 600 381.34

▼ 0.02%

BRENT 54.89

▲ 1.14%

GOLD 1326.40

▼ 0.12%

EURO 1.1896

▼ 0.59%

DLR \$110.62

▲ 0.41%

What's News

Business & Finance

Apple's iPhone X ties the future of its flagship device to facial-recognition technology that could alter how people interact with their gadgets—if Apple can get it to work right. **A1**

◆ Beijing is preparing to sell \$2 billion in bonds this month, in what would be its biggest-ever U.S.-dollar bond sale and its first since October 2004. **A1**

◆ Bain Capital signed a memorandum of understanding with Toshiba saying it intends to reach a deal to buy its memory-chip unit this month. **B1**

◆ JBS CEO Batista was arrested for allegedly using insider trading to profit from a massive plea deal signed this year amid a corruption probe. **B1**

◆ Saudi Arabia is pushing for monitoring of oil exports, rather than just production, at a coming producer meeting to further cut supplies and lift prices. **B1**

◆ Seadrill filed for chapter 11 bankruptcy protection as part of a plan to restructure roughly \$10 billion in debt. **B3**

◆ Foreign investors last month more than tripled their holdings of NCDs, a popular short-term debt instrument issued by Chinese banks. **B8**

◆ Fox's proposal to consolidate ownership of Sky was referred to British antitrust regulators. **B3**

World-Wide

◆ The White House voiced tepid support for an ACA repeal effort and opposition to a bipartisan bill to shore up insurance markets. **A1**

◆ Bernie Sanders unveiled legislation to create a national single-payer health system. **A6**

◆ The Supreme Court ordered a reinstatement of the Trump administration's restrictions on refugee entry into the U.S. **A6**

◆ The EU's top executive called for the bloc to expand its economic links from Asia Pacific to Latin America. **A3**

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◆ Sen. Cruz will lay down a marker in the tax debate, endorsing full and immediate deductions for capital investment by businesses. **A6**

◆ Singapore will swear in its first minority Malay president in 47 years. **A4**

◆ A diverse group is challenging the U.S. government's power to search smartphones at border crossings without warrants in a lawsuit. **A7**

◆ Hurricane Irma's powerful winds killed trees and plants in the Caribbean, devastating the local ecosystem. **A5**

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Furor Grows Over Myanmar's Rohingya Crackdown



REFUGEES: Rohingya children carry an old woman near a makeshift camp for refugees in Bangladesh, above. Myanmar leader Aung San Suu Kyi faces growing criticism over a push by the military to drive off hundreds of thousands of members of the Muslim ethnic group. **A4**

Apple Bets Big on Face ID

Success of iPhone X hinges largely on how well facial-recognition technology works

By TRIPP MICKLE

AND ROBERT McMILLAN

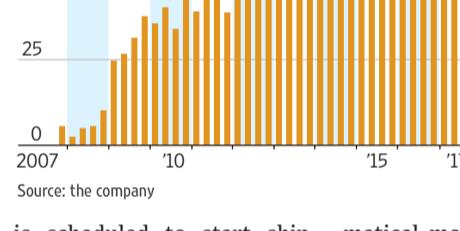
CUPERTINO, Calif.—Apple Inc.'s new iPhone X ties the future of its flagship device to facial-recognition technology that could alter how people interact with their gadgets—if the company can get it to work right.

Facial-recognition is the most prominent new feature in the 10th-anniversary iPhone Apple unveiled on Tuesday. Called Face ID, it will be the primary tool to unlock the nearly \$1,000 iPhone X, which

Phone Dependency

The iPhone accounts for most of Apple's revenue...

iPhone sales as a percentage of revenue



Source: the company

is scheduled to start shipping Nov. 3. A camera system with depth sensors project 30,000 infrared dots across a user's face that computing systems use to create a mathematical model that is stored securely on the phone. Each time users hold the device to their faces, the technology verifies the mathematical

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...but revenue growth has slowed considerably.

Change in iPhone revenue from a year earlier



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◆ Sanders unveils single-payer health legislation..... **A6**

Singapore Gets New President



Halimah Yacob will be the nation's first female president. **A4**

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WORLD NEWS

CAPITAL ACCOUNT | By Greg Ip

The Fed's Bad Options for Too-Low Inflation



Unemployment and inflation are near their lowest levels in decades. Who wouldn't love that?

Janet Yellen, for starters.

What looks like a dream economy could be a nightmare for the Federal Reserve chairwoman. Ms. Yellen's worldview assumes that when unemployment is this low—4.4% in August— inflation should move up to the Fed's target of 2%. Instead, it may have stabilized around 1.5%. That presents the Fed with some unpalatable options: deliberately overheat the economy for years to get inflation back up, then potentially induce a recession to stop it from overshooting; or give up on the 2% target, which could hobble its ability to combat future recessions.

This isn't scaremongering: It's the logical consequence of how central banks believe inflation operates. At the center of their model is the Phillips curve, according to which inflation edges lower when unemployment is above its natural, equilibrium level and putting downward pressure on prices and wages. Below that natural rate, also known as full employment, inflation crawls higher.

This mostly describes how inflation fluctuates around its long-term trend over the

course of the business cycle. Trend inflation, which prevails when the economy is right at full employment, is determined largely by public expectations, which are in turn influenced by central banks and their inflation targets.

Since the current expansion began in 2009, inflation has persistently fallen short of 2%. Most of the time, that could be chalked up to the ample economic slack left over from the 2007-09 recession. Today, though, unemployment is around a 16-year low and below the Fed's estimate of its natural rate, 4.6%. Yet using the Fed's preferred gauge of "core" inflation, the price index of personal consumption expenditure minus food and energy, recently slipped to 1.4%.

There are three leading explanations.

One is that the economy actually isn't at full employment; either the natural rate has dropped or many unemployed aren't being counted properly. But history and mounting reports of labor shortages militate against that.

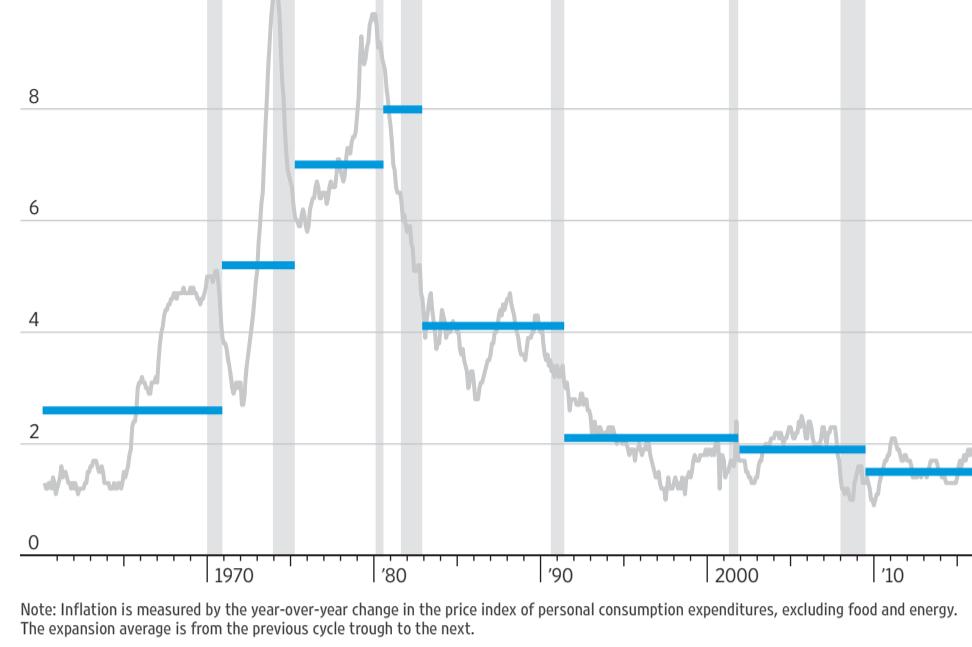
The second, and Ms. Yellen's preferred theory, is noise: One-off drops in prices are masking the underlying trend. But one-off movements can't explain years of undershooting.

That leaves the third expla-

nation: Trend inflation has fallen. Until recently, Fed officials scoffed at the possibility. They noted surveys that suggest the public still expects inflation to return to 2% and credit their oft-repeated promise to hit their 2% target. But are they fooling themselves? Expectations of inflation are determined in great part by what inflation actu-

Inflation Ratchets Downward

After every recession since 1982, core inflation has averaged lower than in the previous business cycle and is now averaging below the Fed's 2% target.



Note: Inflation is measured by the year-over-year change in the price index of personal consumption expenditures, excluding food and energy.

The expansion average is from the previous cycle trough to the next.

Source: Commerce Department

nally has been, and after every recession since 1982, core inflation has averaged less than in the previous business cycle.

In 2014, Fed staff slightly revised down its own assessment of trend inflation, according to minutes to the central bank's June meeting that year.

To get inflation higher, the Fed would have to engineer

the opposite of the past 35 years: a prolonged boom that drives unemployment below its natural rate until inflation returns to 2%.

Lower trend inflation has much graver implications for the economy than appreciated. In recent decades, it has taken ever bigger swings in unemployment to affect inflation.

Raising inflation half a point could require letting unemployment drop to around 3.5% and keeping it there for five years. Then, to prevent inflation from overshooting, the Fed would have to slow the economy and guide unemployment back over 4%. In theory it could do this gradually enough to avoid a recession; in practice, the number of times since 1948 when unemployment has gone up that much without a recession is zero, according to Goldman Sachs.

This approach could aggravate another worry: financial excess. If stocks and property look bubbly now, imagine what five more years of very low interest rates would do.

The alternative is to ditch the 2% target and accept 1.5% as the new inflation trend. Besides shredding the Fed's credibility, that would mean lower trend interest rates and thus less rate-cutting ammunition to fend off the next recession.

Both options are unappealing, but the second distinctly more so.

If Ms. Yellen concludes lower inflation reflects a trend rather than noise, prepare for unemployment to drop much more and interest rates to stay low for a lot longer—with an attendant rise in financial and economic volatility.

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said the three-dimensional verification system of Face ID should defeat the "flat image attack" with photos that foiled other facial-recognition systems. However, he said Apple's switch to a new login method was risky because the Touch ID was used to not only unlock devices but also authenticate sensitive apps and make purchases with Apple Pay.

"They might be going too far this time," Mr. Rogers said. "We'll see."

Investors are excited about the face-based functions on the new iPhone. They have sent Apple's stock up 39% this year betting the company's new devices will compel many existing iPhone owners with two-year-old devices to buy a new one.

mapping the depth of faces. Marketing chief Phil Schiller said the system is sophisticated enough to adapt, even if someone changes their hairstyle, puts on glasses or grows a beard. He said it can't be tricked by photographs or facial masks and requires the user's attention, meaning the phone won't unlock if eyes are closed or someone is looking away.

The chances an iPhone X could be unlocked with Face ID by someone other than its user are one in a million, Mr. Schiller said. That compares with one in 50,000 for Touch ID, the fingerprint sensor iPhones now use, which sits on a home button that Apple is eliminating for the iPhone X.

Mr. Rogers of Cloudflare

ipay and WeChat Pay.

Whether Apple's efforts bear fruit won't be known for weeks, or even months. The two iPhone X models will go on sale Sept. 22, but the iPhone X—plagued by production difficulties this summer—won't hit shelves until Nov. 3.

Xia Giang, a 30-year-old startup founder, is taking a wait-and-see approach.

"Maybe I'll buy it," Mr. Xia said. "Money isn't an issue, but I want to know if my friends like it. I'll let them try it first and then decide."

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Apple's Challenge in China: Ending Long Sales Slide

Still, greater China, which includes the mainland, Hong Kong and Taiwan, accounted for 22% of Apple's sales last year—trailing only the U.S. and Europe.

"China is hugely important, both in terms of its market size now and future growth," said Duncan Clark, founder of tech consultancy BDA China. "China is also a global test bed."

"What Apple really needs with the iPhone in China is two things," said Ian Fogg, a senior director at consulting firm IHS Markit: to offer something "demonstrably different" than Chinese makers, and to overcome the challenges of being an overseas brand.

The market leader in China is Shenzhen-based Huawei Technologies Co., whose share has doubled in the past three years, reaching 21% in the second quarter, according to

Stumbling in China

iPhone maker Apple has lost market share to homegrown rivals in the world's biggest smartphone market.



Note: Quarterly data. Market share by shipments

Source: Canalys

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Canalys. It is zeroing in on Apple's target high-end consumer. Earlier this year it launched its flagship P10

phone, which carries a price tag of nearly \$700 and features that include an improved dual-lens camera developed in partnership with German camera maker Leica.

Coming next month: Huawei's Mate 10 smartphone, which is expected to have a new processor capable of photo-enhancing artificial intelligence and to offer faster charging and a longer battery life. A price hasn't yet been announced, though Huawei typically undercuts Apple.

China's Xiaomi Inc. on Monday introduced its costliest phone yet, the 4,000 yuan Mi Mix 2, featuring a full-screen display. Vivo, China's No. 3 smartphone maker, is set to launch its X20 full-screen phone later this year.

To win back Chinese market share, Apple tailored a number of features on its latest operating system to China

consumers—including a built-in ability to scan the country's ubiquitous QR codes, which are used to shop and send money across China. Users can also ask Siri to pull up their WeChat QR codes, used to connect with friends on the app.

It also includes features like dictation in Shanghai, Chinese traffic cameras on Apple maps.

Apple added the ability to use a phone number rather than an email address as Apple ID, after realizing how rarely email is used in China compared with texts and WeChat.

Notably, Apple is launching the ability for friends to pay each other on iMessage via Apple Pay in the U.S., but not in other markets. Apple Pay operates in China, but the mobile-payment market is dominated by domestic systems Alipay and WeChat Pay.

Whether Apple's efforts bear fruit won't be known for weeks, or even months.

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Soyuz Craft Traces a Path Toward International Space Station



LIFTOFF: Russia's Soyuz space capsule blasts off from Kazakhstan as it ferries two Americans and a Russian to the space station.

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WORLD NEWS

EU Envisions a Future of Wider Trade

The European Union's top executive called for the bloc to expand its economic links from the Asia-Pacific region to Latin America, articulating the EU's ambition to champion free trade in the wake of President Donald Trump's "America First" policies.

By Valentina Pop in Strasbourg, France and Emre Peker in Brussels

Spurred by positive data and an uptick in EU popularity after a decade of economic and political crises, European Commission President Jean-Claude Juncker outlined his vision of a bigger and more-cohesive union that would carry its weight in the world.

"Europe has always been an attractive economic space," Mr. Juncker said Wednesday in his annual State of the European Union address in Strasbourg, France. "But since last year, I see that our partners all over the world are knocking at our door in order to sign trade agreements with us."

Mr. Juncker proposed starting free-trade talks with Australia and New Zealand and completing a number of agreements by late 2019, when his



European Commission President Jean-Claude Juncker said commerce demands reciprocity.

mandate ends.

The EU has "a very good chance" of striking a deal on trade with Mexico and South American countries by the end of 2017, Mr. Juncker said. EU officials are in talks to update a 17-year-old free-trade accord with Mexico and sign its first

accord with Mercosur—composed of Argentina, Brazil, Paraguay and Uruguay. In July, Brussels and Tokyo struck a political agreement on a comprehensive trade deal.

Mr. Juncker said he also wanted to bolster the EU's trade defenses including by

screening foreign investments—a policy aimed at protecting European assets and companies from acquisitions.

Chinese business representatives expressed disappointment at the proposal. "Obviously, it is targeting China," said Duan Wei, chief executive

of the Chinese Chamber of Commerce in Germany.

France, Germany and Italy have advocated increasing the bloc's trade defenses, but ran into opposition from some EU members when French President Emmanuel Macron pushed proposals in June.

"We are not naive supporters of free exchange; Europe has always got to defend its strategic interests," Mr. Juncker said. "Europe is open to trade, yes, but there has to be reciprocity."

Mr. Juncker also laid out steps to increase the bloc's security in coming months. He proposed the creation of a European intelligence unit that would share information and an EU prosecutor able to prosecute cross-border terrorist crimes. All his proposals are subject to approval by national governments and the European Parliament.

Mr. Juncker sought to appease growing discontent within the bloc's former communist countries, speaking of his vision of a Europe where all member states are free, equal and subject to the rule of law. In doing so, he seemed to cast aside calls from some governments for a "multi-speed" Europe, where countries aim for different levels of

integration.

He renewed calls to integrate the bloc's newer members in the eurozone, in the bloc's passport-free travel area and in its banking union, proposing new funding and assistance to help them get there.

Several countries, including Hungary and Poland, could already join the euro, but are holding off. For now, only 19 of the bloc's 28 members share the common currency.

Mr. Juncker said the EU must continue to expand in the western Balkans, where discussions are advancing with Serbia and Montenegro. But underscoring growing tensions with Turkey's President Recep Tayyip Erdogan, he said the prospect of Turkish membership was off the agenda for the foreseeable future and accused Ankara of trying to provoke the EU into ending accession talks.

Mr. Juncker barely mentioned Brexit negotiations in his speech, stressing that the U.K.'s decision was made and the bloc needed to focus on shaping its common future.

—Laurence Norman in Brussels, Andrea Thomas in Berlin and Nina Adam in Munich contributed to this article.

Production Data Point To Industry Slowdown

BY PAUL HANNON

The output of factories, mines and utilities across the eurozone barely rose during July, a fresh indication that the currency area's economy may be slowing slightly after a strong start to the year.

A pickup in industrial production aided the eurozone's economic acceleration during the three months to June. Having declined by 0.1% in the first three months of the year, the output of factories, mines and utilities jumped by 1.1% in the second.

Eurozone factory, mine, utility output scrape higher, but trend appears weak.

But the European Union's statistics agency Wednesday said industrial output increased by just 0.1% between June and July, although it was up 3.2% from a year earlier.

"Today's print is in line with our view that industrial production will likely slow in Q3 after a very strong Q2 helped to support the GDP growth acceleration," economists at Barclays wrote in a note to clients. "Slightly lower industrial activity...would be in line with our scenario of a slight economic moderation."

Figures released last week showed the eurozone economy grew more quickly over the 12 months through June than previously estimated, and economists at the European Central Bank Thursday raised their growth forecast for the year to 2.2% from the 1.9% seen in June. If they turn out to be right, 2017 will have

been the best year for the eurozone economy in a decade. That goal would still be in reach even if growth moderated a little in the second half of the year, as indicated by business surveys and now releases of official economic data.

The surprising strength of the eurozone's recovery this year has led policy makers at the ECB to reconsider the levels of stimulus they have been providing to the economy since mid-2014. ECB President Mario Draghi signaled Thursday the bank could next month announce a plan to gradually end a program of asset purchases, known as quantitative easing or QE, in 2018.

However, the pace of that process—which is known as tapering—will depend on how rapidly inflation seems set to rise to the central bank's target of just below 2%. The annual rate of inflation was 1.5% in August, but policy makers expect it to fall back in 2018, partly as a consequence of the euro's appreciation against other major currencies during recent months. A stronger euro lowers the prices of imported goods and services.

In addition to the future exchange rate of the euro, the outlook for inflation will depend on whether eurozone workers start to receive larger pay rises. Figures also released Wednesday by Eurostat show the number of people in work across the eurozone rose 0.4% during the second quarter, and at 155.6 million was the highest number ever recorded.

However, as in the U.S. and other economies, the steady decline in the unemployment rate has yet to translate into a rise in pay large enough to push inflation significantly higher.

foreign reserves.

The bond sale is coming as the cost of insuring Chinese government debt against default in recent months has fallen to its lowest level in two years, according to data from IHS Markit. It costs \$58,000 annually to protect \$10 million of Chinese debt from default over five years, versus \$100,000 in September 2015. Some investors use these so-called credit-default swaps to hedge their holdings of Chinese debt investments. Falling costs of protection indicate lower investor anxiety about the possibility of a financial crisis developing in China.

CreditSights said in a note last week that the new Chinese sovereign bonds could be priced to yield 0.5 percentage point over comparable Treasury securities. The five-year Treasury note recently yielded 1.747%, while the 10-year Treas-

Merkel's Foes Find a Russia Flaw

Opponents—and potential partners—in coming election push for softer line

BY ANTON TROIANOVSKI

PFORZHEIM, Germany—As German Chancellor Angela Merkel cruises toward likely reelection, the parties trailing her are finding a wedge issue: Russia.

With less than two weeks to go until Election Day, Russian hackers haven't dumped any stolen emails, as German officials have warned they might. But Russian President Vladimir Putin looms over the campaign nonetheless.

Four of the five parties likely to enter German parliament behind Ms. Merkel's conservative bloc advocate a friendlier approach to Moscow, so the vote could affect the future ruling coalition's Russia policy by pressuring Ms. Merkel to loosen her relatively tough line.

Foreign Minister Sigmar Gabriel, a member of the center-left Social Democrats, said Europe should lower the bar for when it would start lifting sanctions against Russia and defended the stance in an interview with pro-Kremlin news outlet RT.

Christian Lindner of the pro-business Free Democrats, whose party is in the running to join the next Merkel government, drew praise from the radical Left party after he said the West should accept Russia's annexation of the Ukrainian peninsula of Crimea as a "long-term provisional arrangement."

And in a packed house of more than 1,000 here in the southwest last week, the anti-immigrant Alternative for Germany, or AfD, cast Moscow as a critical ally for stopping migration.

"We can only block the way for refugees from Asia and Afghanistan trying to get here by working with Russia," AfD candidate Alexander



Afd leader Jörg Meuthen at a rally in Pforzheim, Germany.

Gauland told the cheering crowd, which included many ethnic German immigrants from the former Soviet Union. "We need Russia as a Christian bulwark against an Islamic invasion."

"Vot immeno!"—Russian for "that's right!"—Gerda, a 66-year-old retired librarian in the audience, exclaimed as Mr. Gauland spoke.

Ms. Merkel's center-right Christian Democrats seem assured of winning the Sept. 24 election, leading the Social Democrats 37% to 23% in an average of the latest polls.

But they are unlikely to secure a majority in parliament and will need a partner to govern, making the policies of the other parties a factor in the direction of the next government.

In the campaign, Ms. Merkel has stuck to her line on Russia. Accepting Russia's annexation of Crimea would be akin to the West having accepted the division of Ger-

many, she said in an interview published over the weekend. She has made pushing back against Mr. Putin for what she describes as illegal Russian actions in Ukraine a core element of her foreign policy.

While Ms. Merkel may come under pressure from future governing partners to soften that stance, she is unlikely to make a significant shift. Any change in Berlin's Russia policy, however, could affect the European Union's ability to hold a unified line against the Kremlin. The chancellor played the leading role in 2014 in organizing EU sanctions against Russia over its intervention in Ukraine, and Germany has helped corral doubters among the other 27 members into maintaining them.

Of Ms. Merkel's potential coalition partners, only the environmentalist Greens support her stance of keeping the current EU sanctions against Russia in place until Moscow until the Minsk

peace agreements for Ukraine are implemented in full. Mr. Gabriel, by contrast, said that implementing the complete peace deal soon was unrealistic and that relations with Moscow needed to be improved before then.

"Let's at least get a ceasefire implemented and the heavy weapons withdrawn, and then do two things as a reward: lift the sanctions and help with rebuilding eastern Ukraine," said Mr. Gabriel, an ally of Social Democratic chancellor candidate Martin Schulz.

With Ms. Merkel enjoying approval ratings above 60%, her campaign opponents have struggled to find issues to attack her on. Given widespread German unease about souring relations with Moscow, many of them have seized on Russia policy as a way to score points.

Security officials have warned that Germany could be vulnerable to interference similar to what U.S. intelligence agencies say occurred in the U.S. campaign. German officials believe Kremlin-linked hackers stole emails from parliament's servers in 2015, but no high-profile instances of such interference have emerged during the campaign.

Russia denies having interfered in the U.S. election and any intention of doing so in Germany.

The group officials see as among the most vulnerable to Russian influence is the more than one million ethnic Germans who immigrated from the former Soviet Union.

Hundreds of them demonstrated early last year against Ms. Merkel's acceptance of refugees after Russian news media spread a false story about migrants raping a Russian-German girl.

BOND

Continued from Page One
in five and 10 years.

China's Ministry of Finance didn't immediately respond to requests for comment.

China has about \$200 billion in outstanding U.S.-dollar sovereign-debt issues that it is scheduled to pay off in 2027 and 2096, and those bonds yield about 3.3% and 4%, respectively, according to the research firm CreditSights. The country issued several global bonds in the 1990s, including a 100-year \$100 million bond in 1996 with a 9% coupon.

But the government has been largely absent from the market since 2004, as officials were coping with a continuous influx of "hot money"—sudden rushes of investment cash—and a rapid buildup of

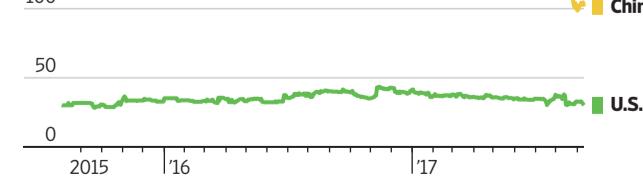
foreign reserves.

The bond sale is coming as the cost of insuring Chinese government debt against default in recent months has fallen to its lowest level in two years, according to data from IHS Markit. It costs \$58,000 annually to protect \$10 million of Chinese debt from default over five years, versus \$100,000 in September 2015. Some investors use these so-called credit-default swaps to hedge their holdings of Chinese debt investments. Falling costs of protection indicate lower investor anxiety about the possibility of a financial crisis developing in China.

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Cheaper China

The cost of insuring Chinese government bonds has fallen this year relative to the cost of insuring U.S. government debt.



Source: IHS Markit

THE WALL STREET JOURNAL

surly was yielding 2.171%.

Most buyers of the new U.S.-dollar bonds are expected to be Chinese investors and financial institutions, say analysts and bankers. Overseas investor demand for Chinese debt has been generally lack-

Still, a successful sovereign-bond sale could signal investor confidence in China's economic growth and its creditworthiness. The deal is likely to hit the market ahead of China's Communist Party Congress, which next month will chart the path of the country's leadership.

Plans for the sale have been in the works for some time.

In June, shortly after Moody's Investors Service downgraded China's sovereign rating to A1 from Aa3 citing concerns about rising debt and slowing economic growth, China's Ministry of Finance announced plans to sell \$2 billion in bonds in the second half of this year.

The coming offering would be a first step toward building a liquid benchmark yield curve that could eventually help lower the cost of funding for Chinese companies, including

state-owned enterprises, banks and private corporations.

"In an environment where assessments of China's debt issues have been pretty adverse, the result might be quite positive for them and, by extension, for the valuation of Chinese assets," said Edmund Harriss, a London-based portfolio manager of the Guinness Atkinson Renminbi Yuan and Bond Fund.

In the offshore market, Chinese companies and local governments are active borrowers, raising a total of \$379.7 billion year to date through bond issues, according to Dealogic. In 2016, they raised \$855.1 billion. Chinese bonds delivered a 4.93% return for the first eight months, making them a laggard in emerging markets this year.

—Yifan Xie and Shen Hong contributed to this article.

WORLD NEWS

Outcry Swells Over Myanmar Crackdown

Military push to drive Rohingya out draws international scrutiny and militant call to arms

BY JAMES HOOKWAY

YANGON, Myanmar—A push by the Myanmar military to clear Rohingya villages and drive hundreds of thousands of members of the Muslim ethnic group into Bangladesh is drawing the attention of two divergent international groups: the United Nations Security Council and al Qaeda.

The Security Council was set to meet Wednesday to discuss the crisis amid charges that the military leadership that runs the country alongside Nobel Peace Laureate Aung San Suu Kyi is pursuing a campaign of ethnic cleansing.

Myanmar says it is battling a group of "extremist militant terrorists," the Arakan Rohingya Salvation Army, or ARSA.

Ms. Suu Kyi, a Nobel Peace laureate facing growing international scrutiny of her handling of the crisis, on Wednesday canceled her trip to the U.N. General Assembly in New York to deal with domestic security issues, the Myanmar government said.

Meanwhile, al Qaeda's central leadership urged Muslims to travel to Myanmar and support the Rohingya "financially, militarily, and physically."

"The savage treatment meted out to our Muslim brothers in Arakan by the government of Myanmar...shall not pass without punishment," it said through its media arm, according to SITE Intelligence Group.

The militant group at the center of the crisis, ARSA, and its founder, Ataullah, say it is defending the Rohingya and highlighting decades of repression the Muslim group has endured in Buddhist-majority



Newly arrived Rohingya refugees from Myanmar wait for building material for shelters distributed by aid agencies in Bangladesh.

Myanmar, where most have lived along the border with Bangladesh.

After ARSA rebels killed 10 soldiers, a policeman and immigration official at a border outpost on Aug. 25, Myanmar's army rolled through the region, driving over 370,000 Rohingya into Bangladesh, according to the International Organization for Migration, where they face a fraught and uncertain future.

Rohingya homes have been torched and villagers shot. Bangladesh's Foreign Minister A.H. Mahmood Ali told diplomats Sunday that 3,000 people had been killed.

A Myanmar presidential spokesman said on Wednesday that 176 ethnic Rohingya villages were now empty after all residents fled, the Associated Press reported.

The U.N. human-rights chief, Zeid Ra'ad al-Hussein, said the operation "seems like a textbook example of ethnic cleansing."

The outcry is pressuring Ms. Suu Kyi, who leads Myanmar in name but under the terms of the army-drafted constitution cedes much of her power to the military.

The conflict is also drawing the attention of jihadists.

"In the coming year Myanmar will suffer from a full-blown insurgency unless it works with the international community to resolve an escalating conflict," said Rohan Gunaratna, head of the International Center for Political Violence and Terrorism Research at the S. Rajaratnam School of International Studies in Singapore.

Indonesian Islamist groups are calling for volunteers to fight in Myanmar.

In the southern Philippines, Islamist radicals are training militants from Southeast and South Asia for combat in Myanmar, an intelligence official there said.

Before the purge, around one million Rohingya lived in Rakhine State. Myanmar's government calls Rohingya illegal immigrants from Bangladesh, a throwback to British rule when migrants from the subcontinent began moving to what was then Burma. The Rohingya are denied citizenship as well as rudimentary schooling and health care.

Army commander-in-chief Senior Gen. Min Aung Hlaing recently called its campaign "unfinished business."

Over the years, many Rohingya fled. Among them was the father of Mr. Ullah, the ARSA founder, who made his way to Karachi, Pakistan, where Mr. Ullah, now in his 40s, was born, according to the Brussels-based International Crisis Group.

The family later moved to Saudi Arabia, where Mr. Ullah was educated in a madrassa, or Islamic school. In ARSA videos he speaks both the dialect used by Muslims in northern Rakhine State, and Arabic.

Then, in 2012, as tensions between Rohingya Muslims and Rakhine Buddhists boiled over, Mr. Ullah left Saudi Arabia.

Myanmar's military says he attended a six-month guerrilla-warfare training course with the Taliban in Pakistan. The International Crisis Group has interviewed ARSA members who said he might also have sought training in Libya. Mr. Ullah, whom the Myanmar government calls Hafiz Tohar, couldn't be reached for comment.

When Mr. Ullah returned to the border area of Bangladesh and Rakhine State around 2013 he began recruiting young fighters under the banner of Harakah al-Yaqin, or the Faith

Movement, later to become ARSA, the military says.

Overseen by a committee of some 20 Rohingya exiles in Saudi Arabia, the group has adopted an Islamic slogan and taken a new insignia featuring two semiautomatic rifles crossed before a map of Rakhine State.

Security analysts estimate the group to number several hundred fighters. Initially they were equipped with a few old rifles, staves and knives. As repression of the Rohingya worsened, ARSA grew more ambitious, carrying out deadly attacks in October 2016.

Then, on Aug. 17, Mr. Ullah posted a video in which he accused Myanmar's military of sealing off the town of Rathedaung and starving the mostly Muslim inhabitants. He warned the army of reprisals if it didn't relent.

"Our primary objective is to liberate our people from the dehumanizing oppression perpetrated by all successive Burmese regimes," he said, flanked by four men cradling AK-47 rifles.

ARSA attacked more border outposts on Aug. 25—prompting military retaliation. In Hpa-an, five hours' drive east of Yangon, influential Buddhist nationalist monk Ashin Wirathu used the Aug. 25 attacks to demand that all Rohingya leave the country—a sentiment that is becoming commonplace.

"Terrorists go home!" he yelled. His audience cheered and held up signs saying "No Rohingya."

The International Crisis Group said the Aug. 25 attack was a calculated move. "[ARSA] knows that it is provoking the security forces into a heavy-handed military response, hoping that this will further alienate Rohingya communities, drive support for ARSA, and place the spotlight of the world back on military abuses in northern Rakhine State," it said.

Wellington Lawmaker Instructed Spies

BY BEN COLLINS

WELLINGTON, New Zealand—A Chinese-born New Zealand lawmaker has acknowledged he once taught English to Chinese spies, an admission that comes as his party faces a closer-than-expected fight in a general election 10 days away.

Jian Yang, a member of Parliament in Prime Minister Bill English's National Party since 2011, said that when he lived in China, he taught English to students so they could monitor communications and collect information for the Chinese government. He said he wasn't trained as a spy himself.

Mr. Yang was responding to reports in the Newsroom and the Financial Times. He said the reports were an attempt to damage his party's chances before the election on Sept. 23.

Mr. Yang isn't accused of breaking New Zealand law.

New Zealand's election was until recently a one-horse race. Polls have tightened since as the main opposition Labour Party has captivated voters with a new leader.

The prime minister said he was aware Mr. Yang had "military training, including military intelligence."

Mr. Yang said he had studied at the Air Force Engineering College in China, now known as the Air Force Engineering University, and after graduating he became a civilian officer paid by the military there to teach English.

"I was a civilian officer, paid by the military, but I had no rank. I was a lecturer," Mr. Yang said, adding that his students were monitoring communications rather than conducting clandestine intelligence operations overseas. "If you define those cadets or students as spies, then yes, I was teaching spies," Mr. Yang said.

Mr. Yang, who studied in Australia before moving to New Zealand to take up a teaching role at a university, was approached by the National Party to run for parliament in 2011.

Singapore Installs Its First Female President

BY JAKE MAXWELL WATTS AND P.R. VENKAT

SINGAPORE—The predominantly ethnic-Chinese city-state of Singapore will swear in its first minority Malay president in 47 years after strict new qualifying criteria, aimed at balanced racial representation, made the former speaker of Parliament and longtime member of the ruling party the only candidate.

Halimah Yacob, 63, will also be the first female holder of the largely ceremonial presidency of the Southeast Asian country of some 5.6 million.

It would normally be decided by direct election, but that was canceled because she would have been the only one on the ballot.

The office of Prime Minister Lee Hsien Loong, who is the country's most powerful politician and leads the ruling People's Action Party, said Ms. Yacob will take the oath of office on Thursday for a six-year term.

Her installation will conclude a contentious process

after Parliament voted to change qualifying rules so that if one of Singapore's main ethnic groups—Chinese, Indians or Malays—isn't elected to the presidency in five consecutive terms, the next election is reserved for candidates of that group.

The rules also require candidates to have served in senior government office or as top executive of a profitable company averaging at least 500 million Singapore dollars (US\$371 million) in equity for three years.

These changes effectively reserved the election for a Malay candidate, barring other candidates including an ethnic Chinese, Tan Cheng Bock, a popular former government minister who has declared himself independent of the ruling party, which has been in power since independence in 1965.

The last Malay president was Yusof Ishak, who left office in 1970.

Though widely liked, Ms. Yacob won in a process that "has been contentious from the day it has been first



Supporters greeted Halimah Yacob on Wednesday.

Ms. Koh noted that only about 700 companies in Singapore were large enough to meet the qualification.

Bertha Henson, a writer for political blog The Middle Ground, said she was angry at the government for promoting affirmative action.

The election "should be an open one to help disprove the notion that Singaporeans vote on the basis of skin color," she wrote.

Other comments on political blogs called the process a charade, a pretense at supporting minorities in a country where racial harmony is a specific government policy since racial riots in the 1960s. Ethnic Malay citizens, about 13% of the population, have tended to fare worse economically in the prosperous city-state than the Chinese majority.

But most Singaporeans have shown few signs of objecting. A survey in 2016 found that two-thirds approved of the changes to eligibility criteria.

Prime Minister Lee has argued that reserving the elec-

tion for a Malay candidate would "safeguard to ensure that we regularly elect presidents from different ethnic groups."

The government says its strict criteria will ensure fair representation and ensure that only qualified people can take the job.

In a speech on Wednesday, Ms. Yacob said she recognizes doubts about the process. "Although this is a reserved election, I am not a reserved president," she said. "I am a president for everyone regardless of race, language, religion or creed. I represent everyone."

While the president doesn't have executive authority, the office has certain veto powers over the use of foreign-exchange reserves, government budgets and key appointments.

The president draws an annual salary of S\$4.3 million.

Before becoming Speaker, Ms. Yacob served as a junior government minister and as deputy head of a confederation of trade unions.

Trump, in Meeting, Plays Up Malaysia Deals

BY MICHAEL C. BENDER

WASHINGTON—President Donald Trump touted what he described as a plan by Malaysia Airlines Bhd. to spend between \$10 billion and \$20 billion on Boeing Co. jets and General Electric Co. engines as he opened a White House meeting with Malaysia's prime minister.

Mr. Trump, in a public appearance with Prime Minister Najib Razak, cited the airline deal as a basis for strong ties between the two countries. Boeing said the deal involved 16 new planes. He also identified Malaysia as a strategic national-security ally in Asia, while playing down the significance of a fresh round of sanctions the United Nations Security Council approved against North Korea on Monday.

Mr. Trump also praised Malaysia as a significant investor in U.S. securities, saying American markets have been hitting records "on almost a weekly basis" during his presidency. "I congratulate you on

those investments," Mr. Trump said during a brief public appearance with the Malaysian leader.

The airline deal puts the administration in the unusual position of coaxing investment from a trade partner that the U.S. is also investigating for

investment fraud.

The U.S. Department of Justice is investigating the alleged looting of 1Malaysia Development Bhd., a Malaysian economic-development fund. The probe threatens to ensnare much of the country's ruling elite, including Mr. Najib.



EVAN VUCIC/ASSOCIATED PRESS

Neither Malaysian Premier Najib Razak, right, nor President Donald Trump mentioned the 1MDB probe at the White House on Tuesday.

Mr. Trump didn't mention the investigation during his public appearance with Mr. Najib. White House press secretary Sarah Sanders said on Monday that the investigation was "apolitical, and certainly independent of anything taking place" during meetings involving the president.

Instead, the two leaders were meeting to discuss a "wide range" of regional issues and security concerns, including the halt of the Islamic State extremist group, North Korea's push for nuclear weapons, and territorial disputes in the South China Sea.

Jonah Blank, a senior political scientist with Rand Corp., said it was unlikely the leaders discussed the investment scandal since both had ample domestic reasons for wanting a harmonious meeting.

While Mr. Trump can tout investment, Mr. Najib will use the high-profile reception at the White House to boost his stature at home.

"If he is able to portray

himself as a firm partner of the U.S., it can of course be used against him, but it's likely a positive," Mr. Blank said.

Mr. Najib said during the public appearance with Mr. Trump on Tuesday that he was interested in contributing to the U.S. economy. Malaysia Airlines agreed in 2016 to buy 25 Boeing 737s, with an option to buy another 25, in a deal estimated at \$5.5 billion.

In an apparently new deal unveiled on Tuesday, Malaysia Airlines also will buy eight Boeing 787 Dreamliners. Mr. Najib said, a deal that would be valued at about \$2.2 billion. Mr. Najib on Tuesday said the airline deals would be valued at \$10 billion in five years, or more if the airline executes the option for additional planes.

Boeing said the company signed a memorandum of understanding with Malaysia Airlines for 16 planes—the eight Dreamliners and eight additional 737s.

Irma Wreaks Havoc on Islands' Ecology

NIELA HERNANDEZ

side from the death and destruction to property Hurricane Irma wrought in the Caribbean, it also devastated local ecosystems.

Caribbean's powerful winds strip trees and plants by snapping their leaves and branches, uprooting and toppling them and spewing damaged saltwater onto them, leaving the islands' once-verdant hills a dull brown. Forest and wildlife experts say ecosystems will struggle to recover in time.

Hurricane Irma's winds peaked at 185 mph. The most vulnerable flora is that which have very many natural defenses against strong winds, either in the form of mountain or taller trees in the vines.

In some cases, lightning associated with hurricanes "fries the tree that just die," leaving a sort of Swiss-cheese pattern in the canopy, according to Thomas Doyle, the director for the U.S. Geological Survey's Wetland and Aquatic Research Center in Cocodrie, La.

Though it is too early to see a full picture, organisms depend on such felled trees also normally sustain life. Some disperse to new habitats that more closely match what theirs was



Hurricane winds stripped or toppled trees, but experts say storms can rejuvenate whole forests.

like before the storm hit, either to find protection from predators or to find food. Lizards that live in the canopy, for example, could be more visible to predatory birds. And birds that feed on fruits or nectars would suddenly have nothing to eat. They either adapt or die.

But such changes can also have a "rejuvenating" force on a forest, said Ariel E. Lugo, the director of the U.S. Forest Service's International Institute of Tropical Forestry in Puerto Rico. "You can't see a hurri-

cane as negative for everybody. There are some that benefit, depending on their needs."

For example, in the 1980s, a student in his lab found Asubio tree seedlings while doing research in Puerto Rican forests. They had been growing there slowly for decades. Hurricane Hugo hit in 1989, and shortly after these slow-growing trees started growing rapidly, he said. Dr. Lugo observed a similar phenomenon with other tree species.

"We have clear evidence

that hurricanes facilitated the regeneration of a slow-growing species," said Dr. Lugo, who's currently investigating how changes in the frequency of storms and rising temperatures affect forests. "Forests have incredible mechanisms for regrowth. They're always awaiting the next hurricane."

The chances of bouncing back are highest when an ecosystem is healthy, according to ecologists and forestry experts.

But increases in urban development, and other factors

like climate change, are stressing ecosystems, said Astrid Caldas, a senior climate scientist at the Union of Concerned Scientists.

"Wetland after wetland was filled in and paved over" in Houston, she said. Wetlands

acceptable," he told reporters after meeting local officials on Tuesday.

Mr. Macron also outlined a plan to restore basic services on the island. He said running water would return only gradually, projecting that the water system would be at a third capacity by Sept. 20.

To provide some immediate supplies of fresh water, the U.S. is sending two mobile desalination plants shortly to the island to supply fresh water, he said.

With communication networks down, the authorities will walk around neighborhoods with megaphones announcing the hour and location of food and water deliveries, Mr. Macron said.

Mr. Macron said that 50% of mobile connections have been restored, and that the rest would return in the weeks to come.

"Pylons have been knocked down," he said. "The damage is unprecedented."

—Matthew Dan

typically act like sponges, taking in excess water. When Hurricane Harvey hit, the main areas were overwhelmed by the amount of runoff.

—Dan C

contributed to this article

WORLD WATCH

Governments Warned
Profit-Tax Cuts

Governments around the world have continued to cut corporate-tax rates on company profits, pushing them further below those of the U.S. as the Organization for Economic Cooperation and Development warned the competition to aid businesses may be going too far.

In its annual review of tax policies, the Paris-

based think tank for rich countries said continuing reductions in corporate-tax rates had lowered the average across its 35 members to 24.7% in 2016 from 32.2% in 2000.

The U.S. corporate-tax rate of 35% is the highest among major developed countries, and companies say it distorts economic decisions and discourages investments in the U.S. Many companies don't pay that full rate because of tax breaks created by Congress.

—Paul Hannon

UNITED KINGDOM July Jobless Rate Hit Four-Decade Low

The unemployment rate fell in July to its lowest level in more than four decades, fueled by increasing participation in the labor force.

Real wage growth, which takes into account inflation, declined for the fifth straight month, though, highlighting a continued squeeze on households' living standards that is

sapping economic growth. The Office for National Statistics said the jobless rate in the U.K. declined to 4.3% in the three months through July, its lowest level since early 1975.

The number of people in work hit a record 32.1 million, as those staying out of the workforce to look after their home or care for family members sank to 2.1 million, the lowest level since records began. Average annual wage growth held steady at 2.1% compared with the previous three months.

—Jason Douglas

FRANCE Premier Says Protests Won't Stop Labor Law

Prime Minister Edouard Philippe has shrugged off nationwide protests against planned overhauls to France's strict labor regulations, saying he was listening but would nonetheless press ahead with the bill.

About 220,000 people on Tuesday joined the first mass protest called by the Communist Party-rooted CGT trade union

against the overhauls, a smaller number than in demonstrations last year.

However, in a sign that protests may yet gain momentum, truck drivers belonging to the CGT and Force Ouvrière, France's second- and third-largest unions, respectively, said they would launch a rolling strike on Sept. 25.

Truckers have before blocked large parts of France to a standstill.

The government plans to adopt the decrees on Sept. 26.

Peter Paul Rubens, detail from "Portrait of Albert and Nikolaus Rubens", c. 1626/27.
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VALUES WORTH SHARING

"Driven by legacy...
not by the next
quarter's results."

Dinasa Yeung, LGT Relationship Manager

since 2001



Private
Banking

U.S. NEWS

Sanders Pitches Single-Payer Health Plan

Potential Democratic presidential hopefuls sign onto bill, but it has little chance of passing

By MICHELLE HACKMAN

U.S. Sen. Bernie Sanders unveiled his long-anticipated legislation to create a national single-payer health system on Wednesday, boasting support from 15 Democratic Senate co-sponsors.

The health proposal, dubbed Medicare for all, would offer the same suite of medical benefits required for some insurance plans under the Affordable Care Act and eliminate most out-of-pocket costs.

Mr. Sanders of Vermont, who is unaffiliated with any party but caucuses with the Democrats, has said taxes would likely rise to support



Sen. Bernie Sanders speaks during a 'Care Not Cuts' rally in Covington, Ky.

the new system but he points out that families would save money by no longer needing to purchase health coverage.

The government, he said, could also secure lower prices for medical services.

The 96-page bill offers no

mechanisms to pay for the plan, which is expected to cost the federal government hundreds of billions of dollars a

year. A spokesman for Mr. Sanders said no cost estimate for the plan was available, but Mr. Sanders plans to release a separate white paper outlining ways to fund it.

A health-care system as Mr. Sanders envisions it remains unlikely with Republicans in control of the White House and both chambers of Congress.

"Bernie Sanders's single-payer proposal isn't realistic and with a \$32 trillion dollar price-tag, it certainly isn't affordable," said Ronna McDaniel, chairwoman of the Republican National Committee.

But Mr. Sanders's idea has caught on with many Democrats since he touted it during his unsuccessful run for president last year. When he pitched a similar plan in 2013, none of his Democratic colleagues signed on.

Single-payer health care is now becoming a rallying cry

for many Democrats, much as the seven-year promise to "repeal and replace" the 2010 law known as Obamacare brought together Republicans.

At least four potential 2020 Democratic presidential contenders—Sens. Elizabeth Warren of Massachusetts, Kirsten Gillibrand of New York, Kamala Harris of California and Cory Booker of New Jersey—all signed onto the plan.

The legislation would begin extending Medicare-like coverage to people over a four-year transition period, with the eligibility age for the program—currently 65 and older—steadily lowering to cover the entire population.

Though private insurers wouldn't be permitted to compete with the government plan for basic coverage, consumers could purchase supplemental health policies.

BILL

Continued from Page One
broad bipartisan plan has emerged.

Sen. Bernie Sanders of Vermont pitched on Wednesday a bill to create a national single-payer health system. While he has picked up support from a number of high-profile Democrats, it has little chance of becoming law with the GOP in control of Congress and the White House.

Sens. Bill Cassidy of Louisiana and Lindsey Graham of South Carolina, both Republicans, plan Wednesday to release the text of a bill letting states largely decide what to do with the 2010 law.

The senators see their pro-

posal as the Republicans' last hope to fulfill a pledge to strike much of the law and enact conservative proposals in its place. A Senate procedural device letting Republicans pass such a bill with a simple majority, rather than the 60 votes usually required, expires Sept. 30.

Mr. Graham has said that by turning the 2010 law into a block-grant program that allows states to fashion their own health-care system, the party could offer a deal palatable to a majority of GOP governors and senators.

But Senate Majority Leader Mitch McConnell (R., Ky.) has so far shown little interest, aides said. Sen. Rand Paul (R., Ky.), an outspoken critic of earlier GOP repeal proposals, has said he would be reluc-

tant to support the new plan. Sen. Orrin Hatch (R., Utah), chairman of the powerful Finance Committee, said the bill lacks support.

For the bill to become law, the House would also have to pass it. Conservative representatives have voiced skepticism about leaving Obamacare in place in some parts of the country, while centrist Republicans may be reluctant to see the law's funding capped in their regions.

President Donald Trump's administration, for its part, has done little to encourage passage of the Cassidy-Graham bill, while saying the GOP president would sign the bill if it reaches his desk. Mr. Trump's legislative-affairs director spoke Tuesday in the past tense about Republicans'

bid to repeal the 2010 law, despite offering lukewarm support for the Cassidy-Graham bill as an "effort to keep that alive."

"The repeal-and-replace legislation was I think our best opportunity for real entitlement reform in Medicaid," said Marc Short, the legislative-affairs director, at a briefing hosted by the Christian Science Monitor. "Republicans, when given the opportunity, were not willing to follow through on that."

Meanwhile, a bill aiming to bring the parties together to shore up insurance markets is in jeopardy, people close to the negotiations said, as Democrats complain that Republicans are trying to use it to eliminate consumer protections.



Sen. Bill Cassidy (R., La.), left, and Sen. Lindsey Graham (R., S.C.)

The effort spearheaded by Sens. Lamar Alexander (R., Tenn.) and Patty Murray (D., Wash.) would guarantee fed-

eral funding to insurers to help offset subsidies they give some low-income consumers.



Sen. Ted Cruz is calling for full and immediate deductions for capital investments.

Cruz Wades Into Tax Debate

BY RICHARD RUBIN
AND SIOBHAN HUGHES

Sen. Ted Cruz (R., Texas) laid down a marker in the tax debate on Wednesday, endorsing full and immediate deductions for capital investment by businesses.

In a speech at a Tax Foundation event, Mr. Cruz planned to emphasize that such full expensing instead of current multiyear depreciation schedules would make the tax code simpler and direct tax benefits to new investments, according to a person familiar with his remarks.

By getting all those deductions up front in the first year instead of over the life of an investment, companies would have a bigger incentive to invest in factories

and equipment.

In contrast, lowering the corporate tax rate—which is also a central piece of the emerging GOP tax plan—benefits companies with both newer and older investments.

The fate of full expensing, like the rest of the GOP tax plan, is up in the air as lawmakers begin negotiating the details. The House Republican tax blueprint called for full expensing, but lawmakers may scale that back as they balance competing goals and try to comply with budgetary rules.

A July joint statement from the top Republican negotiators in the administration in Congress said only that the plan would strive for "unprecedented capital expensing." They haven't defined what

that means.

Mr. Cruz's speech, in other areas, echoed the GOP's aims of simplifying tax returns so they could fit on a single piece of paper and emphasizing economic growth. As a presidential candidate last year, Mr. Cruz proposed a much more dramatic tax change that would have replaced payroll and corporate taxes with a consumption tax and a 10% individual income tax.

Meanwhile, President Donald Trump met with a bipartisan group of senators on Tuesday night in hopes of getting some Democratic support for the emerging tax plan. His guests at a White House dinner were the only three Democratic senators—Joe Manchin of West Virginia, Heidi Heitkamp of North Dakota and Joe Donnelly of Indiana—who didn't sign a statement vowing to oppose tax cuts for high-income households.

All three are up for re-election next year in states Mr. Trump won.

Mr. Manchin said he favored lowering tax rates without "adding to our staggering debt."

That could put him at odds with Republicans, who are considering calculating the cost of their tax cuts in ways that could allow them to claim they aren't increasing the debt.

Ms. Heitkamp said she wanted more details about the effects on farmers and retirees. Mr. Donnelly said he was focused on proposals to limit tax breaks for companies that shift jobs abroad.

the budget process—a prerequisite for fast-tracking a tax bill through the Senate without Democratic votes—by mid-October. After that, they plan to release and vote on actual tax legislation.

The need to pass a budget has created a bit of a conundrum for Republicans. Some lawmakers, including House Freedom Caucus leader Mark Meadows (R., N.C.), have been clamoring for more details on the evolving tax plan before they are willing to advance the budget.

But the tax bill's writers need the budget and its revenue targets so they can lay out all the specific details.

—Richard Rubin

High Court Reinstates Travel Ban's Refugee Limits

BY BRENT KENDALL

WASHINGTON—The Supreme Court on Tuesday again ordered a reinstatement of the Trump administration's restrictions on refugee entry into the U.S., another shift in the seesaw legal battle over President Donald Trump's temporary travel ban.

The high court issued an emergency order that sided with the Trump administration, after a federal appeals court last week ruled that roughly 24,000 vetted refugees should be able to enter the U.S. while litigation over the travel ban continues. Those refugees will now be ineligible for entry.

The Supreme Court's order came in a single paragraph, with no recorded dissents.

It was the third time the justices have intervened since June to set interim rules on travel while the court more fully considers the legality of Mr. Trump's March 6 executive order, which sought to suspend travel to the U.S. by people from Iran, Libya, Somalia, Sudan, Syria and Yemen, as well as by refugees.

Mr. Trump said the temporary ban was needed to protect against terrorist threats while the U.S. studied vetting procedures. Critics said the

restrictions were unjustified and alleged the president was unlawfully targeting Muslim travelers.

The president's legal challengers include the state of Hawaii, as well as civil-rights and immigrant-rights groups. Mr. Trump has faced several negative rulings from lower federal courts. The Supreme Court will hear oral arguments in the matter on Oct. 10.

It was the third time the justices have intervened to set interim rules on travel.

The Justice Department, which is defending the ban, said it looked forward to the argument and was pleased the court "has allowed the government to keep in place the protections for the nation's safety and security provided by the executive order."

Hawaii Attorney General Douglas Chin said the state respected the court's order and was continuing to prepare for next month's proceedings.

The high court's first interim ruling came June 26,

when it said the Trump administration could partially implement its planned travel ban, but not against people who had bona fide relationships with people or organizations in the U.S.

That only led to more legal wrangling.

The White House took a narrow view of the court's ruling and applied the ban to a broad group of refugees, as well as to travelers who were extended family members of U.S. residents, such as grandparents, grandchildren, aunts and uncles.

The Supreme Court intervened again on July 19, preventing the administration from barring travel by such extended family members. But the justices left the refugee restrictions in place until the Ninth U.S. Circuit Court of Appeals could study them further.

The Ninth Circuit, based in San Francisco, ruled against the Trump administration on the refugee question last week, saying refugees should be allowed in if they are covered by an admissions agreement between the U.S. government and a refugee resettlement agency.

The high court's order Tuesday prevented that ruling from going into effect for now.

Congress Condemns Hate Groups

BY BYRON TAU

WASHINGTON—A bipartisan congressional resolution condemning white nationalists is headed to President Donald Trump's desk after passing both chambers this week.

Lawmakers said they wanted to put the president on the record opposing hate groups after violence erupted at a racially charged rally in Virginia last month.

A White House spokeswoman didn't respond to a request for comment about whether Mr. Trump would sign the measure.

The House and Senate this week passed a joint resolution that condemned white nationalists, the Ku Klux Klan, neo-Nazis, and other hate groups

said: "While the president and the entire Virginia delegation has vociferously condemned the hateful actions of that day as well as those who perpetrated them, this joint resolution allows us to join, legislate and executive, Republican and Democrat, in doing so officially and on the record."

The measure will soon be presented to the president for his signature or veto. Mr. Trump could opt not to sign it but it would still become law.

The measure was co-sponsored in the Senate by a bipartisan group of 57 senators. In the House, a similar measure was introduced by the Virginia congressional delegation. The Senate passed the resolution on Monday while the House passed it Tuesday evening.

GOP Nears Release Of Tax-Plan Details

WASHINGTON—Republicans plan to show more details about their tax plans during the week of Sept. 25, as they prepare for a legislative sprint toward one of their top priorities.

"We will release a consensus document with the core elements of big, bold tax reform," Rep. Kevin Brady (R., Texas) told reporters Wednesday.

Mr. Brady, chairman of the House Ways and Means Committee, laid out the fall schedule for House Republicans.

Republicans hope to finish

U.S. NEWS

Suit Targets Cellphone Seizures

By JOE PALAZZOLO

A diverse group that includes an artist, an engineer, a journalist and a limousine driver is challenging the U.S. government's power to search smartphones at border crossings without warrants or even suspicion of wrongdoing, alleging in a lawsuit filed Wednesday that the practice violates the constitutional right to privacy.

The lawsuit, filed in federal district court in Boston, seeks to taper an exception to the Fourth Amendment that allows customs and border agents to rummage through luggage, take apart cars, inspect personal devices and more.

Courts have ruled the Fourth Amendment's protections against unreasonable searches and seizures are weaker at or near the border and points of entry because authorities need broad powers, unhindered by the warrant requirement that applies inside the country, to screen dangerous people that could be trying to enter the U.S.

But the advent of smartphones has made it possible for international travelers to

carry the contents of their lives with them in electronic form, and federal courts have begun to question whether the Fourth Amendment permits border authorities unfettered access to such troves. Searches of electronic devices at ports of entry increased under the Obama administration and have continued to rise.

The American Civil Liberties Union and San Francisco-based Electronic Frontier Foundation are representing the 10 plaintiffs, all U.S. citizens or permanent residents, who say federal officers seized and searched their electronic devices at U.S. ports of entry, without cause to believe they had violated any law.

Four of the plaintiffs represented by the ACLU and EFF were without their phones for weeks while federal authorities inspected them, the lawsuit says.

Border agents last year stopped Wall Street Journal reporter Maria Abi-Habib at the border and asked for her two cellphones, but they backed off when she resisted. Ms. Abi-Habib isn't involved in the lawsuit.

"The effect of searches of



U.S. Customs and Border Protection officers at Los Angeles International Airport earlier this year.

mobile electronic devices on individual privacy and expression can hardly be overstated," the lawsuit says. "The volume and detail of personal data contained on these devices provides a comprehensive picture of travelers' private lives, making mobile electronic devices unlike luggage or other items that travelers bring across the border."

The lawsuit says warrantless border searches also chill speech protected by the First Amendment, including the rights to speak anonymously and gather and receive information.

The complaint asks a federal judge to declare such searches unconstitutional, absent a warrant supported by probable cause.

The lawsuit names as defendants the acting heads of U.S. Customs and Border Protection, U.S. Immigration and Customs Enforcement and the Department of Homeland Security. Jenny Burke, a Homeland Security spokeswoman, declined to comment on the lawsuit.

In a recent court brief filed in an unrelated case, the federal government called the ex-

ception to the warrant requirement at the border "a vital tool for the protection of national security and the prevention of transborder crime."

The federal government has inherent authority to protect its sovereignty and territorial integrity, Justice Department lawyers wrote in the April brief in a case involving a Turkish man charged with trying to illegally export firearms.

"Never has this principle been more important than it is today," the brief says, citing the Sept. 11, 2001, terrorist attacks.

Law-enforcement officers working within the U.S. must obtain a warrant to search electronic devices carried by suspects, under a 2014 ruling by the U.S. Supreme Court. The case didn't address searches at airports or borders, leaving lower federal courts to reconcile the ruling with the border-search exception.

Border searches of electronic devices affect a fraction of international travelers, but agents are conducting more of them, according to Customs and Border Protection data.

Feds Boost Aid to Virgin Islands

By JIM CARLTON
AND TED MANN

Federal officials are ramping up relief efforts this week in the storm-battered U.S. Virgin Islands, where thousands of residents, many displaced from homes, face the worst hurricane damage there in decades.

Water, food and other supplies were being ferried in to the two hardest-hit islands, St. John and St. Thomas, where sustained winds of 150 miles an hour flattened homes, toppled beachfront palm trees and left many mountain forests virtually denuded of greenery when Irma passed through last week.

Puerto Rico suffered less damage, and as of Tuesday power had been restored to all but about 300,000 customers. About one million customers lost power in Puerto Rico after the storm raked the northeastern side of the island territory of 3.4 million residents.

The U.S. Virgin Islands, about 40 miles east of Puerto Rico, sustained extensive



A damaged sport-utility vehicle sits atop storm debris in St. John.

property damage. But few deaths and injuries were reported.

But the death count could go higher. Kris Dougherty, a 57-year-old product developer who lives on St. John, said many people are still missing. The 38-foot boat he lived on there disappeared in the hurricane, while an apartment he used as an office flooded after the roof was torn off, he said.

Mr. Dougherty said he had to walk 2 miles to a hospital—

climbing over fallen trees and telephone poles—to receive treatment for cuts he suffered as the storm hit on his birthday.

He described a scene of devastation, including nearly half the homes rendered uninhabitable, and complained that help from the government took days to reach the island. He said the island would eventually recover, but that it would take time.

"I cry for our loss, but

smile at the new things to come," said Mr. Dougherty, who returned to the mainland U.S. on Tuesday to regroup.

With telephone and other communications mostly out, residents and vacationers have been trying to get messages to loved ones—many through Twitter and Facebook—that they are safe. "I just want to let all our friends and family and loved ones know we are safe, that we are taking care of ourselves, and we are helping to take care of St. Thomas as a whole," Elizabeth Newton, lieutenant commander of the Coast Guard station at St. Thomas, said in a video message on Twitter on Monday. "Please send good thoughts our way and we'll get back to you soon."

Irma blew out the windows and tore off most of the roof of a home owned by the extended family of Elizabeth Morse. "It's not a total loss, but there will be a lot of rebuilding," said Ms. Morse, 34, a resident of Baltimore, whose two relatives living in the house

Five Dead at Florida Nursing Home Left Without Power

Five people have died from a nursing home in Hollywood, Fla., that lost power in the wake of Hurricane Irma, and dozens more had to be evacuated to a nearby hospital.

It wasn't immediately clear what caused the deaths at the Rehabilitation Center at Hollywood Hills, Broward County Mayor Barbara Sharief said at a press conference. A Hollywood Police spokeswoman said the 152-bed nursing facility lacked electricity, but she didn't know whether the post-Hurricane Irma power outage played a role.

"We believe at this time it

might be related to the loss of power in the storm," Hollywood Police Chief Tomas Sanchez said. Police weren't ruling anything out and had sealed off the nursing home while conducting a criminal investigation, he said. The chief said 115 people were evacuated from the nursing home. "We have other patients in critical care," he said.

Police officers were checking on the 42 other assisted-living facilities and nursing homes in Hollywood. Rehabilitation Center officials couldn't immediately be reached for comment.

Ms. Sharief said three people had died at the nursing home, and two more were pronounced dead upon arrival at nearby Memorial Regional Hospital.

—Jon Kamp
and Scott Calvert

faces in a place I know by heart have left me feeling helpless," the Nashville star, who wasn't on the island at the time, said in a Twitter message a day after the storm hit.

Mr. Chesney created a foundation called Love for Love City—after the island's nickname—to raise money to help in the rebuilding.

"I've never been in war, but the devastation, the people's

faces in a place I know by heart have left me feeling helpless," the Nashville star, who wasn't on the island at the time, said in a Twitter message a day after the storm hit.

President Donald Trump signed a disaster declaration for the island chain on Sept. 7, a move that helped mobilize the federal help.

U.S. WATCH

RUSSIA PROBE

Senate Panel May Call Facebook

The bipartisan leadership of the Senate Intelligence Committee said they are likely to call representatives from Facebook Inc. to Capitol Hill to publicly detail Russian activity on the company's platform during the 2016 election.

In separate interviews with reporters, Sens. Richard Burr (R, N.C.) and Mark Warner (D, Va.) said they are in discussions with each other and other committee chairs in Congress about holding a public hearing with representatives from Facebook and other social-media companies on foreign election-related activity in cyberspace.

Mr. Burr, chairman of the panel conducting a probe into Russian activity during last year's election, said he was leaning toward holding such a hearing, but that he was working out issues such as scope, jurisdiction and whether to include other social-media companies in the final lineup of witnesses.

"Now that we've opened up this avenue of social media, it's of great interest for us to get a full accounting from everyone who operates in the space if in fact foreign money found its way in to finance any of the efforts on social media," said Mr. Burr. He said no final decision had been made.

Facebook declined to com-

"We have shared our findings with U.S. authorities investigating these issues, and we will continue to work with them as necessary."

Facebook said last week that it had identified about 500 "inauthentic" accounts responsible for \$100,000 in advertising spending that it believes have ties to Russia.

—Byron Tau

ECONOMY

Producer Prices Rose 0.2% in August

U.S. businesses sold goods and services at slightly higher prices in August, though inflation pressures remained weak overall. The producer-price index, a measure of inflation experienced by businesses, rose 0.2% in August from a month earlier, the Labor Department said Wednesday. The increase, while modest, was the biggest since April.

Higher gasoline prices accounted for most of the jump. Excluding food and energy components, so-called core prices rose 0.1%, a meager jump.

Economists surveyed by The Wall Street Journal had expected a 0.3% gain in overall producer prices and a 0.2% rise in core prices. The report offers the latest sign inflation in the U.S. remains weak despite conditions that would normally be accompanied by stronger price growth, including steady job growth, low unemployment and a pickup in economic growth.

—Josh Mitchell

and Sharon Nunn

Booming Utah Seeks Water Solutions

By JIM CARLTON

SALT LAKE CITY—Mormon pioneers believed they'd found a promised land when they arrived at the Great Salt Lake here 170 years ago and began building their community. Since then, that body of water has shrunk to a depth of about 14 feet—nearly half its former average. Under a controversial engineering plan, the lake would recede even further.

State engineers want to siphon off some of the river water that flows into the lake and use it for the Salt Lake City area's booming population. Proponents say the plan, which calls for lapping up a fifth of Bear River's current unused flow, is essential for meeting the region's needs.

But critics note that the diversion would cause the lake to drop by almost a foot, according to state estimates, eventually exposing 30 square miles of lake bed and potentially worsening the dust storms that regularly blanket the region and ruining a fragile wetlands habitat.

The debate echoes concerns heard in many other arid parts of the world. Salt lake ecology is especially delicate and requires a certain amount of fresh water to maintain a saline balance. Brine shrimp, for instance, could die off if the water becomes too salty.

In the Middle East, diversion of the Jordan and other rivers that feed the Dead Sea has shriveled the famous body of saltwater and its once robust tourism. The Aral Sea between Kazakhstan and Uzbekistan has shrunk to about 10% of its original size after diversions.

Over the past 150 years, 530 square miles of the Great Salt Lake have already been exposed, largely to help fuel urban and agricultural development in the area, according to officials at the Utah Divi-

sion of Water—although the lake remains the largest in the U.S. outside the Great Lakes.

Critics, including environmental groups and affected businesses, say that under the new diversion plan lake-dependent businesses such as brine shrimp fishing would suffer, as would farmers whose land could be inundated upstream if existing dams are raised to retain more water.

In all, the lake accounts for an estimated \$1.3 billion in annual economic output, accord-



A couple in Benson whose family farm sits on the bank of a reservoir that could be expanded to provide more water to area cities.

ing to Utah State University, much of it from the shrimp industry, as well as mineral extraction and tourism.

"It's a terrible idea," said Kelby Johnson, a 31-year-old farmer in Benson, Utah, whose land would be partially submerged by the expansion of one reservoir.

The plan would also destroy wetlands along the lake shoreline that provide food and habitat for an estimated eight million birds, said Zach Frankel, executive director of Utah Rivers Council, an environmental group opposed to the project.

But proponents say the diversion of up to 72 billion gallons of water—enough to meet the needs of a city of one million for a year—is needed to forestall anticipated shortages for one of the fastest-growing regions in the country.

The state's population has tripled since 1970 from one million to three million, with about 300,000 new residents added in the past decade alone. By 2050, Utah is projected to hit five million residents and Wasatch Front metropolis, which includes Salt Lake City, is expected to nearly double its population of about two million.

"If Utah continues to grow, it's not a matter of if but when we are going to need more water," said state Sen. Stuart Adams, the Republican majority whip, who sponsored a bill to begin funding the estimated \$1.5 billion project.

IN DEPTH

ISLAM

Continued from Page One
such as the Islamic Defenders Front have helped introduce more than 400 Shariah-inspired laws, including those that penalize adultery, force women to wear headscarves and restrict them from going out at night.

They are supported by a popular mood that has turned more religiously conservative. Protesters last month forced officials to cover a 100-foot statue at a Confucian temple they called an affront to Islamic traditions. Over the past year other conservatives have demolished statues in Java and Sumatra depicting characters from traditional, pre-Islamic folk tales.

Women wearing headscarves are more visible, and the wait time for the limited permits to attend the Hajj to Mecca have risen to 30 years, from two years in 2000, according to government data.

Local elections take place across the country next year, and a presidential vote is scheduled for 2019. Some political analysts and local leaders expect conservative Muslims to expand their footprint. Some potential challengers to President Joko Widodo, a religious moderate, already are aligning themselves with hard-liners.

"They are playing the long game," said Sidney Jones, a director at the Institute for Policy Analysis of Conflict in Jakarta.

One hard-line group that has seen success is the Islamic Defenders Front, known locally as FPI. In April it helped engineer the electoral defeat of Jakarta's governor, Basuki Tjahaja Purnama, a Christian and close ally of Mr. Widodo.

The group and other conservative Muslims accused Mr. Purnama of blasphemy, a criminal offense, and organized mass protests to demand his prosecution. He lost re-election, was convicted and is serving a two-year prison sentence.

"The [Jakarta] governor election turned the FPI into something bigger than it had ever been before," said Ms. Jones. "No one would have thought of it as a political power broker, and now that's the role it has assumed."

The FPI's vision is clear. "The end goal is for [Indonesia] to be based on Shariah," said Slamet Maarif, the group's spokesman. That includes being whipped for violating rules concerning alcohol and extramarital sex.

"If you want to practice Islam, you cannot just be cherry picking. You should follow everything," he said.

Other groups involved in the protests against Mr. Purnama question the economic influence of Indonesia's minority ethnic-Chinese population, many of whom are Christian. Islamic leader Bachtiar Nasir, leader of the National Movement to Safeguard the Fatwas of the Indonesian Ulema Council, wants Indonesia to follow its neighbor Malaysia by introducing an affirmative-action program to provide indigenous Indonesians with better access to capital and contracts.

Mr. Widodo, the president, was caught off guard by the strength of the Purnama pro-



Above, Indonesian Islamic group FPI hands out food in a North Jakarta neighborhood in June. Below, a man was caned in Aceh in May for having sex with another man.

tests, which were among the largest in Indonesia's history, according to a person familiar with his thinking.

After not engaging with protesters for weeks, Mr. Widodo joined them at a prayer rally once Mr. Purnama's political survival seemed in doubt.

More recently, his administration banned Hizbut Tahrir, a group that dreams of making Indonesia part of an international Islamic caliphate. During his annual state of the nation speech to parliament last month, the president, dressed in a traditional sarong instead of the usual business suit, said the country must unite behind its founding principles of respect for different faiths.

Police are investigating FPI founder Rizieq Shihab on suspicion of breaking Indonesia's strict pornography laws, which were approved partly at the FPI's behest several years ago, after he allegedly exchanged lewd text messages and images with a female admirer. Mr. Shihab, who has taken refuge in Saudi Arabia, denies wrongdoing.

Mr. Widodo has encouraged moderate Muslim groups to join his efforts to reassert Indonesia's older, more inclusive traditions. One group, Nahdlatul Ulama, or Awakening of



CHAIDEER MAHUDDIN/AGENCE FRANCE PRESSE/GETTY IMAGES

provinces to prevent the rise of another dictator. Around the same time, Saudi Arabia began spending hundreds of millions of dollars to build mosques and schools in Indonesia to export its fundamentalist strain of Islam. FPI's founder, Mr. Shihab, attended a Saudi-funded Islamic university in Jakarta and later studied in Saudi Arabia.

Many hard-liners view Aceh province, on the northern tip of the island of Sumatra, as a role model. After the 2004 Indian Ocean tsunami, which killed nearly 170,000 people in the province, Indonesia's government offered even more autonomy to local leaders to help speed reconstruction. The leaders introduced Shariah laws, based on Islamic teachings.

In 2015, the laws were further tightened to permit caning for a wide range of moral offenses, from selling alcohol to gay sex.

A public caning there in May made national headlines. Ten people, including two men who had sex with each other, and an unmarried heterosexual couple who had been alone together, were struck by hooded enforcers in front of a roaring crowd.

Aceh remains the only place in Indonesia where Shariah

forms the basis of the criminal code. Polling data is sparse, but a 2013 Pew Research Center survey found that 72% of Indonesian Muslims favored applying Shariah principles nationwide.

The FPI, with its cell-like organization and its followers' white, paramilitary-style uniforms, is the most visible example of the growing strength of Indonesia's conservative religious groups.

In its early days the group was known for smashing up Jakarta bars or scrawling graffiti such as "Jew-Free Zone." U.S. diplomats have said the FPI served as a kind of paramilitary force for the police to extract bribes from brothels and other illegal businesses.

Mr. Maarif, the group's spokesman, acknowledges working with police "like brothers" but denies being paid to do so.

Over time, the FPI revised its strategy to widen its appeal. It found new audiences on Facebook and other social media—often teenagers and young men.

FPI stepped into the national scene in the mid-2000s, when it drummed up protests against a no-nudes Indonesian edition of Playboy magazine. In 2012 it forced Lady Gaga to scrap a Jakarta concert, and

the following year it compelled a Miss World pageant to move from the capital to the predominantly-Hindu island of Bali.

It successfully lobbied Indonesia's Supreme Court in 2013 to overrule the government and allow local authorities to restrict sales of alcohol, arguing it was eating away at traditional Islamic values. In 2015, national authorities banned convenience stores from selling beer and liquor, contributing to the decision of the local franchisee for 7-Eleven to close its 160-plus stores in the country earlier this year.

"We still wreck bars. I want to emphasize that we still do that," said Novel Bamukmin, another FPI leader with a punchy preaching style. But he said the group has used social media to grow. "We can reach a lot more people now."

On Wednesday, the FPI led a rally in Jakarta to protest Myanmar's treatment of its Rohingya Muslim minority.

The group now has offices in 30 of Indonesia's 34 provinces. It relentlessly raises funds at prayer rallies, and has built public support through charitable projects.

Over the past year it has been preaching and handing out food, water and tarps in

Jakarta's poor Kampung Akarium neighborhood after the city government demolished homes for a new luxury housing development, displacing residents who worked nearby at the fishing port.

"They're still helping us. It's important just to know that someone is there because this situation is so stressful," said Suyitono, a 63-year-old. (Many Indonesians use one name.)

The outreach programs reinforce Islamic values in many areas, said Fatah Sulaiman, a vice rector at Sultan Ageng Tirtayasa University in Serang, a city just east of Jakarta where the FPI also has a strong presence. "The politicians don't have much choice but to follow," he said.

The FPI had been looking for a way to oust Mr. Purnama, the former Jakarta governor, for years because it objected to the city of 14 million being ruled by a Christian. When Mr. Purnama last year made a lighthearted reference to a Quran verse that said Muslims shouldn't be led by members of other faiths, the FPI accused him of blasphemy.

The group helped organize protests in Jakarta, including one with an estimated 500,000 people, many dressed in white, to demand his prosecution.

When campaigning began for the April elections, the FPI backed Anies Baswedan, a former university rector with a reputation as a moderate who cultivated the group's support by meeting with them and reassuring them he had a conservative stance on social issues such as gay rights.

Mr. Baswedan won the vote comfortably. His political mentor, Prabowo Subianto, a politician who ran against Mr. Widodo for president in 2014 and is a likely presidential candidate in 2019, publicly thanked the FPI for its help in the win.

The FPI is now focusing on swaying the election in West Kalimantan province, on the island of Borneo, by putting up posters and holding prayer rallies. When the Christian governor there leaves office after reaching his term limit next year, they want to make sure a conservative Muslim succeeds him.

never seen it before and don't really know what it is."

For now at least, skateboarders seem to have made a rare friend out of the People's Republic—one of the last places on earth where they're not hassled or confined to skate parks.

Charlie Lanceplaine, a Shanghai skateboarder, said he once clambered atop the entrance to a new subway station with a group of friends and began wheeling loudly over its marble slopes until an onlooker called the police. When they arrived, however, they paid no attention to Mr. Lanceplaine's crew.

The only possible explanation, he said, is that Chinese authorities sometimes display surprising indifference toward activities that aren't specifically prohibited by law—such as skateboarding. They do sometimes come down hard on those who they perceive to be troublemakers, however.

For the record, the police did cart somebody away that day. It was the whistleblower who called them.

Xiao Xiao contributed to this article.

SKATE

Continued from Page One
with 20-foot granite slopes.

Before his trip was over, he would grind edges, ride ramps and perform ollies, top guns and 5-0 grinds without a single dirty look from the security guards. "People go every day in search of these spots," said Mr. Carpenter, who lives in Long Beach, Calif. "Here, it's every inch of the city."

Inside the skateboarding counterculture, there are two holy grails. The first is any outdoor structure made of smooth natural stone. The most coveted is marble, which is plentiful and cheap in China and which developers enthusiastically adhere to everything from fountains to office utility closets.

Marble, boarders say, is perfect for "grinding," or sliding along a ledge while balancing on the metal trucks that fasten the wheels to the board.

The second holy grail is any alluring structure that isn't crawling with hostile security guards. In the U.S., skate-

boarders know every marble ledge in every big city, but they're usually attached to courthouses where cracks come quickly.

In inland Chinese cities like Changsha, 700 miles due west of Shanghai, "most security guards haven't seen a skateboard before," says Eric Lai, a 36-year-old from Shenzhen.

The breakneck pace of development in China gives skateboarders a steady stream of new architecture to tackle. In Changsha, developers have broken ground on scores of new towers and a nearly \$2 billion indoor ski resort and water park in anticipation of residents who haven't arrived yet.

Die-hard skateboarders will roam the globe looking for the next architectural marvel suitable for shooting videos of their most impressive tricks. But this place, they say, belongs in a category of its own.

CJ Collins, 14, of Victorville, Calif., who spent part of the summer here on a three-city skating tour, summed it up thusly: "China is sick."

Skate pros first arrived in China a decade ago, where they

descended on the Deng Xiaoping Portrait Square in Shenzhen, which includes Marble Wave Park, a series of curvy edifices that skaters can use to launch themselves into the air.

Authorities in some densely populated cities are starting to catch on that skateboarding can tear up public property, so pilgrims started seeking virgin marble farther inland in places like Changsha.

Mr. Lai, the skateboarder from Shenzhen, said locals, apparently amazed by his ability to stick to the board while executing various acrobatic maneuvers, have asked him if he puts magnets in his shoes.

Most passersby in Changsha seem amused by the sight of scraggly-haired foreigners in hoodies testing the boundaries of physics. "There have been traffic jams because people are watching us," said Axel Cruysberghs, 22, a native of Belgium.

One thing the skaters don't love about China are the handrails. In the U.S., they tend to be steel and skateboarders can grind them relentlessly. In China, they can be made of aluminum, which makes them

liable to buckle under stress, resulting in serious wipeouts.

Then there are the occasional killjoys like Luo Wentao, 31, who stopped on a recent day to watch Mr. Carpenter's crew of mostly professional skateboarders from California who are sponsored by Toy Machine, a board brand. Watching the skaters attack the U-shaped support beams of a pedestrian bridge, Mr. Luo be-

gan to worry they could hurt themselves. He scouted around in vain for a "keep off" sign he could point out to a pair of security guards who were watching the action impassively.

"I think if those guards were responsible, they wouldn't allow this," he huffed.

Asked why he wasn't hassling the skaters, one of the guards said he didn't think it was worth the trouble. "I've

never seen it before and don't really know what it is."

For now at least, skateboarders seem to have made a rare friend out of the People's Republic—one of the last places on earth where they're not hassled or confined to skate parks.

Charlie Lanceplaine, a Shanghai skateboarder, said he once clambered atop the entrance to a new subway station with a group of friends and began wheeling loudly over its marble slopes until an onlooker called the police. When they arrived, however, they paid no attention to Mr. Lanceplaine's crew.

The only possible explanation, he said, is that Chinese authorities sometimes display surprising indifference toward activities that aren't specifically prohibited by law—such as skateboarding. They do sometimes come down hard on those who they perceive to be troublemakers, however.

For the record, the police did cart somebody away that day. It was the whistleblower who called them.

Xiao Xiao contributed to this article.

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LIFE & ARTS

FASHION

The Power Suit Gets an Update

Designers offer women versatile ensembles for work and beyond that are a far cry from the boxy cuts and big shoulders of the 1980s

BY RAY A. SMITH

AFTER ASSURING WOMEN that they don't have to wear a suit to succeed at work, the fashion industry now is promoting suits—and not just for the office.

Some women might shudder at a revival of the pinstriped power suit from the '80s and '90s, with haunting hallmarks such as double-breasted jackets with linebacker shoulders, long starched shirt collars, big hair and commuter sneakers.

Today's suits are more versatile and come in slimmer styles as well as relaxed, slouchy looks. They work with pants or skirts, long or short jackets or oversized jackets with skinny pants and miniskirts. Most importantly for retailers and clothing companies, they don't resemble suits from decades ago, so women who want to look stylish will have to buy new clothes.

"A suit in the back of your closet is there for a reason. Donate it and get a fresh one," says Solange Khavkine, a stylist in New York. "It's easy to think that what you have is a 'classic,' but most likely the lapel, rise of the pant, and flare of the pant and jacket cut have gone out of style."

Actress Evan Rachel Wood, singer Pink and other celebrities have taken to wearing pantsuits on the red carpet rather than dresses.

Women's suits for spring and fall 2017 showed up on runways at Altuzarra, Balenciaga, Calvin Klein, the Row and others. During New York Fashion Week, which ends Wednesday, suits and blazers appeared in a number of spring 2018 collections, including Tom Ford, Calvin Klein, Christian Siriano, Victoria Beckham and Tracy Reese.

The power-dressing trend also is trickling down to more commercial brands. Theory, an office-wardrobe staple for many women, recently emailed customers with the question: "What's Your Strong Suit?" Theory's offerings include a "Power" jacket made of crepe and a double-breasted jacket made with stretch wool paired with matching, pleated, high-waisted pants. The double-breasted jacket costs \$585 and the pants \$455.

Typically, designers plan collections months in advance, at times unveiling themes that echo current events. Suits for women returned to the spotlight amid Hillary Clinton's presidential run as well as the women's marches around the world that followed Donald Trump's inauguration in January.

Retailers are long in need of a trend that women of various body types and budgets will embrace. The recent '70s trend, for example, was one a fair number of women were happy to skip. Stores are counting on suits of different styles and silhouettes to have broad appeal. Women who don't want to commit to a full-suit look can just wear the jacket with a non-suit pants, even jeans.

At Saks Fifth Avenue "we believe in it so much we put it on our It list as the top trend for women to try," says Roopal Patel, the senior vice president and fashion director. Last month, Saks

started a social-media campaign about power dressing, including a video of Ms. Patel talking up the trend. "The rules no longer apply," she says in an interview while wearing a pink suit from Gabriela Hearst's Spring 2017 collection with a white T-shirt. "You don't have to wear a traditional button-down white shirt. You can wear a great suit with a T-shirt or you wear it with a sequin underpinning if you want to have a more rock-glam look."

Natalie Kingham, the buying director at luxury retailer Matchesfashion.com, is helping customers navigate the trend. She assembled presentations that address how "to figure out your trouser shape and your jacket shape, whether you need it longer to cover your bottom, whether you need it shorter and nipped in, whether you need the trouser to be wide or skinny and if you're going to wear it in the day versus the evening," she said. Trouser options such as wide leg, kick flare and split hem, from labels including Ellery, Altuzarra and Haider Ackermann "stop the suit from being old-fashioned looking or possibly frumpy," Ms. Kingham says. As for skirt suits, a miniskirt with a slouchy boot, as seen on the runway of French label Isabel Marant, "all of a sudden gives the suit a fresh new modern edge," she says.

The industry is pushing women to wear suits at a time when men are moving away from them. Ms. Hearst, whose high-end suits are a signature item, is snapping up fabrics traditionally reserved for men's tailoring. "Oh, you don't want to use it?" she says. "We'll take it."

"I've always liked suits, obviously," the Uruguay-born designer said in an interview earlier this year, while wearing a suit from her line. That's due in part to her years at a school in England. "I wore a uniform from age 5 to 17 so I've always been very comfortable in blazers," she says. "I guess that was something in my DNA to communicate." She also likes the strong statement a suit makes, as well as its elegance, sexiness and comfort.

Coco Chanel introduced her classic suit with a collarless jacket in 1923. Inspired by menswear, it came with a knee-length skirt rather than trousers, which were frowned upon for women at the time. The suits found followings among the ladies-who-lunch set as well as women building careers in male-dominated industries.

In 1966, Yves Saint Laurent broke ground when he proposed



Women's power dressing has evolved since the 1985 ensemble, top left, by Donna Karan. Current looks include those above by Zara, left and Theory and, from far left, Calvin Klein 205W39NYC, Gabriela Hearst, Stella McCartney and Celine.



that women wear trousers with suits, such as his "Le Smoking" tuxedo-style outfit. Pants were still considered shocking, said Patricia Mears, deputy director of the Museum at the Fashion Institute of Technology. Ms. Mears recalled that Rep. Charlotte T. Reid caused a stir in 1969, when she showed up in Congress wearing a pantsuit, the first time a woman had worn pants there. In an article, the Washington Post quoted Ms. Reid saying "many male colleagues ran to the floor to gawk."

In the late 1970s and into the '80s, Giorgio Armani offered an alternative to the boxy, broad-shouldered, mannish women's suits that were popular then. Throughout the '90s Donna Karan and others offered new takes on power dressing for career women. But by the millennium, corporate dress codes were easing and women had other options besides suits.

Ken Downing, the fashion director at Neiman Marcus, which is promoting power dressing as one of its top five trends for fall, said suits will look fresh to "an entire generation of young girls" who didn't witness the 1980s women's power-suit moment.

In addition, suits haven't been popular for a while so "customers are looking for something that's not in their closet," Mr. Downing said.

Ranya Marjeh, a graduate student in New York, is among those customers trying out the trend, with their first pantsuits. Ms. Marjeh, who recently acquired a pink pantsuit, wrote in an email that

she "will be working it both socially and professionally!" She added, "A pink pant suit not only is a power statement, it shows that women can be bold and assertive without losing the luster of their divine femininity!"

Designers and retailers say today's suits go beyond the workplace, to cocktails, dinner or events where women before might have worn a dress. Beginners should stick to suits in a neutral color.

Ms. Khavkine, the stylist, recommends black, navy or a slimming pinstripe and advises, "no pattern for your first suit." Feel free to swap out the traditional dress shirt with something less formal. "There are lots of choices: a well-fitting T, classic shirt, Nehru collar, turtleneck, chunky or otherwise," she said. The right



In the late '80s, Giorgio Armani softened the silhouette with crepe blouses and draped skirts.

suit can work for day and evening. Ms. Khavkine suggests pairing it with a lace blouse or T-shirt, a strapless top in satin or a "fun and youthful" crop top. A final pointer from Ms. Khavkine: "Swap out your day shoe with an evening shoe."



In 1960, structured Chanel suits worked for their designer, Coco Chanel, seated, and actress Romy Schneider.

OPINION

REVIEW & OUTLOOK

How Florida Saved Taxpayers

These columns are often critical of government, especially when public officials put taxpayers on the hook for future risks. Think Fannie Mae, or federal flood insurance. So it's worth pointing out when a government acts to reduce taxpayer liabilities ahead of a fiscal storm, as Florida did before Hurricane Irma.

The example is taxpayer-backed Citizens Property Insurance Corp., the state-owned insurer that not long ago was a fiscal disaster awaiting the next hurricane. But CEO Barry Gilway told us Tuesday that he's "absolutely confident" that Citizens, which boasts a \$7.4 billion fiscal surplus, "can cover all the claims from Irma." The news should come as a relief to policyholders and Floridians who hold other forms of insurance, all of whom Citizens can tax, under state law, to fill fiscal holes.

The Tallahassee-based insurer's good fortune is due to a mix of luck, in the form of 12-year lull in major hurricanes, and some important reforms that weren't always popular when they were made. Since taking the CEO job in June 2012, Mr. Gilway, backed by Chairman Christopher Gardner and Governor Rick Scott, bought reinsurance, built surpluses and aggressively shrank its footprint in the state.

In 2011 Citizens insured 1.5 million policyholders; today it insures 452,000. Private insurers have taken up the slack. This had the benefit of spreading damage risk from hurricanes across the globe via reinsurance rather than keeping it all in Florida.

On current estimates, Citizens could cover a 1-in-100-year storm for \$6.6 billion, at no additional cost to policyholders. If the same storm had hit the Sunshine State in 2011, it would have cost the insurer \$24.5 billion and required an \$11.6 billion assessment to cover the red ink.

That's what happened in 2004 and 2005, the last time big hurricanes hit Florida. Citizens had to levy more than \$2 billion in taxes on policyholders and other Floridians to cover its fiscal

shortfall, and Tallahassee also coughed up a \$715 million bailout. As recently as 2005, Citizens still shouldered a \$1.8 billion deficit, a far cry from its surplus today.

Alas, there are no permanent victories when it comes to government-owned enterprises, including in Florida, which has a well-earned reputation as a playground for the plaintiff bar. Citizens and private insurers have recently been flooded with "assignment of benefit" (AOB) lawsuits, in which lawyers convince homeowners to sign away their insurance rights. The lawyers then sue the insurers, who find it cheaper to settle than to take the cases to court, thanks to state courts' liberal interpretation of an obscure statute.

Citizens posted its first consolidated net loss since 2005 in March, at \$27.1 million, due to the cost of AOB litigation. Southeastern Florida residents now pay some of the highest insurance premiums in the nation, and costs are rising by double digits. As Mr. Gilway noted last month, litigation costs have forced the insurer "to seek rate increases again this year for more than half of our 452,000 policy holders."

Reform-minded state legislators such as Senator Dorothy Hukill and Representative James Grant introduced AOB reform bills this year, but they were blocked by state Senator Anitere Flores, a Miami Republican who controls a key committee. Ms. Flores has doubled down on her pro-trial-bar stance, claiming "Citizens has unfairly raised insurance rates on policyholders since 2010, forcing my South Florida constituents to pay \$700 million more in premiums than in actual claims since 2004."

The real problem is Republicans like Ms. Flores and her protector, Senate President Joe Negron, who will cause Florida homeowners to pay more for Citizens insurance in the coming years. The stars here are Messrs. Gilway and Gardner, who reduced taxpayer liabilities ahead of the storm despite political cheap shots. Now Florida needs to move on tort reform before the next big one hits.

The Carney-Brexit Squeeze

Britain's consumer-price inflation clocked a faster-than-expected 2.9% year-on-year in August, up from 2.6% in July. Consumers are being squeezed ever more tightly between the rock of their central bank's ultralow interest rates and the hard place of Brexit.

Central bankers have been saying they want faster core inflation, excluding food and fuel. Bank of England Governor Mark Carney now has it. Core-price increases account for most of Tuesday's headline inflation. More than a year into the pound's post-Brexit slump against the dollar, retailers have run out of ways to shield consumers from import-driven price hikes. Parents were notable victims, with a significant bout of clothing-and-shoe inflation hitting during back-to-school shopping season.

But don't expect Mr. Carney to change course on the central bank's record-low interest rates and bloated bond portfolio any time soon. Mr. Carney has said he'll tolerate inflation well above the 2% target until whenever,

in service of whatever economic- or wage-growth goal he thinks of next. Households will keep losing purchasing power as Mr. Carney's inaction suppresses the value of the pound.

If Mr. Carney is waiting for signs that renewed inflation will boost business investment and wages, he'll be waiting for a while. The other half of Britain's household pincer is Brexit. Concern about Britain's future trading relations is sapping business confidence, which isn't a recipe for investments to increase productivity and wages. Brexit turmoil is distracting politicians from policy reforms such as entitlement overhauls, personal income-tax rate cuts, energy-market rationalization and other measures to put more money in households' hands.

Politicians, take note. Economic frustration helped produce last year's Brexit referendum shocker. If London doesn't start aiming for monetary and regulatory policies more appropriate for an entrepreneurial, import-dependent economy, who knows what other surprises are in store.

A Test of Admiration

U.S. Democrats continue to obstruct President Trump's nominees by every petty means possible, from procedural tricks to anti-Catholic smears (see our editorial, "Democrats and 'Dogma,'" earlier this week). So now might be the moment for Judiciary Chairman Chuck Grassley to show Democrats that there are limits to their abuse of Senate rules.

Minnesota Democrat Al Franken unleashed the latest ploy last week, announcing that he will refuse to return his "blue slip" on the nomination of Minnesota Supreme Court Justice David Stras to the Eighth Circuit Court of Appeals. Blue slips are a bipartisan tradition whereby Senators can block votes on nominees to the lower federal courts from their home states. Mr. Franken wants to turn this courtesy into a pocket progressive veto of Trump nominees.

The Senate comedian is also aiming to establish a new standard for what counts as disqualifying for the judiciary. Judge Stras is held in high esteem across Minnesota legal circles, has earned the highest rating from the liberal American Bar Association, and was elected with greater margins to his court seat than was Mr. Franken to the Senate. Judge Stras was on Mr. Trump's short list for the Supreme Court, and even Mr. Franken's minions have been unable to gin up a flaw in his legal record.

Mr. Franken claims instead that Judge Stras is unfit by virtue of his role models. The Senator is offended that the judge early in his career "worked as a law clerk for Justice [Clarence] Thomas," and that he even once described that Supreme Court Justice as a "mentor." Judge Stras also dared to speak at a Federalist Society event, where he "talked about how the jurisprudence of Justice [Antonin] Scalia helped to shape his own views." Shocking stuff.

Under this Franken Role Model Standard, Democrats are justified in opposing any nominee

Democrats resort to abusing Senate rules in their latest obstruction of Trump nominees.

who admires any widely esteemed Senate-confirmed Supreme Court Justice that he doesn't like. Perhaps he thinks the late Justice Scalia wrote too well and was too intelligent to be Mr. Franken's idea of a judicial model.

Blue slips were once reserved for nominees with ethical baggage, but Mr. Franken wants to use them for the crime of admiring the wrong people. Mr. Trump was elected in part on an explicit promise to appoint judges in the mold of Antonin Scalia, so the Franken standard pre-emptively disqualifies any Trump nominee.

Chairman Grassley needn't stand for such nonsense. The blue slip has been around since 1917, but only a few Judiciary Chairmen have chosen to treat it as an absolute veto. Democratic Senator Ted Kennedy gave home state senators a "reasonable" deadline to return slips, and then put it to a committee vote on whether to proceed if they weren't returned. Democrat Joe Biden reserved the right to ignore blue slips so long as an Administration consulted with home state Senators. Republican Strom Thurmond gave Members a mere seven days to return slips, then sometimes voted on nominees even over blue-slip objections.

Mr. Grassley has authority under Senate rules to suspend the blue-slip tradition on a case-by-case basis, and Mr. Franken's abuse deserves to become his first example. The Iowan would also be justified in setting a time limit for returning a slip, since Mr. Franken also exploited the tradition by dragging out his decision on the Stras blue slip for months.

Democrats blew up the filibuster for judicial nominees in 2013 to pack the D.C. Circuit, and it boomeranged on them with the confirmation of Neil Gorsuch to the Supreme Court. That might make them desperate, but it doesn't give them the right to block a President's nominees merely because a left-wing Senator thinks someone admires the wrong Justices.

Single-Payer Siren Song



POLITICS & IDEAS
By William A. Galston

There must be something special in the waters of Lake Champlain. In 2011 newly elected Vermont Gov. Peter Shumlin announced his intention to shift his state to a single-payer health-care system. He pursued that goal until late 2014, when a study by his staff and consultants projected that it would require imposing a payroll tax of 11.5% and raising the personal-income tax by as much as 9.5 percentage points. "The risk of economic shock is too high," Mr. Shumlin concluded as he withdrew his proposal.

Whether this is the best formula for winning a general election contest is another matter. Sens. Booker, Gillibrand, Harris and Warren are coastal Democrats from bright-blue states. Ohio Sen. Sherrod Brown, a veteran populist from a swing state that Donald Trump carried by a stunning eight points in 2016, has

make up the largest share of Democrats—48%. Moderates have fallen further, to only 36%. And the conservative wing, nearly one-quarter of the total in 2000, now amounts to barely one-seventh of the party.

If you want to win the 2020 Democratic presidential nomination, it might seem, the best strategy is to emerge as the champion of its newly dominant progressive faction, and coming out for single-payer might seem the best way to do it.

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'Medicare for All' may become the Democrats' version of 'repeal and replace.'

conspicuously declined to endorse the Sanders bill, preferring to build bipartisan support for a more modest proposal to allow Americans to buy into Medicare when they reach 55.

Democrats should ask themselves which of their elected officials better understands how to win back the Midwestern states that made Mr. Trump president.

This isn't just a political calculation. From a policy standpoint, the danger is that "Medicare for All" will become the Democrats' "repeal and replace" ObamaCare."

In May 2016, the Urban Institute—not previously known as a hotbed of conservatism—released its analysis of the Medicare for All proposal Sen. Sanders offered during his presidential campaign. The study found that if the plan were enacted into law, the federal government would absorb the bulk of the current spending by states, localities, employers and households. Federal spending would rise by \$2.5 trillion in the plan's first year, and by \$32 trillion over the first decade.

A parallel study conducted by the bipartisan Tax Policy Center found that Mr. Sanders's revenue proposals would raise only \$15.3 trillion over the first decade, leaving a gap of \$16.6 trillion between expenditures and revenues.

"The proposed taxes," the Urban Institute observed, are "much too low to fully finance the plan," and "additional sources of revenue would have to be identified."

It will be interesting to see whether Sen. Sanders's new proposal can meet these objections. Even if it does, Democrats interested in regaining a national majority should look before they leap.

LETTERS TO THE EDITOR

Obama, Not Trump, Created the DACA Mess

Regarding your editorial "America's Dreamer Debacle" (Sept. 7): As the former general counsel of the U.S. Immigration & Naturalization Service, I challenge any serious lawyer to argue that President Obama's actions weren't wholly unconstitutional, something Mr. Obama admitted himself.

President Trump is actually cleaning up his predecessor's feel-good extralegal mess, and in the process is taking the flak that Mr. Obama avoided because he couldn't get the Dream Act through U.S. Congress. Having failed at that effort, he used executive power he acknowledged he didn't have to give desperate people the false hope they would eventually have a pathway to permanence in the U.S.

If you're really concerned about the interests of the Dreamers, then please stop all the hand-wringing about how bad Mr. Trump is. The irony is that he is the only one truly acting for the benefit of the Dreamers, by forcing Congress to do its job and leaving its members no place to hide.

The only reason members are carping is because they know they will now have to go on the record by voting, and in the end will also have to give something to Mr. Trump (the border wall, the Raise Act or perhaps both) to get these 800,000-plus people relief. If anyone was cruel here, it was Mr. Obama, who gave hope to people knowing he lacked the legal authority to do so. Stop engaging in tiresome bashing of Mr. Trump for having the courage to force Congress to finally resolve the issue.

WILLIAM COOK
Washington

Eight hundred thousand Americans trusted their government when they registered to become "legal" under the Deferred Action for Childhood Arrivals program. They believed that by following the rules, this country, into which they arrived as children and for all intents and purposes is their home country, would accept them as legal immigrants. Now, Mr. Trump has announced he will terminate the DACA program and threatens to begin deportations within six months. The Dreamers who trusted Mr. Obama are now at risk. All their personal information is in government files, available to Immigration and Customs Enforcement whenever it decides to come after these people, who are our people—your neighbors, our

BARRY BRANAGAN
Casa Grande, Ariz.

The parents of the young people in question committed the violation, and they should bear some consequence for jumping the queue to get special consideration for their children. They should not benefit in any way, directly or indirectly.

STEVE DONOHUE
North Augusta, S.C.

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

OPINION

The Republican Tax Plan Better Be Audacious

By David M. Smick

The big question on U.S. tax reform is President Trump: Can Republicans really trust him, in the end, to go along with their plan? Or will he pivot at the last minute and play nice with "Nancy" and "Chuck," his two new friends on Capitol Hill? The answer might depend on whether the GOP plan does enough to help average workers.

So far the effort on tax reform seems off kilter. Yes, reducing the corporate-tax rate to improve American competitiveness makes sense.

If the GOP proposal isn't aimed at helping workers, Trump will ask Democrats for a counteroffer.

So does inducing companies to repatriate—and then put to work—the \$2.5 trillion they have sitting idle offshore.

Still, on tax policy the GOP has become like a boxer leading with his chin. Republicans appear a bit too concerned with CEOs and not enough with the wage earners who have been the big losers of the 21st century.

Since the financial crisis, American companies have fared well. Leveraging the Federal Reserve's low interest rates, they have bought back their own stock at an extraordinary clip. Since hitting bottom in March 2009, the Standard & Poor's 500 index has risen 265%. Meanwhile, wage

earners haven't had a meaningful raise in real terms in decades.

Although Congress could help, the quirky way financial legislation is normally passed in the Senate—via reconciliation, which requires only 51 votes—means it probably won't.

Imagine that Mr. Trump announces, as promised, a "beautiful" plan that includes a permanent "big league" tax cut for middle-class families. The GOP's razor-thin Senate margin and the vagaries of reconciliation mean the Trump plan would have little chance of becoming long-term policy.

At best, working families would get a temporary tax cut. More likely would be a repeat of what happened with the attempt to replace ObamaCare: A small group of Republican outliers in the Senate would say no.

Fearing this outcome, Republican leaders are being tempted to play small ball. They might suggest modestly lowering the corporate-tax rate. They might propose allowing full expensing of business investment, to be scaled back after several years.

To help the middle class? They'll throw in a modest hike to the standard deduction. Anything to get something done.

Which brings us back to Mr. Trump. After watching the country tear itself apart politically, economically and socially during more than a decade of mediocre GDP growth, can the GOP trust the president to play small ball? Or will the transactional Mr. Trump try to "triangulate" and undermine the Republican position? If the GOP plan isn't bold enough in helping the little guy, my bet is the latter.

This is a unique moment in Amer-



GLOW IMAGES

ica's economic history. Wage earners are being held back by a combination of globalization and technological advancement. A tax reform geared toward middle-class families would help, but Republicans would do well to explore a third cause of the problem: Large multinational corporations, the institutions Washington favors most, are chilling wage gains in their relentless drive to lower consumer prices and grab market share.

Republican reformers are quick to counter that any corporate-tax cut will include the "pass throughs," those smaller enterprises—including partnerships, LLCs and S-Corps—that use the personal-tax code. What they don't say is how difficult it would be to cut the "pass through" rate for legitimate small businesses without opening the tax system to widespread abuse. Every billionaire could declare himself a one-man S-Corp, hoping to be taxed at the lower rate.

That's why Congress needs a miniature Manhattan Project of tax spe-

cialists to figure out quickly how to help mom-and-pop businesses without inviting abuse and creating a revenue-losing free-for-all.

Republicans are being forced to play small ball because a group of GOP deficit hawks worry that a big tax reform would undermine the budget. This fear seems out of proportion.

Since 2000, under a Republican president and then a Democratic one, the national debt has soared to nearly \$20 trillion from \$5 trillion. The fiscal situation will only worsen with the coming entitlement-funding nightmare.

Fretting about the deficit now is like worrying about a flickering candle in the front parlor when the entire house is on fire and the roof is about to cave in. Besides, true tax reform would eliminate deductions just as boldly as it slashes rates, achieving revenue neutrality.

Republicans shouldn't play small ball. Their goal should be a tax-reform plan that will create robust economic growth, which in turn will

help heal a bitterly divided nation.

What would such a plan look like? Helping wage earners via tax policy isn't a simple matter. People who earn less than \$50,000 a year pay an average effective income-tax rate of 4.3%. What's killing them is the payroll tax combined with the rising cost of health care.

At minimum, the standard deduction should be tripled. But reformers also need to think creatively. Tax reform, entitlement reform and healthcare reform cannot be considered in isolation. Working families need relief across the board.

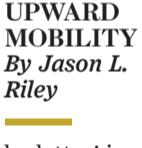
That requires a bigger play than what some on Capitol Hill have in mind. But in the end, growth is everything. As he was preparing to run for president in 1980, Ronald Reagan was warned in a strategy meeting I attended about John Connally, a fellow candidate in the Republican primary.

Connally, a former Texas governor, was raising big bucks from big business. By comparison, Reagan's campaign coffers were lean. The future president's response was aggressive. "Let him have the Fortune 500," Reagan shouted. "I'll take Main Street over Wall Street."

This kind of "lunch pail" capitalism won Reagan the election and transformed the GOP—and the country. Isn't it time for more "lunch pail" policy-making from Washington?

Mr. Smick's latest book is "The Great Equalizer: How Main Street Capitalism Can Create an Economy for Everyone" (Public Affairs, 2017). He was chief of staff to Rep. Jack Kemp from 1979-84 and advised on both the 1981 and 1986 tax reforms.

Another Obama Policy That Should Be Thrown Out



UPWARD MOBILITY
By Jason L. Riley

When U.S. Education Secretary Betsy DeVos announced last week that the Trump administration would revisit its predecessor's "guidance" on adjudicating accusations of campus sexual assault, she added that "the era of 'rule by letter' is over."

Well, not quite. A second instance of the Education Department's overreach under President Obama, this one involving discipline in public schools, remains firmly in place.

In 2012 the Education Department released a study showing that black students were three times as likely to be suspended and expelled as their white counterparts. Two years later, the department issued a "Dear Colleague" letter warning school districts to address this racial imbalance, or else.

The letter said that even if a disciplinary policy "is neutral on its face—meaning that the policy itself does not mention race—and is adminis-

tered in an evenhanded manner" the district still could face a federal civil-rights investigation if the policy "has a *disparate impact*, i.e., a disproportionate and unjustified effect on students of a particular race."

The threat worked. Fending off charges of discrimination can be expensive and embarrassing, so spooked school districts chose instead to discipline fewer students in deference to Washington.

The Obama guidance didn't start the trend—suspensions were down nearly 20% between 2011 and 2014—but the letter almost certainly hastened it. The effects are being felt in schools across the country, leaving black and Hispanic students, the policy's theoretical beneficiaries, worse off.

After the Los Angeles school district, where more than 82% of students are Latino or black, ended suspensions for nonviolent offenses, the district reported that the number of students who said they felt safe in school dropped to 60% from 72%. When Chicago curbed suspensions, students and teachers felt the increased disorder. And following New York's reforms

making it more difficult to keep disruptive kids out of the classroom, the schools that showed increased fighting, gang activity and drug use tended to be those with the highest percentages of minority students.

A 2014 guidance letter on racial disparities in school discipline has helped create classroom chaos.

Somewhat racial balance in the rates of suspension and expulsion has become more important than school safety. As Max Eden, my colleague at the Manhattan Institute, wrote in a March report, these policies turn the focus toward the well-being of the bullies rather than their victims.

"Advocates of discipline reform often say that they are concerned that a suspension may have negative effects on the student being disciplined," Mr. Eden wrote. "They are largely unconcerned about the potential of discipline reform to increase

classroom disruption and schoolhouse disorder—and the harmful consequences of that disorder for well-behaved and engaged students."

When you diminish a teacher's and a principal's authority to discipline students, you undermine their ability to do their job. Disorder only begets more disorder; students who misbehave and face no consequences soon have imitators.

Yet civil-rights activists, liberal academics, policy makers and others calling for fewer suspensions—come what may—insist that what explains imbalances in school discipline is racism, not varying rates of misbehavior. Never mind that these disparities persist in schools with black and Hispanic principals, teachers and administrators, who would have no reason to single out minorities for punishment unless the behavior warranted it.

Arne Duncan, the education secretary under Mr. Obama when the "Dear Colleague" letter was issued, said in 2014 that racially uneven discipline is "not caused by differences in children" and that "it is adult behavior that needs to change."

Opponents of suspension also claim that it harms children down the road. A suspended student, for example, is more likely to drop out of school and be incarcerated as an adult.

But the "school-to-prison pipeline" theory, which has been advocated by activists with the Civil Rights Project at UCLA, among others, has come under increasing scrutiny. There's plenty of evidence that someone who gets suspended is more likely to drop out of school, but there's little evidence that the suspension caused the dropping out.

In fact, a March paper posted by the University of Arkansas found that students who had been suspended were doing better in math and reading after one year. Suspensions were correlated with improved academic outcomes—the opposite of the chain of negative effects that opponents predicted.

That means the 2014 guidance, which is wreaking havoc on schools, was justified with what Mr. Eden described to me as "old and limited evidence," now called into question by "new and more robust evidence." Mrs. DeVos can't fix this mess soon enough.

The Next Phase in American Clinical Drug Trials

By Amy Abernethy
And Sean Khozin

Roger Pickar was diagnosed with a rare cancer in December 2014. A chef, comedian, husband, father and champion of the local arts community, he was successfully treated for more than a year with standard therapies. When the cancer eventually returned, his oncologist prescribed an "off label" drug—one the U.S. Food and Drug Administration had approved for other types of cancer, but not the one that afflicted Roger. That meant it wouldn't necessarily be covered by insurance.

The physician mentioned another possibility: Roger could apply to be considered for experimental treatment as part of a special program or a clinical trial at a medical center thousands of miles away. Roger decided to stay close to family and in the care of his own oncologist.

Like countless other cancer patients, he faced difficult choices. He died at 73, two years after his diagnosis.

Roger's story illustrates the challenges facing patients, their oncologists and the cancer researchers who aim to match experimental treatments to the patients best suited for them.

Typically, drug development is a multiyear process that begins with a series of laboratory studies and culminates with human testing in controlled clinical trials. There is strong demand for access to experimental therapies in clinical trials, but only an estimated 3% to 5% of adult cancer patients in the U.S. end up participating.

Traditionally, the safety and effectiveness of new cancer therapies is demonstrated through randomized clinical trials—studies in which patients are randomly assigned to receive either an experimental new treatment or a comparator therapy.

Despite the potential for direct health benefits, patients with cancer—especially sicker patients, those in rural areas, minorities and the elderly—enroll at lower rates than those with other diseases.

That's often because of strict eligibility requirements, combined with logistical challenges. Conventional clinical trials are usually conducted at large medical centers, far from where most cancer patients live and get treatment. The trials can also be difficult to find, require time away from work and family, and present complicated insurance challenges.

The good news is that technology innovations are moving America toward modern clinical-trial designs. Electronic health records, now common in U.S. medical practices, allow physicians to collect timely and detailed data that could be used for exploring ways of bringing clinical research directly to patients.

Those records are becoming the technological building blocks of a new research model based on real-world evidence, which aims to provide insights regarding the usage and potential benefits or risks of a drug

by analyzing patient data collected as part of routine delivery of care.

Real-world evidence captures the experience of real-world patients, who are generally more diverse than the selective cohorts enrolled in clinical trials. Additionally, real-world data from electronic health

Electronic medical records make possible a new research model based on real-world evidence.

records may be used after a drug's approval to answer important questions about its use.

Researchers can, for example, search through anonymized data from patients taking a specific cancer drug to see whether those with a certain tumor mutation respond better or worse than other patients. Such information could help doctors personalize therapies based on the patient's genomic makeup.

Moving clinical research to a doctor's office, the point of routine care,

may also address the difficulties patients and doctors face with off-label drugs. If local physicians can participate in conducting real-world randomized clinical trials in their own practices, new uses of approved drugs could be carefully studied, potentially generating evidence supporting approval of a new use.

Real-world clinical trials could also limit disruptions to patients' lives by reducing the need for long-distance travel.

The promise of real-world evidence obtained at the point of routine care comes with a responsibility to ensure data quality, privacy and safety, while maintaining ethical standards and compliance with good clinical-practice guidelines.

There are reasons why real-world trials are not yet the norm: lack of organizational and technical infrastructure at the point of care makes it difficult to meet the rigorous standards conventional clinical trials are required to meet. Addressing these and other challenges will take a thoughtful, well-coordinated approach involving all stakeholders.

As for Roger Pickar, evidence specific to treatments for his disease could have informed more-individualized treatment decisions—and his experience, gathered as real-world data, could have contributed to our collective knowledge about his disease. He was the father of Amy Abernethy, one of the authors of this article, and he would have wanted others to learn from his experience to help patients like him in the future.

Dr. Abernethy is chief medical officer and chief scientific officer at Flatiron Health. Dr. Khozin is an acting associate director in the U.S. Food & Drug Administration's Oncology Center of Excellence and founding director of the agency's Information Exchange and Data Transformation Program.

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LIFE & ARTS

THE MIDDLE SEAT | By Scott McCartney

A New Surprise Fee at the Airport

The gate-service fee, a charge tied to Basic Economy fares, often erases the savings of the cheaper ticket

THERE'S A NEW SNAG at the airport catching fliers by surprise: the gate-service fee.

It's not a fee to use a gate. (Maybe someday!) Instead, United and American have created a fee to discourage travelers who buy their cheapest fare, Basic Economy, from bringing a carry-on bag that doesn't fit under the seat.

With Basic Economy on United and American, you lack privileges to put a bag in an overhead bin unless you have elite status or a qualifying credit card. But if you don't figure that out before boarding or try and sneak one on anyway, the two airlines charge the standard baggage fee to check the bag at the gate, usually \$25 if it's your first checked bag. Then, they hit you with an additional \$25 fee.

United calls it a gate-handling charge. American labels it a gate-service fee. It's really a penalty on top of a fee.

Most passengers don't get charged a baggage fee when planes run out of overhead bin space and bags must be checked. They are entitled to two carry-on items: a small one under the seat and a larger one overhead. Not so with Basic Economy on United and American. (Delta's Basic Economy does allow an overhead bin bag.)

Vishnu Bhargava and his wife were flying on United from San Francisco to Boston in late July and didn't notice the conditions of Basic Economy tickets. He checked in the night before, paid for one checked bag and planned to bring two carry-ons. He didn't read the small print.

When they got to the gate, they were told their carry-on bags would have to be checked. His cost \$50—the standard bag fee plus the gate handling charge. His wife's was \$60, since she had already checked one bag. United charges \$35 for a second bag, plus the extra fee.

"I was shocked," says Mr. Bhargava, a retired physician from India. "Whatever I saved with Basic



Economy, I had to pay more. This fee is not at all fair."

United says it communicates with customers about the Basic Economy rules throughout the booking process and prior to airport arrival.

"We do everything we can to make sure customers do not reach the gate with a bag that needs to be gate-checked," spokeswoman Maggie Schmerin says.

She declined to comment on why the gate-handling charge is added to the baggage fee. In the past, United has said that blocking overhead-bin carry-ons from Basic Economy passengers has sped up departures, since gate agents tag and check fewer bags.

American says it decided to impose the additional fee to encourage Basic Economy passengers to

check bags at the ticket counter instead of the gate. "The whole guiding principle here is that it's important for Basic Economy passengers to check all bags larger than a personal item," spokesman Josh Frey says.

Checking more bags at the ticket counter avoids tying up agents with last-minute discussion and credit card transactions, he notes. "Things are better if they are not last-minute," he says.

The past decade has seen air-lines fall in love with fees, often charging for services once included in basic coach fares. Baggage fees began at major airlines in 2008. The fee to change a ticket rose to \$200 for domestic trips about four years ago. Fees for many other functions, from carry-on pets to reserving seats together

to sending unaccompanied minors, also have increased.

In 2016, U.S. airlines collected \$4.2 billion in baggage fees, according to the Bureau of Transportation Statistics, and another \$2.9 billion in ticket change and cancellation fees.

That \$7 billion equaled more than half of the \$13.5 billion in total U.S. airline profits for 2016, according to BTS.

Gate-service fees arrive amid continuing confusion over heavily restricted Basic Economy fares.

Many shoppers see the lowest prices on comparison-shopping sites and don't realize those tickets don't get advanced seat assignments or other basics. Even the name of the fare can be confusing: Isn't Basic Economy what we've been buying all these years when

we grab the cheapest coach price? The fares are more bare-bones than basic.

Jay Hines, a project manager for a New York health-care technology company, was warned by United about the Basic Economy baggage limit when he checked in at the airport in early August. He was surprised at so many restrictions on a \$485 round-trip fare to Denver, and figured the \$50 he paid to check his bag round-trip wiped out any savings.

The threat of the gate-service charge added to his anger.

"It's a little bit cruel and unusual punishment," he says. "They charge you for checking the bag. They don't have to impose a penalty."

Disclosing the intricacies of Basic Economy fares and each airline's policies, not to mention little-known new fees, becomes difficult for independent travel-sellers. That's especially true when so much ticket-buying is migrating to phones apps with small screens and limited space for fine print.

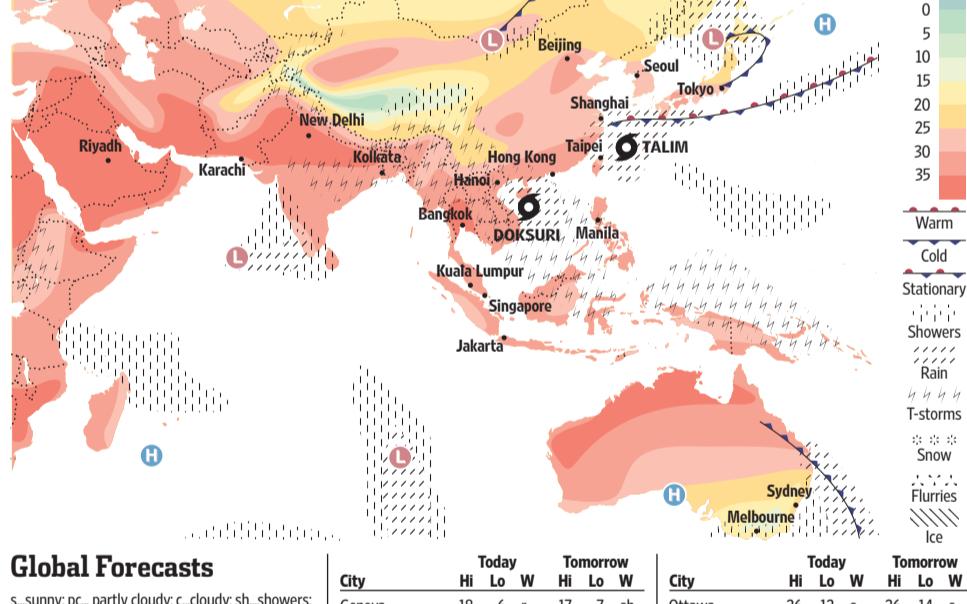
At Carlson Wagonlit Travel, a major business-travel vendor, more than 50% of clients have chosen to block Basic Economy fares from displays because those companies decided the restrictions aren't appropriate for their business travelers.

The downside to CWT: not having the lowest fare to display can fuel the perception that third-party websites offer lower prices than corporate booking sites, CWT Chief Executive Kurt Ekert says. And disclosing all the restrictions is nearly impossible, especially on a mobile platform, he says.

Like many, Mr. Ekert wasn't aware of the \$25 gate-service charge.

"There's no way you can describe that nuance," he says. In terms of airline strategy, "you could say it's deceptive, or very intelligent, depending on how you want to describe that," Mr. Ekert says.

Weather



Global Forecasts

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

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

Today Hi Lo W Tomorrow Hi Lo W

City Today Hi Lo W Tomorrow Hi Lo W

Amsterdam 14 10 t 15 9 pc

Geneva 18 6 r 17 7 sh

Anchorage 13 9 r 14 10 c

Hanoi 31 25 t 31 24 t

Athens 33 23 s 32 22 s

Havana 31 22 pc 31 23 pc

Atlanta 26 19 s 29 19 pc

Hong Kong 33 27 s 32 28 pc

Bahrain 43 24 s 44 24 s

Honolulu 30 24 pc 31 24 pc

Baghdad 26 16 t 26 17 c

Kansas City 30 18 s 31 21 s

Baltimore 35 26 t 33 26 t

Las Vegas 32 20 pc 31 20 s

Bangkok 36 25 t 33 26 t

Lima 19 15 c 19 16 c

Beijing 30 17 c 27 17 c

London 16 8 sh 16 8 pc

Berlin 16 9 sh 17 8 pc

Los Angeles 24 18 pc 24 17 pc

Bogota 20 9 r 20 8 r

Madrid 30 14 p 24 10 pc

Boise 23 9 pc 20 6 c

Manila 32 26 t 32 26 t

Boston 28 19 pc 25 17 c

Melbourne 13 10 sh 16 7 sh

Brussels 14 8 sh 15 8 sh

Mexico City 22 11 pc 24 12 pc

Buenos Aires 21 8 s 15 6 pc

Miami 32 26 t 33 25 pc

Cairo 34 23 s 33 23 s

Milan 24 10 t 20 14 pc

Calgary 11 1 sh 9 -1 r

Minneapolis 31 20 p 30 20 s

Caracas 32 25 pc 33 26 pc

Montreal 37 19 s 36 20 s

Charlotte 27 17 pc 29 17 pc

Montreal 26 14 s 26 15 s

Chicago 26 17 pc 29 18 s

Moscow 16 14 sh 22 10 r

Dallas 36 23 s 34 24 s

Mumbai 32 27 t 32 26 sh

Denver 30 13 pc 28 10 s

Nashville 27 17 pc 30 17 pc

Detroit 25 15 pc 26 15 pc

New Delhi 37 26 s 37 26 s

Dubai 40 31 s 40 31 s

New Orleans 31 22 pc 31 23 pc

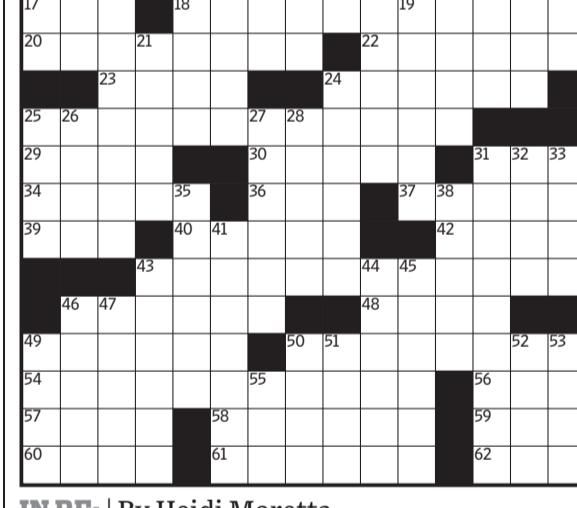
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Edinburgh 14 8 sh 15 7 sh

Orlando 32 23 t 32 23 t

The WSJ Daily Crossword | Edited by Mike Shenk



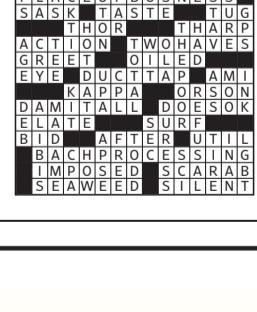
IN RE: | By Heidi Moretta

Across		
1	Pregame score	24 Lines of argument
4	Vandalize, perhaps	46 Etsy offerings
10	Member in a frame job	48 NYSE debuts
14	Calais confidante	49 Tie
15	"Boy for Sale" musical	50 Awaiting disciplinary action
16	The Flagship City"	54 Possible commemorative choice for renaming Boston Common?
17	Be persistently worrisome	56 Agent Smith's archenemy
18	Inveigh against Target Field players?	57 Revelation finish
20	Realized	58 Greet with guffaws
22	Baker's collection	59 "The Lion King" stampeder
23	Significant volume	60 Salon stock

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

61	Did business with Mata Hari	26 Designer for Mata Hari
62	One unlikely to pass the bar	27 Chooses
28	Contradict	28 Contradict
31	High notes?	31 High notes?
32	Product from un penseur	32 Product from un penseur
33	It may come to a head	33 It may come to a head
35	Over the line	35 Over the line
38	Item mentioned in "The Ballad of Sweeney Todd"	38 Item mentioned in "The Ballad of Sweeney Todd"
41	Finishing clubs	41 Finishing clubs
43	Super Bowl XLVII victors	43 Super Bowl XLVII victors
44	Try to hit	44 Try to hit
45	Willing to consider	45 Willing to consider
46	Oreo layer	46 Oreo layer
47	"Gaspard de la Nuit" composer	47 "Gaspard de la Nuit" composer
49	Challenge for climbers	49 Challenge for climbers
50	Administered with a spoon	50 Administered with a spoon
51	In-crowd outsider	51 In-crowd outsider
52	Grand Sierra Resort location	52 Grand Sierra Resort location
53	Promote	53 Promote
55	Saccharine sentiment	55 Saccharine sentiment

Previous Puzzle's Solution



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Thursday, September 14, 2017 | B1

Yen vs. Dollar 110.6230 ▲ 0.41%

Hang Seng 27894.08 ▼ 0.28%

Gold 1326.40 ▼ 0.12%

WTI crude 48.97 ▲ 1.53%

10-Year JGB yield 0.026%

10-Year Treasury yield 2.183%

Saudis Push OPEC on Oil-Supply Curbs

Cartel is urged to shift its focus to exports, which aren't keeping pace with output cuts

BY BOEN FAUCON AND SUMMER SAID

OPEC has cut nearly one million barrels a day of oil output in the past year. But that isn't how the global crude market sees it.

Oil exports from member countries have also declined, but by a significantly smaller margin than production cutbacks. The unusual discrepancy is muting the impact of a November 2016 deal aimed at curtailing oil supplies in a bid to lift prices, traders and ana-

lysts say. It has also galvanized officials from Saudi Arabia, the world's biggest crude exporter and the main driver behind OPEC policies. They are now pushing for monitoring of exports, rather than just production, at a Sept. 22 meeting of oil producers in Vienna.

In the past, OPEC's production curbs translated into comparable declines in exports. This time around, some OPEC members are selling oil out of storage or reducing domestic consumption, leaving more crude available to ship overseas.

Commodities traders and oil-focused hedge funds have told Saudi officials in private meetings that the surprisingly high rate of exports is helping

keep oil prices low. Brent crude traded around \$54 a barrel on Tuesday. That represents a decline of roughly 5% since January, when the global benchmark ascended to an 18-month high.

From Saudi Arabia's perspective, one significant motivation behind the renewed drive to restrain supplies is the planned initial public offering of state-owned **Saudi Aramco Oil Co.**, which will likely garner a richer valuation in an environment where oil prices are higher.

Any change would likely face resistance from other OPEC members, who are wedded to tradition and might not want to disclose more about oil operations often viewed as state secrets. Taken together,

nations that are a part of OPEC control more than 40% of the oil pumped worldwide every day.

"The level of exports is the only measurement markets care about," said John Hall, chairman of U.K. consulting firm Alfa Energy. "So cutting them will definitely boost oil prices."

Since October 2016, the month that serves as the baseline for OPEC's agreement to cut output, exports from the cartel's 14 members have declined by 213,000 barrels a day, according to Kpler, a private firm that tracks oil tankers and global petroleum movements. That is a million barrels a day less than the cartel promised to cut from its production.

In actuality, OPEC's output was about 880,000 barrels a day less in July compared with October 2016, according to the International Energy Agency, which advises governments and companies.

Saudi Arabia has already begun drastically scaling back its crude-oil exports, reducing them to 6.6 million barrels a day in August compared with more than seven million barrels a day in July, according to Kpler.

At a late July meeting of oil producers in St. Petersburg, Russia, Saudi Arabia's energy minister, Khalid al-Falih, disclosed plans to cut exports and asked other countries to follow suit.

"Exports have now become the key metric for financial markets," Mr. Falih said, calling

for a new method of controlling and monitoring OPEC's exports.

Overall, OPEC's exports fell by 639,000 barrels a day in August compared with July, according to Kpler. Saudi Arabia and the United Arab Emirates accounted for almost all of the decline.

Algeria, Angola, Iran and Kuwait all increased exports in August.

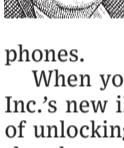
Although no countries have publicly challenged Mr. Falih on the shift in emphasis, OPEC ministers see cutting exports as a tough sell, according to people close to the cartel.

Any formal shift on how OPEC measures its supply changes "will require a lot of work and a new mechanism to

Please see OPEC page B2

PERSONAL TECHNOLOGY | By Geoffrey Fowler

An Early Look at Apple's iPhone X



CUPERTINO, Calif.—Soon, all the cool kids will be smiling into their phones.

When you pick up Apple Inc.'s new iPhone X, instead of unlocking with your thumb, you stop and grin at the phone's front unibrow as a bank of cameras and sensors check to see if it is really you. At a demo after Tuesday's launch event, I timed the process at about a second.

People unlock their phones hundreds of times a day, so this selfie ritual will turn iPhone X owners into the most-photographed population ever. And showing off the move to others is probably the best iPhone sales pitch in years—even if this one costs \$1,000 or more.

I saw little evidence in Apple's demo that the iPhone X can kick-start a new decadelong tech revolution. Its most practically useful features may be a bigger screen and (Apple claims) two additional hours of battery life. Yet the X moves the ball forward for our most-used gadgets, making cameras and visual tech central to the future of the smartphone.

A New Relationship

As usual, Apple giveth and Apple taketh away. Let this sink in: The iPhone X has no home button or fingerprint reader. Not even buried behind the screen. The culprit, Apple says, is the nearly all-screen front, which leaves no space for a button. It is a design tweak that changes how we relate to our phones.

Forward Facing

Apple showed off three new phones, two of which are updates and the all-new iPhone X (pronounced 'ten') with edge-to-edge display, facial-ID technology and a dual-lens camera system.



The new screen gives you even more usable screen area than the iPhone 7 Plus in a form that is only slightly larger than the iPhone 7. The

new OLED tech used in the screen makes images look rich, and contributes to the significant improvement in battery life.

Source: the company
THE WALL STREET JOURNAL.

In my hand, it feels like a big little phone—perhaps a tad weighty.

It is also a screen style

Please see FOWLER page B4

Machine Learning Helps the Harvest

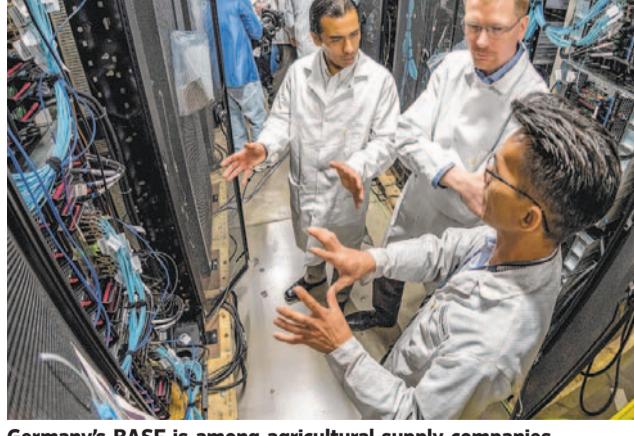
BY JACOB BUNGE

On U.S. Midwest fields and in research greenhouses, agricultural giants like **Monsanto Co.** and **BASF SA** are teaching machines how to farm.

The companies are expanding early-stage investments in artificial intelligence, joining other industries in betting that research and decision-making can be streamlined with computer programs that teach themselves by picking patterns out of data.

Corn plants chosen with the help of computers are growing in the U.S. this year, and algorithms are sifting North American weather data to anticipate crop threats such as pests and disease.

BASF, the German chemical conglomerate, is working on automated image-recognition capabilities similar to those that confirm faces on Facebook and Apple's Photos app. The idea is to analyze farmers' photographs of suspicious spots on crop leaves and deliver early warnings for diseases such as



Germany's BASF is among agricultural-supply companies expanding early-stage investment in artificial intelligence.

wheat leaf rust, said Richard Trehewey, who heads bioscience digitization for BASF.

While some farmers are skeptical of the technology, others think it could evaluate crop development and identify disease as well as or better

than they can. Gunter Jochum, who grows canola, soybeans and wheat near Winnipeg, Manitoba, watched firsthand the learning curve of a computer program developed by BASF known as Maglis.

In the spring of last year,

Mr. Jochum told Maglis the date he sowed canola, and his fields' coordinates. The program "pretty accurately" guessed when the first seedlings would pop up, he said, and by harvest time it had grown smarter as it predicted when crops would be ready for harvest and how many bushels his land would yield.

"In the beginning, I was a little bit leery," said Mr. Jochum. "As the season went on, I was astonished how close it was." This summer, he said, Maglis parsed weather and field data to foretell a damaging plant fungus.

The companies, which spend billions of dollars annually to research new seeds and farm chemicals, declined to specify how much of that goes toward developing artificial intelligence.

Monsanto, the world's largest seed company, has been taking computers' advice as it matches up corn strains to produce the highest-yielding and sturdiest varieties.

Please see CROPS page B2

Police Arrest CEO Of Brazil Meatpacker

BY LUCIANA MAGALHAES AND PAUL KIERNAN

SÃO PAULO—Brazilian authorities arrested the head of **JBS SA**, the world's largest meatpacker, for allegedly using insider trading to profit from a massive plea deal signed earlier this year amid a corruption probe.

Wednesday's arrest of Wesley Batista, the current chief executive of JBS and the son of its founder, came amid a deepening imbroglio that threatens a record \$3.3 billion anticorruption settlement signed this year by JBS's holding company. It came days after Mr. Batista's older brother, former JBS Chairman Joesley Batista, turned himself in for allegedly violating terms of the agreement.

In a statement Wednesday, the brothers' attorney called the arrests "unjust and absurd," saying that they had already provided information and documents related to the investigation. The holding company, **J&F Investimentos**, has previously denied allegations that it traded on the plea deal, which caused large swings in JBS's share price and the Brazilian currency, before it became public.

In exchange for voided prison sentences, the Batistas and their associates admitted earlier this year to bribing nearly 2,000 Brazilian politicians, including members of President Michel Temer's inner circle. But last week, Brazilian Attorney General Rodrigo Janot said he could revoke parts or all of the deal after prosecutors received a recording in which Joesley Batista and another executive

discussed omitting evidence and receiving undue help from a law-enforcement official ahead of the settlement.

Joesley Batista and the executive said last week that the things they said in the recording were untrue and offered their "most sincere apologies for this disrespectful and embarrassing act."

Separately on Wednesday, Brazil's Supreme Court was poised to decide whether the reams of evidence of bribe payments that the Batistas turned in to authorities in recent months is still admissible.

Before his arrest, Wesley Batista had been fighting calls from shareholders to resign as CEO of JBS, an aim that analysts say now appears untenable.

"I don't think he will be able to keep his position now," said São Paulo-based lawyer Pierre Moreau. "If he continues fighting for it, he will create instability for his own company."



Wesley Batista, head of JBS, in 2016. Before his arrest, he had been fighting calls to resign.

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CROPS

Continued from the prior page

Eight years ago, data scientists at the St. Louis-based company used 15 years' worth of information on corn varieties to build a self-teaching algorithm. That has helped Monsanto researchers more accurately predict how thousands of combinations of strains will perform in their first year in the field.

The Danish company aims to use machine learning to identify promising genetic patterns in microbes' DNA sequences. Some microbes chosen with help from machine-learning technology are now being tested in Novozymes' greenhouses, "where we see very clear improvement in the [success] rate we are getting," said Ejner Bech Jensen, head of bio-agricultural research at the company.

Mr. Trethewey, of BASF, said machine learning could revamp the way the company studies chemical molecules' effects on fungus, weeds and other pests. BASF is developing artificial intelligence that can snap photos of test plants growing in petri dishes, using visual-interpretation technology to track the effects of herbicides. The technique frees lab workers from repetitive tasks and avoids human error, he said.

BASF, which sold \$5.9 billion worth of pesticides and other agricultural products last year, is powering its push into artificial intelligence with a new supercomputer named Quriosity, now being installed at the company's headquarters in Ludwigshafen, Germany.

While agricultural giants explore machine learning, many farmers don't expect to abandon traditional methods anytime soon.

Dale Huss, who oversees artichoke production for California-based Ocean Mist Farms, said that any technology that can help farming is worth considering. "But the day's not going to come when something tells me what seed to plant, how much to water, or what type of fertilizer to use," he said.

Mr. Jochum, the farmer near Winnipeg, sees room on his farm for artificial intelligence and may even pay for the advice that Maglis provides. Still, "nothing really beats the human touch right in the field," Mr. Jochum said. "And a machine is only as good as the information you input into it."

AS is developing microbe-based products that help crops grow faster and fend off pests.

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The field-by-field variation in weather, soil and pest conditions poses steep challenges for artificial-intelligence software, even with the data-collecting abilities of high-tech machinery and soil sensors. And many critical data points—such as crop yield or the ultimate impact of a dry spell—only emerge once per year.

As the farm sector nurtures artificial intelligence's early promise, it is looking for ways to fuse the technology with other advances in agriculture. Tractor maker Deere & Co. agreed this month to pay \$305 million to buy Blue River Technology, a startup developing tractor-towed robots that can analyze crops and apply fertilizer and pesticides plant-by-plant. In Denmark, Novozymes

then take it public again at a later date in Japan, one of the people familiar with the deal said.

The group faces competition from Western Digital Corp. of the U.S., which has teamed up with private-equity firm KKR & Co. Western Digital is Toshiba's partner in the memory-chip business and says it has veto rights over any sale. Toshiba says that isn't true, and the two sides are headed for international arbitration.

A Western Digital spokeswoman said the company was "disappointed" by Toshiba's move Wednesday and still wants to reach a deal.

In June, Toshiba selected a

BUSINESS & FINANCE

EasyJet Aims for the Long Haul

BY ROBERT WALL

British low-cost airline **easyJet** PLC will start offering connecting flights in Europe paired with two budget long-haul carriers to and from the U.S., expanding the trans-Atlantic options for cost-conscious travelers.

EasyJet has linked up with Canada's **WestJet** Airlines Ltd. and **Norwegian Air Shuttle** ASA to sell seats on the long-haul leg of the journey and a connecting flight in Europe on a combined ticket. The carrier said it was in talks with Asian and Middle East carriers to expand the service in those markets, too.

Norwegian services cities such as New York, Boston, Oakland and Los Angeles from London's Gatwick Airport. U.S. passengers could then hop on an easyJet flight to continue to other destinations such as Venice, Athens or Edinburgh.

Traditional network carriers such as **American Airlines Group** Inc. and **British Airways**, a unit of **International Consolidated Airlines Group**

SA, have long sold seats that involve a short-haul feeder leg to help fill the larger planes used on international flights. The tie-up between easyJet and its airline partners is aimed at replicating that model.

"By opening this new market segment this now means that easyJet can access a greater range of passengers flying across Europe," said the airline's departing chief executive, Carolyn McCall.

The airline said that it is targeting a market of approximately 70 million passengers who fly long-haul through one of the airports it serves and then carry on to another destination.

EasyJet beat rival Ryanair Holdings PLC, Europe's largest airline by passenger numbers, to the announcement. Ryanair also is working with other airlines, including Norwegian Air, to help connect passengers.

EasyJet said it is rolling out

the service first at London's Gatwick, one of Norwegian's principal hubs for long-haul flights. It plans to expand the offering to Milan Malpensa, Geneva, Barcelona and two of Europe's busiest transfer hubs, Amsterdam Schiphol airport and Paris Charles de Gaulle.

For passengers, there are some particularities. They will have a minimum 2½-hour connection time between flights. Baggage allowance also might vary depending on the carrier. Passengers who check a bag will also need to collect it and hand it on to a specified vendor to help bring it to the connecting flight.

Initially, only one seat choice will be available, though some of the partner airlines offer different categories of tickets. EasyJet said those might be added later. Overnight stays in London between connecting flights won't be permissible.

As part of the announcement, easyJet also said passengers could connect to two of its own flights, service Ryanair also offers.

helped put a ceiling on prices.

OPEC officials say it is unlikely the group will come to a quick agreement on the use of exports as a new metric. OPEC historically has struggled to fully enforce individual production quotas.

Exports would be "more difficult to police" than production, given OPEC's lack of experience on the matter, said Mr. Hall of Alfa Energy. "But if they can do it, it would send a strong message," he said.

Meetings between Saudi officials, including Mr. Falih, and some hedge funds took place on July 7 in London, before the St. Petersburg

gathering.

Mr. Falih "wanted to understand why the market had not rallied," a person familiar with the meetings said.

OPEC's most powerful minister met with Jonathan Goldberg, a former Goldman Sachs Group Inc. and Glencore PLC oil trader who founded hedge fund **BBL Commodities** LP, and Pierre Andurand, whose fund **Andurand Capital Management** LLP focuses on oil.

Messrs. Goldberg and Andurand made blunt presentations, pointing out that while OPEC members had apparently cut their oil-production numbers, they were still sending

roughly the same amount of oil into the global market.

Saudi Arabia had been selling oil from storage to keep customers happy before its move to reduce exports. Russia, which isn't part of OPEC, flooded global markets with refined products. And Iraqi oil exports remained high. In short, OPEC wasn't doing enough to drain the global oil glut, the two investors said.

The person familiar with the meetings said Mr. Falih asked questions suggesting he "may not have realized how much market operators were attuned to the fact producers were not respecting the spirit of the supply cuts."

OPEC

Continued from the prior page monitor exports," a Saudi official said. OPEC's headquarters is working to assess how such new rules could be implemented, according to an official with the cartel.

Even if OPEC found a way to raise prices by focusing on exports, the change could backfire by kick-starting output from American shale producers, which can turn on the spigots in response to prices more quickly than conventional producers. Higher U.S. output since OPEC's cuts has

helped put a ceiling on prices.

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A Western Digital spokeswoman said the company was "disappointed" by Toshiba's move Wednesday and still wants to reach a deal.

In June, Toshiba selected a

group that included Bain Capital and SK Hynix as the preferred bidder, but those talks stalled and Toshiba later said it wasn't restricting its talks to any single bidder.

Regardless of which party Toshiba chooses, antitrust clearance is likely to be a hurdle because getting approval in major markets can often take more than six months. That could make it difficult for a deal to close by March 2018, Toshiba's target, although a bidder group might look for ways to get money into Toshiba's hands even before the closing.

At various points in the negotiations, Toshiba has leaned toward the camp that includes

Western Digital, a U.S.-based maker of hard-disk drives. But the parties haven't been able to agree on how much influence Western Digital would have in the years after a deal was reached.

Meanwhile, the Japanese government has raised objections to the bid led by Foxconn, formally known as Hon Hai Precision Industry Co., because of the company's extensive operations in China, which some officials believe could result in Japanese technology leaking to China.

Those issues have led Toshiba once again to take a closer look at Bain and set a new target date of Sept. 30 for a deal.

DEAL

Continued from the prior page able semiconductor unit, which makes NAND flash-memory chips used for data storage in smartphones, computers and other electronics products.

The troubled industrial conglomerate has said it needs to sell the unit to bring its shareholder equity back into positive territory by the end of its fiscal year in March 2018. Otherwise, its shares would face delisting under Tokyo Stock Exchange rules.

The Bain-Apple consortium's plan would be to take the chip business private and

then take it public again at a later date in Japan, one of the people familiar with the deal said.

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BUSINESS WATCH

TARGET

Retailer Plans to Hire 100,000 for Holidays

Target Corp. said it would increase by 40% the number of temporary workers it hires for the holiday selling season, kicking off an annual rush among retailers and delivery companies to staff stores and distribution centers.

The Minneapolis-based retail chain is hiring about 100,000 seasonal workers, compared with its 70,000 hires last year.

In addition, it will employ 4,500 workers at its distribution and fulfillment centers to replenish products to stores and fulfill digital sales throughout the season.

BUSINESS NEWS



Contractors repaired power lines in Sunny Isles Beach, Fla., on Tuesday. Thousands of utility workers from the U.S. and Canada were descending on storm-hit states.

Seadrill Files for Chapter 11 In Texas

By COSTAS PARIS

LONDON—Seadrill Ltd., one of the world's largest offshore-drilling companies, has filed for chapter 11 bankruptcy protection at the Southern District of Texas court as part of a plan to restructure roughly \$10 billion in debt, it said Wednesday.

The Bermuda-based company is controlled by Norwegian shipping magnate John Fredriksen and operates a fleet of 68 rigs and drillships for customers including Total SA, TOT Petrobras Brasileiro SA and Exxon Mobil Corp.

The company said 97% of its bank lenders, 40% of bondholders and a group of investors led by Hemen Holding Ltd., its biggest holder—also controlled by Mr. Fredriksen—had approved the restructuring plan.

The creditors have agreed to postpone the repayment of \$5.7 billion in secured loans for five years, with \$2.3 million in unsecured bonds to be converted into a 15% equity stake.

Seadrill will also receive \$1.06 billion in fresh capital, made up of \$860 million in secured notes and \$200 million in equity.

The company has managed to push back a number of restructuring deadlines over the past year, but a \$1 billion bond, which matures in September, forced the chapter 11 filing, people with knowledge of the matter said.

"By extending and re-profiling the secured bank debt, reducing leverage and delivering a significant amount of new capital, this agreement provides Seadrill with a five-year runway. Post-restructuring, Seadrill will have a strong cash position and good liquidity to take advantage when the market recovers," the company said.

Seadrill expects to continue operations during the restructuring period. The company's assets at the end of the first half totaled \$20.7 billion.

Seadrill's shares closed at 23 cents on Tuesday, down nearly 99% from their 2013 peak, when the company's market value exceeded \$22 billion.

Daily leases for the company's rigs, which once commanded up to \$800,000, have dropped to around \$200,000 as cheap oil from U.S. shale drilling floods the market.

The low oil prices, coupled with a glut of rigs, has put rig owners under severe pressure.

In late July, Ocean Rig UDW Inc. filed for bankruptcy protection in the U.S. Hercules Offshore Inc., GulfMark Offshore Inc., Toisa Ltd. and Vantage Drilling Co. have also spent time in bankruptcy court since oil and gas prices cratered.

Paragon Offshore PLC emerged from chapter 11 in August but was forced back into bankruptcy after it was unable to transfer two rigs to its reorganized entity. Its successor, Paragon Offshore Ltd., isn't under bankruptcy protection and was unaffected by Paragon Offshore PLC's new filing.

—Patrick Fitzgerald contributed to this article.

Power Outages in U.S. Push Limits

In Florida and other states hit by storm, utilities grapple with historic challenge

Block by block and city by city, utilities face one of the largest power restoration challenges in U.S. history as they bring back electricity to more than 15 million people affected by Hurricane Irma.

By Cameron McWhirter, Erin Ailworth and Arian Campo-Flores

Almost 60,000 utility workers from the U.S. and Canada are descending on Florida and other states hard hit by the storm, with more line crews and contractors expected soon, according to the Edison Electric Institute, an industry group. They are painstakingly repairing electrical substations, power poles, transmission lines and other parts of the grid knocked out by winds and floodwaters.

The aim is to restore power to hospitals and other critical facilities first, then bring the lights back to most residents as quickly as possible. But utility and government officials acknowledge it will take days or even weeks for the herculean effort. Restoring full power after superstorm Sandy in 2012 took more than a month.

More than six million U.S. customers remained without power as of Tuesday afternoon, according to the U.S. Energy Department, including roughly 4.8 million, or 48% of the state's total customers, in Florida; 932,000, or 22%, in Georgia; and 141,000, or 6%, in South Carolina.

Florida Power & Light Co., the state's largest investor-owned utility with nearly five million customers, said Irma at one point cut off power to roughly 4.4 million of them,

Restoring the Power

As of Tuesday afternoon, there were almost six million customers without power across Florida, Georgia, South Carolina and North Carolina due to Hurricane Irma. This is how electric companies work to restore power after a storm.

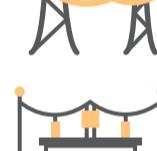
STEP 1 Power Plants

Power plants, the primary source of power production, are assessed for damage and restored.



STEP 2 Transmission Lines

High-voltage transmission lines serving thousands of customers over wide areas are repaired.



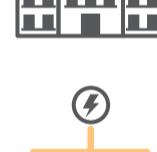
STEP 3 Substations

Substations, which convert energy before delivering it to customers, are brought online in order for power to reach local distribution lines.



STEP 4 Essential Services

Power is restored to essential services and facilities such as hospitals, nursing homes, fire and police departments, and water systems.



STEP 5 Large Service Areas

Crews are dispatched to repair lines that will return service to the largest number of customers in the least amount of time.



STEP 6 Individual Homes

Once major repairs are completed, service lines to individual homes and smaller groups of customers are restored.



Source: Department of Energy (outages); Edison Electric Institute (how to restore power)

THE WALL STREET JOURNAL

and that 2.7 million remained out as of Tuesday afternoon.

FPL estimated Tuesday that most residents in the eastern part of its territory would have power restored by the end of the weekend, while those on the western side, where the storm made landfall, would see power back by Sept. 22.

Duke Energy Corp., Florida's second-largest investor-owned utility with 1.8 million customers, also said Irma

caused significant damage to its transmission system. Duke said it expects to complete restoration to the western portion of its service area by the end of Friday and by the end of Sunday for its central and northern areas. Restoration in two hard-hit counties, Hardee and Highlands, may take longer, it said.

Irma is a critical test of efforts in recent years to make the power grid more storm-resilient by replacing wind-dam-

age-prone equipment such as wooden poles with concrete versions, placing the poles closer together to lessen the chance that debris could pull them down, and installing water gauges in substations to monitor flooding.

Utilities, which have spent billions in Florida alone on storm preparation, now have to assess whether those efforts were worth the money, and where they should perhaps be expanded.

Eric Silagy, chief executive of FPL, a subsidiary of **Nex-Era Energy** Inc., said the \$3 billion his company invested to upgrade its network after seven hurricanes in 2004 and 2005 helped lessen the destruction from Irma.

"Without this storm-hardening, we would have seen much more prevalent structural damage—many more poles down, thousands and thousands, in my opinion," he said.

The utility says it is fixing outages at a much faster rate than it did after Hurricane Wilma in 2005. After just one day, workers restored 40% of outages from Irma, he said, compared with 4% for the same period after Wilma, according to FPL spokesman Robert Gould.

Irma was the first storm to hit all 27,000 square miles of FPL's service territory, Mr. Silagy said. To recover, the company has called in some 20,000 repair workers from utilities across the country and staged them at 30 locations around Florida, including the Daytona International Speedway, home to the Daytona 500, which had been turned into an impromptu pit stop for emergency crews.

Likening the effort to a military operation, he said each staging site is a mini-city outfitted to house and feed workers, who will go through an estimated 30,000 gallons of water and 200,000 gallons of fuel a day.

FPL will first focus on tak-

ing stock of the company's electricity-generating facilities to make sure they are operating correctly. Next, workers will check the transmission lines, which Mr. Silagy called the "interstates of electricity," to make sure they are transporting power as they should.

After that, work will focus on getting power back to critical facilities such as police and fire stations and storm shelters, and then power-delivery systems that feed large communities. Last will be individual streets and homes.

In Sarasota, Fla., FPL transformed the 65-acre Sarasota Fairgrounds into an encampment affectionately dubbed "Hotel Sarasota" for about 1,000 workers helping to restore power along Florida's west coast. On Tuesday, it was lined with rows of 50 windowless trailers that sleep 28 on bunks, mobile shower units and mobile bathrooms, with more due to arrive from 29 states, spanning California to Massachusetts.

On Tuesday, large trucks arrived carrying spools of cable and stacks of transformers, while gasoline tankers lined up to help refuel the fleet of bucket trucks being dispatched in waves throughout the day.

Workers left for their 12-to-16-hour shifts with boxed lunches, planning to return to a large hall to eat dinner and then set out again after eight hours of downtime to fulfill a singular mission.

"Get the power back up," said Tom Pitera, the logistics commander for the site. "That's the name of the game."

Wearing an FPL cap and sweating in 85-degree heat, Mr. Pitera said he lost his own power Saturday. His friends have been texting him to get service restored for their neighborhood. "I'm waiting like everyone else," he said.

Other utilities in Florida, Georgia and South Carolina were engaged in similar recovery efforts.

U.K. Slows Fox's Deal for Control of Broadcaster Sky

By STU WOO

LONDON—The U.K. government referred **21st Century Fox** Inc.'s \$15.5 billion proposal to consolidate ownership of **Sky** PLC to British antitrust regulators and said it likely would have them also review Fox's commitment to the country's broadcasting standards.

British Culture Secretary Karen Bradley said Tuesday she was acting partly out of concern about corporate governance at 21st Century Fox, highlighted by a series of sexual-harassment scandals at the media company's Fox News unit in the U.S. She also said Fox had been found earlier this year to lack proper broadcast-compliance procedures related to transmissions of Fox News in the U.K.

Ms. Bradley said regulators

may also want to review whether Fox is committed to British broadcasting standards, amid what third-party critics of the deal have said is Fox News' partisanship in the U.S. The review will last for six months.

The government's move to widen the review represents a new hurdle in media mogul Rupert Murdoch's yearslong bid to solidify control of British TV giant Sky and further integrate his global media empire. "We are disappointed by this further delay and that the [culture secretary] is now minded to refer the proposed acquisition to [antitrust regulators] in relation to broadcasting standards despite Ofcom, as the independent broadcast regulator, maintaining its advice that there are not sufficient concerns to justify such a reference," a Sky spokesman said.

adding that Sky would cooperate with Ms. Bradley.

21st Century Fox in a statement noted that the company and Sky "have records of compliance consistent with other comparable license holders," and said it was "surprised" that Ms. Bradley was "still unable to form an opinion."

Mr. Murdoch and his family are major shareholders of both Fox and News Corp., which owns a number of British newspapers such as the Times of London, the Sunday Times and the Sun, the U.K.'s best-selling tabloid. Fox already owns 39% of Sky. It is seeking to buy the other 61% for £11.7 billion (\$15.4 billion). News Corp. also owns The Wall Street Journal.

Ms. Bradley said Tuesday she decided to ask the Competition and Markets Authority to review the merger on so-called

media plurality grounds, but also said she was now inclined to refer the deal to the same regulator for a different reason: to determine whether Fox held a "genuine commitment to broadcasting standards."

Ofcom, Britain's media regulator, had previously recommended against a referral based on adherence to British broadcasting codes, including rules for TV content and considerations like fairness and privacy.

The culture secretary specifically cited a determination made this year by Ofcom that Fox didn't have adequate compliance procedures in place to broadcast Fox News in the U.K. until after regulators raised the issue. Ofcom didn't specify which procedures were lacking. Fox last month stopped broadcasting Fox News in the U.K., citing low viewership.



British Culture Secretary Karen Bradley cited concerns over media consolidation and corporate governance in her decision.

TECHNOLOGY

WSJ.com/Tech

EU Steps Up Effort to Tax Tech Firms

Bloc's executive arm commits to drafting new rules to get more out of multinationals

BY NATALIA DROZDIAK
AND SAM SCHECHNER

The European Union's executive body on Wednesday pledged to pursue new rules for taxing internet giants, such as **Alphabet** Inc.'s Google and **Facebook** Inc., embracing a push within the bloc to squeeze more money out of large multinationals operating in Europe.

The move by the European Commission comes amid a French-led drive for the tax that includes Germany, Spain and Italy.

Finance ministers from the four countries in a recent letter called on the commission to devise a proposal that would establish an "equalization tax" on the revenue generated in Europe by digital companies so that the amounts raised would "aim to reflect some of what these companies should be paying in terms of corporate tax."

The four officials aim to spell out their tax ideas, and also drum up support, at a

gathering of the bloc's finance ministers in Tallinn, Estonia, on Saturday.

The push marks the EU's latest attempt to crack down on what officials see as tax avoidance in Europe and to assure citizens that large companies are paying their fair share, as some governments are still trying to stabilize public finances after the financial crisis.

Officials in France in particular have chafed at how little tax they say tech companies pay. Over the years, they have floated various ideas for clawing back more—including taxing internet advertising and even corporate use of band-

width or personal data, only to pull back because passing a measure at the national level wouldn't snare big multinationals.

Instead, France has become a vocal backer of efforts by the Organization for Economic Cooperation and Development to reduce so-called profit shifting, and efforts by the EU to establish a common tax base.

Pressure from Paris rose over the summer, after a French court threw out a €1.1 billion (\$1.33 billion) tax bill that France's tax authority had issued Google, arguing that the U.S. company should have declared more profit—and there-

fore paid more tax—in the country.

In addition to promising an appeal, France's new finance minister, Bruno Le Maire, vowed to pursue new tax rules for tech companies. He also worked hard to woo other big Western European countries to support his position, eventually signing up Germany, Italy and Spain, according to a person close to the French finance ministry.

Under Mr. Le Maire's proposal, which is still being fleshed out, technology companies with revenue above a certain level would be liable to pay a tax on turnover from

customers in each EU country. The size of the proposed tax hasn't been settled, but could end up between 2% and 5% of revenue, the person close to the ministry said. That could lead to big tax bills. Facebook reported that in 2016 its European revenue was €2.06 billion, including some countries that aren't part of the bloc. Facebook declined to comment on the proposal.

Executives at tech companies say such proposals are misguided because the firms create the bulk of their value in the U.S., making much of their profit from European revenue taxable in the U.S. as well.

Google to Ease Publisher Policy

BY JACK NICAS
AND LUKAS I. ALPERT

Google Inc. is planning to end its "first click free" policy that enables users of its search engine to bypass paywalls on news websites, a move that could help publishers boost subscriptions, **News Corp** Chief Executive Robert Thomson said Tuesday.

Google for years has encouraged publishers to be part of the program, which allows search users to access a limited amount of content on subscription-based news sites free of charge. Some publishers say the policy has hurt subscription growth and say their sites are penalized in Google's search rankings if they don't participate in the program.

Up to now, subscription-based sites that didn't participate in first click free have been disadvantaged in Google's search results, because its algorithm only scanned the portions of articles outside the paywall. Under its new approach, Google's technology will be scanning the full article, despite any paywalls, according to one of the people familiar with the situation.

It is unknown when the changes will go into effect.

Google's plans mark an apparent warming in its relationship with publishers, who have sparred with the tech giant at times over everything from its dominance in mobile advertising to what they perceive to be its role, along with Facebook Inc., in facilitating the spread of misinformation on the internet.

"At one stage I called Google a 'tapeworm in the intestines of the internet,'" said Mr. Thomson.

Mr. Thomson and Google CEO Sundar Pichai had a breakthrough in their relationship in July at investment firm Allen & Co.'s annual exclusive media conference in Sun Valley, Idaho, a person familiar with the matter said.



Salle Yoo, chief legal officer at the ride-hailing company, has dealt with a series of lawsuits and federal investigations.

Uber's Head Lawyer Intends to Step Down

BY DOUGLAS MACMILLAN
AND GREG BENSINGER

The top lawyer at **Uber Technologies** Inc. is departing the ride-hailing company as it faces three federal investigations into its operations and welcomes a new chief executive.

Salle Yoo, who joined Uber as its first general counsel in 2012 and held the role until being promoted to chief legal officer earlier this year, plans to step down from the company as soon as it hires a new general counsel, she said Tuesday in an email to staff.

"Last spring I began considering a future beyond Uber," Ms. Yoo said in the memo, which was reviewed by The Wall Street Journal. "I've spent over five years at this company, and while it's been the most exhilarating experience of my life, it's also incredibly hard work." Ms. Yoo didn't respond to a request for comment.

Her departure adds to the urgency Chief Executive Dara Khosrowshahi faces in replenishing Uber's executive ranks.

In addition to its search for a new general counsel, Uber is seeking to hire chiefs of finance, operations and marketing, as well as a new independent chairman.

Ms. Yoo spent her tenure at Uber mired in a barrage of legal challenges to the ride-hailing company, from a class-action lawsuit by drivers over their employment status to objections from regulators around the world who sought to regulate the service like a taxi company.

More recently, federal authorities have confronted Uber with three separate U.S. government probes.

Uber also faces a legal battle with **Alphabet** Inc., which in February sued the ride-hailing company for allegedly conspiring with a former manager to steal autonomous-vehicle trade secrets to jump-start its own driverless-car program.

Ms. Yoo, who is among Uber's highest ranking female employees, said in her memo she was proud of her role "in pushing the company forward on the issues of diversity, equal pay and gender equality."

FOWLER

Continued from page B1

we've seen in rival phones from Samsung Electronics Co., which managed to actually curve its Galaxy S8 screen to the edge on the left and right side. The iPhone X still has a metal rim all the way around that looks like a car bumper.

Samsung has (temperamental) face and iris unlocking features, but it kept the fingerprint reader on the rear of the phone as a surefire backup.

How well does the face-unlock thing work? That will require some serious testing. In my brief postevent demo, Apple wouldn't let me register my own face. At least once, it missed the face of the Apple product rep. (In dark situations, the phone sends out a beam of light as well as an array of invisible dots to read your face.) And the whole process was slowed by a clunky design:

After the phone recognizes your face, you have to swipe up from the bottom of the phone to get to your home screen.

In fact, there is a whole bunch of new finger yoga you will need to learn. To get to the control center, instead of swiping up from the bottom you now have to drag a finger from the top right corner. And since there's no home button, you swipe up from the bottom to get back to your home screen.

It reminded me of Snapchat—and like it, I could see some people just wanting to opt out of the confusion.

Special Cameras, Special Effects

The reward for changing your muscle memory is, beyond the face-unlocking trick, a new way to think about what you can do with a camera. Apple is now putting a lot of energy (and money) into opening up the world of augmented reality, which I agree has huge po-

tential—even if its current applications are more goofy than serious.

The front-facing cameras, buried in the screen's funny notch, get the biggest boost. They include infrared sensors to map your face. You can take selfies with artfully blurred-out backgrounds. A new effect that Apple calls Portrait Lighting lets you create dramatic lighting on and around your subjects.

One of the most compelling demos I saw placed my head, live, in fun contexts, including

the Millennium Falcon from "Star Wars."

In the feature that might best sum up 2017, you can turn your head into an animated singing and dancing emoji, called animoji. Yep, you can send your boo a personalized poo face.

The two back cameras are also improved over the iPhone 7 Plus, though less dramatically. The second lens, used for 2X telephoto shots, now has optical image stabilization that should make portraits and zoomed-

in shots less blurry.

The cameras are also now oriented vertically, which Apple says will help with future augmented reality apps.

Yes, It's New. But Is It Improved?

I won't have all the answers until I review the phone, but here's my initial takeaway: With the iPhone X, Apple's best no longer looks like a three-year-old phone. (Apple's other new phone, the iPhone 8, still does.)

The face-unlocking trick is a strategy to make you feel like you are missing out if you don't have an iPhone X. The jury is still out on its security and effectiveness, let alone those fancy new camera tricks and the vast future of augmented reality that has hit 11 on the buzz-meter.

Nevertheless, the larger screen and improved battery life might be reason enough to satisfy even the more practically minded to contemplate an iPhone X.

FINANCE & MARKETS

China Money Market's Accidental Giant

Regulators worry as cash pours into Yu'e Bao, a high-returning Ant Financial fund

SHANGHAI—In just four years, a money-market fund created by an affiliate of China's **Alibaba Group Holding** Ltd. has become the world's largest, providing millions of savers a high-returning place to park their money.

Now, it is facing pressure from regulators to slow down.

Fueled by contributions from some 370 million account holders, the fund, known as Yu'e Bao—"leftover treasure"—has grown to manage \$211 billion. It is more than twice the size of the next-largest money-market fund, a U.S. dollar liquidity fund managed by **J.P. Morgan Asset Management**, according to data from Morningstar Inc.

Yu'e Bao's assets doubled in the past year alone, and the fund now makes up one-quarter of China's money-market mutual fund industry.

Its ascent has been an accidental byproduct of a shift among consumers toward mobile payments. Yu'e Bao draws its funds from users of Alipay, an electronic-payments platform used by roughly one-third of China's population to make purchases on Alibaba's e-commerce sites and to pay for everything from cinema tickets to household bills.

In some ways, Yu'e Bao's surge to prominence shows how diverse and dominant Alibaba and its affiliates have become in recent years. Founded in 1999 as an e-commerce site to rival **eBay**, Alibaba has transformed itself into a technology behemoth with interests in banking, financial services, media and entertain-

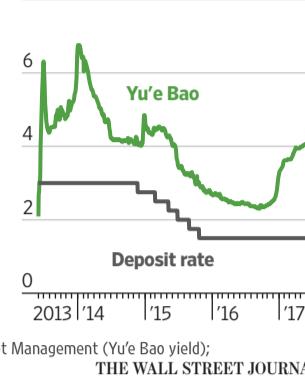
Treasure Trove

Yu'e Bao, a four-year-old investment fund, has seen its assets swell rapidly to make it the world's largest money-market fund, thanks in part to its generous returns.

Net asset value of China's money-market funds



Yu'e Bao's 7-day annualized investment yield vs. one-year Chinese bank deposit rates



ment. Alibaba spun off Alipay in 2011 and renamed the company that owns and operates it Ant Financial Services Group.

Ant set up Yu'e Bao as a place for Alipay users to park idle cash sitting in virtual wallets they control with their smartphones. The company never intended, or expected, Yu'e Bao to become as large as it did so quickly, according to a person familiar with the matter.

Attracted by the fund's generous returns—Yu'e Bao's investments currently produce a seven-day annualized yield of 4.02%—some investors have been sending chunks of their monthly paychecks to it, another reason for its growth. A year ago, the yield was 2.3%, according to **Tianhong Asset Management** Co., an Ant subsidiary that manages the fund.

Xu Xiaoyan, an IT manager in Shanghai, sees Yu'e Bao as a simple and safe cash-management tool. Since April 2014,

the 32-year-old has been plowing 20% to 30% of her monthly salary into the fund.

Yu'e Bao's short-term yield dwarfs the 1.5% interest rate on one-year Chinese bank deposits and even beats the 3.6% yield on 10-year Chinese government bonds. The fund invests most of its money in certificates of deposits issued by Chinese state-owned or state-supported banks. It also holds government bonds, bank-issued bonds and commercial paper.

Data reviewed by The Wall Street Journal indicate Tianhong boosted Yu'e Bao's returns in recent years by increasing its allocation of funds to financial instruments with longer maturities. Such assets tend to be less liquid than bank deposits and lower-yielding investments. About 40% of Yu'e Bao's investments mature in under 60 days, versus over 60% four years ago, according to Tianhong's reports.

China's money-market-fund

industry has swelled in recent years, partly because of loose regulation. The first Chinese money-market fund was launched in 2003, and similar funds for years were marketed mainly to wealthy individuals and institutions. Following the formation of Yu'e Bao, which lets people open accounts with



CHINA STRINGER NETWORK/REUTERS

An Alipay facial-recognition payment system in Hangzhou.

Yu'e Bao limited the size of individual accounts in May, and later lowered the cap.

industry risks caused by large-scale redemptions." The concern is that if the funds are forced to liquidate large volumes of assets to raise cash, the moves could destabilize the financial system.

In early September, regulators issued rules requiring money-market funds to boost their holdings of higher-quality assets, such as short-term debt securities, that carry top credit ratings. The regulator also labeled money-market funds as "systemically significant" and instructed them to curb their exposure to individual financial institutions. The new rules take effect on Oct. 1.

Tianhong said it has various measures in place to prevent a liquidity crunch and believes the "probability of mass redemption is very low." It said most of the fund's customers have small holdings of around \$590 on average.

Alipay already limits the amount of money some customers can withdraw from

Yu'e Bao into their bank accounts to the equivalent of about \$7,758 a day. Tianhong added it will continue to keep "liquidity management as a top priority" and has made adjustments to its portfolio holdings this year.

The manager is also taking steps to limit the fund's growth. In May, Yu'e Bao imposed a 250,000-yuan limit on the size of individual accounts, down from 1 million yuan. Three months later, it sharply reduced the account limit again, to 100,000 yuan. The limits apply only to newer account holders; existing investors whose assets are above those caps aren't required to bring their balances down.

Tianhong said both moves were a "voluntary adjustment...[to] ensure long-term stable operations."

Analysts say the decisions were influenced by regulatory pressures. "It is counterintuitive for any fund to voluntarily limit its growth this frequently," said Yang Xiao, an analyst at **Hwabao Securities**, a brokerage in Shanghai. "It's clear that the authorities hope to slow down its breakneck growth."

Yu'e Bao is facing growing competition from rivals that have copied its approach. Users of Alipay now have the option of placing their cash in money-market funds managed by outside investment firms that earn higher returns. Tencent Holdings Ltd., the Chinese social-media giant that owns the messaging platform WeChat, is starting a fund that allows users to earn interest of as high as 4.29% on cash balances in their accounts.

—Yifan Xie
and Chuin-Wei Yap

◆ Foreign investors snap up Chinese debt B8

Dollar's Fall From Grace Fuels Emerging Markets

By JON SINDREU

The U.S. dollar's nosedive is fueling a rally in emerging-market assets.

Since the start of this year, the dollar has fallen more than 8% against a basket of currencies, according to the Federal Reserve.

That is good for emerging markets because their dollar-denominated debts become cheaper to service, roll over and pay back. Research also shows that international lenders are more willing to lend whenever the U.S. currency falls. Meanwhile, developing-market economies are in good shape, adding to the positive view of these markets.

The value of emerging-market equities and bonds has surged. The MSCI Emerging Markets stock index has returned more than 30% this year, compared with 15% for the developed-market MSCI World Index and 13% for the MSCI USA.

Net flows into emerging-market equity funds have increased this year by 0.5% of the total assets they manage, according to fund tracker EPFR Global. That compares with a 2% fall in the money going into richer nations.

That outperformance could be set to continue as the dollar stays weak. Strategists say stubbornly low inflation will ensure the Fed's easy-money policies stay in place for longer, putting pressure on the currency.

"A weaker dollar eases global financial conditions," said Jack McIntyre, portfolio manager at Brandywine Global.

A net 47% of investors are positioned to gain if developing-nation stocks go up—a seven-year high—while bets against the dollar have multiplied, according to a survey of fund managers published Tuesday by Bank of America Merrill Lynch.

The outlook for emerging economies has brightened compared with last year, as a recovery in commodity prices helps Brazil, Argentina and Russia climb out of recession. Meanwhile, the expansion of giants such as China and India is set to remain robust—a relief for many investors, who for years had feared a sudden



A weaker dollar helps emerging economies pay back debt.

slowdown in Chinese growth.

Peter Elston, chief investment officer at Seneca Investment Managers, believes the U.S. economy is due to slow by 2020, so he is now selling stocks in the U.S. and buying stocks in emerging markets.

"In some of our funds, we can't reduce U.S. stocks any further because we are already at zero," Mr. Elston said.

But much of the current bet on emerging markets is due to the declining greenback, rather than just robust economics.

Since the start of the year, emerging-market bonds issued in local currencies have returned 17%, compared with 10% for bonds in so-called hard currencies such as dollars or euros, according to indexes published by J.P. Morgan Chase & Co.

Over the past year, Claudia Calich, who runs the Emerging Markets Bond Fund at M&G Investments, a £281 billion (\$373 billion) asset manager, has doubled the share of her allocations devoted to local-currency debt to almost 40%, including assets in Mexican pesos and Egyptian pounds.

Since the late 1990s, emerging-market equities have usually outperformed when the dollar declined and struggled when the greenback rallied.

This is in contrast with large-cap developed-market indexes, which usually move in lockstep with the dollar, since the multinational firms they track get most of their revenues in foreign currencies.

Emerging countries are different, analysts say, because their dependence on dollar credit is greater.

How freely available dollar

lending is can be gauged by the so-called cross-currency basis swap spread, which measures the gap between money-market and derivative-market rates when borrowing in dollars. When the dollar started rallying in 2014, it grew wider. As the U.S. currency sold off this year, that gap narrowed.

According to research by consultancy Oxford Economics, this "cross-border liquidity channel" linked to the dollar is crucial for developed markets, especially Latin America.

By share of bonds outstanding made up of international securities issued in foreign currencies, Turkey is the most exposed at 46%, BIS figures show, followed by Peru and Argentina both at around 43%.

Foreign borrowers are also benefiting from low dollar lending rates. Yields on 10-year Treasuries are now below 2.2%, down from 2.5% at the beginning of the year.

For emerging markets, the situation is radically different from last year, when the prospect of higher fiscal spending in the U.S. boosted the dollar and Treasury yields. That led to a fear of an emerging-market sell-off, like in 2015, when the MSCI Emerging Markets index dropped 17% on concerns over the Chinese economy and the end of stimulative monetary policy.

"We believe the dollar will remain broadly stable towards year-end because of the cautiousness of the Federal Reserve," said Morgane Delle Donne, a strategist at ETF Securities.

◆ Why hedge funds are shorting the yen B8

Apple Suppliers Slip Back

BY ESE ERHERIENE
AND MARINA FORCE

Technology stocks slipped in Asian trading as investors sold following Apple's launch of the latest iPhone models on Tuesday, but financial stocks powered ahead.

Some investors said it was too early to gauge future demand for the new phones,

some of which carry much higher price tags than earlier versions. Among key Apple parts suppliers in Taiwan, **Largan Precision** closed down 3.8%, while **Hon Hai Precision** fell 1.3% and **Taiwan Semiconductor Manufacturing** lost 0.5%, leaving the Taiex, the market benchmark, down

0.7%. In Hong Kong, though, shares of Apple audio components supplier AAC Technologies gained 1.3%.

Bond prices declined, boosting yields and raising hope that banks will be able to earn more from the gap between the cost of deposits and what they charge customers for loans. Australia & New Zealand Banking Group closed 0.5% higher, and Commonwealth Bank of Australia gained 0.8%. Mitsubishi UFJ Financial Group rose 1.5%, while Nomura Holdings closed with a 2.4% gain.

The Nikkei Stock Average ended the day 0.5% higher, boosted by weakness in the yen that helped shares of exporters to rise, while Australia's S&P/ASX 200 fell marginally. Hong Kong shares slipped 0.3%, and the Shanghai Composite rose 0.1%.

U.S. stocks stalled after major indexes closed at record levels on Tuesday.

At midday in New York, the Dow Jones Industrial Average was marginally higher at 22126. The S&P 500 and Nasdaq Composite edged down.

"We've come a long way here in a short while, so a period of consolidation is warranted," said Terry Sandven, chief equity strategist at U.S. Bank Wealth Management. "Equities have become a buy high, sell higher market."

The yield on the 10-year U.S. Treasury note rose to 2.183% by midday from 2.171% Tuesday. Yields rise as prices fall.

INTERNATIONAL INVESTMENT FUNDS

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MARKETS DIGEST

Nikkei 225 Index

19865.82 ▲ 89.20, or 0.45%

High, low, open and close for each trading day of the past three months.

Year-to-date
52-wk high/low
All-time high

20230.41 16251.54
38915.87 12/29/89

STOXX 600 Index

381.34 ▼ 0.08, or 0.02%

High, low, open and close for each trading day of the past three months.

Bars measure the point change from session's open

19000 19500 20000 20500 21000

June July Aug. Sept.

International Stock Indexes

Region/Country	Index	Latest			52-Week Range			YTD % chg		
		Close	Net Chg	% chg	Low	Close	High	YTD % chg	Month Ago	Year Ago
World	The Global Dow	2887.06	-4.17	-0.14	2386.93	2896.26	14.2			
	MSCI EAFE	1964.12	-6.11	-0.31	1614.17	1973.04	14.4			
	MSCI EM USD	1098.44	-3.82	-0.35	838.96	1102.88	38.3			
Americas	DJ Americas	601.97	-0.59	-0.10	503.44	602.56	11.4			
Brazil	Sao Paulo Bovespa	74563.70	25.15	+0.03	56694.45	75332.23	23.8			
Canada	S&P/TSX Comp	15147.37	3.96	+0.03	14342.87	15943.09	-0.9			
Mexico	IPC All-Share	50253.90	-227.06	-0.45	43998.98	51772.37	10.1			
Chile	Santiago IPSA	3932.51	7.51	+0.19	3120.87	3945.90	22.0			
U.S.	DJIA	22124.87	6.01	+0.03	17883.56	22179.11	12.0			
	Nasdaq Composite	6446.26	-8.02	-0.12	5034.41	6460.84	19.7			
	S&P 500	2495.04	-1.44	-0.06	2083.79	2497.02	11.4			
	CBOE Volatility	10.64	0.06	+0.57	8.84	12.01	-24.2			
EMEA	Stoxx Europe 600	381.34	-0.08	-0.02	328.80	396.45	5.5			
	Stoxx Europe 50	3108.43	4.33	+0.14	2720.66	3279.71	3.3			
France	CAC 40	5217.59	8.58	+0.16	4310.88	5442.10	7.3			
Germany	DAX	12553.57	28.80	+0.23	10174.92	12951.54	9.3			
Greece	ATG	809.98	-0.77	-0.09	548.72	859.78	25.8			
Israel	Tel Aviv	1417.91	5.31	+0.38	1346.71	1490.23	-3.6			
Italy	FTSE MIB	22233.30	-0.10	-0.0004	15923.11	22309.95	15.6			
Netherlands	AEX	528.69	2.11	+0.40	436.28	537.84	9.4			
Russia	RTS Index	1118.38	-5.85	-0.52	953.12	1196.99	-2.9			
Spain	IBEX 35	10371.00	34.80	+0.34	8512.40	11184.40	10.9			
Switzerland	Swiss Market	9053.83	0.21	-0.002	7585.56	9198.45	10.1			
South Africa	Johannesburg All Share	56152.54	-213.62	-0.38	48935.90	56896.89	10.9			
Turkey	BIST 100	108155.53	-974.12	-0.89	71792.96	110530.75	38.4			
U.K.	FTSE 100	7379.70	-20.99	-0.28	6654.82	7598.99	3.3			
Asia-Pacific	S&P/ASX 200	5744.30	-2.10	-0.04	5156.60	5956.50	1.4			
Australia	Shanghai Composite	3384.15	4.66	+0.14	2980.43	3385.39	9.0			
Hong Kong	Hang Seng	27894.08	-78.16	-0.28	21574.76	28094.61	26.8			
India	S&P BSE Sensex	32186.41	27.75	+0.09	25765.14	32575.17	20.9			
Indonesia	Jakarta Composite	5845.73	-26.64	-0.45	5027.70	5915.36	10.4			
Japan	Nikkei Stock Avg	19865.82	89.20	+0.45	16251.54	20230.41	3.9			
Malaysia	Kuala Lumpur Composite	1786.07	-3.79	-0.21	1616.64	1792.35	8.8			
New Zealand	S&P/NZX 50	7827.43	-12.98	-0.17	6664.21	7879.46	13.8			
Philippines	PSEI	8053.88	4.57	-0.06	6563.67	8072.75	17.7			
Singapore	Straits Times	3230.36	-5.33	-0.16	2787.27	3354.71	12.1			
South Korea	Kospi	2360.18	-5.29	-0.22	1958.38	2451.53	16.5			
Taiwan	Weighted	10532.88	-77.47	-0.73	8902.30	10617.84	13.8			
Thailand	SET	1642.94	-0.61	-0.04	1406.18	1643.55	6.5			

Currencies

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



US\$ vs. Yen Euro GBP CAD AUD NZD SGD CHF HKD JPY

Country/currency Wed in US\$ per US\$ (%)

London close on Sept. 13

US\$ vs. Yen Euro GBP CAD AUD NZD SGD CHF HKD JPY

Country/currency Wed in US\$ per US\$ (%)

US\$ vs. Yen Euro GBP CAD AUD NZD SGD CHF HKD JPY

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**NOTICE FOR HYBRID ANNUITY (ONLINE) TENDER
E-TENDER NOTICE NO.11 FOR 2017-18**

The Public Works Department, Government of Maharashtra, represented by the Executive Engineer, Public Works Division, Pandharpur (the "Authority") is engaged in the development of highways and as part of this endeavor, the Authority has decided to undertake development and operation / maintenance of the Project (the "Project") on Hybrid Annuity basis, and has decided to carry out the bidding process for selection of a private entity as the Bidder to whom the Project may be awarded.

Brief particulars of the Project are as follows:

Sr. No.	State	Dist.	Pack-ages	Project	Project Length in (km)	Project Cost in (Rs.)	Earnest Money/ Bid Security (Rs.)	Duration of the Project	Cost of Tender Fee Document (Rs.)
1	MAHARASHTRA	SOLAPUR	PN-14	PN - 14 A) Improvements to Malharpeth Umbraj Masur Mayani Dighanchi Mahud Pandharpur Road S.H. 143 Km.0/00 to 132/360.. (Km.60/00 to Km.106/420) District- Solapur. PN - 14 B) Improvements to Dalaj Kalamb Natape Shingnapur Dhaiwadi Pushevadi Karad Road S.H. 124 Km. 24/500 to Km.39/600 PN-14 C) Improvements to District Border to Mungashai Aran Karkamb Pandharpur Road M.D.R. 133 Km.0/00 to Km. 72/200 Dist- Solapur. (Under Hybrid Annuity),on Hybrid Annuity Basis, Taluka- Pandharpur, District-Solapur.	195.245 KM	₹ 427.52 Crore	₹ 4.30 Crore	548 Days	₹ 50,000/- Online Payment through NEFT/ RTGS

E-TENDER TIME TABLE

Sr.No.	Event Description	Date
1.	Invitation of RFP (NIT) (Download period of online tender)	DL.28.08.2017 at 10.00 Hrs. to Dt. 11.10.2017 at 18 .00 Hrs.
2. A	Last date for receiving queries for pre- bid-1	12.09.2017 upto 11.00 Hrs.
2.B	Pre-Bid meeting 1	In the Office of the Chief Engineer, P.W.Region Pune, Dt.12.09.2017 upto 11.00 Hrs.
2.C	Authority response to queries for Pre-Bid Meeting 1 latest by,	18.09.2017
3.A	Last date for receiving queries for pre- bid - 2	26.09.2017 upto 11.00 Hrs.
3.B	Pre- Bid meeting 2	In the Office of the Chief Engineer, P.W.Region Pune, Dt. 26.09.2017 upto 11.00 Hrs.
3.C	Authority response to queries for Pre-Bid Meeting 2 latest by,	27.09.2017
4	Last date of Bid Submission (Online) (Technical and financial Bid Last date and time)	DL.12.10.2017 till 23.00 Hrs.
5	Physical submission of Bid Security/ POA etc (as per clause 2.11.2 of RFP)	Till 11.00 hrs on 16.10.2017 in the Office of Superintending Engineer, P.W. Circle, Solapur.
6	Opening of Technical Bids.(If possible)	(at 11.30 on 16.10.2017) Office of Superintending Engineer, P.W. Circle, Solapur .
7	Opening of Financial Bids. (If possible)	(at 11.30 on 07.11.2017) Office of Superintending Engineer, P.W. Circle, Solapur

Note :-

1. The payment towards the cost of Tender forms will be done online only through RTGS/NEFT It should be noted that one should complete these activities at least one day in advance.
2. All eligible / interested Bidders who want to participate in tendering process should compulsorily get enrolled on e-tendering portal "<http://mahatenders.gov.in>"
3. Contact on numbers given below for difficulties in online submission of tenders:- (NIC - Toll Free Ph.No. 1800 30702232/7878107985-86)
4. Bid submitted through any other mode shall not be entertained. However, Bid Security, proof of online payment of cost of bid document, Power of Attorney and joint bidding agreement etc. as specified in Clause 2.11.2 of the RFP shall be submitted physically by the Bidder on or before 14/11/2017 upto 11:00 hours.
5. Other terms and conditions are detailed in online e-tender form. Right to reject any or all online bids of work, without assigning any reasons thereof, is reserved with department.
6. Short Tender Notice is displayed on P.W.D. website www.mahapwd.com.

(Suresh Raut)
Executive Engineer,
Public Works Division, Pandharpur

D.G.I.P.R. 2017/2018/2797

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GLOBAL NOTICE INVITING TENDER

M/s Engineers India Ltd. on behalf of M/s Hindustan Petroleum Corporation Ltd. invites digitally signed & sealed (encrypted) e-tenders (online bid to be submitted only at site <https://etender.hpcl.co.in>) under single stage two bid system i.e. unpriced bid and priced bid in prescribed bid document from eligible bidders for following tenders of MDPL Capacity Expansion and Palanpur-Vadodara Pipeline Project:

"SUPPLY OF BALL VALVES (API 6D) - II FOR STATION WORK"
(Tender no : 17000064-HD-10129). Pre Bid meeting: At 1100 Hours IST on 21.09.2017. Tender submission due date : Up to 06.10.2017 (1600 Hours IST). Unpriced bid opening: 1630 Hours IST on 06.10.2017.

"SUPPLY OF DIVBV - PLUG VALVES FOR STATION WORK"
(Tender no : 17000063-HD-10129). Pre Bid meeting: At 1330 Hours IST on 21.09.2017. Tender submission due date : Up to 09.10.2017 (1600 Hours IST). Unpriced bid opening: 1630 Hours IST on 09.10.2017.

"SUPPLY OF PRESSURE BALANCE LUBRICATED PLUG VALVES (API 6D) FOR STATION WORK" (Tender no : 17000059-HD-10129). Pre Bid meeting: At 1330 Hours IST on 22.09.2017. Tender submission due date : Up to 10.10.2017 (1600 Hours IST). Unpriced bid opening: 1630 Hours IST on 10.10.2017.

The tender details/documents including EMD requirement etc. can be viewed and downloaded 08.09.2017 onwards from our web sites <https://etender.hpcl.co.in> and www.hindustanpetroleum.com (under tender section: link "Tenders & Contracts")

All revisions, clarifications, corrigenda, addenda, time extensions etc. to the tender will be hosted on <https://etender.hpcl.co.in> and www.hindustanpetroleum.com. Bidders should regularly visit these websites to keep themselves updated.

Dy. General Manager, Engineers India Ltd.

BHARAT HEAVY ELECTRICALS LIMITED
भारत हेवी इलेक्ट्रिकल्स लिमिटेड (भारत सरकार का उपकरण)
Industry Sector, Lodhi Road, New Delhi - 110003
Invites

(a) Expression of Interest (EOI) Ref No. TBSG/DFC for partnering with BHEL in Indian Railways' Invitation for Pre-Qualification Notice No. 2016/Elect(Dev)/440/4 for 9000 HP Electric Locomotives for DFC; (b) EOI Ref No. TBSG/WW for partnering with BHEL to participate in Business Opportunity in Waterways Transportation in India; (c) EOI Ref No. TBSG/ELoco/RE for development of Regenerative WAG7 Locomotives. Contact: 011-41793254
(d) EOI Ref No. ESSG/EV/01 for joint working in EESL tenders for electric cars & charging infra & for partnering with BHEL for opportunities in EV, components of EV and chargers market. Contact: 011-41793196
Details available at www.bhel.com. Further corrigenda, amendments, extensions, etc. (if any) will be hosted on our website only.

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Mahul, Mumbai - 400074, India CIN-L23201MH1952GOI008858
Tel : +91 22 -2507 6448/6406

INTERNATIONAL COMPETITIVE BIDDING

Sealed offers are invited from Foreign and Indian vendors, under 2-bid e-Tender system (Part-I: EMD + Integrity Pact, Techno-Commercial bid and Part-II: Priced bid) for the following works:
Tender No 17000110-HD-48009 | Selection of Owner's Consultant (Process) for Rajasthan Refinery Project (RRP)

Tender availability in Portal From 09.09.2017 to 11.10.2017 (both days inclusive)

Due date for submission of bids/ 11.10.2017 @1330 hrs 11.10.2017 @1400 hrs
Opening of Unpriced Bids

Please visit our websites www.hindustanpetroleum.com or <https://etender.hpcl.co.in> for the detailed NIT. Tender. Bidders have to quote online @ <https://etender.hpcl.co.in> only. All future addenda / corrigenda will be hosted in above web sites only; bidders are advised to visit the site frequently for the same.

DGM-Category Management (Ref)
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MARKETS

As Yen Climbs, Bearish Wagers Pile Up

Carry trades by hedge funds are likely behind surge in bets registered against the currency

By SAUMYA VAISHAMPAYAN

Hedge funds have been consistently betting against the Japanese yen this year, even though the currency is on track for its biggest annual rise against the U.S. dollar in seven years.

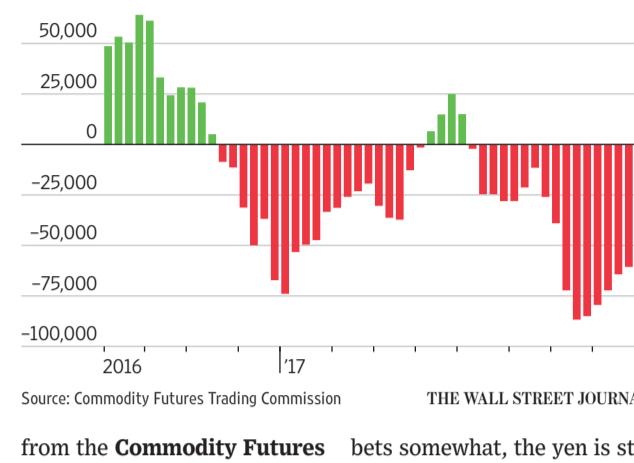
The reason may have little to do with Japan, but rather a strategy of using the yen to invest in currencies or bonds of other nations with higher yields, known as the carry trade.

The yen has gained 6.3% against the dollar in 2017, its biggest rise since 2010, when it surged 14%.

Even so, hedge funds and other investors have largely been negative on the yen this year, as measured by data on futures and options contracts

Why So Negative?

The net number of futures and options contracts held by hedge funds betting on a rise in the Japanese yen



Source: Commodity Futures Trading Commission

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from the **Commodity Futures Trading Commission**. The data show that net wagers the yen would decline, known as a short position, hit an almost two-year high in the week ended July 18.

While traders have since pared the number of negative

bets somewhat, the yen is still the most heavily shorted among major currencies such as the euro and British pound.

Traders say many hedge funds aren't necessarily taking a view that the yen is going down. Instead, they say the funds are likely borrowing the

yen to buy other currencies and bonds with juicier returns. That gets logged as a bearish yen wager in the CFTC's data, they said.

"We've seen a substantial amount of interest in that across the spectrum. Everyone is trying to express some form of carry," said Ruchir Sharma, head of Asia-Pacific foreign-exchange trading at **Credit Suisse Group AG** in Singapore.

Investors have piled into emerging-market stocks and bonds with renewed enthusiasm in 2017, part of a broader search for yield that has driven markets in recent years. Those inflows, along with decent economic and trade data, have boosted several currencies. Weak inflation in the U.S. has also helped, as it raises doubts the Federal Reserve will raise rates again this year.

The Indian rupee, Chinese yuan and South African rand each have surged more than 5% against the dollar in 2017.

Carry-trade investors, who often use borrowed money to

amplify returns, have continued to use the yen to buy these soaring emerging-market currencies.

Hedge funds have been able to make enough money from their purchases of higher-yielding assets that they are comfortable holding on to their short yen positions, despite the currency's gain, according to Mr. Sharma. In the current environment, it would take a much stronger yen, perhaps around ¥102 to the dollar, for those funds to throw in the towel on carry trades. Early Wednesday afternoon in New York, the dollar bought ¥110.65.

Robert Savage, head of the currency hedge fund CCTrack Solutions in New York, said he is buying the Indian rupee and other emerging-market currencies as part of carry-trade strategies, and that some of those trades are funded with the Japanese yen.

Still, some investors see fundamental reasons why the yen should fall against the dol-

lar. Many expect the Fed to keep raising rates in coming months. Higher U.S. interest rates should boost the dollar against the yen, especially as the **Bank of Japan** is expected to keep its monetary policy loose in the near term.

"For me, it's all about the rate differential," said Kisoo Park, a global bond manager at Manulife Asset Management in Hong Kong, referring to the dollar-yen exchange rate.

Even so, other factors could push the yen higher. Heightened geopolitical tensions, especially around North Korea, could benefit the yen, which is traditionally viewed as a haven investment.

For now, Mr. Savage continues to use the yen in some carry trades.

"The problem with the carry trade is that it's very easy to get into the trade and very hard to get out," he said. The yen is valuable because it is relatively easy to buy and sell, even in times of stress, he said.

Overseas Buyers Grab China Debt

By SHEN HONG

SHANGHAI—Foreign investors last month more than tripled their holdings of a popular short-term debt instrument issued by Chinese banks—reflecting both the attraction of a rising yuan and a growing willingness to take on risk.

That made them among the leading buyers of “negotiable certificates of deposit” or NCDs, in August, a rare position for foreign investors in any Chinese debt market. Central banks and sovereign wealth funds were big buyers, according to a Shanghai-based banker at a global bank that trades on behalf of such foreign investors.

NCDs—effectively high-

yielding bonds, generally with maturities of a month to a year—have become extremely popular with Chinese banks, especially smaller lenders, since their launch in late 2013. But as concerns have grown that banks are issuing them as a tool for leveraged investment rather than to meet genuine refinancing needs, they have drawn heightened scrutiny from Chinese regulators, who recently imposed a partial ban.

Foreign investors' holdings surged to 88.3 billion yuan (\$13.5 billion) in August, from 24.5 billion in July and just 2.2 billion yuan in January, according to the data provider Wind Information. Such buyers' net 63.8 billion yuan in purchases last month put

them second only to a group of nonbank institutions that include Chinese brokerages, insurers and trust companies. Still, foreign investors' holdings account for only 1% of the NCD market.

“The yuan's sharp appreciation must be a key reason behind foreign investors' interest in NCDs and the latter's high returns make them even more attractive, especially compared with the lower government-bond yields,” said Liu Dongliang, senior analyst at **China Merchants Bank**.

The yuan has staged an unexpected comeback against the dollar, delivering a 6% gain this year after a 6.6% loss last year.

Six-month NCDs issued by AAA-rated, midsize Chinese

banks—the most popular category of the product—pay an average return of 4.6%, compared with 3.3% for six-month bills issued by the Chinese government and 3.6% for 10-year government bonds.

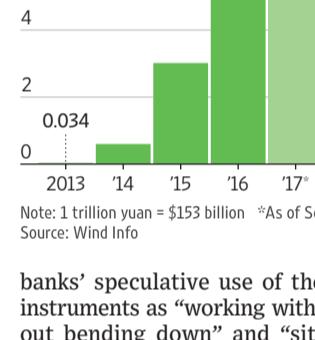
“This is a bit unexpected because the foreign investors in the Chinese market are typically risk-averse and some of them used to shun bonds issued by quasi-sovereign institutions like **China Development Bank**,” said Mr. Liu, referring to China's largest policy bank.

The NCD market has expanded to 8.5 trillion yuan, from 6.3 trillion at the end of last year and just 34 billion yuan at the end of 2013. In early April, the country's banking regulator criticized

Foreign Surprise

Foreign investors emerged as the second-biggest buyers of negotiable certificates of deposits in August as the market continued to expand.

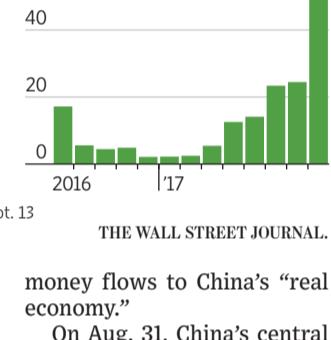
Outstanding value of NCDs



Note: 1 trillion yuan = \$153 billion *As of Sept. 13

Source: Wind Info

Foreign investors' holdings



Note: 1 trillion yuan = \$153 billion *As of Sept. 13

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money flows to China's “real economy.”

On Aug. 31, China's central bank said it will ban the issuance of NCDs with maturities longer than a year.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

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Apple's iPhone X Faces Big Task

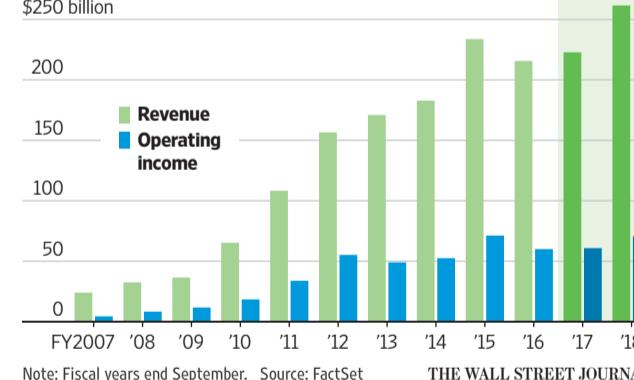
Apple's big, new iPhone has a tall order ahead.

After two years of ho-hum sales, the world's most valuable company is looking to its newest smartphones to revive its growth story. The wildly successful iPhone 6 drove Apple's sales and earnings for fiscal 2015 to records, but later iPhone releases haven't measured up. Apple's revenue slipped nearly 8% the following year and is expected to rise less than 6% for the fiscal year ending Sept. 30.

So this year's new models revealed Tuesday—the iPhone 8 and 8 Plus along with the redesigned iPhone X—need to deliver enough growth to help Apple reach a new peak. Wall Street is forecasting iPhone unit sales of 247 million for the fiscal year that begins in October. That is about 7% higher than what Apple achieved in fiscal 2015 with the iPhone 6. Those estimates take into account the \$1,000 starting price of the iPhone X, given months of news leaks on that point. The iPhone 8 and 8

iBoom

Apple's operating results



Note: Fiscal years end September. Source: FactSet

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Plus models start about 4% to 8% dearer than their predecessors.

But, even with higher prices, the impact on Apple's earnings is less certain. Costs for key components such as memory and displays have risen sharply over the past year, which could eat into the company's profit margins. Analysts are projecting about \$70.6 billion in operating income for Apple next year, which would be slightly

below the record set in fiscal 2015 with the iPhone 6.

Still, the new iPhones probably will deliver on those growth targets. It helps greatly that Apple has a large base of users still on the iPhone 6 and thus hungry for an upgrade. It also helps that Apple's users are a bit less sensitive to sticker shock. A survey by Barclays in August found that about 19% of iPhone users were willing to pay as high as

\$1,200 for a new smartphone, compared with about 6% of Android users.

Apple also doesn't need all of this year's upgrade customers to flock to the most expensive iPhone X. The average selling price for the iPhone lineup is expected to hit about \$692 in fiscal 2018, a 5% rise from what is expected this year. That implies a fair amount of the new, lower-priced iPhone 8 models in the mix. That is the most likely outcome given production constraints on the iPhone X that have pushed its initial shipping date to Nov. 3—six weeks after the launch of the other two new phones.

Apple's share price slipped

0.4% on Tuesday, an understandable reaction given a run-up of nearly 40% this year. But at 15 times forward earnings, the stock still has some upside if early sales of the new phones prove stronger than expected. Getting the company to the vaunted market value of \$1 trillion, however, remains a much tougher call. —Dan Gallagher

OVERHEARD

Football season has begun in the U.S. and many fans are having their feathers ruffled.

Their distress has nothing to do with questionable calls or players' off-field antics. The price of their snack of choice, chicken wings, has surged.

Sports-bar chain **Buffalo Wild Wings** this month is taking the drastic step of ending its half-price wings special on Tuesdays—the slowest sports night of the week. Instead, it will be offering boneless wings, which, it should be clear, aren't actually wings.

The shares have lagged behind the S&P 500 by 49 percentage points in the year to date.

As bad as things are now, the crisis may not come home to roost until the Super Bowl next February. Last year, according to the National Chicken Council, they ate about 166 million pounds of them or some 338 times the combined weight of every NFL team. With supply running short, these are dark times for dark-meat lovers.

Hurricanes Won't Hurt All Retailers

The hurricanes that hit Texas and Florida may not change how much Americans spend, but they should affect where they spend it. The likely result: Many retailers that already were doing well will do even better, and many that were already doing poorly will do worse.

When threats like hurricanes Harvey and Irma are looming, people stock up on necessities. In the aftermath, their focus shifts to repairing and replacing what they have lost. The effect on overall spending is lumpy; it is lower during and for several weeks following a storm, and then catches up. That is why many economists have lowered their forecasts for third-quarter gross-domestic-product growth, with an expectation that GDP in the fourth quarter will rebound.

Some stores, many of which already were having good years, will end up selling more as a result of the storm. **Home Depot**, for example, has benefited from strong home-improvement spending and has so far been well insulated from online competition.

But for more discretionary purchases, little or no catch-up spending occurs. Many of the sales lost by clothing stores, for example, are likely permanent.

Adding to the problem, the hurricanes have left many people with less discretionary spending power. In storm-hit areas, repair costs are taking away money that might otherwise have been spent elsewhere. And across the country, people are paying more for gasoline after Harvey knocked a big chunk of refining capacity. A miserable year for many retailers just got worse.

—Justin Lahart

Credit Cards Could Become China's Next Debt Addiction

Chinese consumers are alive and well—and increasingly carrying a credit card in their pockets.

China's rapid shift toward mobile payments has led some to assume the country would somehow bypass credit cards on the way to becoming a cashless society. The latest figures suggest otherwise: Credit-card loans in China rose 31% on year to almost 4.69 trillion yuan (\$718 billion) in the second quarter, according to central bank data.

The stars have actually been aligning for the Chinese credit-card industry. Banks want to hand more of them out, while consumer confi-

dence is off the charts. Beijing, meanwhile, is eager to shift more of China's monumental debt pile onto households—which traditionally have high savings—and away from the highly indebted corporate sector.

The big enablers have been China's so-called joint-stock banks, which are usually midsize lenders. Interest and fees related to credit cards accounted for 20% of their total revenue in the first half, on average, according to Deutsche Bank analysts.

Banks are eager to find new income streams, as regulatory pressure on their lucrative shadow lending in-

Spend Away

Number of new credit cards issued by China's joint-stock banks



Source: Deutsche Bank