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## What's News

Business & Finance

The People's Bank of China will scrap a rule that made it more expensive for traders to bet the yuan will fall in value. **A1**

◆ Apple and Samsung are betting they can increase sales by jacking up the price of their flagship products. **A1**

◆ Chinese companies are finding it harder to buy and invest in businesses abroad, facing political and regulatory hurdles. **B1**

◆ Bridgewater is poised to amass an investment fund in China, giving its founder the kind of clout that has largely eluded Western financial firms. **B1**

◆ The prospects for mobile-phone growth in Nigeria are among the most lucrative, but also the most challenging for telecom operators. **B1**

◆ Consumers criticized Equifax's response to the hack that may have compromised personal-financial information and exposed the majority of American adults to harm. **B1**

◆ A year after Wells Fargo sales-practices scandal erupted, the bank has changed its leadership and lost ground to rivals. **B5**

◆ China's consumer inflation rose to a seven-month high in August. **A3**

◆ When the EU deregulates its sugar market at the end of September, some of the biggest losers will be in Swaziland. **B1**

### World-Wide

◆ Hurricane Irma made landfall in the Florida Keys delivering destructive winds and torrential rains. **A1**

◆ The Category 4 storm left widespread human and economic havoc in a string of tourism-dependent Caribbean islands. **A3**

◆ Tensions between Western European capitals on one side and Warsaw and Budapest are growing, a challenge to the EU. **A1**

◆ The Rohingya group in Myanmar declared a cease-fire as the surge of refugees streaming into neighboring Bangladesh nears 300,000. **A3**

◆ Mexican security forces intensified recovery efforts from one of the country's strongest earthquakes in decades. **A4**

◆ Pope Francis told Colombian war victims to discard any desires for revenge and forgive those who caused them harm. **A4**

◆ House Republicans are backing several provisions that could reshape campaign finance rules ahead of next year's midterm elections. **A7**

◆ McCain returned to the Senate last week after aggressive brain cancer treatment, noting significant challenges ahead. **A7**

◆ The number of international students enrolled at U.S. high schools more than doubled from 2004 to 2016, to reach 81,981. **A7**

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## Florida Braces for Irma's Impact

Storm makes landfall in Keys with winds topping 130 mph; 'difficult to survive'

By ARIAN CAMPO-FLORES  
AND JOSEPH DE AVILA

MIAMI—Hurricane Irma—one of the most powerful storms to cross the Atlantic—made landfall in the Florida Keys early Sunday as the Category 4 storm delivered destructive winds, torrential rains and life-threatening storm surge to southern Florida.

The U.S. National Hurricane Center said the center of the hurricane made landfall on Cudjoe Key at 9:10 a.m. ET, with top sustained winds of 130 mph. By later Sunday morning, Irma was on its way toward the western coast of Florida, where it was forecast to reach Naples by Sunday afternoon.

"It's going to be horrible," said Florida Gov. Rick Scott on NBC's "Today Show." He warned that some parts of the state will see storm surges up to 15 feet above ground level.

"What is really scary is the storm surge," Mr. Scott said. "It flushes in and flushes out. That's going to be difficult to survive."

The National Weather Service in Key West said on social media that the water level was 3 feet higher than normal as of 9:36 a.m. on Key West.



Heavy wind along Ocean Drive in South Beach, above. Officials have warned that Irma could be worse than 1992's Hurricane Andrew.

As Irma's power got closer to Florida's mainland on Sunday, there were a few reports of loss of life in the state. The Florida Highway Patrol said two people had died in a car crash in Hardee County, southeast of Tampa, on Sunday

morning as wind and rain started to blow in, the Associated Press reported. Police said it wasn't immediately clear what role the weather may have played.

The state of 20.6 million people has been preparing for

days for Irma as the storm barreled into the Caribbean, killing at least 22 people and battering islands with winds in excess of 150 miles an hour.

On Sunday morning, Irma pounded the Miami area with powerful winds and sheets of

rain. Wind gusts of about 70 miles an hour hit Miami International Airport, according to the National Weather Service.

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◆ Storm leaves battered Caribbean in its wake..... A4

## Beijing Strives to Contain Resurgent Yuan

By LINGLING WEI

BEIJING—China is starting to unwind some of the extraordinary measures aimed at bolstering its currency, after the yuan's recent surge in value began taking a toll on Chinese exporters, adding to economic headwinds.

Starting Monday, the People's Bank of China will scrap a two-year-old rule that made it more expensive for traders to bet the yuan will fall in value, according to a central bank notice sent to commercial banks late Friday.

The move, which ends a deposit requirement on trades called currency forwards, will make it cheaper for companies

and investors to buy dollars while selling the yuan, and thereby help rein in the Chinese currency's steep ascent in recent weeks, traders and analysts said. The step will "fend off macro-financial risks," said the central bank notice, which was reviewed by The Wall Street Journal.

In addition, according to a separate notice by the PBOC, the monetary authority late Friday also removed the reserve requirement on foreign banks' yuan deposits, which will release more yuan funds into what's known as the offshore yuan market in Hong Kong, potentially making it easier for foreign investors to bet against the yuan. That re-

quirement was enacted in January 2016.

Meanwhile, officials familiar with the policy changes said authorities are expected to phase out by the end of month draconian measures put in place late last year to curb China's outbound investment and stabilize the yuan. Instead, those measures—which many companies complain have resulted in a near-blanket ban on their foreign-investment endeavors—are being replaced by formal guidelines issued by the State Council in August.

Those new guidelines encourage foreign deals in some areas such as technology,

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rain. Wind gusts of about 70 miles an hour hit Miami International Airport, according to the National Weather Service.

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#### What's In Your Garage? KITT, a Bullitt Car or the Shaggin' Wagon?

\* \* \*

Movie and TV buffs spend heavily to hand-craft iconic vehicles

By JIM CARLTON

KANSAS CITY, Mo.—Joe Pace spent a month overhauling his 2003 Ford conversion van, hunting down the perfect parts and installing them himself.

He found shag carpet at Sam's Club and glued it to the body. He covered the dashboard and seats with fake fur and installed a bird cage with a stuffed, decapitated parakeet. He attached a fake tongue to the grille.

And there he had it. A van that looked like a goofy dog—and a pretty darn good replica of the Shaggin' Wagon from the 1994 film "Dumb and Dumber."



Shaggin' Wagon

But why? Aw, why not. "Look, I don't smoke, I don't drink, I don't golf," says Mr. Pace, 68, a Kansas City, Mo., auto-body-shop owner who has built several movie-car replicas.

"Some people may think I'm obsessed," he says. "I do it because it's fun."

Mr. Pace is a member of one of the world's most exclusive car clubs, people who spend thousands of dollars making copies of vehicles from their favorite movies and shows.

Scott Bainbridge of Newcastle, England, spent 12 years and \$29,000 transforming a Pontiac Trans Am into a twin of KITT, the talking car from the campy

Please see COPIES page A6

## European Union Encounters Defiance on Its Eastern Edge

Hungarian Prime Minister Viktor Orban barely mentions his political rivals as he campaigns for a fourth term. In-

By Drew Hinshaw in Warsaw and Valentina Pop in Brussels

stead, he's targeting the European Union and its biggest members.

"Our fiercest opponents are not in Hungarian opposition parties," Mr. Orban said in a speech last week. "They are abroad—Berlin, Brussels."

In neighboring Poland, government rhetoric is even harsher. Politicians have one-upped each other in attacking France and Germany, arguing they are forcing multicultural, liberal democracy on more

traditional Poles. Commentators on state-run TV compare the EU to the Soviet Union.

Tensions between Western European capitals on one side and Warsaw and Budapest on the other have hit their highest levels since their countries

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◆ Simon Nixon: Macron is likely to defeat critics again..... A2



### Militant Rohingya Declare Cease-Fire

MYANMAR CRISIS: The truce comes as the surge of refugees into neighboring Bangladesh nears 300,000. A refugee pulls along a child after crossing the border, left.

A3

## Behind the Push for \$1,000 Phones

BY TRIPP MICKLE AND TIMOTHY W. MARTIN

Prepare for smartphone sticker shock.

A decade into the smartphone era, Apple Inc. and Samsung Electronics Co. are betting they can increase sales by jacking up the price of their flagship products—bucking the usual downward arc for

prices of consumer electronics in the years after introduction.

Apple on Tuesday is expected to unveil a more-advanced iPhone—also known as the anniversary iPhone, the iPhone 8 or iPhone X—which analysts predict will carry a starting retail price of about \$1,000. That would be about 50% more than the cheapest version of the iPhone 7 Apple

introduced last year at \$649, and about 30% more than the larger iPhone 7 Plus, at \$769. (On Tuesday, Apple also is expected to show off updated versions of those phones with prices similar to last year's models.)

Apple's new iPhone debut follows Samsung's launch last month of its new high-end

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## WORLD NEWS

# France's Macron Set to Defy Doubters Again



### EUROPE FILE

By Simon Nixon

**PARIS**—When Emmanuel Macron ran for president of France, his critics dismissed him as an empty suit who didn't stand a chance.

When he won, they said he would never secure a parliamentary majority so he would be a lame duck. When he secured a massive majority, they said he would never be able to deliver his program because he would be defeated on the street—just as all his recent predecessors had been.

This week it seems likely the doubters will be proved wrong again: One of the country's most powerful trade unions is planning a day of protests on Wednesday against Mr. Macron's planned overhaul of labor market rules but no other major trade union is backing

the strikes. Government officials aren't complacent—they recall how similarly bold overhauls were defeated on the street in 1995 despite union acquiescence—but few observers expect Mr. Macron to suffer the same fate so soon after securing a clear electoral mandate.

**E**ven if Mr. Macron manages nothing else, this labor market overhaul would be a substantial achievement, delivering changes that all governments of the past 20 years have recognized are needed but which none has been able to deliver.

It addresses the two main criticisms of France's byzantine labor code highlighted by businesses and investors. First, it removes much of the uncertainty that surrounds laying off workers by clarifying what constitutes a legitimate economic circumstance, streamlining legal procedures and capping awards for unfair dismissal. Second, it extends to France's smallest companies—crucially including those without union representation—the ability to set their own pay and working conditions at firm level in consultation with their employees, whose own representation is to be streamlined



French president's labor overhaul faces a union protest this week.

from three committees to just one. The benefit to firms will come not only from increased flexibility but also by improving the quality of dialogue with workers, says one senior French business leader.

But Mr. Macron knows that changes to the labor code alone aren't enough to tackle the two big challenges facing the French economy: persistently high unemployment, currently at 9.5%, and a worrying slide in productivity growth that has reduced the economy's long-term potential growth rate to as low as 1% on some estimates from closer to 2% two decades ago.

The government hopes that the labor market changes should over time lead to increased investment and job creation. But senior government officials know that to deliver the decisive change in economic fortunes necessary to put government debt as proportion of gross domestic product on a downward trajectory from its current level of 96%, other bold overhauls are also needed. Those include rebalancing France's tax system away from high taxes on business and investment; overhauling the country's social security and training system to boost incentives and skills for work;

and revising a pension system that left unchanged poses a long-term risk to fiscal stability.

**T**hese are the real tests of Mr. Macron's presidency and where the greatest political challenges may lie. The government has already pledged to deliver €12 billion (\$14.4 billion) of business and investment tax cuts this year out of a total of €20 billion planned over Mr. Macron's five-year term. But it has yet to explain how these cuts will be squared with the government's commitment to stick within eurozone budget rules which require it to reduce its budget deficit below 3% of GDP. Attempts to plug holes in this year's budget with cuts to military spending and welfare prompted a political backlash over the summer and a slide in Mr. Macron's approval ratings.

Similarly, plans to overhaul the welfare system to introduce a Scandinavian-style "flexicurity" model in which unemployment benefits are linked to accepting training will bring the government into conflict with some of the most powerful vested interests in the country, not least the trade unions who currently tightly control access to vocational training. Pen-

sion changes too will hinge on persuading powerful vested interests to forego generous future entitlements.

Even if Mr. Macron survives this week's showdown on the streets, he knows he may face tougher resistance in the future: after all, even trade unions must pick their battles. Mr. Macron will instead hope to overcome future resistance by proceeding in the same way as he has with his labor overhauls: by being transparent about his plans from the start, unlike his predecessors who only discovered a taste for reform after being elected; by proposing comprehensive one-off changes, rather than piecemeal revisions that can be undermined by endless compromises; and by consulting intensively with trade unions and other stakeholders at every stage in an attempt to build as broad a coalition of support.

Above all, he will seek to take advantage of the unique political circumstances in which he finds himself, with a substantial majority in parliament, all opposition political forces in disarray and facing no electoral test for three years. Perhaps Mr. Macron will fall short, as his doubters keep insisting. But it is too soon to write him off yet.

pletely it would need unanimity, and Hungary and Poland have each promised to block any attempt to sanction the other, but the EU official said that just starting the process would be "a big nuclear weapon" never before triggered against a member state. It is also possible Hungary wouldn't veto the more drastic vote.

A critical factor will be Ms. Merkel. Germany has hesitated to criticize Poland, which suffered more than most countries at Nazi hands in World War II. Ms. Merkel has hinted that her patience is eroding. She warned Poland last month that "we will not keep our mouth shut" on the issues of rule of law for the sake of good relations.

While few analysts foresee a Brexit-style departure, some envision a two-speed EU, in which Poland, Hungary or others ignore rules they don't like and become more isolated.

"The important question is are we in a community of European free nations, or part of an empire with its headquarters in Brussels," Mr. Orban said in a radio interview Friday. "The real battle is only beginning."



Hungarian Prime Minister Viktor Orban at the European Parliament in Brussels in April.

ERIC VIDAL/REUTERS

under way, "Britain is closer to us than the Poles," said one senior EU official who described the dispute with Poland, and to a lesser extent with Hungary, as the bloc's biggest challenge this year.

Countries on the bloc's eastern edge have resisted opening their borders to migrants, a fight that flared anew last week as the EU's highest court ruled they must resettle refugees. Hungary, Poland and the Czech Republic have refused to comply.

Poland has shrugged off EU criticism that its government is limiting the independence of the courts and ignored an injunction from the EU high court to stop logging in an ancient forest. Hungary has brushed aside criticisms from the EU Parliament that it limits journalistic independence.

Their disagreements underscore how the U.K.'s impending departure has upended Europe's balance of power. French President Emmanuel Macron, in the wake of the British referendum, has proposed economic overhauls and restrictions on free movement that have upset

the newer, ex-communist members, whose citizens are a source of inexpensive labor. Germany's Chancellor Angela Merkel has expressed openness to some of his ideas.

"Right now, the older member states are dominating," Polish Prime Minister Beata Szydlo said last week. "They dictate the terms to new mem-

ber states."

Officials in Brussels worry that if countries get away with ignoring bloc-wide decisions and EU court rulings, the entire system will start unraveling. Until now, governments of other EU members have hesitated to punish their peers, but that may be changing.

Later this month, ministers

overseeing EU affairs from member states will meet to discuss Poland. The European Commission, the EU executive, could ask them to start proceedings that culminate with sanctions, including suspending Poland's voting rights. It has the 22 countries it needs to do that, the EU official said.

To cut voting rights com-

## PRICE

*Continued from Page One*

phone, the Galaxy Note 8, which hits shelves Sept. 15 starting at around \$950.

Prices approaching \$1,000 are more often associated with durable kitchen appliances than with pocket-size devices people tend to replace every few years. Yet Apple and Samsung think they will be able to sell tens of millions of smartphones at the higher price points, in part because of how vital the devices have become.

Many users are willing to pay a premium for a handset that functions as not only a mobile phone, but also a personal computer, a video player, a gaming device, a GPS system, a music player, a reader, a flashlight and a wallet.

U.S. consumers now spend more than three hours a day on average on their mobile devices, according to research firm eMarketer. Patrick Moorhead, president of Moor Insights & Strategy, said people are postponing upgrades to their other gadgets so they have more to spend on their smartphones.

"The utility value of these products is so, so high," said Horace Dediu, an industry analyst at Asymco and a former Nokia Corp. business development executive.

The companies believe their prices are justified to pay for innovations such as longer battery life, larger displays and voice assistants. Apple's newest iPhone is expected to have components that cost about 80% more than the components in the iPhone 7, including an edge-to-edge, organic light-emitting diode, or OLED, display, wireless charging and new sensors, according to brokerage firm Susque-

hanna International Group.

If consumers take the new price points in stride, Apple and Samsung could widen their advantage over hundreds of smartphone rivals, many struggling to break even. Apple and Samsung claim nearly all the industry's combined annual profits, with about 79% for Apple and 15% for Sam-

The average iPhone selling price rose about 2.5% to \$645 in Apple's fiscal 2016, up from \$629 in fiscal 2009. Last year's pricier iPhone 7 Plus with a dual-lens camera outsold its predecessor, the iPhone 6s Plus—a sign consumers are willing to pay up for performance.

Samsung had to pull the

Galaxy Note 7 from shelves last year due to overheating batteries, but the Galaxy S7 model went on to become its top-selling phone ever. Unlike Apple, Samsung, the world's largest phone maker by shipments, also sells hundreds of millions of lower-cost handsets.

New features on Samsung's

Galaxy Note 8 include a dual-lens camera and a mammoth 6.3-inch OLED screen. The Note 8's component costs rose about 20% over the prior year, according to an estimate by IHS Markit, a market researcher.

Many consumers are balked at a \$1,000 handset. A recent survey of wireless consumers by Barclay's found only 11% of respondents would spend more than \$1,000 on a smartphone, with respondents on average saying they would spend only about \$580.

Apple and Samsung have financing plans that can obscure the full cost of new phones. Apple's upgrade program last year offered the iPhone 7 for \$32 a month over 24 months—about \$120 more than the retail price but with an extended warranty and the option for an upgrade after a year. Samsung offers a similar, no-interest financing plan.

Wireless carriers, which have largely eliminated phone subsidies in recent years, also offer monthly payment plans.

Rivals say the steep price tags could spell opportunity. Juno Cho, head of LG Electronics Inc.'s mobile division, the No. 3 player in the U.S., believes there will be a "sizeable number" of consumers who find the pricing of certain premium handsets to be "simply out of reach." He hopes to grab part of Apple and Samsung's combined 60% U.S. market share with lower-priced, feature-rich phones.

—Ryan Knutson contributed to this article.

11%

The percentage of wireless consumers who would spend more than \$1,000 on a smartphone, according to a recent survey.

sung, according to market researcher Strategy Analytics.

The two are defying the gravity that usually pulls consumer prices downward as innovation wanes and manufacturing costs fall. Average smartphone prices have fallen 32% to \$303 in the decade since the iPhone's introduction.

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## CORRECTIONS & AMPLIFICATIONS

**Investors and analysts** have discussed whether Volkswagen AG should spin off auto maker Porsche AG and other units. A Business News article in the Friday-Sunday edition about VW incorrectly said that Porsche Automobil Holding SE, which is the investment fund that holds the Porsche family's Volkswagen shares, was one of the VW units subject to spinoff speculation.

The Honda HA-420 jet costs \$4.9 million. An Off Duty article in the Friday-Sunday edition about personal jets incorrectly gave the price as

\$4.5 million. The article also incorrectly referred to the Stratos 714 jet as the Stratos 71 in one instance.

**United Airlines** considered ordering Bombardier C Series planes before opting for planes from Boeing. The Middle Seat column Thursday about roomier aircraft incorrectly said United canceled an order for C Series planes.

Kurdish Peshmerga fighters seized the northern Iraqi city of Kirkuk in October 2014. A World News article on Aug. 31 about a planned referendum

on Kurdistan's independence incorrectly gave the date as June 2014.

**The amount** of new one-to-four family mortgage debt funneled through Fannie Mae, Freddie Mac and other taxpayer-backed entities roughly doubled after the financial crisis, to around 70%. A Business & Finance article Aug. 15 about sales of securities by Fannie and Freddie didn't make clear that the sentence referred to new mortgage debt for one-to-four-family housing units rather than all mortgage debt.

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# WORLD NEWS

## Militant Rohingya Call Truce in Myanmar

Nearly 300,000  
Muslims have fled  
from the violence  
into Bangladesh

BY JAMES HOOKWAY

YANGON, Myanmar—The militant Rohingya group, whose attacks on government outposts prompted a wave of retribution from the Myanmar armed forces, declared a ceasefire on Sunday as the two-week surge of refugees streaming into neighboring Bangladesh nears 300,000.

In a statement, Arakan Rohingya Salvation Army, or ARSA, said it was suspending operations for one month in the border area where some 1 million ethnic Rohingya Muslims live, to help aid groups get better access.

In response to ARSA's ceasefire, Myanmar government spokesman Zaw Htay said the country had a policy of not negotiating with terrorists.

The United Nations refugee agency said Saturday that the number of refugees who have crossed into Bangladesh since Aug. 25 has reached more than 290,000, straining the resources of Myanmar's neighbor. Aid agencies say some refugees are begging for food, and fights are breaking out for dwindling supplies of food and water.

The border area has been locked down by the Myanmar military since Aug. 25, when members of ARSA attacked



MUNIR UZ ZAMAN/AGENCE FRANCE PRESSE/GETTY IMAGES

Rohingya Muslim refugees followed a vehicle delivering relief supplies near the Bangladesh town of Teknaf on Sunday.

border outposts and other security detachments in northern Rakhine State.

ARSA's Pakistan-born leader, Ata Ullah, said the attacks were in response to years of repression from the Myanmar authorities, who deny the Rohingya citizenship and restrict their movements. Rohingya exiles in Saudi Arabia helped finance the militant group as a way to fight back

against the Myanmar state.

The Myanmar army's response to the Aug. 25 attacks was swift. The military has said nearly 400 people have been killed since the attacks, most of them alleged militants.

However, aid agencies say the figure could be far higher, and witnesses have reported seeing soldiers setting Rohingya villages alight and then shooting the inhabitants as

they flee. New York-based Human Rights Watch said satellite images suggest that entire villages have been razed.

The government of Nobel Peace Prize winner Aung San Suu Kyi is facing international criticism for the military action against the Rohingya. On Wednesday, U.N. Secretary-General António Guterres sent a letter to the Security Council warning that the conflict in

western Myanmar could destabilize the entire region, and that the Myanmar military's operations there risked turning into a broader campaign of ethnic cleansing.

Muslims around the world are protesting Myanmar's treatment of the Rohingya. Turkey's President Recep Tayyip Erdogan has described the violence as "genocide," and on Thursday, thousands of demonstrators

took to the streets in Jakarta, Indonesia, to demand that Indonesia cut diplomatic relations with Myanmar. In Pakistan, demonstrators set fire to images of Ms. Suu Kyi, who serves as the country's de facto leader after her political party swept national elections in late 2015.

Myanmar has said it is talking with China and Russia to block possible U.N. censure over its crackdown on the Rohingya militants. "We are negotiating with some friendly countries not to take it to the Security Council," national security adviser Thaung Tun told reporters in the Myanmar capital Naypyitaw on Thursday.

Despite the criticism overseas, Ms. Suu Kyi is facing pressure in some parts of Myanmar for not being sufficiently supportive of the military campaign in northern Rakhine State. Under the country's army-drafted constitution, she shares power with the armed forces, which retains control of the defense and interior ministries, including control of the country's borders.

She has resisted calls from abroad to condemn the violence, saying instead that world opinion was being shaped by what she called an "iceberg of misinformation."

The U.S. has been circumspect in its comments on the crisis. In a statement on Saturday, State Department spokeswoman Heather Nauert registered the U.S.'s concern but stopped short of criticizing Ms. Suu Kyi's government.

## China Prices Rebounded in August

BEIJING—China's consumer inflation rose to a seven-month high last month as prolonged weakness in food prices subsided and commodities prices rebounded.

August's stronger, yet still moderate, inflation is a good sign for the Chinese economy, economists said, as improved demand for consumer and industrial products points to better profits ahead for industrial firms.

China's consumer-price index increased 1.8% in August from a year earlier, compared with a 1.4% gain in July, the National Bureau of Statistics said Saturday. The key inflation reading outpaced a 1.6% gain forecast by economists polled by The Wall Street Journal and is well below policy makers' inflation ceiling of about 3%.

"Today's data show that domestic demand remained solid and economic growth momentum is still steady," said Liu Xuezhi, an economist at Bank of Communications.

Food prices, which have been declining for seven straight months, edged down 0.2% on year, after dropping 1.1% in July. Consumers paid more for fresh vegetables and eggs last month.

Pork prices, the main reason behind this year's food-price weakness, dropped at a slower pace last month, declining



Pork prices, the main reason behind this year's food-price weakness, declined at a slower pace.

13.4% in August from a year earlier and shaved nearly 0.4 percentage point off the headline CPI. In July, pork prices dropped 15.5%.

Prices for goods other than food grew 2.3% on year, compared with 2.0% on-year growth in July. That faster non-food inflation was partly due to a pickup of industrial prices, said Mr. Liu.

Core consumer-price inflation, with food and energy prices stripped out, rose 2.2% last month on year, a tick up from July's 2.1%. The core CPI has been holding steady at a lit-

tle above 2% since March.

The producer-price index climbed to a four-month high of 6.3% in August, compared with a 5.5% on-year increase in July. The reading for factory-gate prices was higher than a median forecast increase of 5.7% by the economists and was boosted by increases in prices for coal, oil and gas and steel and other metals.

A government effort to reduce industrial capacity and to enforce environmental regulations has spurred expectations that prices for steel and other metal products will continue to

rise, said Yang Weixiao, an economist at Founder Securities.

The industrial-price inflation will probably ease to about 3.5% toward the end of the year as factories increase production and as calculations factor in higher prices late last year, Mr. Yang said.

"Inflation rebound should be temporary and not strong enough to cause the central bank to waver from its current stance," he said, adding that the bank this year is focusing on lowering debt levels and other risks in the financial sector.

—Liyan Qi

## YUAN

*Continued from Page One* while discouraging them in property, sports, entertainment and other sectors. "As situations in the foreign-exchange market improve, it makes sense to withdraw some of those temporary measures," said one of the officials involved in policy-making.

In dismantling certain controls, Beijing is shifting course in an unprecedented effort started two years ago to keep the yuan from weakening too quickly and to maintain confidence in the world's second largest economy. To do so, Beijing subjected outbound investments to heavy scrutiny, made betting on the yuan's decline more expensive for traders, and burned through \$1 trillion in foreign-exchange reserves in the past several years.

Its strategies gained traction this year, helped by an unexpected softening of the dollar, causing the yuan to soar and making the currency again a policy headache for the government. So far this year, the yuan has more than recouped all of its 6.6% decline against the dollar last year, and last week alone, it gained more than 1.8%—its biggest weekly advance in almost 12 years.

The surge is starting to drag on China's export growth,

sion of Chinese exports.

Beijing isn't looking for a wholesale weakening of the yuan and still retains formidable control of the currency—from limits on the ability of Chinese companies and individuals to take money out to a heavy hand in setting the yuan's official rate against the dollar. Known as the "fixing," the daily official rate indicates which way Beijing wants the yuan to go.

On Friday, for instance, the central bank set the fixing weaker than the market had expected, hinting at a desire to control the yuan's pace of appreciation.

The PBOC deposit notice issued late Friday involves a rule enacted in October 2015 that required banks to set aside reserves with the central bank when dealing in a financial contract known as currency forwards. Under the rule, banks that were buying dollars while selling yuan under a forward contract were required to deposit \$20 with the central bank for every \$100 traded. The reserve effectively raised the cost of waging against the yuan.

**China is departing from a two-year bid to keep the yuan from weakening too quickly.**

## WORLD WATCH

### GULF CRISIS

#### Saudi-Qatari Effort To Reconcile Falters

Saudi Arabia suspended all contact with Qatar after the first known conversation between leaders of the two countries failed to defuse tensions.

Qatar's ruler, Sheikh Tamim bin Hamad Al-Thani, on Friday evening spoke with Saudi Crown Prince Mohammed bin Salman for the first time since Saudi Arabia and other Arab countries broke diplomatic ties with Qatar in June, blaming it for having alleged ties to terror groups.

The phone call came a day after U.S. President Donald Trump offered to serve as a mediator to help resolve a dispute that has created more instability in a volatile region and complicated the joint fight against Islamic State.

But hopes the phone call marked a turning point in the crisis were quickly dashed, with Saudi Arabia accusing Qatar's state media of distorting its account of the conversation between Sheikh Tamim and Prince Mohammed. The disagreement is about protocol: Saudi Arabia says Qatar requested the conversation.

"What was published by the

Qatar News Agency is a continuation of the distortion by the Qatari authority of the facts," said a Saudi Foreign Ministry official quoted by the official Saudi Press Agency. "The Kingdom of Saudi Arabia declares that any dialogue or communication with the authority in Qatar shall be suspended until a clear statement explaining its position is made in public."

—Nikhil Lohade

### TENNIS

#### Stephens Tops Keys In U.S. Open Final

Sloane Stephens dominated a shaky Madison Keys in the U.S. Open final and won 6-3, 6-0 to earn her first Grand Slam title, capping a remarkably rapid rise after sitting out 11 months because of foot surgery.

The 83rd-ranked Ms. Ste-

phens is only the second unseeded woman to win the tournament in the Open era, which began in 1968. This was the first all-American women's final at Flushing Meadows since 2002, when Serena Williams beat Venus Williams.

It was also only the second time in a U.S. Open that two women made their Grand Slam final debuts against each other.

—Associated Press



Sloane Stephens won her first Grand Slam title, beating Madison Keys in the first all-American women's final at Flushing Meadows since 2002, when Serena Williams beat Venus Williams.

MIKE SEGAR/REUTERS

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It was also only the second time in a U.S. Open that two women made their Grand Slam final debuts against each other.

—Associated Press

Customs data released Friday show that China's exports increased 5.5% in August from a year earlier, lower than July's 7.2% rise and the 6% growth forecast from economists polled by The Wall Street Journal. While Chinese manufacturers are expected to continue to benefit from a recovery in global demand, economists said any continued appreciation of the yuan would crimp a further expansion of Chinese exports.

As of Monday, no deposit will be required for such a transaction, in effect removing a penalty on a tool that many traders and investors used two years ago to bet on the yuan's decline. "Now the PBOC is basically inviting short sellers in to help stem the yuan's rise," said a currency trader in a Shanghai-based bank.

The latest policy twist underscores how hard it is for Beijing to control the currency to its exact liking. Deepening economic ties between the country and the rest of the world have led to greater cross-border flows of funds, inevitably subjecting the yuan to the whip of market forces, despite the government's penchant for keeping a strong hold on the economy. At the same time, companies and investors look at Beijing's policy directions for clues as to which way to play the yuan—and then sometimes pour in, driving the currency in one direction.

Even before Friday's move, the yuan's recent surge and its impact on the economy had begun to turn some investors cautious. "We're neutral on the yuan right now," said Luke Spajic, head of portfolio management for Asia emerging markets at Pacific Investment Management Co.

## WORLD NEWS



Debris litters a street after Hurricane Irma struck St. Martin. Hotels were damaged and there was widespread looting there.

# Irma Devastates Caribbean

At least 22 people died as hurricane swept islands. Havana among cities flooded

By DUDLEY ALTHAUS

Hurricane Irma left widespread human and economic havoc in a string of tourism dependent Caribbean islands as the storm pulsed into Florida on Sunday.

Irma departed the last of those islands, Cuba, by Sunday morning after scraping along its northern coast. Buildings collapsed, trees and power lines tumbled and roofs flew away in the 130-mile-an-hour winds.

Rain and seawater flooded towns and cities, including the colonial center of Havana, the country's capital and a key tourist magnet. Communications were cut off, power was down and infrastructure was damaged in some affected parts of the island.

No deaths have yet been reported in Cuba, as authorities evacuated thousands of residents and tourists ahead of Irma's arrival. But the hurricane killed at least 22 others across the northern Caribbean in four days of torment.

The storm's damage comes just a few months before the beginning of the winter tourism season, which last year pumped \$56 billion into the regional economy and provided 725,000 jobs, according to the World Travel and Tourism Council, an international industry group.

But Irma affected only a

portion of the Caribbean. And while severe on some islands, the storm's destruction was negligible in others, according to an early assessment by the Caribbean Tourism Organization.

Damage so far appears to have been heaviest in St. Martin and nearby islands in the U.S. and British Virgin Islands. The storm's impact still hasn't been fully assessed in Cuba. Puerto Rico and the Dominican Republic seem to largely have been spared.

"For the countries that are badly affected, it will take some time to get back on their feet," Hugh Riley, an official with Caribbean Tourism Organization, said early Sunday.

The affected islands caught a break Saturday when Hurricane Jose, a Category 4 storm that had been on track to follow Irma's path, turned to the north without making a Caribbean landfall.

Irma began its rampage far to the east of Cuba on Wednesday, tearing into the small two-island nation of Antigua and Barbuda in the northern Leeward Islands. Antigua, the larger of the two, was mostly spared by the storm.

Barbuda, famed for its pink sand beaches and several luxury resorts, suffered widespread damage and the death of a toddler. More than 90% of the buildings on the island suffered extensive damage, officials say.

Philmore Mullin, director of the tiny country's emergency-response agency, told reporters Saturday that poor building practices were the main

cause for much of the damage. He said a primary lesson from the devastation is that the island needs "strict enforcement of the building codes."

The storm's destruction was even worse on the islands to the west of Barbuda, where at least 11 people were killed on St. Martin, a small island jointly controlled by France and the Netherlands. Many of its hotels were badly damaged and widespread looting was reported.

By Sunday morning, the U.S. National Guard evacuated by aircraft some 500 of the more than 5,000 American citizens who were on St. Martin when the storm struck.

*More than 90% of the buildings on Barbuda suffered extensive damage.*

St. Martin authorities declared a state of emergency Saturday, calling on residents to remain indoors, according to the Dutch newswire ANP. The state of emergency makes it easier for security forces to more easily arrest suspected looters. Authorities said that people with medical conditions are being evacuated to Aruba and Curaçao.

Another storm, Hurricane Katia, hit Mexico's Gulf Coast early Saturday. Two people died in mudslides in the city of Xalapa in Veracruz state after it was battered by high winds and heavy rains. The

storm weakened quickly after it hit and is now a tropical depression dropping rain on Mexico's coast and central highlands.

In the Caribbean, both St. Thomas and St. John, in the U.S. Virgin Islands, were badly hit by Irma and remained under curfew overnight Saturday. At least four people were killed on the islands and many of its tourist hotels were badly damaged.

After skirting north of both Puerto Rico and the island of Hispaniola, shared by the Dominican Republic and Haiti, Irma closed in on the central Cuban coast, making landfall near idyllic barrier islands where all-inclusive hotels serve foreign tourists. Some 5,000 tourists were evacuated from the hotels as the storm approached, Cuban officials said.

Waves as high as 27 feet flooded seaside communities across the northern coast, including in the historic colonial section of Havana, the capital. Waves breached the Malecón, the Cuban capital's famed sea wall, flooding the streets of the colonial downtown. Havana's downtown has become a major tourist draw in recent years, but decades of neglect have left many of its buildings prone to collapse after even normal seasonal rains.

By Sunday morning, central Havana's streets remained flooded and wind gusts of up to 60 miles an hour were sweeping the Cuban capital, as rescue crews in thigh-deep water evacuated people from city streets.

# Mexico Quake Kills Dozens, Leaves Ruin

By DUDLEY ALTHAUS

MEXICO CITY—Mexican security forces intensified recovery efforts Sunday after one of the country's strongest earthquakes in decades along its southern Pacific Coast and a hurricane that dropped heavy rains inland from the Gulf coast.

At least 90 people were killed in the 8.1-magnitude quake, which struck at midnight Thursday off the Pacific Coast of southern Mexico. The worst hit was the Zapotec indigenous city of Juchitán in Oaxaca state. In all, 71 people died in Oaxaca state, 15 in neighboring Chiapas state and four in the Gulf state of Tabasco, local authorities said.

Hundreds of aftershocks have struck since Thursday night's tremor. A 4.4 quake was recorded Sunday morning near the Oaxaca coast by Mexico's Seismic Service.

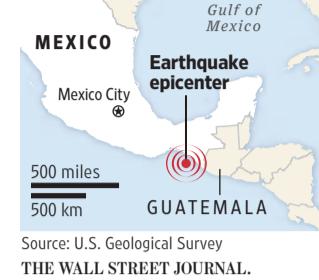
Late Friday, Mexican President Enrique Peña Nieto declared three days of mourning for the people killed in the earthquake.

Hours later, Hurricane Katia, a Category 2 storm that had lingered offshore for days, hit Veracruz state. The storm weakened quickly as it moved inland but dropped rain that caused rivers to overflow their banks, collapsed roads and killed two people in the state capital of Xalapa.

Meanwhile, some 2,000 Mexican troops rushed food, water and other basic supplies into the poor southern states of Oaxaca and Chiapas, which bore brunt of the earthquake. Both states have indigenous populations and are among Mexico's poorest.

By Saturday, authorities had restored electricity and water services to most of the affected communities. Crews were searching for other victims, tearing down badly damaged buildings and clearing streets and highways.

While widespread, the human and property impact was



most severe in Juchitán, a city of 100,000 people. Parts of the city's town hall, a hotel, a church and other buildings collapsed. Hundreds of houses were damaged.

Across Mexico, local authorities set up collection centers that received donations of basic goods such as baby formula and diapers for the children affected by the earthquake.

"We will have to confront the destructive force of this quake with the constructive force of Mexicans' unity," Mr. Peña said Friday during a tour of the damage in Juchitán.

Thursday's quake was similar in strength to, but far less destructive than the Sept. 19, 1985 quake that damaged much of central Mexico City, killing at least 6,000 people. Some estimates run far higher.

Thursday's quake sent many thousands of panicked residents into the streets as buildings swayed and seismic alarms sounded.

The quake's epicenter was about 54 miles southwest of the Oaxacan coastal town of Pijijiapan, and was 43 miles below the earth's surface. Mr. Peña said half of Mexico's 123 million people felt the quake.

Over the weekend, the people of Juchitán began burying their dead even as crews searched for more people in the debris. Among the new victims listed Saturday was a Juchitán policeman whose body was recovered from the rubble of city hall.

—Juan Montes contributed to this article.



A man walks past a Juchitán building damaged by the 8.1 quake.

# Pope Tells Colombia To Reject Revenge

BY JUAN FORERO AND KEJAL VYAS

VILLAVICENCIO, Colombia—Pope Francis, speaking Friday in a swath of cattle country that was an epicenter of this country's long civil conflict, told 6,000 war victims assembled before him to discard any desires for revenge and forgive those who caused them harm.

"Let us heal that pain and welcome every person who has committed offenses, who admits their failure, is repentant and truly wants to make reparations," the pontiff said, standing on a stage in this stifling hot city on the edge of the country's great plains.

The pontiff spoke before victims chosen by the Catholic Church and the government of President Juan Manuel Santos, which operates a special unit that addresses the needs of an estimated 6.6 million people who lost loved ones, were forced off land, held hostage or otherwise victimized in a guerrilla war that lasted half a century.

Pope Francis urged combatants to divulge information on missing persons, child-soldier recruitment and sexual crimes against women as part of a peace pact the state signed with the FARC rebel group last year. "Truth is an inseparable companion of justice and

## IRMA

Continued from Page One

Around the state, more than 6.5 million people were ordered to evacuate and the state reported that 77,000 people were seeking refuge in 450 shelters around the state. In the days leading up to Irma's arrival, evacuees streamed out of the state creating traffic jams along the highways and a dearth of accommodation up through Georgia.

Florida officials have warned that Irma could be worse than Hurricane Andrew that devastated South Florida in 1992. Andrew, a Category 5 hurricane, killed 61 people in the U.S. and caused nearly \$48 billion in economic damage in 2017 dol-

lars, according to the National Oceanic and Atmospheric Administration—the costliest storm in U.S. history until Hurricane Katrina in 2005.

It was the second Category 4 hurricane of the season to hit the U.S., after Hurricane Harvey hit the Texas coast last month. Lixion Avila, senior specialist with the National Hurricane Center, said it is extremely rare to have two Category 4 storms hit in one season.

More than 825,000 electricity customers had lost power by Sunday morning, mostly in Miami-Dade, Broward and Palm Beach counties, according to the Florida Division of Emergency Management. In Miami-Dade County, about 41% of customers had lost power.

"We are going to lose a lot

of power," Gov. Scott said, cautioning that it will take a while to restore service because crews will have to wait for the storm to pass.

The nine southern counties of Florida that are expected to be hit first—roughly from Palm Beach on the Atlantic coast to Port Charlotte on the Gulf Coast—count 7.2 million residents.

They include 1.3 million who are over 65, of whom 320,000 live alone, according to Census estimates. Overall, more than three-quarters of a million disabled people live in the area.

The storm's move westward caused residents along the state's west coast to quickly shift plans and bunker down.

Wrede McCollum, who lives on Pine Island off Florida's

southwest coast, had planned to stay at a friend's house—despite a mandatory evacuation order—because of reports of log-jammed highways and packed shelters. But after seeing the storm's projected westward turn, Mr. McCollum and his friends decided to go to a shelter.

"The current track seems headed right for St. James City," where he lives, he said by text. "Jangling a few nerves here."

Lisa Tilson, a Boca Raton native, was staying at her mother's house in Sun City Center, a retirement community near Tampa on the Gulf Coast. She planned to stay in one hallway with her daughters, while her mother, her mother's partner and Ms. Tilson's 80-year-old aunt stay in another, she said. "That's where we are going to ride it out," she said.

Gov. Scott said his hometown of Naples on the Gulf Coast could be particularly hard hit.

"It's going to be devastating to all those homes on the beaches," he said.

Collier County, on Florida's southwest coast, ordered additional evacuations Saturday even as officials were scrambling to find space in jammed shelters before Hurricane Irma brings potentially deadly storm surges.

The county told residents in single-story homes in the Lely Resort community to evacuate. Those living in two-story homes should "vertically evacuate" to the second level, said Dan Summers, the county's emergency-services director.



Waves produced by Hurricane Irma crash into a fishing pier in Fort Lauderdale, Fla.



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## IN DEPTH

# Hospitals Keep 'Gold Seal' Despite Woes

Private accrediting group certifies hundreds of institutions despite documented problems

BY STEPHANIE ARMOUR

Patient-safety problems were so serious at **Cooley Dickinson Hospital** in Northampton, Mass., that the federal Medicare agency threatened to cut it off. Most patients never knew.

Two babies died within six weeks in late 2013 and early 2014. That was just a couple of months after a pregnant woman died when the hospital didn't ensure she was treated for high blood pressure from a condition called pre-eclampsia, according to a federal inspection report.

"The failure to provide quality medical care resulted in the death of all three patients," said the report from the **Centers for Medicare and Medicaid Services**, or CMS.

Yet the **Joint Commission**, a nonprofit that provides hospital accreditation, made no change in Cooley Dickinson's status, allowing it to continue promoting itself as fully accredited despite being out of compliance with safety requirements to participate in Medicare.

The Joint Commission is the accrediting organization for almost 80% of U.S. hospitals, including those for veterans, the Federal Bureau of Prisons and the **Indian Health Service**, giving it a sweeping quasi-governmental role overseeing care.

This certifier of hospital quality, however, typically takes no action to revoke or modify accreditation when state inspectors find serious safety violations, according to a Wall Street Journal database analysis of hundreds of inspection reports from 2014 through 2016.

In 2014, about 350 hospitals found in those reports to be in violation of Medicare requirements had Joint Commission accreditation at the time, the Journal found. More than a third had additional violations later in 2014, 2015 and 2016.

The Joint Commission revoked the accreditation of less than 1% of hospitals that were out of Medicare compliance in 2014, the Journal found.

A result is that hundreds of hospitals with safety problems could continue to display a "Gold Seal of Approval."

"It's clearly a failed system and time for a change," said Ashish Jha, a health-policy researcher at Harvard, who said the Journal finding "shows accreditation is basically meaningless—it doesn't mean a hospital is safe."

Sen. Charles Grassley (R., Iowa) said he will look for ways to improve the system, because "based on The Wall Street Journal's reporting, it's unclear what rock bottom a hospital would have to hit before losing accreditation."

Dr. Mark Chassin, president and chief executive of the Joint Commission, said it doesn't routinely withdraw accreditation of hospitals with safety problems because its focus is less on regulating or penalizing and more on preventing problems. "Our mission is to work closely with health-care organizations to help them improve the care they provide," he said.

The Commission, based in Oakbrook Terrace, Ill., said its inspectors make unannounced visits to identify problems before they cause harm to patients. Denying accreditation



Jim Bennetts views photos of a daughter who killed herself when left alone at a hospital that had safety issues but full accreditation.

is sometimes necessary if hospitals can't bring their care up to an acceptable level, it said, but in the overwhelming majority of cases, they eventually come into compliance.

Officials said they couldn't comment on a specific hospital, such as Cooley Dickinson, as a matter of policy.

The hospital, an affiliate of Massachusetts General Hospital, said it reported the deaths of the babies and pregnant woman to regulators and began a reorganization of its birth center. It was determined to be back in compliance with Medicare requirements later in 2014. Various litigation concerning deaths at its birth center is pending.

The Joint Commission's role traces to the 1965 law creating Medicare and Medicaid. The law required hospitals to meet certain safety conditions to receive money from the programs. Hospitals can use state inspections to prove compliance or hire a private, federally approved accrediting organization such as the Joint Commission.

### Ties to the industry

Most hospitals have chosen that option, and many states have allowed private accreditors to take over much of their inspection role. The process turned the Joint Commission, the largest private accreditor, into a key safety watchdog.

It is one with ties to the industry it oversees. Twenty of its 32 board members are executives at health systems it accredits or work at parent organizations of such systems.

Other board members are named by health-care lobbying groups, such as the American Hospital Association.

Joint Commission officials said excluding hospital executives would deprive the board of the most knowledgeable and valuable advisers. The organization said hospitals that have executives on its board sometimes are cited by its inspectors for Medicare violations, which "shows our impartiality and argues against our accreditation process showing any favoritism to hospitals that have executives serving on our board."

Hospitals accredited by the Joint Commission pay it an annual fee of from \$1,500 to \$37,000, depending on size.

They also pay the Joint Commission for inspections, which occur at least every three years and cost an average of about \$18,000 in 2015.

A subsidiary, Joint Commission Resources, has consultants that hospitals can hire to help gain accreditation.

The Joint Commission said it maintains a strict firewall so information isn't shared.

The Joint Commission's program revenue totaled \$142 million in 2013, according to its filing for that year with the Internal Revenue Service, the latest available. The nonprofit paid its CEO, Dr. Chassin, more than \$1 million in 2013, including salary, benefits and retirement-plan contributions, the filing shows.

To examine its record, the Journal built a database from

vide adequate care and ensure patient safety and health, said a 2004 report by the Government Accountability Office.

CMS checks the work of private accreditors of hospitals by using state inspectors to examine some of the same facilities. The checks produce a "disparity rate," a formula showing what percent of accreditors' inspections missed a problem found in inspections done at CMS's behest. If the rate is above 20%, CMS informs the accreditor.

The Joint Commission had a disparity rate of 42% in fiscal 2014. In the case of psychiatric hospitals, the rate was 75%.

The Joint Commission called the disparity rate an incomplete measurement. It said state inspectors use different measurement tools to assess compliance with Medicare requirements and sometimes take note of infractions that don't affect clinical care.

It isn't easy for patients to find out about hospital safety problems on their own. Some information is available from states and CMS, but consumers have to know where to look and what to ask for. CMS said it is required to notify the public only about two weeks before it cuts off a hospital's Medicare funding.

Hospital inspection reports from the Joint Commission and other private accreditors are kept confidential. This secrecy has long been criticized by consumer groups, former and current members of Congress and some hospital leaders and physicians.

This spring, CMS proposed making the Commission's inspection reports public. The Joint Commission opposed the proposal, saying the confidentiality of its inspections encouraged candor, and the proposal would hamper its consulting work. In August, CMS withdrew its proposal. It noted that federal law bars CMS itself from disclosing inspection results and said it

didn't want to appear to be circumventing the prohibition.

The Joint Commission said it is "committed to making relevant and accurate information about our accredited and certified health care organizations available." It runs a website, Quality Check, for looking up a hospital's status.

**Eastern State Hospital** in Williamsburg, Va., is an institution CMS disqualified from Medicare funding in April 2016 for safety violations. Yet Quality Check's entry for the hospital says it is accredited and has met all national patient-safety goals, compared with other commission-accredited organizations.

The listing notes that the hospital performed below a target range on assessing patients on certain criteria, such as risk of violent behavior.

The Quality Check entry makes no mention of the hospital's having been disqualified from receiving Medicare funds.

Virginia health official Daniel Herr, to whom state-run Eastern State referred questions, said the institution is on track to request again being made eligible for Medicare for its adult acute-care units.

### A gap in observation

Some family members of patients are angry at the Joint Commission for letting troubled hospitals maintain their accreditation. Among them is Jim Bennetts, 74, of Novato, Calif.

His daughter, Brittney Bennetts, was struggling with depression and anxiety when she was admitted in late 2014 to **United Health System's Timberlawn Behavioral Health System** in Dallas. Ms. Bennetts, 37, a therapist who worked in hospice care, was in the hospital because she felt suicidal, her father said.

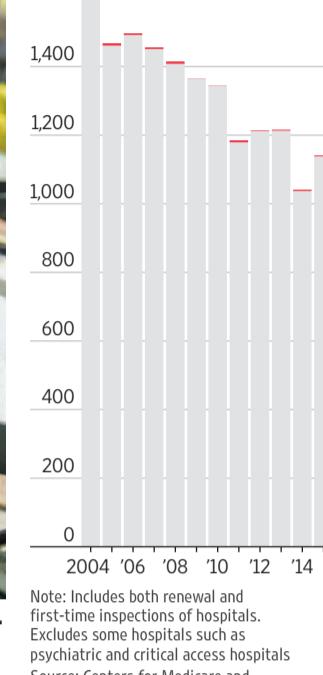
Timberlawn, built around a stately white farmhouse, had amassed 16 safety deficiencies since 2011, a review of records at HospitalInspections.org shows. "How would we know?" said Mr. Bennetts. The hospital had accreditation from the Joint Commission, which ranked it as a top performer on hospital-based in-patient psychiatry.

### Seal of Approval

Only a small percentage of hospitals inspected by the Joint Commission have been denied accreditation.

#### Hospital inspections by fiscal year

■ Denied accreditation



Note: Includes both renewal and first-time inspections of hospitals.

Excludes some hospitals such as psychiatric and critical access hospitals

Source: Centers for Medicare and Medicaid Services

THE WALL STREET JOURNAL.

ric care in 2013 and 2012. Mr. Bennetts said his daughter researched and selected the hospital on her own.

Hospital staff wrote in their records that Ms. Bennetts needed constant observation and was at high risk of suicide, according to the report of a state inspection for CMS months later. The report said that on Dec. 3, 2014, Ms. Bennetts was left alone and used a sheet to hang herself from a closet doorknob.

The inspection that followed her death found continuing problems at the hospital, including patients sleeping on chairs in an overcrowded unit and an alleged rape of one patient by another. Eight months after the suicide, CMS cut off Medicare funding for Timberlawn, saying its violations posed "an immediate jeopardy to patient safety...."

Throughout the events, Timberlawn remained accredited by the Joint Commission and displayed its quality seal.

"It's unbelievable they're able to still be accredited," said Mr. Bennetts. "We believe Brittney would still be with us if she'd been under constant observation."

Timberlawn CEO James Miller said Medicare certification was reinstated about 15 months later. He said he couldn't comment on a patient's care because of privacy laws, but said "the incident was tragic and our thoughts and prayers continue to be with the family." The family reached a confidential settlement with the hospital. A spokesman for CMS said it couldn't comment.

Joint Commission officials declined to comment on Timberlawn but said scores of published studies show the organization's accreditation process, including working with troubled hospitals, drives improvements in quality and patient safety.

"Health care has a long way to go before it is safe as we want it to be," the organization said in its response to the Journal. "That road would be a lot longer without The Joint Commission."

# COPIES

Continued from Page One  
1980s TV show "Knight Rider," including its bowling-ball-like hubcaps. "I get a lot of people shouting 'Knight Rider!'" says the 33-year-old postal worker. "It's not an everyday sight here in England."

Melissa Alexander of Smithton, Mo., bought a 2010 yellow-and-black Camaro she plans to modify as Bumblebee from the 2007 movie "Transformers."

Ms. Alexander, 56, a shipping clerk engaged to Mr. Pace, three years ago founded the 25-member Missouri Movie Cars group—one of a number of replica-car clubs in the U.S. "It's just a passion that keeps us young and alive," she says.

Other replicas out there in-

clude tributes to the Bluesmobile from "The Blues Brothers" (1980), the Interceptor from "Mad Max" (1979) and Sheriff Buford T. Justice's cop car from "Smoky and the Bandit" (1977).

Not all are worthy, purists like John Benoit say. His blood boils, he says, when he sees an eBay listing for a purported replica of the Ford Mustang the late actor Steve McQueen raced around San Francisco in the 1968 classic "Bullitt."

The only similarities of many, says Mr. Benoit, 60, are that they are 1968 Mustang fastbacks painted green—but with the wrong interior and lacking other Bullitt features. "If you're not gonna do a Bullitt, then don't call it a Bullitt."

The Edgewood, Wash., car-

restoration-shop owner in 2011 bought a 1968 Mustang 390 GT with the proper dark green

exterior and black upholstery. He spent two years and \$70,000 restoring it into a proper Bullitt knockoff.

Replicas can get a little too authentic and attract lawyers. The Ninth U.S. Circuit Court of Appeals in 2015 held that the Batmobile is copyright protected, in a case filed by DC Comics, the publisher and copyright owner of Batman comics, against a replica maker.

Josh Reisberg, a New York intellectual-property lawyer, says other replicas could infringe, although amenities such as adding shag carpeting wouldn't necessarily do so. The risk of getting sued, he says, probably isn't high if the replica isn't used much commercially.

Mr. Pace, of the Shaggin' Wagon, said he consulted with a copyright lawyer who told him he was OK as long as his

replica wasn't exact—and his aren't. One of his works, a hearse mimicking the Cadillac in "Ghostbusters" (1984), includes inauthentic features such as square headlights rather than the proper round ones.

copies weren't exact—and his aren't. One of his works, a hearse mimicking the Cadillac in "Ghostbusters" (1984), includes inauthentic features such as square headlights rather than the proper round ones.

His first conversion was a 1982 DeLorean he transformed to look like the time machine in the 1985 movie "Back to the Future." For a "flux capacitor," the film's time-travel engine, he affixed a coffee grinder, pie

plate and pool filter.

Next was his replica of the Ecto-1, the "Ghostbusters" vehicle. He bought a hearse for about \$500, he says, and spent about \$10,000 to add features such as a green "slimer" ghoul on the hood and glow-in-the-dark paint. Sadly, Mr. Pace lost the Ecto-1 in a 1994 divorce. Happily, he was reunited with it two years ago after finding it for sale at \$7,500, stripped down in a local garage.

He has a few other obsessions. His house sports 120 animals stuffed by taxidermists and a life-size Ronald McDonald statue. Those and his cars, he says, "make me feel happy."

Ms. Alexander, his fiancée, says she doesn't mind the cars. It's Ronald McDonald sitting cross-legged in his living room that creeps her out. "I'm afraid of that clown."



Joe Pace with his replica of the 'Ghostbusters' Ecto-1.

JM CARTON/THE WALL STREET JOURNAL

# U.S. NEWS

THE OUTLOOK | Ian Talley

## Economic Sanctions Have Limited Reach



The Trump administration is turning to economic warfare—an intensified sanctions program—to deal with an increasingly belligerent North Korean regime.

But economic tools have a mixed record of success addressing geopolitical problems. Sanctions helped end apartheid in South Africa. They pushed Iran to an agreement to curtail its nuclear program, though many critics say the deal is insufficient. Over 50 years they haven't budged the Castro family from its hold on power in Cuba and failed to turn Russia back from its Ukraine incursions.

Much depends on how forcefully Washington applies its economic weapons and how much cooperation it gets from other nations.

Alarmed by Pyongyang's latest nuclear test and preparations for another intercontinental ballistic missile test, the Trump administration is crafting harsher economic penalties against North Korea and its facilitators. Washington hopes tougher measures will avert a potentially catastrophic military conflict and foretell the evolution of Pyongyang's nuclear-weapons technology.

U.S. officials are pushing the United Nations Security Council to ban North Korea textile exports, embargo oil

sales to the country and prohibit it from renting out its workers abroad. Treasury Secretary Steven Mnuchin is readying new sanctions likely targeting the largest importers of North Korean goods and some of the banks facilitating that trade.

Past U.S. sanctions efforts have a spotty record.

**A**mong the successes: U.S. lawmakers championed sanctions in 1986 against South Africa's apartheid regime that eventually led to a global trade embargo against the nation. By 1991, with its economy in recession, the government repealed the apartheid laws.

A U.S. sanctions regime against Myanmar's antidemocratic government was a key factor in precipitating a collapse in that country's economic growth. By 2012, as democracy slowly returned to the country, the U.S. began easing those measures.

The Bush administration in 2007 was able to force North Korea to shut down a nuclear facility critical to the regime's weapons program by cutting off a small Macao-based bank from the U.S. financial system. That temporarily chilled international financing for Pyongyang as foreign banks feared losing access to the dollar, the currency used for most of the world's trade.

But the regime soon secretly restarted its nuclear-



Nikki Haley, right, the U.S. ambassador to the United Nations, with her Chinese counterpart, Liu Jieyi, before a U.N. Security Council emergency meeting over North Korea last week.

firms and individuals that help finance Mr. Kim's regime. Even when Beijing does act, those measures are often temporary, and cross-border sales are often soon resumed.

"One way the Trump administration can get the Chinese into the game here in a more effective fashion is by looking at more sanctions on Chinese entities, especially certain smaller banks and trading companies, that are critical to the North Korean economy," said David Cohen, a former top CIA and Treasury official.

**S**tudies by C4ADS, a nonprofit tracking global security threats, show Pyongyang's evasion networks are financed by a centralized and limited system. "A relatively small number of networks that bridge licit and illicit systems"

means they are vulnerable to disruption, said David Lynch, chief of analysis.

Capitalizing on that premise, U.S. lawmakers are backing legislation that would target the 10 largest Chinese importers of North Korean goods. Treasury is also setting its sights on Chinese banks. Banning them from U.S. markets could scare the broader Chinese financial system into better sanctions compliance. But applying hefty fines would likely require the administration to develop a more coordinated strategy, some analysts say.

weapons program. China has since stepped in to become its biggest trade partner—accounting for 90% of the total—and Pyongyang has improved its sanction-evasion techniques. "Targeted sanctions—unintentionally and counterintuitively—helped to create more efficient markets in China for North Korea Incorporated," said John Park, director of the Korea Working Group at the Harvard Kennedy School.

The Trump administration is hoping now to replicate with North Korea the sanctions approach that forced Iran to negotiate a nuclear deal under the Obama administration. In that case, the U.S. secured European allies' support to stem oil revenue to the Persian economy.

Former U.S. officials say the extent of the efforts against Iran dwarf the current North Korea sanctions regime.

In contrast, foreign government compliance with U.N. sanctions against North Korea is poor. China, in particular, is proving to be a reluctant partner.

U.S. sanction experts say a severe escalation in economic pressure that threatens North

Korean leader Kim Jong Un's hold on power is needed to change his calculus.

"It would mean placing a stranglehold on the North Korean economy that makes it impossible for the leader to pay his military and security forces, to fuel his planes and trucks, or to provide bribes to his family and cronies," said Adam Szubin, the former head of Treasury's sanctions office who is now at Johns Hopkins University's School of Advanced International Studies in Washington.

Asia analysts say China often fails to crack down on the

## Inside Spending Bill: Campaign Finance Deregulation

BY CEZARY PODKUL

Trump's promise to "get rid of and totally destroy" a law that forbids such activity.

Corporations would be able to ask their employees to donate to unlimited numbers of trade associations' political action groups instead of limiting employee solicitations to one group per year.

Other measures included in the bill would continue to prevent the Internal Revenue Service and the Securities and Exchange Commission from implementing rules that would affect political activities of 501(C)(4) nonprofits and publicly traded corporations, respectively. And the government would again be prohibited from requiring federal contractors to disclose their political contributions and campaign expenditures.

These multiple provisions—called riders—are frequently inserted into appropriation bills as a way to pass controversial policies without having



been done in this area. Probably the most," said Fred Wertheimer, president of the group Democracy 21 and an architect of the 2002 McCain-Feingold campaign-finance overhaul bill. His concern, he said, is that the riders would enable "secret money" to "flow into elections." On Thursday, Democracy 21 and about 20 other organizations sent a letter to House members asking them to oppose the riders.

Mr. Wertheimer is particularly worried about the rider allowing churches to skirt the so-called Johnson Amendment. Named after its primary sponsor when he was senator, the late Lyndon Johnson, the 1954 rule prohibits 501(C)(3) nonprofit organizations—such as churches—from endorsing or opposing political candidates.

On Friday, the House passed a bill to fund the government until Dec. 8. Lawmakers hope to pass a longer-term spending bill in December.

"It's as many riders as has

them voted on individually, since they will "ride along" with a larger spending bill.

It is unclear which House members inserted the language into the bill, which was drafted by the Republican majority. House Democrats tried to strike many of the provisions but didn't succeed. The House

is expected to debate and possibly vote on a package of spending bills that includes the riders as early as this week.

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The Family Research Council, a conservative Christian

group, is lobbying to repeal the Johnson Amendment and has worked with House Majority Whip Steve Scalise (R-La.) to introduce a bill that would do so, according to its website.

"A nonprofit organization should not lose its tax-exempt status or be threatened with audits because it exercises its constitutional right to speak in favor of political candidates who share the organization's values and mission," the group argues.

A spokesman for Rep. Scalise said in an email he "has long supported efforts to protect the First Amendment rights of houses of worship and other nonprofit organizations" and that his bill would prevent "unelected IRS bureaucrats from stifling the free speech of religious leaders and others under the auspices of the Johnson Amendment."

The Family Research Council didn't return a request for comment.

### U.S. WATCH

MEMOIR

#### Clinton Won't Run for Office Ever Again

Hillary Clinton described the lingering pain of being "gob-smacked" after losing the presidency nearly 10 months ago to Donald Trump and said she will not be a candidate for office ever again. "I think I am good, but that doesn't mean that I am complacent or resolved about what happened," the 2016 Democratic presidential nominee said in an interview Sunday with CBS News' Jane Pauley. "It is still very painful. It hurts a lot."

Mrs. Clinton's interview marks the beginning of what will be a monthslong media tour around her memoir of the campaign, "What Happened," set to be released by Simon & Schuster on Tuesday. The tour keeps 2016 in the news on the eve of another election season as Democrats struggle to coalesce around a new standard-bearer. The White House didn't immediately respond to a request for comment.

—Eli Stokols

SEN. JOHN MCCAIN

#### Cancer Treatment Challenges Remain

Arizona GOP Sen. John McCain, who returned to the Senate last week after treatment for an aggressive form of brain cancer, says his prognosis is good, but noted "the challenges are very significant."

—Robert Lee Hotz

"This is a very vicious form of cancer that I'm facing. All the results so far are excellent. Everything is fine," he told Jake Tapper on CNN's State of the Union on Sunday. The senator, who had surgery to remove a blood clot above his left eye in July at the Mayo Clinic Hospital in Phoenix, has since had chemotherapy and radiation. "I'm very happy with my life. I'm very happy with what I have been able to do," he said. "And there's two ways of looking at these things and one of them is to celebrate. I am able to celebrate a wonderful life and I will be grateful for additional time that I have."

—WSJ Staff

NASA'S CASSINI PROBE

#### Final Mission: Solve Saturn Rings Mystery

After 20 years in space, a vintage probe called Cassini is entering its last waltz with Saturn with a series of rhythmic maneuvers to explore Saturn's vast icy rings. The NASA spacecraft has been swooping back and forth at 77,000 miles an hour through the narrow gap between Saturn's rings and the planet's cloudy surface before making a suicide plunge into Saturn's atmosphere on Sept. 15. In its last days, the aging spacecraft is bringing Saturn's signature rings into sharp focus, detail that could help settle debates over their age, mass and origin.

—Robert Lee Hotz

BY TAWNELL D. HOBBS

International students have been changing the economics and culture of U.S. college campuses, and now they are making inroads at American high schools.

The number of international students enrolled at U.S. high schools more than doubled from 2004 to 2016, to reach 81,981 students, according to a recent federally funded study by the Institute of International Education, a nonprofit focused on education across borders.

Most of the students ultimately seek to enroll in U.S. universities, with their high-school diplomas acting as a bridge to college, the study found. "We have a very homogeneous community, and our kids were unprepared to go out into this globalized world of college," said Clark "Skip" Hults, superintendent of Newcomb Central School District, a rural public-school system in upstate New York. "We felt that having the world join us in our classroom would also make for better studies."

Mr. Hults said his 85-student district has 11 international students this year, from Russia, Spain and Vietnam.

About 4% of the international students attended U.S. public high schools on F-1 visas in 2016, according to the Institute of International Education. Unlike for private schools, those

visas extend a maximum of 12 months for public schools, and federal law requires that international students attending U.S. public high schools under such visas pay full tuition, normally ranging between \$3,000 and \$10,000, according to the State Department. Private schools set their own rates.

"There's a financial contribution when they're paying into public schools," said Ratiika Bhandari, head of research, policy and practice at the institute. "For most of these students, the goal is to graduate with a high-school diploma. They're really looking at seeing themselves as being more competitive to get

into a U.S. university."

In turn, international students increasingly fill enrollment slots at U.S. colleges, which has made getting into some schools harder for American kids and boosted schools' revenue, because international students typically don't get a discount on tuition.

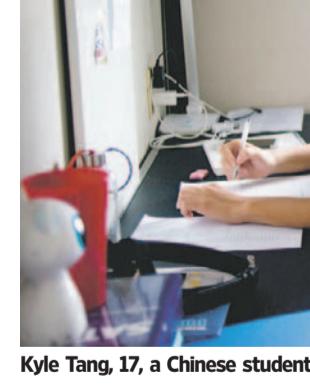
Besides the more widely used, longer-term F-1 visas, other students use the J-1 visa, mainly for shorter-term cultural-exchange programs.

Students from China make up about 42% of international students studying in U.S. high schools, the study says. Top-sending countries of diploma-seeking students include

China, South Korea, Vietnam, Mexico, Japan and Canada.

Visa applications are being accepted for students in six Muslim-majority countries affected by the Trump administration's partially implemented travel ban, according to the State Department. The ban targets Iran, Libya, Somalia, Sudan, Syria and Yemen. In 2016, 87 visas were provided to high-school students from those countries.

All 50 states and Washington, D.C., have international students in high schools. The number of U.S. high schools enrolling international students also is up, from 2,300 in 2013 to 2,800 in 2016, according to the study.



Kyle Tang, 17, a Chinese student at the International Leadership of Texas charter school, in his dorm room.

BRANDON THIBODEAU FOR THE WALL STREET JOURNAL

## High Schools Lure More Foreign Students



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# LIFE & ARTS

## POETRY

# 'Instagram Poets' Sell Well

BY NINA SOVICH

**AMONG THE HOT NEW BOOKS** of the fall season is a volume of poetry that might once have been relegated to the back of the bookstore. Rupi Kaur, a Canadian woman born in India is putting out her second book Oct. 3. The reason for the excitement? She has 1.5 million followers on Instagram.

Ms. Kaur sits atop a new wave in poetry. These Instagram poets, or pop poets as some writers call them, use social media to build their fan base for work that touches on love and loss. "The Sun and her Flowers", to be released in October, has an initial print run of a million books, an astonishing run for poetry. Fiction writers are lucky to have an initial print run of 10,000 books. Ms. Kaur's first book, "Milk and Honey", published in 2015 by Andrews McMeel, has sold more than a million copies in the U.S. and 700,000 abroad.

"For me, social media was the only way to go," says Ms. Kaur. She began publishing poems on Tumblr and Instagram and found an audience both devoted and demanding. In 2013 she was posting a poem or two a week, spending two to four hours a day refining them. "It gets difficult to manage at a certain point," she says of social media. Roughly two years ago she stopped posting new poetry to Instagram. Sometimes when her feed needs updating she will ask her sister or an employee to help with the technicalities so she can concentrate on writing.

To poetry traditionalists, these new poets seem to draw attention to photographs and illustrations rather than verse. Instagram poets use typewriters with thick linen paper and tattered edges, then photograph the work and post it to social media. Bad breakups, whiskey in the desert and exhortations to find inner strength are common.

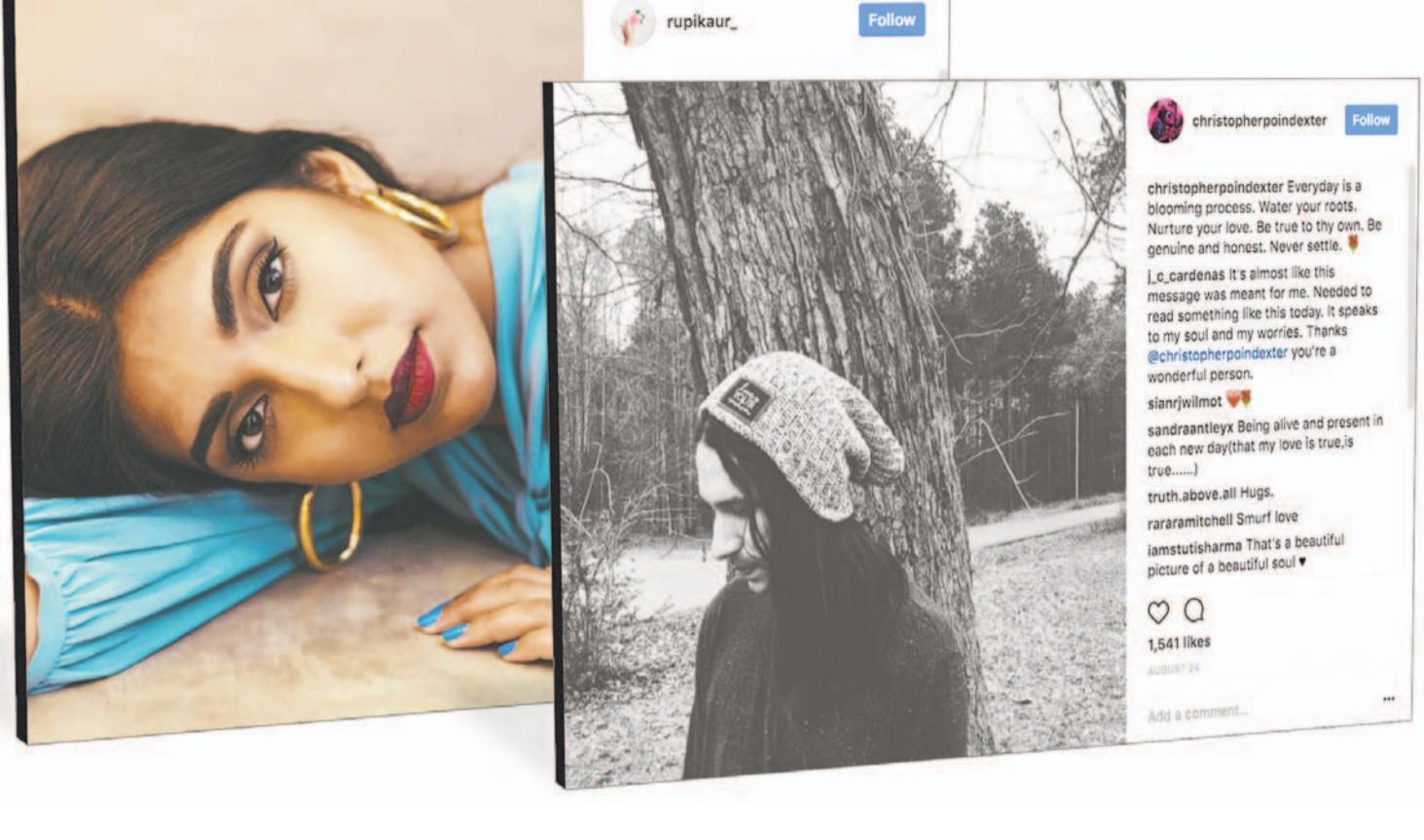
"Think of Walt Whitman ... you can't immediately read it and feel something," says Lizzie Carroll, 21, and a student at California State University, Sacramento, who has blogged about her appreciation for Ms. Kaur. "You have to sit down and study it. With Kaur you can take any poem and read one line and know what it means."

Ms. Kaur's fans buy the paperback and treat it like a journal, tagging pages and making notes. At poetry readings—more like performances with Ms. Kaur's dramatic cadence and delivery—the audience snaps their fingers when they connect with a line.

"Rupi is real and honest and writes about things other people are too scared to write about," says Harley Henderson, 21 and a student at the **University of West Florida** in Pensacola. "She can relate to people and their problems."

Atticus is a successful poet who doesn't publicly reveal his identity or show his face, but has roughly 440,000 followers on Instagram. His book, "Love Her Wild", was released in July by Atria Books, an imprint of Simon & Schuster, and has nearly 100,000 copies in print. He says he receives several photos a day from people who have tattooed his poetry on their body. One of his popular images on Instagram is of a woman with skeleton painted on her face and hands and long brown hair. Next to her image a phrase: "It was her chaos that made her beautiful."

"I wear a mask so I write what I feel and



not what I should feel," he said, in a phone interview. He declined to give his real name.

The challenge for publishers is to separate good poets from bad, and to confirm the fan base is stable and inclined to buy books.

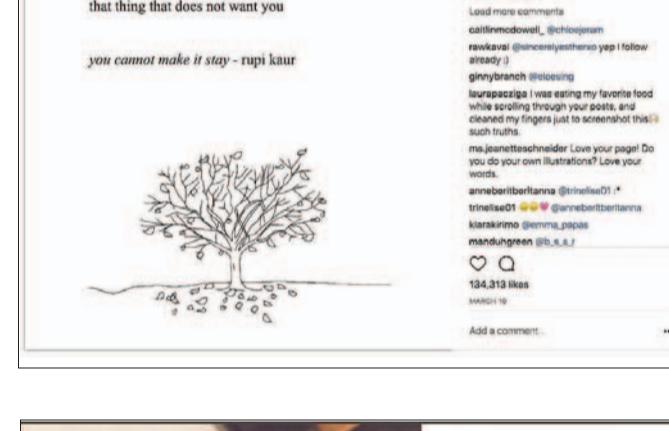
Publishers say successful poets must be seen as authentic and heartfelt, a tricky task when they also need to cultivate an exclusive and glamorous persona on Instagram.

"You have to look at all the comments to see, is there really a connection?" says Judith Curr, president and publisher of Atria Books, describing the process of bringing on a new author. "Are they responding to the poetry or the fame of the person?"

Editors at the publishing house keep an eye on Instagram. If a writer has a growing following, with comments that speak to the work, the publishing house will occasionally contact a writer directly to see if he or she is interested in doing a book. Booksellers are often reassured by a poetry book with an online following because it suggests committed buyers, publishers say.

"It's good for all poets that the poetry section of the bookstore is suddenly the sexy section," says Kirsty Melville, president and publisher of Andrews McMeel.

Traditional writers like poet Thom Young have bristled at the popularity of the Instagram poets, publishing satirical verse on



the web to prove their point. Even the Instagram poets acknowledge the medium is both a blessing and a curse. On one hand, they reach far more people than traditional

**Instagram posts from poets Rupi Kaur, above left, and Christopher Poindexter, above right, help build their fan bases. Ms. Kaur's feed, left, includes some of her poems. The poet who goes by Atticus, bottom left, includes photos of fans who tattoo on his verse.**

poets. On the other, Instagram restricts form and length. There also is pressure to constantly feed the beast.

Christopher Poindexter is 26-year-old poet with roughly 320,000 followers on Instagram. A Hungarian exchange student ignited his interest in poetry when he was young and he has been writing for about six years. His book, "Lavender", came out in February and will be rereleased in September. When he started, he posted one or two poems a day but now he has dialed that back.

He still posts three to six times a day but he leans more toward photos or written descriptions of his life rather than poetry. The demands of Instagram can be draining, he says, and he is thinking of hiring someone part time to help with his feed.

"I stepped away a little because of the intensity," says Mr. Poindexter. "I know what people want, and I know what I want to write."

"It's not the poetry I would present to an academic scholar," he says.

"But it's getting children back into poetry. It's getting them in Kerouac and Rimbaud and Ginsberg and Cummings."

## PLAYLIST: LOUDON WAINWRIGHT III

# BYE-BYE, BROWN RICE. HELLO, TOURING

**Loudon Wainwright III**, 70, is a humorist, a Grammy-winning folk guitarist and singer-songwriter, and an actor. He is the author of "Liner Notes" (Blue Rider), a memoir. He spoke with Marc Myers.



short eternity, Levon Helm joined, playing hard on the drums. Then Richard Manuel, Rick Danko and Helm began to sing.

It was hard to understand exactly what they were singing. As best as I could tell from their high, straining voices, it was about some guy and a girl who was making him sick with love:

"As my mind unheels / I feel the freeze down in my knees / But just before she leaves, she receives."

The nonsensical quality of the lyric is what made it appealing. What I loved most, though, was the song's arrangement and the music's freedom and energy. I was knocked sideways by the art.

As I listened, I asked myself what I was doing hiding in Brookline. "Music is where it's at," I thought. "I have a record deal, and I can do what they're doing. Audiences would be waiting for me, if I had the courage."

"Chest Fever" and the rest of the music performed that night gave me a hard shake. I was reminded of my original ambition to be a musician. The next morning, I paid my rent in full and said goodbye, telling friends that I was going to rejoin the real world.

I wanted my old job back.

**THE BAND'S**  
Levon Helm  
performing in  
1971.



I recorded my first album in 1969, but when it was released in early 1970, I was anxious about performing on the road. So instead, I holed up in a communal house in Brookline, Mass., outside Boston, eating macrobiotic food and studying the order of the universe.

Eastern philosophies were big in 1970. At our house, selflessness was in, and pride, arrogance and stardom were out. You were supposed to be humble and chew your rice.

One evening in June 1970, I sneaked out with a couple of other macros to see **THE BAND** at Harvard Stadium. Our seats were high up in the bleachers, but I could still see the Fender amp's red lights glowing on the dark stage. Then five shadowy figures ambled out.

When the stage lights came up, The Band opened with "Chest Fever." The song began with Garth Hudson's Bach-influenced organ intro. After what seemed like a

## LIFE & ARTS

**WEEKEND CONFIDENTIAL** | By Alexandra Wolfe

# Gretchen Rubin's Great Expectations

The lawyer turned self-help author on how she responds to expectations, keeps up habits and follows obsessions

**IN 1996,** Gretchen Rubin was working as a clerk for Supreme Court Justice Sandra Day O'Connor when she started to think that a legal career wasn't for her. For one thing, she enjoyed writing, but she found little satisfaction in the dense, technical jargon of the law. "I was like Scarlett O'Hara, and I said, 'As God is my witness! I will never write in such a confusing, obfuscating way,'" she says.

She left the legal profession a few years later to devote herself to research and writing that dealt much more baldly with the basics of human nature. Her first book, "Power Money Fame Sex: A User's Guide," was published in 2000. It describes how figures such as Robert Moses, Madonna and Niccolò Machiavelli attained those abiding objects of human aspiration and draws lessons from their examples.

Since then, Ms. Rubin, 51, has written seven more books—including "The Happiness Project" (2009), "Happier at Home" (2012) and "Better Than Before" (2015). She has turned her observations and advice about leading a more fulfilling life into a mini brand, with a weekly podcast, blog, online quizzes and newsletters. Her books have sold nearly three million copies worldwide and have been translated into 30 languages.

Her latest book, "The Four Tendencies," comes out on Tuesday. In it, she says that people can be divided into four different categories related to how they respond to expectations. Those groups, as she sees it, are upholders, who respond to both inner and outer expectations; obligers, who answer to others' expectations; questioners, who respond to inner expectations; and rebels, who react against both inner and outer expectations.

Her goal with the book, she says, is to help people figure out their tendencies so they can better understand themselves and manage their goals. "Most of us aren't doing that much to achieve our aims at any one time," she says. One category isn't better than another, she says.

She herself is an upholder, while her husband, James, a New York state government official, is a questioner. Recently, she was filling out a form that asked for his office address, which she called him to get. Instead of telling her, he asked her



In her books, Ms. Rubin likes to rely on anecdotes as well as statistics.

why she wanted to know. "I'm an upholder so I don't need to know," she says, but "he's not going to answer me until I tell him." She used to wonder why he was so uncooperative, but now realizes that he isn't trying to be difficult.

The idea for the book sprang from her previous research. In "The Happiness Project," she adopted habits over the course of a year that she thought might make her happier. She exercised, organized her desk, got plenty of sleep,

kept a journal and scheduled time for herself. After the book came out, readers asked her how she could possibly motivate herself to actually keep up all those new habits. That led her to write "Better than Before," about habit-mak-

ing. The variation in people's ability to keep those habits inspired "The Four Tendencies." "It's not that I've consciously steered my course," she says. "I've been led by my obsessions."

Her book calls to mind previous works that break people down into personality types—including, famously, by Katharine Cook Briggs and Isabel Briggs Myers and by sociologist David Riesman—but Ms. Rubin says that she wasn't influenced by other research. She had been staring at her to-do list when she realized she could group people according to how they responded to expectations.

Ms. Rubin says most of her information comes from what she sees around her rather than from scientific studies. "If I'm writing something, it's always grounded in my own experience and kind of good sense," she says. "I use what I see around me." In her books, she likes to rely on anecdotes as well as statistics.

Ms. Rubin, who grew up in Kansas City, Mo., says that she was a disciplined student from a young age. Her father is a lawyer, and her mother worked at an art museum. One of her childhood pastimes was writing down her favorite quotations and then finding a picture from a magazine to match it—a practice she keeps up today in a similar form on her blog. She graduated from Yale University and then Yale Law School.

Now living in New York City, Ms. Rubin wakes up at 6 a.m. to walk her dog and then spends time working before her family gets up. She and her husband have two daughters, ages 12 and 18. After walking her younger daughter to school, she spends the day going to meetings, recording podcasts or writing. If she's working on a book, she writes for three hours a day. Next, she's working on a small book about how people respond to colors.

She continues to practice the habits that she learned while writing "The Happiness Project." Some critics have called it a selfish impulse, but she disagrees. "The research shows that happier people are more altruistic and they volunteer more, give more money and they're more interested in the problems of the world and the problems of other people," she says. "If we're unhappy, we have a lot to deal with."

### DOCUMENTARY

## VETERANS ON 'THE VIETNAM WAR'

BY JOHN JURGENSEN

**KEN BURNS** doesn't like the expression "Thank you for your service." Though it has become a default way to pay respect to military veterans, too often the phrase functions as a brushoff, the filmmaker says. "It suggests no further conversation is necessary."

With marathon documentaries about the Civil War, World War II and now the Vietnam War, Mr.

Burns and his producing team have conducted a running inquiry into the personal experiences of combat troops.

The scale of "The Vietnam War"—a 10-part, 18-hour series that took 10 years to produce—reflects the complicated nature of the conflict. It claimed the lives of more than 58,000 U.S. service members, scarred veterans returning to a hostile home front, and continues to divide Americans who lived through it. The series debuts Sunday on PBS.

Mr. Burns and co-director Lynn Novick doubled down on a strategy refined in their previous work. Whether it's an actor reading a letter by a Union soldier at Gettysburg, or an interview with an aging survivor of the D-Day invasion, participants hold the spotlight, not historians.

"That plows attention not to the 'expert' but to the real expert—the person who experienced it," Mr. Burns says. For Vietnam, that chorus of voices, including veterans of the protest movement, helps "cre-



ate a place where diverse perspectives can co-exist without making the other wrong."

In addition to reams of letters, government documents and journalists' reports from Vietnam, the producers drew from on-camera interviews with about 100 combat veterans and other witnesses—including former South Vietnamese allies and North Vietnamese enemies of U.S. troops.

The processes of gathering research and identifying on-camera interviewees evolved in tandem, Ms. Novick says. Producers took notes during phone calls and informal meetings with Vietnam veterans, who in turn introduced them to other veterans.

"Each person's story helps us add a little bit of the puzzle," says Ms. Novick, who went through a similar process with World War II veterans for "The War," a 2007 seven-part series she directed with Mr. Burns.

To get a handle on Vietnam's different phases and jungle warfare, producers asked vets many of the same questions: What was it like at night? How close were you to the enemy? How did you operate in a civilian area and deal with people you couldn't identify as soldiers?

Emotional details were a critical part of veterans' memories. "More telling was the depth of feeling about their experiences and how close to the surface it was," says Ms. Novick, who conducted many of the interviews, as did producer Sarah Botstein.

Marine veteran John Musgrave met the producers through the artistic director of Theater of War



Civilians after a 1965 attack by South Vietnamese forces, an image from a series by Ken Burns and Lynn Novick, left.

Productions, a drama company that has staged readings of Sophocles for military communities throughout the country and in Europe. Mr. Musgrave, who writes poetry and works with fellow veterans on issues such as post-traumatic stress disorder, says he first thought his role in the documentary would be connecting the filmmakers with other Vietnam vets.

By the time he sat down for his own on-camera interview—with his wife Shannon in the room for support—Mr. Musgrave says he trusted the producers based on their past war documentaries and the rapport they had fostered with him.

"They weren't looking for a particular answer. They cared about the answer that I had," Mr. Musgrave says. Often that was as simple as giving him ample time to finish his sentences. In the documentary, he recalls enlisting in the Marines at age 17 in an effort to jump-start his manhood. One year later, in 1967, his unit had pushed to the border of North Vietnam and the demilitarized

zone, which the infantrymen dubbed the "dead marine zone."

On camera, Mr. Musgrave at times moves his mouth silently, as if weighing whether to share memories. "We did not torture prisoners and we did not mutilate 'em," he says in the series. But if a prisoner "fell into our hands, he was just one sorry f—er. I don't know how to explain it that it would make sense."

Just as Mr. Musgrave says he was on guard to avoid "false heroics" in his interview, Mr. Burns says his team tries to protect such war stories throughout the editing process from "the inclinations of our business, which is to glorify the scoop or wring out more emotion than is necessary."

Vietnamese veterans of the war, some wearing their old military uniforms, addressed similar questions to the American vets. During their interviews, a Vietnamese-speaking producer in a separate room interpreted the responses simultaneously, speaking through an earpiece to Ms. Novick or Ms. Bot-

stein. "It's as painful for [the Vietnamese] to talk about as it is for American veterans. They felt really strongly that the world should know that," Ms. Novick says.

Mr. Musgrave, who saw portions of the documentary before it was finalized, says watching North Vietnamese soldiers tell their stories was "essential" for both the film's balance and his own mindset. "It helped me to see that they were old men, because in my dreams they're still young men and they still terrify me," he says. "When I saw those old men talking about their war, I didn't have the hate getting in the way of accepting their humanity and realizing that our experiences were the same."

Mr. Burns, who is 64 years old—and at 18 had a high draft number when the U.S. was drawing down troops in Vietnam—isn't finished with examining the soldier's experience. He already is working on a project to strip the "barnacles of sentimentality" from the American Revolutionary War.

## OPINION

### REVIEW & OUTLOOK

#### Man Up, Mr. Meadows

The Washington Post reports that defrocked White House aide Steve Bannon and Members of the House Freedom Caucus are plotting a coup to depose Paul Ryan as Speaker later this fall. Freedom Caucus Chairman Mark Meadows denied this on Friday on MSNBC, but you can bet something is afoot. And come to think of it, why wait?

If the Freedom Caucus is upset enough to contemplate a midsession leadership coup, let's get it on now. Congress is entering a critical few months that will determine whether Republicans will have anything significant to show for their majority. If the fate of this Congress hangs in the balance, then it's unconscionable to wait and let the House fail. The manly—the patriotic—thing to do is force a debate and vote while there's still time to save the day.

This has the added advantage of being a stab in the front for a change. The Freedom Caucus specialty is the stab in the back. Claim to be cooperative, to be working constructively toward some legislative compromise, but then at a critical moment raise its demands, vote no and blame the leadership. Soak up the cable-TV appearances and then sit back as someone else cleans up the political mess.

This is how Mr. Meadows played the Obama-Care repeal debate earlier this year. As House leaders and Health and Human Services Secretary Tom Price prepared the draft bill, Mr. Meadows was regularly consulted. According to numerous sources, Mr. Meadows's priority in private discussions was killing any reduction, even a small one, in the tax exclusion for employer-sponsored health insurance.

For conservative health economists, this is a crucial policy reform. It would reduce a subsidy that drives up health-care costs, and it would begin to equalize the tax treatment for individual and employer insurance. But Mr. Meadows opposed it as a "tax increase," a definition which would mean that Congress could never reduce any tax subsidy.

Mr. Meadows worked frantically behind the scenes to make sure there was no change in the tax

exclusion, without objecting to other provisions. GOP leaders gave him what he wanted and killed the tax change. But within days Mr. Meadows began trashing the draft bill anyway—this time because it supposedly didn't reduce insurance costs enough. His assault defeated the first attempt at a House vote, and delayed its passage for weeks, helping Democrats build public opposition and making it a much harder lift in the Senate, where it failed.

With this record of accomplishment, clearly it's time for Mr. Meadows to step into the spotlight and take some leadership responsibility. The honorable act now would be to announce an immediate challenge to Mr. Ryan surrounded by his Freedom Caucus supporters and Mr. Bannon's Breitbart staff.

Lay out his strategy for passing tax reform, for raising the debt limit, and for passing the Freedom Caucus budget through the House and the Senate this fall. Then the Members of the House GOP conference can hold a debate and vote, and Mr. Meadows and the country can see how much support he has for his political strategy compared to Mr. Ryan.

If Mr. Meadows is too modest, or thinks he can't win, then perhaps his Freedom Caucus running mate, Ohio Rep. Jim Jordan, would want to run. And if Mr. Jordan declines the honor, then perhaps Texas Rep. Louis Gohmert will want to exploit the high regard with which he is held by his colleagues.

This is the way a congressional majority is supposed to work. Individuals run for leadership, the Members vote, and then everyone accepts the results and moves on together. That's what Democrat Steny Hoyer did after he lost to Nancy Pelosi in 2002, and Democrats proceeded to govern in unified fashion after they won the House in 2006.

If Mr. Meadows wants to stage a coup, he should do it publicly by putting his agenda and strategy front and center for everyone to see. Take the dagger out from under the toga, Mark, and show your colleagues that lean and hungry look. Then let's hold a vote.

#### The Next Middle East War

Israel launched airstrikes on a military compound in Syria on Thursday, and the bombing should alert the Trump Administration as much as the Syrians. They carry a warning about the next war in the Middle East that could draw in the U.S.

Israel doesn't confirm or deny its military strikes, but former officials said they were aimed at a base for training and a warehouse for short- and midrange missiles. The strikes also hit a facility that the U.S. cited this year for involvement in making chemical weapons.

The larger context is the confrontation that is building between Israel and Iran as the war against Islamic State moves to a conclusion in Syria and Iraq. Iran is using Syria's civil war, and the battle against Islamic State, as cause to gain a permanent military foothold in Syria that can threaten Israel either directly or via its proxies in Syria and Lebanon.

Tehran has helped Hezbollah stockpile tens of thousands of missiles that will be launched against Israel in the next inevitable conflict. If it can also dominate southern Syria, Iran can establish a second front on the border near the Golan Heights that would further

stretch Israel's ability to defend itself.

Israel may have to make more such strikes in Syria because Iran isn't likely to give up on this strategic opening. Iran's Revolutionary Guards know they have Russia's backing in Syria, and the U.S. is signaling that it is loathe to do anything to change that once Islamic State is routed from Raqqa.

"As far as Syria is concerned, we have very little to do with Syria other than killing ISIS," President Trump said Thursday at a White House press conference with the emir of Kuwait. "What we do is we kill ISIS. And we have succeeded in that respect. We have done better in eight months of my Presidency than the previous eight years against ISIS."

Great, but the problem is that the end of Islamic State won't bring stability to Syria, and American interests in the Middle East don't end with Islamic State. The danger of a proxy war or even a direct war between Iran and Israel is growing, and it will increase as Iran's presence builds in Syria. Mr. Trump may not like it, but he needs a strategy for post-Islamic State Syria that contains Iran if he doesn't want the U.S. to be pulled back into another Middle East war.

#### Democrats and 'Dogma'

Why is it that so many of us on this side have this very uncomfortable feeling that—you know, dogma and law are two different things. And I think whatever a religion is, it has its own dogma. The law is totally different. And I think in your case, professor, when you read your speeches, the conclusion one draws is that the dogma lives loudly within you, and that's of concern when you come to big issues that large numbers of people have fought for years in this country."

Thus did California's Senator Dianne Feinstein pronounce on Wednesday that, by virtue of being a faithful Catholic, Amy Barrett, a respected law professor at Notre Dame, may have excluded herself from a federal judgeship. President Trump has nominated Ms. Barrett for the Seventh Circuit Court of Appeals. But the Democratic obsession with Ms. Barrett's religion transformed what should have been a routine Senate confirmation hearing into a tour of the mind of the modern secular left.

The ugly implication of Mrs. Feinstein's words is underscored by the context. She deployed them to suggest Ms. Barrett's faith would lead her to substitute her personal beliefs for the law, basing the accusation primarily on a law review article Ms. Barrett wrote in 1998 as a law clerk.

Ms. Barrett and her co-author explicitly reached the opposite conclusion: "Judges cannot—nor should they try to—align our legal system with the Church's moral teaching whenever the two diverge."

The question addressed by the law review article was what Catholic judges ought to do when they conclude they cannot in good conscience apply the law as written because it clashes with their own moral views. If she was rattled by the question, Sen. Feinstein ought to have been reassured by the answer Ms. Barrett gave: They should recuse themselves.

David Rivkin, a constitutional litigator, says "the tenor of questions by Democrat Senators seemed designed more to challenge the ideas of Catholic orthodoxy—a subject more fitting for a theological debate than a Senate hearing."

Proving Mr. Rivkin's point, Sen. Dick Durbin jumped in to demand of Ms. Barrett: "Do you consider yourself an orthodox Catholic?" Does Mr. Durbin understand that he sounds like the Southern Baptist ministers in 1960 who thought Jack Kennedy shouldn't be President because he'd take orders from the pope?

This questioning is part of a broader effort on the left to disqualify people with strong religious views from the public square. Ms. Feinstein's smear about Ms. Barrett's "dogma" dovetails with the left-wing Southern Poverty Law Center's effort to label any outfit that doesn't go along with its agenda a "hate group."

Sen. Al Franken, the great legal philosopher, wrapped it all up nicely by accusing Ms. Barrett of having appeared before a "hate" group. He was referring to the Alliance Defending Freedom, a religious liberty outfit that the Southern Poverty Law Center designated a hate group because it adheres to traditional views about human sexuality and marriage.

As for judges imposing dogma over the law, it's worth noting that not all dogmas are religious. Democratic interest groups are explicit in demanding that Democratic judicial nominees be committed to overturning *Citizens United*'s defense of free speech while brooking no modification in *Roe v. Wade*.

Let's hope the Senate rejects the bigotry that marred Wednesday's hearing and approves the eminently qualified Ms. Barrett for the Seventh Circuit. The federal bench could use more judges who understand their civic duty as well as Ms. Barrett does.

Are you now or have you ever been an 'orthodox Catholic'?

#### Comey's Secret Power



POTOMAC WATCH  
By Kimberly A. Strassel

J. Edgar Hoover's abuse of power as FBI director led America's Congress and Justice Department to put new checks on that most powerful and secretive of offices. By the time U.S. Congress finishes investigating James Comey's role in the 2016 presidential election, those safeguards may be due for an update.

Powerful as Hoover was, even he never simultaneously investigated both major-party candidates for the presidency. Mr. Comey did, and we're now getting a glimpse of how much he influenced political events.

Mr. Comey's actions in the Hillary Clinton email probe are concerning enough. He made himself investigator, judge and jury, breaking the Justice Department's chain of command.

He publicly confirmed the investigation, violating the department's principles. He announced he wouldn't recommend prosecuting Mrs. Clinton, even as he publicly excoriated her—an extraordinary abuse of his megaphone. Then he rekindled the case only 11 days before the election.

An inquiry by the Senate Judiciary Committee has now shown that Mr. Comey's investigation was a charade. He wrote a draft statement exonerating Mrs. Clinton in May, long before he bothered to interview her or her staff. This at least finally explains the probe's lackluster nature: the absence of a grand jury, the failure to follow up on likely perjury, the unorthodox immunity deals made with Clinton aides.

But the latest big development is a new look at how Mr. Comey may have similarly juked the probe into Donald Trump's purported ties to Russia.

The House Intelligence Committee's investigation took a sharp and notable turn on Tuesday, as news broke that it had subpoenaed the FBI and the Justice Department for information relating to the infamous Trump "dossier." That dossier, whose allegations appear to have been fabricated, was commissioned by the opposition-research firm Fusion GPS and then developed by a former British spook named Christopher Steele.

But the FBI had its own part in this dossier, and investigators are finally drilling down into how big a role it played, and why.

The bureau has furiously resisted answering questions. It ignored the initial requests for documents and has refused to comply with the House committee's subpoenas, which were first issued Aug. 24.

Republicans are frustrated enough that last week they sent orders compelling FBI Director Christopher Wray and Attorney General Jeff Sessions to appear before the committee to explain the obstruction.

One explanation is that the documents might show the FBI played a

central role in ginning up the fake dossier on Mr. Trump.

To this day, we don't know who hired Fusion GPS to gather the dirt. The New York Times early this year reported, citing an anonymous source, that a wealthy anti-Trump initially hired Fusion to dig into Mr. Trump's business dealings, but the contract was later taken over by a Clinton-allied group. That's when Fusion shifted its focus to Russia and hired Mr. Steele.

The question is when the FBI got in on the act. The Washington Post in February reported that Mr. Steele "was familiar" to the FBI, since he'd worked for the bureau before. The newspaper said Mr. Steele had reached out to a "friend" at the FBI about his Trump work as far back as July 2016. The Post even reported that Mr. Steele "reached an agreement with the FBI a few weeks before the election for the bureau to pay him to continue his work."

#### Here's a question: What if the FBI had a lot to do with that fake Trump 'dossier'?

Who was Mr. Steele's friend at the FBI? Did the bureau influence the direction of the Trump dossier? Did it give Mr. Steele material support from the start?

The timing matters because it could answer the vital question of why the FBI wanted the dossier. Here's one thought: warrants.

The Foreign Intelligence Surveillance Court, which oversees spying activities, is usually generous in approving warrants, on the presumption law-enforcement agencies are acting in good faith. When a warrant is rejected, though, law enforcement isn't pleased.

Perhaps the FBI wanted to conduct surveillance on someone connected to a presidential campaign (Carter Page?) but couldn't hit what was—and ought to be—a supremely high bar for getting such a potentially explosive warrant. A dossier of nefarious allegations might well prove handy in finally convincing the FISA court to sign off.

The FBI might have had a real motive to support Mr. Steele's effort. It might have even justified the unjustifiable: working with a partisan opposition-research firm and a former spook to engineer a Kremlin-planted dossier that has roiled Mr. Trump's entire presidency.

Now that's power.

Mr. Comey's meddling has never seemed to stem from some hidden partisan impulse, but rather from an overweening self-righteousness.

But power can be misused as much in the hands of the sanctimonious as the corrupt. And it's overdue for congressional investigators to get to the bottom of precisely how much power Mr. Comey was exercising.

Write to [kim@wsj.com](mailto:kim@wsj.com).

#### LETTERS TO THE EDITOR

#### Turkey Is a Victim, Not a Vector of Terrorism

Your Aug. 11 editorial "An Aussie Terror Warning" paints a distorted picture of Turkey's fight against terrorism by suggesting that Turkey acts as a gateway for terrorists trying to attack the West.

My country has suffered from the most violent forms of terrorism for decades. Contrary to your suggestion, we have been a leader of efforts to fight this scourge, both at home and abroad.

Turkey was the first country in the world to launch a successful ground offensive against Daesh in Syria, helping to clear an area that has since become a haven of peace for 70,000 Syrians fleeing violence. We have opened our facilities and airspace to the U.S. and other partners in the fight against terrorism.

We have shut down 12 Daesh-linked organizations in Turkey. We have moved aggressively to disrupt the flow of foreign fighters into Syria, banning more than 50,000 foreigners from entering Turkey and deporting or arresting another 5,000 linked to terrorist activity. We launched a comprehensive social-media surveillance effort and closed more than 2,500 social-media accounts linked to terrorist activities, knowing that terror networks recruit members online. And we have

#### Pakistan, India Are Unlikely To Cooperate on Afghanistan

Saad Mohseni and Mitchell Shivers are right in arguing that "President Trump Needs a Special Envoy in Afghanistan" (op-ed, Aug. 25). However, their suggestion that the appointee will have to coax India and Pakistan to work together on Afghanistan shows that, despite their depth and length of experience in that country, they have learned nothing about that particular dynamic. It is analogous to expecting Iran to work with Israel to root out Hezbollah.

VIJAY DANDAPANI

New York

begun construction of a 911-kilometer wall designed to protect the Syrian border, cutting off Daesh finance and member-acquisition routes.

Turkey has also been a leader in welcoming refugees who escaped the cruelty of Daesh and the broader war in Syria. We shelter the largest number of refugees in the world, with more than three million Syrians finding refuge in our country.

We provide free health care to all registered Syrians in the country, and we grant them access to education. Our humanitarian budget exceeds \$25 billion—the second largest in the world.

So it isn't appropriate to single out Turkey as a gateway for terrorist attacks. We live on the front lines of terrorism, and we fight it every day.

On the specific incident cited in your editorial, we reached out immediately to our Australian counterparts and have been collaborating closely with them ever since.

Turkey and the U.S. are NATO allies. Turkey stood by the U.S. following the 9/11 terrorist attacks, and we have worked together ever since to stop terrorists and take down the networks that support them.

As President Trump noted earlier this year standing alongside President Recep Tayyip Erdogan: "Today we face a new enemy in the fight against terrorism, and again we seek to face this threat together."

The common threat we face today calls for increased cooperation, not baseless allegations thrown at trusted and long-standing allies.

SERDAR KILIÇ

Ambassador of Turkey to the U.S.

Washington

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](mailto: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

# Trump Finally Pivots—but Will It Last?



DECLARATIONS  
By Peggy Noonan

**A**nd so, the pivot. I thought it would come sooner, on the heels of the inaugural address in which President Trump deliberately declared his distance from the Republicans of George W. Bush's era and the Democrats of Barack Obama's: "Washington flourished—but the people did not share in its wealth. Politicians prospered—but the jobs left, and the factories closed. The establishment protected itself, but not the citizens of our country." That was the famous "American carnage" speech, and it was Mr. Trump saying he was something new, a beginner of things, a party of one.

**He had a great meeting with 'Chuck' and 'Nancy.' What comes next is anybody's guess.**

He didn't follow through.

Because the pivot has come late, after almost eight months of fumbles and blunders that hardened sides, the outlook for any new and sustained legislative progress seems doubtful at best. But yes, what we saw last week was Mr. Trump's pivot toward the Democrats.

It's amazing he didn't try it sooner. Mr. Trump isn't, as all know, a conservative; he has in his history of statements and positions been at least as much a Democrat as a Republican, and long contributed money to both parties.

His core supporters have always been misunderstood as right-wing when they're something broader and more complicated than that.

By Paula Marantz Cohen

**T**he more I read, teach and watch performances of Shakespeare's plays, the more my political thinking is clarified. I have not become more allied with a particular party: Shakespearean politics are philosophical, not partisan. They do, however, express a basic value system—still relevant today—with which to think about society and judge its health or sickness.

**The Bard was, in the classic sense, conservative. What would he have made of the U.S. president?**

Shakespearean politics are conservative in the classic sense. They value order. For Shakespeare, society is the Elizabethan "great chain of being" made manifest. God is at the hierarchy's top, as the embodiment of supreme order. Satan is at the bottom, the epitome of complete chaos.

In between is society, the human effort to replicate the orderliness associated with godliness. Its customs, traditions and laws keep chaos at bay and provide an emotional and intellectual connection across the divide.

Yet Shakespeare's support for social order isn't an uncritical approval of the status quo. There is no pretense that whatever exists at any given time is sacred or absolute. One supports the king because he is the king, not because he is a particularly good one.

When Henry Bolingbroke usurps the crown in "Richard II," he goes against the orderliness of succession and prompts a long and bloody civil war. Yet once Bolingbroke wins and becomes Henry IV, his reign and succession assume their own legitimacy.

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Mr. Trump has never been a standard Republican. He beat all the standard Republicans in the primaries.

On top of that, to govern successfully in an increasingly postpartisan nation, he always needed Democrats on the Hill more than he needed Republicans. He could always, for instance, get most Republicans to support some kind of tax reform, but he'd need Democrats to get a bill comfortably over the top and broadly accepted by the people.

Mr. Trump instead threw in with Republican leaders, was disappointed on health care, and concluded they were useless.

Now, after weeks of insulting them—"They look like fools," he tweeted after that loss—comes what reportedly happened in the Oval Office last week. The president, meeting with Hill leaders from both parties, rebuffed Speaker Paul Ryan and Senate Majority Leader Mitch McConnell and embraced Senate Minority Leader Chuck Schumer's recommendation to raise the debt ceiling and finance the government for only three months.

He did this literally in front of the Democrats, including House Minority Leader Nancy Pelosi, and while overruling his own Treasury secretary. Later the president spoke of his great meeting with "Chuck" and "Nancy."

At a tax-reform rally in Mandan, N.D., he invited the state's Democratic senator, Heidi Heitkamp, who'd flown out with him on Air Force One and is up for re-election next year, onto the stage, and praised her as a "good woman."

As Ben Domenech noted in the *Federalist*, it can be assumed there was something of a personal angle in the pivot: Mr. Trump "doesn't like McConnell and Ryan, never did. He likes Chuck Schumer, and knows him, and thinks he can work with him. And he knows Chuck always makes money for his partners." That last is a brilliant allusion to "The Godfather, Part II."



EVAN VUCIĆ/ASSOCIATED PRESS

Minority Leader Chuck Schumer (foreground) in the Oval Office on Wednesday.

I suspect most voters will like the deal made last week—get something done, pass a bill! America doesn't need a government shutdown or a prolonged debt-ceiling debate or a stupid argument over helping Houston (and soon Florida). North Korea is bubbling, hurricanes are battering—people won't mind this deal, and a lot of them will actively approve of it.

The president's core supporters won't hold it against him. Again, he had a lot of support from traditional Democrats. His core isn't far right, it's opposed to how Washington has comported itself the past few decades. They have a tropism toward the outsider, and the more the mainstream media hate him, the more they'll stick with him.

Will the pivot last? There are plenty of reasons to doubt it.

Mr. Trump's nature lacks constancy. He's shown he's unsteady in his direction. He's changeable. This is part of why he doesn't do long-term strategy but focuses on daily, shifting tactics.

*The Dreamers can depend on him, he'll take care of them. The Dreamers are out of here in six months. The Dreamers have nothing to fear, he'll work something out.*

Soon Mr. Schumer or Mrs. Pelosi will get him mad, and he'll be on the phone with Mr. McConnell saying: "I miss you, at least you have principles. Come see me."

Mr. Trump isn't moving toward the Democrats from a position of strength. After the inauguration, he would have had the mystique and power of a new force who'd just won an amazing election. Now he's battered.

Mr. Trump has always put himself forward as the best deal-maker in history, and his core supporters have respected that—he's "The Art of the Deal," a survivor who finagled his way through bankruptcies; he's shrewd. But he hasn't demonstrated this in the presidency.

Triangulating—making deals with the other party while holding on to your own—requires real policy depth. You have to know what's nonnegotiable, what can be given up without much damage. It requires a kind of philosophical reach—knowing what you and your supporters stand for and why. Without that knowledge you'll get outfoxed. Without it you'll get rolled.

As for the Democrats, their base has come to hate the president as never before. He's done

little to bring them over or blunt their antagonism.

That base with its rising left will make Democrats on the Hill pay a heavy price for working with him. They'll howl and call Democratic leaders sellouts, complicit, accuse them of doing deals with the devil. To get around this, Democratic leaders will have to press Mr. Trump hard to the left in the deals they make.

That in turn would set Republican lawmakers on a path of true rebellion. The president gives the leadership no credit for it, but Republicans have been patient with him, squelching their criticism after embarrassing tweets and statements. They did so not only because they fear Mr. Trump's core supporters, which they do, but because they hoped to make real progress with him, as they did early on, with Justice Neil Gorsuch's appointment.

But if a Trump being forced too far left frees them from the idea that they must work with him, some will turn on him, venting their long-tamped-down fury. This will further, and in a formal way, rupture the party.

A Trump in close alliance with Democrats will be disorienting to his closest allies in the House, the conservative members of the Freedom Caucus. They broke with the president on health care, but they come from largely pro-Trump districts, they've defended him more vocally and enthusiastically than the GOP leadership has, and they have good relations with him. But they are traditionally conservative in their philosophy and stands. They would in many ways be philosophically opposed to the new Trump.

For now the pivot is a major development. Democratic leaders in Congress are smiling and preparing wish lists. If the pivot lasts and works, it will be remembered as big.

If not, it's just another zany, fleeting, unconnected moment in Trumpland.

## Shakespeare's Lessons on Donald Trump

In Shakespeare's political philosophy, social disruption is to be feared and opposed, but when it happens, the subsequent order then needs to be preserved, so long as it is rational.

In Shakespeare's tragedies, disruption produces drama but is condemned as a course of action. There would be no play if Claudius didn't kill Hamlet's father. Don't forget, though, that Claudius is a villain whose evil, illegitimate action produces devastating consequences.

In the comedies, one might argue that disruption comes closer to what we associate with innovation. In "As You Like It," when Duke Frederick banishes the legitimate king, Duke Senior, the ultimate result is positive.

The Forest of Arden, where the characters interact for most of the story, is a site of experimentation and play. Yet "As You Like It"—and all of Shakespeare's comedies, for that matter—is an extreme exercise in whimsy. The audience knows this isn't how life really works. The disruption it enacts is temporary, and, at the end, the existing social order is reinstated with only minor revision.

That said, Shakespeare has an acute understanding of the consequences of prejudice and meanness. "The Merchant of Venice" dramatizes the result of persistent, socially sanctioned mistreatment of one group of people. The villain of the play, the Jew Shylock, has experienced a lifetime of abuse, and his resentment fuels his determination to exact the pound of flesh that he is legally owed. Portia must exploit a loophole in the law to foil his claim. Through her ingenuity, the social order is made right, but the verdict—forcing Shylock to convert to Christianity—perpetuates his mistreatment.

The play ends on a disturbing note. Portia had asked Shylock to show mercy, but then she doesn't show it to him. The sentence she delivers seems bound to breed further resentment.

How do these insights apply to America today? Some say electing Donald Trump, despite his coarse, unpredictable nature, was better than the alternative. At least he would shake things up. But shaking up a social system, even a deeply flawed one, is treacherous.

This president combines qualities of Shakespeare's worst kings: the vanity of Lear, the impetuosity of Richard II, the maliciousness of Richard III. His presidency hasn't introduced a new order the way Henry IV did. It has increased chaos and discord. No Trump-like character could possibly triumph in a Shakespeare play.

Yet Shakespeare's "Henriad"—the eight-play historical sequence that

begins with Bolingbroke's usurpation of Richard II—chronicles a multigenerational war culminating in the ascendancy of the villainous Richard III. His final defeat ushers in the Tudor dynasty: a union of the warring Houses of Lancaster and York.

Perhaps by learning from that tale of partisan vitriol, Americans can move away from finger-pointing, take responsibility for political and social failures and build a new consensus.

Reading Shakespeare's historical plays could encourage people to be less self-righteous in their political positions. Still, that leaves the problem of how to rectify what years of misrule and resentment have wrought. It also doesn't answer the

question of where to draw the line between supporting the office of the presidency and backing a man who seems to have no respect for its historical traditions and values.

Perhaps a Portia-like figure could use her legal ingenuity to effect the ouster of this selfish and irrational man. Yet this risks perpetuating the resentment that caused his election in the first place. Studying Shakespeare teaches nothing if not humility: an openness to the possibility that someone else may have an answer that has escaped the rest of us.

*Ms. Cohen is a professor of English at Drexel University, where she is dean of the Pennoni Honors College.*

## Americans Are Richer Than They Realize

By Martin Feldstein

**U**.S. government statistics paint an excessively grim picture of what is happening to real wages in America and the growth of real national income. Although most households' take-home cash has been rising very slowly for decades, their standard of living is increasing more rapidly because those wages can now buy new and better products at little or no extra cost.

The government's measure of real incomes gives too little weight to this increase in what take-home pay can buy.

The common assertion that middle-class American households have seen no increase in real incomes for 30 years simply isn't true. And contrary to a common fear, most members of the younger generation will have higher real incomes as adults than their parents had at the same age.

The government's growth estimates are excessively pessimistic for two reasons. First, government statisticians grossly underestimate the value of improvements in the quality of existing goods and services. More important, the government doesn't even try to measure the full contribution of new goods and services.

Consider how the government handles manufactured products when their quality improves. Statisticians track a large number of products. For each, they ask the manufacturer two questions: Has the product changed since last year? If so, how much more does it cost to make this year's model than it would now cost to make last year's model?

If there is no increase in the cost of production, the government concludes that there has been no increase in quality. And if the manufacturer reports an increase in the cost of production, the government assumes that the value of the product to consumers has increased in the same proportion.

That's a very narrow—and incorrect—way to measure quality change.

In reality companies improve products in ways that don't cost more to produce and may even cost less. That's been true over the years for familiar products like television sets and audio speakers.

The government therefore doesn't really measure the value to consumers of the improved product, only the cost

**The official economic statistics fail to account for quality improvements and new products.**

of the increased inputs. The same approach, based on measuring the cost of inputs rather than the value of output, is also used for services.

The official estimates of quality change are therefore mislabeled and misinterpreted. When it comes to quality change, what is called the growth of real output is really the growth of real inputs. The result is a major underestimation of the increase in real output and in the growth of real incomes that occurs through quality improvements.

The other source of underestimation of growth is the failure to capture the benefit of new goods and services. Here's how the current procedure works: When a new product is developed and sold to the public, its market value enters into nominal gross domestic product. But there is no attempt to take into account the full value to consumers created by the new product.

Think about statins, the remarkable class of drugs that lower cholesterol and reduce deaths from heart attacks. By 2003 statins were the best-selling pharmaceutical product in history. The total dollar amount of statin sales was counted in GDP, but the government's measure of real income never included anything for improvements in health that resulted from statins—such as a

It's impossible to know how much the official statistics underestimate the true growth of real incomes. My own judgment is that the true annual growth rate could exceed the official figure by two percentage points or more, implying that the true annual rate of real per capita income growth during the past two decades has been much more than double the official 1.3%.

Even though real incomes are rising faster than is widely believed, we can and should do even better. Changing our tax rules, reforming regulation and improving education can spur faster growth and a more rapid rise in the standard of living. But even as we pursue these policies we shouldn't lose sight of the economy's superior performance.

*Mr. Feldstein, chairman of the Council of Economic Advisers under President Reagan, is a professor at Harvard and a member of the Journal's board of contributors.*

## LIFE & ARTS

WHAT'S YOUR WORKOUT? | By Jen Murphy

# A Regimen to Stay Undefeated

Having put off a finance career for fighting, light heavyweight boxer Mike Lee explains how recovery is as important as training

Mike Lee knows you need more than strength to prevail in the ring. Boxing also takes brains.

At 16, Mr. Lee balanced time practicing the sweet science with a job as a runner on the commodities floor at the Chicago Board of Trade. He competed as an amateur boxer throughout college. After graduating with a finance degree from the University of Notre Dame's Mendoza College of Business in 2010, he decided to postpone a career in finance to pursue pugilism.

"In my early days, I felt immortal," says Mr. Lee, who is now 30. "Then my body started to show signs that I wasn't invincible." A succession of injuries kept him out of the ring for nearly two years. He broke his hand in the third round of his first fight at New York's Madison Square Garden in 2011 and continued fighting until he won by knockout. "I probably should have stopped, but when you're in front of a crowd like that, you don't feel the pain," he says.

He then struggled with jaw and back injuries. He wondered if his body was telling him it was time to hang up his gloves.

Mr. Lee began working with a nutritionist and started to take recovery, like ice therapy, yoga and massage work, just as seriously as training. He also enlisted a sports psychologist who taught him visualization techniques. "I visualize every fight," he says. "The smells, the colors, my opponent's moves, my response." Now he says he's the strongest, fastest and smartest he's been in his boxing career. Ranked 12th in the **World Boxing Association's** light heavyweight division, he's shooting to put his perfect 19-0 record on the line with a Sept. 15 bout against Aaron Quattrochi in Rosemont, Ill.

### The Workout

Mr. Lee spars Mondays, Wednesdays and Fridays at Wild Card



MICHAŁ CZEŘWONKA FOR THE WALL STREET JOURNAL

West Boxing Club in Santa Monica, Calif. Leading up to fights, he tries to spar with someone who can mimic his opponent's fighting style. In a real fight, each round lasts three minutes, with one minute of rest between rounds. In training, he cuts the rest to 30 seconds. "The idea is to push yourself so hard in training that fight night becomes easy," he says. Tuesdays, Thursdays and Saturdays he focuses on pad work, heavy bags and film study.

A second evening workout is dedicated to strength and conditioning. He runs or swims for cardio. In the pool, he'll practice breath holds underwater and then



swim laps. "It's like when you throw a combo in a fight and are really out of breath but have to collect yourself," he says. He finishes workouts by jumping rope for 15 minutes. Ten seconds of each minute he goes all-out, doing double jumps or high knees to elevate his heart rate. Strength work includes explosive plyometric exer-

cises like box jumps and kettlebell swings.

Between workouts he focuses on recovery. He regularly visits a chiropractor and massage therapist specializing in muscle-activation technique. He spends three minutes in a cryotherapy chamber—similar to an intense ice bath—a few times a week, particularly after tough sparring days. The extreme cold is meant to reduce inflammation and muscle soreness.

Mr. Lee was dubious about the benefits of yoga before he started practicing five years ago. "My joints felt so loose after my first class," he says. "I realized I had been totally ignorant about its benefits." He tries to go to a hot yoga class at Core Power at least

once a week. Sundays are a rest day.

### The Diet

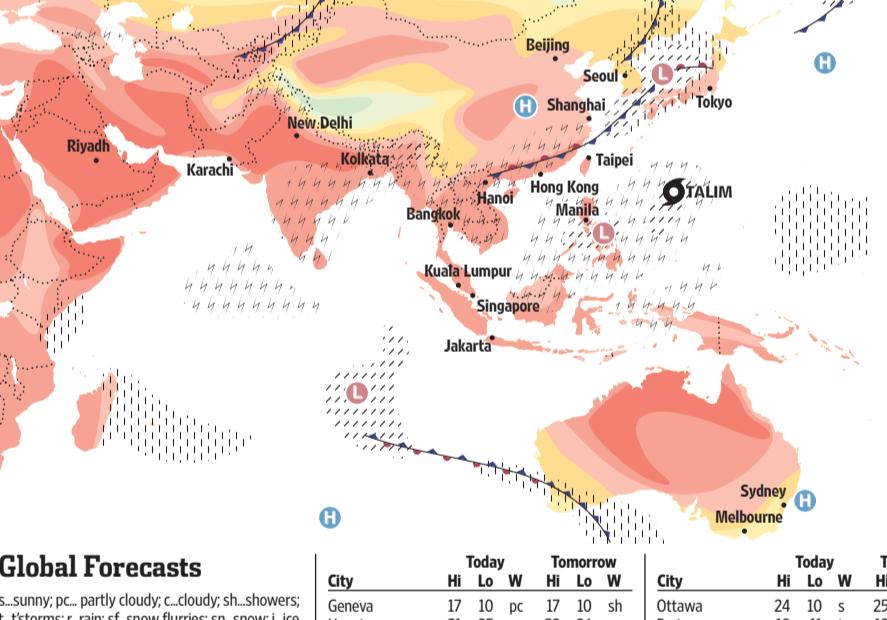
The first time Mr. Lee fought on ESPN, he had to lose 7 pounds in one day to make his agreed weight for the fight—an amount considered unhealthy for normal people, but not unusual for boxers pre-fight. "It was mostly water weight, but it was still difficult and not something I ever want to have to do again," he says. His team now has his nutrition down to a science so that he can weigh in at 175 pounds and go into the ring around 187 pounds. "A lot of the secret is water-weight manipulation," he says.

He works with a nutritionist and has microwavable meals shipped to him each week. Mr. Lee is hypoglycemic, but says eating small meals throughout the day helps stabilize his blood sugar. He eats a largely plant-based diet with moderate amounts of lean protein. Breakfast might be quinoa with kale and bison or egg whites with gluten-free toast and avocado. "I could eat Mexican food three meals a day," he jokes, "but I try to limit it to one." Chicken tacos topped with black beans and rice in corn tortillas are a typical lunch. Dinner might be grilled salmon and a salad.

### The Gear

"I love Under Armour and they send me a lot of gear," he says. He has custom-made Reebok boxing shoes and likes Nike and Under Armour sneakers for running. He's worn Grant gloves his entire boxing career. He's become a Lululemon convert. "My sister taught yoga and introduced me to the brand," he says. "They make some of the most comfortable workout clothing."

### Weather



AccuWeather.com

### Global Forecasts

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

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	16	12	t	17	12	pc
Anchorage	14	9	c	14	11	c
Athens	30	23	s	31	23	s
Atlanta	19	16	r	20	14	r
Bahrain	46	26	s	46	26	s
Baltimore	24	14	s	22	17	c
Bangkok	34	26	c	34	26	t
Beijing	29	13	s	30	17	s
Berlin	19	11	pc	18	10	pc
Bogota	21	8	pc	19	8	r
Boise	31	16	pc	32	17	s
Boston	25	15	s	28	16	s
Brussels	17	11	t	18	12	t
Buenos Aires	17	6	r	18	8	s
Cairo	36	24	s	38	25	s
Calgary	27	8	pc	18	5	pc
Caracas	32	25	pc	32	26	pc
Charlotte	19	17	r	24	16	r
Chicago	23	14	s	24	16	s
Dallas	30	18	s	31	20	s
Denver	30	15	pc	31	16	pc
Detroit	24	13	s	25	16	s
Dubai	41	32	s	41	31	s
Dublin	15	9	pc	15	8	r
Edinburgh	16	9	sh	15	7	sh
Frankfurt	17	12	pc	17	12	pc

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Geneva	17	10	pc	17	10	sh
Hanoi	31	25	c	32	26	c
Havana	32	22	t	31	23	t
Hong Kong	33	28	t	33	27	sh
Honolulu	31	24	pc	30	23	r
Houston	30	16	s	32	20	s
Istanbul	29	22	s	29	21	s
Jakarta	33	25	t	33	24	pc
Johannesburg	30	14	pc	30	12	pc
Kansas City	26	13	s	27	13	s
Kansas City	36	26	s	37	25	s
Lima	19	15	c	19	16	c
London	18	10	sh	19	11	t
Los Angeles	31	20	pc	29	19	pc
Manila	31	13	s	28	14	s
Melbourne	32	26	t	30	26	t
Mexico City	22	9	pc	23	12	pc
Miami	33	26	c	33	25	pc
Milan	26	13	pc	26	13	pc
Minneapolis	28	16	s	29	16	s
Montreal	31	17	s	34	18	s
Moscow	23	11	s	24	13	r
New Delhi	32	25	s	33	28	sh
Nashville	21	15	c	20	14	r
Orlando	28	22	c	31	22	pc

### The WSJ Daily Crossword | Edited by Mike Shenk



### IT'S ABOUT TIME! | By Julian Thorne

Across	Down
1. Cheese in a red coat	64. Take note of
5. 'Give me ___' ('Call me')	65. Zaps, in a way
10. Like bulls and boars	66. Lip
14. Sumptuous	Down
15. Mount Everest is on its northern border	1. Otherwise
16. Jumbo-screen film format	2. Send a Dear John letter to, e.g.
17. *Basic emoji	3. Graph line
19. Philosopher Descartes	4. Pleasant to listen to
20. English town noted for its salts	5. No matter which
21. *The devil's workshop, so they say	6. Modernize, as a ship
	7. Popular tablets
	8. Chemist's salt
	9. Merry
	10. Canonization requirement
	11. "Absolutely!"
	12. Touch down
	13. Old flames
	18. Mideast chieftain
	22. Bears
	24. Broker's advice
	26. Unimportant
	27. Start of a Caesar boast
	28. Astute attorney
	29. Home of the Crimson Tide, familiarly
	30. Make reparation
	31. There are 28 in a Monopoly set
	33. Atlantic catch
	34. Gooey stuff
	40. Contacted the Coast Guard, in a way
	41. Is caught in a downpour, e.g.
	42. Colt creation
	43. Supply with financing
	44. Diagonal movers
	46. Malleable metal

# BUSINESS & FINANCE

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Yen vs. Dollar 107.7600 ▼ 0.64%

Hang Seng 27668.47 ▲ 0.53%

Gold 1346.00 ▲ 0.07%

WTI crude 47.48 ▼ 3.28%

10-Year JGB yield -0.005%

10-Year Treasury yield 2.058%

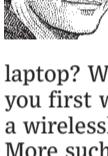


Richard B. Levine/ZUMA PRESS  
China's largest dairy company failed to buy Stonyfield.

## KEYWORDS

By Christopher Mims

## The Future Of Home Wi-Fi Is Fast, Exotic

  
Do you remember the first time you wirelessly surfed the web from a laptop? What about when you first watched a movie on a wirelessly connected TV? More such a-ha moments are coming. Perhaps one day you'll fondly recall the first time you streamed "Star Wars: Episode 9" from your overhead lights.

The wireless gods have been hard at work on your home network. You can already eliminate dead spots, for a price, by placing wireless access points all over. But some problems can't be solved by Wi-Fi's evolution alone. Three leaps forward could be key to building a fast and evenly distributed home network, streaming ultra-high-resolution video—think live virtual-reality TV—and handling that ever-growing number of "smart" devices.

Some developments are right around the corner. Others work mostly in theory but are worth watching. Cisco projects that through 2021, consumption of data through Wi-Fi on mobile devices will grow 48% a year—faster even than the growth of data on cellular networks.

Much has been made of the power of mesh Wi-Fi to eliminate dead spots and increase performance. The principle is simple: Instead of just a single router bristling with antennas, why not have a little one on every floor or in every room, all passing bits, like a bucket brigade, to the farthest reaches of your domicile? The little routers don't even have to be very smart, since most of them—from Google, Eero, Plume and others—talk to the cloud in order to optimize the network.

The problem is that people might not want to buy boxes—seriously, six-packs—of routers for their home. One alternative is to rent through your cable company: Comcast has announced a deal with Plume to eventually offer the system to its customers. Eero Chief Executive Nick Weaver says his company has its own partnerships in the works, though he isn't ready to announce them yet.

But why install network extenders at all? What if every Wi-Fi-equipped device in your home could provide bandwidth as easily as using it? Why couldn't your connected speaker or smart TV serve as a network node?

Plume is working with wireless chip designers to enable this, says CEO Fahri Diner. Eventually, your network could grow stronger as you add more devices to it. And because of standards and smart-home tech from

Please see MIMS page B4

## Chinese Face Foreign Deal Hurdle

Chinese companies are finding it harder to buy and invest in businesses abroad—even if they are willing to pay top dollar for such deals.

By Julie Steinberg  
in Hong Kong and  
Ben Dunsmore in London

Political, regulatory and other hurdles to Chinese cross-border acquisitions are mounting in the U.S., Europe and even Japan, making some sellers wary of striking deals with firms that have strong ties to mainland China. At the

same time, China has been reeling in some of its biggest deal makers on mounting concerns about capital leaving the country and high debt levels posing a risk to its economy.

Together, the constraints are limiting the prospects of Chinese companies that still have the resources and ability to expand overseas, and damping an already lackluster environment for global mergers and acquisitions this year. The setback for Chinese firms also comes after they emerged in recent years as credible bidders for U.S. companies.

"In some ways they were the perfect buyer because they seemed to have a long-term view and an unlimited checkbook," said Scott Barshay, global head of mergers and acquisitions for law firm Paul, Weiss, Rifkind, Wharton & Garrison LLP in New York. Their purchases "definitely drove up asset prices," he added.

So far this year, Chinese companies have announced \$113 billion in cross-border deals, down nearly a third from the same period a year earlier, according to Dealogic.

These days, simply being Chinese can be a disadvantage in some deal negotiations.

Earlier this summer, Inner Mongolia Yili Industrial Group, China's largest dairy company, bid more than \$900 million for Stonyfield Farm Inc., a Londonderry, N.H. yogurt maker, according to people familiar with the matter.

Stonyfield's owner, European packaged-food giant Danone SA, instead sold the business for \$875 million to French dairy company Lactalis, which won in part because

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## Fund Plows Ahead In China

SHANGHAI—Bridgewater Associates LP is poised to amass a huge investment fund in China, giving its founder, Ray Dalio, the kind of clout that has

By Rob Copeland,  
Bradley Hope  
and James T. Areddy

largely eluded Western financial firms in the world's second-largest economy.

Bridgewater already manages billions of dollars invested outside China by Chinese institutions and the government itself. It also won rarely granted access to trade directly in local Chinese financial markets.

The next move by the world's biggest hedge-fund firm would be even grander. With Chinese government approval, Bridgewater plans to use a new unit based in China to raise billions of dollars domestically to buy and sell assets in the country. The size and ambition of the new unit haven't been reported previously.

**Bridgewater founder Ray Dalio has said that China is his longest-term project.**

Mr. Dalio, 68 years old, has been fascinated by China since his first trip there in 1984. He has been back to the country several dozen times and has studied Chinese culture so closely that Bridgewater reflects aspects of Chinese political ideology, according to current and former employees.

This article is based on interviews with current and former Bridgewater employees who are familiar with its efforts in China, as well as other people close to Bridgewater.

Mr. Dalio turned Bridgewater into one of the most successful investment firms ever, making investors \$49 billion since its launch in 1975, according to LCH Investments NV. Based in Westport, Conn., Bridgewater handles \$160 billion and has about 1,500 employees.

He has told associates at Bridgewater that he considers himself an "economic doctor" who has a unique ability to diagnose countries' financial ailments, adding that China is his longest-term project. Mr. Dalio has made charitable donations totaling tens of millions of dollars in the country.

He has instructed the research team at Bridgewater to send notes about China directly to him for review before they are published.

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## INSIDE



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## Cracking Nigeria's Telecom Maze

Mobile operators face rich opportunities but must navigate shifting rules, network issues



Only 45% of people in Nigeria have an active cellphone, making the country one of the biggest potential growth markets in the world.

By Alexandra Wexler

LAGOS, Nigeria—The prospects for mobile-phone growth in Nigeria are among the most lucrative for telecom operators globally, but also the most challenging.

Only some 45% of the approximately 192 million people in Africa's most populous nation have an active cellphone, according to Groupe Speciale Mobile Association, making the country one of the biggest potential growth markets in the world for mobile operators. In Europe, 84% of people have an active cellphone, while in Japan, subscriber penetration is 95%.

Nigeria is expected to add some 27 million mobile-phone users—the fourth-biggest increase of any country in the world and more than any other African nation—by 2020.

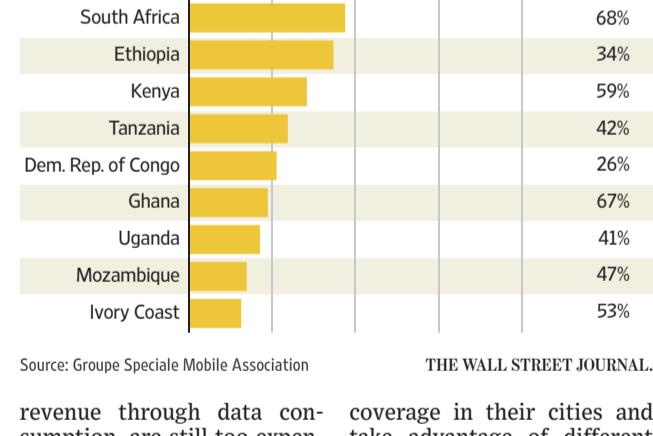
In 2016, Nigeria's telecom sector contributed 6.05 trillion naira (\$16.84 billion), or 8.9% of the country's GDP.

Smartphones, which drive

### Getting Connected

Nigeria offers telecom firms the potential for massive growth.

Number of subscribers in 2016, by country



Source: Groupe Speciale Mobile Association

THE WALL STREET JOURNAL.

revenue through data consumption, are still too expensive for many of Nigeria's consumers. And because network coverage is so poor, Nigerians who do own a phone often carry two or more SIM cards to better utilize the pockets of

palm. "We all get frustrated with the network, but everyone knows how to sidestep it."

This allows mobile operators to nab the same customers on multiple networks, potentially doubling or tripling Nigeria's market size.

The GSMA says there are actually 152 million active SIM cards in Nigeria, nearly double the number of individual subscribers.

But companies seeking to profit from the rough-and-tumble Nigerian telecom sector have to navigate shifting regulations, billion-dollar fines from a cash-strapped government, wild swings in the local naira currency and foreign exchange shortages as well as the absence of a reliable national power grid. The challenges have adversely affected the market as regulatory burdens hamper operators from growing more quickly.

Segun Ogunsanya, chief executive of Airtel Nigeria, a subsidiary of Indian telecom

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## Consumers Blast Equifax's Hack Response

By AnnaMaria Andriots  
and Aaron Lucchetti

Consumers worried about potential damage to their personal-financial information criticized Equifax Inc.'s early

response to a hack that may have exposed the majority of American adults to harm.

The credit-reporting company, which plays an important behind-the-scenes role in helping lenders to de-

cide who gets loans and at what rates, was thrust into a bigger spotlight Thursday after it said that hackers had gained access to some of its systems, potentially compromising personal information such as names, addresses, Social Security numbers and birth dates for roughly 143 million U.S. consumers.

That figure represents roughly 55% of Americans age 18 or older. Equifax released a statement Friday evening saying "we understand that some consumers are experiencing difficulties getting the answers and support they need... We are focused on making improvements as quickly as possible." On Thursday, the company's chairman and chief executive, Richard F. Smith, apologized in a statement and acknowledged "the concern and frustration this causes."

Following the hack, Equifax set up a special website for people with questions about the cyberattack—[www.equifaxsecurity2017.com](http://www.equifaxsecurity2017.com)—and a dedicated call center. Among complaints from consumers was that Equifax's offer of a free one-year credit-report monitoring service appeared to require those taking part to waive their right to take legal action against the company.

The fine print in the Equifax agreement concerning the monitoring services said that consumers who take part waive the ability to bring or participate in a class-action suit, a class arbitration or other similar legal actions. That seemed to suggest that consumers would be bound to an individual arbitration process with the company, which

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The company said hackers had gained access to some systems.

RHONA WISE/REUTERS

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## CHINA

Continued from the prior page

"They aren't there to curry PR in China," says Peter Alexander, founder of **Z-Ben Advisors** in Shanghai. "They are there to do business."

Non-Chinese banks, brokerage firms and mutual funds that have set up operations in the world's second largest economy have largely struggled to gain market share.

Mr. Dalio's history in China might help Bridgewater find a way around those challenges. His 1984 trip sparked "an incredibly rewarding thirty-plus year journey that has had a profound impact on my family and me," he wrote in an autobiography set to be released later this month.

Since then, Mr. Dalio has often traveled to the country for meetings with local executives and powerful officials in China's state-run bureaucracy.

Over time, Bridgewater has raised billions of dollars for its existing hedge funds from Chinese clients such as the China Investment Corp., sovereign wealth fund and **State Administration of Foreign Exchange**, which manages the country's currency reserves.

Some of Mr. Dalio's "Principles," the 123-page manifesto that drives the philosophy and management of Bridgewater, evoke Chinese history.

Some current and former employees say the practice of "radical transparency," which requires most meetings to be recorded and employees to identify the weaknesses of other employees, reminds them of "struggle sessions" from the Cultural Revolution era, when Chinese citizens were encouraged to publicly criticize and punish one another.

At Bridgewater headquarters, Mr. Dalio created a team he named "the politburo," a modified version of the ruling Chinese Communist Party's domineering governing body of the same name.

The hedge-fund firm's politburo included about two dozen top employees who adjudicated disputes and helped enforce Bridgewater's rules. The group

was recently disbanded.

In 2015, Mr. Dalio told Bridgewater clients that "our views about China have changed." The Chinese government had just intervened in financial markets to counter a stock-market swoon. "There are now no safe places to invest," he wrote in a research note.

After The Wall Street Journal published excerpts of the note, Bridgewater's technology staff detected possible signs of a cyberattack on the hedge-fund firm's computer systems. Employees suspected the possible involvement of Chinese hackers, though the perpetrators were never identified. Bridgewater concluded that no sensitive data was believed to have been stolen.

Since then, Mr. Dalio has re-

peatedly instructed Bridgewater's hundreds of investment researchers to be careful about writing outright negative outlooks about China, reminding them that he is sanguine about its long-term prospects. He also urged researchers to be aware of how their writing could be perceived if it were leaked outside the hedge-fund firm.

In the first paragraph of a note to investors in July, Mr. Dalio wrote: "We assess the leadership in China to be skilled." A note to clients Thursday said China is "squeezing the bubble beautifully" as it adjusts its economy.

Bridgewater's only office in China—or anywhere outside Connecticut—is on the 28th floor of the towering **Shanghai World Financial Center**, marked with a small sign.

Bridgewater registered its name in Chinese as QiaoShui, a literal translation of the words "bridge" and "water." It deposited millions of dollars in required capital and won approval to invest in China's \$9 trillion primary bond market.

To trade in Chinese markets, Bridgewater is designing a new operation that focuses on Chinese securities in the mold of its All Weather portfolio, which follows a "risk parity" strategy and uses computer-driven bets.

All Weather automatically buys and sells investments to maintain a balanced long-term strategy.



Bridgewater's Ray Dalio, left, meets with Wang Qishen, then China's vice premier, in Beijing in 2011.

are continuing, say bankers, though deals of a certain size are being more heavily scrutinized.

Still, the guidelines, designed to stem outlandish deals and capital flight, have sharply slowed the pace of Chinese deals following a record 2016 in which state-owned and private corporations announced over \$220 billion of acquisitions abroad.

China National Chemical Corp. last year announced a \$43 billion takeover of agro-giant **Syngenta** AG, China's biggest foreign deal to date. That deal was delayed several times due to antitrust concerns from the European Commission and closed months after it had made.

In Japan, **Toshiba** Corp. has spent months seeking a buyer for its large memory-chip division. It initially spurned a high bid from **Hon Hai Precision Industry** Co.—better known as **Foxconn Technology** Group—after Japanese government officials expressed concerns about the risk of Toshiba's chip technology being leaked to China, where Taiwan-headquartered Foxconn has vast electronics manufacturing operations. The deal talks aren't dead, however, and Toshiba is still weighing multiple offers, including one from Foxconn.

The Chinese government recently formalized rules limiting the types of transactions companies can pursue, restricting overseas investments in industries such as property, hotels and entertainment. Companies were largely following those rules for months before they were codified. Acquisitions that are core to companies' main businesses are generally permitted and

they would ask President Donald Trump to approve a deal they say CFIUS has indicated it will recommend blocking or suspending. The companies have so far tried three times to get approval since Lattice agreed to be bought by Canyon Bridge last year.

Canyon Bridge is currently considering a bid for **Imagination Technologies Group** PLC, a British-based chip designer, according to a person familiar with the matter. But another possible CFIUS review has led the Chinese firm to consider

submitting a bid that leaves out Imagination's U.S. operations, the person added.

The increased regulatory pressure has also made some investment bankers more cautious. Banks including **Goldman Sachs Group** Inc., UBS Group AG and **Bank of America** Corp. have been asking some of their Chinese clients to provide more details about their ownership and sources of funding before working with them on deals, according to people familiar with the matter.

In an unusual move earlier this month, Chinese government-backed **Canyon Bridge Capital Partners** Inc. and Portland, Ore.-based **Lattice Semiconductor** Corp. said

Chinese buyers also are now less sought after because sellers have more bidders from other countries to choose from this year, said Chris Ventresca, J.P. Morgan Chase & Co.'s global co-head of mergers and acquisitions.

In Europe, China's **Legend Holdings** Corp., the biggest shareholder of computer-maker **Lenovo Group** Ltd., earlier this year submitted a competitive bid for Spain's Allfunds Bank SA., a fund distribution company, said a person familiar with the matter.

The sellers—including

Banco Santander SA and Italy's **Intesa Sanpaolo** SpA—chose a joint offer from Hellman & Friedman LLC, a San Francisco private-equity firm, and Singapore's sovereign wealth fund **GIC Pte** Ltd.

The decision in part reflected concerns over Legend's ability to win Chinese approval to fund the transaction, according to the person familiar with the matter.

Some Chinese buyers are looking for acquisitions in places where they feel more welcome—including Hong Kong, Singapore, Brazil, the Philippines and India. Israel is an emerging hot spot, bankers say. Itamar Har-Even, co-founder of Ion Pacific, a Hong Kong-based investment bank, said some Israeli targets offer intellectual property Chinese firms are seeking at reasonable valuations.

**Screening of potential deals in the U.S. has become tougher due to security concerns.**

## BUSINESS & FINANCE

# Nordstrom's Store Gamble

New, smaller location will offer manicures, tailoring, but won't carry any clothes

By SUZANNE KAPNER

**Nordstrom** Inc. is opening a new store next month that is a fraction of the size of its typical locations, where shoppers will be able to enjoy services such as manicures and on-site tailoring.

Something it won't carry: clothes.

Called Nordstrom Local, the new concept comes as retailers across the U.S. are wrestling with how to best to use their physical spaces and attract customers who are migrating to the web. For department-store chains like **Macy's Inc.**, **J.C. Penney** Co., **Kohl's** Corp. and **Sears Holdings** Corp., one answer has been to shrink their footprint by closing stores or experimenting with smaller ones.

Nordstrom, with roughly 121 full-line locations, continues to open traditional department stores, including one in Toronto this coming Friday. But it also recognizes that consumer habits are changing.

"There aren't store customers or online customers—there are just customers who are more empowered than ever to shop on their terms," said Erik Nordstrom, co-president of the retailer.



Nordstrom, with roughly 121 full-line locations, continues to open traditional department stores.

Nordstrom Local, scheduled to open Oct. 3 in West Hollywood, Calif., will span 3,000 square feet, far less than the 140,000 square feet of one of Nordstrom's standard department stores.

It will contain eight dressing rooms, where shoppers can try on clothes and accessories, though the store won't stock them. Instead, personal stylists will retrieve goods from nine Nordstrom locations in Los Angeles, or through its website. The stylists can also pull together looks for shoppers through a "style board" app.

"Shopping today may not always mean going to a store

and looking at a vast amount of inventory," said Shea Jensen, Nordstrom's senior vice president of customer experience. "It can mean trusting an expert to pick out a selection of items."

In addition to manicures, Nordstrom Local shoppers will be able to order wine, beer, coffee or juice from an in-store bar, and those who place orders on Nordstrom.com by 2 p.m. can pick them up there that day. They will also be able to return at the stores items that they bought online or from other Nordstrom locations. Tailors will be available for alterations or to help mem-

bers of Trunk Club, an online clothing service that Nordstrom acquired in 2014, select fabrics for custom garments.

Other retailers have experimented with inventory-free stores, including Bonobos, the men's fashion brand bought by Wal-Mart Stores Inc. over the summer.

For the most part, however, the traditional retail store hasn't changed much. One hindrance, according to Doug Stephens, founder of the consulting firm Retail Prophet, is that Wall Street measures success by sales per square foot and other metrics that are becoming outdated.



Nigeria accounts for 28% of South African firm MTN's revenue.

## TELECOM

Continued from the prior page

giant **Bharti Airtel** Ltd., which has 34 million subscribers in Nigeria, says the growth opportunities are massive, though suppressed by the country's heavy-handed regulation and fines.

"It's killing the industry," Mr. Ogunsanya said. "If you extract so much money from this sector you make it impossible for [additional] investment."

Airtel's Africa unit turned a pretax profit for the first time during the year ended March 31. Nigeria is one of 15 markets Airtel operates in on the continent, though the company said a massive 54% depreciation in Nigeria's naira currency against the U.S. dollar hit its overall earnings last year.

Last month, the Nigerian Communications Commission, the country's telecom regulator, blocked one of the sector's biggest players, Nigeria's privately owned Globacom Ltd.—which has 37 million subscribers and a partnership with British telecom giant Vodafone Group PLC—from proceeding with a planned free-data-day promotion. Glo

Nigeria had planned to offer

subscribers 200 megabytes of free data on Aug. 11 to encourage data usage, but the NCC said the promotion went beyond what was allowed under its regulations.

The most-concerning move for investors was the \$5.2 billion fine the NCC slapped on South African operator MTN Group Ltd. after it missed a deadline to deactivate more than 5 million unregistered SIM cards under regulations intended to combat terrorism. In June 2016, the fine was reduced by 330 billion naira (\$1.7 billion at the time, now \$917.9 million due to a drastic weakening of the naira), payable over three years, following lengthy negotiations.

MTN Nigeria declined to comment.

Nigeria is MTN's largest market, and its operations there accounted for 28% of the company's revenue which was 64.39 billion South African rand (\$4.99 billion) in the six months ended June 30.

Tony Ojobo, the director of public affairs at the Nigerian Communications Commission, denied that the telecom regulator was overzealous. "We are only ensuring that everyone that operates in this market plays according to the rules," he said.

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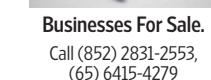
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THE WALL STREET JOURNAL.

## BUSINESS NEWS

# High Costs Key to New Amazon Hub

By LAURA STEVENS

**Amazon.com** Inc. is outgrowing its hometown of Seattle.

A major reason behind Amazon's new plan to build a second headquarters elsewhere in North America is the need to hire thousands more software developers. That will almost certainly be cheaper and easier in a city other than Seattle, experts say, where Amazon's

growth has helped fuel soaring labor and real-estate costs and a shortage of space.

In Seattle, where Amazon has been based for more than 20 years, the retailer has opened new office buildings to accommodate its rapidly growing workforce, which now tops 40,000. But Amazon said Thursday it is seeking a new campus to eventually house an additional 50,000 workers.

Seattle is "just not big enough to double the size of their footprint," says Christopher B. Leinberger, a professor at George Washington University School of Business and a nonresident senior fellow at the Brookings Institution who specializes in land use.

Amazon accounted for more than half of the Seattle office space created over the past year and a half, and the city's commercial real-estate vacancy rate is already lower than the national average, according to commercial real-estate firm Colliers International. The unemployment rate for the county is below the national average, according to the latest available data. Meanwhile, home prices in Seattle have risen 47% to an av-



Construction seen in April as part of an expansion of the tech giant's campus in downtown Seattle.

erage of \$667,488 since 2007, according to the Cost of Living Index by the Council for Community and Economic Research.

The online-retail giant said its next headquarters should be located in a walkable transportation hub with good access to an educated workforce and universities.

A second headquarters also would give Amazon a chance to spread its economic clout and political constituency. Proposals are due next month, Amazon said.

"When you think about how deep a labor market needs to be to fill that many jobs, it's much more of a constraint than a real-estate piece," said Dylan Taylor, president and chief operating officer at Colliers.

That is in part why a number of tech giants including Facebook Inc. and Microsoft Corp. are opening satellite offices far from their home sites to tap additional talent. Alphabet Inc.'s Google and Apple Inc. have offices in Seattle to compete with Amazon for

workers.

"All this recent job growth—which is great—is showing us just how far behind we are" in areas like housing and public transportation, says Jon Scholes, chief executive of the Downtown Seattle Association.

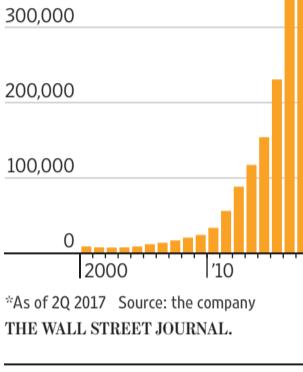
In addition, other industries such as banking and retail are hiring more software developers, says Vivek Ravisankar, chief executive of developer recruitment startup HackerRank. "There are so many other states that have talent,"

he said, with the fastest-growing developer activity in Hawaii, Colorado, Virginia and Maryland.

Cities and states, including Philadelphia and Minnesota, are already raising their hands to propose a site for Amazon's new headquarters. Real-estate and site-selection experts think areas like Boston, Chicago, Dallas, Atlanta and Minneapolis might have the best chances based on the criteria. Proposals are due Oct. 19. and Amazon plans to select the site next year

### Hired Hands

Amazon's workforce is growing rapidly as it builds out new warehouses.



\*As of 2Q 2017. Source: the company  
THE WALL STREET JOURNAL.

# Uber Faces FBI Probe Over Program Targeting Rival

By REBECCA DAVIS O'BRIEN AND GREG BENINGER

Federal law-enforcement authorities in New York are investigating whether **Uber Technologies** Inc. used software to interfere illegally with a competitor, according to people familiar with the investigation, adding to legal pressures facing the ride-hailing company and its new chief executive.

The investigation, led by the Federal Bureau of Investigation's New York office and the U.S. attorney's office in Manhattan, is focused on a defunct Uber program, known internally as "Hell," that could track drivers working for rival service **Lyft** Inc., the people said.

"We are cooperating with the SDNY investigation," said an Uber spokesman, referring to prosecutors in the Southern District of New York. He declined to offer additional details.

Uber hasn't publicly discussed the details of the program.

People familiar with the matter said "Hell" worked like this: Uber created fake Lyft

customer accounts, tricking Lyft's system into believing prospective customers were seeking rides in various locations around a city. That allowed Uber to see which Lyft drivers were nearby and what prices they were offering for various routes, similar to how such information appears when an authentic Lyft app is opened on a user's smartphone, these people said.

The program was also used to glean data on drivers who worked for both companies, and whom Uber could target with cash incentives to get them to leave Lyft, said these people, who added that the program was discontinued last year.

The program was the subject of a federal class-action lawsuit filed in April by a Lyft driver in California, which was dismissed by a federal judge last month after Uber said the suit didn't allege a crime or material loss.

One critical question for investigators is whether "Hell" constituted unauthorized access of a computer, a person briefed on the investigation said.

The battle to attract and re-

tain drivers has been critical for Uber's and Lyft's growth, particularly as the two venture-backed firms now compete in every major U.S. metropolitan area and users can easily switch between the two apps to find a quicker pickup or cheaper ride.

Uber has taken pains of late to soothe drivers' concerns, adding a tipping option that it had long resisted and making other tweaks to its app.

The investigation of the "Hell" program is one of at least three federal investiga-

tions under way into Uber's practices, adding to a laundry list of challenges facing Dara Khosrowshahi, who formally took over as CEO on Tuesday after a 12-year tenure at the helm of Expedia Inc.

Mr. Khosrowshahi inherited a depleted executive suite, directors and investors divided over the future of the company and the fallout from a months-long probe into Uber's workplace culture that led to the ouster of longtime CEO Travis Kalanick.

The U.S. attorney's office in



Uber is facing at least three federal probes into its practices.

the Northern District of California, working with FBI agents there, is investigating another Uber software tool, known as "Greyball," which helped its drivers evade local transportation regulators, according to people familiar with the matter.

The FBI has issued subpoenas to public officials in Portland, Ore., Philadelphia and Austin, Texas, in connection with that investigation, according to officials in Portland and people familiar with the matter.

Uber has since said it stopped using Greyball to evade officials. Uber has said it has used the technology for other purposes. An Uber spokesman declined to comment on that investigation.

Additionally, the Justice Department has taken preliminary steps to investigate whether managers at Uber violated the Foreign Corrupt Practices Act, which bans the use of bribes to foreign officials to get or keep business, people familiar with the matter said.

The Wall Street Journal reported the investigation, which is in early stages, last

month. Uber has said it is cooperating with the Justice Department on the investigation.

Uber is also contending with a lawsuit from rival **Alphabet** Inc., Google's parent company, over allegedly stolen self-driving-car trade secrets, which a federal judge in May referred to the Justice Department for a possible criminal probe.

Uber has denied wrongdoing and is contesting the lawsuit in court.

The existence of the "Hell" program was reported in April by tech website The Information, which said the program had been active from 2014 to early 2016, when it was discontinued.

It isn't clear when the program came to the attention of law enforcement. Federal prosecutors in Manhattan had been pursuing an investigation into Uber's anticompetitive strategies since at least early 2016, several people familiar with the matter said. It isn't clear whether the investigation into "Hell" grew out of that effort or if it began with a separate inquiry.

—Nicole Hong contributed to this article.

# Patents Take Refuge With Indian Tribe

By JONATHAN D. ROCKOFF

**Allergan** PLC has taken a novel step to protect top-selling drug Restasis from generic competition: The company has sold the drug's patents to an Indian tribe in upstate New York.

The aim is to block rivals from challenging the patents for the dry-eye drug at the U.S. Patent and Trademark Office based on the tribe's special legal status as a sovereign government, which the tribe says gives it immunity from patent-office review.

The St. Regis Mohawk Tribe, which operates a casino on its reservation near the Canadian border, asked the patent office on Friday to drop challenges filed by **Akorn** Inc., **Mylan** NV and **Teva Pharmaceutical Industries** Ltd.

If its moves succeed, Allergan will be able to avoid a pending hearing before a patent-office panel on the patents for Restasis, a key product for the company. A separate review of the patents, by a federal court in Texas, will continue.

"We are completely open to having these patents adjudicated in the federal courts. But we don't think going through that we should be subject to a second review" at the patent office, Allergan CEO Brent Saunders said in an interview.

Teva said it would keep pursuing its patent challenges,

while criticizing Allergan's tactic as "new and unusual way for a company to try to delay access to high quality and affordable generic alternatives."

Akorn and Mylan didn't respond to requests for comment.

The agreement with Allergan entitles the tribe to a \$13.75 million initial payment and \$15 million in annual royalties, starting next year, until the Restasis patents expire or are no longer valid. Allergan retains the rest of the revenue from Restasis, the company's second-biggest seller after Botox with \$1.4 billion in sales last year.

Dale White, general counsel for the 13,000-member tribe, said it would use the proceeds to diversify revenue beyond its casino and address "unmet

needs" in areas such as housing, health care and education. The legal maneuvering is a new twist on drug companies' longtime fight to protect their lucrative products from lower-priced generics, whose introduction usually cuts into and then largely eliminates sales of the brand-name drug within months.

Allergan is suing potential manufacturers of lower-price generics in the federal court in Texas for patent infringement, and the company expects a decision within the next few months, according to Bob Bailey, the company's chief legal officer.

Allergan took out the Restasis patents in 2013 as the company began facing generic

threats. The company says the patents don't expire until 2024, while generic rivals argue the patents shouldn't have been granted in the first place and should be ruled invalid.

To invalidate the patents, Akorn, Mylan and Teva addressed the U.S. Patent and Trademark Office under a process known as inter partes review.

The IPR process was established six years ago as a quicker, cheaper path to determine the validity of patents, compared with the process in federal courts. But critics, including drug companies, say it has been exploited by so-called patent trolls, hedge funds and others.

The Supreme Court is weighing the constitutionality of the patent-office challenge process.

Allergan still faces a potential loss in the case it initiated in federal court. It is unclear if tribal sovereign immunity could protect drug patents in federal court. But patent-law experts say Allergan seems to have found a way—under a web of court and patent-office decisions—to at least avoid the risk of setback at the patent office.

"Barring some radical change in the law, it looks like Allergan just checkmated everybody," said Jacob Sherkov, an associate professor at New York Law School's Innovation Center for Law and Technology.



Allergan sold patents to its drug Restasis to an Indian tribe.

paramount pictures

### BUSINESS WATCH

#### Ex-Chairman Ready To Turn Himself In

Joesley Batista, the former chairman of meatpacking giant **JBS SA**, is ready to turn himself over to Brazil's legal authorities after the country's Supreme Court approved his arrest for allegedly reneging on the terms of a plea-bargain agreement, Mr. Batista's lawyer said Sunday.

High court Justice Edson Fachin approved the arrest following a request from Attorney General Rodrigo Janot, according to documents made public on Sunday. Mr. Batista and other JBS executives signed the plea deal in April after admitting to paying millions of dollars in bribes to nearly 2,000 Brazilian officials.

The agreement granted them immunity for their criminal acts in return for cooperation with authorities. Mr. Janot recently said a recording, possibly delivered by mistake along with other evidence by Joesley Batista and executives, suggested that some of them omitted evidence and that they illegally got help from a law-enforcement official to arrange the deal that allowed them to escape prosecution.

Shanghai Film Group Corp. and Huahua Media in January agreed to cover 25% of the cost of every movie Paramount makes for three years. But the funds have been held up by regulatory hurdles on foreign investment imposed by the Chinese government. Paramount Chief Executive Jim Gianopoulos said at a media investor conference. "We haven't received the money we are entitled to under the deal, but have been given continued assurances they're processing or going through it," he said.

If the problems aren't resolved and the money doesn't come soon, Mr. Gianopoulos said, he has "a great deal of confidence" that Paramount would be able to quickly find new co-financing partners.

Co-financing deals, under which studios share a portion of the risk and rewards of movies they make with other companies or investors, are commonly used in Hollywood as a way to help smooth the performance of the often-volatile movie business.

—Ben Fritz

## TECHNOLOGY

WSJ.com/Tech

# Apple Backs Augmented Reality

New iPhone and software are expected to enhance experience for consumers

BY TRIPP MICKLE

Apple Inc. is gearing up for a big push to popularize augmented reality, launching new hardware and software in the coming weeks that make it easier for users to shop for virtual couches, slay digital zombies and drop artificial videos into their living rooms.

A new high-end iPhone is expected to be unveiled Tuesday with a dual-lens camera system and 3-D sensors that improve depth-sensing and enhance augmented-reality experiences. Apple's new operating system, iOS 11, which becomes available this fall, will offer new augmented-reality capabilities first previewed in June. Meanwhile, apps that impose virtual images on real scenes are expected to flood the company's App Store, as companies ranging from IKEA to AMC Networks Inc. hope to benefit from Apple's promotion of augmented reality.

Apple Chief Executive Tim Cook has touted augmented reality, telling analysts last month: "This is one of those huge things that we'll look



'This is one of those huge things that we'll look back at and marvel on the start of it,' Apple CEO Tim Cook told analysts last month. An Apple conference for developers in San Francisco in 2016.

back at and marvel on the start of it."

Katy Huberty, an analyst with Morgan Stanley, said Apple sees the addition of augmented reality—which combines the virtual and the real on a smartphone screen or other device—as potentially as transformational for its business as the App Store's debut in 2008.

If the technology takes off, she said, it could help reignite flagging iPhone sales. It

also could ease questions about Apple's continuing ability to innovate.

The hope among some augmented-reality enthusiasts is that Apple will popularize the technology, triggering consumer trial and adoption. Some proponents, though, are skeptical about the technology's immediate potential.

Matt Miesnieks, a partner at Super Ventures, an investment firm that targets augmented-reality startups, ex-

pects most early apps in the field will become seldom-used novelties. He said features enabled by Apple's augmented-reality development platform, ARKit, are limited and it is awkward for people to hold handsets in front of their faces to commingle real and digital worlds.

Mr. Miesnieks doesn't see apps gaining traction until late next year, when he expects an updated ARKit with more capabilities.

Augmented reality shot to prominence last year following the release of "Pokémon Go," a game in which players scoured the real world, with the help of location-tracking technology, to find digital monsters superimposed through the smartphone screen. But public enthusiasm soon faded.

Still, tech companies including Alphabet Inc.'s Google, Facebook Inc., and Snap Inc. are vying with Apple to drive augmented reality forward. Google recently announced its own augmented-reality software system, ARCore, to compete with Apple's system.

ARKit, which Apple released in June, eliminates obstacles for developing augmented-reality apps, offering software capable of tasks like tracking a user's position and estimating the light available in a room.

It also turned an estimated 500 million iPhone owners into potential customers.

Using ARKit, Touch Press Inc. was able to build an augmented-reality world based on the children's book "The Very Hungry Caterpillar" in about six weeks, a quick turnaround that surprised the company because previous augmented-reality projects performed inconsistently, said Chief Executive Barry O'Neill.

Apple declined to comment.

## MIMS

Continued from page B1  
Apple, Samsung, Amazon and others, connecting them may be seamless.

Imagine downloading an entire movie in seconds. Or streaming games and 4K videos from your phone to your TV without dropping a frame. Or even wandering around the living room in a VR headset, unencumbered by a tether to some giant PC.

This is the promise of WiGig. It's sometimes described as the next generation of Wi-Fi, but that isn't accurate. Until now, each new variant of Wi-Fi improved upon the last, but this one, known to nerds as 802.11ad, has a special purpose.

WiGig technology is capable of sending and receiving data at up to 8 gigabits a second—almost six times as much as the current peak. But to achieve superhigh transfer rates, it operates at 60GHz, far higher in frequency than the 2.4GHz and 5GHz bands we normally access.

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Apple declined to comment.

In June, Intel and HTC demonstrated a wireless VR system they argue could be WiGig's killer app. Anyone who has tried whole-room VR knows it's annoying to have a cable snaking out the back of your head. And in environments where Wi-Fi spectrum is already impossibly crowded, such as airports or convention centers, WiGig could enable "cones" of high-speed connectivity.

A handful of products already support WiGig, including \$350-and-up Wi-Fi routers from Netgear and TP-Link, and a \$1,000 laptop from Acer.

*The wireless gods have been hard at work on your home network.*

Will higher-frequency microwaves be a health hazard? The Federal Communications Commission sets rules, based in part on recommendations from nonprofits such as the National Council on Radiation Protection and Measurements, in an attempt to ensure that doesn't happen.

Bloomberg earlier reported Facebook's discussions to secure music rights.

—Anne Steele contributed to this article.

ing to catch up, sparking a fierce investment drive.

China's BOE Technology Group Co. has spent at least \$17.7 billion in recent years to ramp up its OLED production. IHS estimates that the company will become the world's largest display manufacturer by volume by 2019, but will continue to lag behind Samsung when it comes to smaller-size OLEDs. In Japan, Apple Inc. supplier Japan Display has also harbored ambitions in OLED, and now says it is open to a partnership with a Chinese or Taiwanese company to survive.

The biggest contender by far is LG Display Co., which has a monopoly in large-size OLEDs for televisions, a much smaller market segment compared with OLEDs for mobile devices.

As Samsung consolidates its position in the small-display screen market, others are rac-

ing to catch up, sparking a fierce investment drive.

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—Yoko Kubota contributed to this article.

# Facebook Embraces 'Video-First' Future

BY DEEPA SEETHARAMAN

Facebook Inc. is loosening its purse strings in its drive to become a major hub for video.

The social-media giant is willing to spend as much as \$1 billion to cultivate original shows for its platform, according to people familiar with matter. The figure, which could fluctuate based on the success of Facebook's programming, covers potential spending through 2018, one of the people said.

The investment would far outpace Facebook's previous outlays on video content, including its live-video deals last year. It also signals Facebook's readiness to spend more than before to become what Chief Executive Mark Zuckerberg calls a "video-first" platform.

Facebook's thirst for video content pits it against traditional broadcasters such as Time Warner Inc.'s HBO and deep-pocketed tech companies such as Amazon.com Inc. and Netflix Inc., which all are banking on video to capture the fleeting attention of users

### Former Chinese Official Joins Team

BEIJING—Facebook Inc. has hired a veteran executive and former Chinese official for a new position leading its government relations here, in another sign it is escalating efforts to regain access to China.

William Shuai joins Facebook from LinkedIn Corp.'s China operation, where he also managed government relations. Unlike most other U.S. social-networking companies,

LinkedIn agreed to submit to government censorship to gain

access to the market. The company has since been acquired by Microsoft Corp.

Facebook has been blocked in China since 2009, reflecting the government's concern over the ability of large social networks to stir unrest. But Facebook founder Mark Zuckerberg believes China is key to the company's growth, and has been working for several years to stage a return.

In an email response to questions from The Wall Street Journal, Mr. Shuai said he was "still learning" about his new company and declined to comment.

—Alyssa Abkowitz

and seize billions of dollars in advertising that is expected to migrate from television to digital video. Apple Inc. is preparing its own billion-dollar war chest for content.

"Our read-through is that Facebook is likely willing to spend billions of dollars to buy rights for content that might otherwise appear on TV," Pivotal Research analyst

Brian Wieser wrote in a recent note.

Facebook declined to comment on its spending strategy for video.

The moves come as Facebook seeks new avenues of revenue growth to offset an expected slowdown in its core business. They also reflect Mr. Zuckerberg's evolving views on paying for content, some-

thing he previously resisted, according to people familiar with the matter. Mr. Zuckerberg has said Facebook is willing to pay for some content now, but ultimately expects creators will be financed through an ad revenue-sharing model.

Facebook is trying to set itself apart from a crowded market with programming that its two billion monthly users will want to discuss—preferably on the social network. It also is interested in deepening engagement around sports, which already spark conversations on Facebook.

The company recently bid more than \$600 million for the digital rights to stream cricket matches in India from 2018 to 2022, according to a tweet by the Indian Premier League.

Facebook ultimately lost its bid to 21st Century Fox Inc.'s Star India, which bid \$2.6 billion for broadcast and digital-streaming rights. 21st Century Fox and Wall Street Journal parent News Corp share common ownership.

In an interview, Pivotal's

Mr. Wieser said Facebook's cricket bid was eye-popping given the relatively small size of the Indian digital ad market. He likened the bid to spending \$24 billion in the U.S., where the online advertising market is 40 times as large as in India.

Facebook is also looking to clinch deals that make it easier for users to consume and share video on the platform, including talking with record labels to secure rights to music playing in the background of videos that users upload, people familiar with the discussions said. Facebook is prepared to pay hundreds of millions of dollars for the rights, one of the people said.

Facebook has been negotiating music rights for years, but discussions intensified last year, people familiar with the matter say. One of the people said Facebook hopes to wrap up negotiations this year.

Bloomberg earlier reported Facebook's discussions to secure music rights.

—Anne Steele contributed to this article.

# Samsung Reaps Gains From Bet on Small Screens

BY EUN-YOUNG JEONG

Samsung, one of the world's biggest makers of display panels, is set to reap large rewards this year by betting on the right mobile-display technology.

Samsung Electronics Co.'s dominance in this field will be highlighted when Apple Inc. unveils three new iPhones, with one model expected to feature organic light-emitting diode, or OLED, displays made by Samsung Display, an affiliate of the South Korean technology giant, as reported earlier by The Wall Street Journal.

Samsung's decision to focus on small-size OLED screens that go into mobile devices—a segment where it holds a 97% market share—has positioned it to become the dominant player in what research firm

IHS estimates is a \$25 billion industry.

Demand for smaller-size OLEDs has soared with the increasing popularity of Samsung's Galaxy phones, one of the industry's pioneers in adopting OLEDs in mobile devices. Samsung first featured OLED displays in mobile phones in 2009, but had a breakthrough in 2015 with the Galaxy S6 Edge, a device with curved edge screens that expanded the device's screen space and showed consumers how phones could be thinner with wider screens.

"OLEDs really started getting noticed when the phone's external design changed," said Tom Kang, at Counterpoint Research. "This is something that LCDs can never do," he said, referring to the liquid-crystal displays that has been used in iPhones for a decade.

Invented by Kodak in the 1980s, OLED displays are comprised of millions of tiny pixels that each emit different colors to create images on a screen. The number of pixels can vary by a screen's resolution. A single OLED panel is actually an amalgamation of several layers of materials.

Experts say OLEDs drasti-

cally improve image quality in electronic gadgets while being more durable, thinner and energy efficient. The technology also can help improve phone design and battery life, and is better suited for augmented and virtual reality devices.

As Samsung consolidates its position in the small-display screen market, others are rac-

ing to catch up, sparking a fierce investment drive.

China's BOE Technology Group Co. has spent at least \$17.7 billion in recent years to ramp up its OLED production. IHS estimates that the company will become the world's largest display manufacturer by volume by 2019, but will continue to lag behind Samsung when it comes to smaller-size OLEDs. In Japan, Apple Inc. supplier Japan Display has also harbored ambitions in OLED, and now says it is open to a partnership with a Chinese or Taiwanese company to survive.

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—Yoko Kubota contributed to this article.

## DATA

Continued from page B1  
some argue is a more difficult place for consumers to get larger rewards for their problems.

"You're bound to adhere to their arbitration process," Christina Verigan of Mason, Ohio, a consumer upset by this clause wrote in an email to The Wall Street Journal. "Equifax should be ashamed to pretend this is anything other than a way to cover their butts."

Friday, the ranking Democrat on the Senate Banking Committee, Sherrod Brown of

Ohio, called on Equifax to "immediately remove forced arbitration from all services offered to customers." The National Consumer Law Center, a consumer advocacy group, made a similar request.

Equifax added a "frequently asked question" item on its special website, which attempted to clarify the matter. While it is unclear exactly when the note was added, as of Friday afternoon it said "the arbitration clause and class action waiver" in the terms of its credit-monitoring product TrustedID Premier "applies to the free credit file monitoring and identity theft protection products, and not the cyberse-

curity incident."

Unlike with lenders, consumers often don't choose to do business with credit-reporting companies such as Equifax.

Rather, their information often ends up there because of lenders reporting their loan applications and loan activity.

Equifax says the free moni-

toring will be for credit reports from it and the other two major credit-reporting companies, TransUnion and Experian. Also, it will include identity theft insurance and a service that scans internet sites to see if they are displaying people's Social Security numbers.

Some consumers complained on social media and elsewhere Friday that they couldn't reach anyone at the call center. Instead of being put on hold or being asked to leave a message, consumers heard an automated message telling them that representatives were busy and that they should call back later.

In its statement, Equifax said it has tripled its call center staff to more than 2,000 agents and it continues to add more.

Consumers who visited the website also had questions and concerns. Among them is that they are first asked to give the last six digits of their Social Security number before they can get help on the site.

Ms. Verigan said she visited Equifax's website, input her information and received a message informing her of an enrollment date for the free service. It said, "Please mark your calendar—you won't see additional reminders," she said.

In its statement, Equifax said it has tripled its call center staff to more than 2,000 agents and it continues to add more.

Consumers who visited the website also had questions and concerns. Among them is that they are first asked to give the last six digits of their Social Security number before they can get help on the site.

Traditional Wi-Fi isn't standing still. Qualcomm and other industry heavyweights are working on 802.11ax, which should make the existing spectrum more efficient. One day, we may beamabytes at each other using gamma rays. In the meantime, we'll have to settle for wireless standards that are ever faster but come with new quirks to adapt to.

## FINANCE & MARKETS

# Wells Fargo's Scandal Drags On

The lender's legal woes persist a year after sales-practices mess came to light

BY EMILY GLAZER

A year after Wells Fargo & Co.'s sales-practices scandal erupted, the bank has changed its leadership and lost valuable ground to rivals. Yet executives still face an array of legal challenges that may take months if not years to sort out.

In recent weeks, the Justice Department has conducted interviews with executives in the bank's San Francisco headquarters, according to people familiar with the matter. The agency last fall began its investigation into the bank's practices after Wells Fargo entered into a regulatory settlement Sept. 8 over the widespread opening of accounts at the bank without customers' knowledge. Wells Fargo has been cooperating with that investigation.

Wells Fargo recently increased its tally of accounts opened due to improper sales tactics to 3.5 million from the 2.1 million initially made public last fall. The 67% increase in the fake accounts brought renewed focus to the scandal, which badly bruised the bank's reputation, led to the abrupt retirement of its then CEO, and prompted many federal and state investigations separate from that of the Justice



Wells Fargo has lost \$4.5 billion in market value in the past year.

Department.

The Consumer Financial Protection Bureau and Office of the Comptroller of the Currency are probing consumer-lending issues at the bank that have only recently come to light.

Those inquiries are in the early stages, people familiar with them said, and involve insurance products sold by the bank's auto-lending business.

The insurance issues have led Senate Democrats to call for congressional hearings, which could open up the bank and Chief Executive Timothy Sloan to renewed negative publicity. Last fall, then-CEO John Stumpf was skewered during hearings examining the sales-practices problems and abruptly retired soon after.

On another front, Wells Fargo is negotiating with the Justice Department in the hope of reaching a settlement related to crisis-era sales of mortgage-backed securities. Any deal could represent a charge of more than \$1 billion to the bank, according to people familiar with the talks.

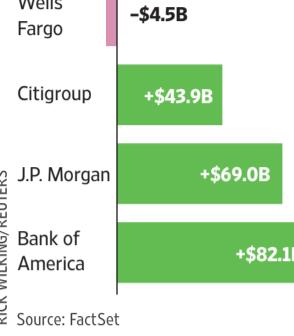
Although other big U.S. and European banks have reached settlements amounting to billions of dollars, Wells Fargo has so far avoided such hit. The issue is likely to come to the fore for the bank in the next several weeks, the people said.

A Wells Fargo spokesman said the bank has made changes to its executive leadership, business model, organizational structure and com-

### Sidelined

Wells Fargo stock missed out on the banking sector's rally in the past year.

### Market capitalization, change from a year ago



Source: FactSet

THE WALL STREET JOURNAL.

bank's wholesale-banking business during his 30 years at the firm. That unit hasn't been implicated in any of the scandals.

David Katz, chief investment officer of Matrix Asset Advisors Inc., said he believes the bank is turning itself around, given a comprehensive investigation that was responsible for unearthing some of the new problems facing the bank. As well, there have been changes in both management and the board.

That makes the shares attractive based on both valuation and their dividend yield, said Mr. Katz, whose firm owns 500,000 Wells Fargo shares. Plus, Wells Fargo "has a great credit portfolio and will benefit from rising interest rates," he said.

Even the bank's largest shareholder, Warren Buffett, recently seemed unperturbed by the array of problems that have surfaced at the bank.

"What you find is there's never just one cockroach in the kitchen when you start looking around," the chairman and CEO of **Berkshire Hathaway** Inc. said on CNBC in late August. "Anytime you put focus on an organization that has hundreds of thousands of people...you may very well find that it wasn't just the one who misbehaved that you find out about."

Mr. Buffett said at the time that he is sticking with Wells Fargo for the long term—Berkshire owns roughly 9.4% of the bank—and that mistakes made "are being corrected."

# Erdogan Calls for a Revamp of Fund

BY YELIZ CANDEMIR

ISTANBUL—Turkish President Recep Tayyip Erdogan called on Friday for an overhaul of the country's fledgling sovereign-wealth fund, saying a day after the fund's head was dismissed that it has failed to meet its targets.

Fund chairman Mehmet Bostan was removed from his post on Thursday. He became chairman of the fund in November, several months after the government set it up under the office of the prime minister with the aim of managing a total of \$200 billion in state assets.

Mr. Erdogan said the decision for new leadership of the fund was taken after consulting Prime Minister Binali Yildirim. "It is appropriate to take this step," he told reporters, saying both he and the prime minister decided "it doesn't work" as is.

An official at Turkey's main stock exchange in Istanbul confirmed Mr. Bostan was out and said exchange chairman Hımmet Karadag would temporarily oversee the fund. Mr. Bostan couldn't immediately be reached for the comment.

Turkey's sovereign-wealth fund immediately got off to a slow start, local economists and officials say, and its strategy wasn't clear. Traditionally, oil-rich states set up wealth funds to capitalize on revenue from energy exports and diversify their investments and economies. Turkey imports nearly all of its energy and has sizable national debt.

The government transferred state-asset stakes worth billions of dollars to the sovereign-wealth fund in recent months. The fund hired international accounting firms to audit the companies in which it was acquiring stakes, including national carrier **Turkish Airlines** and **Turk Telekomunikasyon AS**, the country's largest landline operator and internet-service provider.

In an interview in February, Mr. Bostan said the fund wasn't seeking to privatize the state enterprises under its control, but rather helping them attract foreign investment as a way to expand operations.

He said the fund's management goals were based on conservative, long-term investment principles aimed at increasing the value of the state enterprises via foreign investment, domestic job creation and maximizing the government's macroeconomic growth strategy.

# Glencore, Qatar to Sell Rosneft Stake

BY SCOTT PATTERSON  
AND JAMES MARSON

Glencore PLC and Qatar have agreed to sell the bulk of their nearly 20% stake in Russian oil giant PAO Rosneft to a Chinese energy company in a deal worth about \$9 billion.

The deal, announced by Swiss commodity miner and trader Glencore on Friday, gives **CEFC China Energy** Co. a 14.2% stake in state-controlled Rosneft, deepening a growing economic relationship between China and Russia. It also adds a twist in a complex agreement to raise money for the cash-strapped government of President Vladimir Putin by selling off part of the crown jewel of Russia's energy industry.

Glencore and the **Qatar Investment Authority** formed a consortium to buy a 19.5% stake of Rosneft in an \$11.3 billion deal last December,

giving Moscow a cash infusion during a budget crunch caused by declining oil prices.

But in the deal's complex structure Glencore's actual equity stake in Rosneft was only about 0.5% and Qatar's just under 5%. The rest of the deal was financed by Russian banks and Italy's **Intesa Sanpaolo** SpA, which had planned to spread its risk by syndicating the loan to other banks.

The Wall Street Journal reported in June that Intesa was having trouble finding banks willing to help them finance the deal.

The deal makes CEFC Rosneft's third-largest investor behind the Russian state, which owns half of the company, and BP PLC, which owns about 20%.

Rosneft Chief Executive Igor Sechin, a close ally of Mr. Putin, said in a televised interview Friday that the high cost of servicing the debt behind



Work at a Rosneft operation in Russia. The buyer of the stake is a Chinese energy company.

the consortium's investment prompted Glencore and Qatar to seek another investor. Glencore will retain its 0.5% stake in Rosneft and Qatar will keep its 4.7% stake.

"For us, it's a serious event, which forms in a finalized shape the shareholder structure of our company," Mr. Sechin said. "We are pleased that it's a Chinese corporation."

CEFC is a private energy-trading company and invest-

ment bank that has been expanding. In March it agreed to pay \$100 million and provide \$175 million in debt financing for a 19.9% stake in New York financial-services firm **Cowen Group** Inc.

Intesa said in a statement that its €5.2 billion (\$6.26 billion) funding for the consortium would be fully reimbursed following the sale. CEFC and Qatari representatives couldn't immediately be reached for comment.

Japanese investors also had looked at investing in the stake, a person familiar with the matter said.

The sale of the stake to investors outside Russia last year was seen as a boon for Mr. Putin, whose country is under sanctions from the U.S. and European Union over its military interventions in Ukraine.

—Jon Sindreu  
and Giovanni Legorano  
contributed to this article

# A Euro IPO for Singapore

BY P.R. VENKAT  
AND SAURABH CHATURVEDI

An Australian real-estate company Friday started marketing Singapore's first initial public offering of stock denominated in euros, hoping to attract investors seeking exposure to the strengthening currency.

**Cromwell European Real Estate Investment Trust**, a unit of Australia-listed Cromwell Property Group, has started taking orders to raise up to €1.09 billion (\$1.31 billion) in what is expected to be Singapore's second-largest IPO this year.

The company said in a prospectus lodged with Singapore's central bank that it is planning to sell up to 1.91 billion units at a price range of €0.55 to €0.57. The REIT will

list on the Singapore Exchange have shares that trade in such currencies, including the U.S. dollar, the yen and the Hong Kong dollar. Hutchison Port Holdings Trust and Manulife US REIT are among those with stocks that trade in the U.S. currency.

The euro has been gaining against many other currencies this year, as worries about a prolonged slowdown in European economic growth have faded. It has gained 14.7% against the U.S. dollar and 5.9% against the Singapore dollar since the start of 2017.

Singapore is an Asian hotbed for REITs, which investors find appealing because of their generous and stable dividend yields. There are more than 40 REITs listed in Singapore with a combined market capitalization of more than \$60 billion.

Foreign real-estate companies have increasingly been looking to tap this market. Also last week, people familiar with the matter said a U.S. REIT, KBS Realty Advisors LLC, is planning to list some of its U.S. office-building assets in a Singapore IPO that could raise about \$500 million later this year.

Cromwell European REIT is planning to offer a yield ranging from 7.5% to 7.7%, according to the prospectus. Goldman Sachs Group Inc. and UBS Group AG are managing the REIT's IPO.

—Saumya Vaishampayan  
contributed to this article



The euro REIT will be the first on the Singapore Exchange.

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China A-Share Fund C1 CAD H OT HKG 09/07 CAD 12.52 14.7 11.1 10.3

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GC HI Yield Inc.-C1 MDLS CAD H OT CYM 09/07 CAD 9.53 18.1 15.0 15.0

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GC HI Yield Inc.-C1 MDLS SGD H OT CYM 09/07 SGD 10.08 7.0 10.2 14.0

GC HI Yield Inc.-C1 MDLS USD Acc H OT CYM 09/07 USD 15.27 7.5 10.7 13.9

GC HI Yield Inc.-C1 MDLS EUR H OT CYM 09/07 EUR 9.23 22.6 15.8 13.9

Hi-Div Stk C1 A RMH H Acc OT HKG 09/07 HKD 10.02 6.1 8.6 12.2

Hi-Div Stk C1 A RMH D/H Acc OT HKG 09/07 HKD 12.02 25.6 18.8 17.0

Hi-Div Stk C1 A RMH D/H Acc OT HKG 09/07 HKD

# Wealth Managers in Hong Kong Face Falling Margins

Although private wealth is surging, managers face stiff competition and new regulations

BY GREGOR STUART HUNTER

HONG KONG—With some of the highest incomes in Asia and a growing population of elderly residents, Hong Kong should be a target-rich environment for the wealth-management industry. But gathering up local assets is getting harder for wealth managers here.

Private wealth is expected to grow at an average annual rate of 9.9% in Asia-Pacific between 2016 and 2021, the fastest of any region world-wide, according to a report released in June by Boston Consulting Group. In Hong Kong, where many rich mainland Chinese hold their assets offshore, wealth levels are expected to outstrip most other global financial hubs over that period, beaten only by Singapore.

Yet wealth managers' profits from their customers are falling, thanks to a combination of stiff competition, new regulatory measures and changing risk appetites.

"Margins are coming down, there's no doubt about that," says Tjun Tang, a senior partner and managing director in the Hong Kong office of Boston Consulting Group, and one of the authors of the report.

Several Western banks, including UBS, Credit Suisse and Standard Chartered have targeted Asia to grow their wealth-management divisions in recent years.

But others have struggled to gain enough scale to compete effectively and have sold out to regional Asian players. Within the past 18 months, Barclays and National Australia Bank have both sold their wealth-management businesses in the city to Singapore's Oversea-Chinese Banking Corp. DBS Bank Ltd. also acquired the retail banking and wealth-management businesses of ANZ.

Adding to the sector's difficulties locally, bank customers here have backed away from sophisticated structured products that were popular a few years ago in favor of more simple products like currency options. That has lowered margins for private banks, Mr. Tang says.

The regulatory costs of private banking also have become much higher, pushing out some smaller banks.

Another source of pressure on wealth managers is a price war that



PHILIPPE LOPEZ/AFP/GETTY IMAGES

Hong Kong's pension plans have been a lucrative source of fees for the financial-services industry, but asset managers face dwindling revenues due to a push by the government to lower fees for pension savers.

began in the exchange-traded fund industry last summer, led by BlackRock and Vanguard, which both dropped fees on a broad range of ETFs tracking such indexes as the S&P 500 and India's S&P BSE Sensex India.

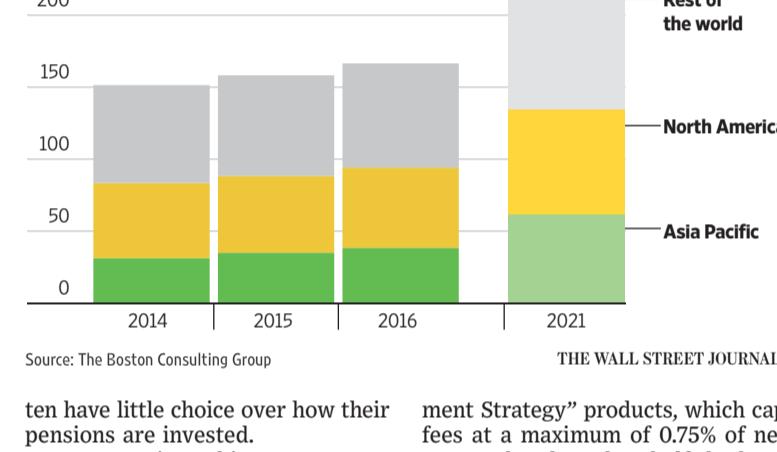
Hong Kong's pension plans have been a lucrative source of fees for the financial-services industry for the past few decades. But there, too, asset managers face dwindling revenues due to a push by government to lower fees for pension savers.

By law, most workers and self-employed people aged over 18 have to join the city's Mandatory Provident Fund program and make monthly payments equivalent to 5% of their income that are matched by their employer. These MPF plans have funneled employee savings to the city's asset managers, who have been able to charge high fees.

One product offered by MassMutual charges 3.48% of net asset value, while the average fee is 1.56%, according to data from the Mandatory Provident Fund Schemes Authority, the agency that regulates the city's pension plans. Employees of-

## Striking It Rich

The growth of private financial wealth in Asia-Pacific is expected to outstrip that in the rest of the world during the next five years.



Source: The Boston Consulting Group

THE WALL STREET JOURNAL.

ten have little choice over how their pensions are invested.

But starting this year, Hong Kong's government has attempted to break the city's current cozy pensions oligopoly, forcing fund managers to offer so-called "Default Invest-

ment Strategy" products, which cap fees at a maximum of 0.75% of net asset value, less than half the level charged to existing MPF savers. These products split contributions between stocks and bonds and gradually pull back from risky equity in-

vestments as employees approach retirement age. By the end of June, some 834,000 accounts had been invested in the default investment strategy, representing 9% of the total and HK\$15.4 billion of assets, the agency's data show.

New technology is also creating challenges for incumbent financial-services firms. Several companies, including local startup 8 Securities and Yunfeng Financial Group—which is backed by Jack Ma, the founder of Alibaba Group—have launched so-called robo-advisory services in the past few years.

These claim to allow investors to make better capital-allocation decisions by asking them to fill out a questionnaire to gauge their investment objectives and tolerance for risk, then splitting their money among a number of funds based on the results.

While in the U.S. and other markets robo advisers invest in low-cost exchange-traded funds, leading to lower fees for customers than a traditional mutual-fund manager, Hong Kong's robo advisers don't offer customers a lower-cost option compared with managed funds.

Indeed, some insiders in incumbent financial-services firms are skeptical that new robo-adviser entrants will present a challenge.

"There's still a large degree of trial and error going on," says Mark Konya, chief investment officer at AIA, Hong Kong's biggest life insurer. "It's early days to see how that landscape plays out. The way that services are delivered today is not at the point where we'd call them mature."

Still, the robo-advice industry, which has grown from nothing a decade ago to manage some \$200 billion in assets globally, is being studied closely by banks in Hong Kong to see whether they can introduce similar offerings, BCG's Mr. Tang says.

They're cheaper to operate than maintaining armies of relationship managers, and can produce more consistent advice. The downside? Customers have to trust that the "black box" of robo advice is working in their favor, he says.

**Mr. Hunter is a reporter for The Wall Street Journal in Hong Kong. He can be reached at gregor.hunter@wsj.com.**

# A New Kind of Volunteering, Encouraged by the Boss

Companies let their workers donate their professional expertise—on company time

BY NEIL PARMAR

AS A RESEARCH-and-development engineer at General Mills Inc., Madison Barre spends most of her workweek developing products for the Minneapolis-based food company. She also devotes about one to three hours, on average, plus some personal time, doing pro-bono work for small food companies in Africa.

The 27-year-old Ms. Barre (who also has worked as a quality engineer at General Mills) has shared tips on how

**Employees 'want to use their skills...to solve a societal challenge.'**

to reduce contamination risk when handling raw ingredients and has offered guidance on subjects such as organizational management. While most of this consulting work is done via videoconferencing, in January she traveled to a Malawi production plant to provide food-safety guidance and simulated audits ahead of an actual inspection to assess the plant's processes and quality.

"It's incredibly rewarding not only for the clients and seeing their progress but for your own skill development," says Ms. Barre, adding that this type of volunteerism allows her to flex her professional muscles in ways her regular day job doesn't always allow.

**Growing interest**

While corporate volunteer programs are nothing new—employees have long taken part in things such as food drives and home-building initiatives—projects that allow

workers to donate their professional expertise are a different, and growing, breed. More than one million hours of pro-bono work were performed last year, up from 492,305 hours in 2013, according to a survey of more than 270 publicly traded companies by CECP, a nonprofit consulting firm whose mission is to help companies do good.

The rise coincides with growth in the number of employers sponsoring pro-bono service programs. Many companies see these initiatives as a way to attract and retain professionals who desire more purposeful careers. "Increasingly, employees don't just want to paint fences," says Carmen Perez, CECP's director of data insights. "They want to use their skills...to solve a societal challenge."

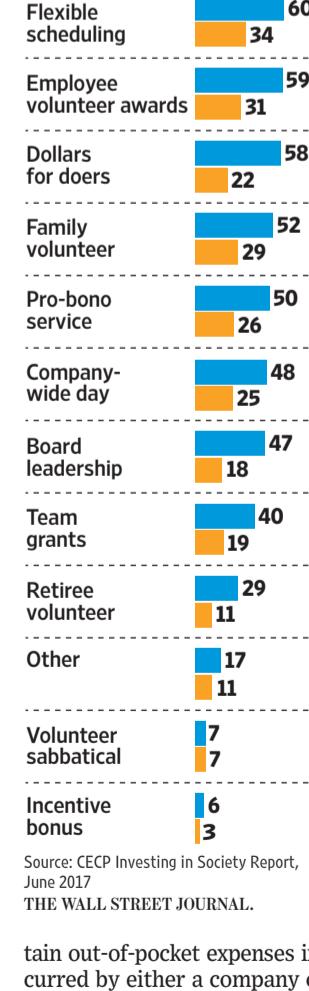
Millennials, in particular, have an interest in far-reaching social issues and typically want opportunities to give back to their communities in ways that are personal to them, according to the latest Millennial Impact Report, an annual study supported by the Case Foundation and conducted by Achieve, a research and marketing agency. In the 2015 report, 77% of millennials said they were more likely to volunteer when they could use their specific skills or expertise to benefit a cause.

Experts say it's important to differentiate pro-bono volunteering from traditional volunteering, where individuals perform work for which they normally wouldn't charge. Pro-bono programs, by contrast, typically involve people providing a professional service—such as legal, accounting or financial-planning advice—to a formally organized nonprofit at no cost.

From a tax perspective, cer-

## Doing Good

Percentage of companies surveyed offering corporate volunteer programs to employees in 2016



Source: CECP Investing in Society Report, June 2017

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Madison Barre, a research-and-development engineer at General Mills, does pro-bono work for small food companies in Africa, mostly through videoconferencing.

nated. In other words, if someone who normally charges \$100 an hour for a professional service donates two hours of that service to a nonprofit, they aren't allowed to take a \$200 deduction. "You can't deduct the value of your time or services," IRS spokesman Anthony Burke said in an email.

## Choosing the cause

Small-business owners who do pro-bono work are generally freer to choose causes that align with their personal passions. Rhonda Rees, an independent public-relations specialist from Agoura Hills, Calif., selects a different organization annually to support, helping them promote themselves or various events.

Last year, Ms. Rees donated her time and services to Ballet for All Kids, a nonprofit dance studio that welcomes children with different abilities, says Bonnie Schlachte, the group's director. This year, Ms. Rees donated at least \$5,000 worth of services to raise buzz for a benefit screening hosted by the Make a Film Foundation, says Eva-Marie Fredric, one of the film's event producers. The movie featured Anthony Conti, a 16-year-old with stage IV ad-

renal cortical cancer, along with actors such as Johnny Depp, J.K. Simmons and Laura Dern, who were directed by Sam Raimi, Catherine Hardwicke and others.

Large employers, by contrast, often funnel workers toward the specific causes they support. Prudential Financial offers a program where teams of up to five employees can work on 10-week consulting projects to benefit one of the company's multiple nonprofit partners in Newark, N.J. Last year, 125 Prudential employees participated, providing business strategy, financial management, human resource, legal and marketing support to 32 such organizations.

Wells Fargo, meanwhile, gives employees the opportunity to work with the Grameen Foundation's Bankers without Borders initiative, assisting microfinance organizations and other enterprises focused on alleviating poverty in communities outside of the U.S.

At General Mills, Ms. Barre is just one of 632 employees who have collectively donated more than 50,200 hours of expertise since 2009 to food companies in Africa. Since 2011, workers have done so

through Partners in Food Solutions, an independent nonprofit that aims to improve food security, nutrition and economic development in Africa by boosting the competitiveness of the food-processing sector. Spun out of an in-house volunteer program started at General Mills, Partners in Food Solutions now also relies on pro-bono expertise from employees at Hershey Co., Cargill Inc., Ardent Mills, Bühler AG and DSM.

While volunteers typically don't go on field visits, Partners in Food Solutions helped pay for Ms. Barre's trip, along with the company in Malawi that requested her visit. General Mills, meanwhile, didn't charge her vacation time for it.

"Every Fortune 500 company has tens of thousands of hours lying around in one- to two-hour increments that could be aggregated and put to use to solve the world's greatest challenges," says Jeff Dykstra, co-founder and CEO of Partners in Food Solutions. "We've happened to do that with food."

**Mr. Parmar is a writer in Toronto. He can be reached at reports@wsj.com.**

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# What's Your Tolerance for Investment Risk? Probably Not What You Think

Questions financial advisers ask clients to get at the answer actually measure something else—leading to misguided investment strategies

BY MEIR STATMAN

**ANYBODY WHO** has ever been to a financial adviser knows the drill. The adviser begins by asking you to fill out a questionnaire, aimed at getting at a key measure: your appetite for risk. By knowing how much risk you're able to tolerate, the adviser knows how much you're willing to lose to get where you want to go.

The adviser can then construct a portfolio that reflects your risk tolerance.

Pretty simple, no? If only.

The truth is that the questions advisers ask often don't measure what they purport to. Instead, they take all sorts of different concepts—such as regret, fear and overconfidence—and they lump them all together under this vague concept called risk. Each of those things is worth understanding and examining on its own. But to call them risk ends up distorting more than clarifying, and leaves investors with portfolios that may be disturbingly inappropriate for their goals.

To get a better sense of what risk questionnaires actually measure—and how advisers and investors could refine those questions—here's a look at some typical questions.

## RISK VS. FEAR AND EXUBERANCE

*Imagine a steep stock-market decline, as happened during the 2008-09 financial crisis when the S&P 500 index plunged more than 40% in six months. How would you react?*

*I would sell all of my stock investments.*

*I would sell some of my stock investments.*

*I would make no changes to my stock investments.*

*I would increase my stock investments.*

This is a typical question posed to investors, supposedly to gauge their tolerance for a market decline. But what do the answers tell us? Not what we typically believe.

For starters, consider that everybody finds it difficult to foresee future emotions. Today, the fear induced by the stock-market crash of the recession is fading, while fear induced by the dot-com crash of 2000 and the crash of 1987 are long gone.

Rather, how people feel about a big decline depends almost entirely on what has been happening in the market recently. So asking people how they would feel if the market falls 40% is likely to elicit an answer "I am afraid" in the wake of a big decline, and "I am not afraid" when the market has been moving up.

In other words, the answer tells us very little.

But it does hint at another important measure: an investor's current feelings of fear or exuberance. To get at those feelings, advisers might ask

clients to estimate stock-market returns in the coming 12 months, and their perception of market risk during the same period. Investors who say the returns would be high and risk low are likely infected by exuberance. Investors who say returns will be low and risk high are likely afflicted by fear.

Once advisers get answers to the question, they need to push back. In 2009 they should have said, "I know you are afraid. So am I. It is a natural feeling in times like today. You believe that future returns will be low and risk high, so you want to

### Questions Investors Should Ask Themselves

How strongly do you agree with the following statements?

Your answers offer a window into your investing attitudes and have important implications for your investing strategies.

**I HAVE LESS** money than I need. I find it difficult to pay my bills. I am financially worse off than my parents were at the same age.

*People who agree strongly aren't necessarily poor, but they lag behind their aspirations. This motivates them to accept risk and possibly losses for a chance to reach their aspirations.*

**I FEEL BAD** if another alternative has done better than the one I have chosen.

*People who agree strongly have a high propensity for regret. One prophylactic is to keep yourself ignorant of how alternatives have done.*

### SUCCESS IN CHOOSING

investments with above-average returns depends on skill more than on luck, and I have the skills to choose such investments.

*People who strongly agree are likely overconfident in their skills at choosing winning investments, motivating them to hold undiversified portfolios and trade often.*

**IT'S MORE LIKELY** that stock-market returns will be low and risk high in the coming 12 months than returns high and risk low.

*People who think it's more likely that returns will be low and risk high are probably excessively fearful, motivating them to invest too little in stocks. People who think returns will be high and risk low are probably excessively exuberant, motivating them to invest too much in stocks.*

THE WALL STREET JOURNAL.

sell your stocks. But I also know that feelings can be exaggerated. More likely than not, the economy will recover and the stock market as well, as happened post-2000 and post-1987. You are better off leaving your portfolio alone, even if fear compels you otherwise."

Advisers also need to push back in the other direction in periods of exuberance. "I know that you feel good about the stock market and believe that returns will be high and risk low. But I know that feelings can be exaggerated. It isn't wise to increase your stock allocation beyond prudent levels, because sometimes declines follow increases, and you are not in a financial position to withstand a decline if you want adequate retirement income."

### CONFUSING REGRET AND RISK

*Suppose that five years ago you bought shares in a highly regarded company. The same year the company experienced a severe decline in sales due to poor management. The price of the shares dropped drastically and you sold at a substantial loss. The company has been restructured under new management, and most experts now expect the shares to produce better than average returns. Given your bad past experience with this company, would you buy shares now?*

This question is typically presented as about risk attitudes, interpreting a "no" answer as bolstering a conclusion that a client is highly risk-averse and therefore should be assigned a low-risk portfolio.

The problem is that this is not really a question about risk attitudes. Instead, it's more about regret. Attitudes toward risk and regret are both important, but they are different. Indeed, the correlation between the two attitudes is close to zero.

Regret is a painful emotion, and pride, its opposite, is pleasurable, but both are effective teachers. We recall our choices and their outcomes, and learn to repeat choices that brought pride and avoid choices that inflicted regret.

So this is an important question for financial advisers to ask—but not to learn about their clients' appetite for risk. Rather, it tells us about their susceptibility to regret and pride. For one thing, that susceptibility can inflict misery on advisers, expressed in their common lament, "When a stock goes up, the client says, 'I bought it.' When a stock goes down, the client says, 'My adviser sold it to me.'"

Advisers should diagnose pride-seeking and especially regret-aversion in their clients, perhaps asking them more directly whether they agree with the statement: "Whenever I make a choice, I feel the pain of regret if another alternative has done better than the alternative I have chosen."

Advisers should then proceed to reduce clients' susceptibility to pride and regret by educating them about the dominant role of luck in the link between investment choices and outcomes, rather than recommend low-risk investments to regret-averse clients.



PHOTO ILLUSTRATION BY C.J. BURTON

### CONFIDENCE AND OVERCONFIDENCE

*How much confidence do you have in your ability to make good financial decisions?*

The risk questionnaire asking this question considers people who profess high confidence as willing to accept high risk, bolstering recommendations for high-risk portfolios.

There is indeed a relation between confidence and risk tolerance: High confidence generally corresponds to high risk tolerance. But advisers should pause before recommending high-risk portfolios to confident clients, because confidence can easily turn into overconfidence.

Overconfident investors perceive risk as lower than less-confident investors, biasing upward the measure of their risk tolerance. Advisers therefore need to adjust downward their assessment of the risk tolerance of overconfident investors, and perhaps tamp down their overconfidence as well.

Perhaps a better question diagnosing overconfidence asks: *Some people believe that they can pick investments that would earn higher-than-average returns. Other people believe that they are unable to do so. Please indicate your belief.*

### DON'T FORGET ASPIRATIONS

*How strongly do you agree with this statement: "Generally, I prefer investments with little or no fluctuation in value, and I'm willing to accept the lower return associated with these investments."*

Attitudes about volatility are central in risk questionnaires. Investors who strongly agree with the above statement are deemed to have low

risk tolerance, tilting adviser recommendations toward portfolios that are less volatile, and less likely to offer the opportunity for substantial gains.

But risk isn't just about the fear of volatility. Risk is also the risk of failing to meet our goals. In this context, an investor's appetite for risk could be very different than it would seem by just asking about whether they feel comfortable with volatility.

Many who would be willing to wager \$10,000 on a 50-50 chance for a \$3,639 loss or a \$4,229 gain might not be willing to wager \$100,000 or \$1 million for proportionally higher gains and losses.

That's why it's better for investors to think about that question where there are substantial stakes, such as lifetime standard of living. Consider the following question:

*Suppose that you are given an opportunity to replace your current investment portfolio with a new portfolio. The new portfolio has a 50-50 chance to increase your standard of living by 50% during your lifetime. However, the new portfolio also has a 50-50 chance to reduce your standard of living by X% during your lifetime. What is the maximum X% reduction in standard of living you are willing to accept?*

The lesson in all these questions is that advisers and investors can't just think about their tolerance for risk in a vacuum, without thinking about their aspirations.

Risk is the payment we make for a chance to reach our aspirations.

**Dr. Statman** is the Glenn Klimick professor of finance at Santa Clara University's Leavey School of Business and the author of *Finance for Normal People: How Investors and Markets Behave.* Email [reports@wsj.com](mailto:reports@wsj.com).

# A Key to Feeling Better: Try Buying Some Time

Many people don't do it out of guilt. But the growth in the sharing economy might be the answer.

BY ASHLEY WHILLANS AND MICHAEL NORTON

PEOPLE FEEL HAPPIER when they pay to save time than when they buy something nice for themselves.

Those are the results we found in a series of recent studies. Spending on things like housecleaning services or grocery delivery left people feeling more satisfied than spending on things like new clothes and wine. The findings held true for people in different countries, and at different income levels.

But we learned something else: Even though people feel better when they spend money to free up time, they often don't choose to do it.

### A shortage of time

We went looking into this topic to see how people were dealing with a big problem: They have more discretionary income than in previous decades, but less time to use it—between work and other obligations, they simply have too much to do, or at least feel that way.

So, we theorized that spending money to "buy time" might reduce stress and improve people's mood. To test the idea, our research team headed to a science museum in Van-



DAVID VOGIN

couver last year and offered visitors—60 working adults—a total of \$80 to spend on two weekends, as long as they let us tell them how to spend it. One weekend, we sent participants \$40 and told them to spend the money in any way that would save them time. Some people arranged grocery delivery services, while others hired house cleaners. One woman paid a teenager in the neighborhood to run errands for her. Another bought pre-made bean dip

for her house party.

On a different weekend, we sent those same people \$40, but told them to spend it on a material thing for themselves. Our participants filled their shopping bags with pretty nice stuff, including polo shirts, books, board games and wine.

On each weekend of the study, we asked people how pressed for time and how happy they felt. We found that people felt happier when they used money to buy time rather than

buying a material thing. And they said they felt that way because they felt less pressed for time.

The same results showed up in a survey of more than 6,000 adults from the U.S., Canada, Denmark and the Netherlands. We asked the participants about their typical spending habits and their life satisfaction, and found that people who typically spent money on saving time reported greater satisfaction. This finding held even when we took individuals' wealth into account. The benefits of buying time were remarkably consistent across the income spectrum.

### Why not do it?

But only 50% of respondents actually chose to spend money to buy time, and only 28% spent it on outsourcing disliked tasks. The results were even more pronounced when we returned to the science museum in Vancouver and approached a group of 98 working adults. We asked them what they would do if we gave them \$40 to spend the following weekend. Over half reported that they would spend the money on a material purchase, but only 2% reported that they would make a time-saving purchase.

Why? Isn't it obvious that it is

more enjoyable to pay someone to clean the bathroom while you watch Netflix in your pajamas?

Our ongoing research suggests that one barrier to buying time is that people often feel guilty about paying someone else to complete their disliked tasks. To the extent that people feel that they are creating a burden for the service provider—rather than an opportunity to earn money—even those who could benefit from buying time might choose not to participate in the sharing economy.

This barrier to participation may be further reinforced by companies with reputations for paying low wages and offering no benefits. Encouraging consumers to recognize that at least some corners of the sharing economy do treat workers well may encourage them to buy time—potentially short-circuiting the negative relationship between financial affluence and time affluence.

**Dr. Whillans** is an assistant professor and **Dr. Norton** is a professor at Harvard Business School. **Elizabeth Dunn**, a professor of psychology at the University of British Columbia, contributed to this article. Email [reports@wsj.com](mailto:reports@wsj.com).

# IN A CHANGING WORLD, OPPORTUNITIES ARE OPENING UP IN EVERY TIME ZONE.



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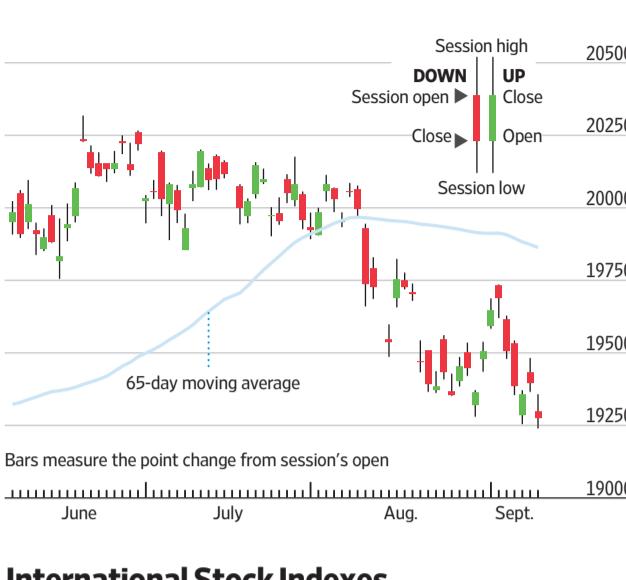
## MARKETS DIGEST

Data as of Friday, September 8, 2017

### Nikkei 225 Index

**19274.82** ▼121.70, or 0.63%

High, low, open and close for each trading day of the past three months.



Bars measure the point change from session's open

### STOXX 600 Index

**375.51** ▲0.56, or 0.15%

High, low, open and close for each trading day of the past three months.



### S&P 500 Index

4 p.m. New York time

Last 23.82 24.86

Year ago 18.83 18.52

Trailing P/E ratio 2.00 2.12

All-time high: 2480.91, 08/07/17

Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.



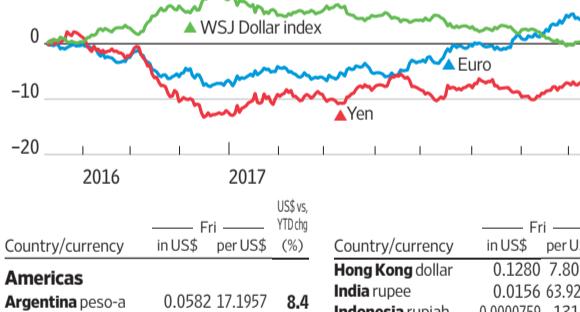
### International Stock Indexes

Data as of 4 p.m. New York time

Region/Country	Index	Close	NetChg	% chg	52-Week Range	Low	Close	High	YTD % chg
<b>World</b>	<b>The Global Dow</b>	2853.39	2.03	▲0.07	2390.11	● 2878.99	12.7		
	<b>MSCI EAFE</b>	1953.56	4.68	▲0.24	1614.17	● 1955.39	16.0		
	<b>MSCI EM USD</b>	1091.17	1.07	▲0.10	838.96	● 1091.36	26.5		
<b>Americas</b>	<b>DJ Americas</b>	594.13	-0.78	-0.13	503.67	● 597.46	9.9		
Brazil	<b>Sao Paulo Bovespa</b>	73078.85	-333.56	-0.45	56820.77	● 73412.41	21.3		
Canada	<b>S&amp;P/TSX Comp</b>	14985.32	-39.21	-0.26	14349.10	● 15922.37	-2.0		
Mexico	<b>IPC All-Share</b>	50083.80	-165.32	-0.33	44364.17	● 51713.38	9.7		
Chile	<b>Santiago IPSA</b>	3867.95	-14.23	-0.37	3127.54	● 3932.62	20.0		
<b>U.S.</b>	<b>DJIA</b>	21797.79	13.01	▲0.06	17888.28	● 22118.42	10.3		
	<b>Nasdaq Composite</b>	6360.19	-37.68	-0.59	5046.37	● 6435.33	18.2		
	<b>S&amp;P 500</b>	2461.43	-3.67	-0.15	2085.18	● 2480.91	9.9		
	<b>CBOE Volatility</b>	12.12	0.57	▲4.94	9.36	● 22.51	-13.7		
<b>EMEA</b>	<b>Stoxx Europe 600</b>	375.51	0.56	▲0.15	328.80	● 396.45	3.9		
	<b>Stoxx Europe 50</b>	3058.45	5.18	▲0.17	2730.05	● 3276.11	1.6		
France	<b>CAC 40</b>	5113.49	-1.13	-0.02	4332.45	● 5432.40	5.2		
Germany	<b>DAX</b>	12303.98	7.35	▲0.06	10259.13	● 12888.95	7.2		
Greece	<b>ATG</b>	802.72	-8.32	-1.03	551.93	● 858.08	24.7		
Israel	<b>Tel Aviv</b>	1388.09	...	Closed	1363.50	● 1478.96	-5.6		
Italy	<b>FTSE MIB</b>	21776.66	54.15	▲0.25	16134.71	● 22048.30	13.2		
Netherlands	<b>AEX</b>	518.82	-0.01	-0.002	439.07	● 536.26	7.4		
Russia	<b>RTS Index</b>	1119.61	8.88	▲0.80	960.32	● 1195.61	-2.8		
Spain	<b>IBEX 35</b>	10129.60	4.70	▲0.05	8607.10	● 11135.40	8.3		
Switzerland	<b>Swiss Market</b>	8912.05	5.39	▲0.06	7593.20	● 9176.99	8.4		
South Africa	<b>Johannesburg All Share</b>	55724.67	-153.52	-0.27	48935.90	● 56655.88	10.0		
Turkey	<b>BIST 100</b>	108451.70	-1291.25	-1.18	72519.85	● 110423.11	38.8		
U.K.	<b>FTSE 100</b>	7377.60	-19.38	-0.26	6665.63	● 7547.63	3.3		
<b>Asia-Pacific</b>	<b>S&amp;P/ASX 200</b>	5672.60	-17.30	-0.30	5156.60	● 5956.50	0.1		
China	<b>Shanghai Composite</b>	3365.24	-0.25	-0.01	2980.43	● 3385.39	8.4		
Hong Kong	<b>Hang Seng</b>	27668.47	145.55	▲0.53	21574.76	● 28094.61	25.8		
India	<b>S&amp;P BSE Sensex</b>	31687.52	24.78	▲0.08	25765.14	● 32575.17	19.0		
Indonesia	<b>Jakarta Composite</b>	5857.12	24.81	▲0.43	5027.70	● 5915.36	10.6		
Japan	<b>Nikkei Stock Avg</b>	19274.82	-121.70	-0.63	16251.54	● 20230.41	0.8		
Malaysia	<b>Kuala Lumpur Composite</b>	1779.90	-3.08	-0.17	1616.64	● 1792.35	8.4		
New Zealand	<b>S&amp;P/NZX 50</b>	7851.53	47.27	▲0.61	6664.21	● 7879.46	14.1		
Philippines	<b>PSEI</b>	8022.75	-0.23	-0.003	6563.67	● 8072.75	17.3		
Singapore	<b>Straits Times</b>	3228.56	0.50	▲0.02	2787.27	● 3354.71	12.1		
South Korea	<b>Kospi</b>	2343.72	-2.47	-0.11	1958.38	● 2451.53	15.7		
Taiwan	<b>Weighted</b>	10609.95	71.44	▲0.68	8902.30	● 10617.84	14.7		
Thailand	<b>SET</b>	1635.61	2.95	▲0.18	1406.18	● 1635.61	6.0		

### Currencies

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



London close on Sept. 8

Country/currency	Fri	US\$ vs. YD <sup>d</sup>	Fri	US\$ vs. YD <sup>d</sup>	YD <sup>d</sup> (%)
Country/currency	in US\$	per US\$	in US\$	per US\$	(%)
<b>Argentina</b>	<b>Hong Kong dollar</b>	0.1280	7.8096	0.7	
<b>Brazil</b>	<b>India rupee</b>	0.0156	63.9250	-5.9	
<b>Canada</b>	<b>Indonesia rupiah</b>	0.0000759	13168	-2.6	
<b>Chile</b>	<b>Japan yen</b>	0.009280	107.76	-7.9	
<b>Colombia</b>	<b>Kazakhstan tenge</b>	0.002981	335.50		
<b>Ecuador</b>	<b>Macau pataca</b>	0.1247	8.0188	1.3	
<b>Mexico</b>	<b>Malaysia ringgit-c</b>	0.2381	4.2001	-0.4	
<b>Peru</b>	<b>New Zealand dollar</b>	0.0272	1.7371	-4.8	
<b>Uruguay</b>	<b>Pakistan rupee</b>	0.0095	105.250	0.8	
<b>Venezuela</b>	<b>Philippines peso</b>	0.0197	50.827	2.5	
<b>Asia-Pacific</b>	<b>Singapore dollar</b>	0.7465	1.3395	-3.2	
<b>Australia</b>	<b>South Korea won</b>	0.0008827	112.93	-6.2	
<b>China</b>	<b>Sri Lanka rupee</b>	0.0065454	152.78	2.9	
<b>China</b>	<b>Taiwan dollar</b>	0.03327	30.05	-7.4	
<b>China</b>	<b>Thailand baht</b>	0.03019	33.120	-7.5	

Sources: Tullett Prebon, WSJ Market Data Group

Source: Tullett Prebon

### Key Rates

Latest 52 wks ago

Cur Stock	Sym	Last	% Chg	YTD% Chg
<b>Asia Titans</b>				
HKS ALAGroup	I299	58.80	...	34.40
Y AstellasPharma	4503	1369.50	-0.83	-15.65
AUS AustNZb	ANZ	28.85	-0.96	-5.16
AUS BHP	BHP	27.29	-0.15	8.80
HKS BankofChina	3988	4.02	0.50	16.20
HKS CHUTech	0939	99.70		

## FINANCE & MARKETS

# Swaziland Braces for End to Sugar High

EU's deregulation of sugar market could crowd Africa's largest exporter of sweetener

By ALEXANDRA WEXLER

SIPHOFANENI, Swaziland—When the European Union deregulates its sugar market at the end of September, some of the biggest losers will be in the lush hills of this tiny, landlocked nation.

More than 8,000 miles from Brussels, Swaziland's sugar farmers for over a decade have benefited from the EU's tight grip on domestic production of the sweetener. Caps on annual production in European countries helped keep prices artificially high and created a market for imports, especially from poor countries that are freed from tariffs. Currently, more than half of the EU's raw sugar comes from Africa.

"It was so easy," said Osvald Magwenzi, managing director of Ubombo Sugar Ltd., one of three sugar mills in Swaziland. "People used to always say in the sugar industry, sell 50% [regionally] and 50% to the EU and go fishing."

But with EU production limits set to fall away on Sept. 30, governments and sugar associations expect farmers from



Swazi sugar-cane fields are harvested. EU production caps that help Swazi farmers are set to end.

France to Poland to boost production and cut their costs. That would largely crowd out producers such as Swaziland, one of the world's few remaining absolute monarchies. The U.S. Department of Agriculture forecasts that in the year after the caps are removed, EU sugar production will be 30% higher than it was in the 2015-16 season.

About three-quarters the size of New Hampshire and with a population of just 1.3 million, Swaziland has been

punching far above its weight in the African sugar market. It is the continent's largest sugar exporter and depends on the sweetener for three-quarters of agricultural output and 35% of manufacturing output. The industry is also the largest employer in the private sector.

"The whole economy is dependent on sugar," said Phil Mnisi, chief executive of the Swaziland Sugar Association,

an organization that oversees production, processing and marketing of sugar.

A nation with an average life expectancy of 59 years, an HIV infection rate of 29% among people ages 15 to 49 and an average annual income of \$2,830, Swaziland can't afford to let its sugar industry sour.

Compounding the threat to Swaziland's sugar farmers is that the country has been struggling to assert itself outside the EU.

More than 100 countries, from Cuba to India to Russia, produce sugar from sugar cane

and sugar beet.

Many of them are able to undercut the prices demanded by Swazi farmers, who receive no subsidies from their government, in markets such as West Africa and the Middle East. Even in South Africa and other nearby countries, Swazi sugar often loses out to imports from Brazil, the world's No. 1 sugar producer

"The global sugar market has become a maze of policies so distorting that it's hard to even refer to it as a market," said Tom Giovanetti, president of the Institute for Policy Innovation, a public-policy research organization based in Dallas.

The EU says it is helping poor countries adapt to the new rules. Since 2006 it has given €1.2 billion (\$1.44 billion) to farmers in 18 countries to either refocus their sugar industries or diversify away from the sweetener.

Swaziland received more than €112 million of the EU funds and has developed about 7,700 hectares (19,000 acres) of land under sugar cane, constructed roads in sugar-growing areas, built two bridges and added extra irrigation capacity.

The aim, according to the Swaziland Sugar Association, was to increase the amount of sugar it sold to regional mar-

kets such as Kenya, as prices dropped in the EU ahead of the deregulation. Ubombo, majority-owned by Illovo Sugar Ltd., Africa's biggest sugar company and a subsidiary of Associated British Foods PLC, once received €650 for each ton of sugar it sent to the EU. Recently, it got €420 a ton.

The diversification strategy has had some success. Since the EU officially announced its deregulation plans in 2013, the association has reduced its dependency on the EU, with the 28-country bloc now accounting for 20% of exports, from 50% a few years ago. But the shift has squeezed profits—just as the country tries to recover from a drought that severely reduced output.

Swaziland's sugar farmers, many of whom work just a few acres of land, are trying to adjust to the new environment. Phumzile Ngcamphalala is the vice president of a collective of 30 local farmers that switched from growing cotton to sugar cane in 2010. With the help of a grant from the EU, they installed a new irrigation system that allowed them to plant the less labor-intensive crop.

Now, Ms. Ngcamphalala and other members of the collective worry that the better lives they have made could be threatened. "We may want to grow other crops," she says.

## Now Showing: Short Sellers' Claims on China Firms

Deep-pocketed U.S. investors trying to expose fraud they allege among companies in mainland China have found a new way to promote their cause: a feature film.

A documentary called "The China Hustle" premiered Friday at the Toronto International Film Festival. The 84-minute film features prominent American short sellers including Carson Block of **Muddy Waters** LLC, who in 2011 undertook an aggressive crusade against Chinese tim-

ber company **Sino-Forest** Corp., and James Chanos, one of Wall Street's most vocal naysayers on China.

By Steven Russolillo in Hong Kong and Vipal Monga in Toronto

The film, written and directed by Jed Rothstein, took about two years to produce. Its backers include American documentary filmmaker Alex Gibney and billionaire investor

and entrepreneur Mark Cuban.

Mr. Cuban, who helped finance the film through his media company, **2929 Entertainment**, said in an interview that he got involved in part "because I'm not a big fan of the job" the U.S. Securities and Exchange Commission does. In 2008, the SEC charged Mr. Cuban with insider trading after he sold shares of an internet company, but Mr. Cuban was cleared years later by a federal jury in Dallas.

The new documentary profiles a cast of U.S. investors trying to expose and profit from irregularities and alleged fraud at many Chinese companies by shorting, or betting against, their publicly traded stocks.

It takes aim at audit firms and investment banks that helped engineer transactions such as reverse mergers that took certain Chinese companies public. It also says the SEC has been largely unable to go after Chinese citizens who

run the companies.

In 2015, the Chinese affiliates of the Big Four accounting firms settled a yearslong dispute with the SEC over their reluctance to give the regulator documents about Chinese companies that were under investigation. Other than that, few Chinese executives have been charged or sued by U.S. enforcement agencies.

An SEC spokesperson declined to comment.

The film also calls into

question the reliability of information from companies such as Chinese e-commerce giant **Alibaba Group Holding** Ltd., whose initial public offering in 2014 was the largest on record. An Alibaba spokesperson didn't immediately respond to a request for comment.

Mr. Rothstein said in an interview: "We're trying to make people aware that short sellers are blowing the whistle about a larger fraud that is still brewing."

The collage includes several news articles from The Wall Street Journal's technology section:

- A large illustration of a human head with a circuit board inside, titled "THE FUTURE OF EVERYTHING".
- A story about a hardware update for the human brain, featuring a profile of a person with a device implanted in their head.
- A story about a ride-hailing company's mobile app.
- A story about Toshiba's flash memory business.
- A story about Uber's challenges.
- A story about desktop PCs making a comeback.
- A chart titled "Quarterly operating profit" comparing Apple (orange bars) and Samsung (blue bars) from 2013 to 2017.

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# MARKETS

# Deeper Losses for Dollar Hint at Trouble

A rapid decline could threaten economic recovery in Europe, hit China's exporters

By IRA IOSEBASHVILI  
AND MIKE BIRD

The dollar's slide has intensified, adding to concern among investors that a decline initially greeted as a boost for the U.S. economy and companies could become more unpredictable if the recent pace of the fall continues.

Last week was the worst for the U.S. currency in more than three months, leaving the dollar down 9.1% in 2017, at its lowest level in nearly 2½ years. Doubts over whether the Federal Reserve will be able to deliver another interest-rate increase this year, rising tensions with North Korea and hurricanes threatening the southeastern U.S. have accelerated those declines.

Investors and policy makers had welcomed a weaker U.S. currency after a four-year rally took the dollar to its highest level in nearly a decade and a half, punishing earnings at multinational corporations and hurting U.S. exports. A falling dollar makes U.S. goods more competitive abroad, a key policy objective of President Donald Trump. The boost to growth provided by a weaker currency also gives the Fed more room to raise interest rates.

But if the dollar's value continues to erode at the same pace it did in the past week, that weakness may mean new difficulties.

A sharp drop by the dollar could shake faith in the U.S. economy, elevating concerns about lofty stock-market valuations and complicating the Fed's monetary-policy strategy. If the currency falls far enough, quickly enough, it could increase fears that inflation will accelerate beyond the



SEAN GALLUP/GETTY IMAGES

Mercedes-Benz vehicles at the port of Hamburg. Auto makers in Germany are especially vulnerable as the dollar falls.

moderate pace anticipated by policy makers and investors.

Outside the U.S., an accelerating dollar drop could rapidly push up other currencies, threatening a nascent recovery in Europe and putting pressure on Chinese manufacturers, who are counting on an uptick in foreign demand. Any slowdown in global growth from stronger currencies in Europe and elsewhere could also be a blow to emerging markets, which count on steady demand from the developed world to support their exports.

The dollar's weakness previously reflected a long-awaited pickup in growth around the world, as other currencies rallied in line with their countries' improving economic prospects. The depreciating dollar helped boost corporate earnings in the U.S. over the past few quarters, buoying stock markets as they

climbed to records.

Last week's decline, however, was spurred in part by a host of U.S.-centered issues, from political paralysis in Washington that has dented hopes that lawmakers will push through tax cuts anytime soon, to uncertainty over who will next lead the Fed. Signs of tepid economic growth have also raised concerns the currency could be overvalued, while relief over a deal between Congress and the Trump administration to raise the debt limit has been tempered by the brevity of the three-month extension and worries that the relationship between the White House and congressional Republicans looks more strained than ever.

A continued dollar decline would signal "that investors are losing confidence in the direction the U.S. is going," said Paresh Upadhyaya, a port-

## Weakness Spurs Worry

The dollar's slide intensified last week, raising investors' concerns that a decline initially seen as beneficial for the U.S. economy and companies could become more volatile.

Net bets on the dollar, weekly



Source: Commodity Futures Trading Commission

folio manager at Amundi Pioneer Asset Management.

Mr. Upadhyaya has purchased euros in recent days, believing that the dollar's decline will continue.

As long as the dollar is weakening for reasons unrelated to fears about a U.S. economic slowdown, the decline marks a potential boost to major U.S. indexes by lifting corporate-profit margins and in-

creasing demand for goods and services from foreign buyers, some analysts said.

But the U.S. currency's weakness has already taken some of the fizz out of international markets.

The euro and yen reached year-to-date highs against the dollar Friday, a development that is reflected in both regions' equity markets.

Japan's Nikkei Stock Average

age is now up less than 1% for the year, after being up more than 5% in June. Likewise, the Euro Stoxx index has risen 7.1%, after gaining roughly 12% from January into May.

Companies in both indexes make more than 40% of their total revenue outside their home regions, according to FactSet.

"Where you do have a big weighting to multinationals, for an index like the German DAX, it's hurt them on a relative basis. It's been a big headwind," said Dhaval Joshi, chief European investment strategist at BCA Research.

In particular, Europe's huge car industry will be buffeted in the dollar's downdraft. Research from AllianceBernstein found that after the number of cars a company sells, currency effects are the next biggest determinant of the auto industry's earnings.

German car makers are particularly exposed, given they build a lot of cars in Europe that are then sold to the U.S. and China, whose currency follows the dollar. Many of the car makers have currency hedges in place.

Investors are closely watching the impact that the euro's surge could have on the pace at which the European Central Bank is expected to roll back its stimulus policies.

Despite a robust economic recovery in the eurozone, officials are still grappling with puzzlingly low inflation. In August, prices rose only 1.5% on the year, once again undershooting the ECB's target.

A strong currency pushes down inflation because it makes imports cheaper. After the central bank's policy meeting Thursday, ECB President Mario Draghi said that forecasts of future price rises have been revised down mainly reflecting the recent appreciation of the euro exchange rate.

—Jon Sindreu  
and Corrie Driebusch  
contributed to this article.

## HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

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# Same Old Trap Has Miners at Risk

Commodity powerhouse Australia has always been lucky, but the last few months have been particularly kind. Copper, coal and aluminum prices are all at or near multiyear highs—with iron ore not far behind—and big miners' profits and share prices are riding high too.

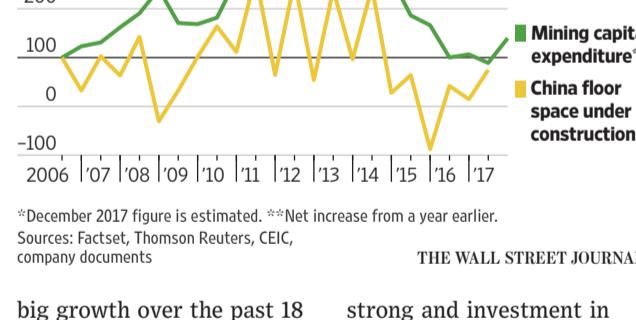
That is a welcome change after years of disappointment for mining investors. The cloud looming over recent stellar results from the likes of **Rio Tinto**, **Anglo American** and **BHP** is that they are falling into a familiar trap: namely, using high commodity prices as an excuse to spend more just at the wrong time in the cycle.

Aggregate capital expenditures from the Big Five miners—which also include **Glencore** and Brazil's **Vale**—are set to rise sharply for the first time since the commodity crash.

That renewed investment push comes as the biggest source of demand for industrial metals, the Chinese real-estate sector, is showing signs of weakness following

### Bumpy Road

Indexes, 2006-100



\*December 2017 figure is estimated. \*\*Net increase from a year earlier.

Sources: Factset, Thomson Reuters, CEIC, company documents

big growth over the past 18 months. Sure, mining investment is rising from very low levels following years of belt-tightening, which means metals markets remain in balance for now. But if miners keep ramping up at current levels next year, there is a real danger of another tumble in prices in the next couple of years.

There is some logic to the price gains for metals so far this year, with demand

strong and investment in new supply low. Chinese property investment was galloping along at growth rates of more than 10% by late 2016, levels not seen since before the commodity crash. Total capital expenditure by the Big Five global miners meanwhile languished at around \$8 billion in the first half of 2017—about one quarter of the boom-time levels of 2011 and 2012.

—Nathaniel Taplin

The bad news is that miners' guidance implies a roughly 30% rise in capital expenditure in the second half of 2017—the sharpest on-year rise since 2012—just as Chinese real estate is starting to look wobbly.

Property investment in China grew at its slowest pace in more than a year in July.

Hot weather may have played a role, but if August data show investment weakening again, demand for iron ore and copper will inevitably start to follow. China trade data released Friday painted a mixed picture: Copper ore and coal imports dropped on the year, while iron-ore imports grew, albeit weakly.

Industrial metals have not yet lost their shine, but the mining sector has a history of misreading China to catastrophic effect. If capital expenditures keep rising at the same rate next year, it might be time for investors to sell those shares while they're still glittering.

—Nathaniel Taplin

## OVERHEARD

Hurricanes and other natural disasters are times for quaint technologies and the people who still know how to use them to shine.

Enter Zello, a walkie-talkie app that has rocketed to the top of the charts in the Apple and Android stores.

The "Cajun Navy" used it to communicate as it rescued people from flooding in Houston.

Unfortunately, the usefulness of the app is being overestimated by the very people who take more modern technology for granted. Zello has had to point out that it doesn't actually turn one's cellphone into a walkie-talkie. It uses cellular signals or Wi-Fi, just like actual calls and texts.

Also, unlike actual radios, batteries bought at the supermarket won't keep your cellphone charged. You need electricity for that.

Zello has been tweeting out the app's quite obvious limitations to set people straight, at least to those who still can access Twitter.

## Akzo's Woes Keep Deal Talk Alive

**Akzo Nobel** seems less and less likely to retain its independence.

On Friday, before an extraordinary general meeting held to confirm the appointment of new Chief Executive Thierry Vanlancker, the European paint group said its finance chief, Maelys Castella, was taking leave of absence for health reasons, issued a profit warning and unveiled a new management structure.

Former Chief Executive Ton Büchner, who was instrumental this year in defending the company against three takeover approaches from U.S. peer **PPG Industries** and noisy activism from top shareholder **Elliott Management**, stood down for health reasons less than two months ago. To paraphrase Oscar Wilde, to lose one top executive may be seen as a misfortune; to lose both looks like carelessness.

"The coincidence is, I concede, very coincidental," said Chairman Antony Burgmans. The reorganization is designed to revive growth and boost margins despite rising commodity costs. The irony underlying this frenetic management activity is that Mr. Burgmans's arguments for not entering talks with PPG—as Elliott and many other shareholders wanted—centered on the disruption and cost-cutting that would result from a merger.

The more Mr. Burgmans and his team lose credibility, the likelier a fresh takeover approach from PPG—though the U.S. group would be wise not to hint at a deal before the pugnacious chairman retires next April. Bid speculation should put a floor under the share price, however sickly Akzo's financial results are.

—Stephen Wilmot

# In Videogames, Maker of 'Street Fighter' Is Set to Brawl

To videogamers, Japan is known as the land of Pac-Man and Super Mario. The country no longer dominates videogames, but some companies are worth a look.

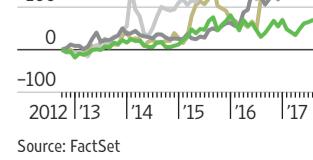
Capcom is one of them.

The game maker is known for franchises such as "Street Fighter" and the horror-themed "Resident Evil 7," which was one of the best-selling games in the U.S. earlier this year when it launched. The company's U.S. sales grew 62% last year and are expected to rise 40% this year.

The company, however,

### Left Behind

Share-price performance



Sources: FactSet

THE WALL STREET JOURNAL.

revenue from mobile in the last fiscal year. For Square Enix and Konami, its rivals in Japan, the ratio is more than 40%. Shares of both companies have tripled over

the past five years as earnings soared, while Capcom's have gone up 80% and profits have been stagnant.

But that could be about to change. Having failed to produce its own hits, Capcom intends to outsource mobile-game making to other developers by licensing its intellectual property. Such a strategy is less profitable than developing the games in-house but has a higher chance of succeeding by leaving the execution to experts in smartphone games.

The first mobile game under the new model is in the works. Capcom has received a small initial license fee from one undisclosed part-

ner and will start to get royalty fees when the game comes out in the first quarter of next year, according to Amir Anvarzadeh, head of

Japanese equity sales at BGC Partners. Capcom hasn't disclosed how much it would get from royalties. Franchise holders generally get 30% to 40% of gross revenue for

similar licensing deals in Japan, says Masaru Sugiyama, an analyst at Goldman Sachs. Since Capcom's operating profit was just \$126 million last fiscal year, a hit title could boost that figure by 20% to 30%.

Capcom's stock trades at 15 times forward earnings, lower than shares of its peers. Konami, for example, trades at 24 times. Any success in mobile would likely boost the shares. Nintendo's share price, for example, exploded last summer when "Pokémon Go" became a hit.

Capcom sits on a trove of intellectual property. Its latest mobile strategy could unlock it.

—Jacky Wong