

THE WALL STREET JOURNAL.

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DJIA 22352.11 ▲ 0.38%

NIKKEI Closed (19909.50)

STOXX 600 381.95 ▲ 0.33%

BRENT 55.18 ▼ 0.79%

GOLD 1306.60 ▼ 1.05%

EURO 1.1929 ▼ 0.15%

DLR \$111.49 ▲ 0.59%

What's News

Business & Finance

China's regulators are ratcheting up pressure on the country's financial sector to slow the spread of investment products targeting small investors. A1

◆ Beijing is moving toward a broad clampdown on bitcoin trading. B1

◆ Northrop Grumman said it agreed to buy Orbital ATK for \$7.8 billion, as acquisition activity in the aerospace industry ramps up. A1

◆ Pine River is closing its \$1 billion flagship hedge fund after clients asked to withdraw more money than the firm was expecting. B1

◆ Google launched a smartphone app that lets users in India transfer money to individuals and businesses without the use of a credit or a debit card. B5

◆ Portuguese government debt, one of this year's hottest investments, rallied after S&P gave it back its investment grade label. B8

◆ Teva Pharmaceutical said it will sell the remaining assets in its specialty global women's health business for \$1.38 billion. B3

◆ Cisco Executive Chairman Chambers won't stand for re-election this year. B4

◆ Television entrepreneur Bruce Gordon and Lachlan Murdoch lost a legal bid to thwart CBS's takeover of Ten Network. B3

◆ JBS picked its 84-year-old founder, José Batista Sobrinho, to succeed his jailed son as CEO. B2

World-Wide

◆ Iran's Salehi accused the U.S. of violating the spirit and letter of the 2015 nuclear deal. A1

◆ Japan's Abe hinted at a parliamentary election, taking advantage of opposition disarray to seek a vote of support for his alliance with Trump on North Korea. A3

◆ The U.S. flew two B-1B bombers and four F-35 stealth fighters over the Korean Peninsula, in a show of force ahead of the U.N. General Assembly. A3

◆ Islamic State has formed a number of cells in Libya a year after losing its stronghold there, as it seeks to regroup near Europe. A4

◆ Trump's support of Strange raises the stakes for the president in an Alabama special election splitting Republicans. A6

◆ Zinke recommended cutbacks or other changes to nearly half of the geographic national monuments he reviewed. A6

◆ Texas officials are struggling with housing tens of thousands of people displaced by Harvey. A7

◆ Cohn is expected to outline proposals to reduce greenhouse-gas emissions while restating the U.S. stance on the Paris climate accord hasn't changed. A6

◆ U.S.-backed forces are jockeying with Syrian and Russian militaries for control over the last Syrian province under Islamic State control. A4

CONTENTS Markets B8
Business News... B3 Markets Digest B6
Capital Journal A2 Opinion A10-11
Crossword A12 Technology B4
Finance & Mktcs. B57 U.S. News A6-7
Head on Street B8 Weather A12
Life & Arts A9,12 World News A2-5

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Allies Conduct Show of Strength in Korean Flyover



JOINT DRILL: South Korean jets drop bombs during an exercise with the U.S. and Japan, a response to North Korea's recent missile launch. A2-3

China Tries to Curb Fintech

Authorities tighten oversight of investing platforms amid concern over financial stability

By CHUIN-WEI YAP

HONG KONG—China's regulators are ratcheting up pressure on the country's financial sector to slow the spread of investment products targeting small investors, aiming to curb risk from a new wave of technology-driven finance.

In recent weeks, Chinese central bank officials, banking and securities regulators have tightened oversight of a range of investing and technology platforms used by individuals to trade virtual currencies, invest in online loans, and rapidly shift cash in and out of mutual funds.

Pulling the Punch Bowl

As retail-investment products surge in popularity, Chinese regulators have moved to prevent meltdowns.

Balance outstanding of wealth-management products issued or distributed by Chinese banks



*Through May

Sources: Moody's Investors Service (outstanding balance of wealth-management products); Wind Info (net asset value, outstanding loan balance)

THE WALL STREET JOURNAL.

Net asset value of all mutual funds

\$2.0 trillion

1.5

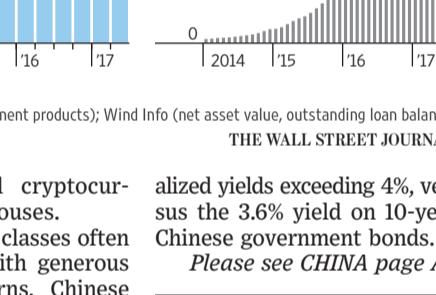
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2014 15 16 17

Loan balance outstanding on peer-to-peer lending platforms



2014 15 16 17

Sources: Moody's Investors Service (outstanding balance of wealth-management products); Wind Info (net asset value, outstanding loan balance)

THE WALL STREET JOURNAL.

Loan balance outstanding on peer-to-peer lending platforms

\$200 billion

150

100

50

0

2014 15 16 17

Battered Islands Face New Storm



NO REST: As residents of the U.S. Virgin Islands rebuild after getting hit by Hurricane Irma, Hurricane Maria is threatening the area. A7

LOL Democracy! Young Voters Are Baffled by Mail-In Ballots

* * *

Postal novices loom large in Australia's vote on same-sex marriage

By ROB TAYLOR

CANBERRA, Australia—The future of democracy faces an unexpected challenge from within.

Can young voters learn to use a mailbox?

The outcome of a national mail-in vote in Australia this fall on sanctioning same-sex marriage may teeter on the answer. "I don't really know what the go is with

she had to mail a parcel "I took my dad to help."

Early polls showed 59% of

voters in favor of allowing

same-sex marriage in the ad-

visory vote, with sup-

port around 80%

among voters age

25 and younger. But

advocates worry whether

enough millennials like Ms.

Dennis, who prefers

instant messaging,

know how to mail a

letter.

Tiernan Brady was recruited to run

the Equality Campaign after heading Ireland's

same-sex marriage referendum in 2015. He says he starts cam-

paign events by asking, "How

Please see MAIL page A8

'WE'VE BEEN BREACHED' INSIDE THE EQUIFAX HACK

Credit firm's woes have shaken an industry, spawned investigations

On March 8, researchers at Cisco Systems Inc. reported an online security flaw that allowed hackers to break into servers

By AnnaMaria Andriotis,
Michael Rapoport
and Robert McMillan

around the internet. Cisco urged users to upgrade their systems immediately with a newly issued fix.

Equifax Inc. was among the companies using the flawed software. On Friday, it said its technology experts at the time worked to

identify and patch vulnerable systems.

In late July, though, Atlanta-based Equifax discovered suspicious traffic on its system—and found the same security flaw still existed in some areas. The company's security staff again addressed the problem, according to Equifax, but by then it was too late.

From about mid-May to July 30, hackers ransacked vast troves of information at the credit-reporting company. The breach potentially exposed about 143 million Americans' personal information, including names, addresses, dates of birth and Social Security

Please see HACK page A8

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President Donald Trump has said he expects not to certify Iran's compliance with the accord when a decision comes due next month, a move that could

WORLD NEWS

Key Question: What Does North Korea Want?



CAPITAL JOURNAL

By Gerald F. Seib

As President Donald Trump and other world leaders gather at the United Nations this week, a lot of important questions hang in the air, but none more important than this one: What does North Korea want?

That is, what is North Korea's real goal in its relentless,

reckless pursuit of nuclear weapons as well as missiles that can carry them as far as the

United States? The answer will determine whether it's even possible to push the country off the nuclear path at this point, or whether a strategy of regime change or containment of a nuclear-armed country is the most realistic option—or, most ominously, whether armed conflict is likely.

The international community is, of course, casting about for ways to deter North Korea, and U.S. officials say there will be conversations this week about imposing more-severe eco-

nomic sanctions than the ones already implemented in a pair of U.N. Security Council resolutions this year. Chinese and Russian companies doing business with North Korea are likely targets.

Yet devising a strategy requires reaching some determination of what it would take to change North Korea's course. Nobody knows for sure what is going on in the mind of North Korea's bombastic, 33-year-old leader, Kim Jong Un, and it's possible he is simply improvising. But the systematic effort he has undertaken suggests otherwise.

The most frightening possibility is that Mr. Kim considers nuclear weapons an existential requirement for his survival internally. Michael Pillsbury, a longtime Asian analyst now at the Hudson Institute, says some experts believe the North Korean nuclear program is the result of a deal with the North Korean military made long ago by Mr. Kim's father and grandfather, when they were in charge: "You keep us in power, and we'll deliver the nuclear weapon to you."

That possibility raises a troubling prospect, he adds: "Are we really dealing with something that is not negotiable...Is this a business deal and we haven't found the right price yet, or is it something sacred?"

Mr. Pillsbury, a former



In this picture released Saturday by North Korea's state-controlled news agency, North Korean leader Kim Jong Un inspects the launch of the ballistic rocket Hwasong-12 at an undisclosed spot.

Pentagon official and author of a book about the long-term struggle between the U.S. and China, says he thinks many Chinese leaders subscribe to the theory that the nuclear program is the result of such a pact with the military—one that Mr. Kim can't afford to reverse.

It's also possible that Mr. Kim sees the nuclear program as necessary to guarantee survival against external threats. This has been the more widely held theory over the past two decades.

It holds that Mr. Kim, like

his father and grandfather, sees North Korea at perpetual risk of a hostile regime-change effort by South Korea and the U.S., and perhaps even by Pyongyang's nominal allies in China. The best way to keep that overthrow effort at bay is to brandish the possibility that the regime could respond with a nuclear strike.

In that case, there may be a deal to be struck. In theory, at least, if regime survival—as well as simple international respect and perhaps some handsome monetary reward for backing down—is

the reason to possess nuclear weapons, then the need for those weapons goes away if the world provides a guarantee of regime survival and help entering the real global economy.

The third possibility is that North Korea wants nuclear arms for blackmail purposes. The Kim regime's real goal, under this theory, is to reunite North and South Korea under its rule, and it plans to use military might someday to achieve that goal.

The principal obstacle standing in the way is the U.S.

commitment to defend South Korea. North Korea's way to eliminate that problem is to be able to say to the U.S. that Pyongyang will strike it with a nuclear weapon if American forces come to the aid of South Korea. Would the U.S. defend Seoul if that meant putting Seattle at risk?

The differences among these possible goals deeply affect the approach the U.S. and its allies take. Secretary of State Rex Tillerson is signaling that the Trump administration wants escalated economic pressure to compel Mr. Kim into meaningful negotiations over its nuclear program. Perhaps only in such negotiations is it possible to discern North Korea's real aims.

If diplomacy ultimately can't reverse the nuclear program, the U.S. and its allies likely will be looking at a long-term strategy of containing a nuclear-armed North Korea and all that entails: far more spending on missile-defense systems, a bigger American military presence in Asia, military buildups in Japan and South Korea, possibly the reintroduction of American tactical nuclear weapons into South Korea.

Such a containment strategy worked with the Soviet Union for half a century. It is an expensive and frightening proposition—though perhaps not as frightening as war on the Korean Peninsula.

contractors are seeking to become more vertically integrated, bringing production in house to give them better control of the supply chain and an ability to capture extra profits from repair work; this deal would fit into that pattern as well.

The planned purchase of Orbital marks a departure for Northrop, which has focused heavily on share buybacks, retiring around 25% of its stock over the past three years.

Defense budgets are climbing, with missile defense a priority for many nations.

A deal involving the big prime defense contractors may be less likely to attract antitrust scrutiny than other proposed mergers because of their limited product overlap, though the Pentagon has in recent years become more involved in scrutinizing transactions.

Orbital will owe Northrop Grumman a \$275 million termination fee if the deal falls through, according to company filings.

Perella Weinberg Partners LP is acting as exclusive financial adviser to Northrop Grumman. Citigroup is acting as exclusive financial adviser to Orbital ATK.

DEAL

CHINA

A Unique Campaign Vehicle in Kenya



GET OUT THE VOTE: A Kenyan rides a camel during a voluntary campaign to support Kenya's president ahead of election next month.

Bojin, a retired army officer in China's central Henan province who lost 800,000 yuan (\$123,000) two years ago to collapsed wealth-management products. He is still waiting to receive restitution he was promised for his losses. "This is the problem in China," he said. "Your problems can too easily be ignored."

unauthorized sales of products, violating the rights and interest of consumers."

In August, regulators placed limits on the growth of mutual funds made wildly popular via China's mobile-payment platforms. They also ordered financial institutions to more closely record sales to small investors of high-yield retail investments

land China, said shortly after that such offerings are subject to its securities-investment laws and warned investors to be wary of related scams.

"The rampant offerings of unregulated assets through cryptocurrencies may pave the way for new high-tech-themed fraud," said Dixon Chen, managing director at a fintech-focused marketing platform and a one-time bitcoin investor. "The government needs to control it before it gets out of control."

Chinese authorities are also shutting down bitcoin exchanges in the country, the Journal earlier reported. Largely powered by Chinese investors, bitcoin prices have risen over 400% since mid-2016.

Curbs on the virtual commodity came several weeks after China's securities regulator ordered money-market funds to limit their exposure to single investors and assets issued by the same financial institutions.

The rulings also capped funds' holdings of assets that don't have top credit ratings.

With such small investors in mind, financial regulators are stepping up their rhetoric as they take steps to reduce risk.

"In recent years, the types of products in the banking and financial system have proliferated, and become increasingly complicated and broader in scope," the China Banking Regulatory Commission said last month. Growth "has led in some cases to misleading and

marketed as "wealth-management products."

In early September, the central bank and regulators banned fundraising using cryptocurrencies such as bitcoin. It took aim at "initial coin offerings" that would have enabled more retail investors to buy and trade digital currencies. Regulators in Hong Kong, which is administered separately from main-

land China, said shortly after that such offerings are subject to its securities-investment laws and warned investors to be wary of related scams.

land China, said shortly after that such offerings are subject to its securities-investment laws and warned investors to be wary of related scams.

Traditional Lenders Face Pressure, Too

Recent discussions between Chinese regulators and banks have flagged concerns about risks that could arise because of how easily available new retail-investment products are to investors because of technology.

More than 700 online-loan platforms, known as peer-to-peer lenders, closed in the last year ahead of new caps on their operations that take effect this month that dimmed

their prospects for profitability.

"Online lending has rules and scale, but no longer any profit," Zhou Shiping, chief executive of China's largest peer-to-peer lending platform Hongling Capital, said. Mr. Zhou said Hongling would unwind its peer-to-peer business by the end of 2020.

The recent directives aren't aimed at shutting down technology-enabled investment; instead, regulators are demanding greater disclosure and stricter limits. The pressure also isn't limited to financial technology.

firms. Regulators are also prod-

ing traditional lenders to disclose more about their exposure to wealth-management products.

In late August, China's bank-

ing regulator issued a directive

requiring banks to use video and audio in specific areas lenders must set up to record sales of wealth-management products to retail investors, to ensure risks are properly disclosed and communicated to individuals. Banks must now disclose more about their off-balance sheet lending and make provisions for potential losses.

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CORRECTIONS & AMPLIFICATIONS

Singapore's president draws an annual salary of S\$1.54 million (US\$1.1 million). A World News article Thursday about the nation's new president incorrectly said the salary was S\$4.3 million.

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WORLD NEWS

Japan's Abe Hints at Parliamentary Poll

A Trump ally, prime minister could solidify his standing with snap lower-house election

BY PETER LANDERS

TOKYO—Japanese Prime Minister Shinzo Abe hinted that he would call an election for the powerful lower house of parliament, taking advantage of opposition disarray to seek a vote of support for his close alliance with President Donald Trump on North Korea.

Local media said the election would likely take place Oct. 22.

The ruling coalition led by Mr. Abe's Liberal Democratic Party would be a heavy favorite, thanks partly to support for his policy of putting pressure on North Korea after its nuclear and missile tests in recent weeks.

Polls over the past week have shown support for Mr. Abe's cabinet rising above 40% to as high as 50% after falling as low as 30% in the summer.

"The North Korean provocations are causing concern, and people feel that they want strong leadership," said Koji Murata, a professor of politics at Doshisha University.

Opposition parties earlier this year accused Mr. Abe's government of doing favors for his friends, including helping one get approval for a veterans



Shinzo Abe's party's chances look bright, partly because of opposition turmoil and wide support for his hard stance on North Korea.

erinary school.

The scandal has died down without producing any evidence that Mr. Abe was personally involved in helping the school head, and Prof. Murata said voters were "getting bored" with it.

Mr. Abe told reporters at Tokyo's Haneda Airport that he would make a decision on the timing of the election after returning to Japan late this week from a trip to the United Nations.

That suggested he was planning one because he usually responds to questions about calling an election by denying any consideration of the idea.

In an interview conducted Sept. 12, he told the Nikkei newspaper, "I am absolutely not thinking about it."

The Japanese leader has emerged as one of Mr. Trump's most steadfast allies. They have met or spoken by phone more than a dozen

times this year, frequently after North Korea missile tests. Japan is beefing up its own missile defenses but still relies on the U.S. military for protection, including a nuclear deterrent.

"The solidarity of the international community is being put to the test in response to the repeated dangerous provocations by North Korea," Mr. Abe said Monday as he departed for the U.N. General Assembly.

One election advantage for Mr. Abe is turmoil in the opposition. The Democratic Party, which has the most parliament seats among opposition groups, has suffered defections and recently elected its fourth leader in three years.

Another potential opponent of Mr. Abe is popular Tokyo Gov. Yuriko Koike, who led a regional party to victory over Mr. Abe's Liberal Democrats in July elections for Tokyo's assembly.

Lower House

◆ Currently has 475 members; will fall to 465 after the next election.

◆ More powerful of parliament's two chambers because it selects the prime minister and can pass a national budget on its own.

◆ Members serve a maximum four-year term. Prime minister can dissolve the lower house at any time, and an election must follow within 40 days.

—Peter Landers

sembly.

Lawmakers close to Ms. Koike are moving to create a national party, but analysts said it would be hard for them to find candidates and money for a national campaign if the election were just a month away.

Unless Gov. Koike herself runs for parliament—an idea that she has rejected—her forces would likely gain only a limited number of seats beyond a handful of unaffiliated incumbents planning to join her camp, said Yasuharu Ishizawa, a professor at Gakushuin Women's College.

The last election to the lower house in Japan was held in December 2014, and Mr. Abe's coalition won more than two-thirds of the seats in the chamber.

U.S. Leads Military Overflight of Korean Peninsula

BY KWANWOO JUN

SEOUL—The U.S. flew two B-1B bombers and four F-35 stealth fighters over the Korean Peninsula in a show of force ahead of the United Nations General Assembly meeting at which world leaders will

discuss how to contain North Korea's nuclear ambitions.

Monday's exercise, which followed one on Aug. 31, was in direct response to North Korea's launch of a missile over Japan last week, the U.S. Pacific Command said in a statement.

This month, Pyongyang

carried out its sixth nuclear test, its most powerful so far, defying international efforts to get it to change course.

Four South Korean and four Japanese jet fighters also took part in Monday's drill, which involved practicing attack capabilities by releasing live

weapons at a training area, the military said.

"U.S. Pacific Command maintains the ability to respond to any threat in the Indo-Asia-Pacific theater at a moment's notice," it said.

South Korean defense officials said the U.S. aircraft carried out the bombing exercise for 2½ hours before flying north near the border with North Korea and returning to their home bases in Guam and Japan.

There was no immediate response from Pyongyang through its state media, which often denounces U.S. flyovers.

The U.S. has been increasing pressure on North Korea, looking to rally world leaders to stop the regime from advancing its nuclear and missile programs. The U.N. Security Council last week toughened its sanctions on the country.

THE FUTURE OF CITIES IS OPEN TO SUGGESTIONS

There are moments in life we don't want to miss. That's why Hitachi is co-creating solutions that help cities move toward what matters. With longstanding expertise in both operational and information technologies, we're making complex systems more responsive, intuitive and efficient, allowing people to travel smoothly through cities. It's one of the many ways we're using our IoT platform to analyze data, predict what comes next and deliver Social Innovation for all.

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Hitachi Social Innovation

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Inspire the Next

A woman in a pink blazer and blue jeans walks across a modern city street. She is smiling and carrying a brown shoulder bag. The city features tall, curved skyscrapers. In the foreground, there is a train on a bridge. The ground is covered in glowing, colorful icons representing various social and technological concepts like communication, transportation, and connectivity. The overall theme is the integration of technology and urban life.

WORLD NEWS

ISIS Seeks Revival in Libya, Gate to Europe

Small cells of fighters operate in the country a year after the group lost control of Sirte

Islamic State has formed a number of clandestine cells in Libya a year after losing its main stronghold in the chaotic North African country, part of the militant group's efforts to regroup on Europe's doorstep.

By Hassan Moraea
in Tunis, Tunisia,
and Benoit Faucon
in London

The small cells, comprising up to several dozen fighters, have set up new bases outside Libyan towns in the past several months and started making money by hijacking commercial trucks and extorting migrant-smuggling rings, according to Libyan and European security officials.

Islamic State has also told fighters to go to Libya from Syria, where a U.S.-led coalition is pushing the terror group from its de facto capital of Raqqa, according to a defector and European security officials.

"They consider Libya to be the main entrance to Europe," said Abu Baara al-Ansari, a Syrian who says he defected from Islamic State in June. Mr. al-Ansari said he worked in Raqqa for Islamic State in the office that tracked visitors to the group's territory. He is now in Turkey and was interviewed via the Telegram messaging system.

The group's efforts to stage a comeback in Libya after losing control of the coastal city of Sirte last year have sparked concern among European offi-



Forces allied with the U.N.-backed government in Libya fought Islamic State in Sirte last year.



Sources: Libyan military and government officials
THE WALL STREET JOURNAL.

Goran TOMASEVIC /REUTERS

cials.

A resurgent Islamic State "is definitely becoming a problem in Libya," a European security official said.

Members of Libya's Presidential Council, which presides over the Tripoli government, didn't respond to requests to comment about Islamic State's activities in the country.

Islamic State said two years ago it planned to infiltrate migrant groups and carry out attacks in Europe.

Salman Abedi, a British citizen of Libyan descent, blew himself up outside a concert in Manchester in May, killing 22 people. Abedi had recently returned from a trip to Libya, and European security officials say the type of bomb he used indicates he may have been trained

by Islamic State fighters there.

Since the death of Col. Moammar Gadhafi in 2011, warring factions have carved Libya into fiefs and fought over its oil fields, leaving the economy in tatters.

"Daesh is exploiting the security vacuum," said an intelligence officer from the city of Misrata who works with forces loyal to Tripoli, using the Arabic acronym for Islamic State.

Militias from Misrata—who support the United Nations-backed Government of National Accord in the capital, Tripoli—led the successful campaign to oust Islamic State from Sirte.

An estimate by the U.S. Africa Command, which oversees American military operations on the continent, indicates there are only about 500 Is-

amic State members active in Libya now. That is down from a peak of about 3,000 fighters when the group held Sirte in 2016.

But other officials said it is difficult to know how many Islamic State fighters are currently in Libya. And they say the group's ability to operate relatively unhindered around the country raises concerns.

Since driving Islamic State out of Sirte, the U.S. has seen "a marked decrease" in the number of foreign fighters traveling to or from the conflict in Libya, according to a U.S. State Department official.

European security officials and the Islamic State defector say the group's fighters—including Syrians and Iraqis, as well as Libyans—have been

trying to enter Libya in hopes of reaching Europe to launch attacks.

Islamic State members have in the past flown from Turkey to Sudan before going overland to Libya, according to European security officials. Meanwhile, Libyan forces in the south are monitoring a group of Islamic State recruits who made their way to Sudan from Syria and are trying to cross into Libya, according to a security official from the area with forces loyal to Tripoli.

Libyans were among those who trained at Islamic State's weapons lab in Raqqqa, according to another Islamic State defector. Some of the devices were intended both for battlefield use and for carrying out attacks in Europe, said the defector, who said that he was involved in their design and that he left the group in 2016.

In Libya, a rival government operates in the east of the country, where a group allied with Islamic State was ousted this year from the city of Bengazi. In late May, two members of the allied group were dispatched by Islamic State from

Benghazi to go to Istanbul, according to a third person who said he had defected from Islamic State and who said he remains in contact with the group in Raqqqa.

They were directed to make their way from Istanbul to Athens and to wait for orders about carrying out an attack in Europe, the defector said. A European security official said last month the movements of the two men were being monitored.

Islamic State fighters who escaped Sirte fled to other parts of Libya such as Bani Walid, west of Sirte. The fighters remained hidden in the surrounding valleys for months, but now have started to "set up checkpoints at times and hijack trucks and any goods in them," said the intelligence officer from Misrata.

Other fighters escaped to the southwestern town of Ghat, near the Algerian border. The group has since expanded its presence in that part of the country to the desert oasis of Ubari, with fighters holding regular meetings in the town and moving freely in the vicinity of Libya's largest oil field, according to the security official from southern Libya.

In May, Islamic State seized three fuel trucks en route to Jufra, a district between Sirte and Ubari, according to an Aug. 22 report from the U.N. Security Council.

Islamic State also has a presence in other Libyan cities and towns, and groups that can range from 5 to 50 fighters roam outside urban areas, the intelligence officer from Misrata said.

—Ben Kesling, Nicholas Bariyo, Nour Malas, Nour Alakraa and Jenny Gross contributed to this article.

In Syria, Regime and U.S. Allies Jockey for Advantage

In the last Syrian province largely under Islamic State control, U.S.-backed forces are on a collision course with the Syrian and Russian militaries as both sides scramble to strengthen their hands ahead of postwar negotiations.

By Maria Abi-Habib
and Raja Abdulrahim
in Beirut
and Nathan Hodge
in Okeirbat, Syria

The contest for territory is playing out in Deir Ezzour, an oil-rich province where Islamic State has fought to protect its revenue streams and preserve what remains of its rapidly shrinking caliphate.

The Damascus-based Syrian government, backed by Russia and Iran, wants Deir Ezzour's resources to repair a shattered economy and replenish its coffers by exporting oil. It could also help Tehran establish a

route over land to Beirut to support its Lebanese allies.

The U.S.-backed forces, who are led by Kurds, are also fighting Islamic State but wary of giving ground to the Syrian regime. Kurdish leaders want to use the province's wealth as a bargaining chip that could help them secure greater autonomy in Syria.

"The Kurds are trying to get as many cards in their hands as possible for the time when everyone sits around the table to play the big game. The scorecards that everyone will be looking at when they sit around the table and think, 'Who has the most and can ask for the most?'" said a senior Western diplomat who is based in the Middle East and focused on the Syria conflict.

With these different armed groups closing in on Deir Ezzour, forces backed by the U.S. and Russia are sometimes fighting within a few miles of



A fighter with the U.S.-backed Syrian Democratic Forces.

each other, raising the risk of missteps that could inflame tensions.

On Saturday, Russian military forces attacked a location in Deir Ezzour east of the Euphrates River where they knew troops from the U.S.-led coalition and allied Syrian reb-

talks with its Russian counterparts to avoid future conflicts.

The Russian military provided extensive air support to Syrian government forces during their advance on Deir Ezzour. And this past week, Russia's defense ministry launched a public-relations offensive to capitalize on those gains by the central government.

Russian military helicopters ferried international news crews to Deir Ezzour on Friday, capturing scenes of life returning to a semblance of normalcy in government-held areas of the provincial capital, also known as Deir Ezzour.

The Russian military also brought reporters to Okeirbat, a town in central Syria that was recaptured from Islamic State militants at the beginning of the month, enabling the government advance.

The town, emptied of inhabitants, still bore signs of heavy fighting, including air-

strikes that had penetrated concrete warehouses Islamic State fighters used for maintaining captured tanks and converting armored vehicles into massive suicide bombs, Russian military officials said.

Over the past two months, the U.S. has pushed for a de-confliction line along the Euphrates River to coordinate the separate battles to retake Islamic State-held territory in Deir Ezzour.

The talks between Washington and Moscow stalled, according to a U.S. official, and this month Damascus and its allies advanced into Deir Ezzour city.

Days later, the Kurdish-led Syrian Democratic Forces, backed by the U.S. military, pushed south to box in regime forces, potentially cutting off Damascus and Moscow from advancing farther east, toward the Iraqi border and the province's lucrative oil fields.

Britain Considers outfitting More Police With Guns

By AMANDA COLETTA

LONDON—In a police station in a crime-plagued South London district, Sgt. Guy Mantoura recently sent his night-duty officers off on their beats with batons, incapacitating spray, handcuffs and six Tasers. In a tradition many see as quintessentially British, none was issued a gun.

But after five terrorist attacks in seven months, along with a recent rise in crime, pressure is increasing on police in tradition-bound Britain to reassess their 188-year-old policy of not routinely arming officers, except in Northern Ireland.

The National Police Chiefs' Council, which is responsible for coordinating national police operations, announced in July it was conducting an unprecedented review of the country's armed response to terrorism. In England and Wales, only 5% of police officers carry firearms.

In the past, opposition to arming police officers has come from the officers themselves, who have argued they don't need guns because tough restrictions limited the circulation of legal and illegal guns. But that is changing. London's Metropolitan Police says the number of guns being smuggled into the U.K. is "worrying," and there are fears terrorists might use

them to carry out marauding attacks. Only 6% of Metropolitan Police officers surveyed in January by their union said the number of armed officers was adequate.

"There is a much stronger movement for arming the ordinary bobby than I can ever remember," said Clive Emsley, a professor of history and criminology at the Open University. One factor likely animating that shift was the fatal stabbing of unarmed police Constable Keith Palmer as he stopped terrorist Khalid Masood from entering the Par-

liament buildings in March. Senior police officials say they have foiled six terrorist plots since then in what they have described as a "summer like no other." But driving home the persistence of the threat, a homemade bomb exploded on a packed subway train in southwest London on Friday, injuring more than two dozen people.

In the police station in Peckham, a South London neighborhood with some of the U.K.'s highest violent-crime rates, Constable Damon Blackman endorses the re-

think. A police medic trained to carry a Taser, he responded to the June 3 terrorist attack at London Bridge that left eight people dead. He said he believed more lives could have been saved if the first responders had been able to shoot the attackers before they rampaged through nearby Borough Market.

"If you're dealing with someone with a knife, [Tasers don't] give the same level of security as a firearm," Mr. Blackman said.

His colleague Constable Lorcan Searson, however, said

arming police could hurt relations with the public.

"I've been in a few fights and I've never really felt like I needed a gun," he said as he patrolled a neighborhood street dotted with fried-chicken joints and barbershops in a police cruiser. Moments later, he and his partner responded to a request for backup at a street skirmish between two families over an allegation of domestic violence. Without the use of guns, the officers took 10 minutes to calm the situation, arresting one man.

"You can talk 98% of the people down," Mr. Searson said.

Few in Britain believe it makes sense to arm every officer. Metropolitan Police Commissioner Cressida Dick, London's top cop, said after the London Bridge attack that routine arming was neither sensible nor practical.

But she has been open to putting more armed officers on London streets. She has asked the government for more resources, arguing that ordinary bobbies are being diverted from basic policing to deal with what she called a "shift in the terror threat."

Last year, the government committed £144 million (\$191 million) to increase the number of armed officers by 1,500, but they haven't all yet been recruited.

Why 'Bobbies' Have Long Been Unarmed

LONDON—The decision not to arm British police officers was made when Sir Robert Peel, then the home secretary, founded the Metropolitan Police in 1829. Police officers were nicknamed "bobbies" after him, and a conscious effort was made to differentiate them from the heavily armed British army, which the public then viewed with hostility.

"From the very beginning, every effort was made to portray the police as a civilian force, as just a bunch of ordinary guys," said Jim Waddington, a professor of social policy at the University of Wolverhampton.

That marked the beginning of a tradition of "policing by consent"—the idea that a police officer's primary duty is to the public rather than to the state, as it is elsewhere.

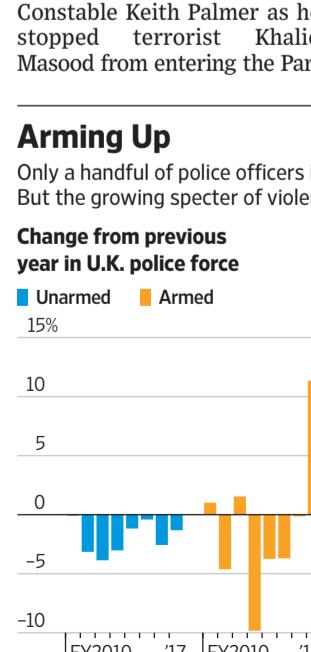
Outfitted in top hats and tightly buttoned blue tunics, the first bobbies patrolled their beats on foot, equipped with nothing but a wooden truncheon and a whistle. Those in particularly dangerous areas carried cutlasses.

Police adopted the high-top "custodian" helmets some still wear now in 1863. Current officers outside tourist areas rarely wear them.

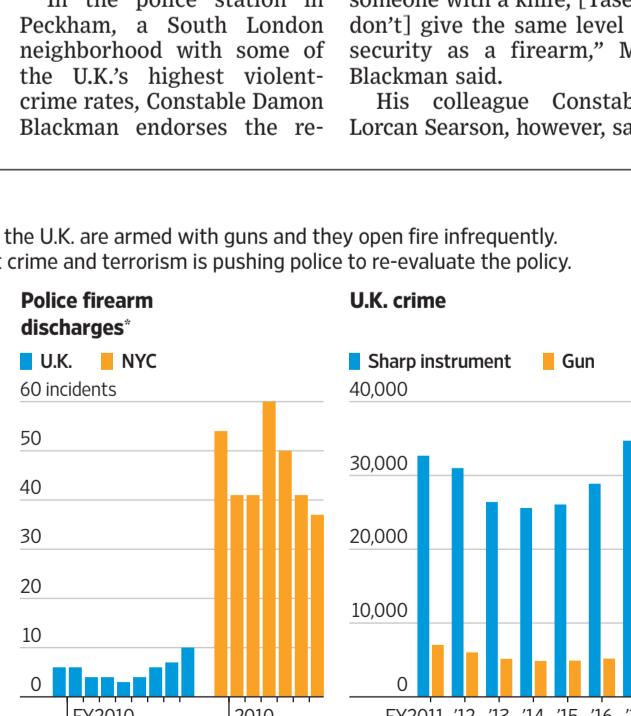
—Amanda Coletta

Only a handful of police officers in the U.K. are armed with guns and they open fire infrequently. But the growing specter of violent crime and terrorism is pushing police to re-evaluate the policy.

Change from previous year in U.K. police force



Police firearm discharges*



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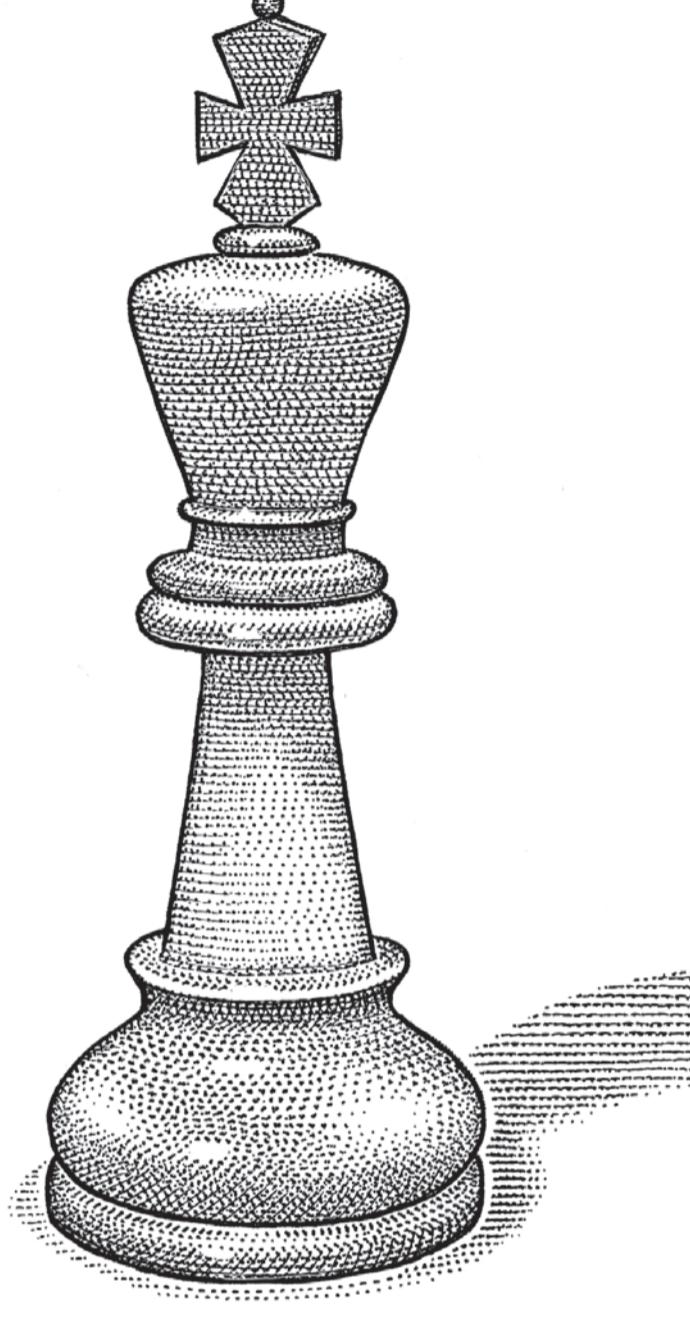
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WORLD NEWS

Trump Emphasizes Change at U.N.

President softens tone, but calls for reduced bureaucracy, fairer distribution of costs

By FARNAZ FASSIHI
AND ELI STOKOLS

UNITED NATIONS—President Donald Trump called on the United Nations to “focus more on people and less on bureaucracy,” in comments during a meeting on institutional overhauls as the annual General Assembly gathering got under way.

Mr. Trump reiterated his campaign criticism that the U.N. wasn’t living up to its potential, but did so in softer terms than he has used, sticking with his prepared remarks about the need to reduce bureaucracy and curb mismanagement.

The “ways of the past,” Mr. Trump said, are “not working.”

The president thanked U.N. Secretary-General António Guterres, who sat beside him, for his openness to changes in U.N. structure and operations. And he said the cost burdens of supporting the institution, which Mr. Trump has argued fall too heavily on the U.S., must be more equally distributed.

“We must ensure that no one and no member state shoulders a disproportionate share of the burden, and that’s militarily and financially,” Mr. Trump said.



President Donald Trump, center, at the United Nations on Monday.

The president’s comments came a day before his highly anticipated official address at the General Assembly. U.S. Ambassador Nikki Haley also was to address international officials on the improving U.N. efficiency, transparency and management, diplomats said.

While Messrs. Guterres and Trump are at odds about issues including the Iran nuclear deal and the Paris climate accord, they appear to share a common view on the need to make the U.N. more effective and influential, diplomats said. Mr. Trump, who has repeatedly expressed his skepticism about international organizations such as the U.N. and the North Atlantic Treaty Organization, last year said the U.N. is “not a friend of democracy” and “not a friend of freedom.”

The U.S. is the top financial contributor to the U.N., donating 28.5% of the \$7.3 billion peacekeeping budget and 22% of its core budget of \$5.4 billion. The U.S. is conducting a mission-by-mission review of the U.N.’s 16 peacekeeping operations and lobbied to slash \$600 million this year from the peacekeeping budget.

Mr. Guterres said he has two priorities for overhauls: establishment of an advisory board on mediation to work toward conflict prevention and improving gender parity at the U.N.

The U.S. and other critics say the organization’s archaic bureaucracy and management style hinder its operations, from humanitarian assistance to day-to-day field and office functions. The U.S. has also complained about U.N.’s costs,

arguing some of its work within various organizations overlaps.

“All the efforts I’ve been making until now are in the direction of trying to create conditions for the relationship between the United States and the United Nations to be a constructive relationship,” Mr. Guterres said.

Ms. Haley has indicated that continued U.S. financial donations and engagement in areas such as peacekeeping and human rights would be contingent on reviews and overhauls.

The U.N. “is totally moving toward reform,” Ms. Haley said on CNN on Sunday. “We said that we needed to get value for our dollar and what we’re finding is the international community is right there with us in support of reform, so it is a new day at the U.N.”

The U.S. drafted a 10-point document, “U.N. Reform Declaration,” and asked member states to sign it to attend Monday’s event with Mr. Trump, diplomats said. More than 100 out of 193 member states did so.

The declaration, seen by The Wall Street Journal, combines the U.S.’s agenda for change—including a commitment to reduce redundancy within U.N. organizations—with Mr. Guterres’s vision for management and bureaucratic overhauls.

Mr. Guterres, who took the U.N. helm in January, was selected for the top job after campaigning on a platform to modernize the organization.

IRAQ

Top Court Postpones Kurdish Referendum

The country’s top court temporarily suspended the northern Kurdish region’s referendum on independence that is due to take place next week, a decision that put further pressure on the Iraqi Kurds to call off the Sept. 25 vote.

The Supreme Court in Baghdad said it “issued a national order to suspend the referendum procedures...until the resolution of the cases regarding the constitutionality of said decision.”

It wasn’t clear if the local government in the semiautonomous Kurdish region would abide by the ruling.

The central government in Baghdad, regional leaders and the U.S.—a key ally of Iraq’s Kurds—have all called on the Iraqi Kurdish region to hold off on the vote, fearing it could contribute to instability as Iraqi forces battle Islamic State.

—Associated Press

PAKISTAN

Sharif’s Party Wins Narrow Vote for Seat

The party of ousted Prime Minister Nawaz Sharif won a crucial election for the parliamentary seat he was forced to vacate, but the opposition party led by Imran Khan gained more votes than analysts expected.

Mr. Khan cut the winning margin of Mr. Sharif’s party by half, compared with the 2013 election, according to an election analyst.

The swing is large enough to potentially make him a contender for power if repeated at the national election due next year.

The former prime minister’s party had asked the electorate to come out to register their rejection of July’s Supreme Court ruling that dismissed Mr. Sharif from office, saying the court had “stolen” their vote. The case stemmed from corruption allegations over luxury property owned by the Sharif family in London.

Mr. Sharif, who, along with his family, has denied any wrongdoing, hasn’t been convicted of any crime.

The candidate of Mr. Sharif’s Pakistan Muslim League-N party was his wife, Kulsoom, currently receiving treatment for cancer in London. The campaign was led by his daughter and political heir, 43-year-old Maryam.

—Saeed Shah

NEW ZEALAND

Army Moves Fuel After Pipeline Bursts

New Zealand called in its defense force to help move fuel around the country after a burst oil pipeline triggered a jet-fuel shortage, causing dozens of flight cancellations.

Air New Zealand said it had canceled four flights to Australia and 14 domestic flights after jet-fuel supplies were cut by 70%, while the pipeline damage also raised fears of a fuel shortage for motorists in Wellington, New Zealand’s biggest city.

The disruption was expected to last for about a week.

—Reuters

IRAN

Continued from Page One

New York. If the U.S. and Iranian officials both attend, that would be the highest level meeting between the two countries since Mr. Trump took office.

Israeli Prime Minister Benjamin Netanyahu was expected to discuss the agreement at a meeting with Mr. Trump on Monday. Both leaders have fiercely criticized the deal.

Iran’s Supreme Leader Ali

Khamenei, who steers Iran’s foreign-policy decisions, on Sunday warned that any “wrong move by domineering powers” on the 2015 accord would draw an Iranian response.

Iran has complained that the U.S. is undercutting the accord by increasing sanctions on Iran and by pressuring international partners not to do business with Iran.

U.S. Secretary of State Rex Tillerson said while Iran may be in “technical compliance” with the accord, it has violated the spirit of the accord

through its missile tests, support for terrorism, and its regional actions in Syria and Yemen.

So far, the body that oversees implementation of the agreement has said all sides are complying. That body, which comprises senior officials from the countries who negotiated the deal, is set to meet again Tuesday in New York.

U.S. Energy Secretary Rick Perry, also speaking in Vienna, again pressed the IAEA to step up its oversight of Iran’s activities.

Mr. Perry said the U.S. “strongly encourages the IAEA to exercise its full authorities to verify Iran’s adherence to each and every nuclear commitments under” the agreement. “We will not accept a weakly enforced or inadequately monitored deal.”

U.S. Ambassador to the U.N. Nikki Haley said last month, following a visit to the IAEA, that there were hundreds of sites in Iran where suspicious activities were taking place.

U.S. officials have also expressed concern about the agreement’s terms, specifically

the expiration of key constraints on Iran’s nuclear activities from the middle of the next decade. Critics of the deal say that could open a pathway over time for Iran to acquire nuclear weapons.

Washington has been pressuring European governments to adopt a more aggressive stance against Iran, both over the nuclear accord and on Tehran’s other actions. European officials have said they support the current agreement.

IAEA Director-General Yukiya Amano reiterated in his

remarks on Monday that Iran was implementing its nuclear-related commitment under the deal.

Mr. Amano was re-elected unopposed to lead the agency for a third term on Monday, until late 2021.

The former Japanese diplomat, 70 years old, has steered the IAEA during one of its most turbulent periods since 2009. He was in charge during the Fukushima nuclear accident in Japan in 2011 and as North Korea expanded its nuclear program and expelled IAEA inspectors.

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Friedrich von Amerling, detail from “Portrait of Princess Marie Franziska von Liechtenstein (1834–1909) at the age of two,” 1836.

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U.S. NEWS

Trump Climate Policy Gets Fresh Scrutiny

Administration insists the president hasn't changed his position on the Paris accord

President Donald Trump's top economic adviser emphasized Monday the White House hasn't changed its position on the Paris climate accord, fol-

By Emre Peker,
Nick Timiraos
and Russell Gold

lowing signals over the weekend that the U.S. was exploring ways to remain in the 2015 pact.

White House economic chief Gary Cohn's breakfast discussion on energy and climate matters in New York followed a similar meeting led by Canada, China and the European Union in Montreal on Saturday, when U.S. officials broached revising Washington's goals under the Paris accord to avoid pulling out of it, according to officials at the event.

"Consistent with the president's announcement in June, we are withdrawing from the Paris Agreement unless we can re-engage on terms more favorable to the United States," said a White House statement issued following the meeting Monday, which came on the opening day of the United Nations General Assembly. "This position was made very clear during the breakfast."

Mr. Cohn, who is leading the White House's stance toward the 197-party accord, was holding the meeting to discuss how the U.S. could continue to reduce greenhouse-gas emissions without sacrificing its re-emergence as a leading energy producer, according to a White House official. The initiative to hold an informal meeting in



Economic adviser Gary Cohn

New York materialized shortly before the Montreal event, according to an invitation letter from Mr. Cohn, and it was interpreted by some U.S. partners as a harbinger of a policy shift.

Officials in Mr. Trump's administration confirmed Sunday that the president remained open to revising U.S. commitments under the Paris accord rather than quitting the pact.

The White House has said such a position isn't a shift. Mr. Trump, a Republican, said in June that the U.S. would withdraw from the pact "but begin negotiations to re-enter either the Paris accord or an...entirely new transaction, on terms that are fair to the United States."

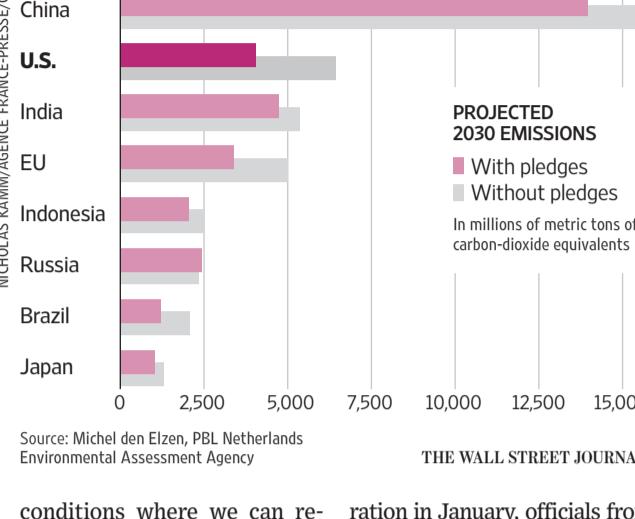
But Mr. Trump has repeatedly boasted of withdrawing from what he has called a "job-killing" deal and hasn't emphasized revising the country's participation in the pact.

Asked Sunday by ABC News whether the U.S. could remain in the Paris pact, national security adviser H.R. McMaster said: "If there's an agreement that benefits the American people, certainly."

Secretary of State Rex Tillerson told CBS News: "The president is open to finding those

Air of Uncertainty

Under the Paris accord, participants would curb emissions aimed at keeping global temperatures from rising above a danger threshold.



Source: Michel den Elzen, PBL Netherlands Environmental Assessment Agency

conditions where we can remain engaged."

Remarks by the top U.S. national-security official and diplomat reflected the message offered by the U.S. delegation, led by White House senior adviser Everett Eissenstat, to representatives from 34 governments in Montreal Saturday, according to a person familiar with the discussions.

Mr. Trump's envoy, who is deputy director of the National Economic Council, the White House office led by Mr. Cohn, said the U.S. couldn't carry forward with targets set by the administration of former President Barack Obama, a Democrat. Mr. Eissenstat said the White House continued its review of those commitments, the person said. Meanwhile, the U.S. said it would participate in climate talks, remain active and be constructive, the person said.

Participants at the Montreal gathering said Mr. Eissenstat's remarks fueled optimism among proponents of the Paris deal. Since Mr. Trump's inauguration in January, officials from China, the EU and Canada have tried to convince his administration that fighting climate change could also prove an economic boon.

Businesses mostly declined to discuss the administration's position, while indicating it wouldn't affect clean-energy investments.

"Until we know more about the administration's thoughts and plans, FirstEnergy doesn't have anything to add," a spokeswoman for the Ohio-based electricity company said.

Since the president's June announcement, companies have shown few signs of changing long-term strategies in the capital-intensive industries with decadelong planning horizons.

Many firms are shifting to less carbon-intensive fuels and renewable energy to satisfy customer preferences and because these fuels have become less expensive and more competitive. Most also operate in multiple countries, including in jurisdictions still pursuing am-

bitious climate regulations.

"Reducing emissions cost effectively remains an important part of our strategy," said Neil Nissan, a spokesman for North Carolina-based power company Duke Energy, which plans to cut carbon emissions by 40% by 2030.

The Paris deal, brokered under a U.N. framework, is on the agenda this week as countries seek to meet their commitment to limit the global temperature increases to "well below" 2 degrees Celsius (3.6 degrees Fahrenheit).

The plan is for Director Cohn to consider other ways in which we can work with partners in the Paris climate accord," Mr. Tillerson said Sunday on CBS. "We want to be productive. We want to be helpful."

agreed to aim to reduce carbon-dioxide emissions by 26% to 28% below 2005 levels by the year 2025. Mr. Trump could ease that goal, which is voluntary, and make it less ambitious.

Renegotiation could be difficult.

Mr. Trump has said the U.S. could seek a new deal or try to reopen negotiations on the Paris agreement. But experts say such a process would be difficult, because nearly all nations agreed on the pact in 2015, and leading economies have said they would continue with the original deal if the U.S. leaves.

The administration has sent mixed signals.

Trump advisers told a group of climate officials in Montreal on Saturday the U.S. could remain engaged in the Paris accord. In June, Mr. Trump said the U.S. would seek to renegotiate on "terms that are fair." But Mr. Trump has boasted of withdrawing the U.S., making no mention of revising U.S. participation.

A future administration could rejoin the agreement.

Environmental groups say the Paris agreement was designed to be durable and withstand shifts in global climate politics.

enheit) compared with preindustrial levels. The U.S. wants to use the annual U.N. gathering to present its "softer vision" on the sidelines, according to one official who participated in the Montreal event.

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support Luther Strange for Senate," Mr. Trump said on Twitter. "Big Luther" is a great guy who gets things done!"

Supporters of Mr. Strange have argued that Mr. Trump had already invested political capital in the race and, in the final stages, had much to gain and little to lose by investing more.

But the race risks damaging Mr. Trump's relationship with many of the party's most conservative figures, which have rallied behind Mr. Moore.

"I think the president should ask himself why virtually everyone else of significance in his base is supporting Judge Roy Moore and not Luther Strange," said Steve Deace, an Iowa conservative activist and radio host.

In addition to winning the support of Mr. Bannon after he left the White House, Mr. Moore has been backed by conservative leaders including Ms. Palin, Gary Bauer, James Dobson and Rep. Jim Jordan.

Roy Moore, left, is facing Sen. Luther Strange in the Sept. 26 runoff to be Alabama's Republican Senate candidate.



Roy Moore, left, is facing Sen. Luther Strange in the Sept. 26 runoff to be Alabama's Republican Senate candidate.

ner of the GOP runoff will emerge the strong front-runner for the special election, to be held Dec. 12. The Democratic Party in August nominated lawyer Doug Jones as its candidate in the race.

Although the president endorsed Mr. Strange before the first round of voting in August,

Mr. Trump's announcement Saturday via Twitter that he would appear with Mr. Strange next Saturday helped assuage anxiety among Mr. Strange's supporters that the president wouldn't actively campaign for the candidate.

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support Luther Strange for Senate," Mr. Trump said on Twitter. "Big Luther" is a great guy who gets things done!"

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continuing investigations.

"This is one instance in which it's fair to expect a former public official to go above and beyond what any transparency laws require," Mr. Ryan said.

The fund's site touts Mr. Flynn's ties to the president, noting that he was "considered a vice presidential candidate" during the campaign and that he introduced Mr. Trump at "numerous campaign events across the country."

The fund hasn't decided whether to accept donations from White House employees, the person close to Mr. Flynn said.

"There are many kinds of contributions that could present appearance issues, and decisions will have to be made in the future as those contributions are made, which can be accepted, and which not," the person said. The fund plans to refund any donations if officials can't discern the identity of the donor.

Mr. Flynn was ousted in February after he misled Vice President Mike Pence about his contacts with Russian officials before the inauguration.

Alabama Race Puts President's Influence to the Test

BY JANET HOOK

Donald Trump's decision to appear at a campaign rally for Sen. Luther Strange raises the stakes for the president in an Alabama special election that is splitting the Republican Party.

By supporting Mr. Strange in the Sept. 26 runoff election, Mr. Trump has put himself at odds with former adviser Steve Bannon, Sarah Palin and other Republicans who have called Mr. Strange the puppet of a discredited GOP establishment in Washington. Mr. Trump has joined forces with Senate Majority Leader Mitch McConnell, who has strongly backed Mr. Strange.

Mr. Strange this year was appointed temporarily to fill the seat held by Jeff Sessions, who became U.S. attorney general. He will face Roy Moore, a former state Supreme Court judge and evangelical favorite. Mr. Moore outpolled Mr. Strange in the first round of

voting in August that winnowed a wider field of candidates, by 39% to 33%.

Mr. Trump had endorsed Mr. Strange before the first round of balloting, helping boost him with robocalls and Twitter messages in the final days of that campaign. Now, by appearing in person just days before the runoff, Mr. Trump is upping the ante and taking a political risk because it isn't certain that even one of his signature rallies would be enough to stave off a loss.

Mr. Strange has trailed in polls taken over the past month by an average of 11 percentage points, according to Real Clear Politics. Supporters of Mr. Strange have been encouraged by recent polls that show the race closing—to a near tie in one of the latest surveys.

Brett Doster, a spokesman for the Moore campaign, said he didn't believe the Trump rally would make much difference because the president's

endorsement of Mr. Strange has been well-advertised around the state.

Mr. Strange has argued that Mr. Moore—who is best known for having lost his seat on the state Supreme Court for refusing to remove a Ten Commandments monument from a state building—would be an unreliable ally for the president on issues like immigration. Mr. Moore has attacked Mr. Strange for his ties to Mr. McConnell.

The stakes in the race are also high for Mr. McConnell and other GOP incumbents: A Moore victory could inspire a wave of primary challenges to other Republican senators in 2018. Some Republican senators—Jeff Flake of Arizona, Dean Heller of Nevada and Bob Corker of Tennessee—are already facing possible or actual challenges.

Mr. Sessions was unopposed in his most recent Senate race, in 2014. Alabama is a heavily Republican state, and the winner

of the GOP runoff will emerge the strong front-runner for the special election, to be held Dec. 12. The Democratic Party in August nominated lawyer Doug Jones as its candidate in the race.

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"I will be in Huntsville, Alabama, on Saturday night to

Interior Urges Cuts to Nation's Preserves

BY JIM CARLTON

Interior Secretary Ryan Zinke has recommended cutbacks or other changes to nearly half of the geographic national monuments he recently reviewed at the request of President Donald Trump, according to a report sent to the White House and reviewed by The Wall Street Journal.

The report recommends reducing the boundaries of the Bears Ears and Grand Staircase-Escalante preserves in Utah, and reopening hundreds of thousands of square miles of protected oceans in both the Pacific and Atlantic to commercial fishing.

Those are the findings in a report the secretary sent to Mr. Trump in August. The details of the report weren't released at the time.

Officials at the Interior Department referred requests to comment to the White House, which declined to comment.

The Trump administration does not comment on leaked documents, especially internal drafts which are still under review by the president and relevant agencies," White House spokeswoman Kelly Love said Sunday.

Besides Bears Ears and Grand Staircase-Escalante, the list of land monuments recommended for downsizing or otherwise made less restrictive—including by allowing traditional activities including ranching and logging—are Oregon's Cascade-Siskiyou; Nevada's Gold Butte; Maine's Katahdin; and New Mexico's Organ Mountains-Desert Peaks and Rio Grande Del Norte.

The ocean preserves Mr. Zinke wants reopened to commercial fishing include Northeast Canyons and Seamounts off the Massachusetts coast and both Rose Atoll and the Pacific Remote Islands.

Mr. Zinke recommended no changes to 17 other national monuments the president included in the review, which he ordered after complaining some of his predecessors had locked up too much land and water in the preserves that can be created under the Antiquities Act of 1906. Most of the monuments that Mr. Zinke reviewed were created by two of Mr. Trump's Democratic predecessors, Barack Obama and Bill Clinton.

If the president acts on the

recommendations, they could have enormous economic implications in areas around the monuments. Prior to a nearly 600,000-square-mile area being created as the Pacific Remote Islands Marine National Monument by the George W. Bush and Obama administrations, the region was a major fishery for Hawaii and Samoa, Mr. Zinke said in his report.

Along with the two other marine monuments he singled out for change, he asked the president to take actions including through boundary reductions to allow most commercial fishing to resume.

Similarly, a reduction in the size of Utah's 1.9-million acre Grand Staircase-Escalante National Monument could open that area of canyons to coal and oil exploration. The report notes that the monument contains "an estimated several billion tons of oil and large oil deposits."

Mr. Zinke also said traditional activities such as ranching and logging would be better protected by also reducing acreages or making other changes at Oregon's Cascade-Siskiyou, Nevada's Gold Butte and New Mexico's Rio Grande Del Norte national monuments.

Paul Ryan, vice president of policy and litigation at the transparency advocacy group Common Cause, said the fund should disclose its donors given Mr. Flynn's involvement in the

Mike Flynn's Family Launches Legal Fund

BY REBECCA BALLHAUS

The family of former national security adviser Mike Flynn early Monday launched a legal-defense fund to help defray the former official's costs associated with the investigation into Russian meddling during the 2016 U.S. presidential election.

The fund won't disclose how much it has raised or the identities of its donors, according to a person close to Mr. Flynn. It will not accept donations from President Donald Trump's campaign or the Trump Organization, or from the president himself, out of concern for "appearance issues," the person said.

It also won't accept foreign donations. The decision to shield the identities of donors supporting a former adviser whom Mr. Trump has called a "very good man" could raise questions about potential conflicts of interest, experts said.

Paul Ryan, vice president of policy and litigation at the transparency advocacy group Common Cause, said the fund should disclose its donors given Mr. Flynn's involvement in the

continuing investigations.

"This is one instance in which it's fair to expect a former public official to go above and beyond what any transparency laws require," Mr. Ryan said.

The fund's site touts Mr. Flynn's ties to the president, noting that he was "considered a vice presidential candidate" during the campaign and that he introduced Mr. Trump at "numerous campaign events across the country."

The fund hasn't decided whether to accept donations from White House employees, the person close to Mr. Flynn said.

"There are many kinds of

U.S. NEWS



Cedar Rapids, Iowa, recovered from a 2008 flood, left, in large part because it used an influx of federal funds, as well as city and private investments. Right, the NewBo City Market on Sept. 1



KC McGINNIS FOR THE WALL STREET JOURNAL; DAVID GREEDY/GETTY IMAGES (LEFT)

City Bounces Back From Its Own Harvey

By SHAYNDI RAICE

CEDAR RAPIDS, Iowa—This once-bustling city was facing all the challenges of former manufacturing hubs across the country when it wrote a 25-year plan to revive its business and residential life.

The plans didn't go very far, though—until the Cedar River flooded in 2008. Judged at the time to be one of the worst natural disasters in U.S. history, the flood left 10 square miles, or 14% of Cedar Rapids including City Hall and much of downtown, underwater.

In the years since, the city has worked with businesses, charitable foundations and nearly \$1 billion in federal, state and local funds to transform itself, trading in dilapidated buildings and meatpacking plants for new office towers, loft-style condos, trendy coffee

shops and bike lanes.

"Many, many people in our community will say they would not wish a flood like that on anyone, but it's the best thing that happened to us," said Chuck Peters, chairman of Folience, an employee-owned holding company that owns the local newspaper, *The Gazette*.

Natural disasters like Hurricane Harvey in Texas and Hurricane Irma in Florida are happening with increasing frequency. Cedar Rapids was able to use its disaster as a springboard into its future as a modern, more vibrant metropolis.

Two factors were critical to the transformation, local officials say. Cedar Rapids had a plan ready that it could quickly put in place, and the city was willing to jump in ahead of the private sector, despite a developing financial crisis, to get things started.

Cedar Rapids was a late 19th- and early 20th-century hub for food processing, steel manufacturing and technology. Aviation tech firm Rockwell Collins got its start here as Collins Radio in 1933 and is still the city's largest employer.

But by the turn of the millennium, Cedar Rapids was in rough shape, battered by the late-1990s telecom bust and the long-term U.S. manufacturing slump.

Snow melt after a harsh winter and heavy spring rains caused the Cedar River to flood, cresting at more than 31 feet on June 13, 2008, to surpass the previous record of 20 feet and overwhelm the city's flood defenses. The flood affected 4,766 homes and caused an estimated \$6 billion in damage, according to data provided by the office of the city manager.

Investments from the private sector, coupled with di-

saster relief funds, have paid off. Gross domestic product for Cedar Rapids, Iowa's second-largest city with a population of some 131,000, has grown by nearly 40% to \$18 billion in 2015, the most recent year available, from \$13 billion in 2007, the year before the flood, according to Bureau of Economic Analysis data.

The number of area businesses has grown 25% since 2007, and downtown now has 674 residential units, a 62% jump, according to the Cedar Rapids Metro Economic Alliance. Total property values have risen 18%, the city says.

"We had an opportunity with a lot of federal and state money to really transform the place," said Doug Neumann, executive director of the economic alliance. "We did 25 years of development in five years."

The city bought up old,

blighted properties and sold them, in one case becoming a developer itself. It rehabbed a dilapidated hotel in the center of downtown and added an entertainment and convention center next door for around \$138 million.

In total, the city used \$147 million in local, state and federal disaster relief money to purchase 1,375 properties. It has sold 428 so far. Any proceeds from the sale of land went to repay disaster-relief funds, said Caleb Mason, an economic development analyst with the city of Cedar Rapids.

With the global economic crisis just kicking in, city leaders said they had to take the lead on rebuilding. "There was an apprehensive feeling from the private sector," said Mayor Ron Corbett, who was elected in 2009. "If you're not willing to invest, why would others?"

The approach, coupled with corporate tax incentives, has led a string of big employers to move downtown. "We somewhat stuck our neck out for the community and said we wanted to go downtown," said Duane Smith, chief executive of insurance firm TrueNorth Cos. Since moving downtown, TrueNorth has doubled its size to 300 employees.

The neighborhood south of downtown office towers now offers something Cedar Rapids has long lacked—a trendy arts and culture district. The area, called NewBo, was once a home to abandoned meatpacking plants. After the flood, the city built a large farmers market there; private developers followed. Joe Ahmann, a local developer, says he has invested about \$40 million in NewBo, building and developing multi-use projects around the market.

Housing Crunch Afflicts Texas

By DAN FROSCH
AND LAURA KUSISTO

HOUSTON—Lillian Godfrey has been sleeping on an air mattress on the floor of her friend's closed night club, alongside her daughter and two pool tables, ever since floodwaters swept into her home here last month.

Ms. Godfrey, 74 years old, has a federal voucher for a hotel, but hasn't had any luck finding a room nearby. Her daughter's cars were lost in the flooding. "It's heartbreaking," she said. "The Lord closes some doors and opens others. He's going to pull me through this sooner or later."

As the floodwaters retreat across Texas, federal and local officials are grappling with another vexing problem wrought by Hurricane Harvey: where to house one of the largest populations displaced by a natural disaster in recent years.

Tens of thousands of Texans are still unable to return to their flood-affected homes. Hotel occupancy in the Houston area has surged. And disaster-recovery officials are scrambling to figure out short-term and permanent housing for those left homeless by the storm—a daunting and costly mission that could take months.

"While the final scope and scale of the housing challenge is still being realized, it is already apparent that this will be one of the largest, most complex efforts ever undertaken," said Michael Byrne, who heads relief efforts in Texas for the Federal Emergency Management Agency.

As of Sunday, more than 66,000 people who fled the storm were staying in hotels paid for with FEMA vouchers, the agency said. Some 46,120



Effort is under way to figure out which homes are livable after Harvey. Above, a Bayside, Texas, house.

homeowners and renters who were forced to relocate have also received approved by FEMA for financial assistance to help with housing payments.

More than 4,700 people remained in Red Cross shelters across Texas as of Sunday, according to the relief group.

Others, uneasy with the prospect of living elsewhere, have remained in their waterlogged homes. Still others were staying with friends, family or even strangers.

It is unclear how many people in Texas eventually will be able to move back.

According to data culled by the state from cities and counties, an estimated 14,952 homes were destroyed in the storm, 50,712 suffered major damage and 76,364 saw minor damage.

Local officials say at least 130,000 single-family homes in Harris County, which includes Houston, were estimated to have been affected by the

flooding in some way. Between 2,000 and 3,000 large apartment buildings likely sustained damage, and up to 5,000 smaller apartment buildings may have been damaged as well, according to officials.

"In terms of the sheer destruction due to the flooding, this is unprecedented in modern times for Houston," said Tom McCasland, Houston's director of housing and community

Mr. McCasland said a broad effort is under way—involving city workers, volunteers and FEMA—to figure out which homes are still livable and repair them swiftly. The city is also working to locate any available apartment units that could house evacuees. Similar efforts were underway in flood-ravaged communities throughout Texas.

Cities in particular face significant challenges after disasters such as hurricanes Harvey

and Irma because housing costs in metropolitan areas are higher, there is little empty space for setting up temporary homes such as trailers, and hotel rooms can be scarce, experts said.

For the first full week of September, hotel occupancy in Houston stood at 80.5%, more than 44% higher than the rate during the same week a year earlier, according to STR Inc., a data company that tracks the hotel industry.

In Port Arthur, a coastal city of about 55,000, Mayor Derrick Freeman called the housing situation "dire" in the wake of heavy flood damage.

"There are folks here who are really in survival mode," said Mr. Freeman, whose own home was swamped with water and has been living with his wife and four children at his mother's home.

—Chris Kirkham contributed to this article.

Commercial Fur Trapping Targeted

By SARA RANDAZZO

Animal-advocacy groups are attempting to abolish commercial fur trapping in California through a recently filed lawsuit that contends the state's fees are illegally low.

The suit claims the California Department of Fish and Wildlife and the state's Fish and Game Commission are violating a state law effective as of 2013 that requires certain program costs to be covered by the fees they generate. Money collected from commercial fur-trapping permits, costing around \$114 each, fall far short of paying for the resources needed to monitor and regulate trapping, the suit claims.

The commission and department each said they don't comment on pending litigation.

The plaintiffs, including the Center for Biological Diversity and Project Coyote, say the fees would have to be increased at least 10-fold to comply with the state law. Such a fee boost, they say, would effectively end the practice of trapping animals such as badgers, raccoons, mink and weasels.

"We're not living in the realm of...survival anymore, which is how trapping came about," said Jean Su, a staff attorney at the Center for Biological Diversity. "Times have to change."

Trapping in California has already been severely curtailed over the years. Bobcat trapping was eliminated in 2015 at the urging of preservation groups. Bans on trapping other animals in the state include the river otter and red fox.

In the 2015-2016 season,

the number of animals killed by trapping was 1,829, according to the suit, with a total fur value of just over \$10,000. A coyote pelt that year, the lawsuit says, went for \$33, a gray fox's for \$13 and a muskrat's—\$2.50.

Two years earlier, more than 9,000 animals with furs valued at \$460,000 were trapped, the suit says. Much of the market for furs, which go toward making clothing items like coats and slippers, is overseas.

Northern California resident James Schmerker Jr., vice president of the California Trappers Association, said fur trapping is almost dead in the state, in part because of layers of regulations. "It's kind of a field for retired old guys...people trying to hang on to their heritage," said Mr. Schmerker, 53, who runs a wildlife-control business that uses traps. Licenses for pest-control businesses like Mr. Schmerker's aren't targeted by the lawsuit.

Trapping is most popular in California's far-northern counties and areas outside Sacramento, followed by Los Angeles, which has a gray-fox population.

Just 120 commercial trapping licenses were purchased in the most recent season, bringing in \$13,500, according to the suit. The plaintiffs said they don't know the exact cost of running the trapping program, but that in 2015, the state estimated the cost of managing bobcat trapping alone at \$160,000.

California is "illegally diverting public taxpayer funds to subsidize the costs of the State's commercial trapping program in the absence of adequately high user fees," the suit contends.



The practice of killing coyotes for their pelts is the target of a lawsuit in California filed recently by animal-advocacy groups.

Hurricane Maria Heads Toward Puerto Rico

By DUDLEY ALTHAUS
AND JOSÉ DE CÓRDOBA

FAJARDO, Puerto Rico—Hurricane Maria, a Category 3 storm that is rapidly gaining strength, barreled toward the Caribbean's outlying eastern islands early Monday with Puerto Rico in its sights.

Maria became a hurricane overnight Monday and is expected to become a Category 4 storm by the time it cuts through the belly of Puerto Rico on Wednesday morning, according to the U.S. National Hurricane Center. Puerto Rico Gov. Ricardo Rosselló said Sunday that the storm

posed a "serious menace" to the island.

Although Maria, packing 110 mile-per-hour winds, is currently tracking south of the islands devastated by Hurricane Irma two weeks ago, tropical storm force winds and rain are expected to hit St. Martin and the U.S. Virgin Islands this week.

Maria's current path is expected to take it over or very near St. Croix, the U.S. Virgin Island largely spared the previous storm's wrath.

This week's storm is aimed directly at the islands that were expected to pick up much of the cruise ship and other

tourism business lost to the destruction of the Virgin Islands, Anguilla and St. Martin.

Forecasters were warning of hurricane conditions for Guadeloupe, Dominica, Martinique and St. Kitts, Nevis and Montserrat Monday. They advised Puerto Rico, where electricity remains off in some areas because of Irma's glancing blow, to closely monitor the storm.

"We are screwed," said Luis Díaz, who operates a taxi service in Fajardo, a port town on Puerto Rico's northeastern coast. Mr. Díaz said Maria's trajectory was similar to Hurricane Hugo, which devastated

IN DEPTH

HACK

Continued from Page One
numbers. The revelations have shaken the company, as well as public confidence in a linchpin of the financial system, and triggered a federal criminal investigation.

Much remains unknown about the hack attack and how it burrowed so deeply inside the company. Investigators, security experts and Equifax itself are focusing on what the company did or didn't do right in the run-up to the massive intrusion, including its response to the flaw found by Cisco.

Alex Holden, chief information security officer of identity-theft monitoring company Hold Security LLC, says Equifax has long been considered a target for identity thieves. Last week, Hold said it discovered it was possible to access an Equifax-operated employee portal in Argentina by using the easily guessed username and password combination "admin/admin."

The Equifax hack has stunned many consumers, who are suddenly aware of their own vulnerability to what was long considered a necessary but largely opaque part of the country's financial plumbing.

More than 11.5 million people have signed up for credit-monitoring offered by Equifax in response to the cyberattack. Others have frozen their credit reports with Equifax and rivals TransUnion and Experian PLC.

Equifax Chairman and Chief Executive Richard Smith has called the crisis the "most humbling moment in our 118-year history." Some lawmakers have called for his ouster.

Although investigators are still grappling with who might be behind the Equifax break-in, the scale of the breach, sophistication of the hack and nature of the stolen data all point toward a state-sponsored actor, says a person familiar with the investigation.

Similar to Yahoo

The breach bears similarities to the attack disclosed last year by Yahoo Inc.

In March, the Justice Department charged two officers with Russia's Federal Security Service, alleging the hack was part of an information-collection operation. A Russian official said the charges were part of an attempt to raise "the theme of 'Russian hackers' in the domestic political squabbles in the U.S."

"Credit bureaus are the



Equifax Chief Executive Richard Smith, shown in 2007, has said the crisis is the 'most humbling moment in our 118-year history.'

tracks that the [credit] trains run on, and we should make sure those roads and tracks are sound if we're going to run a whole economy over them," said Louis Hyman, a consumer-credit historian at Cornell University.

On Sept. 7, Equifax said it had discovered the data breach July 29. There are signs that the problem took root long before then.

Cisco security researchers reported March 8 that hackers had found a flaw in Apache Struts, a widely used piece of open-source software used to build interactive websites. The software is ideal for powering websites where customers need to complete online forms. At Equifax, Apache Struts powers part of the website where consumers can dispute errors in credit reports.

The vulnerability reported by Cisco would allow hackers to break into a company by sending data to a server that was specially crafted to take advantage of the flaw. It was the digital equivalent of popping open a side window to sneak into a building.

Apache, a project administered by a nonprofit foundation, issued a patch for the problem the same day. Two days later, the U.S. Computer Emergency Readiness Team, part of the Department of Homeland Security, sent out a notice about the vulnerability.

Cisco said its investigation found "a high number" of examples where the hack had been used. In an update Friday, Equifax said its security organization was "aware of this vulnerability at that time, and took efforts to identify and to patch any vulnerable systems in the company's IT infrastructure."

Apache Struts is used by many financial firms. One of those firms asked companies it sends data to and receives data from if they had shored up their vulnerability with the new patch, people familiar with the matter say. Equifax was one of the companies asked about the patch—and at the time it said it didn't have an issue, these people say.

Credit Firms' Data Tempts Hackers

Credit-reporting companies such as Equifax are vast repositories of financial information that they receive when someone applies for credit, gets a loan or makes payments. The data builds up credit history and feeds credit scores that are compiled by separate companies.

Equifax began as a local Atlanta firm that gathered and published information about the paying habits of retail store customers. It grew by buying rivals and became a nationwide company. When Richard Smith, a General Electric Co. veteran, became chief executive in 2005, Equifax was a staid company centered on the collection of credit data, according to comments he made last month at a University of

Georgia event.

Mr. Smith changed that. Equifax branched out to become a data provider, purchasing companies with information about consumers' bill-paying habits and salary information about employees at large companies.

Equifax is now a "world-class, state-of-the-art" technology and data-analysis company, he said at the event last month. Every day, Equifax manages 1,200 times as much data as is in the Library of Congress, he added. "It's been a fun journey, a journey that we're all very, very proud of."

That data makes credit-reporting companies a tempting target for hackers. In 2015, Experian found that an unauthorized party had accessed T-Mobile data on its server, as well as records containing names, addresses, Social Security numbers, dates of birth and identification numbers.

Soon, though, other companies saw suspicious activity. One large firm that links credit-card networks, merchants and lenders saw a spike in fraudulent activity from late May to early June, according to people familiar with the matter.

The firm was getting phone calls from people who said they had an account there and provided all four pieces of personal information typically needed for identity verification: name, address, date of birth and Social Security number. Equifax has said the same type of information was exposed.

Callers then asked the large firm to change the bank-deposit number for what they claimed was their business, people familiar with the matter say. The callers said the change was needed because they had changed banks.

Fraudulent calls

The firm usually gets about a dozen such calls a year, but it was suddenly getting a dozen a week, these people say. The firm determined that the people weren't who they claimed to be but had no idea what was behind the leap in fraudulent calls.

After Equifax disclosed its data breach, the other firm realized that the two sets of events were likely linked, say people familiar with the firm. Call volume at the firm has declined to normal levels.

Other companies have moved to systems that spread out consumers' personal data in different places. If there is a security breach, the chances of hackers getting all the data in one swoop are much lower, the people added.

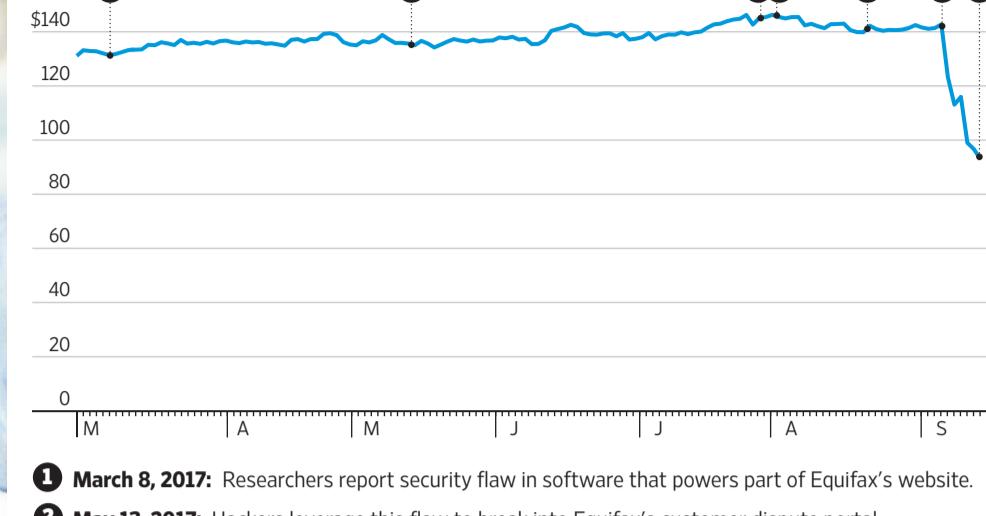
Equifax said in its latest annual report that it is "regularly" a target of cyberthreats and has made "substantial investment" in security measures.

Jeff Dodge, an Equifax investor-relations official, said at a conference last November that "data security, and how we go about ensuring that, is something we spend a lot of time and effort on."

On July 29, the company's security team observed "suspicious network traffic associ-

Hacked and Beleaguered

Equifax's stock price has fallen 30% since its announcement of a massive data breach.



Sources: FactSet; staff reporting

THE WALL STREET JOURNAL.

three other cities. In materials provided to investors, Equifax said it aimed to be "a trusted steward and advocate for our customers and consumers."

In the weeks after being called in, Mandiant told Equifax that the damage from the attack could be widespread, possibly affecting about 50 million accounts, said a person familiar with the matter.

On Aug. 17, Mr. Smith spoke at the University of Georgia event in Atlanta. After his prepared remarks, someone in the audience asked: What about data fraud?

No. 1 worry

"It's my No. 1 worry, obviously," Mr. Smith said, according to a video of the event. "There's an old saying that there's those companies that have been breached and know it, and those companies that have been breached and don't know it."

A few weeks after its initial assessment, Mandiant told Equifax the hit was far larger than Mandiant first thought, a person familiar with the matter says.

Behind the scenes, Equifax was preparing for when to go public about the breach. On Aug. 22, Equifax registered a new internet domain name, equifaxsecurity2017.com, which became the company's website for consumers to learn more about the breach.

Hackers claiming to have credit-card data from Equifax attempted to sell their database in August in online forums, says Andrew Komarov, an independent security researcher. No sale has been made, though, he says.

Equifax decided to make its announcement about the attack after the end of regular stock trading Sept. 7. Just before the company issued its press release, one top Equifax executive called an industry executive.

"I want you to hear this from me before you hear it from someone else," the Equifax executive said, according to a person familiar with the conversation. "We've been breached."

Australian National University. Some on both sides of the same-sex marriage issue say the vote would be more accurate if it were conducted electronically, via computers and mobile phones. Others worry about security and reliability of voting online.

Ms. Dennis says conservative parents who collect the mail at home might try to hide the ballot papers from their voting-age children. "My dad deals with the mail," she says.

Others say ballots may be lost under piles of store catalogs and utility bills. "No one really checks the mail at our share house," says Ben Grono, age 29, who works in digital communications in Sydney.

Albert Patajo, age 23, of the northern city of Darwin, says he last mailed a letter in 2013, when he applied for a visa to study in the U.S. "I just find it very inefficient," he says.

Mr. Patajo, who is researching cryptocurrencies and blockchain technologies in his study of law and science, says he prefers communicating over WhatsApp and other instant-messaging platforms. He doesn't text much, he says, "unless it's for my parents."

—Rachel Pannett contributed to this article.

MAIL

Continued from Page One
many people have posted a letter in the past year?"

Typically, "only a handful of hands go up," Mr. Brady says.

"Australians don't do postal votes," he says. "The last one was in 1917, so we can safely say no one alive remembers it."

Like elsewhere, instant-message apps and email have taken their toll. Mail volume has plummeted, according to Australia Post, the national mail service: Australians sent a billion fewer letters last year than a decade ago. Business and government mail account for 95% of all letters.

Postal service seems to have joined the list of habits abandoned by millennials, including paying by check and answering the doorbell, a device that a majority in a recent Twitter poll agreed was "scary weird."

Sending a letter is like recalling the times table from grade-school arithmetic, says Yan Zhuang, a 21-year-old politics major at the University of Melbourne. "You sort of remember," she says, "but not really."

Australia Post says it doesn't know how many young

people send mail. A 2015 study for the Royal Mail in the U.K. found a third of them believe "writing letters is a thing of the past." Half said they wrote friends on social media every day; most said they mailed about one letter a year.

Millennials have found correspondence a two-way street. Nida Javed, 28, a Sydney-based IT specialist, says for once she would like to receive a letter that doesn't begin: "To whom it may concern."

Approving same-sex marriage in Australia doesn't require a national referendum. Prime Minister Malcolm Turnbull, weakened by elections last year that left his conservative coalition with a one-seat majority, decided to toss the question to voters, then, depending on results, address the issue in Parliament.

Some 400,000 Australians ages 18 to 25 have never voted, but around 90,000 mostly young people have registered since the same-sex vote was announced in August, according to the Australian Electoral Commission. They are poised to support same-sex marriage in large numbers, says Ariadne Vromen, a social researcher at the University of Sydney.

That is, if they can figure out

how. Ballots went out last week, with postage paid, and results will be announced Nov. 15.

Much work remains for both sides.

Lyle Shelton, head of the Australian Christian Lobby and leading the "No" camp, says his group will launch a "find your mailbox" initiative.

"There's a whole younger demographic who don't know

what those big red boxes on the street are," he says. "It's just what we're up against."

Andrew Leigh, who supports same-sex marriage, produced a video that shows how to identify mailboxes.

In the video, Mr. Leigh, a lawmaker for Australia's main opposition Labor Party, says: "If you were born after 1990 you might be wondering what

this red box is. You could be thinking to yourself is it a parking meter? Is it a funky form of public art? Is it a place to put my coffee?"

Some colleges are offering to act as mail couriers for students. "For some young people the barrier of physically having to post something might be all a bit too much," says Robyn Lewis, an adviser at



Australian student Anna Dennis, 23, says the last time she mailed a parcel 'I took my dad to help.'

LIFE & ARTS

YOUR HEALTH | By Sumathi Reddy

If You Need an MRI, Ask This

Patients need to know if the doctor is using contrast, or gadolinium, because it may leave harmful metal deposits

THAT PATIENTS getting an MRI know to ask a critical question: Will the MRI use gadolinium contrast?

Magnetic resonance imaging uses a gadolinium-based contrast agent, called a GBCA, leaves metal deposits in the body's organs and tissues including the brain, research shows. Scientists are examining if the deposits harm patients.

Gadolinium is a metal dye injected into the veins to help radiologists better read an MRI scan. When used, experts estimate, as many as half of the millions of MRIs performed annually in the U.S. are generally for scans that are looking for tumors, severe inflammation or blood vessels. Doctors say the dye makes it possible to see more detail and diagnose more detail. To look at bone and joint issues, they don't need a contrast agent, doctors to make a diagnosis. Some patients with healthy kidneys are reporting getting sick from the dye and are pressing for research and warnings to the FDA. Doctors have for years caused patients with serious kidney problems about getting MRI's because gadolinium because their kidneys can't always fully flush out the metal toxins.

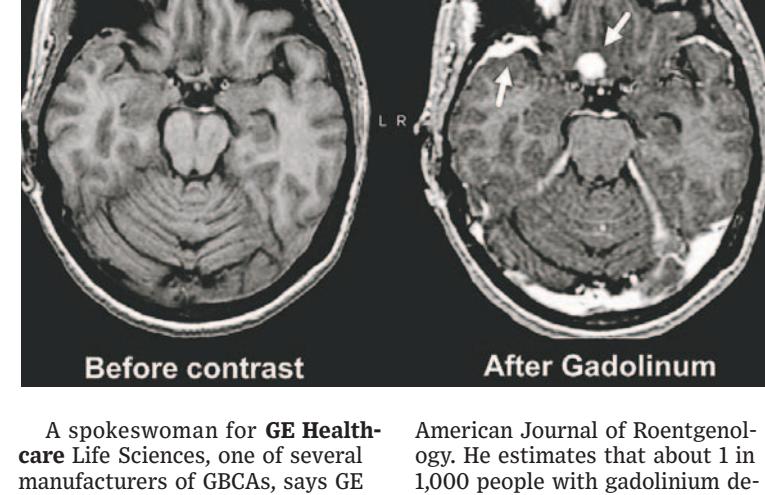
Earlier this month an advisory committee to the U.S. Food and Drug Administration voted 13 to 1 in favor of adding a warning on labels that even in patients with healthy kidneys gadolinium can be retained in some organs, including the brain. Certain types of agents, called linear GBCAs, have a greater retention than others, such as cyclic GBCAs, the committee decided. It also voted to request that manufacturers of GBCAs perform more studies to see if there is a need for additional regulatory actions, such as restricting their use in pregnant women and children.

People understand the incredible value that MR with contrast brings to medicine," says Beverly Applegate, a member of the committee and professor of radiology and pediatrics at the University of Kentucky in Lexington, serving as an individual and not behalf of the committee. "We want to image gently."

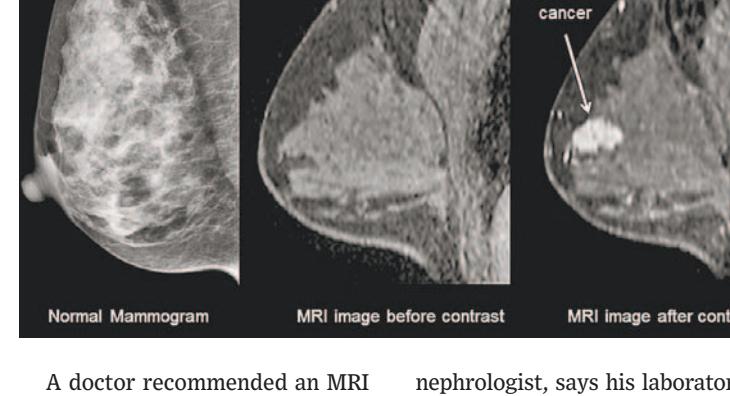
Bert McDonald, senior associate consultant of neuroradiology at Mayo Clinic in Rochester, Minn., says studies he and others have done using animals and post-mortem human tissue have shown that residual gadolinium is retained in tissues and organs.

"We are trying to understand to what extent it's happening in the rest of the body and also the clinical significance, if any," says McDonald who was at the FDA committee hearing after several manufacturers asked him to attend. General Electric Co., one of manufacturers of GBCAs, paid his travel expenses.

The big question is whether or not these deposits are biologically active," he says. "So far we haven't been able to see any evidence of the injury."



A new U.S. Food and Drug Administration warning cautions that even in patients with healthy kidneys gadolinium can be retained in some organs, including the brain.



A spokeswoman for GE Healthcare Life Sciences, one of several manufacturers of GBCAs, says GE strongly supports the FDA vote and "agree that further research is needed in this area."

"It's a critical tool for the detection and diagnosis of many diseases," says Scott Reeder, a professor of radiology at the University of Wisconsin, Madison who spoke at the FDA hearing representing the International Society for Magnetic Resonance in Medicine and the Society of Computed Body Tomography and Magnetic Resonance.

The term "gadolinium deposition disease" was coined by Richard Semelka, until recently director of MRI Services and a professor of radiology at UNC Hospitals in Chapel Hill, N.C., in a paper published last year in the

American Journal of Roentgenology. He estimates that about 1 in 1,000 people with gadolinium deposits in their body will get sick from it. "We have to figure out who these people are," he says. "They appear to be people who have a genetic problem with handling heavy metals."

Lori Combs was among the patients to testify at the FDA hearing. Ms. Combs was in the insurance industry for 30 years before going on disability last year due to complications such as muscle weakness that she believes stem from gadolinium deposition from an MRI done in 2006.

"I was in the absolute prime of health," says the 55-year-old who lives in a suburb near Cleveland, Ohio. "I was out hiking and slipped and fell and hit the back of my neck on a log."

A doctor recommended an MRI of her brain. She said she immediately felt burning and stroke-like symptoms after the MRI and could barely walk by the time she got home. She was rushed back to the emergency room with seizures and discharged after doctors couldn't find anything wrong with her. "I have never been the same since," she says. Symptoms have included burning sensations in her body, sunburn-like rashes, blistering, tremors and difficulties walking, as well as cognitive declines.

The FDA advisory committee's action, she says, is not enough. "A patient isn't going to see the label," she says.

Brent Wagner, a staff physician at the South Texas Veterans Health Care System in San Antonio and a

nephrologist, says his laboratory studies have found that human cells exposed to gadolinium show signs of fibrosis, or scarring. He said the symptoms that patients with healthy kidneys have complained about are similar to those exhibited by kidney patients who develop nephrogenic systemic fibrosis (NSF) from gadolinium exposure, a rare disease that causes severe pain and scarring all over the body and in the internal organs.

Dr. Wagner is now using animal models to identify the mechanism that results in patient symptoms. The goal is to develop a screening tool to identify the patients who are at a higher risk of having a reaction to the gadolinium. He ultimately hopes to invent a way to lessen their risk of a bad reaction.

PLAYLIST: Kimberly Hébert Gregory

THE PARENT TWO-STEP



Kimberly Hébert Gregory, 44, stars in the HBO series "Vice Principals" and ABC's "The (Probably) Saves the World." She spoke with Marc Myers.

My mother bought all the music that played on the stereo in our house in Houston. She would put on albums while we all cleaned the house on Saturday mornings. The song that I heard most of those mornings was Luther Vandross's "BAD HAVING A PARTY," from his album "BAD."

During those cleaning sessions, my parents typically danced at some point as my older sister, Tracey, and I continued. One day my mother put on Vandross's album, "Forever, ever, ever for Love." Today we are still laughing at that moment.

lads, but "Bad Boy," the first track on his early album, was a dance song.

As soon as the music came on, my parents moved to it. It was rare to see them dance together in the house. Typically, my mother, my older sister and I would sing and dance while my dad read the paper in his recliner. He was a quiet man. But this

was one of those moments when my father couldn't resist. Just watching him take my mother's hand and lead her around the den in a two-step was a thrill. They even danced side by side facing forward. It looked like a Victorian dance.

The song opens with people laughing at a party, followed by a bass playing a funky line. Luther



OPINION

REVIEW & OUTLOOK

America's Insider-Trading Feud

Prosecutors and regulators like to define insider trading broadly—they claim to know it when they see it. A U.S. Second Circuit Court of Appeals panel in 2014 sought to establish a limiting principle, which last month was vitiated in unprecedented fashion by another panel on the same court. This intracircuit squabble is beginning for adjudication.

* * *

Many liberals want to criminalize any trading that exploits a disparity of information regardless of how it was obtained. But such an expansive interpretation of insider trading could ensnare many people who unwittingly receive or disclose nonpublic information—such as stock analysts or anyone with acquaintances who work at public companies.

As the U.S. Supreme Court ruled in 1980, there is no “general duty between all participants in market transactions to forgo actions based on material, nonpublic information.” The High Court sought to establish a limitation on prosecutions in its landmark 1983 *Dirks* decision, which requires proof that a fiduciary duty was breached in return for a “personal benefit.” The Court defined such a benefit as a “pecuniary gain or a reputational benefit that will translate into future earnings” or a “gift of confidential information to a trading relative or friend.”

Yet prosecutors have since stretched *Dirks* to make its limits meaningless. In *Newman*, former U.S. Attorney Preet Bharara charged two hedge-fund managers with trading on information they received from friends of friends of friends who worked at Dell and Nvidia. Mr. Bharara argued the “friendship” between the tippers and tippees—a fellow church member and former co-worker—satisfied *Dirks* personal-benefit test. He could thus charge the traders at many stages of remove from the tippers even if he couldn’t prove the information was disclosed improperly.

Mr. Bharara’s prosecution prompted a unanimous rebuke by a Second Circuit three-judge panel that sought to define a “trading relative or friend” and “personal benefit” under *Dirks*. An inference of insider trading is impermissible, the court held, “in the absence of proof of a meaningfully close personal relationship that generates an exchange that is objective, consequential, and represents at least a potential gain of a pecuniary or similarly valuable nature.”

The Second Circuit refused to reconsider *Newman* en banc, but two of its liberal jurists recently used an appeal of *U.S. v. Martoma* to undermine the precedent. In February 2014—10 months prior to the *Newman* ruling—a jury convicted former SAC Capital trader Mathew Martoma of insider trading for exploiting non-

public information that he obtained from a doctor overseeing a drug trial.

Martoma argued that the jury had been improperly instructed and that his conviction should be tossed in light of *Newman*. Two of the panel judges disagreed, and Martoma probably deserved conviction under even a narrow definition of insider trading given his close relationship with the research doctor.

But the two judges went much further and used the case to declare that *Newman* was “no longer good law” and was contradicted by the Supreme Court’s unanimous *Salman* decision last December. Alas, the two judges misconstrued *Salman*.

In *Salman* the Supreme Court upheld the conviction of a trader who had received a tip from his brother-in-law. The High Court held that a “gift of confidential information to a trading relative or friend” constituted a personal benefit under *Dirks*. Therefore, the tipper need not receive something of a “pecuniary or similarly valuable nature” in return.

The *Martoma* majority says *Salman* overturns *Newman*, and they’re right insofar as the High Court ruled that a trading “gift” from a family member need not be a *quid pro quo*. But as Judge Rosemary Pooler notes in her Second Circuit dissent, *Salman* affirmed *Newman*’s conclusion that the “inference of a personal benefit from a gift is impermissible in the absence of proof of a meaningfully close personal relationship.”

In other words, a trading gift only confers a personal benefit between close friends and family—not distant relatives or acquaintances. If there is no meaningfully close relationship, the government must prove a *quid pro quo*. Both *Newman* and *Salman* repudiated the government’s argument that a gift of confidential information to anyone is enough to prove insider trading.

* * *

As Judge Pooler explains, limitations are needed to prevent prosecutors from charging individuals based on little more than circumstantial evidence: “There is great wisdom in the Supreme Court’s limitations on broad rules, particularly when those rules might otherwise allow punishment of the absentminded in addition to persons with corrupt intentions.”

Congress could help if it wrote a clear definition of insider trading, but that’s also high risk in a season when Wall Street is a populist target. Meantime, the Second Circuit should rehear *Martoma* en banc to vindicate the Supreme Court’s *Dirks* standard and its own *Newman* precedent—lest political prosecutors like Mr. Bharara punish the innocent.

Justice and Private Property

Atorney General Jeff Sessions recently provoked bipartisan opposition when he revived a civil asset-forfeiture program that had been restricted by his predecessor, Eric Holder. Last week a bipartisan coalition brushed Mr. Sessions back with amendments to the annual appropriations package working its way through the House.

The program allows local and federal law enforcement to take property from people who haven’t been convicted of any crime—and then share in the spoils. In theory, civil asset forfeiture ensures that crime doesn’t pay by allowing law enforcement to seize homes, cars and cash thought to be paid for or generated by illegal activity. That’s why Mr. Sessions calls it a “key tool” against organized crime.

In practice, it means property can be taken from people without due process or criminal culpability. A March report from Justice’s Inspector General noted that the department doesn’t even have a way to measure if these seizures are advancing criminal investigations. In short, it invites abuse.

U.S. Democrats Target Tesla

California Democrats have finally found a cause that’s worth suspending their environmental passions. The United Automobile Workers are struggling for a presence in Tesla’s Fremont plant, and organized labor has called in a political favor.

Since 2010 California has offered a \$2,500 rebate to encourage consumers to buy electric vehicles. But last week, at unions’ behest, Democrats introduced an amendment to cap-and-trade spending legislation that would require participating manufacturers to get a sign-off from the state labor secretary verifying that they are “fair and responsible in their treatment of workers.”

The legislation, which passed Friday, is a direct shot at Tesla. The Clean Vehicle Rebate Project has amounted to a \$82.5 million subsidy for the company, giving extra incentive to 32,842 Tesla buyers in seven years.

Tesla’s sales have been built with taxpayer support. When Hong Kong cut back its electric-vehicle tax credits earlier this year, Tesla sales dropped to zero in April from nearly 3,000 the month earlier. And when Denmark scaled back incentives last year, electric-car sales plummeted by 70%.

A victory in U.S. Congress against the revived civil asset-forfeiture program.

Last week House members passed, by voice vote, five forfeiture amendments that showed their displeasure. An amendment by Darrell Issa (R., Calif.) redirects \$10 million in funding for Justice’s asset forfeiture to a program designed to help local governments reduce the backlog of unprocessed rape kits. A Peter Roskam (R., Ill.) amendment bars bonuses for certain Justice employees until they decide on a backlog of 255 asset forfeiture cases referred by the IRS.

Three other amendments target the “adoptive forfeiture” aspect of the program, which allows local law enforcement to make end runs around state prohibitions by working with the feds. Three separate amendments—from Jamie Raskin (D., Md.), Tim Walberg (R., Mich.) and Justin Amash (R., Mich.)—limit the funding Mr. Sessions can use to implement his program.

Though Congress will have to pass a separate law to make these restrictions permanent, these are a victory for property rights and due process. Who says Washington is so polarized that Republicans and Democrats can’t agree on anything?

In California, the left loves unions even more than electric cars.

The labor secretary in California is handpicked by unions and their Democratic allies, and last month the UAW and a few auto workers filed a complaint against Tesla with the National Labor Relations Board, alleging unfair labor practices.

But the plant’s employees are doubtless aware of the union’s abysmal record in Fremont, which stretches back decades. In the early 1980s, the union’s control was so complete that General Motors couldn’t fire even workers who drank, used drugs and had sex at the Fremont plant. Roughly one in five workers failed to show up on any given day. The plant closed in 1982—no surprise. Auto workers got a second shot with a GM-Toyota joint venture, but that was shuttered in 2010.

A record of closures and corruption contributed to the UAW’s defeat last month at a Mississippi Nissan plant, where workers voted nearly two-to-one against the union. Organized labor needs political coercion because it can’t win over workers on its own. As for electric cars and green subsidies, what progressive politicians give away with one hand they want to redistribute with another.

An appellate panel rewrites Supreme Court precedent.

The Cyber Age Is Only Just Beginning

By Mark P. Mills

Apparently American companies can be organized now into two camps: smoking-hot tech firms and old-economy roadkill. Economists cite soaring tech-stock valuations as evidence of a two-speed economy. Yet Silicon Valley magic hasn’t benefited most companies or created jobs for most Americans. What’s going on?

Amazon’s market value is twice that of Wal-Mart and 500-fold that of evaporating Sears. Apple’s valuation is twice Exxon’s, and Facebook and Google are each valued at 20-fold CBS. Next come 200 “unicorns,” private software-dominated startups each valued at more than \$1 billion. Uber has a valuation greater than all car rental companies combined, and 8-year-old Airbnb is worth as much as 80-year-old Marriott.

Despite such lofty valuations, the information sector accounts for less than 10% of America’s gross domestic product, according to the U.S. Bureau of Economic Analysis. Everyone is told to learn how to code, but there aren’t that many tech jobs. U.S. Bureau of Labor Statistics data show the entire information sector accounts for less than 5% of employment, with a flat trend line. The productivity and job benefits that software could produce for the rest of the economy have yet to arrive.

As amazing as artificial intelligence and the cloud seem today, the world is still in the early days of truly useful, ubiquitous software that can be infused into the physical world’s hardware. Most everything critical to daily life—food, energy, buildings, transportation—is physical, not virtual. The fabric of civilization involves digging up, processing, fabricating, moving and operating gigatons of material composed of atoms, not bits.

The billions of dollars in economic value from information technology has been associated with improvements mainly in information-related activities, as those domains are relatively easy to digitize. Very little of the hardware world is digitized so far.

Contrary to breathless prose about robots taking manufacturing jobs, the data show underinvestment in automation and information technology in factories. U.S. companies need more robots and software to boost their competitiveness. While spending on information technology remains high in media, banking, education and insurance, it lags far behind in chemical and food processing, energy and transportation.

Apple appears to be scaling back its self-driving-car initiative. There is little evidence that Apple will soon produce cars—or that Google will build power plants, Facebook will develop pharmaceuticals, or Uber will build aircraft. When more tech companies use their gargantuan cash hoards to acquire traditional enterprises—like Amazon’s acquisition of Whole Foods—we’ll know the fusion between atoms and bits has really begun.

The early automobile age provides a relevant analogy. By 1920, several decades after the first cars were introduced, hundreds of U.S. auto makers had sprung up, although less than 10% of the population had a car, according to the U.S. Transportation Department.

Producing reliable, affordable cars and developing all the associated industries and infrastructures took time. By 1937 about a quarter of the population had cars. That had risen to nearly 40% by 1957 and around 85% today. America’s economy was transformed, stimulating employment across the landscape.

The U.S. now stands at the equivalent of 1920 for ubiquitous cyberphysical systems. Today’s two-speed economy is not permanent. It’s a sign that America is about to shift to the next level, driven by cyberphysical software. Economic growth and jobs will follow.

Mr. Mills is a senior fellow at the Manhattan Institute and a faculty fellow at Northwestern University’s McCormick School of Engineering.

Trouble Grows in Guatemala



AMERICAS

By Mary

Anastasia

O’Grady

A barrage of condemnation from Washington descended on Guatemala

President Jimmy Morales in August when he tried to kick the lead prosecutor

from the United Nations International Commission Against Impunity in Guatemala,

known by the Spanish abbreviation CICIG—the only U.N. system of outsourced justice in the world—out of his country. Mr. Morales declared

Iván Velásquez persona non grata two days after the prosecutor, who is Colombian, requested that Mr. Morales’s immunity from prosecution be lifted so he could be investigated for allegations that his 2015 campaign accepted illegal contributions.

Republican and Democratic leaders on the U.S. House Foreign Affairs Committee said Mr. Morales was wrong, as did the U.S. State Department. It’s unusual that all three parties agree on anything. What’s even more striking is that most Guatemalans seem to agree Mr. Morales was out of line.

But hold the applause. CICIG is an effort at nation building, and on that score Guatemalans view it as a failed experiment. Their country is no closer to a rule of law than it was a decade ago when then-President Oscar Berger invited CICIG to set up shop in the largest nation of Central America’s notoriously crime-ridden Northern Triangle.

Mr. Morales is a former comedian who ran for the highest office in Guatemala on a pledge to clean up its politics. He says he is innocent of CICIG’s charges and that if there were illegal contributions, he didn’t know about them.

That’s entirely possible. But his attempt to boot the prosecutor hasn’t advanced his defense with the public. It didn’t work either. The constitutional court overrode his decree. Mr. Velásquez remains.

On Wednesday Guatemala’s Congress brought more shame on the political class when it passed a reform that would retroactively eliminate leadership responsibility for breaking campaign-finance laws and apply criminal penalties only to the person who recorded the transaction. This would not only clear Mr. Morales but nullify CICIG charges against the leadership of two other political parties.

All four major newspapers cried foul on Thursday. Civil society—from the

business community to academia—and even the Guatemalan inspector general demanded that Mr. Morales use his veto power to kill the bill. Late Thursday the constitutional court suspended the new laws and late Friday, under public pressure, Congress withdrew them.

CICIG has had mixed reviews since its formation in 2006. The first two lead prosecutors came and went without much success in uncovering political rot. They even came under popular suspicion that they allowed their own politics to interfere with their mandate.

Under Mr. Velásquez’s leadership, working with Attorney General Thelma Aldana, CICIG collected enough evidence in 2015 to indict then-Vice President Roxana Baldetti and then-President Otto Pérez Molina on charges of bribery and graft. That opened the door for the election of Mr. Morales, and generated public respect for Mr. Velásquez.

Mr. Morales’s woes aren’t a left-right issue. But he has spawned a political crisis that will fuel efforts by radical elements to destabilize the country, with the eventual goal of bringing down the government. Militants know that Hugo Chávez was able to demolish Venezuelan institutions by exploiting national frustration with corruption at a time when oil prices were low due to a strong dollar and the economy was wobbling.

Only serious reform can cure what ails Guatemala. CICIG may be meeting its specific mandate to hunt crooked politicians, but it isn’t a long-term solution. First, because the U.N. has its own corruption problems and it also leans left. Second, because the country needs to shape its own institutions and shore up the rule of law.

Last year a package of constitutional reforms was tabled in the Guatemalan Congress with the goal of increasing the independence and professionalism of the judiciary and reducing its administrative burdens. But it died without adequate debate, most likely because special interests saw it as a threat to the status quo.

So the country remains in legal limbo. Property invasions and violence to block hydroelectric projects violate the rule of law. Criminal gangs spur large migrations. Investors flee. The nation may be grateful to CICIG in this moment, but it is no substitute for the functioning justice system that honest Guatemalans deserve.

Write to O’Grady@wsj.com.

OPINION

China's Economy Needs Concrete Reform

By Mats Harborn

The Chinese authorities have spoken strongly throughout 2017 in favor of reforms that will promote economic globalization and openness to the outside world. The reasons are clear, given the benefits China has accrued since its WTO accession in 2001 and its current need to increase foreign investment. While the European Chamber fully embraces these renewed pledges to opening up, there is a distinct feeling that we have been here before.

Beijing's implementation, not its pledges, will determine the country's growth in the 21st century.

The pledges come less than five years after the Third Plenum's Decision first saw the light of day, which ultimately failed to deliver on its own promises for deep and meaningful reforms. China needs to send an unambiguous statement of intent by moving ahead with the measures that have been promised and by providing reciprocal access to its market, for both trade and investment.

During his much-publicized speech in January at the World Economic Forum in Davos, Switzerland, President Xi Jinping stated that

China would expand market access for foreign investors and level the playing field to make China's market more transparent and better regulated. Later that month, the State Council released Document No. 5, which outlined plans to do just that. The State Council then released Document No. 39 in August, unveiling additional details of its plan to attract more foreign investment.

The European Chamber attaches great importance to these official statements, which it views as the overarching guiding principles for reforming China's foreign business and investment environment in the short to medium term. Following through on its pledges will see China on its way to reaching its full economic potential. It will also surely improve China's dismal 59th-place ranking among the 62 countries evaluated by the Organization for Economic Cooperation and Development this year on openness to foreign investment.

With foreign investment in China declining year-on-year during the first half of 2017, it's clear that the authorities would like to attract more. However, there's a right way and a wrong way to do it.

European businesses make investments when capacities need to be established or expanded in response to market demand, not because an investment zone offering short-term financial incentives has been set up. If greater market access were granted, 56% of respondents to the European Chamber's Business Confidence Survey 2017 would be more likely to increase their investments.



REUTERS

Xi Jinping in Davos, Switzerland, in January committing his country to globalization and increased market access for foreign investors.

Full implementation of the State Council documents' commitment to fair competition would help to win over the doubters. It would also align with the European Chamber's longstanding call to establish a level playing field for all businesses in China.

At the moment, this is a dim prospect, particularly considering certain mergers of Chinese state-owned enterprises that have created enormous companies with preferential access to capital and often markets. This untenable situation has allowed these SOEs to dominate domestically while muscling out international competitors.

There are some reasons to be hopeful, though. For example, there

have been significant improvements over the past year in the pharmaceutical industry, with authorities streamlining regulations and improving patients' access to drugs.

This approach should now be applied to other areas facing potential market closure, such as the agriculture, food and beverage industries. Starting Oct. 1, shipments of food products, including some low-risk items, will require an official inspection certificate from a foreign government. As certification requirements for low-risk food products are out of line with international practice, this could lead to a dramatic reduction in food imports.

In July, the authorities enacted a new Foreign Investment Catalog with

63 restricted or prohibited areas in effect nationwide. However, any perceived progress here is tempered by the fact that the catalog is still far too extensive. What's more, the accompanying rules and regulations still maintain a distinction between foreign and domestic investment.

It's highly unlikely that this kind of incremental change will result in an opening-up of the foreign-investment tap. Amending China's company law so that it applies equally to foreign and domestic enterprises would have a far more profound impact.

The European Chamber hopes that after the 19th Party Congress the Chinese authorities will boldly proceed with implementation of the State Council documents and focus on concluding negotiations for the EU-China Comprehensive Agreement on Investment. This would reduce both current and potential political tensions between China and the West, as we have previously pointed out.

Market-driven reforms are crucial to ensuring long-term and high-quality economic growth in China, and offering reciprocal access to its own market would be a major step in the right direction. The Chinese authorities clearly know what needs to be done. The European Chamber looks forward to supporting them in their commitment to economic globalization, and transforming well-intentioned words into tangible, positive change.

Mr. Harborn is president of the European Union Chamber of Commerce in China.

The Fed Should Stop Worrying and Learn to Love Low Inflation

By William M. Isaac
And Richard M. Kovacevich

There's no excuse for the Federal Reserve's dawdling—not even its obsessive concern that inflation is too low. At 1.4% year on year as of July, core inflation is below the Fed's target of 2%, but that goal is arbitrary and unrealistic for today's economy. When the Federal Open Market Committee meets this week it should put aside this inflation fixation and raise interest rates, which have been dangerously low for much too long.

The current economic recovery has been the slowest in recent times, despite the lowest interest rates in history for the longest time. Easy money has benefited mainly the wealthy, while average consumers have been getting close to zero interest on their savings accounts. This is particularly tough for retirees who don't participate in the stock market.

If the Fed had been successful in achieving its 2% inflation target, it would have offset nearly all these wage gains. That in turn would have severely weakened the annual growth of consumer spending, which, at over 3%, is a bright spot in the economy.

Higher inflation doesn't create greater economic growth. To the contrary, it is greater economic growth that can lead to higher inflation. Therefore, the Fed ought to be focused on reviving the economy and adding jobs—period.

One reason business investment has been very weak for eight years is

the lack of confidence in Washington's monetary and fiscal policies.

The only legitimate reason to increase inflation artificially is to avoid deflation, which can be dangerous. If consumers become convinced that

America's central bankers ought to be focused on reviving the economy and adding jobs—period.

prices will drop over time, they begin to postpone purchases, slowing economic growth.

But to find out if this is happening, the metric to look at isn't inflation. It is the savings rate. If consumers have money and don't spend it, then obviously the savings rate must go up. There's no evidence that it has done so to any significant degree worldwide.

While most details are still hazy with the best climate modeling tools, the bigger issue is that more people are choosing to live in coastal areas, where hurricanes certainly will be most destructive.

The nascent field of "attribution science" attempts to explain how climate change may affect characteristics of a given hurricane using models in "what if" mode. Such research requires a faithful reproduction of events and predictions of the future constrained by subjective choices within computer models.

In the U.S., the opposite is occurring: The savings rate slid to 3.5% as of July, down from 5.1% a year earlier.

As long as the economy and employment continue to improve, the Fed should stop fretting about low inflation and move to normalize monetary policy. Ideally it could reach interest rates of at least 2% by the middle of next year, up from 1.25% today. That would be a good middle ground.

If economic growth then slowed, the Fed would have room to maneuver by ticking rates down. But if inflation increased, it could quickly raise rates to the equilibrium level.

The Fed should also start, at the FOMC meeting this week, reducing its outsize balance sheet, so as to let the markets begin to function properly. Before the recession of 2008-09, the Fed's balance sheet had never reached \$1 trillion. Today it stands at \$4.5 trillion, or 25% of Washington's entire public debt.

The Fed's eight-year intervention in the markets has helped push asset prices—including the stock market, long-term bonds and at least some commercial real estate—so high as to raise concerns of a bubble. Should it burst, the effects could be catastrophic, shattering confidence in the economy. The Fed would feel pressure once again to bail out the wealthy with monetary policies that artificially support risky assets.

The incomes of many Americans are flat or declining, and thousands who want work still cannot find a decent job. What built America's prosperity was the unparalleled success of the U.S. free-market system. If the Fed wants to help, it should forget its inflation worries, get out of the way, and let the markets operate.

Mr. Isaac, a consultant to financial institutions, is a former chairman of the Federal Deposit Insurance Corp. Mr. Kovacevich is a retired chairman and CEO of Wells Fargo & Co.

Climate-Change Hype Doesn't Help

By Ryan Maue

As soon as Hurricanes Harvey and Irma made landfall in the U.S., scientists, politicians and journalists began to discuss the role of climate change in natural disasters. Although a clear scientific consensus has emerged over the past decade that climate change influences hurricanes in the long run, its effect upon any individual storm is unclear. Anyone trying to score political points after a natural disaster should take a deep breath and review the science first.

Harvey and Irma broke the record 12-year major-hurricane landfall drought on the U.S. coastline. Since Wilma in October 2005, 31 major hurricanes had swirled in the North Atlantic but all failed to reach the U.S. with a Category 3 or higher intensity.

Even as we worked to divine exactly where the hurricanes would land, a media narrative began to form linking the devastating storms to climate change. Some found it ironic that states represented by "climate deniers" were being pummeled by hurricanes. Alarmists reveled in the irony that Houston, home to petrochemical plants, was flooded by Har-

vey, while others gleefully reported that President Trump's Mar-a-Lago might be inundated by Irma.

How to put these two hurricanes into proper context? An informative website from the Geophysical Fluid Dynamics Laboratory, part of the National Oceanic and Atmospheric Administration, synthesizes reams of research literature on the links between hurricanes and global warming.

Over the next century, climate models generally indicate fewer but stronger storms—between 2% and 11% greater average storm intensity—with substantially increased rain rates. Against the background of slow sea-level rise, explosive coastal population growth will overwhelmingly exacerbate any hurricane's damages.

In the aggregate, the global-warming signal may just now be emerging out of our noisy observational records, and we may not know certainly for several decades. These conclusions are hardly controversial in the climate-science community.

My own research, cited in a recent Intergovernmental Panel on Climate Change report, found that during the past half-century tropical storms and hurricanes haven't shown an upward

trend in frequency or accumulated energy. Instead they remain naturally variable from year-to-year.

The global prevalence of the most intense storms (Category 4 and 5) hasn't shown a significant upward trend either. Historical observations of extreme cyclones in the 1980s, especially in the Southern Hemisphere, are in sore need of reanalysis.

While most details are still hazy with the best climate modeling tools, the bigger issue is that more people are choosing to live in coastal areas, where hurricanes certainly will be most destructive.

The nascent field of "attribution science" attempts to explain how climate change may affect characteristics of a given hurricane using models in "what if" mode. Such research requires a faithful reproduction of events and predictions of the future constrained by subjective choices within computer models.

This research also takes time—which means other scientists must examine the evidence with patience and judiciousness not usually seen on Twitter or cable news.

Bigger than global warming is the issue of more people choosing to live in coastal areas.

Still, the scientific community already knows plenty about hurricanes and climate change—knowledge it has accumulated over two decades through peer-reviewed research, academic conferences and voluminous national and international assessments. Yet climate scientists all too often speculate during interviews rather than refer to IPCC reports or

their cousins from the U.S. National Climate Assessment.

Some climate scientists have peddled tenuous theories with no contemporaneous research evidence. Advocacy groups package these talking points for easy consumption by journalists, who eagerly repeat them.

The historical record books contain dozens of devastating hurricane landfalls over the past century, any of which, if repeated, would be catastrophic regardless of additional climate-change effects. To prepare for the next hurricane, the U.S. needs the best weather forecasts, evacuation plans and leadership. These plans should be built on sound science, not speculation, overselling or exaggeration. Hurricane science in this political climate already has enough spin.

Mr. Maue, a research meteorologist, is an adjunct scholar at the Cato Institute.

Love Your Dog, Support Animal Research

By Matthew R. Bailey

Dog owners may soon be able to add years to their pets' lives, thanks to an experimental anti-aging pill. In tests on mice the medication, rapamycin, has been shown to lengthen lifespans up to 60%. Now scientists at the University of Washington's Dog Aging Project are studying whether it works in canines.

Initial reports indicate the drug improves heart health. Researchers speculate that if larger trials are successful, rapamycin could extend a dog's life by five years. Animal lovers the world over must be jumping up and down in excitement, right?

Wrong. In fact, many animal-rights groups strongly oppose the studies—as they do almost any studies involving animals. Christine Lattin, a Yale researcher, puts wild sparrows into medical scanners to measure how they respond to the stress of captivity or of exposure to crude oil. This summer People for the Ethical Treatment of Animals began a campaign against Ms. Lattin of "torturing

birds" in "wasteful experiments." Soon she was getting emails telling her to kill herself.

If these groups truly advocate for animals, their logic is backward.

Nearly 70% of American households

Endangered species as well as pets benefit from humane testing.

have pets. Those animals' food and vaccines all have been developed through humane research and testing with lab animals.

Consider feline immunodeficiency virus, which attacks cats' immune systems and has a survival rate of 80% four to six years postinfection. In 2002, scientists at the University of California and the University of Florida developed an FIV vaccine, based on tests they conducted on laboratory cats.

Livestock also benefit from studies conducted on lab animals. Antimicrobials such as Rumensin—developed in

1975—are commonly used to treat various infections in cows and were developed through research on mice. Fowl pox threatens the world's 19 billion chickens. The virus produces painful lesions on a bird's skin, throat and respiratory tract. Thanks to studies conducted in mice, scientists in 2006 created a live-virus vaccine for chicks.

Endangered species benefit from this kind of research, too. Take Asian elephants, which number only about 40,000 in the wild. One of the biggest threats they face is a strain of herpes that kills up to 90% of the elephants it infects, according to the International Elephant Foundation. The virus has killed roughly 25% of the population in North American captivity in the past 40 years. But researchers are working on a vaccine that could save the species from extinction.

Animals are living longer, healthier lives because of these scientists. Real animal lovers should be proud to support animal research.

Mr. Bailey is president of the Foundation for Biomedical Research.

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BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Tuesday, September 19, 2017 | B1

Yen vs. Dollar 111.4900 ▲ 0.59%

Hang Seng 28159.77 ▲ 1.27%

Gold 1306.60 ▼ 1.05%

WTI crude 49.49 ▼ 0.80%

10-Year JGB yield 0.040%

10-Year Treasury yield 2.227%

Beijing Widens Crackdown on Bitcoin

Regulators to extend commercial ban to transactions made between individuals

BY CHAO DENG

BEIJING—Chinese authorities are moving toward a broad clampdown on bitcoin trading, testing the resilience of the virtual currency as well as the idea that its decentralized nature protects it from government interference.

Regulators have decided on a comprehensive ban on channels for the buying or selling of the virtual currency in China that goes beyond plans to shut commercial bitcoin exchanges, according to people familiar with the matter.

Officials communicated the message to several industry executives at a closed-door meeting in Beijing on Friday, according to people who were

at the meeting. Until last week, many entrepreneurs in China's bitcoin circles had thought authorities might shut down only commercial trading activity while tolerating peer-to-peer, or over-the-counter, bitcoin platforms, which enable buyers and sellers to find each other and trade directly.

Word of a more serious tightening spread after the meeting, and at least one Chinese platform last week said it would halt one-on-one trading services per official instructions.

The Chinese plan represents some of the most draconian measures any government has taken to control bitcoin, created by an anonymous programmer nearly a decade ago as an alternative to official currencies, and word of it sent another wave of anxiety through the Chinese bitcoin community.

China has digitized its financial sector faster than any

other nation. Authorities continue to support the trend, though their public comments also suggest concern that bitcoin could weaken official control of the country's money supply.

The crackdown on the bitcoin ecosystem represents Beijing's possibly biggest effort to limit expansion of a system to rival the yuan. In a previous crackdown, in 2009, the central bank banned the use of tokens valued at billions of dollars created in China's large online-gaming networks for real-world purchases.

A quasiregulatory body called the National Internet Finance Association of China, or NIFA, warned investors about virtual-currency trading in a statement last week and said that bitcoin platforms lack legal basis to operate in the country.

A goal of China's monetary regulation is to ensure that "the source and destination of

Bit of Uncertainty

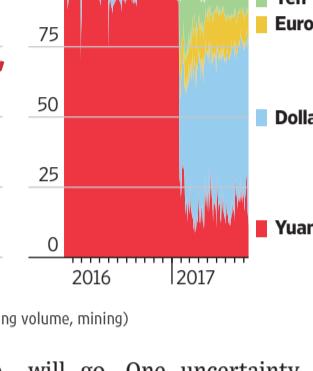
China's clampdown on bitcoin has hurt global prices and domestic trading volumes; for now the country remains a major center for bitcoin mining.

Bitcoin price

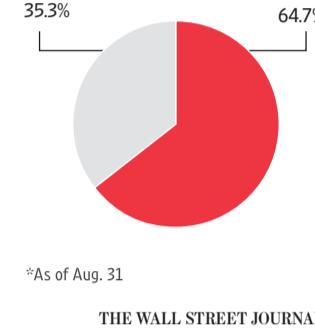


Sources: coindesk (price); bitcoin.org (trading volume, mining)

Daily trading Share by currency



Mining in 2017* Share by country



*As of Aug. 31

THE WALL STREET JOURNAL.

WeChat to the encrypted messaging service Telegram.

A broader clampdown will likely include blocking mainland access to websites of foreign bitcoin exchanges such as

Please see CHINA page B2

HEARD ON THE STREET

By Dan Gallagher

The iPhone Is Making Memory

 Little noticed amid the hype around the newest iPhones is the boon that the new wave of fancy phones means for the makers of memory chips inside.

Apple's new iPhone 8 and 8 Plus models hit stores on Friday. The iPhone X, with a bigger, sharper display and no home button, goes on sale in early November. That phone sets a record with a starting price tag of \$999, while the other models sell for \$200-\$300 less. But all are offering a fairly sizable boost in memory and storage over previous iPhone iterations, a necessity given the demands of newer processors along with Apple's business need to sell more content and services per device.

On storage, Apple has effectively doubled up on the previous iPhone generation. The lowest configuration available on the new models is now 64GB compared with 32GB in the iPhone 7. The more spacious option has doubled to 256GB.

System memory is also getting a boost. The iPhone X and 8 Plus models both come with 3GB of DRAM, according to an estimate from Cowen & Co. That DRAM count was previously only available on the iPhone 7 Plus.

Other smartphone makers have been following the same track, some of which pack in far more memory in their phones than Apple. New top-of-the-line devices from Samsung Electronics and LG use 6GB of DRAM. That all adds up to good news for SK Hynix, Micron and Toshiba, along with Samsung's chip division.

Memory prices have been on a steady rise since last year, as demand continues to outstrip supply.

Spot prices for the most common type of DRAM in September were up more than 90% from the same point last year, with NAND Flash prices up 50% in that time, according to DRAMeXchange.

That explains in part why Apple, which needs to maintain its famously high margins, has boosted prices in this latest iPhone generation. That means the price increases are unlikely to raise the company's overall profits. A small bummer for shareholders, but Apple has little choice but to play the right chips to stay in the game.



Hedge Fund Plans To Close

BY JULIET CHUNG

Pine River Capital Management is closing its \$1 billion flagship hedge fund after clients asked to withdraw more money than the firm was expecting, according to a person familiar with the matter.

The move will further shrink the Minnetonka, Minn.-based firm's assets under management to \$7.5 billion, half the roughly \$15 billion it managed in 2015. An expected Jan. 1 spinoff of a fund run by portfolio manager Renos Dimitriou into a stand-alone hedge fund would reduce that total further.

Pine River had asked clients in its flagship fund in recent weeks if it could segregate and sell off over time the multi-strategy fund's illiquid assets after receiving by the end of August more redemption requests than expected. Given the amount of client defections, the fund at that point was expected to manage roughly \$300 million in a year's time.

Clients approved the so-called side-pocket move, a controversial tactic some hedge-fund firms, though not Pine River, deployed during the financial crisis. Side pockets helped prevent the withdrawal of billions of dollars.

But firm executives decided in recent days to close the fund entirely after receiving still more redemption requests from fund investors in the interim, the person said.

The deadline for year-end redemption requests for the fund was Friday.

Pine River, founded by

Please see FUND page B2

Ticket Resellers Target Sales Codes

BY ANNE STEELE

Ticketmaster's latest attempt to stamp out scalping has spawned a new market—not for tickets themselves, but for special codes that offer the opportunity to buy them.

The concert promoter's Verified Fan system aims to identify "real" fans and give them a shot at buying tickets without having to compete with scalpers. Now professional resellers are offering hundreds of dollars for the codes that grant access to the hottest tickets.

Private message boards used by ticket brokers and seen by The Wall Street Journal

have been lighting up with offers ranging as high as \$1,000 for a single code to access tickets for Bruce Springsteen's solo-run residency at Broadway's Walter Kerr Theatre.

Ticketmaster's Verified Fan system, an effort to fight scalping, gives birth to a hot market.

Each code allows a buyer the chance to purchase a maximum of two tickets. The market even includes smaller acts: Codes for Trans-Siberian Orchestra are going for \$30 and \$50.

Having a Verified Fan code doesn't guarantee the holder will get tickets. And for brokers, it is an extra cost on top of the price of the tickets themselves, whose face value,

pany said in a statement. "We will continue to innovate and combat those that attempt to subvert that mission."

Representatives for Mr. Springsteen and Trans-Siberian Orchestra didn't respond to requests for comment.

Sellers on StubHub, the popular online marketplace for tickets, are asking for as much as \$9,800 a ticket for the Springsteen shows.

Ken Solky, a broker who owns Las Vegas Tickets and two agencies in Southern California, insists the secondary market is never going to go away—and that resellers like him will always find a way

Please see SHOWS page B2



GOOGLE INTRODUCES MOBILE PAYMENTS IN INDIA

FINANCE & MARKETS, B5

BY CHRISTINA ROGERS

DETROIT—Car fanatics wanting a glimpse at the auto industry's next big thing used to flock to auto shows. Now, many of them flip through online patent filings.

Auto makers, pressured to keep up with Silicon Valley companies working on autonomous-car technology and ride sharing, have sharply boosted their U.S. patent filings over the past five years. In 2016, 10 of the world's largest car makers submitted 9,700 patent applications, up 110% from 2012, according to consulting firm Oliver Wyman.

"The pressure is for us to invent before the Valley does," said Bill Coughlin, chief execu-

tive of Ford Global Technologies LLC, which handles the Dearborn, Mich., auto giant's patent and copyrights. "The last thing we want is to be a fast follower."

A growing number of these filings seem straight out of science fiction, covering inventions intended to help people pay less attention to the road while they drive—or while they aren't actually driving at all.

Ford Motor Co. seeks a patent for a drone system that would locate passengers who call a self-driving robo-taxi, while another Ford filing, envisioning self-driving cars with conference-room-style seating, seeks to patent a special air bag that will fit into a center table to protect the oc-

cupants facing it.

For its part, BMW AG wants to patent a system that would allow an autonomous vehicle to communicate with pedestrians or human drivers in other vehicles, through visual signs, beeps or even speech.

Hyundai Motor Co., meanwhile, seeks to protect a device that would allow a driver to exit from the car and then push a button to park it, while Toyota Motor Corp. is looking to patent a technology that makes certain car parts such as door pillars appear to be see-through.

Patent holders have exclusive rights on an invention for as long as two decades after the grant date, an important

Please see CARS page B4

INDEX TO BUSINESSES

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

A	E
Airbus.....B2	eBay.....B2
Al Jazeera.....B4	Equifax.....A1
Alphabet.....B4	Experian.....A8
Amazon.com.....B4	F
Apple.....B1,B4	FireEye.....A8
AppNexus.....B3	Ford Motor.....B1
BAE Systems.....B2	G
BMW.....B1	General Motors.....B4
Boeing.....B2	Google.....B4
Burford Capital.....B5	H
Burger King Worldwide.....B3	Hold Security.....A8
CBS.....B3	Huntsman.....B8
Cisco Systems.....A1	Hyundai Motor.....B1
Clariant.....B8	K
Cooper Cos.....B3	Kelso.....B3
CVC Capital Partners.....B3	Kraft Heinz.....B3
D	L
Dassault Aviation.....B2	Leonardo.....B2
	Lewis Baach Kaufmann Middlemiss.....B5
	LexShares.....B5
F	R
	Live Nation Entertainment.....B2
	Longford Capital Management.....B5
S	T
	Restaurant Brands International.....B3
	Sears Holdings.....B8
	Snap.....B4
	Symantec.....A8
U - V	W
	Ten Network Holdings.....B3
	Teva Pharmaceutical.....B3
	Toyota Motor.....B1
	Uber Technologies.....B4
	Visa.....B2
W	
	Washington Cos.....B7
	Woodsford Litigation Funding.....B5

INDEX TO PEOPLE

A	H	R
Abosch, Ken.....B3	Hees, Bernardo.....B3	Rapino, Michael.....B2
B	K	Robbins, Chuck.....B4
Basilio, Paulo.....B3	Knopf, David.....B3	S
C	L	Schultz, Kare.....B3
Chambers, John.....B4	Lamarca, Giovanni.....B3	Schlein, Ted.....A8
Coughlin, Bill.....B1	Lemann, Jorge Paulo.....B3	Smith, Richard.....A8
D	M	Strong, William.....B5
Das, Nithya.....B3	Liddy, Edward.....B5	V
F	P	Vinik, Jeffrey.....B5
Fallon, Michael.....B2	Peterburg, Yitzhak.....B3	W
		Washington, Dennis.....B7

BUSINESS WATCH

JBS

Founder Returns; Share Price Tumbles

Shares in **JBS** SA, the world's largest meatpacker, were off 3.5% Monday morning after the Brazilian company picked its 84-year-old founder, José Batista Sobrinho, to succeed his jailed son as chief executive.

The company's announcement late Sunday sparked criticism as investors have called on the family-run company to bring in outside management to help the meatpacker weather a growing corruption scandal.

JBS also promoted the former CEO's 26-year-old son, Wesley Batista Filho, to a "global leadership team" tasked with helping the aging founder make decisions, the company said.

Mr. Batista Sobrinho, who started JBS as a small-town slaughterhouse in 1953, said in a statement he was proud to reassess the top job in the company and has "a lot of confidence in the performance of our leadership."

The shuffle came days after Brazilian police arrested JBS's former CEO, Wesley Batista, and his brother, former chairman José Batista, both sons of Mr. Batista Sobrinho. Authorities allege the brothers engaged in insider trading, profiting from advance knowledge of a plea deal earlier this year in which they admitted to bribing nearly 2,000 Brazilian politicians.

An attorney for the brothers last week called the arrests "unjust and absurd," saying they had already provided information and documents related to the insider-trading investigation.

—Luciana Magalhaes and Samantha Pearson

GENERAL MOTORS

Canadian Union Strikes at SUV Plant

A Canadian union failed to reach an agreement on a new contract with **General Motors** Co. and its members will strike, labor leaders said late Sunday, threatening to crimp supply of the auto maker's top-selling SUV.

Unifor Local 88, which represents about 2,450 workers at GM's CAMI Assembly plant in Ingersoll, Ontario, said on its website that its members would be on strike as of Sunday night.

—Associated Press

FUND

Continued from the prior page

Brian Taylor in 2002 and best known for profiting big after the rebound in government-backed mortgages following the crisis, planned to tell clients of its decision Monday.

The closure of its flagship fund adds to recent challenges for Pine River. Aside from shrinking the size of the firm further, there has been turnover among its investment professionals, including the departure last year of key portfolio manager Steve Kuhn.

The firm has also closed

after its contract expired. In a statement, GM said it is "disappointed we were not able to complete a new agreement" and encouraged the union to resume negotiations.

The CAMI plant produces the compact Chevrolet Equinox, which competes in the most popular vehicle segment in the U.S. market. Equinox sales have been surging as GM rolls out an all-new version.

The local chapter has said it wants improved wages and benefits as well as commitments for further investments in the plant that would bolster job security.

—Mike Colias

BOX OFFICE

Horror Movie 'It' Holds On to Top Slot

The Stephen King adaptation "It" continues to scare up record ticket sales, taking in an estimated \$60 million in its second week and leaving a paltry \$7.5 million for Darren Aronofsky's audacious genre-bending psychological thriller "mother!"

New Line and Warner Bros.' "It" remained easily the top draw in North American theaters, according to studio estimates Sunday. It slid 51% from the prior week's opening of \$123 million, the first September release to make a debut north of \$100 million.

With \$218.7 million to date, "It" is now the highest grossing September release to date. "It" starring Bill Skarsgård as the evil clown Pennywise, also added \$60.3 million globally.

Paramount Pictures' "mother!" has horror elements, too. But Mr. Aronofsky's film is a more art-house proposition, made for about \$30 million.

For star Jennifer Lawrence, it is the worst wide-release opening of her career.

Reviews were generally good (68% "fresh" on Rotten Tomatoes) for "mother!," which premiered last week at the Venice Film Festival. But the film—an intense, allegorical tale about a woman (Ms. Lawrence) whose rural Victorian house is overrun by unwanted house guests—is an undeniably atypical, auteur-driven studio release. Audiences didn't care for it, giving it a seldom-seen F CinemaScore.

—Associated Press

some other funds, and some employees have been looking for jobs, according to people familiar with the matter.

Pine River's flagship fund has made money the last two years but lagged behind the S&P 500. Its annualized return was 9% since its 2002 inception through August, said a person familiar with the fund.

Investor frustration with hedge funds has deepened after years of disappointing performance. Returns on average remain lackluster this year, investors say, though some funds that bet on and against stocks have been a bright spot, outpacing the S&P 500.

The firm has also closed

BUSINESS & FINANCE

Qatar to Buy 24 Jets From Britain

The Qatari and British governments signed an agreement for the potential sale of 24 Eurofighter Typhoon combat jets worth several billion dollars,

By Robert Wall in London and Nicolas Parasie in Dubai

in another move by Doha to bolster its military amid a spat with four of its Arab neighbors.

The deal is also a boost for plane maker **BAE Systems** PLC, which is seeking to keep Typhoon fighter plane production humming.

British Defense Minister Michael Fallon signed an agreement with his Qatari counterpart for the planes Sunday. Mr. Fallon said this was the first major defense contract with Qatar and took years to arrange.

The deal for military planes from the U.K. comes amid a months-long regional diplomatic spat between Qatar and a Saudi Arabia-led bloc, in which Doha has sought to cement its international ties and



JASPER JUNION/BLOOMBERG NEWS

The sale of the Eurofighter Typhoon jet fighters is a boost for U.K.-based aerospace company BAE Systems.

burnish its military credentials. Some of the moves, however, have added to the strain.

Qatar, which has been among the biggest buyers of military hardware in the Middle East, said the deal would bolster its ability to fight terrorism.

The tiny but gas-rich Gulf state earlier this year signed a deal to buy 72 F-15 combat aircraft from **Boeing** Co. in a deal valued at \$12 billion. The Middle East country a year

ago agreed to buy France's Rafale combat jet, made by **Dassault Aviation**.

Saudi Arabia, the United Arab Emirates, Bahrain and Egypt broke off diplomatic relations with Qatar in June, accusing their neighbor of supporting terrorism and meddling in their internal affairs, charges Doha denies.

The diplomatic standoff in the Gulf pits several U.S. partners against one another.

Doha is home to a U.S. mili-

tary base that holds 10,000 troops, which the country's emir, Tamim bin Hamad Al-Thani, visited on Sept. 11. There is also a sizable Turkish military presence in Qatar.

Diplomatic efforts, including a bid by U.S. President Donald Trump to end the crisis, have so far failed to break the stalemate between Qatar and the Saudi-led bloc.

The U.K. has remained on the sidelines of the regional spat. Prime Minister Theresa May early on in the crisis urged all sides to defuse tension and to preserve unity in the Gulf.

For BAE Systems, the deal comes at an important time. Officials said this year that the company may have to cease production of the Eurofighter Typhoon combat jets in 2019 absent additional export orders. BAE, Europe's largest arms maker by sales, builds the plane in conjunction with **Airbus SE** and **Leonardo** SpA.

The value of the potential deal, which likely would include training and support, wasn't disclosed.

in order to keep prices artificially high, according to people familiar with the matter.

Speaking at an investor conference last week, Live Nation Chief Executive Michael Rapino said the system has been over 95% successful.

"Between our database—which is the largest in the world in terms of ticket purchase data—and that algorithm and a bunch of other data we inject once you register, we've been very efficient," he said. "We can figure out if you're a bad actor or a fan."

Ticketmaster said that fewer than 3% of the Verified Fan tickets for Mr. Springsteen's Broadway shows have made it to the secondary market. But some brokers are waiting until closer to the shows to put them up for sale

grant codes to some of the aliases. It isn't clear whether that gambit has worked.

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Ticketmaster said that fewer than 3% of the Verified Fan tickets for Mr. Springsteen's Broadway shows have made it to the secondary market—how can you turn the money down?" according to one person. "You can put a downpayment on a car or have the resale value skyrocket."

"You're going to see more and more real fans putting those tickets on the secondary market—how can you turn the money down?" according to one person. "You can put a downpayment on a car or have the resale value skyrocket."



Taylor Swift fans at a concert in Austin, Texas, last year. A new Ticketmaster system aims to identify 'real' fans to curb scalping.

CHINA

Continued from the prior page
Coinbase in the U.S. and Bitfinex in Hong Kong, say people familiar with the matter.

Last weekend, the largest domestic bitcoin exchanges—BTCC, Huobi and OKCoin—all said they would halt trading services in coming weeks, sending prices of bitcoin on the global market tumbling.

Bitcoin traded at \$3,947 on Monday evening in Beijing, roughly 20% off its high of

\$4,960.72 on Sept. 1.

Industry advocates hail bitcoin for allowing users to transact with each other without the involvement of a central authority. In reality, users access the market for virtual currencies via services and businesses that are centralized in real locations and, therefore, are susceptible to third parties. Any attempt by China to interfere broadly in the bitcoin network would test that notion further.

On the flip side, if bitcoin does prove resilient, China could be shutting itself out of

an expanding global market. As recently as last year, China accounted for the bulk of global bitcoin trading activity, but its share has dropped significantly since the government started attempting to cool the market. China now accounts for less than 15% of bitcoin-trading volume.

Blocking overseas exchanges would add them to a long list of websites Beijing considers too sensitive, including Google and Facebook.

Chinese authorities haven't made public their stance on virtual-currency trading. The

People's Bank of China and the Ministry of Internet and Information Technology didn't respond to requests for comment on bitcoin measures.

A document passed around at Friday's meeting and reviewed by The Wall Street Journal instructs Beijing-based exchanges to unwind their operations and provide information on bank accounts used for clients' deposits by Wednesday.

While China's sway in bitcoin-trading volumes has faded, the country remains a big creator of new bitcoin through a process called mining. Chinese bitcoin miners operate a vast collection of computers to create new bitcoin in remote areas where they can access cheap electricity.

One entrepreneur said miners are worried about authorities moving to limit their operations. "Using VPNs as a workaround will be difficult," he said, referring to virtual private networks that allow users to circumvent China's "Great Firewall," its vast array of censors and tools to block access to some parts of the internet.

—James T. Areddy in Shanghai and Liyan Qi in Beijing contributed to this article.

BIS Analyzes Cryptocurrencies

Central banks should consider introducing their own cryptocurrencies to counter the risks from the explosive growth of bitcoin and other virtual currencies, the Bank for International Settlements said in a new report.

The 16-page analysis, tucked into a broader quarterly review from the consortium of major central banks, based in Basel, Switzerland, comes as prices of digital currencies have skyrocketed until recently. They

fell sharply last week after China started cracking down on domestic trading venues for bitcoin.

The surging popularity of trading in virtual currencies—of which bitcoin is the largest—is creating a dilemma for central banks, whose role is to manage their country's currency and money supply and maintain stability in the financial system.

Soaring cryptocurrency prices have sparked concerns about the pitfalls often associated with speculative trading, and raised the specter of authorities potentially losing control over their monetary systems.

The BIS report, which highlighted what it called "a new taxonomy of money," discussed the pros and cons of central banks issuing their own digital currencies.

It noted the potential for digital currencies' underlying technology—used to process and record transfers—and the uncertainty related to possible unintended consequences.

BUSINESS NEWS



PHILIP MONTGOMERY FOR THE WALL STREET JOURNAL
Ad-tech firm AppNexus is bucking the performance-pay trend.

Sorry, You May Not Get a Raise

A survey shows companies to keep budgets for salaries relatively flat in 2018

By JOHN SIMONS

Unless you are one of the highest performers at the office, don't expect next year's paycheck to grow much.

Businesses plan to keep budgets for raises relatively flat in 2018, while continuing to devote more payroll dollars to performance-based pay, according to a survey of salary planning at 1,062 organizations conducted by consulting firm Aon Hewitt.

Despite low unemployment and increased competition for talent, companies are bearish on across-the-board pay

raises, said Ken Abosch, an Aon executive who works on the annual survey, now in its 41st year.

"Organizations are expressing reservations about the years coming and, for the first time since the recession, are signaling doubt or uncertainty about what they think their performance will look like in the coming year," he said.

Companies are paying to keep their highest performers happy and in place, with an average 12.5% of payroll going to incentive and bonus pay next year.

Overall, two-thirds of the organizations in the survey said they would use merit pay to show workers who's doing a good job, and who could stand to improve. Of those companies, 40% said they would reduce or eliminate raises for

low performers. And some high performers will have to work harder next year—15% of the companies changing merit pay say they will set more aggressive targets for bonuses and incentive pay.

Lindenwood University, a liberal-arts school near St. Louis, Mo., recently introduced a merit pay system for the school's staff of 950. Previously, there was no formal structure for rewarding performance.

High performers get rewarded for their extra effort, said Dr. Deb Ayres, the university's vice president of human resources. "They're not getting the same small increases as everyone else. It's very motivating for them."

When companies used raises as rewards, employees could count on their salaries

staying with them, even in off years. The sharpened focus on bonus pay means employees only make gains in years when they perform well, and fail to progress during times of lower performance, said Linda Barrington, executive director of Cornell University's Institute for Compensation Studies.

Bucking the bonus-pay trend is **AppNexus Inc.**, a New York-based advertising technology company with about 1,000 employees. Last year, it removed the annual bonus plan for roughly 700 employees below director level. That money instead went to increase base salaries of those employees, said Nithya Das, the company's chief legal and people officer.

The old incentive plan had become ineffective at spurring employees to go above and beyond, she said. "It's seen as just different compensation. It's perceived as a given that they'll get it at the end of the year."

At the same time, AppNexus redesigned its bonus plan for executives (some 13% of employees), making awards dependent on certain financial goals, shared company objectives and an assessment of their own personal performance.

The changes didn't raise AppNexus's compensation costs and helped to "align priorities across the company," Ms. Das said.

This year, the company is evaluating whether gender inequities exist in the way it pays employees, a process that may lead to an increase in its 2018 budget for pay raises and bonuses.

CFO at 29: It Fits One Investor's Strategy

BY ANNIE GASPARRO
AND EZEQUIEL MINAYA

largest shareholder, after orchestrating the merger that formed the food giant in 2015.

Publicly traded companies even half Kraft Heinz's size often hire older executives with more operating experience for top roles. Since December, General Mills Inc. and Hershey Co. have both installed new chief executives who have worked in Big Food for decades. Mondelez International Inc. last month named its new CEO: Dirk Van de Put, an industry veteran who was leading Canada's closely held McCain Foods Ltd.

When Mr. Knopf takes on his new role in October, he will be the youngest CFO among Fortune 500 companies, according to data provider BoardEx. The average age of finance chiefs in the top 1,000 U.S. companies is 51 years old, according to **Korn/Ferry International**, an executive recruiting firm. The average age of someone starting a CFO role is 50.

Age may not be an absolute proxy for experience, experts say, as finance chiefs today focus on operations, technology and company strategy while more traditional functions of

accounting and regulatory reporting can fall to others, such as a global controller. Kraft Heinz has a veteran in that role, and Mr. Knopf's predecessor, Paulo Basilio, a 3G partner since 2012, will remain at the company as president of its U.S. business.

Mr. Knopf "is still green in some areas, but it's my job to develop him," said Kraft Heinz Chief Executive Bernardo Hees, also a 3G partner, at a

lunch with business executives in Chicago last week. But he is ready to take on more at the company, Mr. Hees added.

Mr. Knopf played a role in the Kraft Heinz merger, a deal valued at roughly \$50 billion.

Once it was completed, he became a vice president of finance for the new company and is currently leading the Planters business.

3G co-founder Jorge Paulo Lemann is known in the industry

try for nurturing young talent, according to Giovanni Laramica, a managing director at recruiting firm RSR Partners. "One of his strengths is detecting the diamond in need of polish," Mr. Laramica said.

After 3G acquired H.J. Heinz Co. in 2013 with the help of Berkshire Hathaway's Warren Buffett, it quickly replaced nearly all of Heinz's top executives with 3G partners or younger, lower-level Heinz employees. Mr. Hees, who was 43 at the time, became CEO, succeeding the 64-year-old, longtime chief.

At **Burger King**, 3G partner Daniel Schwartz was appointed chief financial officer following the private-equity firm's 2010 purchase.

At the time, he was the youngest CFO among top 1,000 companies, according to Korn/Ferry. Three years later, Mr. Schwartz, then 32, became CEO of the company, now run as **Restaurant Brands International Inc.**

Kraft Heinz didn't make Mr. Knopf or other executives available for an interview.

—Kimberly S. Johnson contributed to this article.

Murdoch Loses Ten Challenge

By ROB TAYLOR

regional broadcasting licenses across Australia.

Ten Network was placed into voluntary administration in June, with administrators last month recommending the sale of the company to CBS. Messrs. Gordon and Murdoch—who is also executive chairman of 21st Century Fox—launched a fresh bid for Ten Network on Friday after Australia's Parliament passed laws easing ownership controls in the media sector.

The judge also ruled that CBS wouldn't be restricted in voting on the merger.

At the meeting Tuesday, creditors will consider resolutions including selling Ten Network to CBS, while a KordaMentha spokesman said participants would likely also consider the "late bid" by Messrs. Gordon and Murdoch and possibly ask for an adjournment to allow more consideration. Resolutions require approval both from creditors and Ten's 750 employees.

Australia's traditional media outlets, including The Wall Street Journal publisher News Corp., have been hard hit in recent years by falling advertising revenue as audiences embrace digital platforms.

Parliament last week abolished a 75% audience "reach rule" that prevented free-to-air television networks like Nine Entertainment Co., Seven West Media Ltd. and Ten Network from snapping up regional affiliates. It also abolished the two-out-of-three rule that prevented large media companies from controlling free-to-air TV stations, newspapers and radio stations in the same market.

Messrs. Gordon and Murdoch had sought a declaration from the court that KordaMentha's report to creditors on the proposed CBS tie-up didn't provide adequate information about their joint bid for Ten Network, which last year posted losses of A\$157 million.

They also sought to lower the weighting of CBS's own vote on the merger. The U.S. behemoth was the largest creditor before the network went into administration, giving it a strong say over possible outcomes. CBS is owed about A\$350 million, while Fox—the second largest creditor—is owed about A\$125 million, mostly as a result of program contracts.

Judge Black said the question of "which of any competing commercial proposals put by interested parties would be most advantageous" to Ten Group creditors was a matter for creditors and shareholders. He ruled that CBS wouldn't be restricted in voting.

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

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Fax No: 65-6835-8865, Website: www.cam.com.sg, Email: cam@cam.com.sg

CAM-CF Limited OT MUS 09/08 USD 3.1 -2.5 7.9

FUND NAME	GF	AT	LB	DATE	CR	NAV	%RETURN-12-MO	%RETURN-2-YR
VP Class-B Units	AS	EQ	HKG	09/15	USD	156.60	36.7	17.8
VP Class-C Units	AS	EQ	HKG	09/15	USD	19.65	36.0	17.6
VP Class-C Units AUD H	AS	EQ	HKG	09/15	AUD	16.10	34.8	17.2
VP Class-C Units CAD H	AS	EQ	HKG	09/15	CAD	15.74	35.9	17.7
VP Class-C Units HKD H	AS	EQ	HKG	09/15	HKD	13.43	36.3	27.8
VP Class-C Units NZD H	AS	EQ	HKG	09/15	NZD	16.45	36.4	18.5
VP Class-C Units RMB H	AS	EQ	HKG	09/15	CNY	12.60	20.9	19.9
VP Class-C Units RMB H	AS	EQ	HKG	09/15	CNY	13.37	39.1	31.1
VP Multi-Asset Fund Cls A HKD	OT	OT	HKG	09/15	HKD	10.80	12.3	9.4
VP Multi-Asset Fund Cls A USD	OT	OT	HKG	09/15	USD	10.88	11.4	8.6
VP Multi-Asset Fund Cls A USD	AS	EQ	CNY	09/15	USD	20.55	22.7	23.1

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China A-Share Fund Cls A AUD H OT HKG 09/15 CAD

China A-Share Fund Cls A EUR H OT HKG 09/15 EUR

China A-Share Fund Cls A EUR H OT HKG 09/15 GBP

China A-Share Fund Cls A GBP H OT HKG 09/15 HKD

China A-Share Fund Cls A HKD H OT HKG 09/15 NZD

China A-Share Fund Cls A NZD H OT HKG 09/15 USD

China A-Share Fund Cls A NZD H OT HKG 09/15 USD

China A-Share Fund Cls A RMB (CNY) OT HKG 09/15 CNY

China A-Share Fund Cls A USD OT HKG 09/15 USD

China Greenchip-A Units AS EQ CYM 09/15 HKD

China Greenchip-A Units AS EQ CYM 09/15 AUD

China Greenchip-A Units AS EQ CYM 09/15 CAD

China Greenchip-A Units AS EQ CYM 09/15 EUR

China Greenchip-A Units AS EQ CYM 09/15 GBP

China Greenchip-A Units AS EQ CYM 09/15 HKD

China Greenchip-A Units AS EQ CYM 09/15 NZD

China Greenchip-A Units AS EQ CYM 09/15 USD

TECHNOLOGY

WSJ.com/Tech

Cisco's Chairman to Step Down

By CARA LOMBARDO

Cisco Systems Inc. Executive Chairman John Chambers, who oversaw the company for more than 20 years, won't stand for re-election later this year, the technology company said Monday.

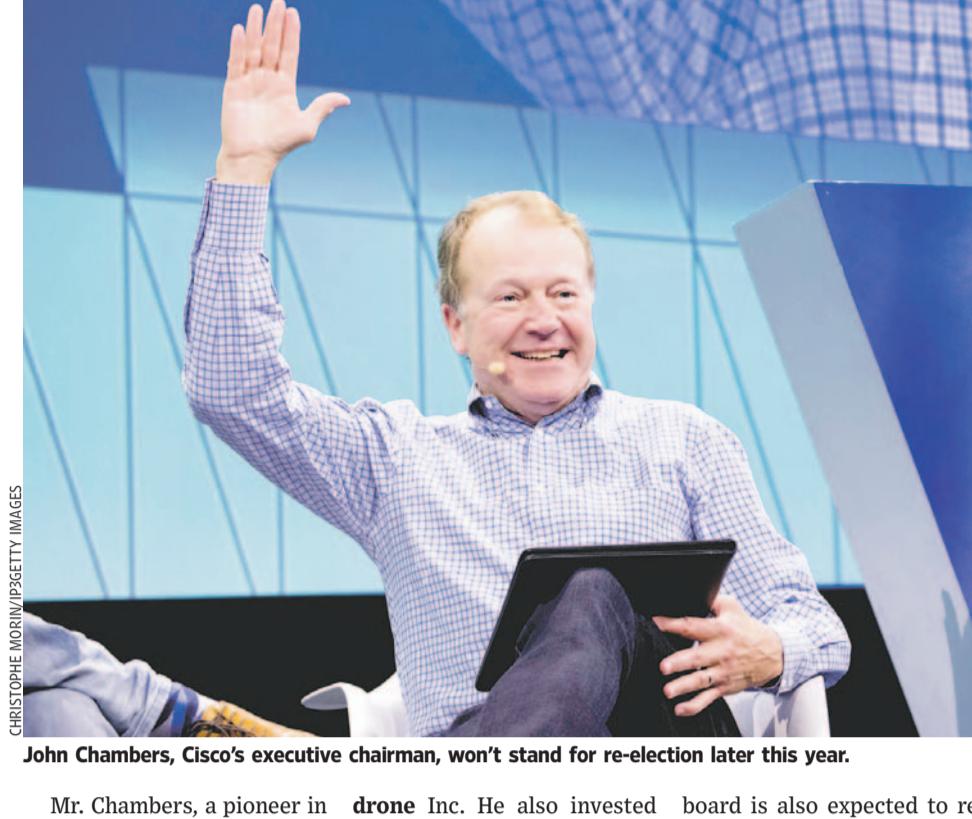
Mr. Chambers, who has been executive chairman for two years and chairman since 2006, notified board members of his decision in an email last Wednesday.

"It is time for Cisco to move on to its next generation of leadership," he said in the letter. "It is also time for me to move on to the next chapter of my life, on both a personal and business level."

Cisco plans to appoint Chief Executive Chuck Robbins, 51 years old, to fill the role.

Mr. Chambers, 68, was Cisco's CEO for more than 20 years ending in 2015, when Mr. Robbins took over. Neither Mr. Chambers nor Cisco shared details about his next plans.

The Wall Street Journal reported last month that people close to Mr. Chambers said he had been shaken by Cisco losing sales to Arista Networks Inc., a startup founded by a former star executive who was also his close friend.



John Chambers, Cisco's executive chairman, won't stand for re-election later this year.

Mr. Chambers, a pioneer in the networking field, has been deepening his involvement in emerging technology such as drones.

Earlier this year, he co-led a \$15 million funding round in drone-security startup De-

droner Inc. He also invested last year in enterprise drone services startup Airware and joined its board.

Mr. Chambers's term as chairman will expire at Cisco's annual shareholder meeting on Dec. 11. The company's

board is also expected to reduce its size from 12 to 11 members, 10 of whom will be independent directors.

Cisco shares, which have gained 7.6% this year, were up less than 1% in trading early Monday afternoon.

ing against rival comparison-shopping sites in its search ranking. The remedies would have to apply in all European countries where Google offers its shopping service.

Google submitted a plan to the EU in August that sketched out how it would amend its search results to comply, but declined to provide more details at the time.

A Google spokesman couldn't be reached for comment. A European Commission spokeswoman confirmed the body "has received information from Google on how the company intends to ensure compliance with the commission decision by the set deadline."

Should Google's proposed remedies fall short, the EU could hit it with penalties of up to 5% of average daily global revenue for the period it is deemed to be not complying.

The proposal is similar to one offered by Google several years ago as part of settlement talks with the previous EU antitrust chief. Those talks crumbled under pressure from complainants and politicians in France and Germany.

Google Offers Ad Remedy to Rivals

By NATALIA DROZDIAK

BRUSSELS—**Alphabet** Inc.'s Google has proposed overhauling its shopping search results so that rivals can bid for space to display products for sale, as part of the tech giant's efforts to comply with the European Union's antitrust order, according to people familiar with the matter.

Under the proposal, Google would bid against rivals to display products for sale in the space above its general search results, according to the people. Google would set itself a price cap that it wouldn't be able to bid above, but competitors could do so if they wish.

Rival shopping sites have hit back, saying an auction-based remedy wouldn't assuage the EU regulator's demands that the company treat its competitors' offerings and its own shopping service equally.

The European Commission ordered Google to make the changes to its search results by late September as part of its decision to fine Google a record €2.42 billion (\$2.89 billion) in June for discriminat-

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E-TENDER NOTICE NO. 14 FOR 2017-18
NOTICE INVITING BID

Bid/Package no-AM-20/2017 **Dated 18/08/2017**

Subject:- RFP for Improvement of Roads in the Amravati District in Maharashtra State for Two laning road / Two Laning road with paved shoulders under MRIP Package AM-20 on Hybrid Annuity Mode

The Government of Maharashtra had entrusted to the Authority the development, maintenance and management of state highways and Major District Roads of State of Maharashtra. The Authority had resolved to augment the existing road from 1. AM-20(A) SHEGAON PANDHARPUR PALKHI MARG

Improvement to Shegaon Nagzari. Paras Nimkarda Gaigaon, Akola Goregaon Mazod Wadegaon Medhshi Dava, Risod Loni & Bibi Kingaon Jattu in Akola Washim & Buldana Dist (SH MDR ODR & VR Length 78.48 Km) 2. AM-20(B) Improvement to Kapshi Barshi Takali Pinjar Karanja Road to joining Akola Dist HQ To Washim Dist HQ (SH 274 & 287 Length 43.00 km) in the state of Maharashtra by [Two Lanning and paved shoulders thereof] (the "Project") on design, build, operate and transfer (the "DBOT". "Hybrid Annuity") basis, and has decided to carry out the bidding process for selection of [a private entity] as the Bidder to whom the Project may be awarded.

Brief particulars of the Project are as follows:

Name of the State Highway / Major District Road	Length (in Km)	Estimated Project Cost (in Rs.Cr.)
1. AM-20(A) SHEGAON PANDHARPUR PALKHI MARG Improvement to Shegaon Nagzari, Paras Nimkarda Gaigaon, Akola Goregaon Mazod Wadegaon Medhshi Dava, Risod Loni & Bibi Kingaon Jattu in Akola Washim & Buldana Dist (SH MDR ODR & VR Length 78.48 km)	121.98	₹ 314.72
2. AM-20 (B) Improvement to Kapshi Barshi Takali Pinjar Karanja Road to joining Akola Dist HQ To Washim Dist HQ (SH 274 & 287 Length 43.00 km)		

The complete BID document can be viewed / downloaded from e-procurement portal of [<http://maharashtra.etenders.in>] from Dt. 28.08.2017 to Dt. 31.10.2017 (up to 23.00 Hrs. IST). Bid must be submitted online only at [<http://maharashtra.etenders.in>] during the validity of registration with the [Maharashtra Government e-Tendering Portal], i.e. [<https://mahatenders.gov.in>] on or before Dt. 31.10.2017 (up to 23.00 hours IST). Technical submissions of the Bids received online shall be opened on Dt. 07.11.2017 at 12.30 Hrs to Dt. 13.11.2017 at 18.00 Hrs, (IST)

Bid Submitted through any other mode shall be entertained. However, Bid Security, proof of online payment of cost of bid document, Power of Attorney and Joint Bidding Agreement etc. as specified in Clause 2.11.2 of the RFP Shall be submitted physically by the Bidder on or before Dt. 07.11.2017 (at 12.30 Hrs. IST). Please note that the Authority reserves the right to accept or reject all or any of the BIDs without assigning any reason whatsoever.

Thanking you,
yours faithfully,
(Mithilesh Chauhan)

Executive Engineer,
Public Works Division, Akola

DGIPR 2017/2018/2832

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Please refer CMRL website www.chennaimetrorail.org for particulars.

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Businesses For Sale.

CARS

Continued from page B1

weapon for vehicle companies looking for a technological edge in an evolving industry. While patent disputes rarely make news in the car business, first-movers often enjoy benefits, such as revenue from licensing their creations to others.

Toyota, long the industry leader in patent filings, innovated several hybrid-vehicle technologies that rivals eventually needed when looking to compete in combo gas-electric cars. Technology from its groundbreaking Prius was licensed by Ford, for instance.

"We're not just a company that's looking at putting some nuts and bolts on a vehicle," said Fred Mau, Toyota's lead intellectual-property attorney in North America. "It's about being prepared for, 'What's the next big thing?'"

Toyota has sought to patent a digital necklace to help the blind sense their surroundings, an example of how the car maker is looking beyond the vehicle market to innovate.

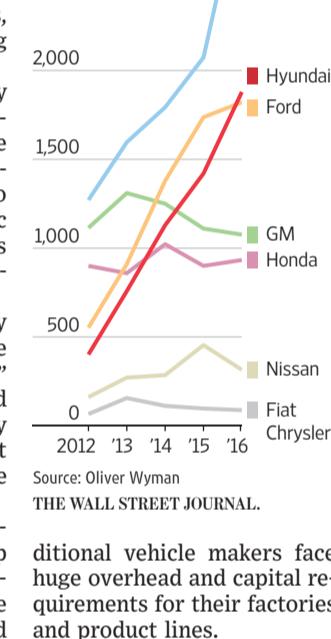
Auto executives feel the heat from tech companies, as richly funded startups and corporate heavyweights develop their own moonshot ideas.

For instance, Google parent **Alphabet** Inc.'s Waymo autonomous-car division in 2015 filed a patent application for a shape-shifting vehicle that would become flexible in a collision. **Amazon.com** Inc., which is following **Uber Technologies** Inc. and **Apple** Inc. in creating an in-house driverless-technology division, recently patented a system to help autonomous vehicles better navigate differing roadway configurations.

Jürgen Reiner, a partner at Oliver Wyman, said car companies have an edge in creating automotive hardware, but will struggle to catch up on the software front. Unlike Silicon Valley companies, tra-

Big Ideas

Number of U.S. patent applications filed by major car makers.



ditional vehicle makers face huge overhead and capital requirements for their factories and product lines.

"It's not a well-balanced battle," Mr. Reiner said. "They need to develop cars."

Some car companies aren't moving as aggressively on the patent front, even if they are trying to lead the technology chase. **General Motors** Co. has bought or invested in Silicon Valley firms working on autonomous technology but narrowed its own patent filings to about 1,000 in the U.S. last year, down 3.4% from 2012.

GM said it trimmed its patent requests to focus more on emerging technologies, including advanced materials, and sensors and other things linked to connectivity.

Toyota's U.S. filings climbed to over 3,000 last year from 1,271 in 2012, and to 7,000 globally, from 9,950 in 2012. Ford submitted 5,000 globally, a fivefold increase over 2012, according to Oliver Wyman.

Snap Blocks Al Jazeera

By DOUGLAS MACMILLAN

Snap Inc. on Sunday said it has followed a request from the Saudi Arabian government to block access to Al Jazeera news articles and videos on its Snapchat social-media app to residents in the country.

Al Jazeera's Arabic-language channel in Snapchat Discover, which had been removed from the Saudi Arabian version of the app, a spokeswoman from Snap said. Al Jazeera articles remain open to Snapchat users in 14 other countries in the Middle East.

Snap's decision could inflame tensions between the Qatari broadcaster and the four neighboring countries that have imposed an economic blockade on Qatar.

In a statement, a spokesman for Al Jazeera said Snap's move appears to be "an attempt to silence freedom of expression."

Qatari businesses are facing

pressure after Bahrain, Egypt, Saudi Arabia and the United Arab Emirates abruptly broke diplomatic ties with the nation in June, accusing it of sheltering and supporting Islamist groups such as the Muslim Brotherhood and Hamas, claims that Qatar denies.

Qatar's adversaries issued a list of 13 demands, including shutting down Al Jazeera for news coverage they see as biased against them. Al Jazeera said its website and apps have been blocked in Saudi Arabia since May.

Snap, trying to expand its popularity as a destination for news articles and videos, is encountering a new challenge in the form of potential government censorship of that news. A spokeswoman for Snap said in an email that the company removed Al Jazeera's channel to obey local laws.

"We make an effort to comply with local laws in the countries where we operate," the Snap spokeswoman said.

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FINANCE & MARKETS

Litigation Funders Are Awash in Cash

Promise of sharing in legal settlements lures more investors; new \$500 million fund

BY SARA RANDAZZO

Investors apparently can't get enough of financing U.S. litigation.

Litigation funder **Longford Capital Management LP** was expected to announce Monday it closed a \$500 million fund that will be used to back corporate lawsuits in exchange for a cut of any eventual settlement or judgment.

Competing litigation-finance firms have raised and deployed hundreds of millions of dollars more in recent months. The industry has accelerated as investors—including pension funds, family offices and wealthy individuals—are drawn to a new asset that isn't tied to the broader markets.

The investments traditionally have funded plaintiffs in corporate litigation, though funders have begun looking for more creative ways to support defense-side work as the industry has matured.

Longford said it attracted enough interest from investors to raise \$1 billion for the recently closed fund, its second, but decided to cap it at half that. The firm's first fund raised \$56.5 million.

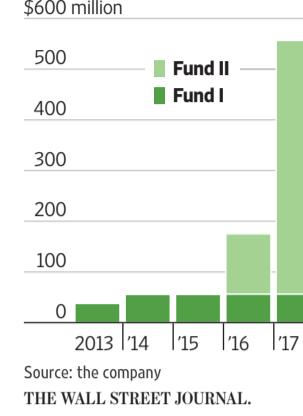
Since its founding in late 2011, Longford has put \$137 million into 102 lawsuits. So far, 43 of those have settled or otherwise been resolved and have been "very successful for investors," said William Strong, Longford's chairman and managing director. He declined to discuss the exact rate of return.

Burford Capital, the biggest player in the industry, made \$488 million in new investments in the first half of 2017, the publicly traded firm said in July, up from \$200 million in the same period last year. Six-month profits-after-taxes were up 170%, to \$142.7 million, Burford said.

Lawsuits often take years to resolve, and the terms of litigation funding call for investors to lose everything if a case is unsuccessful. To mitigate the risk, funders are packaging lawsuits into portfolios, which has also helped them deploy money faster.

A Strong Appeal

Longford Capital has raised \$556.5 million from investors for two funds that finance lawsuits.



Source: the company
THE WALL STREET JOURNAL.



Jeffrey Vinik is an investor in the new Longford fund.

including the U.S. Chamber of Commerce, say the influx of money is driving unnecessary lawsuits and that funders have too much influence over litigation outcomes. The funders contest both points.

While most deals continue to remain confidential, some law firms are becoming open to attaching their name to the practice. **Woodsford Litigation Funding** said in August it entered into a \$20 million financing arrangement with litigation law firm **Lewis Baach Kaufmann Middlemiss** to fund future contingency-fee matters. Woodsford, founded in 2010 in the U.K., opened its first U.S. office in Philadelphia in July.

"The economics of litigation have changed a lot," said Eric Lewis, senior partner at Lewis Baach, who added that outside financing helps cover upfront costs.

Interest in financing litigation shows no sign of slowing.

"The amount of growth to take place is extraordinary," said Longford's Mr. Strong, who previously worked as a senior executive at Morgan Stanley. "It reminds me of what private equity felt like in the late 1970s."



SAJJAD HUSSAIN/AGENCE FRANCE PRESSE/GETTY IMAGES
Google's Caesar Sengupta says India is ready to grow in the area.

Google Prepares Entry Into India Mobile Payments

BY NEWLEY PURNELL

NEW DELHI—Alphabet Inc.'s Google is aiming for a piece of India's booming—but increasingly crowded—mobile-payments business.

The Mountain View, Calif., tech giant on Monday launched its first smartphone app that lets users transfer money to individuals and businesses in the country without the use of a credit or a debit card, a crucial factor since many here lack plastic.

Millions of Indian consumers have been ditching bills in favor of mobile-payments apps after the government's surprising move last year to take 86% of currency out of circulation in an effort to curb corruption and bring more people into the tax net. The move triggered a cash crunch.

"India will leapfrog markets like the U.S. and Europe" in terms of adoption of mobile payments, Caesar Sengupta, a Google vice president, told the media in New Delhi. Services such as **Apple Inc.'s** Apple Pay and **Samsung Electronics Co.'s** Samsung Pay are increasingly popular in some developed countries. But they face competition from widely used credit cards and haven't really taken hold in emerging markets.

Google's app, called Tez, lets Android and Apple users send money from their bank accounts or receive it via a simple interface that resembles a chat app and works in seven Indian languages.

The app's launch is Google's latest move to customize products for India's nascent internet economy, which analysts say it wants to tap to ramp up advertising revenue globally. The firm has joined

with the Indian government to provide free Wi-Fi at railway stations and has released special apps for the market, such as a version of YouTube that works even with patchy internet connections.

"Google is late on this thing but they can easily scale it up," said Tarun Pathak, an analyst at research firm Counterpoint. Some 96% of smartphone users in India are on Google's Android mobile-operating system, he said, and the service could grow quickly if users flock to it.

While Google says it isn't charging users or merchants for the service, Mr. Pathak said Google could one day use it to collect data for advertising purposes. Google declined to say if it has plans to bring the app to additional emerging countries, like Indonesia and Brazil, but said it holds promise for such markets.

Google's new app faces some serious rivals. India's market leader, Paytm, boasts more than 225 million users and in May raised \$1.4 billion from Japan's SoftBank Group Corp., which it is using to fuel its expansion.

India's biggest local messaging app, Hike, in June launched a mobile-payments feature, while Facebook Inc.'s WhatsApp—which has some 200 million users in India—is exploring adding digital payments in India.

"We see our primary competitor as cash," said Google Vice President Diana Layfield, stressing that the company views mobile payments as being in their infancy in India.

Mr. Sengupta said Tez, which means "fast" in Hindi, has already attracted about 50,000 users in recent days ahead of its official launch.

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MARKETS DIGEST

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High, low, open and close for each trading day of the past three months.

Year-to-date
52-wk high/low
All-time high

20230.41
16251.54
38915.87 12/29/89

STOXX 600 Index

381.95 ▲ 1.24, or 0.33%

High, low, open and close for each trading day of the past three months.

Bars measure the point change from session's open

June July Aug. Sept.

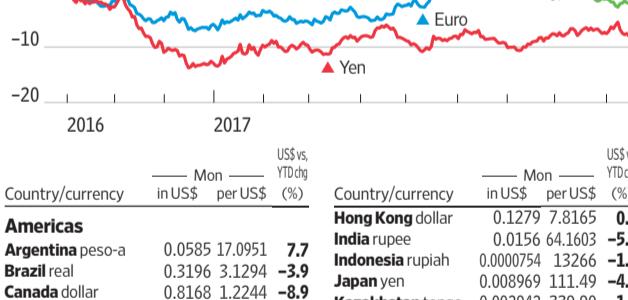
International Stock Indexes

Data as of 12 p.m. New York time

Region/Country	Index	Close	NetChg	% chg	52-Week Range	Low	Close	High	YTD % chg
World	The Global Dow	2894.92	4.78	▲ 0.17	2386.93	● 2900.56	14.5		
	MSCI EAFE	1963.45	-0.85	-0.04	1614.17	● 1970.23	14.4		
	MSCI EM USD	1112.30	10.14	▲ 0.92	838.96	● 1102.26	40.1		
Americas	DJ Americas	604.95	1.41	▲ 0.23	503.44	● 605.54	11.9		
Brazil	Sao Paulo Bovespa	75969.97	213.45	▲ 0.28	56828.56	● 76403.58	26.1		
Canada	S&P/TSX Comp	15181.83	8.80	▲ 0.06	14468.03	● 15943.09	-0.7		
Mexico	IPC All-Share	50174.89	253.05	▲ 0.51	43998.98	● 51772.37	9.9		
Chile	Santiago IPSA	3950.05	...	Closed	3120.87	● 3959.34	22.6		
U.S.	DJIA	22352.11	83.77	▲ 0.38	17883.56	● 22355.39	13.1		
	Nasdaq Composite	6476.16	27.69	▲ 0.43	5034.41	● 6477.33	20.3		
	S&P 500	2506.55	6.32	▲ 0.25	2083.79	● 2508.32	12.0		
	CBOE Volatility	10.03	-0.14	-1.38	8.84	● 10.03	23.01	-28.6	
EMEA	Stoxx Europe 600	381.95	1.24	▲ 0.33	328.80	● 396.45	5.7		
	Stoxx Europe 50	3109.99	8.15	▲ 0.26	2720.66	● 3279.71	3.3		
France	CAC 40	5229.32	15.41	▲ 0.30	4342.64	● 5442.10	7.5		
Germany	DAX	12559.39	40.58	▲ 0.32	10174.92	● 12951.54	9.4		
Greece	ATG	760.79	-15.41	-1.99	556.70	● 859.78	18.2		
Israel	Tel Aviv	1424.96	9.86	▲ 0.70	1346.71	● 1490.23	-3.1		
Italy	FTSE MIB	22364.74	135.25	▲ 0.61	15923.11	● 22390.96	16.3		
Netherlands	AEX	529.31	2.53	▲ 0.48	436.28	● 537.84	9.5		
Russia	RTS Index	1119.14	-4.29	-0.38	956.36	● 1196.99	-2.9		
Spain	IBEX 35	10338.40	21.00	▲ 0.20	8512.40	● 11184.40	10.5		
Switzerland	Swiss Market	9048.11	20.06	▲ 0.22	7585.56	● 9198.45	10.1		
South Africa	Johannesburg All Share	56050.10	404.95	▲ 0.73	48935.90	● 56896.89	10.7		
Turkey	BIST 100	106534.60	-1207.10	-1.12	71792.96	● 110530.75	36.3		
U.K.	FTSE 100	7253.28	37.81	▲ 0.52	6676.56	● 7598.99	1.5		
Asia-Pacific	S&P/ASX 200	5720.60	25.60	▲ 0.45	5156.60	● 5956.50	1.0		
China	Shanghai Composite	3362.86	9.24	▲ 0.28	2980.43	● 3385.39	8.4		
Hong Kong	Hang Seng	28159.77	352.18	▲ 1.27	21574.76	● 28159.77	28.0		
India	S&P BSE Sensex	32423.76	151.15	▲ 0.47	25765.14	● 32575.17	21.8		
Indonesia	Jakarta Composite	5884.61	12.22	▲ 0.21	5027.70	● 5915.36	11.1		
Japan	Nikkei Stock Avg	19909.50	...	Closed	16251.54	● 20230.41	4.2		
Malaysia	Kuala Lumpur Composite	1783.66	-2.67	-0.15	1616.64	● 1792.35	8.6		
New Zealand	S&P/NZX 50	7758.71	-3.95	-0.05	6664.21	● 7879.46	12.8		
Philippines	PSEI	8294.14	113.29	▲ 1.38	6563.67	● 8294.14	21.2		
Singapore	Straits Times	3241.85	32.29	▲ 1.01	2787.27	● 3354.71	12.5		
South Korea	Kospi	2418.21	32.14	▲ 1.35	1958.38	● 2451.53	19.3		
Taiwan	Weighted	10631.57	51.16	▲ 0.48	8931.03	● 10631.57	14.9		
Thailand	SET	1670.20	9.67	▲ 0.58	1406.18	● 1670.20	8.2		

Currencies

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



US\$ vs. in US\$ per US\$ (%)

Country/currency

Mon. in US\$ per US\$ (%)

Country/currency

FINANCE & MARKETS

Tycoon Seeks to Polish His Legacy

By DAVID BENOIT

VANCOUVER—Dennis Washington assembled a sprawling industrial empire based largely on instinct. The 83-year-old billionaire is now grappling with how to make sure it endures after him.

Mr. Washington started out in 1964 with a \$30,000 loan and a single bulldozer. Today, the privately held **Washington Cos.** comprises six private companies, one public company and a joint venture, running mines and railroads, building ships and designing jet wings—and generating more than \$2 billion a year in revenue.

Now it is set to close its biggest deal ever, a \$1.2 billion purchase that will add diamond mining near the Arctic Circle to the mix.

The entrepreneur's improbable rise turned a boy who grew up poor—he used to shine shoes in Washington state alongside a young Quincy Jones—into a Montana tycoon worth \$6 billion, according to Forbes.

Driving through his shipyards here, where the first vessel in an \$8 billion contract with the Canadian government is nearing completion, Mr. Washington simplifies his collection of businesses: They all involve "big machines." They were strung together through a series of acquisitions that often launched him into lines of businesses he had no experience with, but poured off cash he could reinvest.

"I get some seeds in the ground, and I just keep plowing them," Mr. Washington says.

Like many family-run businesses and even some public companies—including that of his friend Warren Buffett's Berkshire Hathaway Inc.—his approach has created a difficult succession challenge: how to pass down Mr. Washington's intangible abilities. Mr. Washington says his goal is to ensure the group survives at least three generations.



Dennis Washington, shown at his Seaspan shipyard in North Vancouver, started with one bulldozer.

Though his two grown sons are involved, they aren't interested in running the operations, Washington officials say.

Instead, he has turned to three good friends, well-known businessmen themselves: David Batchelder, a pioneer activist investor; Stephen Hanks, who ran Mr. Washington's construction company; and David Sokol, once viewed as a potential successor to Mr. Buffett.

They oversee a trust that owns Washington Cos., an umbrella for the businesses. Independent chief executives answer to Larry Simkins, the CEO of Washington, and to their own boards.

"He's met a lot of multigenerational families, and he learned from their successes and mistakes," says Byron Trott, an adviser to wealthy families and companies, in-

cluding Berkshire. "He doesn't take things off the shelf."

Mr. Simkins says each CEO is given wide latitude but held accountable for growth and return on invested capital. The trustees focus on how to invest cash the businesses generate.

They made their biggest move this year with the purchase of Dominion Diamond Corp. Mr. Batchelder, who had looked at Dominion when he was an activist, brought the idea to Mr. Washington and led the negotiations along with Mr. Simkins. The deal is expected to close in the fourth quarter.

The trustees also will pick the next group of leaders, and Mr. Washington is seeking to instill in them his way of thinking. He advocates long-term investment, like the Ca-

nadian contract to build non-combat vessels for the Coast Guard and Navy.

He credits spending on local communities and employees for saving him from union trouble. He has sought to avoid public markets because he wants to own his businesses "forever" and questions investors' willingness to back him consistently.

Mr. Washington has no title and sits silently at board meetings. Afterward, the others ask him what he would have done differently.

"We are practicing for the inevitable," Mr. Simkins says.

The day doesn't seem too close.

Neither Mr. Washington's age nor a bout with polio as a boy that still affects one leg slows him down much as he takes a reporter around his

Vancouver properties. An avid tennis player, he is preparing for an annual tournament against a team led by another friend, Bill Gates.

Despite his high-profile connections and his success, Mr. Washington avoids attention, and keeps away from politics and stock investing. "Big shot" is a term he uses pejoratively.

Mr. Washington made his first real fortune buying a bankrupt copper mine in Butte, Mont., in 1985, and he got a lucky break when prices for copper soared. Washington expects to keep mining copper for about 45 more years.

He laments some missed deals—wishing he had done more in railroads—and the one big one he landed. Washington bought Raytheon Co.'s construction-machines business in 1999. A legal mess over contracts Raytheon hadn't finished led to a bankruptcy. Mr. Washington says he could have done a better job anticipating that risk.

Mr. Washington's one attention-grabbing habit has long been yachts. His largest, the *Atessa IV*, stretches 330 feet and has about 18,000 square feet of living space and an orange chandelier from famed glass sculptor Dale Chihuly. It is estimated to have cost more than \$200 million.

Still, friends say he is frugal and gives away vast portions of his fortune. He will host movie stars—Vince Vaughn and Mel Gibson kept him up late recently on his smaller *Atessa III* yacht—but favors Kokanee Glacier beer, a locally brewed beverage.

And he hates losing any money frivolously. On Mr. Washington's private golf course, designed by Robert Trent Jones Jr., Mr. Hanks once had a short putt to win a minor wager. When he missed, Messrs. Hanks and Washington had to pay Mr. Batchelder \$20.

Months later, waiting for a meeting with U.K. officials at 10 Downing St., Mr. Washington was still lamenting the miss, Mr. Hanks recalls.

FINANCE WATCH

ANZ

Bank Negotiates Sale of Wealth Arm

Australia & New Zealand Banking Group Ltd. said it is in talks with a number of suitors for its Australian wealth operations as it continues to work through its options for the business.

ANZ kicked off the auction process for its local insurance, pension, investments and advice businesses in April. It has said they collectively have a book value of close to 4.5 billion Australian dollars (US\$3.6 billion). The proposed sale comes as several rivals have moved to exit their life-insurance businesses.

ANZ said its options include exploring capital-market solutions that would see the creation of a standalone business based around its wealth operations. —*Robb M. Stewart*

CREDIT SUISSE

Changes at Top In Investment Bank

Credit Suisse Group AG unveiled changes to the upper ranks of its investment bank, bringing in new co-heads for Europe, the Middle East and Africa.

Mathew Cestar and Jens Welter, both Credit Suisse veterans, have been appointed co-heads of investment banking and capital markets for the region. They succeed Marisa Drew and Mark Echlin, who have moved on to other positions within the bank.

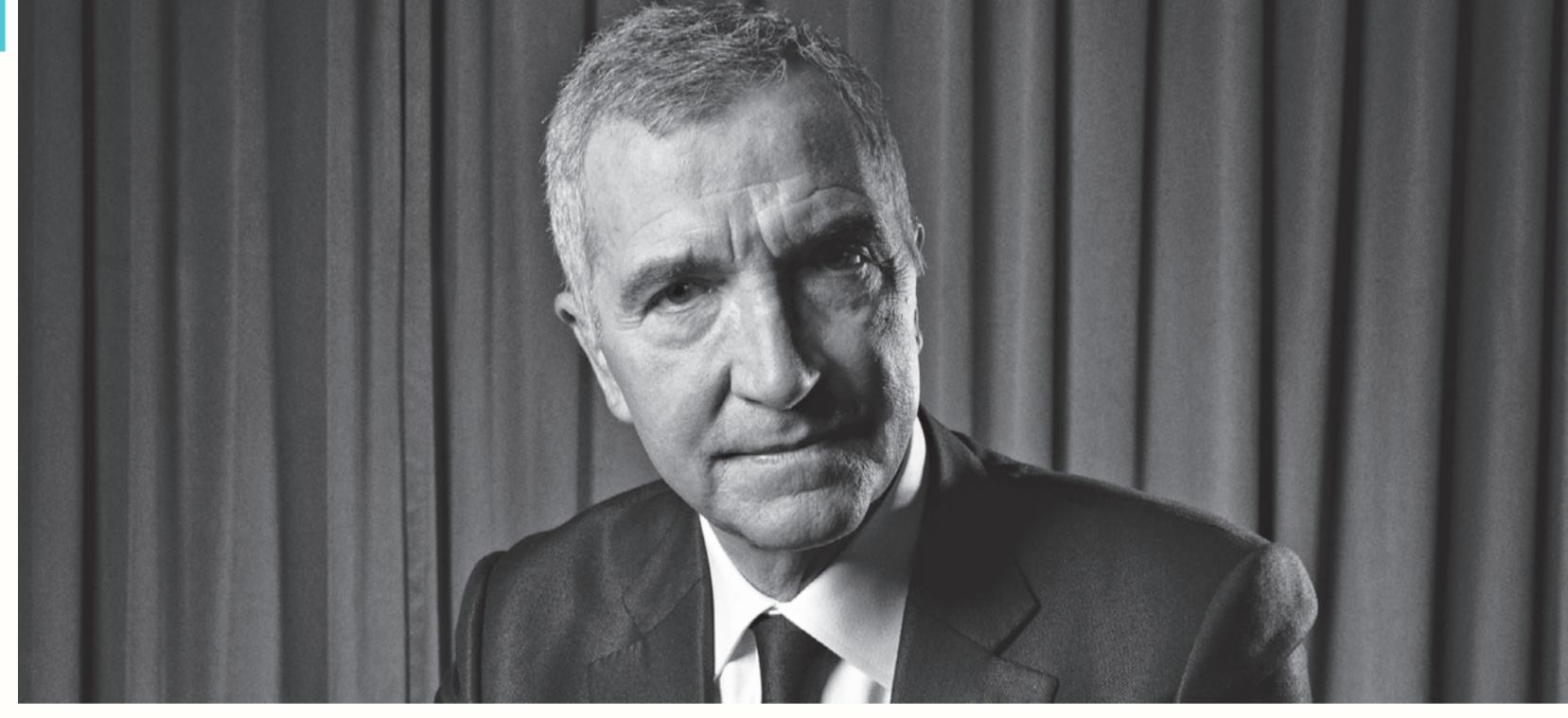
The bank is shifting strategy to emphasize its more predictable wealth-management operations while scaling back investment banking, which can be highly profitable but also volatile.

Mr. Echlin's new role is chairman of U.K. investment banking and capital markets, while Ms. Drew will become head of the new impact advisory and finance department, which supports the bank's social investing and philanthropic endeavors.

In another move, Credit Suisse banker Henrik Aslaksen was appointed executive chairman of Investment banking and capital markets for EMEA.

—*Brian Blackstone, Ben Dummett*

WSJ TALK / EXPERIENCE / OFFER / GETAWAY



In Their Words: In Conversation with Graeme Souness

Join WSJ's Joshua Robinson, sports editor, Europe, for a conversation with Graeme Souness, professional football player, manager and commentator. The in-depth discussion will cover his past experiences and the major dilemmas facing the game today, as documented in his new book, "Football: My Life, My Passion."

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MARKETS

Portugal: Europe's Unlikely Star Market

BY JON SINDREU

In Europe, this year's star investment has been a country long one of its most troubled—Portugal.

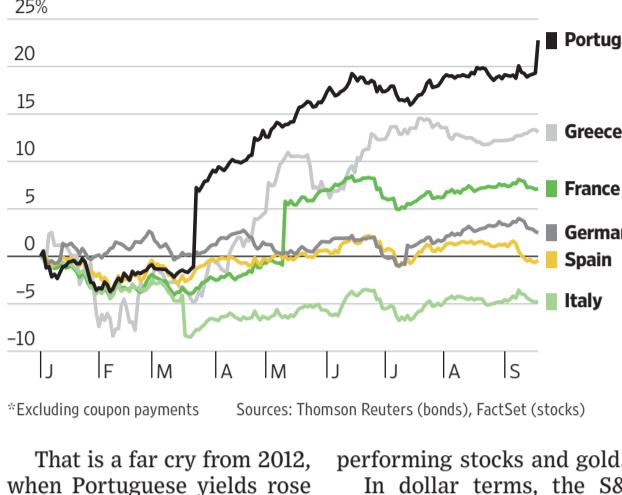
Portuguese government debt rallied sharply on Monday after ratings company Standard & Poor's gave the government back the investment-grade label lost during the euro crisis in 2012. Yields on 10-year Portuguese bonds plummeted to around 2.5%, the lowest since late 2015, when only Friday they closed at roughly 2.8%.

Buying Portuguese debt has been one of 2017's hottest investments. Those who bought Portugal's 10-year sovereign bonds at the start of this year have seen a 22% return, better than for any other bond in the eurozone, excluding coupon payments.

When coupons are included, only Greek bonds have performed better this year, data that runs up to last Friday—and excludes Monday's rally—shows.

Southern Europe Strikes Back

Change in the prices of 10-year sovereign bonds since the start of the year*



*Excluding coupon payments Sources: Thomson Reuters (bonds), FactSet (stocks)

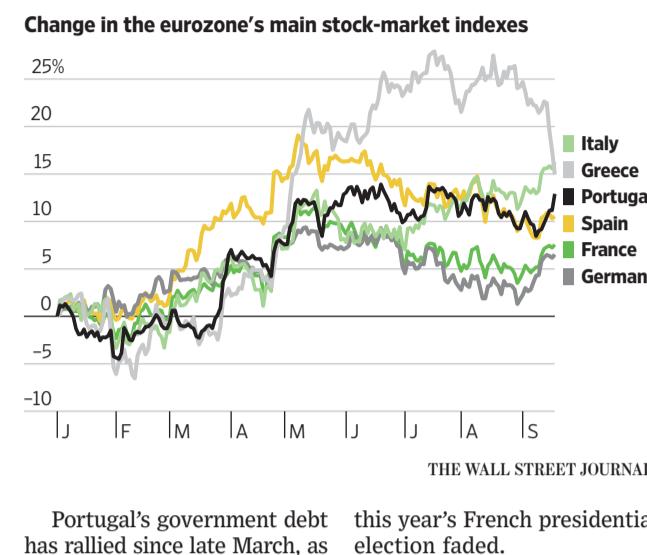
That is a far cry from 2012, when Portuguese yields rose to as much as 16% as troubles in Greece and fears about the survival of the common currency sparked concern about the ability of countries across the eurozone's periphery to pay back their debts.

Portuguese debt is also out-

performing stocks and gold. In dollar terms, the S&P 500 has gained 12% since the start of the year, while gold is up 14%. The Portuguese stock market is up only half as much as the nation's bonds, gaining 11% in euro terms. On Monday, it gained 1.6%, compared with 0.2% for the Euro Stoxx 50.

Portugal's government debt has rallied since late March, as international investors returned to Europe after years of pulling money out of the continent's markets. Later, it was the main beneficiary of a relief rally that came as far-right candidate Marine Le Pen's chances of a victory in

Change in the eurozone's main stock-market indexes



THE WALL STREET JOURNAL.

the lead and Portugal is leading the pack.

Portugal's gross domestic product has expanded 2.8% from a year earlier for two quarters in a row, much above the eurozone average. Unemployment is close to a nine-year low.

S&P said it now expected Portugal to grow 2.2% on average until 2020, compared with a March forecast of 1.5%.

"The upgrade reflects our improved forecast for Portugal's GDP growth during 2017-2020, as well as the solid progress it has made in reducing its budget deficit and the receded risk of a marked deterioration in external financing conditions," S&P said.

The ratings firm also underscored that the government has helped strengthen the banking system by recapitalizing state-owned Caixa Geral de Depósitos earlier this year.

Portugal is still rated as a speculative investment by Moody's and Fitch, the other two top ratings companies.

Samsung Leads a Rally in South Korean Stocks

BY ESE ERHIERIENE

South Korea's benchmark stock index powered ahead, boosted by a gain in shares of Samsung Electronics, leading broad gains in Asian markets.

The Kospi rose 1.35%, its biggest percentage increase since May 11, marking a third consecutive session of gains.

The upsurge came as investors appeared to brush aside concern over tensions on the Korean Peninsula.

On Sunday, South Korean President Moon Jae-in and U.S. President Donald Trump in a telephone conversation agreed to exert stronger pres-

sure on North Korea, with Mr. Moon warning North Korea is walking toward a "path of collapse" after Pyongyang launched a missile over Japan on Friday.

Shares of Samsung gained 4.1% as technology shares rallied broadly. SK Hynix, a chip maker, rose 3.2%.

The Japanese market was closed for a holiday, but Hong Kong's Hang Seng Index gained 1.3%. The Shanghai Composite added 0.3%, lifted by gains in alcohol and brokerage shares.

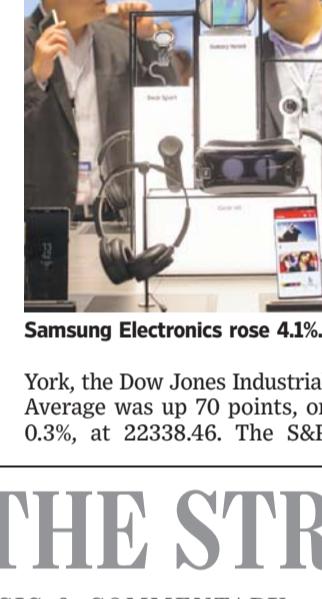
On Friday, a Chinese regulator said it would relax margin requirements and transaction fees on stock-index futures, indicating Beijing's confidence

that the market has largely stabilized since the rout in 2015. But the move has had little impact so far, as additional fund inflows have been incremental, said BOC International analyst Jacky Zhang.

In Sydney, the S&P/ASX 200 rose 0.45%. Financial stocks rallied. National Australia Bank rose 1.1%, while Australia & New Zealand Banking Group advanced 1%.

In New Zealand, though, the NZX 50 index added just 0.1%, with shares of New Zealand Refining and Air New Zealand leading decliners after a Thursday pipeline rupture at a refinery that services New Zealand's busiest airport.

Early afternoon in New



Samsung Electronics rose 4.1%.

500 rose 0.2% and the Nasdaq Composite added 0.4%.

Major indexes rose to records last week, but moves in recent sessions have been muted, keeping U.S. stocks in a narrow range. With the third-quarter earnings season yet to begin in earnest, and several potential risks—including a potential Republican tax proposal and a Federal Reserve meeting—on the horizon, there are few reasons to make big moves, some investors and analysts said.

Financial shares in the S&P 500 rose 0.6% on Monday, supported by rising bond yields. Higher rates tend to benefit banks by boosting their net-interest margins, a

key measure of lending profitability.

The yield on the 10-year U.S. Treasury note was at 2.227% at midday, compared with 2.202% on Friday. Yields rise as bond prices fall.

Later this week, the Fed is widely expected to announce that it will begin unwinding its \$4.5 trillion balance sheet later this year. While a string of muted inflation readings had made many investors skeptical the Fed would be able to raise rates for a third time in 2017, data Thursday showing a rebound in U.S. consumer prices pushed some to rethink their bets.

—Marina Force contributed to this article.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

WSJ.com/Heard

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How China Proposes Up Real Estate

Chinese property data out Monday showed housing prices weakening across the board in August. Usually this would be a good point to exit from China growth plays.

But another 2015-style collapse in Chinese commodities demand remains unlikely. The reason: slum clearance. Local governments are directly buying up large quantities of houses developers haven't been able to sell and filling them with citizens relocated from what they call "slums"—old, sometimes dilapidated neighborhoods.

That helps explain why the drop in unsold inventories of apartments over the past year has been so sharp—down 22% on the year in August. That has

helped prop up the market, especially in China's smaller cities, despite more restrictions on housing purchases and slowing official figures on sales growth.

The scale of the program is large, accounting for 18% of floor space sold in 2016, according to Rosealea Yao, senior analyst at Gavekal Dragonomics, and is being partly funded by state policy banks such as China Development Bank. That fits with Beijing's broader strategy to head off a debt crisis by helping overextended property and industrial companies shift their debts and bad assets onto the government. Part of that is through a massive expansion of municipal debt and by getting consumers to carry more of the load through cheap

Backdoor Bailout

Data for China, change from a year earlier



mortgages. China Development Bank's slum-redevelopment lending hit nearly one trillion yuan (\$152.6 billion) last year, more than half of which went to purchasing existing commercial housing.

As a result, real-estate investment has held up reasonably well this year and inventories continue to fall. Vacant residential floor space was down another 10 million square meters (107.6 million square feet) in August.

None of this is to say that the market isn't slowing. Housing price gains and investment have both been weakening gradually for months, and that is beginning to drag on metal prices and mining shares.

But the chances of a commodity-price bloodbath are slim. On the supply side, investment in new copper and iron mines is still relatively low. Investors should position themselves for a correction, not a collapse.

—Nathaniel Taplin

ECB Tapering Isn't So Frightening After All

For markets fretting about a world with less central-bank stimulus, tiny Portugal has given a hint that it might not be that bad after all.

In a surprise move, Standard & Poor's upgraded Portugal, one of the countries hit hardest by the eurozone crisis, back into investment-grade territory Friday. The move to triple-B-minus was especially unexpected since S&P's rating outlook had been set at stable, rather than positive, before Friday's decision. What is significant about the timing is that S&P's upgrade comes despite the likely reduction in ECB bond purchases in coming months.

That marks a striking reversal.

As recently as last year, the key question for Portugal was whether DBRS, another ratings firm, might be the last to remove its investment-grade rating on the country, making Portuguese bonds ineligible for ECB purchases. Fast forward, and in fact, the ECB has already been cutting back on Portuguese purchases, due to the limits of its purchase program, yet with no ill effect. In August, the central bank

bought just €400 million (\$478 million) of Portuguese debt, versus a peak of €1.4 billion in May 2016, S&P noted.

Meanwhile, Portugal's 10-year yield has been plummeting, and fell by another 0.3 percentage point Monday, a big decline, to 2.5%. It was above 4% as recently as March. Not including Monday's gains, Portuguese government bonds have returned 8.2% this year, according to Bank of America Merrill Lynch indexes.

Importantly, Portuguese bonds are benefiting from stronger economic data. Unemployment has fallen to 9.1%, back in line with the overall eurozone rate, from a peak of 17.5% in 2013.

It may be difficult to apply Portugal's experience to other eurozone countries. As a relatively high-yielding issuer, it has benefited from rising risk appetite this year, while other bigger markets have probably gained greater support from continued ECB purchases. But as a sign that the ECB might matter less than feared for bond-market performance, Portugal's path is an encouraging one.

—Richard Barley

OVERHEARD

Kmart is trying something new, but will it be fabulous?

The chain is renaming "plus size" clothing for women—generally anything above a size 12—as "fabulously sized," according to the publication Women's Wear Daily.

It certainly is a large demographic. A study says the average American woman is now a size 16 to 18.

While it is too soon to say if the move will work, something needs to stick.

Kmart parent Sears Holdings reported last month that its same-store sales plunged by 11.5% in the quarter through July 29 and that it would shut down 28 more Kmart locations on top of 150 Sears and Kmart stores already slated for closure.

All the stress has taken a toll. Sears Holdings has shrunk from a size \$30 billion to less than a size \$1 billion in the past decade.

Clariant Must Work to Get Out the Vote

Huntsman and Clariant are closing the details of their merger, but the gap between their stock prices remains wide open.

In one of the largest trans-Atlantic deals of the year, the U.S. and Swiss chemicals manufacturers announced in May that they would combine to create a \$14.7 billion company. The shares of the two, however, are trading as if the deal might fall apart.

Huntsman stock has traded at a roughly 9% discount to its value under the merger's terms from the start of August until early September. While the gap has closed a bit this week, it is still at about 6%, leaving a big potential profit on the table if the deal gets done.

Standing in the way are two Clariant investors that have joined forces to oppose it. One of these investors is the family behind Standard Industries, a big U.S. building materials and chemicals

company. The other is Corvex, an activist investment fund whose head, Keith Meister, has been a thorn in Huntsman's side before.

Huntsman CEO Peter Huntsman told a Swiss newspaper this week that when he had previously crossed swords with Mr. Meister over a different deal: "His ranting

irritated me." He won't meet the investor now.

Last week, the companies' merger teams met at Huntsman's headquarters in Texas to begin planning their integration when the merger closes, which they say should be at the end of the year. Before then, it must pass shareholder votes at both compa-

Marriage Troubles

Gap between Huntsman stock price and its value under the all-stock merger with Clariant



Note: Final data as of Friday. Source: FactSet