

THE WALL STREET JOURNAL.

DOW JONES | News Corp

FRIDAY - SUNDAY, SEPTEMBER 1 - 3, 2017 ~ VOL. XLII NO. 1

WSJ.com

ASIA EDITION

As of 12 p.m. ET

DJIA 21942.38 ▲ 0.23% NIKKEI 19646.24 ▲ 0.72% STOXX 600 373.88 ▲ 0.77% BRENT 52.23 ▲ 2.69% GOLD 1317.60 ▲ 0.73% EURO 1.1886 ▲ 0.02% DLR \$110.10 ▼ 0.13%

What's News

Business & Finance

Cadillac sales are growing at their fastest rate since the Reagan administration, as the auto maker is selling more cars in China than in the U.S. **A1**

◆ Dong is selling off its last oil and natural-gas fields, as the company looks to shift toward renewable sources. **B1**

◆ The Trump administration is preparing to block Russia's Rosneft from gaining control of critical U.S. energy assets. **B1**

◆ Europe's largest grocer reported disappointing results amid changes to the grocery industry after Amazon's acquisition of Whole Foods. **B1**

◆ Uber's new CEO said that the firm could go public within 18 months in his first appearance before the firm's employees. **B3**

◆ Walt Disney is preparing significant budget cuts at its Disney/ABC Television Group that will include staff reductions and restructurings. **B3**

◆ HNA Group is suing Guo Wengui for allegedly spreading falsehoods that have damaged the company's reputation. **B4**

◆ Rivals Microsoft and Amazon announced plans to let their voice-enabled digital assistants work together later this year. **B3**

◆ Copper has gained 20% this summer, but analysts believe the metal's current price exceeds its worth. **B5**

World-Wide

◆ Japan's Defense Ministry requested about \$1.6 billion for new missile-defense technology, following North Korea's missile launch over the country. **A1**

◆ Two explosions erupted at a Texas chemical plant that suffered heavy flooding and power loss due to Tropical Storm Harvey. **A1**

◆ China's Communist Party plans to hold its twice-a-decade congress in mid-October, as Xi looks to begin a second term. **A2**

◆ Macron unveiled a labor overhaul that changes rules and protections that, according to French businesses, hurt hiring. **A3**

◆ The leftist front-runner in Mexico's 2018 election called for Nafta talks to be suspended until after the election. **A4**

◆ The U.S. sent four fighter jets and two bombers over the Korea Peninsula, in direct response to North Korea's missile launch over Japan. **A4**

◆ Mnuchin said that the Trump administration and Congress are set to release a more-detailed tax plan in the coming weeks. **A5**

◆ The latest round of Brexit talks ended with core issues looming, such as a financial settlement demanded by the EU. **A3**

◆ Maduro faces few threats to his rule in Venezuela as antigovernment protests have ceased. **A4**

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China: RMB28.00; Hong Kong: HK\$23.00;
Indonesia: Rp25,000 (incl PPN);
Japan: Yen620 (incl JCT); Korea: Won4,000;
Malaysia: RM750; Singapore: \$55.00 (incl GST)

KDN PP 9315/10/2012 (031275); MCI (P)
NO. 066/01/2017; SK MENPEN RI NO. 01/
SK/MENPEN/SCJ/1998 TGL 4 SEPT 1998

ISSN 0377-9920 42001
9 770377 992000

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Tiger's family is an 80-man cell block at

80

WORLD NEWS

Defeat of ISIS in Lebanon Boosts Hezbollah



MIDDLE EAST CROSSROADS

By Yaroslav Trofimov

BEIRUT—Lebanon's Hezbollah militia has branded the recent expulsion of Islamic State's militants from their main stronghold in the country as a "great victory" akin to forcing out Israel's occupation forces in 2000.

Now the question for Lebanon and the wider re-

gion is whether Hezbollah—dedicated to the elimination of Israel and considered a terrorist organization by Washington—translates this triumph of arms into lasting political gains.

On Saturday, parallel operations by Lebanon's army from inside Lebanon and by Hezbollah fighters advancing from Syria cleared out Islamic State's redoubt in the mountainous Qalamoun region straddling the border.

Controversially, a deal struck by Hezbollah allowed hundreds of Islamic State militants to move to the extremist group's remaining territory in eastern Syria. The decision, which was criticized by Hezbollah's political

opponents inside Lebanon, prompted the U.S. to launch two U.S. airstrikes in Syria on Wednesday aimed at stopping the convoy carrying the fighters and their families.

Iran-backed Hezbollah lost much of its luster in the wider Middle East once it sided with the Syrian regime after the revolution there erupted in 2011. But as the increasingly bloody Syrian conflict flooded tiny Lebanon with refugees—and Sunni extremists—the group has managed to position itself as the defender of the region's minorities, particularly Christians. That, in turn, has generated domestic support well beyond Hezbollah's Shiite home base.

Such an ability to build a broader consensus at home has provided Hezbollah, whose militia is one of the Middle East's most formidable fighting forces, with unparalleled political sway. After a two-year delay, the group's preferred candidate, Christian former army chief Michel Aoun, was elected as Lebanon's president in October 2016.

Long-postponed elections for a Lebanese parliament that would name a new government are slated for May 2018, and the giant victory rally Hezbollah held in the eastern town of Baalbek on Thursday is widely viewed as the kickoff of a campaign to broaden its power—and its alliances.

Hezbollah's achievement in Qalamoun "will be regarded not only as the growth of its



A fighter walking past a tank bearing a Hezbollah flag on Monday near Qarah, Syria.

military might, but also of its political influence," said Imad Salamey, director of the Institute for Social Justice and Conflict Resolution at the Lebanese American University in Beirut. "This victory will add to Hezbollah's ability to gain influence within its own Shiite community and will also strengthen its Christian allies."

Not everyone agrees. Many Lebanese were upset with how Hezbollah unilaterally negotiated with Islamic State. "Hezbollah has behaved as a parallel state," said Basem Chabb, a Christian lawmaker and a member of the Sunni-led coalition of current Prime Minister Saad

Hariri. "And now that ISIS is out of the way, even some of its Christian allies may become alarmed."

Regardless of such resentment, nobody in Lebanon today appears in a position to resist Hezbollah's strategic choices, especially now that its status has been consolidated by the outcome of its Qalamoun campaign.

"After this, opposing Hezbollah's political will in Lebanon will be even more difficult. Hezbollah is gaining additional cards in Lebanese politics," said Ali Abdallah Fadlallah, an expert on the group and a professor at the American University in Beirut.

One added complication is

Lebanon's relationship with Washington. President Donald Trump described Hezbollah as "a menace to the Lebanese state, the Lebanese people and the entire region" during his meeting with Mr. Hariri in July, and U.S. officials are looking for ways to punish the group as part of a broader campaign to roll back Iranian influence in the region.

Hezbollah's leader Hassan Nasrallah, meanwhile, recently praised Mr. Trump for his determination in fighting Islamic State, and for having described the militant group as a creation of the Obama administration.

As U.S. officials calculate how to deal with Hezbollah,

they are careful not to act in a way that would blow up the Lebanese state and destroy the country's economy. Any increase in Hezbollah's formal role in Lebanon's government institutions, however, would make an argument against broader sanctions more difficult to make.

That is why the group is likely to be very careful in how it derives political gains from its victories against Islamic State. In the current government headed by Mr. Hariri, Hezbollah directly holds only insignificant ministries—even though it exercises formidable informal control over the state's machinery.

"Today, it is Hezbollah that takes the decisions, and the Lebanese state that executes these decisions," said lawmaker Samy Gemayel, head of the mostly Christian Kataeb party, the only major political force that has opted to stay out of government.

Going forward, Hezbollah is likely to hew to its current strategy, preferring to exercise its authority indirectly and seeking collaboration from other parts of Lebanon's society, people familiar with the group predict.

"In Lebanon, it doesn't matter how strong you are, you have to govern by consensus," said Kamal Wazne, an expert on Hezbollah who heads a think tank in Beirut. "Otherwise you end up in a place where you don't want to be, and we already tried that during the civil war."

China Sets Party Meet Date

By CHUN HAN WONG

BEIJING—China's Communist Party plans to hold its twice-a-decade congress in mid-October, setting the stage for President Xi Jinping to embark on a second term as the strongest Chinese leader in decades.

Top party officials have set Oct. 18 as the start date for the party's 19th National Congress in Beijing, the official Xinhua News Agency said Thursday, though the date will be formalized later.

The announcement kicks off final preparations for a party conclave where Mr. Xi is expected to consolidate his authority by promoting allies into top leadership posts as the party elite reappoints power over the world's second-largest economy.

Since taking office in late 2012, Mr. Xi has used anticorruption and disciplinary campaigns to shake up the party

and reorganize the military, consolidating his authority much faster than his predecessors. Along the way, he collected titles signifying his dominance, becoming commander-in-chief of the military and the party's "core" leader.

Now, politics watchers say, Mr. Xi stands to write his name into party history alongside those of revolutionary leader Mao Zedong and reformist Deng Xiaoping, with the party casting the president's ideas as a driver of China's renaissance as a great power.

Observers say the personnel shuffling at this year's congress could have far-reaching implications for China's political future—particularly if Mr. Xi upends party conventions established in recent decades to ensure regular and orderly power transitions.

Of the current seven members of the Politburo Standing Committee, the top leadership

body, only Mr. Xi and Premier Li Keqiang would remain if the party maintains a retirement precedent set in 2002.

Observers say if Mr. Xi succeeds in amending this informal rule, such as by retaining 69-year-old anticorruption czar Wang Qishan in the Standing Committee, he could pave the way for himself to stay in power beyond the expiration of his second term in 2022, when he would be 69.

In July, however, Mr. Xi delivered a wide-ranging speech that hinted at unease over his leadership, observers say. Resentment simmers over his attacks on vested interests in government, state-owned industry and the military.

"That a date has been fixed suggests that Xi Jinping has secured a degree of consensus" over the agenda, including personnel appointments, said Steve Tsang, director of the SOAS China Institute in London.

wants to boost its operating margin globally to 10% over the coming years, from 7.5% last year, hard to do without success in luxury vehicles.

Mr. de Nysschen has emphasized brand image, even if it means sacrificing market share and cutting into dealers' sales. Cadillac started shipping dealers fewer cars and grew stingier with sales incentives, which don't square with the image of a luxury brand.

Determined to elevate service, he has enforced strict new brand standards, requiring larger dealers to invest in costly extras such as roadside assistance. The strategy has pushed Cadillac's average transaction price in the U.S. steadily higher since he arrived, to about \$54,000 in the first half of this year, second only to Mercedes, according to J.D. Power.

Mr. de Nysschen, 57, has

spent much of his time at GM preaching that Cadillac must adopt a luxury mind-set to differentiate itself from the rest of the company's brands.

One thing holding Cadillac back was that GM hadn't populated its portfolio with crossover SUVs—sport-utility vehicles built on a car rather than truck chassis—leaving Cadillac sedan-heavy during a drop in demand for cars in the U.S. That predicament left Cadillac bleeding market share during a boom in U.S. vehicle sales.

What was a problem for the U.S., though, wasn't in China, where sedans remain popular. There, personal ownership of cars caught on just a few decades ago. The century of auto history that imbued Americans with images of the various car brands and where they fit into self-image is absent in China.

"There is no Chinese person

Malaysia Celebrates 60 Years of Independence



ON PARADE: Malaysia School Youth Cadet Corps march during an independence day celebration in Kuala Lumpur. The country gained its independence from Britain on Aug. 31, 1957.

SURGE

Continued from Page One

spending \$12 billion over five years for such projects as developing electric cars and fleshing out a skimpy model lineup. Up against Silicon Valley firms investing in moonshot automotive technologies, Cadillac says it is close to releasing a semi-autonomous system that allows drivers to take their hands off the wheel for extended periods.

"We need the China volume to make all of these investments work," Mr. de Nysschen said in a recent interview.

GM, in turn, needs Cadillac to work. For auto makers, luxury models are the most profitable. Industrywide, premium models account for just a tenth of vehicles sold but 35% of profits. The parent company

wants to boost its operating margin globally to 10% over the coming years, from 7.5% last year, hard to do without success in luxury vehicles.

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Mr. de Nysschen, 57, has

whose grandfather owned a Cadillac," said Uwe Ellinghaus, marketing chief of the brand.

In the U.S., the average age of Cadillac buyers hovers around 60. In China, it is the mid-30s.

Cadillac began in 1902, when a company that had been run by Henry Ford took a new name in honor of Antoine de la Mothe Cadillac, a French explorer who founded Detroit. GM acquired Cadillac in 1909. Its decades of prestige started eroding in the 1980s as engineers began such money-saving techniques as building Cadillacs on the same underpinnings as Oldsmobiles.

By the late 1990s, GM sought to boost the growth of its mainstream marques through a joint venture with China's largest auto maker, state-owned SAIC Motor Corp. Today, GM jointly operates 17 assembly plants in China and, with Buick as its main brand, vies with Volkswagen AG for the sales lead.

In 2004, the venture began selling imported Cadillacs. An ad featured a female fighter pilot chasing Cadillacs through the desert as a voice said, "Cadillac: Dare to be the first."

Kevin Wale, GM's top executive in China from 2005 to 2012, says it took a long time to persuade Detroit to give Cadillacs a small, four-cylinder engine, which appealed to Chinese for tax reasons but struck some Detroit executives as blasphemous. GM was also slow to add extra comforts such as the rear-seat TV screens favored by Chinese luxury-car owners, who often are chauffeured.

Cadillac offered a \$93,000 model with rear massage seats in 2006, but it turned out there

was a bigger problem. Cadillac had introduced a new styling theme, a mix of sharp edges, blocky forms and blade-like headlamps and taillamps. It wasn't well received in China.

"Chinese premium consumers care about how people view them," said Yale Zhang, managing director of Automotive Foresight, a consultancy. "If the car looks so much different from B-B-A, they won't get accepted from their friends." SAIC eventually asserted itself with nudges to soften the styling, one former GM executive said.

Cadillac now adapts more carefully to Chinese tastes. The CT6 model owned by Mr. Zhenyu He, the Shanghai entrepreneur, has a plush rear seat with dual high-definition TV screens that retract into the headrests.

Until a few years ago, most Cadillacs sold in China faced a 25% tariff imposed on imported vehicles. Now, 90% are built in Shanghai, mostly at a recently opened \$1.3 billion GM factory, the company's most advanced assembly plant.

Local production has made it possible for Cadillac to price its vehicles a little below the German big three. Cadillac also has opened hundreds of dealerships in recent years, under a strategy that predicated Mr. de Nysschen.

Inside one bright dealership in Shanghai, framed photos of U.S. presidents and their Caddy limos adorn the walls. Inscribed above in Chinese characters is a definition of Cadillac: "Something that is the most outstanding or prestigious of its kind."

THE WALL STREET JOURNAL.
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Hong Kong
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Advertising Through Dow Jones Advertising Sales: Hong Kong: 852-2831 2504; Singapore: 65-6415 4300; Tokyo: 81-3 269-2701; Frankfurt: 49 69 29725390; London: 44 207 842 9600; Paris: 33 1 40 17 17 01; New York: 1-212 659 2176.
Or email: MarkRogers@wsj.com

Printers Hong Kong: Euron Limited, 2/F, Block 1, Tai Ping Industrial Centre, 57 Ting Kok Road, Tai Po, Hong Kong; Indonesia: PT Gramedia Printing Group, Jalan Palmerah Selatan 22-28, Jakarta 10270; Japan: The Mainichi Newspapers Co., Ltd, 1-1 Hitotsubashi, Chiyoda-ku, Tokyo, 100-8051; Korea: JoongAng Ilbo, 100 Seosomun-ro, Jung-gu, Seoul, 100-814; Publisher/Printer: Sompil-Pi-Ho, Malaysia: Dataran Cetak (M) Sdn Bhd, Lot 2, Jalan Sepana 15/3, Off Persiaran Selangor, Seksyen 15, 40200 Shah Alam, Selangor, Malaysia; Singapore: Singapore Press Holdings Limited, 2 Jurieng Road, SPH Print Centre, Singapore 619088
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Zhenyu He of Shanghai says his Cadillac CT6 'sets me apart and represents American heritage.'

WORLD NEWS

Labor Reform Will Test Macron

French unions show restraint as president reveals his proposals; a step for 'New Deal'

By WILLIAM HOROBIN
AND NOEMIE BISSEBRE

PARIS—President Emmanuel Macron unveiled a labor overhaul Thursday that elicited muted criticism from France's traditionally combative unions, a pivotal step in the young leader's drive to revive the economy and shore up the European Union.

The changes, which the government plans to pass by decree later this month, revise a thicket of rules and worker protections that businesses say discourage them from hiring and make it difficult to negotiate conditions with employees.

Their unveiling marks a moment of truth for Mr. Macron, who has swiftly lost public support since he swept into office four months ago. The new leader has been consulting with France's unions for months in a bid to contain street protests that undermined previous efforts to lower France's chronically high unemployment. Those came as other countries such as Spain and Germany managed to usher in changes credited with helping their economies.

The most contentious measures include a cap on court-ordered fines employers can face for layoffs, and a provision that allows small companies to negotiate directly with nonunionized workers.

Union leaders who met with the government Thursday were critical but stopped short of all-out opposition. CFDT Secretary General Laurent Berger said he was "disappointed" with the changes. In a victory for the government, however, Mr. Berger said France's largest union



Emmanuel Macron at the Elysée Palace and, right, Prime Minister Edouard Philippe meet with labor-union representatives in Paris.

wouldn't join a street protest planned by the far-left CGT union on Sept. 12.

"We will remain extremely vigilant in the months to come," he said.

The stakes are high for Mr. Macron because he has made changing labor rules a condition for reaching a "New Deal" with Germany and other European countries to revamp the economic bloc's architecture and equip it with shared financial backstops to resist economic shocks.

It is also a starting point for his plans to reboot France's sclerotic economy, from changes to the welfare and pension systems to government spending on housing and jobs training.

"My wish isn't for this to be easy, but for it to be effective. The reform of the labor market is a reform of deep transformation," Mr. Macron said in



an interview published Thursday with French magazine Le Point.

Europe is watching closely. Over the past decade, France has slipped behind other major economies in the currency bloc, racking up wide trade and budget deficits and high, long-term unemployment.

Mr. Macron blames successive French leaders for failing to emulate Germany's shift to become more competitive with changes to its welfare state and labor rules in the early 2000s.

Economists say that by making hiring and firing less risky, employers are likely to hire workers on longer-term and invest more in new projects. That in turn could boost productivity and fuel economic growth. French unemployment stands at 9.5%—more than twice the rate in Germany.

"It is clearly a package that can help France catch up," said Stéphane Carcillo, an economist specializing in labor at the Organization for Economic Cooperation and Development, which has long called on France to change its labor system.

A more-competitive French economy, Mr. Macron says, would pave the way for Germany and other wealthy euro-zone economies to boost spending and fund financial backstops to shelter the currency union from a repetition of the debt crisis that has hurt Southern European countries in the past seven years.

Getting France's labor leaders on board with the plans—or at least persuading them not to stand in their way—has been a high priority for Mr. Macron.

Since taking office in May, he and his aides have held 40

separate meetings with union leaders. Of the main unions, only the far-left CGT is calling for strikes and demonstrations, the first scheduled for Sept. 12.

Since taking office, however, Mr. Macron has shed support after adopting what critics say is an authoritative and aloof governing style. Unpopular budget cuts combined with tax cuts for the rich have sent his approval rating spiraling further and faster than previous presidents, and French people are becoming increasingly critical of the labor overhaul.

A survey by polling company Odoxa Aug. 24 and 25 showed a majority of French people agree the labor code discourages companies from hiring, but 63% don't trust Mr. Macron and the government to make the changes and 80% expect widespread resistance.

Brexit Round Sees Scant Progress

By VALENTINA POP

BRUSSELS—British and European Union negotiators made some progress on technical issues during the latest round of Brexit talks that ended Thursday, but major differences remained over core issues—notably, the financial settlement the EU has demanded from the U.K.

Expectations were low going into the talks, with officials on both sides signaling the most that could be achieved was more clarity on each other's positions. During the talks, British officials accused the EU of inflexibility and exaggerated demands, while EU officials said their British counterparts lacked detail and seriousness; trying to mix areas that weren't yet open for negotiation.

"There are still significant differences to be bridged," said U.K. Brexit Secretary David Davis in a news conference after the talks. He urged the EU "to be more imaginative and flexible" in its position to advance in the next rounds of talks.

During the four-day talks, negotiators locked horns over Britain's financial obligations to the EU and how the final bill—which informal EU estimates suggest could exceed €60 billion (\$77 billion)—was reached.

While British officials accepted that there would be some "surviving obligations" after Brexit, they rejected the EU's legal arguments for the calculations. They didn't make a counteroffer.

Two more rounds of negotiations—in September and early October—are scheduled before a summit of EU leaders takes place on Oct. 19-20.

WORLD WATCH



UNION LEGACY: Lech Walesa, former head of Solidarity, visits the Gdansk shipyard on the 37th anniversary of a pact that allowed the creation of the Soviet bloc's first independent trade union.

INDIA

Building Collapse Kills 19 in Mumbai

At least 19 people were killed Thursday and about 20 people were feared trapped after a residential building in India's financial capital collapsed.

The four-story building in the densely populated Bhendi Bazaar area of the city collapsed after days of torrential rain in Mumbai, in the western state of Maharashtra.

About 12 injured people were taken to a hospital, and some 100 rescuers were searching for others who may be trapped in the rubble, officials said.

"This was a 100-year-old building. We are investigating the reason for the collapse," said Rashmi Karandikar, a spokeswoman for the Mumbai police.

—Corinne Abrams and Debiprasad Nayak

INDIA

Economic Growth Slowed in 2nd Period

The economy unexpectedly decelerated in the second quarter under the impact of New Delhi's cash crackdown and a new tax system that hurt manufacturing more than expected.

In November, authorities yanked close to 90% of the cash in circulation out of the market, hoping to uncover illegally

stashed wealth. The move choked the supply of cash and hurt consumer demand for everything from food to property.

Gross-domestic-product growth slowed to 5.7% in the three months through June, according to government data released Thursday. That was lower than the 6.1% expansion in the previous quarter and missed economists' expectations of a 6.6% increase. The last time expansion was so weak was in early 2014.

With the latest deceleration, India has ceded its position as the world's fastest-growing large economy to China for the second consecutive quarter. China's economy expanded 6.9% in the past two quarters.

—Anant Vijay Kala

CHINA

Demand at Home Boosts Industry

An official gauge of factory activity rose in August, though new export orders declined despite strong global demand as the stronger yuan made Chinese exports more expensive.

Robust domestic demand was the main factor boosting the official manufacturing purchasing managers index, which rebounded to 51.7 from July's 51.4.

The index has now stayed above the 50 mark, which separates an expansion of activity

from a contraction, for 13 months.

"Overall, today's data still show that the current economic growth momentum remains solid," said Liu Xuezhi, an economist at Bank of Communications.

The August reading from the National Bureau of Statistics beat a median forecast of 51.3 from economists surveyed by The Wall Street Journal.

—Liyan Qi and Grace Zhu

AFGHANISTAN

U.S. Reveals More Troops on Ground

The U.S. military said Wednesday it maintains 11,000 troops in Afghanistan, 2,600 more than it had previously disclosed.

Pentagon officials said they made the announcement to be more transparent about the true number of troops serving in war zones.

While revealing the total number of forces in Afghanistan, the officials couldn't give similar figures for Iraq and Syria, saying the process of revealing force levels was "under review."

Officially, there are 5,262 and 503 troops, respectively, in Iraq and Syria.

Until Wednesday's announcement, the Pentagon repeatedly had said there were 8,400 troops in Afghanistan.

—Nancy A. Youssef

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WORLD NEWS

Venezuela Opposition Grows Silent

BY RYAN DUBE

CARACAS, Venezuela—Willy Arteaga became a symbol of Venezuela's protest movement as he played patriotic hymns from his violin in the face of tear gas and rubber bullets. Then he was arrested and beaten.

When the 23-year-old was released after three weeks, he was stunned to find the protest movement had died and President Nicolás Maduro in greater control than ever.

"It looks like hope is gone," said Mr. Arteaga this week, bruises visible on his left cheek. "I feel like everything is so dark, I don't see an exit."

Five months of violent antigovernment demonstrations have dissipated and the epicenter in Caracas, Plaza Altamira, sits eerily quiet. The barricades that opponents once set up to slow government armored vehicles are gone. Rumors of a military uprising are gone. And life has returned to normal, with people struggling to find enough to eat in a country stricken by shortages.

Despite an 80% disapproval rating, Mr. Maduro seemingly faces few short-term challenges to his rule just a month after he drew international condemnation by installing

his allies into a new rubber-stamp assembly.

The government's crackdown on protesters—including widespread arrests and torture, human-rights groups and victims say—has broken the once-potent protest movement. The protests claimed more than 125 lives and nearly 2,000 wounded, including scores with permanent injuries.

Some of the government's leading political adversaries have fled the country and left the opposition coalition in disarray. The new so-called constituent assembly, stacked with Mr. Maduro's supporters, has in recent weeks declared the opposition-run congress void of power, replaced a dissident attorney general with one supportive of Mr. Maduro, and is now investigating opposition leaders for alleged treason.

Emboldened, Mr. Maduro's lieutenants now publicly debate how to censor social media while kicking off the air two Colombian TV broadcasters that were critical of his government, in what the channels called censorship.

"In the short term I think it's paid off because they have effectively gained control over the whole government," said David Smilde, a Venezuela ex-



The government quashed a protest movement, leaving a strengthened President Nicolás Maduro, whose image adorns a Caracas wall.

pert at Tulane University. Longer term, he added, it remained to be seen whether the moves to maintain control will suffice.

Amid a deepening economic crisis, protests could always begin again at any moment. The crisis is expected to deteriorate, with the administration struggling to pay both its debt obligations and food imports amid dwindling reserves and soaring inflation.

"The economic crisis is the unpredictable element going forward," said Harold Trinkunas, an expert on Venezuela at Stanford University. "How that evolves I think will be

the critical variable."

Still, many analysts say it is difficult to see what could get a large number of Venezuelans to mobilize on the street again. Presidential elections aren't scheduled until October 2018.

Mr. Maduro argues that the constituent assembly was needed to unify the country against an opposition it accuses of trying to destabilize the country alongside Washington. His supporters say they are happy some in the opposition are fleeing the country. "This Venezuelan opposition is being left isolated with only its boss in Washington

ton at its side," said Delcy Rodriguez, the president of the constituent assembly.

Zamir Rojas, 47, said he is still holding out hope for political change even after he said he was beaten and tied to a column for five days following his arrest by the National Guard during a May protest in Barquisimeto, about 230 miles west of Caracas.

"One day, this will have to change," he said at his home. "We have faith."

But most former protesters feel helpless after the failure to dislodge Mr. Maduro or prevent the installation of the assembly. A recent poll

showed 90% of Venezuelans say it is too risky to join street demonstrations, said Felix Seijas, director of the pollster Delphos.

During his three weeks in detention, Mr. Arteaga, the musician, said soldiers bludgeoned him with his instrument, burned his hair and forced him and other dissidents into sewage. Thinking of the protests had helped keep his spirits up, he said, but that animus has now dissipated.

"A lot of young people lost their lives, and it seems like that has been forgotten," Mr. Arteaga said.

U.S. Jets Deliver Warning to North

BY JONATHAN CHENG

SEOUL—The U.S. sent four of its most advanced jet fighters and a pair of B-1B bombers over the Korean Peninsula, alongside Japanese and South Korean jets, as a show of force in direct response to North Korea firing a missile over Japan.

The flyover Thursday, which included a bombing drill on a range in South Korea, came at the end of annual joint U.S.-South Korean military exercises that have angered Pyongyang.

It is the first time the F-35B jets have been used in such a mission with the B-1B bombers over the peninsula, the U.S. Air Force Pacific Command said in a statement. It said the flyover—which also included two Japanese F-15 and four South Korean F-15K jet fighters—emphasized an “ironclad commitment” to the defense of allies and the U.S., and maintained a readiness to give leaders “viable and ready military options.”

The latest move threatens to raise the temperature again on the peninsula, after North Korea’s launch Tuesday of an intermediate-range ballistic

missile that soared over the Japanese city of Hakodate and landed in the Pacific Ocean.

The U.S. said Thursday’s mission was in direct response to North Korea’s missile launch.

“North Korea’s actions are a threat to our allies, partners and homeland, and their destabilizing actions will be met accordingly,” said Gen. Terrence J. O’Shaughnessy, Commander of the Pacific Air Forces. “Our forward-deployed force will be the first to the fight, ready to deliver a lethal response at a moment’s notice if our nation calls.”

North Korea’s state media, in a statement Thursday, called the flyover a reflection of the “bellicose nature” of the U.S. and South Korea’s military drill, and said that it showed how threatened the U.S. felt after the North’s Tuesday missile launch over Japan.

“The wild military acts of the enemies are nothing but the rash act of those taken aback by the intermediate-to-long range strategic ballistic rocket launching drill conducted by the army of the DPRK as the first military operation in the Pacific,” the Korean

Central News Agency wrote.

Meantime, the top U.S. general in South Korea rapped Pyongyang for having responded to what he described as reduced U.S.-South Korean military drills—which he said he hoped “would send a positive signal to North Korea”—with more provocations.

Korean Peninsula flyover is a response to Pyongyang’s missile launch over Japan.

“Apparently the changes in the exercise did not matter,” Gen. Vincent Brooks said in a statement.

The flyover came a day after U.S. President Donald Trump said on Twitter that “talking is not the answer” in dealing with the threat from North Korea’s weapons, though Defense Secretary Jim Mattis, speaking later in the day, said that Washington is “never out of diplomatic options.”

Earlier in August, North Ko-

rea threatened to surround the U.S. Pacific territory of Guam with “enveloping fire” by launching four intermediate-range missiles into the waters around the island.

The threat came after Pyongyang complained about previous American B-1B flyovers and warned the U.S. against further such exercises.

Days later, Pyongyang said leader Kim Jong Un had decided against firing missiles toward Guam, but that he would watch the U.S.’s behavior during the joint exercises. The U.S. and South Korea say the maneuvers are defensive, but the North regards them as a precursor to invasion.

On Aug. 20, the day before the exercises began, Rodong Sinmun, North Korea’s main party newspaper, warned that its military was “keeping a high alert” and would “take resolute steps the moment even a slight sign of the ‘preventive war’ is spotted.”

North Korea has threatened Guam because of the presence of the Andersen Air Force base there, from which the U.S. has launched B-1B flyovers of the Korean Peninsula this year.



Andrés Manuel López Obrador, the leftist candidate in next year's presidential vote, said Nafta talks should be suspended until 2018.

Mexico Candidate Vows Nafta Hard Line

BY SANTIAGO PEREZ

LOS ANGELES—Mexico’s leftist presidential hopeful, Andrés Manuel López Obrador, said the renegotiation of the North American Free Trade Agreement should be suspended until the country’s election next year, and he warned he would renegotiate any deal that harms Mexico’s interests if he wins the vote.

“It’s not convenient to pursue a deal under pressure,” Mr. López Obrador, the early front-runner for July’s election, said in an interview with The Wall Street Journal on Wednesday. “Any unfair trade deal can be revised by the Mexican government.”

His remarks came as government officials from Mexico, the U.S. and Canada prepared to meet Friday in Mexico City for the second round of talks on Nafta’s overhaul. Mexican

and U.S. government officials have said they want to complete renegotiations before the end of the year.

But those talks will become more difficult for the Mexican government the closer the presidential vote gets, as the issues at stake become campaign fodder.

“They should wait, and at the end it will be that way, because they won’t have enough time” to complete a deal, said Mr. López Obrador.

Earlier this week, U.S. President Donald Trump expressed skepticism about a renegotiation and reiterated he could terminate the trade deal. On Wednesday in Missouri, Mr. Trump criticized the Nafta deal as “horrible, terrible” and blamed it for taking away American jobs.

—Anthony Harrup
in Mexico City
contributed to this article.

JAPAN

Continued from Page One
grade an existing radar system and develop a new one able to better track the new types of missiles and flight trajectories, as well as to buy more powerful interceptor missiles that can reach higher altitudes.

One concern in Tokyo is that Japan’s existing missile-defense shield may not be able to stop a series of North Korean missiles fired simultaneously. To supplement the existing ship-based Aegis missile-defense system and land-based Patriot batteries, Japan’s defense minister said this week Tokyo would invest in a land-based version of Aegis.

The ministry said the latest budget request didn’t include funds for its purchase because it was still evaluating the system, along with other options such as Terminal High-Altitude Area Defense, or Thaad, a system that South Korea is introducing. Both antimissile shields are made by Lockheed Martin Corp.

The overall Defense Ministry budget request calls for an overall 2.5% rise in spending to \$47.6 billion, which would be the sixth straight year of gains. However, requested budget increases are typically shaved before the cabinet makes a final decision in December.

TORU YAMANAKA/AGENCE FRANCE PRESSE/GETTY IMAGES



requests for the coming year is \$798 million to buy six F-35 stealth jet fighters from Lockheed Martin.

Military spending is controversial in Japan, where many citizens are reluctant to move away from the nation’s pacifist constitution, imposed by the U.S. following Japan’s defeat in World War II.

“Perhaps it’s not enough, but defense is all about hedging risk and if you seek perfect defense, the cost would be enormous. I think the budget is rational since it secures the most effective deterrence to the extent possible,” said Narushige Michishita, a security

expert at the National Graduate Institute for Policy Studies in Tokyo.

Tokyo’s move to ramp up military spending drew a rebuke from Beijing.

“In recent years, Japan has played up the so-called China threat. At the same time, it increases its defense budget and expands its arsenal,” Chinese Foreign Ministry spokeswoman Hua Chunying said, adding, “We are very concerned about this.”

Military spending relative to the size of its economy lags behind other regional powers. Its defense budget is only about 1% of gross domestic

product, compared with more than 3% for the U.S.

Some analysts say that rising threats in the region, including China’s claim to islands controlled by Japan in the East China Sea, mean Japan needs to spend much more on defense. Earlier this year, China said it would increase military spending by 7% this year.

The U.S. has about 54,000 military personnel stationed in Japan and is required to help defend the country under a bilateral defense treaty.

—Chieko Tsuneoka in Tokyo and Josh Chin in Beijing contributed to this article.

Canada Reports Strong Second-Quarter Growth

BY PAUL VIEIRA

OTTAWA—The Canadian economy surged in the second quarter, surpassing already elevated expectations, and recorded its best 12-month run in over a decade.

Canada’s gross domestic product, or the broadest measure of goods and services produced in an economy, rose at a 4.5% annualized rate in the second quarter to 1.85 trillion Canadian dollars (US\$1.47 trillion), Statistics Canada said Thursday.

This shattered market expectations for a 3.7% increase, according to economists at Royal Bank of Canada. Thursday’s figure, coming on the heels of a 3.7% advance in the

January-to-March period, makes Canada the hottest performer so far in 2017 among Group of Seven countries.

Exports and household spending were the main contributors toward the performance. Business investment rose, although at a slower pace, and government spending also helped lift results.

The data agency said cumulative growth in the first two quarters of 2017 marked the strongest start of a calendar year since 2002.

The second-quarter data mark the best 12-month performance—3.7% growth—for the Canadian economy since 2006, or near the height of the bull run in commodity prices.

U.S. NEWS

Voters Urge Lawmakers To Work Together

BY BYRON TAU

SIBLEY, Iowa—On a swing through western Iowa this week, U.S. Sen. Chuck Grassley told constituents he is committed to working in a bipartisan way when Congress returns in September to provide storm relief, stabilize the health-care system and fund the government without drama.

It is a message that has resonated with many voters as Mr. Grassley tours the state during Congress's August recess. It comes as President Donald Trump, a fellow Republican, has criticized lawmakers in his own party and said in August that he is willing to risk a government shutdown if the GOP-controlled Congress declines to appropriate money for additional border fencing between the U.S. and Mexico.

"There's a reason that Congress has such a low approval rating. The view is they don't do anything because they don't talk to each other," said John Daniels, 68, owner of a radio station in Sibley, where Mr. Grassley held a constituent meeting. "They've got to put the ultimatums aside."

'There's a reason that Congress has such a low approval rating.'

Other lawmakers around the country have been greeted with similar appeals to those that Mr. Grassley heard this week about easing gridlock and making the government work. Whether that will lead to a fresh wave of bipartisanship remains to be seen as Congress gets back to work in September.

Mr. Grassley, the state's senior senator who has been serving since 1981, said he was committed to delivering emergency aid to Texas after it was ravaged this week by a hurricane. He distanced himself from Mr. Trump's recent decision to ban transgender soldiers from serving in the military, saying anyone who met the physical requirements should be allowed to serve.

He said he was encouraged by a bipartisan Senate bill aimed at trying to stabilize the Affordable Care Act's insurance markets, a contrast to Mr. Trump's warnings that he might withhold payments that insurers say they need to offer policies under the law. And Mr. Grassley urged Mr. Trump not to do anything to precipitate a shutdown of the federal government.

"I believe that if the president is thinking about shutting down the government, that's a wrong thing to do. It cost money to shut down the government," he said.

A White House spokeswoman didn't respond to a request to comment.

Mr. Grassley rejected suggestions that a major split was developing between GOP lawmakers and the president. He also said lawmakers on both sides of the aisle could work together, as well, on big issues.

Katrina Survivors Relive Ordeal

Hard-won experience, familiar terror surface for evacuees who had settled in Houston

BY ARIAN CAMPO-FLORES
AND ERIN AILWORTH

HOUSTON—As Hurricane Katrina approached New Orleans in 2005, Terrence McKinney fled with his mother and sisters, eventually settling here after the storm demolished his house and washed away all their belongings.

A dozen years later, as Hurricane Harvey barreled toward Houston, he decided to stay put. On Monday, floodwaters rose quickly around his apartment complex east of downtown, then gushed into rooms and burst windows. Mr. McKinney and his wife, daughter and other relatives decided to make their way across the flooded street to a two-story apartment building.

The chest-high water coursed so fiercely they joined hands with neighbors to form a human chain to help each other cross. The swift current swept away one woman, who clutched a tree as people yelled to her, "Hold on! Don't let go!"

The woman lost her grip and was swept away. "It's like losing your mind all over again," Mr. McKinney said. "Watching death happen, losing everything again."

For many Katrina evacuees who ended up settling permanently in Houston, going through Harvey and its aftermath has been like reliving a nightmare—one that surfaced a familiar terror, as well as hard-won experience.



Terrence and Zeeda Veal, survivors of the New Orleans' Hurricane Katrina, clean up after evacuating their flooded Houston home after Harvey.

Katrina uprooted residents to cities across the U.S., but Houston received the largest share outside Louisiana. Of the 150,000 to 200,000 evacuees who initially arrived in Houston, as many as 40,000 remained, according to estimates by the New Orleans Association of Houston, a networking and support group.

Patricia McGinnis, 72 years old, escaped New Orleans with her family just days before the city's levees burst in Katrina's wake. She prepared methodically for Harvey, packing a suitcase and important documents. Outside her home, she stored makeshift sandbags for floodwaters.

"You can't let this kind of weather catch you sleeping," Ms. McGinnis said. She lives in a housing development in southwest Houston built for Katrina evacuees in a collabora-

tion between Oprah Winfrey and Habitat for Humanity. Ms. McGinnis also survived Hurricane Betsy in New Orleans, she said, hauled to safety in a canoe past floating bodies during the 1965 disaster.

Across the street, Ms. McGinnis's daughter, Jamie Cunningham, 39, prepared for Harvey by stowing a pair of propane tanks and a filled gasoline tank on the porch. She propped a metal ladder against a wall in the living room in case rising waters forced her and her two children to the roof. "They've already been trained on how to get on the roof, what to do, how to hold on," she said.

In northwestern Houston, Terrence and Zeeda Veal, who fled together with their six children from Katrina in a crammed Ford Crown Victoria, also decided to ride out Har-

vey. On Monday afternoon, Mr. Veal, 35, said he watched nervously as floodwaters rose in the street and then submerged the family car in the driveway.

"We've got to go," Mr. Veal said, gathering his wife, two sons and one son's girlfriend. Mrs. Veal, who can't swim, felt terrified and helpless. "How am I going to help my children?" she recalled thinking.

Mr. Veal went outside in waist-deep water to look for help. He found several men with a canoe, and they helped board Mrs. Veal and her son's girlfriend. The rest of the family waded while the men towed the canoe.

The current fought the canoe, nearly tipping it, Mrs. Veal said, until they reached shallower water. A volunteer with a truck drove them to the nearby apartment of one of couple's daughters. They ar-

HARVEY

Continued from Page One

terials. As the chemicals heat up, they expand and can burst out of pressurized containers being stored in the trailers.

This can cause a loud pop and cause a fire as the chemicals burn. "These things can burn very quickly, and very violently," said Mr. Rennard.

The Arkema plant, which was in 6 feet of water, lost primary power and two emergency backup power sources, which led to a shutdown of "critical refrigeration," North American operations Chief Executive Rich Rowe said earlier.

Arkema said early Thursday it had been notified of two explosions, and said black smoke was coming from the plant in Crosby, some 25 miles northeast of Houston. The Harris County Sheriff's office said on its verified Twitter account that one deputy had been taken to the hospital after inhaling fumes from the plant and nine others drove themselves to the hospital as a precaution.

Speaking to reporters Thursday morning at a site roughly 7 miles from the Arkema plant, Harris County Sheriff Ed Gonzalez called the incident a "release" rather than an explosion, and said that while more such incidents are expected, the county doesn't believe there is any danger to the community.

"There was a release, we had a chemical reaction," he said. "This event has been ex-

pected and planned."

The France-based company said it was working closely with federal, state and local authorities to manage the situation. It said it had set up a call center for affected residents, and a center that will process property claims.

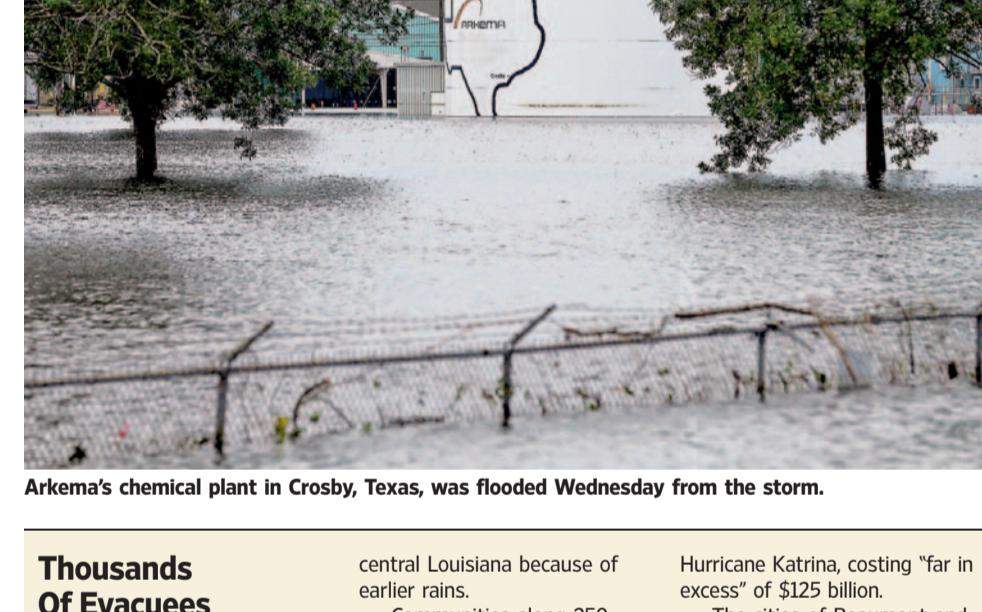
Arkema, which was spun out of French oil major Total SA in 2006, had urged everyone within a mile and a half of the plant to evacuate, and shut down a stretch of Highway 90 that runs alongside the plant.

Latanya Robinson, 47 years old, and her husband, who live within the evacuation zone, left Wednesday. But she said no authorities had asked her to evacuate, and that she only left after seeing the warnings on the local TV news and hearing about it from relatives.

"I'm not waiting for death to find me," Ms. Robinson said by telephone. "Me and my husband are at my son's house now, about 10 miles away." Ms. Robinson said a neighbor who didn't leave sent her a text message to inform her that the plant had just exploded.

The organic peroxide business, of which this factory is just one outlet, accounted for only 0.4% of Arkema's €7.5 billion (\$8.91 billion) global revenue for 2016. Arkema has 19,700 employees globally, of which 3,100 are in the U.S., according to the company's annual report. The Crosby plant has 57 employees, according to the company's website.

—Sam Schechner in Paris contributed to this article.



Arkema's chemical plant in Crosby, Texas, was flooded Wednesday from the storm.

Thousands Of Evacuees Crowd Into Shelters

As the Houston region begins to emerge from Harvey's beating, communities in eastern Texas and Louisiana are struggling to handle thousands of evacuees displaced by record rainfalls that have submerged entire towns.

Downgraded to a tropical depression, Harvey continues to dump rain in Louisiana, where north-central parts of the state got 7 inches in a recent 24-hour stretch. Flash-flood warnings were in effect Thursday from southeast Texas to west-

central Louisiana because of earlier rains.

Communities along 250 miles of Texas' coast from Corpus Christi to Port Arthur have been battered and vast sections of the country's fourth-most-populous city, Houston, remain under water. More than 30,000 people have gone to 230 emergency shelters, including 10,000 at Houston's convention center. At least 33 deaths have been linked to the storm by local authorities, a count that is likely to rise.

Texas Gov. Greg Abbott on Wednesday forecast the federal funding needs for rebuilding will likely exceed those of the nation's most expensive storm,

Hurricane Katrina, costing "far in excess" of \$125 billion.

The cities of Beaumont and Port Arthur received more than 2 feet of rain in 24 hours as Harvey neared land again early Wednesday and headed for Louisiana. In Beaumont, the city said overnight that it lost both its primary and secondary water sources.

At the Lake Charles Civic Center, the largest makeshift shelter for evacuees in southwest Louisiana, the arena's 675 cots were all occupied at midnight, but refugees from southeast Texas continued to show up in the early hours.

—Quint Forgey and Scott Calvert

Tax-Plan Details to Become Public Soon

BY RICHARD RUBIN
AND KATE DAVIDSON

President Donald Trump's administration and top lawmakers intend to release a more detailed tax plan in the coming weeks, Treasury Secretary Steven Mnuchin said in an interview with The Wall Street Journal on Thursday.

Although congressional committees will be writing the tax bill and voting on it, Mr. Mnuchin indicated that the administration intends to stay deeply engaged in the tax debate. The administration is sticking to its aggressive agenda for overhauling the tax code this year, he said.

"In no way are we just turning this over to Congress," Mr. Mnuchin said.

The secretary spoke the day

after Mr. Trump, a Republican, outlined his tax priorities in a speech in Missouri, calling for a simpler tax system and business-tax cuts.

A group known as the Big Six released a tax framework in July that contained little detail about tax rates and what breaks would go away. The group comprises Mr. Mnuchin, White House economic policy chief Gary Cohn, House Speaker Paul Ryan (R., Wis.), Senate Majority Leader Mitch McConnell (R., Ky.), Rep. Kevin Brady (R., Texas) and Sen. Orrin Hatch (R., Utah).

The group is set to meet next on Tuesday.

Mr. Mnuchin also tried to direct Congress away from a debt-ceiling crisis, arguing he doesn't believe the government should prioritize payments to

bondholders as the Treasury bumps up against the federal borrowing limit, or debt ceiling, in the weeks ahead.

"I don't believe in prioritization," Mr. Mnuchin said.

"We should pay the government's bills when they're due."

Mr. Mnuchin said prioritizing payments wouldn't actually solve the problem because it would simply buy more time for the government. "It doesn't change the ultimate problem that the government needs to raise the debt ceiling," he said.

He said any decisions to attach a debt-ceiling increase to a separate bill providing relief to regions hit by Hurricane Harvey would be up to Congress. "At the end of the day, I just want it raised," he said. "We're having active discussions on this now."

In a letter to House and Sen-

ate leaders in July, Mr. Mnuchin wrote that it was critical for lawmakers to raise the debt ceiling by Sept. 29 to ensure Treasury can continue paying its bills in full and on time. The agency has been using cash-conservation measures since mid-March, when the previous suspension of the debt limit expired and the ceiling was reset at nearly \$20 trillion.

If Congress doesn't raise the debt ceiling to allow new borrowing, the U.S. could default on its debt or miss payments of benefits and salaries.

Lawmakers will have 12 legislative days to address the issue when they return from a five-week recess on Tuesday. Mr. McConnell said in August that there was "zero chance" that the U.S. would fail to raise the federal debt ceiling.



T.J. KIRKPATRICK FOR THE WALL STREET JOURNAL

Treasury Secretary Steven Mnuchin in his office on Thursday.

IN DEPTH

RUSSIA

Continued from Page One
nal investigators looking into Mr. Manafort's business and political connections want to know more about his history with Mr. Deripaska, according to people with knowledge of the probes.

Mr. Deripaska has offered to give testimony about alleged Russian meddling in the election to the House and Senate intelligence committees in exchange for immunity, according to officials with knowledge of the matter. Congressional officials have rejected that offer, not wanting to interfere with the Federal Bureau of Investigation's own Russia inquiry, they said.

The Justice Department special counsel, Robert Mueller, as part of his inquiry into U.S. intelligence agencies' claims of Russian interference, is investigating Mr. Manafort for possible violations of lobbying and money-laundering laws, the Journal has reported, citing a person familiar with the matter. In July, FBI agents working with Mr. Mueller executed a search warrant at Mr. Manafort's Virginia home.

Though Mr. Manafort and Mr. Deripaska eventually had a falling out over money, culminating in a 2014 legal petition in the Cayman Islands, Mr. Manafort continued to work in Ukraine for years. Earlier this year, Mr. Manafort reported in a government filing that his firm earned more than \$17 million for work for pro-Russian parties in Ukraine from 2012 to 2014. His failure to disclose the full extent of his work in Ukraine led to his departure as Mr. Trump's campaign chairman in August 2016.

Evgeniya Klyukach, a corporate spokeswoman for Mr. Deripaska, said he declined to comment. A May complaint Mr. Deripaska filed in U.S. District Court in Washington, D.C., against the Associated Press, alleging defamation by a March article on alleged financial ties between him and Mr. Manafort, states: "Mr. Deripaska never had any arrangement, whether contractual or otherwise, with Mr. Manafort to advance the interests of the Russian government," and that "Mr. Deripaska severed relations with Mr. Manafort many years ago." The AP is fighting the suit.

Mr. Manafort declined to be interviewed for this article. A spokesman, Jason Maloni, referred to Mr. Manafort's previous written statement, in which he said, "I look forward to meeting with those conducting serious investigations of these issues to discuss the actual facts."

Mr. Deripaska, 49 years old, earned his fortune in the mayhem following the Soviet Union's collapse when he emerged as the principal shareholder of Rusal, once the world's largest aluminum producer.

The U.S. at one time barred Mr. Deripaska from entering America due to U.S. concerns about his possible ties to organized crime that date to the period, the Journal reported in 2009—a contention Mr. Deripaska has publicly disputed. The State Department declined to comment on his current visa status.

After Mr. Putin secured Russia's presidency in 2000, he publicly outlined a covenant with the country's oligarchs: He wouldn't revisit the privatization auctions that converted state assets into personal fortunes if the oligarchs supported national priorities.



SIMON DAWSON/BLOOMBERG NEWS; MICHAEL ROBINSON CHAVEZ/HE WASHINGTON POST/GETTY IMAGES

The political-consulting firm of Paul Manafort, below, was active for more than a decade doing work in Eastern Europe that often dovetailed with Russian political interests—and that often involved oligarch Oleg Deripaska, above.



Mr. Manafort built a career providing political expertise to international strongmen such as Zaire's Mobutu Sese Seko, Ferdinand Marcos of the Philippines and Angolan rebel Jonas Savimbi through several firms over the years. Much of his work with Russia-friendly interests was through Davis Manafort Partners, or DMP, the political-consulting firm he ran with partner Rick Davis.

Dispensing American political wisdom abroad isn't illegal. Rather, Mr. Manafort, working with Mr. Deripaska, sometimes appeared to engage in foreign work that some—including some former U.S. ambassadors in the region—saw as potentially at odds with stated U.S. positions at the time.

Mr. Maloni said: "Mr. Manafort's work for Mr. Deripaska and his company, Rusal, was to advance its commercial interests."

The Georgia project

In one early project, which wasn't previously publicly known, Mr. Manafort's firm worked with Mr. Deripaska to try returning an exiled pro-Russian politician to Georgia, which had elected a Western-leaning president in 2004 after the so-called Rose Revolution in 2003.

In early 2004, one of Mr. Deripaska's investing partners, Nathaniel Rothschild, a scion of the U.K. business family, in-

vited Mr. Davis, Mr. Manafort's partner, to the Moscow office of the oligarch's holding company, Basic Element, said a political consultant familiar with DMP. There, they met Igor Giorgadze, a former Georgian Minister of State Security, the consultant said—the meeting's objective: Help devise a plan to return Mr. Giorgadze to influence in Georgia.

Mr. Deripaska hired DMP to shepherd the Georgia plan, said the consultant.

Georgian authorities had accused Mr. Giorgadze of orchestrating a 1995 assassination attempt on Georgian President Eduard Shevardnadze. From self-imposed exile in Moscow, Mr. Giorgadze had established a Russian-backed political party.

After the Rose Revolution, the new president tilted Georgia away from the Kremlin. President George W. Bush backed his approach.

Mr. Deripaska was countering with a Russia-friendly strategy, the political consultant said. Mr. Rothschild would invest in Georgia—first in vineyards—then petition the government to let Mr. Giorgadze safely return.

"Giorgadze would have been a loyal, trustworthy subaltern" to Russia, said Kenneth Yalowitz, U.S. ambassador to Georgia from 1998 to 2001, now director of Georgetown University's conflict-resolution program, "who would not have gone Westward."

As Washington's relations soured with Moscow, some American officials grew con-

cerned about Mr. Manafort's support for a candidate in Ukraine who appeared to be working counter to U.S. interests. "We didn't see it as helpful," said William Taylor, then U.S. ambassador to Ukraine and now executive vice president of the United States Institute of Peace, a federal body devoted to the reduction of violent conflict.

Mr. Manafort adjusted his approach, selling Mr. Yanukovych as a Western-friendly candidate, said a former U.S. government official. "He was trying to polish an unpolishable stone."

Mr. Maloni said: "For years

Ukraine was caught in a proxy war between the West and Russia. Mr. Manafort's work for the Party of Regions aimed to bridge this divide, bring Ukraine closer to the West, and provide greater economic stability and security."

Mr. Deripaska went on in 2005 to hire DMP to work in Montenegro, which was progressing toward independence from the State Union of Serbia and Montenegro. Mr. Deripaska was completing his acquisition of a smelter and bauxite mine there.

Mr. Deripaska's purchase "was all part of the broader effort to determine what Montenegro's future was going to be and who was going to be holding the major economic and political levers," said Michael Polt, the U.S. ambassador to Serbia and Montenegro from 2004 to 2007, now senior director of Arizona State University's McCain Institute for International Leadership.

Mr. Maloni said Mr. Manafort's work for Mr. Deripaska was to advance his client's company's commercial interests and that: "One of the projects involved supporting a referendum in Montenegro that allowed that country to choose membership in the EU, a measure that Russia strongly opposed."

When the independence referendum passed by a slim margin in May 2006, Russia quickly recognized Montenegrin sovereignty. Mr. Deripaska ultimately left Montenegro when pro-EU forces gained the upper hand politically and the state cut subsidies to his business there, crippling it, said Mr. Polt, the former ambassador.

In 2007, Mr. Deripaska pledged \$19 million for Messrs. Davis and Manafort's Cayman Islands-registered private-equity fund, Pericles Emerging Market Partners, to invest in a Ukrainian telecommunications company. Mr. Deripaska also paid the partners a \$7.3 million management fee.

Those details are part of a petition Mr. Deripaska filed in 2014 in the Grand Court of the Cayman Islands against Pericles for the recovery of funds. Mr. Maloni didn't respond to requests for comment on the petition.

Mr. Manafort advised Mr. Yanukovych through the violent 2014 protests in Ukraine, Mr. Maloni said. After Mr. Yanukovych fled to Russia, Mr. Manafort stayed on in Kiev, counseling his Party of Regions to re-form as the parliamentary Opposition Bloc. He continued to travel to Kiev until late 2015, Mr. Maloni said.

In June, Mr. Manafort retroactively registered in the U.S. under the Foreign Agents Registration Act for his activities in Ukraine from 2012 to 2014.

—Michael Rothfeld

and Shane Harris contributed to this article.

On Nov. 21, 2004, Ukraine's Russia-aligned prime minister, Viktor Yanukovych, won a presidential election against Viktor Yushchenko, who favored European integration. The defeated parliamentarian's supporters, along with the U.S. and EU, deemed the election fraudulent, instigating an uprising dubbed the Orange Revolution.

A consultant working with DMP in Georgia, Philip Griffin, said he was traveling home from Tbilisi when Mr. Davis called, rerouting him to Ukraine to help Mr. Deripaska and Mr. Rothschild. Mr. Griffin, who had previously worked in the Moscow office of the International Republican Institute, a U.S. Congress-funded pro-democracy group, said: "The mission to me this time was clear: intelligence gathering."

Mr. Manafort led this project. Between Thanksgiving and Christmas 2004, he and Mr. Griffin huddled in Washington, where they met with political contacts and gauged the U.S. attitude toward events in Ukraine, said Mr. Griffin.

In late December, Mr. Griffin said, Mr. Deripaska dispatched Mr. Manafort to Donetsk, an eastern-Ukraine city with strong business and cultural ties to Moscow. There, Mr. Deripaska arranged for Mr. Manafort to meet Rinat Akhmetov, a coal and steel magnate. Mr. Akhmetov maintained close relations with the Kremlin, said a Ukrainian for-

mer anti-organized-crime chief. "We told them about the mood in Washington," that the U.S. wasn't going to do anything to counter the Orange Revolution, said Mr. Griffin, now a freelance political consultant. "We told them this train is not going to be stopped."

A spokesman for Mr. Akhmetov, Jock Mendoza-Wilson, declined to comment. Mr. Maloni confirmed the meeting details.

Mr. Yushchenko, the candidate who favored close European ties, won a new presidential election in January 2005.

Mr. Akhmetov intensified a

campaign to Westernize the image of his holding company, System Capital Management, and

hired DMP to provide strategy and branding assistance to help SCM survive in Kiev's new political atmosphere, Mr. Griffin said.

Mr. Akhmetov agreed to pay DMP €10 million, roughly \$12 million, said the political consultant familiar with DMP. Mr. Maloni didn't respond to requests for comment on the payment.

Mr. Manafort developed a relationship with Mr. Yanukovych.

Messrs. Manafort and Yanukovych were comfortable with each other, said the consultant.

Mr. Manafort visited Mr. Yanukovych to share a sauna or to play tennis, the consultant said, with Mr. Yanukovych's bodyguards acting as ball boys.

Investigators want to know more about Mr. Manafort's history with Mr. Deripaska.

Mr. Yanukovych leaned on

Mr. Manafort to manage his

public profile and generate talking

points, Mr. Griffin said. In

concert with other strategists,

Mr. Manafort also advised the

Yanukovych campaign to stoke

issues that excited his base in

the Russia-friendly Ukrainian

east, Mr. Griffin said, in line

with Moscow's policy. That

included opposition to a proposed

declaration of Ukrainian as the

national language and disappro

val of Mr. Yushchenko's alliance

with the North Atlantic Treaty Organization.

A spokesman for Mr. Yanukovych, Yuriy Kirasir, didn't respond to inquiries.

As Washington's relations soured with Moscow, some

American officials grew con-

cerned about Mr. Manafort's support for a candidate in Ukraine who appeared to be working counter to U.S. interests. "We didn't see it as helpful," said William Taylor, then U.S. ambassador to Ukraine and now executive vice president of the United States Institute of Peace, a federal body devoted to the reduction of violent conflict.

Mr. Manafort adjusted his approach, selling Mr. Yanukovych as a Western-friendly candidate, said a former U.S. government official. "He was trying to polish an unpolishable stone."

Mr. Maloni said: "For years

Ukraine was caught in a proxy war between the West and Russia. Mr. Manafort's work for the Party of Regions aimed to bridge this divide, bring Ukraine closer to the West, and provide greater economic stability and security."

Mr. Deripaska went on in 2005 to hire DMP to work in Montenegro, which was progressing toward independence from the State Union of Serbia and Montenegro. Mr. Deripaska was completing his acquisition of a smelter and bauxite mine there.

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BOOKS

'It takes an earthquake to remind us that we walk on the crust of an unfinished Earth.' —Charles Kuralt

Getting Ready to Rumble

The Great Quake

By Henry Fountain

Crown, 277 pages, \$28

Quakeland

By Kathryn Miles

Dutton, 357 pages, \$28

BY GERARD HELFERICH

ANYONE WHO has ever experienced an earthquake knows that the stability of the Earth is a soothing illusion, that the phrase "solid as a rock" is a rosy oxymoron. In truth, the tectonic plates that constitute the planet's crust skate relentlessly across the hot mantle beneath, bumping and grinding in an endless tango that generates 1,000 or more measurable quakes every day. In this century alone, earthquakes have taken some 800,000 lives, from Haiti to Indonesia. In the United States over the past 50 years they have killed around 150 and caused about \$30 billion in property damage.

As Henry Fountain recounts in "The Great Quake," the most powerful tremor ever recorded in North America (and the second strongest ever measured anywhere) struck southeastern Alaska on March 27, 1964. Registering a magnitude of 9.2, the convulsions lasted for nearly five terrifying minutes and jolted an area of more than half a million square miles. Down the coast, in Oregon and northern California, 20-foot tsunamis sank boats, smashed bridges and flooded homes, claiming 16 victims. In the Gulf of Mexico, some 4,000 miles to the south, 6-foot swells appeared, and tremors were apparently detected in water wells as far away as Australia.

In Alaska, the earthquake left an arc of destruction along the Gulf of Alaska and Prince William Sound, the state's most developed region. Mr. Fountain, a New York Times science reporter, focuses on two particularly hard-hit communities. The port of Valdez, located 55 miles east of the epicenter, was pounded by a mammoth wave that inundated the city and swept 30 people from the waterfront. In the tiny, isolated fishing village of Chenega, the tsunami carried away every building except for a one-room schoolhouse situated on higher ground. In Chenega, 23 people died, about a third of the town's population; nearly half of the dead were children. In all, the quake claimed 131 victims; the toll would have been immeasurably higher had it struck in a more populated area or



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at a time other than 5:36 on Good Friday afternoon, when most people had already headed home for the Easter holiday.

Concentrating on several individuals in Valdez and Chenega, Mr. Fountain humanizes the disaster. Some readers may wish he had trimmed the background on his characters, whose extended biographies are one reason the earthquake doesn't make an appearance until the book is nearly half-finished. But his explanations of technical subjects, such as plate tectonics, are sharp and economical. And by spotlighting a principal investigator of the tragedy, geologist George Plafker, Mr. Fountain weaves a compelling scientific detective story.

The Good Friday quake would prove the most studied in history, yielding important evidence for the then-still-controversial theory of plate tectonics, inspiring more accurate techniques for measuring magnitudes and spurring greater study of tsunamis. It would also prompt stricter construction codes, not only in Alaska but in the Lower 48.

Alaska is our most quake-prone state, with about 12,000 temblors every year, compared with some 10,000 in southern California. But if we don't

happen to live on the West Coast, what are our chances of experiencing an earthquake? In "Quakeland," Kathryn Miles, a writer-in-residence at Green Mountain College in Vermont, argues that the odds are worse than we might think. Much of the ground beneath our feet is riddled with cracks and fractures to a depth of 10 miles or more, she reports, and there isn't a state in the Union that hasn't experienced a tremor at some point in its history. According to the U.S. Geological Survey, 75 million Americans, in 39 states, live in areas of "significant seismic risk."

One such belt stretches across the nation's heartland, where a network of faults known as the New Madrid Seismic Zone extends 150 miles, from northeast Arkansas almost all the way to southern Illinois. The area sees about 200 earthquakes a year, and in 1811 and 1812 it saw a series of powerful quakes that destroyed much of St. Louis. Some scientists believe that New Madrid is 30 years past due for a significant rupture, which not only could devastate towns and cities but, because of its proximity to the Mississippi River, could cause widespread flooding and cripple transportation networks by taking down bridges and disrupting ship traffic.

Even the East, which Ms. Miles assures us is home to some of the "oldest, most stable rock anywhere on earth," is not immune. New England registers several tremors annually, and South Carolina, the second most seismically active state east of the Mississippi (after Tennessee), experiences a dozen or so every year.

Alaska is by far the most quake-prone state, but all have experienced tremors.

New York City, where the ground is riddled with faults, has experienced 200 observable quakes since the arrival of Europeans. Because the region's bedrock transmits energy more efficiently than softer stone, a tremor there is felt across a wider radius. And since about 80% of the city is constructed of unreinforced masonry, the threat is made worse: If New York experiences a magnitude 7.0 quake (it suffered a 5.5 quake in 1884), only a quarter of its buildings are expected to escape damage, while 6,500 will either collapse or be so seriously compromised that they will

have to be demolished. The city's relatively aged, generally non-quakeproof infrastructure, including its bridges and water systems, could also be at risk, along with the Indian Point nuclear power plant, located 30 miles north of Manhattan near another fault.

Not only have we built cities, nuclear plants and other vulnerable assets on geologically dicey real estate, but some human activities, including mining and the building of dams and tunnels, can upset the delicate seismic balance and increase the risk of temblors. Injection wells, used to force water deep in the earth for fracking and other methods of gas and oil extraction, have been shown to produce earthquakes in states such as Texas and Oklahoma, which now records more than 600 3.0-or-greater quakes every year. All told, the U.S. Geological Survey warns that about seven million Americans live in areas under danger of induced earthquakes, including Oklahoma City and Dallas.

What are the odds of a tremor rattling your hometown? It's hard to say, since earthquakes are the least understood of all natural disasters. Although the USGS has mapped 2,100 faults in the United States where quakes have already occurred, the number and location of most faults remain a mystery, and the great majority are discovered only when they rupture.

With prediction elusive, Ms. Miles (along with many seismologists) stresses the importance of preparedness, for communities and individuals alike. If you live in Florida or North Dakota, you apparently have little to worry about. But, she warns, "if you live on the eastern seaboard, if you live in a lot of the Midwest, or on the west coast or in Utah or Oklahoma or Texas or Alaska or Hawaii, your risk is real. It's up to you to be ready for it."

Ms. Miles's treatment of earthquake mechanics is clear and crisp, but her writing can be discursive during her extended road trips, to a mine in Idaho, for instance, or to the Federal Express hub in Memphis. And as seen in the above quotation, her tone can veer toward the sensational. Does she succeed in shaking us out of our complacency? I will confess that, although I don't live in a seismic hot zone, the day I finished reading "Quakeland" I found myself in a grocery store stocking up on bottled water.

Mr. Helferich is the author, most recently, of "Theodore Roosevelt and the Assassin: Madness, Vengeance, and the Campaign of 1912."

The Elephant in the Room

Discovering the Mammoth

By John J. McKay

Pegasus, 241 pages, \$27.95

BY RICHARD CONNIF

'DISCOVERING THE MAMMOTH' is one of those books that make you wonder about the author as much as about his topic. John J. McKay writes that he got started with a single blog post aiming to establish "a chronology of what was known about mammoths and when." Or rather, he got started because he noticed, while indulging his "great love of conspiracy theories and fringe ideas," that "lost history theories"—think Atlantis, flood geology and rogue planets—"all used frozen mammoths as proof positive of their ideas."

Mr. McKay, who describes himself on his blog as "an underemployed, grumpy, and aging liberal who lives in the Great Northwest"—that is, Alaska—soon began obsessively collecting facts about these great, hairy pachyderms. He became the "mammoth guy" to his neighbors and apparently also to his long-suffering (now ex-) wife.

The resulting book is unfortunately the chronology that Mr. McKay set out to write in the first place and less the thrilling "Tale of Giants, Unicorns, Ivory, and the Birth of a New Science" touted in the subtitle. Mr. McKay's background as a technical writer shows in his clear sentences, with one carefully authenticated fact logically following another from beginning to end. It also shows, however, in the absence of color, scene setting or a driving narrative arc. And yet I found the book oddly compelling.

Mr. McKay makes the case that,

beginning about 1600, mammoths and their mastodon cousins, appearing in bits and pieces from beneath the ice and earth, became "a focusing problem for a scientific revolution." They were the starting point for sweeping changes in geology and comparative anatomy and in the ways we think about life on Earth.

Scholars could reason their way around previous out-of-place discoveries like fossil seashells found on mountaintops, Mr. McKay writes. But "the remains of unrecognizable land animals, especially large ones, were

Huge bones dug up in Europe puzzled savants who had no idea that a species could go extinct.

a tougher problem." Most European naturalists in the 1600s had only the vaguest awareness of living tropical elephants, and they had no obvious way to connect them to these puzzling ancient creatures. "Unraveling that mystery required the development of a new, specialized intellectual toolkit," Mr. McKay writes. "Unthinkable ideas such as extinction and a history of the earth itself separate from, and older than, human history needed to be embraced." Though Mr. McKay does not put it in so many words, mammoths were the beginning of the end for the biblical view of Earth history.

The initial response to the discovery of mammoth and mastodon remains was, however, entirely orthodox. With Genesis 6:4 firmly in mind ("There were giants in the earth in those days"), most Europeans took

them for the bones of such "mighty men." A discovery in southern France in 1613, for instance, resulted in a "true history of the life, death, and bones of Giant Theutobochus, King of Teutons," slain in battle with the Roman consul Marius and buried in a 30-foot-long tomb. Likewise, when a tooth weighing almost 5 pounds

together without distinction. But the word "mammoth," from an indigenous Siberian word meaning "earth horn," gradually gained currency in Europe. The trade in mammoth ivory for carved objects also boomed. Mr. McKay quotes one estimate that, by 1840, Siberia had already exported the tusks of 20,000 mammoths. (That



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SMILE A mammoth skeleton found in the La Brea Tar Pits in Los Angeles.

turned up a century later in Claverack, N.Y., the Puritan minister Cotton Mather boasted that this American discovery made Goliath and other Old World giants look like mere pygmies. Other, more naturally inclined, scholars thought mammoths emerging from Siberian ice were the remains of huge, burrowing rodents that lived underground and died on exposure to air.

The gentry coveted "unicorn" ivory as an antidote to poisoning, and at "the peak of the poison panic in the mid-sixteenth century," Mr. McKay writes, exotic ivory fetched 10 times the price of gold. At first, mammoth, walrus and narwhal ivory got mixed

trade is still thriving today at a reported rate of 60 tons of mammoth ivory a year.)

The intellectual problem with mammoths arose because Western thinking had no conception of a species becoming extinct. Instead, the "great chain of being" progressed link by link from the lowliest worm up to humans, everything in its place and each species essential to the unity of the whole. "From Nature's chain whatever link you strike," Alexander Pope wrote, "Tenth or ten thousandth, breaks the chain alike."

The German polymath Gottfried Wilhelm Leibniz flirted with the idea of extinction at the end of the 17th

century but could bring himself to argue only that species could change form to some degree. Or as Mr. McKay puts it, "a cold-adapted elephant had the same relation to a tropical elephant as a shepherd dog to a terrier." A century later, beginning in the mid-1790s, the French comparative anatomist Georges Cuvier finally assembled the evidence to distinguish carefully among elephants both living and dead. He made extinction an irrevocable fact of life. Cuvier, now considered the father of paleontology, demonstrated that whole worlds of species had lived and died before us. It was a radical turning point in our conception of the world and of our own place in it. It was also the essential preamble to Charles Darwin's subsequent idea of evolution by natural selection.

Mr. McKay doesn't spend much time on the American side of the story, which is a pity. To understand just how thoroughly mammoths and mastodons shaped our own sense of ourselves as a nation, readers might enjoy Paul Semonin's "American Monster" (2000). But Mr. McKay fills in the European background in admirable detail. In an afterword, he notes that early humans on many continents lived with mammoths and other proboscideans, hunted them for food, and used their bones and hide for shelter, tools and early art. We may even have followed them out of Africa and watched what plants they ate in new habitats before sampling them ourselves. Mammoths, elephants and their kin, John McKay suggests, helped make us who we are.

Mr. Conniff is the author, most recently, of "House of Lost Worlds: Dinosaurs, Dynasties, and the Story of Life on Earth."

BOOKS

'A biographer is an artist under oath.' —Desmond MacCarthy

The Empathy Artist

The Shadow in the Garden

By James Atlas
Pantheon, 388 pages, \$28.95

BY ADAM BEGLEY

IN 'THIS LONG PURSUIT,' his recent book about biographical craft, Richard Holmes, one of the greatest living biographers, misquotes W. Somerset Maugham: "There are three rules for writing biography, but fortunately no one knows what they are." Funny and true—but Maugham's remark was about writing novels, not biography (and it's not certain that he actually said it). Does it matter? Only if you believe that getting those pesky facts straight should be the aim of every biographer. If there's no rule against fudging it, why not write fiction instead?

"Facts matter," James Atlas declares in "The Shadow in the Garden," a rufous, meandering and for the most part engaging and instructive meditation on the kind of biography he himself practiced in books on Delmore Schwartz and Saul Bellow—that is, literary biography. Mr. Atlas is not prescriptive; the closest he comes to laying down the law is to state unequivocally that "The key to writing biography is the capacity to be empathetic"—not a controversial claim.

His book is a tour of the sausage factory. We watch the indefatigable Boswell stalk Johnson, Lytton Strachey size up his eminent Victorians, Michael Holroyd grapple with Strachey, Holmes channel Shelley and Coleridge—and of course we trail Atlas, hot on the heels of Schwartz and Bellow.

The subtitle of this book, "A Biographer's Tale," promises greater narrative coherence than we get, but maybe Mr. Atlas was happy to take a break from the inexorable plot imposed on all "life-writing" by the passage of time and the common fate of humans, writers included. "Confessions of a Biographer" is more like it. He dishes dirt with the lively enthusiasm of a hack at work on a celebrity tell-all, the difference being that much of the dirt is his own.

At times almost unbearably candid, he writes as though his memoir were a kind of atonement. Some of the self-flagellation seems unnecessary, as when he writes about his decision to return to work at the New York Times



MARK ULRICKSEN

after a period as a freelancer: "After many wheedling letters and phone calls, I managed to claw my way back to the Times." He reveals his anguish

a prurient biographer (he admits to being more interested in the writings of his subjects than their amatory exploits); his urge to confess derives

last shred of material about Schwartz and Bellow. When he calls biographers "obsessive diggers," he's showing us a selfie. The enormous amount of work he did on Schwartz (a tremendously talented writer now sadly slipping into obscurity) was repaid with critical acclaim and a National Book Award nomination. The Bellow was a different story.

If the hazy chronology of "The Shadow in the Garden" is to be trusted, it wasn't until some nine years after having decided to write about the Nobel laureate that he began to have doubts about the wisdom of attempting "a biography of a living person." Bellow was in his mid-70s when Mr. Atlas took the plunge, a cranky, controlling character clearly uncomfortable about having his past explored and exposed. Avidly nostal-

In this memoir-cum-apologia, James Atlas, the biographer of Saul Bellow, dishes dirt like a hack at work on a celebrity tell-all, but the dirt is his own.

over what he calls the "Twelve Errors" in his Bellow biography, a dozen passages he later marked with yellow Post-its to flag ungenerous, snotty or "neurotic" comments. He thought of these lapses as "pockmarks" that would scar him permanently. Prying into the lives of others can provoke guilt in some, but Mr. Atlas is hardly

from his personality, not his profession. He's burdened with a rare decency, a desire to get it right. If he gets it wrong, he yearns to fix it.

His career was born out of obsession, the relentless drive to read through the biographical canon, from Plutarch to Janet Malcolm, and the overpowering need to gather every

gic, Bellow wanted to talk and reminisce, but only on his terms. Their pas de deux is mesmerizing—and appalling. Bellow bullies his biographer, and the poor battered biographer always seems eager for more, compelled by what he identifies as "emotional hunger." It ends in tears, naturally: angry, victimized silence from Bellow; outraged reviewers excoriating Mr. Atlas for daring to point out the great man's flaws; years of remorse for the unhappy biographer.

An undertow of sadness tugs at the margins of this book. The author is often funny, especially when unearthing forgotten characters, and in his footnotes he cuts loose, displaying a zany side. (Here's the footnote for "Recamier couch": "An eighteenth-century divan made famous by . . . oh, just look it up if you're interested. The internet has spoiled the pleasure to be found in displaying recondite erudition.") But the humor tails off in the final chapters, when it becomes apparent that Mr. Atlas feels he never lived up to the bright promise of his early career. He won't write a third biography.

James Atlas is death-haunted, and so is his book. The title comes from a remark by Bellow, who called the biographer "the shadow of the tombstone in the garden." Mr. Atlas drives the point home: "The tombstone was the biography," and "the biographer was the gravedigger." And elsewhere, "I was the robed prophet in the New Yorker cartoon, carrying aloft a banner that read: 'The end is nigh' . . . Bellow's end was nigh. What else can having a biography written about you portend?" (There's a flipside to this. "Biography, in the end, is a stay against death," Mr. Atlas writes. "Most of us don't get one." He knows he's safely in the land of "No-biography"—his life story won't be subjected to the prying scrutiny of an obsessive gravedigger.)

All biographies are death-haunted in the very literal sense that every page you turn takes you closer to the end. And then there's the grim truth pointed out by Richard Holmes: no biography can "hope to avoid the relentless process of being superseded, outmoded, and eventually forgotten—a form of auto-destruction which has no equivalent in the novel."

Mr. Begley's most recent biography is "The Great Nadar: The Man Behind the Camera."

FICTION CHRONICLE: SAM SACKS

Surviving Girlhood

ON A HOT, unsupervised summer day early in Claire Messud's "The Burning Girl" (Norton, 247 pages, \$25.95), two 12-year-old best friends, Julia and Cassie, stir up mischief by breaking into a derelict building in the woods outside their town of Royston, Mass. The building is called the Bonnybrook, a turn-of-the-century mansion that was converted into a women's mental asylum. As the girls cavort on the grand staircase and explore the empty bedrooms, they make believe they're among the Bonnybrook's by-gone residents, "crazy girls in blue smocks with their hair sticking up anyhow and wild eyes." "We could feel them with us," Julia recalls. "And they too were our sisters."

Such unsettled intimations of kinship ran all through Ms. Messud's sensational 2013 novel, "The Woman Upstairs," about an unmarried, middle-aged sculptor and elementary-school teacher whose anodyne demeanor masked a furnace of rage and resentment. The book's fire-breathing heroine recast the classic literary archetype of the Madwoman in the Attic, presenting the image of a modern woman—single, independent, with an artist's studio of her own—who still feels trapped inside a life of miniature proportions, universally patronized as a harmless and ignorable "spinster with a hobby." She may not appear to have anything in common with the pyromaniac lunatic Mr. Rochester keeps under lock and key in "Jane Eyre," yet there she is in her small upstairs apartment, alone, overlooked and closer to the edge than anyone imagines.

Having excavated the balked desires and repressed fury of the single woman, Ms. Messud ventures into the Category 5 hurricane that is the psyche of a teenage girl. "The Burning Girl" is narrated by Julia but mostly about Cassie, her best friend

since nursery school. Julia is the product of a snug and stable household—her dad is a dentist, her mom a freelance journalist. For Cassie, family life chafes and blisters. Her father died in a car crash after she was born and she's grown up worshiping his memory. Her overworked mother's remarriage to a creepy born-again Christian sends her sliding toward an emotional breakdown.

Julia views that collapse through the disappointment of her own ruptured friendship with Cassie, who's begun, as they enter junior high, to hang out with a faster group of girls. Ms. Messud is at her most incisive in exploring the volatile transition from childhood to adolescence, "a world of adult actions and of adult conjecture." "You're suddenly aware of the wild, unknowable interior lives of everyone around you, the realization that each and every person lives in an unspoken world as full and strange as your own, and that you can't ever hope entirely to know anything, not even yourself," Julia says. "But just as the world is opening up, it's closing too, and things reveal their previously unimaginable shapes." Whereas her bright future seems preordained, Cassie is destined, through some cosmic roll of the dice, to walk a path that's unmarked, unaccompanied and dangerous.

She makes for a very poignant character—rough, rebellious and nakedly vulnerable, giving the best of her love to someone who can't return it. The story focuses on Cassie's desperate attempt to run away and find the father she's talked herself into believing is still alive, and its exceptionally deft conclusion returns us to the haunted ruins of the Bonnybrook asylum.

Why, then, does the novel lack the careening intensity of "The Woman Upstairs"? The problems are mostly technical. Julia recounts Cassie's tale two years after the fact, as she, Julia, enters her senior year of high school, but her narrative voice sounds too filtered and elegant to come from a

17-year-old, even one who stars on her school's speech team. From behind that careful veneer, Cassie is difficult to fully make out. Because she's alone when she runs away—because her fate is to be alone and misunderstood—Julia has to relate her exploits from second- and third-hand accounts. The conflagration of her personality is only rarely brought near enough to singe.

The animal is her father, who lives alone with her in an overgrown, gun-filled compound on the California coast south of Mendocino. According

Impressively, this is also a novel of great beauty, filled with lush evocations of the woods and "the ocean broken by kelp beds, the bulbs and fronds stirring the surface." The coastal wilderness is Julia's second home and on one of her walkabouts—she often runs away from Martin, but always goes back—she rescues two high school boys, Brett and Jacob, who have gotten lost on a hike. Her secret friendship with them opens her to the prospect of a life without her father and it's when he's absent that the book takes wing. In one extraordinary episode, Julia and Jacob get caught in a rip tide and have to spend the night on an island off the shore, surviving only by virtue of Julia's resilience and resourcefulness.

In two very grown-up novels, articulate teens tell their harrowing coming-of-age stories.

She is, in truth, a somewhat other-worldly figure. As with Ms. Messud's Julia, her interior monologue seems impossibly articulate ("I hate him, but I am unsure in my hatred; guilty and self-doubting and hating myself almost too much to hold it against him"). The only way to escape her father's virtual suicide pact is through violence, and the novel culminates in an eruption of gunplay. Naturally, she's also a crack shot. Julia is different from the child abuse victims in Hanya Yanagihara's "A Little Life" and Edward St. Aubyn's Patrick Melrose novels. She has more in common with Batman, another crusading outsider who came to his powers through unimaginable trauma. Abuse narratives and superhero adventures may be the most popular storytelling genres of our age—it was only a matter of time before they merged.



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to Martin, Julia's mother drowned while looking for abalone, but there's no reason to believe anything this silver-tongued sociopath says. He claims to have withdrawn from the world in response to the evils of pollution, but his single-minded fixation is dominating his daughter, psychologically and physically. He subjects her to torrents of invective between sobbing declarations of love. He makes her practice pull-ups by holding a knife against her crotch. In the opening chapter he casually rapes her, establishing the sickening sense of menace that chokes the novel like a poisonous weed. Like Julia, you're on red alert every time he enters the room.

BOOKS

'I'd rather be a singer with a future than a star with a past.' —Al Green

Singing Sacred and Profane

Soul Survivor

By Jimmy McDonough

Da Capo, 403 pages, \$28

BY EDDIE DEAN

WHEN AL GREEN performed on "Soul Train" in the spring of 1974, he was the most electrifying singer in pop. Host Don Cornelius hailed his "amazing charisma," introducing the 27-year-old as "the closest the music business has come to having its own messiah."

After the opener, "Sweet Sixteen," Mr. Green's paean to underage love, he segued into "Jesus Is Waiting," a gospel song. His band laid down a brooding groove as he took a moment to recite the Lord's Prayer. The audience rooted him on, and the strobe-lit studio became, for a while, an old-time revival meeting. For the finale, though, he offered "Here I Am (Come and Take Me)," a 1973 hit celebrating carnal surrender. He gyrated around the stage, whipping the crowd into a frenzy.

"This was one of those performances," notes Jimmy McDonough in his wildly entertaining biography, "Soul Survivor," "where Green, as Robert Palmer has written, 'commands a power so intense it can almost be frightening.'

Mr. McDonough makes it clear early on that the creator of so many anthems of intimacy and steadfast love—"Let's Stay Together," "Call Me," "Let's Get Married," "I'm Still in Love With You," to name only a few—can be a moody, quick-to-anger loner. Likewise, the born-again evangelist who in his prime 40 years ago turned his back on showbiz for the wilderness of gospel music is, according to his biographer, a "tormented soul" (now 71) who seems to find only limited peace in his current role as the reverend at his Full Gospel Tabernacle Church in Memphis.

Mr. McDonough has written biographies of Neil Young and Tammy Wynette, two other prickly 1970s icons. He has a habit of inserting himself into the narrative, a device that can be, by turns, illuminating and distracting. As with those earlier biographies, "Soul Survivor" is the testament of a smitten fan turned reporter. "Al Green is hard to figure out," Mr. McDonough concedes. "Gaze upon a handful of Green's TV performances over the years—he really does seem to inhabit different people, not personas. . . . He is one of the last great mysteries left in pop music."

In interviews, Mr. Green is effusive and evasive, deflecting questions while sharing snippets of conversations he's had with God or a backyard raccoon he has bonded with. He will

start speaking in tongues or sing an Elvis song. In his ghost-written memoir from 2000, "Take Me to the River" (which he says he has never read), there is no mention of his several ex-wives, but there are many tender memories of his first girlfriend, a prostitute named Juanita who taught him the ways of the world.

"Soul Survivor" surveys the range of "different Als," from the capricious, ego-driven star to the Righteous Reverend trying to keep him in line, a relationship Mr. Green often describes in the third person. ("Some of the things Al Green does, me doesn't agree with," he has said.) Then there's regular-guy Al, who just wants to load his pick-up truck with some bales of hay and go feed his horses.

As presented by Mr. McDonough, Mr. Green takes his place next to other eccentric black Southern visionaries, like free-jazz bandleader Sun Ra, who claimed to be from Saturn, and Memphis painter Dewitt "The Delta Fox" Jordan, who was gunned down in a drunken argument in 1977 and to whom Mr. Green dedicated the *Belle Album*, his masterpiece of celestial gospel-funk.

Mr. Green gave no blessing or cooperation to Mr. McDonough's project. To help sort through the different Als, the author talked with musicians and producers and others who have worked with Mr. Green over a half-century. They offer behind-the-scenes tales that, along with Mr. McDonough's sharp analysis, make "Soul Survivor" an essential listener's guide to Al Green's formidable recorded output.

Al Green undercut the macho soul-man type and offered the torment of a sensitive man.

At the heart of the book is the run of hit singles that Mr. Green made in the early '70s with producer Willie Mitchell at Hi Records in Memphis. In the 1960s, Mitchell, a jazz-loving R&B bandleader, crafted a minimalist, hypnotic, bottom-heavy groove for the recordings he made his studio. "You spend most of the time pullin' shit out," he said. "We're not producers, we're reducers."

Even so, there was an element missing—a top-flight singer. Mitchell found one in Mr. Green, who had cut his teeth in his family's gospel group. Mr. Green at first bucked Mitchell's orders to soften the shouting and R&B histrionics that Mr. Green was copying from Jackie Wilson records. His first hit, in 1970, a bluesy, bruising cover of the Temptations' "I Can't Get Next to



THE REVEREND
Al Green, 1988.

You," revealed a raw talent beyond his years. He was already, Mr. McDonough notes, "starting to overdub himself to provide his own Al Green choir." Mr. McDonough quotes the critic Anthony Heilbut: "He would employ his voices—a limber falsetto, a breathless crooner, a growling preacher—in a three-way encounter."

The singing was still too harsh for Mitchell, whose mantra was "silky on top, rough on the bottom," the top being, Mitchell hoped, Mr. Green's supple voice hushed to almost a whisper over the rhythm section. Sweetened by spare strings and dreamy back-up vocals, Mitchell's formula cut through the cluttered bombast of '70s pop radio. "This is the tension you get," Mr. McDonough writes, "by putting a somewhat crazy gospel-based singer in a jazzier setting and telling him to rein it in—but still demanding he deliver all the emotion necessary."

The hits came fast, and Mr. Green was a writer or co-writer behind them all. His first million-seller, "Tired of Being Alone," came from his frustration with a girlfriend, "the busiest woman I'd ever seen," he said. "Let's Stay Together" came after a heated argument with Mitchell, who had demanded even more mellowing on the vocals. Mr. Green stormed out of the studio, took his Corvette for a tire-squealing ride in the country and returned to sing in the subdued manner Mitchell wanted.

The sound was Mitchell's, but the attitude was Mr. Green's. He undercut the macho soul-man stereotype and instead offered his audience the inner torment of a sensitive man unafraid to express hurt and longing and, most of

all, the need for companionship. Mr. McDonough says that the magic quality Mr. Green possessed was "vulnerability. We feel like Al Green understands. That he is talking directly to us. There is a realness we believe."

For his fellow musicians, though, Mr. Green was aloof and at odds with the easygoing camaraderie at the Hi Records studio. Guitarist Teenie Hodges, co-writer of "Love and Happiness" and other hits, says that their close friendship ended after a spat over money, when Hodges refused to play for no pay backing Mr. Green on a club date. "I guess you want as much money as I do, you're a star now?" Mr. Green asked him.

Stardom brought Mr. Green everything he could want (including, he once estimated, 10,000 girlfriends) except for love and happiness. In 1973, after a show at Disneyland, he had a conversion experience in his hotel room. His song "Jesus Is Waiting" expressed his spiritual awakening, but he remained trapped in the music-biz cycle of recording and touring. Things came to a head in October 1974 at the mansion he had built for himself outside Memphis.

His most recent paramour, a troubled fan-turned-girlfriend, suggested that they get married. He demurred, and she retaliated by scalding him with a pot of boiling grits before killing herself with Mr. Green's pistol. Mr. McDonough's account of this incident is the most thorough yet, making public for the first time her suicide notes and other details. Her death scarred Mr. Green emotionally as much as the third-degree burns that hospitalized him for a month.

GETTY IMAGES

Despite this tragedy, Mr. Green kept Jesus waiting. Finally, in 1977, he showed up "visibly emotional" at Mitchell's house at 1 a.m. and told his mentor that he was "goin' gospel." Mitchell replied that he didn't produce gospel music, ending their nine-year run. Mr. Green had already purchased a small church near Graceland, where he pastors to this day.

Undaunted, he hired new musicians and began producing his own records, starting with the *Belle Album*. It has a homemade, spontaneous feel, the opposite of Mitchell's meticulous approach. The *Belle Album* was Mr. Green's attempt to reconcile his warring secular and sacred impulses, to "channel both—religion and rock 'n' roll," as he put it. Many critics, including Mr. McDonough, consider it his career milestone. Despite the accolades, it was a commercial flop, and Mr. Green has never returned to the pop-star status he once enjoyed.

For more than a decade, he recorded gospel music. "I watched a guy who was the top superstar in R&B throw the whole thing away to go sing 'Pass Me Not, O Gentle Savior,'" says Reuben Fairfax Jr., bassist and songwriter and one of the guiding lights behind the *Belle Album*.

In the intervening decades, Mr. Green has made periodic forays back into secular music, enjoying a few modest hits. His personal life has not been peaceful. There have been short, troubled marriages and bitter divorces; assault arrests and altercations with former band members. His backing musicians tell of a stingy, mercurial dictator. Others report unheralded acts of kindness.

There are stretches of the book where Mr. McDonough allows too many disgruntled employees to complain, turning the narrative into a sort of "Reverend Dearest." And sometimes, slipping into overwrought musical analysis, he needs to stick with Mitchell's less-is-more dictum. But usually he's on target, as when he probes the meaning of a 1976 album track titled "That's the Way It Is," which he describes as "full of dread," a song that "makes God sound scary."

Mr. McDonough remains a devoted fan and is convinced that this "unruly genius" has another masterpiece in him. One glimmer came in 2008 when Mr. Green collaborated with drummer Questlove for the Grammy-winning "Lay It Down," featuring a new batch of Green originals that conjured the Hi magic without aping it. "I'm under the impression that all musical geniuses are crazy," Questlove said. "And Al is no exception. . . . He's from another planet."

Mr. Dean is co-author of Dr. Ralph Stanley's "Man of Constant Sorrow: My Life and Times."

Business in a Common Tongue

The Language Of Global Success

By Tsedal Neeley

Princeton, 188 pages, \$26.95

BY MELANIE KIRKPATRICK

ON MARCH 1, 2010, Hiroshi Mikitani, the chief executive of Japanese e-commerce giant Rakuten, used a video link to address a meeting of the company's 10,000 employees worldwide. Speaking in English, he announced that Rakuten henceforth would be an English-only organization. In two years' time, he said, every interaction, spoken and written, would be conducted in English—even among the 7,100 workers whose first and often only language was Japanese.

"Our goal is to catch up with the global market," Mr. Mikitani said. He explained that a common language was the only way to share business knowledge quickly and effectively across Rakuten's international operations. "Englishnization"—a term he coined—was an essential aspect of the company's growth strategy, he said. The CEO further announced a draconian measure to enforce his new mandate: Employees who did not, within two years, score above 650 on the 990-point Test of English for International Communication would face demotion or dismissal.

After the passage of those two years, it was clear that Mr. Mikitani's radical move was working. Some 90% of Rakuten's Japanese workforce met the language requirement, and those who didn't were given a six-month

grace period to improve their scores. The company was globalizing at a fast pace, expanding its operations in the U.S. and entering other countries.

How did Rakuten do it—and was it worth it? Tsedal Neeley, a professor at Harvard Business School, provides a detailed account in "The Language of Global Success." Ms. Neeley spent five years interviewing Rakuten managers and workers around the globe—in Japan, the U.S., Europe, South America and Asia. Her book is an interesting read, despite frequent lapses into HBS case-study-ese.

The CEO of a Japan-based company declared that, henceforth, every interaction, spoken and written, would be conducted in English.

One of her most intriguing findings has to do with the effect of the English mandate on Rakuten's corporate culture. Mr. Mikitani believed in "changing perspectives by changing language," Ms. Neeley writes. By forcing employees to speak English, the CEO wanted to move his company "away from its traditional Japanese hierarchical system, one characterized by rules, deference to authority, and perceptions of status, toward a perspective that would enable openness and assertion." He saw English not just as a tool to advance Rakuten's global expansion by facilitating communication around the

globe but also as a way to create a more outspoken, egalitarian mind-set among Japanese employees.

A year or so into the English mandate, Mr. Mikitani also began to emphasize Japanese practices and cultural concepts that were essential to Rakuten's way of doing business. These ranged from something as mundane as the company's requirement that every employee wear a name-

English-speaking global company. At Rakuten, English became a "decoupling force between language and culture," she writes, allowing the Japanese company to "forcefully assert its cultural identity."

The English mandate was most difficult for Japanese-speaking employees, who had to work hard to reach the required level of fluency in just two years. They succeeded, Ms. Neeley says, for two reasons: Management stayed on message, explaining repeatedly why English was essential for the company's success; and Rakuten provided intensive language classes, which employees attended during their workday. Mr. Mikitani had learned English as a child in the U.S. when his father was a visiting scholar at Yale, and he believed that immersive learning was the best way to learn a language.

The Rakuten example, Ms. Neeley concludes, shows that Western culture doesn't have to dominate in an

tion at Rakuten as a kind of test bed for other Japanese companies. He saw English as a way to help insular Japanese firms become globally competitive, thereby assisting in the revival of the Japanese economy. The jury is out on that goal, as it is on another of his objectives—improving the English skills of the wider Japanese population.

For a long time, Japanese schools haven't taught English very well, as I discovered when I was living in Tokyo in the mid-1970s. I became a minor celebrity among the junior-high-school set due to my appearance on a national TV show that taught English. Wherever I traveled in the country, I'd run into kids who would run up to me and shout, "This is a pen!"—the first line in our textbook. Few youngsters were able to say much else in English. More recently, Ms. Neeley notes a 2009 study of English proficiency in 30 Asian nations in which Japan ranked second from the bottom.

Mr. Mikitani has advised Prime Minister Shinzo Abe on improving English-language education in Japan. Mr. Abe—whose own English is good—wants more of his countrymen to speak fluent English by the time of the 2020 Tokyo Olympics. If the prime minister takes his cue from the Rakuten example, there's a decent chance he'll succeed. As I learned to say during my time in Tokyo: "ganbatte," or "good luck."

Ms. Kirkpatrick is a senior fellow at the Hudson Institute and a former deputy editor of the Journal's editorial page. She is the author of "Thanksgiving: The Holiday at the Heart of the American Experience."



BLOOMBERG NEWS

CULTURE CLASH Hiroshi Mikitani, Rakuten's chairman and chief executive.

badges—a policy loathed by Rakuten's American employees in the U.S.—to the more elusive concept of *omotenashi*, which translates roughly as "hospitality." Now English-speaking Japanese workers were able to communicate the importance of wearing badges, practicing *omotenashi* and following other Japanese customs to non-Japanese colleagues, who were encouraged to accept them.

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From the outset, Mr. Mikitani had envisioned his plan for Englishniza-

OPINION

REVIEW & OUTLOOK

China's Himalayan Climb-Down

A three-month standoff between Chinese and Indian troops in a remote corner of the Himalayas ended this week with both sides agreeing to withdraw. Beijing is claiming victory, but this is face-saving bravado. New Delhi successfully repulsed a Chinese attempt to assert control over the disputed region.

In June China quietly began construction of a road across the Doklam Plateau, an area that Indian ally Bhutan also claims. The area overlooks the Siliguri Corridor, a stretch of territory 27 kilometers wide at its narrowest point that leads to the country's landlocked northeastern states. The Indian government was understandably alarmed because the new road would allow the People's Liberation Army (PLA) to move tanks and artillery within striking range of the corridor, also known as the "Chicken's Neck."

Lightly armed Indian troops entered the disputed area in mid-June, bringing the Chinese road construction to a halt. Some 300 soldiers from each side camped about 100 meters from each other.

Beijing demanded that Indian forces withdraw unconditionally and kept up a barrage of threats and maneuvers. The Indian government remained largely silent, appealing for a diplomatic solution.

The PLA regularly crosses the Himalayan frontier to expand its area of control and poses as the victim when challenged. These tactics are similar to those used by the Chinese Navy in the South and East China Seas, where it

seeks to intimidate other claimants to islands and waters.

In 1962 China and India fought a brief border war after Chinese forces built a road across the disputed area of Aksai Chin. The PLA routed the Indian Army in that conflict. Over the past few months, Chinese officials and state-run media promised to teach India another lesson if it didn't withdraw from Doklam.

India is better equipped to resist Chinese pressure today because it is a nuclear power and has considerable conventional forces near Doklam. The strategic vulnerability of the Chicken's Neck also stiffened its resolve.

But the key difference was India's willingness to wait out China rather than moving more of its forces into disputed areas, as it did in 1962. Unable to blame India for a military clash, Beijing had little choice but to open talks.

On Monday India got the resolution it wanted, an agreement that both sides would withdraw and China would cease its road-building. The bulldozers left along with the PLA troops.

The government of Prime Minister Narendra Modi deserves most of the credit for the positive outcome. It chose to make its stand on high ground morally and militarily. As a responsible great power, New Delhi refused to be drawn into escalation by Beijing's bellicose rhetoric. India's deft handling of the dispute shows that principled resistance can face down China's creeping aggression.

French Labor Liberation Day

French voters this spring gave themselves their best shot in a generation at reviving their moribund economy, and President Emmanuel Macron is now taking advantage of the opportunity. The final draft of the labor-market reforms he unveiled Thursday could remake Europe's second-largest economy.

Few areas of French labor law remain untouched. Most important, Mr. Macron will limit the severance payouts courts can mandate for fired workers. He will free small companies with nonunion workers from the straightjacket of national collective-bargaining agreements covering working hours, overtime pay, vacation benefits and the like. Companies will have more scope to negotiate labor deals at the firm level rather than being forced to abide by national agreements.

The severance overhaul will go a long way toward inducing businesses to hire more workers. Small- and medium-size French companies report pervasive fear of expanding their workforce lest they be stuck with problem employees or face ruinous expenses to lay off workers if economic conditions change.

These restrictions help explain why French unemployment is still 9.5% even at its five-year low. That's double the rate in Germany, and French unemployment has become a social crisis, especially for young people frozen out of the job market. The jobless rate for French between age 15 and 24 is 25%—that is, for those who haven't moved to London or the U.S.

Mr. Macron speaks often of France's need to transform itself into a "start-up nation," and what entrepreneurial companies need as much as capital is flexibility. His labor reforms would give them new freedom to innovate and are crucial to the larger cultural shift in France's attitude to entrepre-

neurship and risk-taking that Mr. Macron wants to promote.

None of these reforms are new ideas. Previous governments recognized the need for them, and Mr. Macron was hired by his predecessor, François Hollande, in a failed bid to pull off similar overhauls. But the politics are different now, and this is

Mr. Macron's main achievement. He won the May election and then he led his party to a majority in the National Assembly in June on these reforms.

This mandate helped Mr. Macron wrest grudging acquiescence from some of France's biggest labor unions after a monthslong negotiation in which he appears not to have made major concessions. Several union leaders said Thursday they will not join street protests planned by more radical unions.

France isn't becoming a laissez-faire paradise. Even if Mr. Macron's labor overhaul takes effect, the French workplace will still be considerably more regulated than America's.

Mr. Macron also promises tax reforms, including rate cuts for businesses and individuals, and a pension overhaul. Both face considerable political headwinds. But those looming battles are all the more reason for Mr. Macron to go big and early on his labor promises.

The labor reform by itself would be transformative for France's economy. Mr. Macron's political rise has been a reminder that French torpor is a choice. His policy ambition is a sign that France may finally choose something else.

Erdogan abuses Interpol to harass critics beyond his country's borders.

the failed coup Mr. Erdogan has arrested thousands of allegedly Gülenist journalists, politicians, members of the military and others.

Now he's expanding his dragnet to people who have been thorns in his side for different reasons.

Mr. Erdogan also is stretching his pursuit of critics beyond his borders. Interpol red notices are a valuable law-enforcement tool allowing authorities to arrest and extradite many bona fide criminals. But although the international agency is supposed to vet each red notice to ensure the system isn't used to target political dissent, authoritarians such as Mr. Erdogan are discovering that improper red notices can still slip through.

Spain is a particularly useful helper for Mr. Erdogan, albeit an unwitting one, because its process for enforcing these red notices doesn't give its authorities the same discretion that other governments use to ignore suspect warrants. Even if Spain doesn't extradite either writer after a court proceeding, Mr. Erdogan still will have succeeded in harassing them by limiting their movement and burdening them with the expense of hiring lawyers.

Madrid should do whatever it can to resist Mr. Erdogan's judicial harassment of his critics. Mr. Erdogan presides over an increasingly autocratic regime at Europe's doorstep in the Middle East as well as within the West's most important club, NATO. There may be little prospect of changing Ankara's direction any time soon, but the West can at least resist Mr. Erdogan's attempts to spread his repression beyond Turkey.

Texans Will Tough This Hurricane Out

By Karl Rove

From Corpus Christi to Port Arthur, the Texas Gulf Coast has been hit by a natural disaster of biblical proportions. Hurricane Harvey has wrought such devastation that it's hard to comprehend. Entire towns like Rockport and Aransas Pass look like bombed-out war zones. Houses were smashed to bits, with roofs torn off and water pouring in through doors and windows. Survivors waited out the storm in closets, bathtubs and second-floor bedrooms.

Boats sank at their docks, or were reduced inside their storage sheds to heaps of crumpled metal and shattered plastic. As garages collapsed, SUVs and pickups were crushed, their trunks and front grilles tilted and sticking out of the water.

The wind was so powerful that it peeled thick steel plates off giant oil-storage tanks. An American flag was ripped from its pole and left tangled in a power line. Eighteen-wheelers were flipped on their sides and thrown across highways. Trees were shorn of their leaves so they looked as if it were mid-February, not late August.

Then there are the enormous, brown, swirling, ugly expanses of water, covering roads, turning neighborhoods into lakes, drowning everything in their path.

Yet this record-shattering hurricane brought out the best in Texans. Neighbors created human chains to help each other through treacherous currents. A TV reporter flagged down a sheriff's car to implore officers to save a trucker, tucked under an overpass, whose cab was filling with water. No one was left behind, not even pets.

The "Texas Navy" and the "Cajun Navy"—volunteer rescue squads—appeared with fishing boats, skiffs, Jet Skis and kayaks. Among their ranks was an oil-field salesman from Victoria, about 125 miles away. When his town was put under mandatory evacuation, he headed toward Houston, towing his boat behind his pickup. God knows if his home is still standing. Victoria took a direct hit from Harvey soon after the storm came ashore.

Another unforgettable scene took place inside La Vita Bella senior home in Dickinson, southeast of Houston. There, 15 residents sat in waist-high water, hoping help was coming to ferry them to safety. It was.

Every Texan knows someone Harvey has hurt. A woman I used to work with took her family to a shelter after the rising water blocked their path out of town. The ranch house of other friends of mine, which took eight years to build, was near the hurri-

cane's eye in the Coastal Bend and torn apart in minutes.

Texans are a gritty people who believe in toughing it out no matter what's thrown our way. We are a resilient lot, and will rise again. But for now, there are more people to rescue, shelters to open and families to help. By caring for our communities, Texans are providing America an inspiring civics lesson.

We'll need every bit of tenacity we can muster to work and serve, to help and care. The worst may still be to come. There will be more rain, raising waters even higher before they slowly recede into the Gulf of Mexico. There

will be more wind, causing more damage and putting more people in need of rescue, food and shelter. The searing pain will grow as those who perished in the wind and water are found.

President Trump's visit on Tuesday was a tonic, and his administration has been quick to provide what state officials have requested. But it is important to remember that under federal law, governors—not the feds—are in charge of disaster planning, relief and recovery.

What the Trump administration does is critical, but it will work only if Texas Gov. Greg Abbott is prepared to tell Washington what his state needs. So it is fortunate that long before this hurricane appeared, Mr. Abbott and his team were planning, training and organizing for a challenge like this. They are now coordinating with local officials to get resources to where they will save lives and protect property.

That preparation is paying off as Mr. Abbott spends most of his long days in the State Operations Center, working with county and city officials along the nearly 400-mile Texas coast. Mistakes will be made. That's inevitable in a crisis of this magnitude.

But the governor of Texas and his army of first responders, local officials, guardsmen and volunteers are showing America the difference Lone Star leadership can make. Rather than bring this great state to its knees, Harvey has summoned forth acts of courage and compassion. God bless Texas in these trying days.

Mr. Rove helped organize the political-action committee American Crossroads and is the author of "The Triumph of William McKinley" (Simon & Schuster, 2015).

LETTERS TO THE EDITOR

Navy Has Many Causes for Its Poor Sailing

Regarding Seth Cropsey's "Has the U.S. Navy Reached Its Breaking Point?" (op-ed, Aug. 25): I served on a carrier during the Vietnam War and my principal duty was that of a watch officer. I went through countless hours of trading watches, serving first as a junior officer of the deck under instruction, then a junior officer of the deck and finally reached the pinnacle of officer of the deck underway.

We had captain's standing orders for use when the captain wasn't on the bridge. One of the most important was when to call him when we had a contact that was CBDR—constant bearing-closing range. That indicated a potential collision. When passing through heavily transited areas, i.e., Gibraltar, which we always did at night, we had the captain, executive officer, navigator and, of course, the officer of the desk (OOD) on the bridge. We posted extra lookouts for boats which didn't show navigation lights. When in the Mediterranean we were constantly shadowed by Russian trawlers that harassed us. I never heard of any collisions during that period.

I'm struck by the spate of collisions, but even more concerned when I enlarged the photo of the USS McCain, which showed a rusting, ill-kept warship. We had paint crews out every time we entered or anchored in ports. The discipline to keep shipshape was imbued in us, as was the safety of the ship.

The facts are seemingly self-evident that the accident was caused principally by failure of the McCain's commander and subordinates to maintain adequate "watch" and control of their ship.

**DAVID A. ROSOW, LT. J.G. USNR (RET.)
Palm Beach, Fla.**

I was the officer of the deck on the USS Santa Barbara when we sailed through the Singapore Strait in the dead of night. It was tense due to all the traffic. I changed course and speed multiple times, following the rules of the sea to prevent any collision.

I was trained by a very experienced Navy destroyer captain who told us never ever be in a situation where you had to rely on another ship to follow the rules of the sea to avoid a collision.

**BILL PERSON
Bloomfield Village, Mich.**

The facts are seemingly self-evident that the accident was caused principally by failure of the McCain's commander and subordinates to maintain adequate "watch" and control of their ship.

**C.A. ERICKSON
Bonsall, Calif.**

The SPLC Defends Its Hate-Group Labeling

From reading Kimberley A. Strassel's description of the Southern Poverty Law Center's work ("J.P. Morgan's Hate List," Aug. 28), I get the impression that she doesn't have a high opinion of us. She also doesn't seem to have much regard for the facts.

Take, for example, her first assertion—her claim that we list organizations like the Family Research Council (FRC) and Alliance Defending Freedom as hate groups because they're "Christian organizations that oppose gay marriage." Ms. Strassel surely knows this isn't accurate. We've explained it over and over. But she chooses to parrot the FRC's line, which it uses to deflect attention

from the real reasons we list it as a hate group—it's incendiary name-calling and demonizing lies about the LGBT community.

And she calls us the propagandists?

**J. RICHARD COHEN
President
Southern Poverty Law Center
Montgomery, Ala.**

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

OPINION

Identity Politics Are Tearing America Apart

By James A. Baker III
And Andrew Young

The two of us have seen this before: a critical point in U.S. history when political, social and economic upheavals have left too many Americans battling one another rather than working together to build a better country. We lived through the Great Depression, when men armed with bats and clubs went to the streets in violent attempts to resolve labor differences. We also experienced the civil unrest of the 1960s, when inner cities burned with the heat of racial division and authorities killed innocent students peacefully protesting a war.

Political leaders should focus on the common good. Floodwaters and rotting bridges don't discriminate.

Somehow, the drumbeat of dissonance seems harsher today. America's national ideal of "e pluribus unum"—out of many, one—threatens to become a hollow slogan. Jaded Americans are constantly confronted by a deluge of animus from their televisions and smartphones. The U.S. finds itself increasingly divided along lines of race, ethnicity, gender, religion and sexual identity. Count-

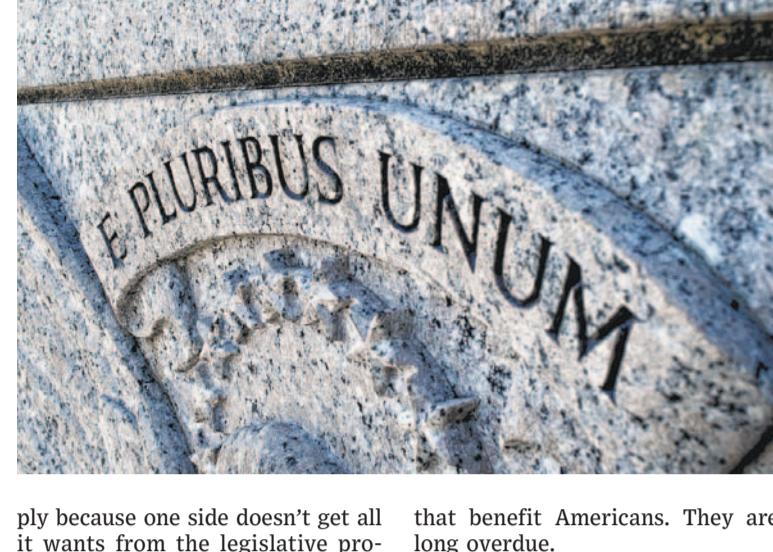
less demagogues stand ready to exploit those differences. When a sports reporter of Asian heritage is removed from his assignment because his name is close to that of a Confederate army general, political correctness has gone too far. Identity politics practiced by both major political parties is eroding a core principle that Americans are, first and foremost, Americans.

The divisions in society are real. So are national legacies of injustice. All can and must be addressed. Those who preach hatred should be called out for their odious beliefs. But even as extremism is condemned, Americans of good will need to keep up lines of civil, constructive conversation.

America faces a stark choice. Its citizens can continue screaming at each other, sometimes over largely symbolic issues. Or they can again do what the citizens of this country have done best in the past—work together on the real problems that confront everyone.

Both of us have been at the center of heated disputes in this country and around the world. And there's one thing we've learned over the decades: You achieve peace by talking, not yelling. The best way to resolve an argument is to find common ground.

We encourage Congress and the White House to take this approach in the fall. First, they should raise the debt ceiling and fund the government. There is no benefit to shutting down the government sim-



ply because one side doesn't get all it wants from the legislative process. A government shutdown would only fortify most people's dissatisfaction with a federal government they (often correctly) believe doesn't work for them. And it would only breed more debilitating cynicism.

We hope that leaders in Washington will also focus on infrastructure projects that can help the U.S. keep pace with its global competitors, particularly China. Floodwaters don't distinguish between Republicans and Democrats. Nor do rotting bridges discriminate between whites and blacks. This is an important and easy area to emphasize common interests. Political leaders should prioritize and provide tangible policies

that benefit Americans. They are long overdue.

We also encourage Washington to focus with laserlike intensity on the federal tax code, which handcuffs American businesses. This country needs to find politically palatable ways to streamline that code and bring corporate taxes in line with those of other countries.

As a way to protect the debate from becoming a battle over whose ox gets gored, Congress should make any tax reform revenue-neutral. Legislation should also encourage investors to bring their money back into the U.S., where it can be put into civic projects that improve America.

Congress and the president must do more than just act on these

pressing issues. They also need to set an example to all Americans. We understand that politics is a contact sport, but leaders in Washington need to restrain their rhetoric and practice the lost art of compromise. They should stop pandering to the worst in us and appeal instead to what President Lincoln called "the better angels of our nature."

Alexis de Tocqueville, the 19th-century French diplomat who identified strengths in the American experiment, admired the resiliency of the system the Founding Fathers devised. He wrote in the first volume of "Democracy in America" that "the greatness of America lies not in being more enlightened than any other nation, but rather in her ability to repair her faults."

America has many faults that must be repaired—from a failed health-care system to a military that needs upgrading. Americans must, as Dr. Martin Luther King Jr. said during a 1965 commencement address for Oberlin College, learn to live together as brothers and sisters. Or, we will perish together as fools. We are convinced that the vast majority of Americans would like leaders in Washington to remember King's advice when they return to work after Labor Day.

Mr. Baker served as U.S. secretary of the Treasury (1985-88) and state (1989-92). Mr. Young served as U.S. ambassador to the United Nations (1977-79) and mayor of Atlanta (1982-90).

When 911 Is Overwhelmed, Americans Keep Each Other Afloat

By Mark Yost

Houston

"Do you have a gun?" That question isn't one I hear often as a 911 paramedic in suburban Houston. But then again, it's not often that America's fourth-largest city gets 50 inches of rain over a few days.

It was Monday, the third day of heavy rain from Hurricane Harvey. I was responding to a call for a woman who'd fainted in her apartment, in a complex notorious for its crime. The woman lived on the second floor, but the floodwaters by that time had risen to the landing outside her door.

We'd driven the ambulance as close as the water would allow: a Shell gas station about a quarter-mile away. It had been turned into a makeshift refugee center for those living nearby and capable of wading through chest-deep water with what little they could carry.

We were waiting for the fire department to bring one of its boats to ferry us into the apartment complex, but we weren't sure how long it would take. First responders were

doing the best they could, but the volume of calls for help was overwhelming, even after the storm moved on to Louisiana.

During a typical day, my suburb's 911 communications center has maybe 14 calls outstanding at any one time. On this day there were more than 700. To help out, the National Guard had deployed its rescue boats, but they were kept busy shuttling into neighborhoods and evacuating as many stranded families as they could.

So we hitched a ride with a civilian, one of the army of volunteers who showed up to help. He drove us into knee-deep water in his Super Duty pickup to a rendezvous with a 12-foot flat-bottomed boat that was bringing a family of six to dry ground.

The boat belonged to a guy in his 40s and his dad. I asked if they would take us into the apartment complex. That's when the dad inquired whether I was carrying a gun.

"Do I need one?" I asked.

"You might," he said. "Last time we went in there, we had to fight off some guys who tried to take our boat."

I told him we were trying to reach a 911 call.

"Get in," he said.

We navigated our way into the complex through a hole in a wooden fence that had been opened by floodwaters. We had an apartment

I told the man in the boat we were trying to reach a patient. 'Get in,' he said.

number but weren't sure where the building was. As we navigated past the roofs of submerged cars, people yelled to us from balconies on the upper floors.

"We'll be back," the son said.

Thanks to this pair, we were able to find our patient. She had low blood pressure and was feeling lightheaded, but she was stable enough to walk down the stairs and into the boat.

We motored out to the low water, where another guy in a Texas-size pickup agreed to take us back to our ambulance at the Shell station. We

gave the patient some fluid and warm blankets and then took her to the closest hospital. There were maybe 100 people in the waiting room, either pending treatment or simply looking for a place to get out of the rain that never seemed to stop.

Multiply that call by about 3,000—each day—and you get an idea of what Houston's first responders have been trying to manage. It would be impossible to reach many of these patients without the help of the private flotilla, with boats ranging from inflatable kayaks to large pontoons.

My takeaway from all this, as someone who has worked through a handful of disasters big and small, is that most people are inherently decent. Yes, there are some jerks, like the Houstonians who are still texting and driving, oblivious to the ambulance alongside them, lights and sirens blaring. There are the gawkers who clog side streets to photograph neighborhoods underwater, or pull over on major highways to take selfies with half-submerged restaurants in the background.

But their abhorrent behavior is overshadowed by the countless acts

of kindness taking place in every corner of this city.

Not one of these volunteers, many of whom I suspect are the typical Trump voters routinely ridiculed by the media and politicians, has asked about the race or religion of the patients we've been trying to reach. Like the father-son duo, they simply say, "Get in. Tell me where you need to go."

Strangers have dropped off food at our police, fire and ambulance stations, and those restaurants that are dry and open are feeding us free.

By Tuesday night I looked west and saw the first blue sky in a week. But the work is far from done. First responders, who do this for a living, will still be out in the community, doing our best.

So, too, will be the numerous Harvey volunteers who are putting their own boats at risk on their own nickel. If nothing else in this polarized age, that should reaffirm your belief in the goodness of Americans.

Mr. Yost is a paramedic, former firefighter and regular contributor to the Journal's Arts in Review section.

Xanda the Lion Is Dead, but Trophy Hunting Helps His Kin

By Kit Ramgopal
And Matt Cooke

Cecil the lion became an internet icon two years ago when he was killed by Walter Palmer, a Minnesota dentist on a trophy hunt. Now Cecil's son Xanda has met the same fate. In July a hunter shot and killed the 6-year-old lion near Hwange National Park in Zimbabwe. The identity of the shooter hasn't been released, and it's easy to see why.

In 2015 Dr. Palmer was set upon by a social-media mob. Activists claimed that he killed the lion illegally. Although Dr. Palmer never went to trial, trophy hunting certainly did. He needed armed guards to protect him from angry protesters outside his home. "Rot in Hell," read one of their signs. "There's a Deep Cavity Waiting for You," read another.

The general public—particularly millennials—detests trophy hunting. We see the antihunting sentiment at Stanford University. One of us, Matt, is from South Africa. At 10, he had

his first hunt—a male impala—and hated it so much he vowed never to do it again. Kit, a native New Yorker, was against hunting before she went to South Africa to investigate for herself. Today we both realize that trophy hunting is vital to African conservation.

Imagining Cecil and Xanda suffering, or their heads hung above some tough guy's fireplace, is cringe-making. Perhaps one day, tourists taking pictures of wildlife will be enough to sustain Africa's wilderness, no hunting required.

But until that day, the alternative to regulated trophy hunting is worse. It's counterintuitive, but banning the practice would mean the systematic slaughter of wildlife, trampling of unique ecosystems and possible extinction of rare species. Sacrificing a quota of lions to hunters keeps many others alive.

Quotas are set below population growth rates. Since 1968, when regulated hunting of white rhinos was introduced in South Africa, the population has risen to 18,000 from 1,800. Namibia's wildlife numbers

have grown sixfold since the '60s, when private landowners first were given rights to use the animals for economic benefit.

Across Africa, at least 538,000 square miles—twice the size of Texas—is used for hunting, according to a 2006 study. That includes 13% of South Africa's land, on which live about 1.7 million animals.

Tourism cannot simply replace this activity, since it's geographically concentrated and requires paved roads, accommodations, catering, multilingual staff, Wi-Fi. The anti-hunting lobby needs to explain how they'd keep these wild animals from losing their homes—and how they'd replace thousands of jobs—if hunting were banned.

Take Xanda and Cecil's homeland of Zimbabwe. The Savé Valley Conservancy there is home to around 1,500 elephants, 160 rhinos and 280 lions. Without hunting revenue, Savé Valley would regress to what it was in 1990: a collection of overgrazed, dusty cattle farms, no elephants in sight.

"For the people in our village, the wildlife is dinner or it is danger," says Isi, a high-school math teacher in South Africa. Isi's sons play on junkyard hills of Coca-Cola cans, in a neighborhood of three-

walled brick houses and fields of yellowing crops.

It's hard to convince poor Africans of the need to conserve animals when they themselves don't have food, shelter or financial stability. They want to do exactly what America's settlers

Without hunting revenue, wild spaces would turn into farmland and animals would be shot like pests.

did: Convert habitat to farmland and kill wild animals either for meat or like backyard pests. Who can blame them? After all, elephants trample crops and lions eat cattle.

On the other hand, when an aggressive black rhino can sell for \$350,000, which is what one hunting permit fetched in a 2014 auction, the rest of the herd begins to look like a precious resource.

Africa's inconvenient truth is that wild spaces rarely occur without the presence of an economic incentive. Besides, the antihunting backlash in rich countries leaves a sour taste in the mouths of many Africans, after centuries of Westerners telling them

how to run their affairs. The conservation scientist Rosie Cooney calls it "green neocolonialism."

This isn't to say environmentalists have nothing to do. For starters, the public could help eradicate bad practices like "canned" hunting, in which captive-bred lions are killed in small enclosures. Wildlife advocates could help create a scientific and legal consensus on reasonable quotas and the definition of a "huntable" lion. These issues are unaddressed, in part because the topic is taboo.

The Spanish government is expected soon to unveil a robust certification system distinguishing good hunting reserves from bad ones. That's a great first step. The next one should be getting nature-lovers to put their money where their tweets are by donating to wildlife preserves or taking an ecotourism trip to Africa.

But think twice before advocating a ban on trophy hunting. Once a wild reserve becomes a mall or a cattle farm—once the elephants are dead and their tracks paved over—the animals are never coming back.

Ms. Ramgopal is an undergraduate at Stanford. Mr. Cooke is an Africa-focused investor.

Notable & Quotable: Facebook Gets Creepy

Kashmir Hill writing at Gizmodo.com, Aug. 25:

Rebecca Porter and I were strangers, as far as I knew. Facebook, however, thought we might be connected. Her name popped up this summer on my list of "People You May Know," the social network's roster of potential new online friends for me.

The People You May Know feature is notorious for its uncanny ability to recognize who you associate with in real life. It has mystified and disconcerted Facebook users by showing them an old boss, a one-

night-stand, or someone they just ran into on the street.

These friend suggestions go far beyond mundane linking of schoolmates or colleagues. Over the years, I'd been told many weird stories about them, such as when a psychiatrist told me that her patients were being recommended to one another, indirectly outing their medical issues.

What makes the results so unsettling is the range of data sources—location information, activity on other apps, facial recognition on photographs—that Facebook has at

its disposal to cross-check its users against one another, in the hopes of keeping them more deeply attached to the site. People generally are aware that Facebook is keeping tabs on who they are and how they use the network, but the depth and persistence of that monitoring is hard to grasp....

Rebecca Porter, we discovered, is my great aunt, by marriage. She is married to my biological grandfather's brother; she met him 35 years ago, the year after I was born. Facebook knew my family tree better than I did.

LIFE & ARTS

FILM REVIEW | By Joe Morgenstern

Close Reunions of the Best Kind

Comparing Steven Spielberg's 'Close Encounters of the Third Kind' with modern blockbusters on the film's 40th anniversary

THERE'S NOTHING IN the history of the movies quite like the delicate moment that sets the tone in "Close Encounters of the Third Kind." It's when little Cary Guffey, as a 3-year-old named Barry, wakes up in the middle of the night to discover that his toys have come noisily to life, the kitchen floor is strewn with food, and a bright light beckons from beyond the front porch of his house in rural Indiana. Round-faced and wide-eyed, Barry contemplates his surroundings calmly. Then a smile slowly forms on his lips. Somehow he knows there's nothing to fear, that everything will be all right.

Everything was better than all right for Steven Spielberg's third feature, which opened to great—though not universal—acclaim in 1977 and is returning to 900 theaters for a one-week engagement on the occasion of its 40th anniversary. After the precocious exuberance of Mr. Spielberg's "The Sugarland Express" and the world-shaking success of "Jaws," his "Close Encounters" brought something new to popular culture—a sci-fi saga, on the grandest of scales, suffused with radiant optimism. Aliens pay us a visit but they mean us no harm, and we earthlings, so often portrayed in the genre as craven fools or worse, prove worthy of our visitors' benevolence. I've watched the film at home many times over the years; it's one of my favorites. Last week I saw it for the first time in a long time on a big screen, at a preview for a group of exhibitors, and I left the theater in a state of delight, as I knew I would. I also found myself wondering what contemporary audiences would make of it.

The most obvious question concerns the leisurely pace, though many changes of pace and comic interludes shake up the narrative structure. This is a movie that takes its time pulling together the pieces of an elaborate story: the government's far-flung investigation of mysterious apparitions and extraterrestrial signals; Barry's disappearance, after walking through a meadow toward the light; the increasingly bizarre behavior of Richard Dreyfuss's Roy, a utility-company lineman who sculpts whatever he can get his hands on—shaving cream, mashed potatoes, garden dirt—into the form of a flat-topped monolith that turns out to be the Devils Tower in Wyoming. Will a generation of multitasking media consumers sit still for the antithesis of the hurtling images and frenetic editing



Devils Tower, the site of extraterrestrial contact in 'Close Encounters of the Third Kind'

they're accustomed to? It may not be a good sign that during the screening I attended, a man stood up as the climax approached and meandered out of the theater, eyes fixed on the beckoning light of his smartphone.

Then there's the more fundamental issue of tone, and not just the famous five-tone sequence that opens up a productive conversa-

tion between terrestrial Us and celestial Them. Mr. Spielberg's film is hopeful, sweet-spirited, open-hearted and conspicuously short on monsters locked in mortal combat. It's filled with brightness from start to finish. An overture of swooping, darting neon heralds the arrival of a mother ship that looks like a cross between a cathedral and a

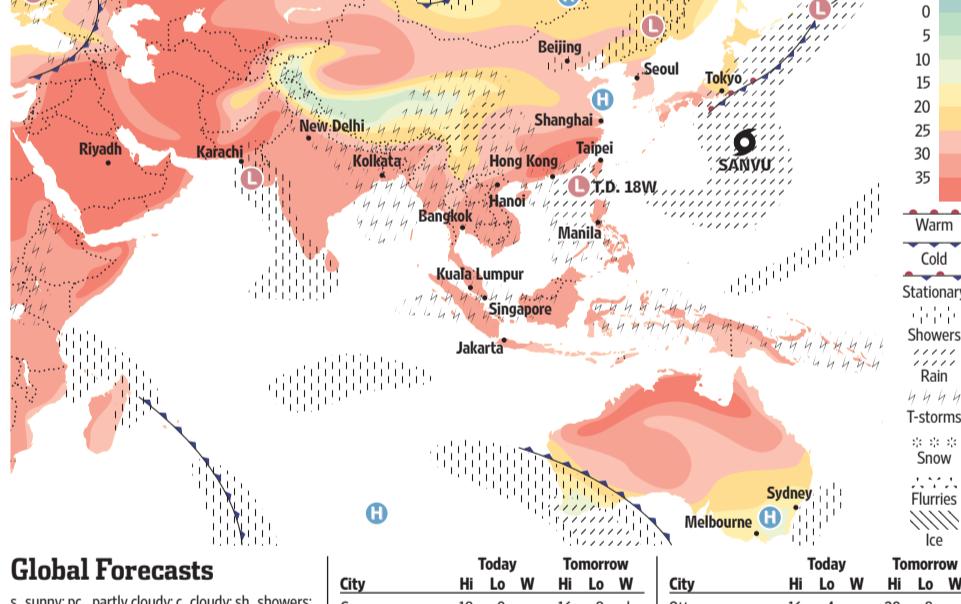
cosmic chandelier. A symphony of light contrasts with the darkness of so many of today's entertainments, as best exemplified by the Zack Snyder school of filmmaking ("Batman v Superman," et al.), or by Christopher Nolan's "Dark Knight" trilogy.

This is not to forget that mainstream entertainment must reflect its era, or to slip into glib nostalgia for a supposedly simpler time—1977 was hardly a sweet spot in human history, notwithstanding "Close Encounters" and the advent of a space opera called "Star Wars." As our world lurches ever deeper into disruption and distress, grim visions and extravagant violence feed popular appetites. (Though it must also be said that the movies can still serve up health food for the spirit, as exemplified by the best of Pixar's features, or—James Cameron's recent and churlish objections notwithstanding—by the buoyant pleasures of "Wonder Woman.")

It's anyone's guess whether "Close Encounters of the Third Kind" can find a new theatrical audience, even for a week, but I'm glad that Sony is rolling it out and giving it the star treatment it deserves. We can always use a shot of hope, a jolt of sweetness, and a chance to see a masterpiece of a certain age on a screen it deserves. When friends tell me they've seen a certain film on an airplane, my standard reply is "No, you haven't." It's true that movies can look impressive at home, given the right video gear, but living rooms don't do grandeur, or allow for awe.

A telling moment in Mr. Spielberg's fable comes toward the climax when a cloud formation above the Devils Tower landing site begins to boil and churn in the starry night sky. "What's going on?" asks Bob Balaban's David, who's been interpreting for Lacombe, the scientist played by the peerless French filmmaker François Truffaut. "Je ne sais pas, mais c'est beau," Lacombe replies in a hushed voice. "I don't know, but it's beautiful." In fact, the whole thing is beautiful, every last frame of it, and all the more so in a theater—the expansive landscapes, whether lush or severe; the surreal apparition of torpedo bombers from World War II on a Mexican desert; the wild-eyed lineman's obsessive sculptures; the electrifying moment when he sees the Devils Tower on a TV screen; and, above and beyond everything else, the majestic arrival of a space ship bringing news that the cosmos is friendly territory. If that's not worth the price of admission, what is?

Weather



Global Forecasts

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

t=tstorms; r=rain; sf=snow flurries; sn=snow; i=ice

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	19	11	sh	18	10	sh
Anchorage	12	7	sh	14	9	c
Athens	31	23	s	32	24	s
Atlanta	28	18	t	27	17	pc
Bahrain	48	30	s	46	29	s
Baltimore	20	13	sh	20	15	r
Bangkok	34	27	t	34	26	r
Beijing	29	18	c	28	18	t
Berlin	18	10	pc	19	10	sh
Bogota	21	8	pc	21	8	pc
Boise	34	17	s	36	19	s
Boston	20	11	s	21	15	pc
Brussels	19	10	pc	19	9	sh
Buenos Aires	22	16	c	23	15	c
Cairo	34	23	s	35	23	s
Calgary	25	10	pc	30	12	s
Caracas	31	25	pc	32	25	pc
Charlotte	29	19	t	28	17	c
Chicago	21	11	s	25	15	s
Dallas	32	22	pc	32	21	pc
Denver	30	15	pc	32	16	s
Detroit	19	11	s	23	13	pc
Dubai	39	31	s	40	31	pc
Dublin	16	9	pc	18	13	pc
Edinburgh	16	6	pc	18	9	pc
Frankfurt	21	11	pc	19	9	sh

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Geneva	18	9	sh	16	8	sh
Hanoi	33	27	t	34	26	t
Havana	31	23	pc	33	23	pc
Hong Kong	33	28	t	33	26	t
Honolulu	31	23	pc	29	23	pc
Houston	33	22	pc	32	23	pc
Istanbul	28	19	s	30	20	s
Jakarta	32	23	pc	33	25	pc
Johannesburg	22	4	s	21	7	s
Kansas City	25	14	s	27	18	s
Las Vegas	39	27	pc	40	26	s
Lima	20	15	s	20	16	pc
London	19	11	pc	20	11	pc
Los Angeles	38	24	s	37	24	pc
Madrid	28	12	pc	27	13	pc
Manila	31	26	t	31	27	t
Melbourne	16	10	pc	16	12	sh
Mexico City	21	14	pc	20	14	t
Miami	33	26	t	32	26	sh
Milan	26	15	t	25	14	t
Minneapolis	23	16	pc	26	16	t
Monterrey	35	22	pc	33	21	pc
Montreal	17	6	pc	20	10	pc
Moscow	21	10	s	22	13	pc
Mumbai	30	25	sh	30	26	sh
Nashville	21	14	r	24	15	c
New Delhi	31	26	t	32	25	t
New Orleans	30	22	t	31	23	t
New York City	21	14	pc	20	17	r
Omaha	24	16	s	30	18	s
Orlando	34	24	t	31	24	t
Zurich	17	9	r	15	8	r

The WSJ Daily Crossword | Edited by Mike Shenk



NATIONAL TREASURES | By Matt Gaffney

- The answer to this week's contest crossword is a country.
- Across**
- 1 Rides the breeze
 - 6 Hawk at an arena
 - 11 Group of lawyers, in brief
 - 14 Casanova's love
 - 15 Brief appearance
 - 16 Spray for pans
 - 17 Michigan university, or its town
 - 19 Englishman with seven Grammys
 - 20 Eloise's pet
- Down**
- 21 FDR, JFK or LBJ
 - 22 Means
 - 24 Not a single person
 - 26 Writing Fleming
 - 27 Meeting tactic
 - 34 Extend
 - 37 Some tear up when it's cut
 - 38 30-team org.
 - 39 With 57-Down, star reporter of fiction
 - 40 Seth of "Neighbors"
 - 41 Spanish word for the pawn in chess
 - 42 Put the kibosh on
 - 43 Word inserter
 - 44 Not near a coast
 - 45 Traditional Eastern European food
 - 46 Hex, halved
 - 47 Coaster feature
 - 48 Home to the humerus
 - 49 Adage
 - 50 Authority
 - 51 "Doe, ____."
 - 52 Poorer
 - 53 Yonder
 - 54 *
 - 55 Be the father of
 - 56 It's got you covered
 - 57 See 39-Across
 - 58 Commotion
 - 59 In good shape
 - 60 #1 hit for Madonna in 1989

► Email your answer—in the subject line—to crossovercontest@wsj.com by 11:59 p.m. Eastern Time Sunday, Sept. 3. A solver selected at random will win a WSJ mug. Last week's winner: Chris Rabbu, Atlanta, GA. Complete contest rules at WSJ.com/Puzzles. (No purchase necessary. Void where prohibited. U.S. residents 18 and over only.)

PUZZLE CONTEST

30 Mislead	31 Three before Thu.
32 Fumiaki Miyamoto's specialty	33 Grandma
34 Brother of Evelyn Waugh	35 Lady of Spain
36 Crossed swords	40 Cleaning cloth
41 Case for a VA doc	43 The Kennedy Era in Washington
44 Draws	46 Winter utterance
45 Hex, halved	47 Coaster feature
46 Winter utterance	50 Authority
47 Coaster feature	51 "Doe, ____."
48 Home to the humerus	52 Poorer
49 Adage	53 Yonder
50 Authority	54 *
51 "Doe, ____."	55 Be the father of
52 Poorer	56 It's got you covered
53 Yonder	57 See 39-Across
54 *	58 Commotion
55 Be the father of	59 In good shape
56 It's got you covered	60 #1 hit for Madonna in 1989
57 See 39-Across	61 "Rosy-fingered" goddess
58 Commotion	62 ____-weekly (category of newspaper)
59 In good shape	63 Hartsfield-Jackson's airport code
60 #1 hit for Madonna in 1989	64 Easily identifiable constellation
61 "Rosy-fingered" goddess	65 Nobody (all mine)
62 ____-weekly (category of newspaper)	66 Reuben slices
63 Hartsfield-Jackson's airport code	67 Uptight
64 Easily identifiable constellation	68 *
65 Nobody (all mine)	69 Down
66 Reuben slices</td	

BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Friday - Sunday, September 1 - 3, 2017 | B1

Yen vs. Dollar 110.1000 ▼ 0.13%

Hang Seng 27970.30 ▼ 0.44%

Gold 1317.60 ▲ 0.73%

WTI crude 47.17 ▲ 2.63%

10-Year JGB yield 0.006%

10-Year Treasury yield 2.129%

U.S. Is Poised to Block Citgo Deal

Step would bar Rosneft from gaining control of U.S. assets owned by Venezuelan oil firm

By IAN TALLEY

WASHINGTON—The Trump administration is ready to block a Russian state-owned oil giant from gaining control of critical U.S. energy assets owned by Moscow's ally in Venezuela, senior American officials say, a move that could feed tensions between the old Cold War foes.

Petróleos de Venezuela SA

offered PAO Rosneft nearly half of its Citgo Petroleum Corp. unit's shares as collateral for \$1.5 billion in loans the Russian firm made in 2016 to help prop up cash-starved PdVSA and its owner, the Venezuelan government.

Some U.S. lawmakers, worried the sanctioned Russian oil company could gain a controlling interest in a company that represents roughly 5% of U.S. crude-oil refining capacity, urged the Trump administration to use powers granted under national security laws to prevent the deal from happening.

Rosneft, seeing the poten-

tial for its Citgo deal going sour in the U.S., has tried to line up new collateral for its loans, say two people familiar with the matter. Besides arranging interests in major oil-producing operations in Venezuela, President Nicolás Maduro's government has also promised future crude deliveries as collateral and interest payments, the two people said.

Representatives from the Russian Embassy in Washington, Citgo, Rosneft and PdVSA didn't immediately respond to requests for comment.

Russia, a major oil and natural-gas producer, has long used its heft in global energy

markets to leverage its foreign policy goals. The Kremlin's continued support of Mr. Maduro's government, which the U.S. declared a dictatorship and targeted with escalating sanctions, gives Russian President Vladimir Putin another channel to assert itself abroad and challenge U.S. power in Latin America.

Russia's continued financing of Caracas is helping to keep the Maduro government on life support as the country's economic and political crisis deepens. Venezuela's debts build and its access to U.S. capital markets is constricted.

Amid mounting tensions between Moscow and Washington over a host of issues, the U.S. lawmakers were worried the Kremlin would gain ownership of critical American energy infrastructure if PdVSA defaulted and Rosneft claimed the Citgo collateral. Washington's plan to stymie Rosneft's claim is a sign the two powers are becoming further entrenched in their geopolitical struggle for influence around the globe.

The latest round of U.S. sanctions against Venezuela targeting the country's debt have raised default risks. PdVSA has about \$60 billion in

Please see ASSETS page B2



Carrefour's shares fell sharply on disappointing results.

Europe's Grocers Under Pressure

By NICK KOSTOV AND SAABIRA CHAUDHURI

PARIS—Amazon.com Inc.'s Whole Foods deal is adding urgency to European grocers' push to shift from bricks to clicks.

Carrefour SA, Europe's largest publicly listed grocer by sales, on Thursday reported disappointing results and warned it would fall short of sales forecasts, sending shares down 13%. The French company's struggles reflect a broader scramble to cope with fast-changing consumer tastes and shopping habits. Amazon's purchase of Whole Foods Market Inc. punctuated the still-little-understood threat posed by online grocery delivery services.

"People are shying away from a sector that was never really loved and credited with sustainable returns, and is going through such dramatic change that it becomes too unpredictable and too risky," said Bernstein analyst Bruno Monteyne.

Amazon's threat in the Old World isn't necessarily imminent. Whole Foods has nine stores in Europe, all of them in the U.K. Those shops lowered prices this week, just like their counterparts in the U.S. Whole Food products are also now available on Amazon's various grocery-delivery sites, mostly servicing London. The small scale, plus the U.K.'s already cutthroat price competition, probably means the game won't change much in the near term.

Still, Amazon's beachhead in Europe is underscoring the need for quick action by the continent's big grocers. **Tesco** PLC, the U.K.'s largest grocer, last year launched a same-day click-and-collect grocery service at more than 250 stores across the country, while rival **J Sainsbury** PLC earlier in August began a trial that allows customers to pick up groceries in store within 30 minutes of ordering them online. All of Britain's big grocers offer home delivery on groceries.

Carrefour last year completed the acquisition of home-goods marketplace Rue du Commerce and it now has more than 500 sites where online shoppers can pick up

Please see GROCER page B2



NIELS BUSCH FOR THE WALL STREET JOURNAL

Renewables Freshen Dong Energy

By SARAH KENT

COPENHAGEN—A company whose name stands for Danish Oil and Natural Gas is getting out of both businesses.

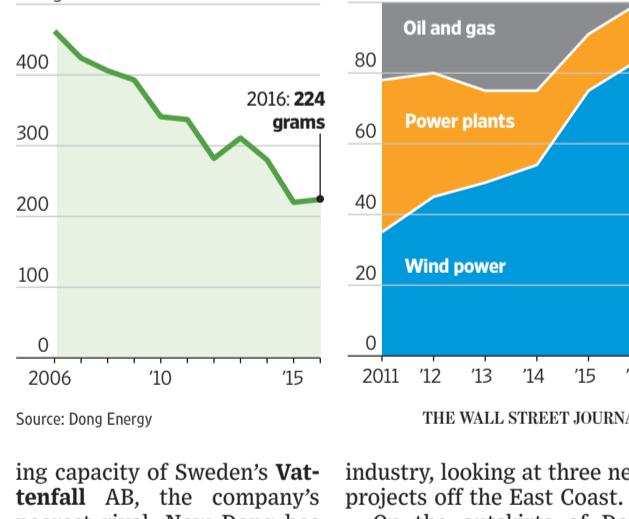
Dong Energy AS, Denmark's majority state-owned energy company, is selling off its last oil and natural-gas fields in a deal expected to close by the end of September. The billion-dollar-plus sale is part of a broader plan to significantly reduce the company's exposure to fossil fuels and produce energy primarily from renewable sources.

With the help of a sizable infusion of cash from **Goldman Sachs Group** Inc., Dong Energy over the past few years has transformed itself from one of Europe's most coal-intensive utilities and a small regional oil competitor into the world's biggest producer of offshore wind power.

Dong's wind turbines off the coasts of Europe have almost triple the wind-power-generat-

Going Green

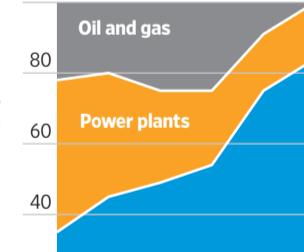
Dong Energy has moved to sharply reduce its power plants' emissions and become a significant competitor in wind power.



ing capacity of Sweden's **Vattenfall** AB, the company's nearest rival. Now Dong has set its sights on helping to establish the U.S. offshore wind

Resource allocation

Share of capital employed



industry, looking at three new projects off the East Coast.

On the outskirts of Denmark's capital, the company's largest power plant is now

burning wood pellets—a renewable energy source despite some concerns over their environmental credentials. By 2023 the company intends to go completely coal-free, though some of its power plants will continue to burn natural gas.

Dong's transformation comes as global oil-and-gas companies wrestle with the prospect of oil demand plateauing amid a push to tackle climate change. Companies such as **Royal Dutch Shell** PLC, Norway's **Statoil** ASA and France's **Total** SA are also building their renewable businesses and betting billions on an energy future where oil plays a diminished role.

"The world needs to change the way it produces energy," Dong Chief Executive Henrik Poulsen said.

Shell and other bigger oil companies say they have no plans to abandon their core oil and gas business, despite pressure from some shareholders.

Please see DONG page B2

Rolls Joins In on Taking High End Off-Road

By CHESTER DAWSON

Among the decisions Rolls-Royce buyers face is whether to go for the "Flying Lady" hood ornament in 24-karat gold or in frosted crystal. Soon, they may need to figure out whether they want their Rolls to come with a trailer hitch.

The iconic British brand, whose cars start at \$250,000 and up, will join its high-end rivals by launching a sport-utility vehicle in 2018. The move comes amid a broader industry shift away from the sedans and coupes that superluxury brands are known for.

Jaguar, Bentley and Maserati have launched SUVs in the past year; Lamborghini will start selling one in December and Aston Martin will follow close on the Italian brand's

heels.

After years of avoiding a market segment once associated with bulky, trucklike vehicles and rural back-road drivers, the auto industry's most

exotic brands are marching into the high-end SUV business in search of younger customers who want a multipurpose vehicle in their personal fleet.

Industry executives say this

new generation of wealthy buyers is less interested in chauffeur-driven sedans than in plush, family-friendly SUVs that are equally at home hauling gear to a ski lodge or driving to dinner at the yacht club.

"They normally have garages like we have jackets in a wardrobe—a vehicle for every occasion," said Torsten Müller-Ötvös, chief executive of Rolls-Royce Motor Cars Ltd., which is owned by **BMW** AG of Germany. It isn't uncommon for a Rolls owner to have a Range Rover or Mercedes-Benz G-class SUV among their transportation options.

The light-truck segment, which includes SUVs, represents 60% of the U.S. market and is growing in China and Europe.

Please see SUV page B2

Luxury SUVs, like the Bentley Bentayga, are building a market.

Photo: MICHAEL SONN/ASSOCIATED PRESS

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SUV

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Vehicle sales are slowing in the U.S. after a long growth streak, with signs that middle-market SUVs are stacking up at U.S. dealer lots. However, average transaction prices have been climbing as buyers show an increasing appetite for more technology, horsepower and refinement. Meanwhile, vehicles costing hundreds of thousands of dollars, are a small but growing portion of the global market.

Those trends portend a positive reception for exotic SUVs.

When Volkswagen AG's \$250,000 Bentley Bentayga went on sale last year in the U.S. it was greeted with derision by some loyalists of the brand. A reviewer for luxury lifestyle magazine Robb Report called it an "answer to a question no one asked." But since its debut, the world's fastest SUV also has become Bentley's best-seller.

"There are purists who say Bentley shouldn't have an SUV, but it's similar with other brands" that have successfully added SUVs to their lineups, said Rolf French, a board member in charge of engineering at Bentley. "Half of the customers for the Bentayga are coming to Bentley for the first time," he said.

The British car maker is experiencing a tailwind similar to the boost Porsche AG got last decade when it broke with its sports-car heritage and unveiled the then-controversial Cayenne SUV. Today, the German company sells nearly twice as many off-roaders as performance cars in the U.S.

Bentley delivered a record 11,023 cars globally last year, up 9% from 2015 due largely to the Bentayga. The U.S., the brand's biggest market, accounted for a quarter of that total. Officials at the British nameplate aim to sell 20,000 vehicles a year by 2020.

Lamborghini is looking to double its annual sales once its SUV hits the market. Dubbed the Urus, the vehicle pairs a 650-horsepower engine with four seats and "will be a super

sports car in the body of the SUV," Alessandro Farmeschi, chief operating officer of Automobili Lamborghini America LLC, said in an interview earlier this year.

Mr. Farmeschi said the Urus—named after an extinct species of cattle—evokes a short-lived predecessor called the LM002, produced from the late 1980s until 1993. But it also bears a strong genetic relationship to the Porsche Cayenne and Bentley Bentayga, two other high-end SUVs from the Volkswagen group with which it shares a common platform.

Industry officials say off-road capability appeals most to customers whose taste in vehicles is less bound by tradition, many of whom have entrepreneurial backgrounds instead of inherited wealth. This could help further reduce the average age of buyers in the segment.

There are purists who say Bentley shouldn't have an SUV.

Mr. Müller-Ötvös said even without the SUV, Rolls-Royce's average customer age fell from 56 to 45 over the past seven years. That shift is reflected in a new advertising campaign. Unlike the typical fairy-tale setting featuring actors in ballroom gowns and tuxedos, this ad for the "Black Badge" edition its Dawn model showcases a couple clad in leather and lace in an industrial-themed club.

Like Lamborghini, Rolls-Royce plans to capitalize on historical precedent when it launches an SUV based on an advanced prototype currently called the Cullinan, the name of a giant diamond. The Rolls-Royce Maharaja Phantoms of the 1920s were used by wealthy patrons to travel off-road in the Australian Outback and Arabian Desert. "They drove in every road condition. It's all forgotten history, but we will bring it back, rest assured," Mr. Müller-Ötvös said.

ASSETS

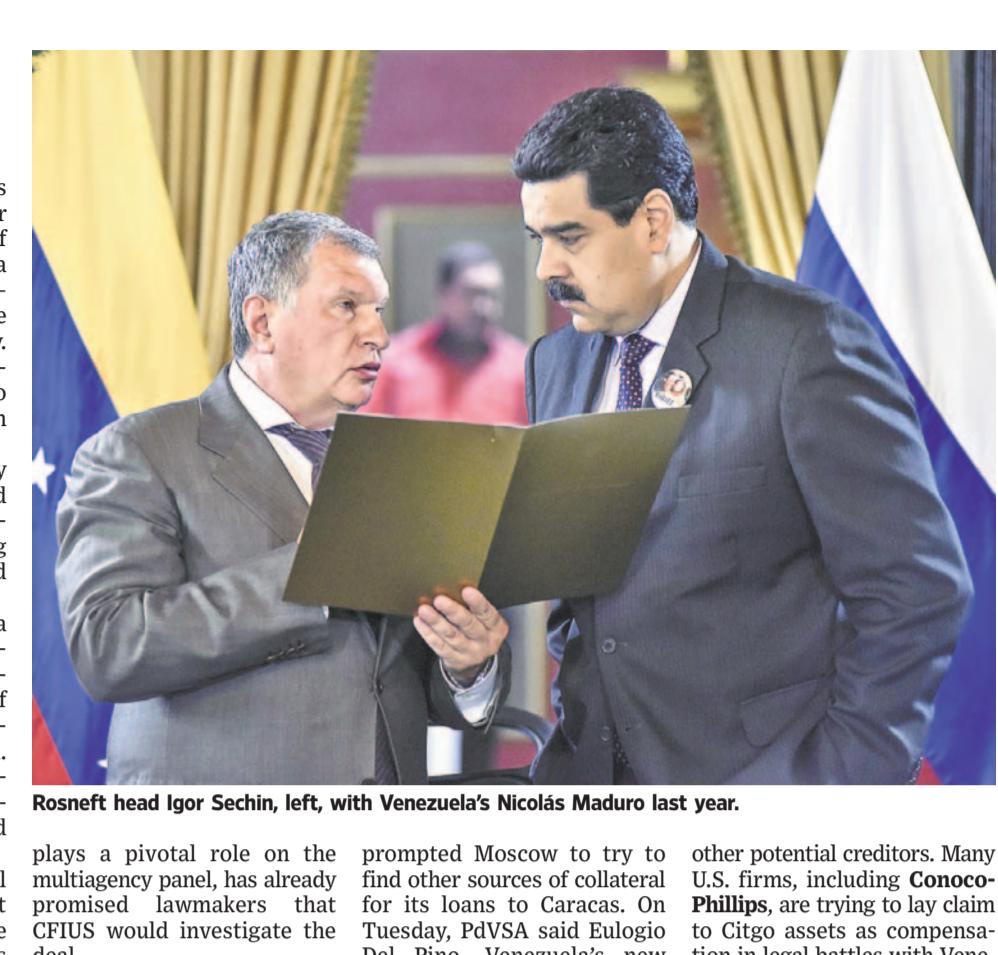
Continued from the prior page outstanding debt. Citgo's chief assets are three major U.S. refineries, two on the Gulf Coast in Texas and Louisiana and one outside of Chicago—with the capacity to refine 750,000 barrels of crude a day. It also has 48 petroleum storage terminals from Texas to Maine and has ownership in nine pipelines.

But senior U.S. officials say Rosneft, a company blacklisted by the U.S. Treasury for Russia's role in destabilizing Ukraine, wouldn't be allowed to take over Citgo.

"Should Rosneft assume a majority stake, that could trigger a number of legal implications for Citgo in terms of their status," one senior administration official said. "Moreover, that would constitute a change in foreign ownership of Citgo, and we would look at that accordingly."

A second senior U.S. official said Treasury "will ensure that the national security of the U.S. is protected and if it gets to that, I'm sure a very thorough review will be conducted by that panel," referring to the Committee on Foreign Investment in the U.S. The CFIUS panel has broad powers to stop foreign investments based on potential threats to the country's security.

Treasury Secretary Steven Mnuchin, whose department



Rosneft head Igor Sechin, left, with Venezuela's Nicolás Maduro last year.

plays a pivotal role on the multiagency panel, has already promised lawmakers that CFIUS would investigate the deal.

Should Russia be "foolish enough to go down that path," a third senior administration official said, Treasury also has powers under its existing sanctions regime against Russia that could also stymie Rosneft's Citgo deal.

The potential for the U.S. to block Rosneft from collecting on its Citgo collateral has

prompted Moscow to try to find other sources of collateral for its loans to Caracas. On Tuesday, PdVSA said Eulogio Del Pino, Venezuela's new minister of petroleum and former PdVSA president, explored with Russian Ambassador Vladimir Zemskiy new "co-investment plans" with "several Russian enterprises."

Even if Rosneft sought to collect the Citgo shares or their auctioned value under a default, Russia's oil giant would have to join a queue of

other potential creditors. Many U.S. firms, including **Conoco-Phillips**, are trying to lay claim to Citgo assets as compensation in legal battles with Venezuela's state-owned oil company for the nationalization of their assets under the nation's deceased President Hugo Chávez. Legal analysts say Rosneft would normally have legal recourse through U.S. courts as a creditor, but its designation as a sanctioned entity would be a major complication for the firm.

GROCER

Continued from the prior page groceries. The retailer's previous chief executive, Georges Plassat, pledged earlier this year to more than triple the value of merchandise Carrefour sells online by 2020.

France's **Groupe Casino SA**, which owns online marketplace Cdiscount.com, is making a rising number of fresh products available for one-hour delivery through some of its banners.

Carrefour's online grocery operations, however, are "woefully small," according to Bernstein's Mr. Monteyne. He figures the company has lost 1.5 percentage points in mar-

ket share due to online competition.

The small online presence could prove enticing for Amazon, which already claims France as its third-largest European retail market. Amazon in March rolled out its Pantry service in the country, allowing members of its one-hour Prime delivery service to buy groceries, beverages, household and baby products.

In comments to investors, Carrefour Chief Executive Alexandre Bompard didn't address Amazon by name. But he said his priority since coming aboard in July has been to accelerate online expansion and reshape stores to accommodate "rapidly changing customer behavior."

"The frontiers between on-

line and offline are indeed blurring in all of our countries and in all our businesses," he said.

Including Thursday's rout, Carrefour shares have shed more than 25%, or about \$4 billion, in market value, since Amazon disclosed the Whole Foods deal in mid-June. Several other big European grocery chains also have been hit.

Groupe Casino is down 9% in that same period, after falling 2.8% Thursday. Shares of **Ahold Delhaize NV**, the Dutch-Belgian giant that owns U.S. chains Food Lion and Hannaford, were off 1.2% and are down 18% since the Amazon-Whole Foods deal.

France-based Carrefour pi-

oneered the hypermarket in the 1960s—sprawling warehouselike outlets that sell everything including baguettes and bicycles. Like elsewhere, that model has fallen out of favor as shoppers migrate to smaller stores tucked closer to where they live, particularly in Europe's densely packed urban centers. Online grocery shopping also has taken off more quickly in many European cities.

Last year, online shopping made up 6.2% of the U.K. grocery market and 4.3% in France, according to Bernstein. In the U.S., it stands at just 2.1%. Consultancy IGD predicts the French online grocery market will reach €12.5 billion (\$14.8 billion) in 2020, doubling from the €6.6 billion in 2015.

STREET

Continued from the prior page Facebook was in the most-globalized group.

A closer look at the companies in each group shows just how powerful the dollar effect has been.

Tobacco company Philip Morris International is completely foreign-focused—it has no U.S. sales at all—and has recorded a 133% gain this year. The most-foreign quintile's strong returns come despite big share-price drops at multinational energy groups such as **Exxon Mobil**.

The most-domestic quintile includes more than 100 companies with no foreign sales. Its performance has been dire, even though domestically oriented utilities have had a good year thanks to their standing as alternatives to bonds. Twenty of 28 big utilities beat the S&P.

This should leave U.S. investors pondering two big questions: Will the dollar remain so important to company performance, and if it does, is the greenback going further down or will it re-

cover?

History suggests the dollar is unlikely to be so important to the overall level of the index in future. In the past, changes in the dollar have had only a weak relationship to moves in the S&P, because there are normally so many other things going on with the economy, sentiment and policy. The low levels of economic and market volatility recently are extremely unusual, while Washington has remained gridlocked despite the Republican sweep in last

year's election.

Still, history suggests the dollar will continue to matter hugely to individual company performance. Domestic stocks tend to outperform when the dollar strengthens, making foreign profits worth less in dollar terms, and underperform when the dollar weakens.

Calling the direction of a currency is always a gamble. Yet, there is some evidence to go on for the dollar. The drop so far this year has already been very large for

such a short period, with only 10 larger falls on a trade-weighted basis since 1973. The move was exacerbated by the amount of optimism that was built in to the greenback after the election, too; speculators have shifted from being crowded into bets on a stronger dollar to being crowded into bets on the euro rising. Any trade can always become more crowded, but we can at least say that the path of least resistance for the dollar is no longer down.

DONG

Continued from the prior page "Tying the company's hands down to a renewables-only mandate, I think, would be strategically and commercially unwise," Shell Chief Executive Ben van Beurden told investors at the company's annual meeting last year.

Dong began to shift its focus from fossil fuels around 2008, as the conventional-power industry in Europe flailed and the European Union set new targets for renewable energy in the bloc's power mix.

At the time, 85% of the company's power production was based on fossil fuels. Offshore wind was one of the most expensive energy sources in the world and only a handful of ocean-bound wind farms had been built.

Dong saw an opportunity when the company was

seeking money to help it through a rocky financial patch. In 2014, the bank paid eight billion kroner (\$1.28 billion) for an 18% stake in the company, which remains 50%-owned by the Danish government. It is the biggest investment Goldman has made to date in renewable energy, and one of its largest investments in a single company outside the U.S. "We did a lot of analysis and concluded offshore wind would be one of the prevailing technologies in the long term," said Michael Bruun, a Goldman partner who helped run the deal.

There are risks. Most offshore wind projects rely on government support to compete with coal and gas, but for the technology to become widely used it will need to be commercially viable without subsidies. Offshore wind still represents a fraction of the energy market, and biomass-

tors.

Goldman still owns 2.7%

of Dong after the sale.

The cost of offshore wind projects has come down much faster than the industry expected.

Earlier this year, Dong said it would build two wind projects in the German North Sea with no government subsidies—a milestone few expected to come so soon.

By 2021, offshore wind-power capacity is likely to more than double, according to the International Energy Agency, a Paris-based group that advises governments and companies.

Dong's plan to abandon investment in fossil fuels has accelerated. Over the next six years it intends to finish converting its remaining coal-fired power plants to biomass, completely phasing coal out of its operations by 2023.

—Erin Ailworth in Houston contributed to this article.

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TECHNOLOGY

WSJ.com/Tech

Rivals Now on Speaking Terms

By JAY GREENE
AND LAURA STEVENS

Microsoft Corp. and **Amazon.com** Inc., fierce rivals in cloud computing, are collaborating in another emerging field: voice computing.

The companies on Wednesday announced plans to allow their voice-enabled digital assistants—Microsoft's Cortana and Amazon's Alexa—to work together beginning later this year. The agreement provides each assistant with capabilities they lacked, and poses new challenges to **Apple** Inc. and **Alphabet** Inc.'s Google, which have their own voice-enabled assistants.

Amazon customers who use the company's voice-activated Echo speakers will be able to tap into Microsoft's artificial-intelligence capabilities by say-

tions, which it gains through the partnership, he said.

One thing the companies won't share is data. An Amazon spokeswoman said the companies will only exchange necessary information to process requests that is consistent with both companies' privacy policies. "Once you open Cortana, all voice data goes to Microsoft and not Amazon," she said.

Alexa, which surfaced in 2014 when Amazon introduced the Echo, has focused on consumer and home-automation needs. Cortana, which made its debut in 2014, works in personal computers as well as Microsoft's Xbox One game consoles.

Cortana's strength is in its integration with Microsoft's productivity software, said Patrick Moorhead, an analyst with research firm Moor Insights & Strategy.

The digital-assistant market is still emerging, with no clear leader. Apple's Siri is on as many as a billion devices, Mr. Moorhead estimates. The company will start selling its HomePod speaker later this year, a device that likely will tie into millions of iPhones and iPads and their calendar and email information.

Google Assistant is on about 150 million devices that run the latest versions of its Android operating system, Mr. Moorhead said. The company is racing to catch up to Alexa with Google Home, a voice-activated speaker similar to Amazon's Echo.

"There are going to be multiple successful intelligent agents, each with access to different sets of data and with different specialized skill areas," Amazon Chief Executive Jeff Bezos said in a statement.

The tie-up is a signal the companies realize the future of voice assistants may be more about the content rather than how it is delivered, said Ahmed Bouzid, a former member of the Alexa team and founder and CEO of Witlingo, which builds voice products for Alexa, Google and Cortana.

"This development is moving toward that world where it really doesn't matter if you access the content through Google or Alexa or Cortana or Siri or Bixby," Mr. Bouzid said.



Dara Khosrowshahi, shown last year, said Wednesday that the ride-hailing company's market debut could come as soon as 2019.

New Uber Chief Sees IPO Over Horizon

By GREG BENINGER

Uber Technologies Inc.'s new chief executive, Dara Khosrowshahi, said he would start on Tuesday and aim for an initial public offering as soon as 2019, setting the stage for what would be one of the most highly anticipated market debuts in memory.

At his first appearance in front of employees for the ride-hailing firm Wednesday, Mr. Khosrowshahi set a timeline for an IPO of between 18 and 36 months, though he indicated that wasn't a firm deadline, according to a person who attended the meeting. The wide range gives Mr. Khosrowshahi some leeway to restore order to a company beset by months of scandals and legal issues, as well as to shore up losses that totaled over \$3 billion last year.

Meanwhile, online travel giant **Expedia** Inc. elevated its current operations and finance chief to succeed its former CEO, Mr. Khosrowshahi. Mark Okerstrom, a 10-year veteran at Expedia who has served as chief financial officer and executive vice president of operations since 2011, was widely seen as a likely successor to Mr. Khosrowshahi, who will remain on Expedia's board.

Mr. Khosrowshahi was introduced to employees at Uber's San Francisco headquarters by the man he is succeeding, Travis Kalanick, who reluctantly resigned in late June under investor pressure. Mr. Kalanick appeared emotional as he praised Mr. Khosrowshahi and said he would support the new CEO however he could, according to the person who attended the meeting.

"This company has to change," said Mr. Khosrowshahi, according to Uber. "What got us here is not what's going to get us to the next level."

The 48-year-old CEO told employees he wants to bring in a chairman "to be my partner at the board level." Uber's current chairman is co-founder Garrett Camp, who is expected to be replaced in that role but remain a director after the board mandated it hire an independent chairman.

One of Mr. Khosrowshahi's first duties is to fix the company's employee culture, which under Mr. Kalanick was guided by a list of 14 corporate values including "toe-stepping" and "principled confrontation." An internal investigation earlier this year into allegations that the company ignored complaints of sexism and sexual harassment led to the dismantling of those corporate values.

"If culture is pushed top down, then people don't believe in it," Mr. Khosrowshahi said, according to Uber.

Uber directors who have been battling for months over the future of the \$68 billion company took pains to demonstrate support for Mr. Khosrowshahi. In an email to employees on Tuesday announcing his hire, the board emphasized the vote was unanimous.

Benchmark Capital, which owns about 13% of Uber and sued Mr. Kalanick to try to oust him from the board, said in a message on its Twitter account late Tuesday that "We've been admirers of the work and character" of Mr. Khosrowshahi, "and are thrilled to have him leading @Uber 2.0." Media magnate and Uber director Arianna Huffington tweeted a "special selfie" photo of her and Messrs. Kalanick and Khosrowshahi beaming arm in arm.

Behind the scenes, the legal battle dividing the board and shareholders continued.

On Wednesday, Mr. Kalanick emerged with a legal victory when a Delaware Chancery Court judge ruled that investor Benchmark's suit against him should be settled in private arbitration. The suit, which Benchmark filed earlier this month, demands the return to board control of three seats Mr. Kalanick oversees, which would effectively force the ride-hailing firm's co-founder out as director. Sending the matter to arbitration means potentially damaging evidence on either side won't be made public.

The ruling isn't a complete win for Mr. Kalanick, who could still lose the case in private arbitration where the ruling is typically binding, meaning he wouldn't be able to appeal the decision.

The lawsuit has deeply divided Uber directors and investors. Benchmark has taken an aggressive stance against Mr. Kalanick, including leading an investor coup to pressure him to step down as CEO in late June, when two of the firm's partners delivered a letter of resignation to sign at a hotel in Chicago.

Benchmark alleges Mr. Kalanick agreed to relinquish the board seats when he signed the resignation letter, so he is refusing to honor his contract.

The firm also charges that Mr. Kalanick defrauded Uber by failing to disclose questionable business practices. Mr. Kalanick has argued the case is nothing more than a personal attack and vowed to fight it.

—Chris Kirkham contributed to this article.

BUSINESS NEWS

Disney to Cut Television Group Employees

By JOE FLINT

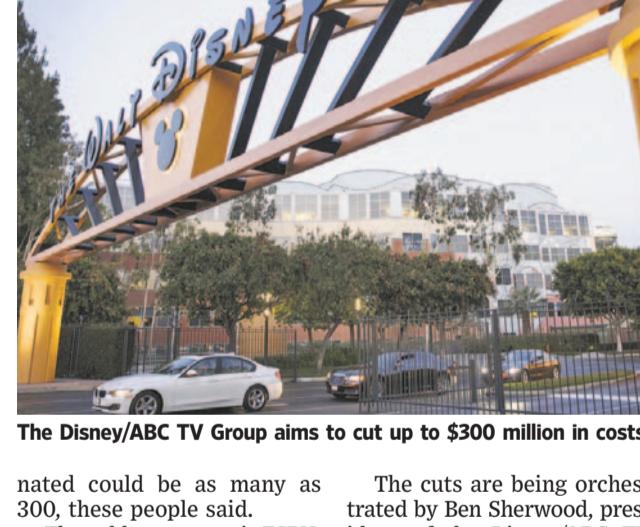
Walt Disney Co. is preparing significant budget cuts at its Disney/ABC Television Group that will include staff reductions and restructurings, people familiar with the matter said.

The bulk of the cuts are expected to take place at the ABC broadcast network, its television production studio, ABC News and local television stations. Cable networks Disney Channel and Freeform will likely see their workforces reduced as well, the people said.

Overall, the cuts are expected to represent 10% of the unit's annual costs and will be identified by the end of September, which concludes Disney's current fiscal year.

The Disney/ABC TV Group employs close to 10,000 people and is looking to reduce employees through a combination of layoffs and attrition, two people with knowledge of the situation said. The total number of positions being eliminated could be as many as 300, these people said.

The cable-sports unit ESPN, which is facing its own tough times with declining ratings and subscribers, isn't part of the Disney/ABC TV Group but has also endured employee reductions this year.



The Disney/ABC TV Group aims to cut up to \$300 million in costs.

told staffers the unit has to "transform into a 21st century broadcaster" and learn to do more with less, according to an executive.

Details of where the cuts will come from and what will be restructured are still being determined. Mr. Sherwood is expected to present Mr. Iger a plan in the coming weeks.

The moves come as Disney's ABC broadcast network and its major cable channels have struggled to find new hit shows. ABC finished last season third in viewers behind CBS and NBC and was also down 11% in the adult 18-49 age demographic that advertisers favor.

The Disney Channel and Freeform have contended with similar ratings declines. Both have seen viewership fall by over 20% this year in their respective target demographics.

Revenue for Disney's broadcasting division, which includes ABC and ABC Studios as well as the local television stations the company owns,

fell a substantial 22% for the nine months ended in June. Operating income was up 6% to \$976 million. ABC has reported lower advertising revenue this year and higher programming costs, but has benefited from increases in payments from cable and satellite distributors and the sale of shows to streaming outlets including Netflix.

Disney doesn't break out earnings for its entertainment cable networks, lumping them in with the far larger ESPN.

To be sure, the majority of traditional broadcast and cable networks are experiencing declining ratings as newer platforms, such as Netflix and Amazon Prime, lure viewers away. In August, Disney announced plans to build its own direct-to-consumer streaming service comprising primarily family-style programming that is popular on the Disney Channel and to a lesser extent Freeform.

—Ben Fritz contributed to this article.

Scholar Fired After Google Comment

By BRODY MULLINS
AND JOHN D. MCKINNON

A Washington think tank backed by Google Inc. and parent **Alphabet** Inc.'s executive chairman, Eric Schmidt, has fired a prominent scholar who praised the \$2.7 billion fine recently issued by European regulators against Google for antitrust violations.

Anne-Marie Slaughter, the chief executive of the New America Foundation, said in a statement Wednesday that she fired the scholar, Barry Lynn, because his "repeated refusal to adhere to New America's standards of openness and institutional collegiality meant that we could no longer work together." She said the firing was unrelated to his June criticism of Google.

Mr. Lynn said he was given two months to leave the foundation in late June, a few days after his Open Markets initiative issued a statement applauding the European Commission for taking action against Google. "Google's market power is one of the most critical challenges for competition policymakers in the world today," Mr. Lynn wrote in a statement June 27.

In an interview with The Wall Street Journal on Wednesday, Mr. Lynn said that a few hours after he published the June statement, Ms. Slaughter called him and said: "I just got off the phone with Eric Schmidt and he is pulling all of his money." The New America Foundation didn't respond to a request for comment about Mr. Lynn's recollection of the call.

PERNOD

Net Profit Rises 13% At Liquor Producer

French liquor group **Pernod Ricard** SA said profit in fiscal 2017 rose 13%, reflecting strong sales in the U.S. and an improvement in China and tight cost control.

The owner of Absolut vodka and Jameson whiskey said net profit in the 12 months ended June 30 rose to €1.39 billion (\$1.65 billion). Pernod's profit from recurring operations, the profitability measure analysts and the company often use, was €2.39 billion, below analyst expectations of €2.42 billion.

Fourth-quarter revenue for

the world's No. 2 drinks conglomerate after Diageo PLC rose 5%, driven by the U.S., a return to growth in China, Eastern Europe and global travel retail. Organic revenue growth, which strips out currency effects and acquisitions, was at 3% in the quarter.

Sales in its Americas rose 6% in the quarter, while sales at its Asia-Rest of World regions increased 5%. In its home region of Europe, sales rose 2%.

—Nick Kostov

GEORGIA POWER Utility Still Pursues Nuclear Expansion

Georgia Power Co. told state

regulators it wants to continue the Vogtle nuclear-power plant expansion in spite of sharply higher estimates of the cost to complete the project.

The recommendation from the **Southern** Co. subsidiary to the Georgia Public Service Commission means that at least part of the new wave of nuclear construction in the U.S. might be salvaged. Recently, owners of a plant in South Carolina halted construction of two new nuclear reactors due to cost overruns.

Plant Vogtle in Georgia and V.C. Summer in South Carolina were supposed to be the leading edge of the next generation of nuclear reactors in the aging U.S. nuclear-power fleet. They are years behind schedule and bil-

lions of dollars over budget, and main contractor Westinghouse Electric Co. has filed for bankruptcy. Georgia Power projects it will complete one of the new units at the Vogtle plant by November 2021, and the other a year later. Thursday's filing initiates a review process by Georgia regulators, who must approve additional spending on the Vogtle nuclear expansion. A decision is expected by February.

—Peg Brickley

CAMPBELL SOUP

Soup Sales at Firm Continue to Decline

Campbell Soup Co.'s push into fresher food isn't making up

for its struggling soup business.

Campbell expects soup sales to continue falling in its current fiscal year and overall sales to decline by up to 2%. Chief Executive Denise Morrison said a dispute with a major retailer over promotional pricing and shelf placement for Campbell's soup this winter will weigh on sales.

Mainstays such as Pepperidge Farm Goldfish crackers, V8 juice and SpaghettiOs make up about 85% of Campbell's \$1.6 billion in quarterly sales.

Campbell's adjusted earnings per share were 52 cents, compared with 46 cents a year earlier. The company cut costs, with adjusted marketing and promotional expenses down 12%.

—Annie Gasparro

BUSINESS WATCH

GLOBAL FINANCE

Church Fights Insurer's Rate Rise

By LESLIE SCISM

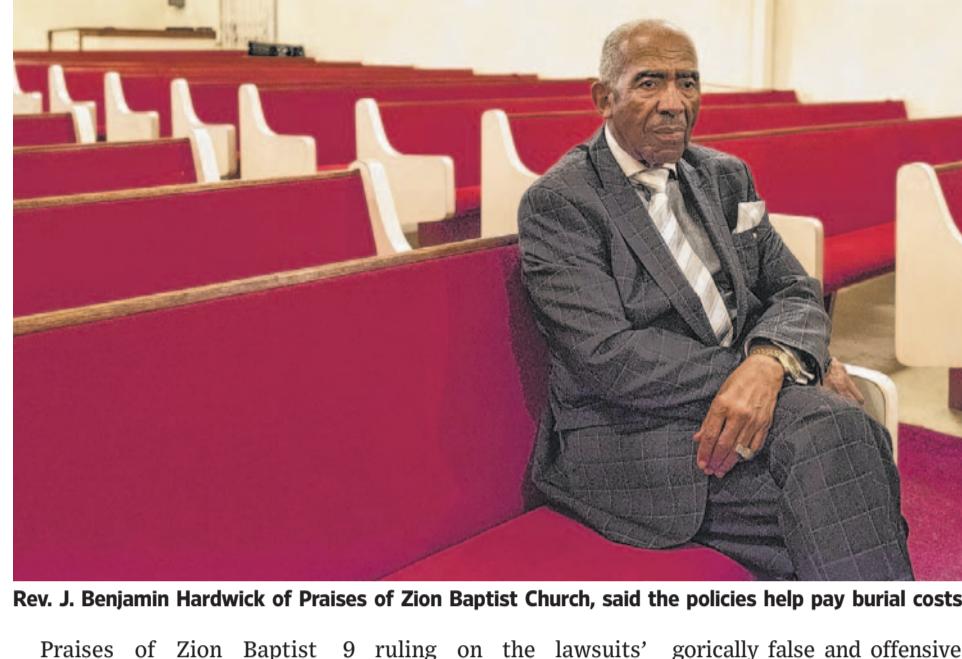
A federal trial in Los Angeles next week will test an increasing concern for Americans: How much leeway do their life insurers have when raising the price on old policies?

In 2004, investors teamed with Praises of Zion Baptist Church in south Los Angeles to take out policies for 2,400 churchgoers in the area, most of whom couldn't otherwise afford them. The investors receive \$225,000 of each \$275,000 death benefit, while church-related social-service programs and beneficiaries of the insured—mostly African-American congregants—split the remaining \$50,000.

The policies were purchased during the peak in "investor-owned" life insurance, an arrangement whereby investors pay the premiums on policies for people who aren't their relatives.

In 2013, Aegon NV's Transamerica Life Insurance Co. raised the rates on those policies.

Long considered taboo, increasing the costs on older policies is becoming more commonplace among insurers as they look to overcome nearly a decade of ultralow interest rates. Insurers earn part of their profit from investing premiums until claims come due, typically in bonds. At least a half-dozen prominent insurers have bumped up prices over the past several years, according to financial advisers.



Rev. J. Benjamin Hardwick of Praises of Zion Baptist Church, said the policies help pay burial costs.

Praises of Zion Baptist Church and DCD Partners LLC, the current co-owner of its policies, allege that Transamerica impermissibly used race-based data in calculating a 50% rate increase.

They have fought back with a lawsuit, saying the jump has added \$100 million in costs and makes the program unsustainable.

"There is some evidence from which one might infer that Transamerica targeted these Policies for [a rate] increase because of the race of the insured," Judge Christina Snyder, of the U.S. District Court for the Central District of California, wrote in an Aug.

9 ruling on the lawsuits' claims, moving the case to trial, with DCD as the plaintiff.

Even so, she said her decision "should not be read to imply that said evidence is compelling." Judge Snyder dismissed claims in the lawsuit including negligent misrepresentation, saying what remains for trial "is principally a contract dispute between Transamerica and DCD."

The trial, set for Sept. 5, will sort out the exact methodology Transamerica used to raise rates. Race-based premiums have been banned for decades in the U.S.

In a statement, Transamerica called the allegations "cate-

gorically false and offensive." "Transamerica did not raise rates on the policies due to the race of those insured, nor would we ever increase rates based on racial considerations," the company said, arguing that the increase is permitted under the policies' terms and meets legal requirements.

In deciding on the size of the increase, Transamerica said its actuary reviewed the 80 to 90 death claims in the DCD church program as of 2012, and then "applied his actuarial training, knowledge and experience" to come up with a rate that would allow the policies to prospectively break even.

Among other things, the actuary took into account interest-rate expectations, according to the insurer. The 50% increase applied "to all policies of the same class," it said.

Transamerica was one of three life insurers that increased their rates before 2015 in what, at the time, were considered fairly isolated events. Since then, at least five other big insurers have raised rates, according to ITM TwentyFirst, a firm that manages policies for trustees and institutions. The increases range from mid-single-digit percentages to over 200%.

Under the arrangement with Praises of Zion Baptist Church, \$15,000 of each \$275,000 death benefit is allocated to help pay for burials, and \$35,000 goes to nonprofit social-service programs and churches.

Rev. J. Benjamin Hardwick, senior pastor and founder of the church, said the policies help poor congregants afford proper burials. So far, they have paid for 188 funerals. All told, about \$50 million of the potential \$660 million in death benefits has been paid out, according to his lawyer, William A. Brewer III, of Brewer, Attorneys & Counselors. "It's a bitter pill for me to swallow" if the increase stands and investors pull out, Rev. Hardwick said. "People are being buried with dignity...I know the [financial] condition of these people. They need this insurance desperately."

Scale of Accounts Scandal Increases

By EMILY GLAZER

Wells Fargo & Co. said about 3.5 million customer accounts were "potentially unauthorized" in its sales-practices scandal, more than one million more than the bank initially announced.

The bank, which continues to deal with problems in different parts of the firm, said Thursday the number grew from the 2.1 million accounts initially announced when the scandal unfolded about a year ago. The bank is providing an additional \$3.7 million in customer refunds based on an expanded analysis.

"We apologize to everyone who was harmed by unacceptable sales practices that occurred in our retail bank," Wells Fargo Chief Executive Timothy Sloan said in a statement. "Today's announcement is a reminder of the disappointment we caused to customers and stakeholders," he added on a call with news media Thursday morning.

In September 2016, Wells Fargo paid a \$185 million fine for opening accounts with fictitious or unauthorized customer information. Soon after, it underwent congressional hearings, its CEO retired and it continues to face federal and state investigations. The bank has said it is cooperating with those investigations.

After one congressional hearing, the bank said it would expand its review of questionable accounts to 2009 and 2010 since a number of customers had come forward.

The bank has said in securities filings over the past several months that the number of potentially affected accounts would likely increase.

Wells Fargo said it refined its analysis and methodologies used by a third party in finding potentially unauthorized accounts. Because of the changed analysis, the number of potentially unauthorized accounts in the original 2011 to 2015 period grew to 2.55 million from 2.1 million. The bank said the additional periods dating back to January 2009 added 981,000 accounts that were potentially unauthorized.

Wells Fargo added that out of the 3.5 million total potentially bogus accounts, around 190,000 incurred fees and charges, up from 130,000 previously identified. The bank will provide \$2.8 million in refunds and credits to customers in addition to the \$3.3 million previously refunded.

HNA Sues Exiled Tycoon

By JULIE STEINBERG
AND CAROLYN CUI

One of China's most acquisitive companies is suing an exiled Chinese businessman for allegedly spreading what it says are falsehoods that have hurt the conglomerate's reputation and financial interests.

HNA Group Co., the airlines-to-hotels conglomerate that has been facing mounting scrutiny, alleges that real-estate tycoon Guo Wengui made "repeatedly false and defamatory statements" linking a high-ranking Chinese official in the Communist Party and his nephew to the company, according to a complaint filed Wednesday in New York state court.

The lawsuit was filed in New York because Mr. Guo, who also goes by the name Miles Kwok, lives in an apartment in Manhattan and operates a business in New York County, according to the complaint.

In the complaint, lawyers for HNA allege that Mr. Guo

earlier this year falsely claimed that HNA's shareholders include Yao Qing, a nephew of Wang Qishan, the party's top anticorruption official and a close ally of Chinese President Xi Jinping. Mr. Guo said Mr. Wang "truly held his nephew's ownership interest," according to the complaint. HNA in the complaint denied either man held stakes in the company.

HNA claims that Mr. Guo's comments caused the company to both forfeit business opportunities and suffer a share-price drop in one of its listed entities. It is seeking at least \$300 million in damages and a declaration from the court that Mr. Guo's statements were false and defamatory.

"It will be a wonderful thing to have a legal battle with HNA Group here," Mr. Guo said in a Twitter message to The Wall Street Journal. "I hope that the U.S. legal system would give us a fair ruling regarding issues including [HNA's] business in New York."

The U.S. Labor Department said it would delay the fiduciary rule's final compliance deadline by 18 months.

President Donald Trump earlier this year ordered the department to reassess the economic costs of regulation, with an eye toward revision or repeal. The first phase of the regulation went into effect June 9, requiring stewards of tax-advantaged retirement accounts to act in clients' best interest.

The department is delaying the rule's final compliance deadline to July 1, 2019, as it conducts its economic review.



Guo Wengui said he would welcome a legal fight with HNA.

The lawsuit comes at a sensitive time for HNA, which has attracted scrutiny recently over who truly controls the company. The conglomerate last month revealed more details about its ownership structure—including the revelation that a New York-based charity is now its biggest shareholder—but the disclosures have prompted more questions about the changes in ownership.

The company, which has \$146 billion in assets and which has taken large stakes in Deutsche Bank AG and Hilton Worldwide Holdings Inc., has been one of China's most aggressive overseas investors.

Chinese regulators in recent months have been looking at the company's debt levels, alongside those of other large debt makers.

Mr. Guo, for his part, has

developed a large following online with his claims of misdeeds involving prominent Chinese companies and officials, though he has provided scant evidence to support his allegations. He has said he left

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FINANCE & MARKETS

Copper's Rally Looks Overdone to Some

By DAVID HODARI

Copper has led the way in the current metals rally, gaining 20% since the end of May, but an increasing number of analysts are predicting a correction, and soon.

The price of the industrial metal hit a three-year high on Thursday. Behind the gains has been a weaker U.S. dollar and optimism about Chinese growth, factors that have also helped push other base metals much higher, including nickel and aluminum.

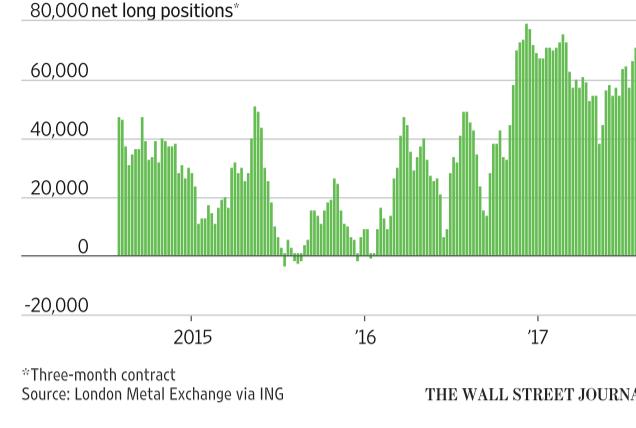
Analysts believe the long-term fundamentals for copper remain positive. But they also worry that the current rally has taken copper's price beyond what it is worth and that speculative investors, such as hedge funds, are behind the surge and will pull out by year-end.

"When something goes up like this on little to no news, you've got to be cautious that that rise can be sustained," said Robin Bhar, head of metals research at Société Générale.

"Fundamentals have been decent, but they're now fully priced into the market and the extent of this rally means we have overextended," he said,

Piling In

Bets on rising copper prices on the London Metal Exchange



*Three-month contract

Source: London Metal Exchange via ING

THE WALL STREET JOURNAL.

predicting copper will fall by 10% by the end of the year.

BNP Paribas believes that three-month LME copper is 15% above where it should be valued. The bank looks at factors such as the strength of the Chinese real-estate market and demand from infrastructure projects and where the dollar is trading against the yuan.

Demand from China is key for copper. China consumed 50% of the world's copper supply in 2016, according to figures from the World Bureau of

Metals Statistics, a similar level to other base metals.

A string of better-than-expected Chinese economic figures has fueled investors' bullishness on the metal.

Copper has also been helped by a fall in the dollar. Most commodities are priced in dollars, so when the greenback falls they become cheaper for those holding other currencies. The WSJ Dollar Index, which measures the dollar against a basket of other currencies, has fallen about 3% in the past



KHAN/REUTERS

Copper prices have gained 20% since the end of May.

three months, weighed down by political uncertainty in the U.S., among other factors.

With bright fundamentals and the price galloping higher, speculative investors have poured into copper.

On the London Metal Exchange, long positions, or bets on rising copper prices, increased by 31.6% between the end of May and Aug. 22, according to figures from ING.

Some analysts are also starting to compare copper unfavorably to its peers.

"Copper has the same

strong demand as...aluminum and zinc but without the supply-side constraints," said Vivienne Lloyd, senior analyst at Macquarie.

Both aluminum and zinc prices have benefited from a combination of closed global smelters and Chinese environmental directives that will limit production during the winter months. Indeed, what supply constraints there were in copper may have just eased, Ms. Lloyd said.

On Tuesday, U.S. miner Freeport-McMoRan Inc. said it

would give up its majority stake in its mine at Grasberg, Indonesia, to the Asian nation's government. Production at the world's second-largest copper mine had ground to a halt at various points this year as the Indonesian government looked to claw back control over mine operations and amid waves of industrial action. That helped spur price gains earlier this year as analysts predicted supply shortages.

Even some copper miners think the metal's price has climbed too high. "It's true that all of the fundamentals are good in the medium and long term, but I would be very cautious" about the copper rally, Oscar Landerrretche, chairman of the world's largest copper miner, Codelco, said Tuesday at a mining conference, according to media reports and an analyst's note.

Still, in the longer term analysts agree with this miner: Prospects for copper are good.

"We're still optimistic about the fundamentals, 2018 global growth forecasts of 4%, and the conversation around vehicle electrification and renewable power," said Hunter Hillcoat, an analyst at Investec.



Gasoline futures in the U.S. continued their climb on Thursday.

Europe Refiners Poised to Step Up And In to U.S.

By CHRISTOPHER ALESSI

S&P Global Platts.

"That puts European refineries in a better position to lock in their margins at more attractive levels than we have seen for most of this year," Mr. Tchilenguirian said.

In the U.S., gasoline futures hit a two-year high on Wednesday and surged further on Thursday, with the contract for September delivery on the New York Mercantile Exchange up 14%, to \$2.1524 a gallon, in early afternoon trading.

The expected rise in volume from European refiners won't become fully clear for several days, analysts said.

But Joel Hanley, senior director for oil pricing at Platts, said the effect was already becoming evident in freight markets, where the "pull on gasoline cargoes from Europe and Asia" has seen deals to charter container ships at higher rates. European jet-fuel prices have also risen, with refining margins for the Rotterdam benchmark up to \$16 a barrel of Brent crude Wednesday, compared with \$12 a barrel earlier this month, according to Platts.

European exports of gasoline to the U.S. stood at 314,000 barrels a day in 2016, out of total U.S. gasoline imports of 715,000 barrels a day, according to research and consulting firm Wood Mackenzie.

An extended period of refinery outages along the Gulf Coast could result in a further 150,000 to 200,000 barrels a day of European gas exports to the U.S., depending on how soon downed refineries restart, said Alan Gelder, a vice president at Wood Mackenzie. Three closed refineries said on Wednesday that they were either starting up or planning to start up again.

Meanwhile, the U.S. could face competition from Latin America as it vies for European gasoline supplies.

Latin America relies heavily on gasoline from the Gulf Coast and now "will be forced to bid away European barrels" headed to the U.S. Atlantic Coast, said James McCullagh, an oil products analyst at consulting firm Energy Aspects.

Outages caused by Harvey are giving European refiners a chance to fill the gap.

year but long struggled with overcapacity, analysts say. Early data suggest that this week there has already been an increase of refined product shipments heading to the U.S. from the Dutch port of Rotterdam compared with the week before, according to oil industry website Tanker-Trackers.com.

"The hurricane is providing an opportunity for European refiners," said Harry Tchilenguirian, head of commodity strategy at BNP Paribas SA. Mr. Tchilenguirian said much of U.S. gas imports come from Europe, the majority of which are destined for the East Coast.

European gasoline-refining margins have risen to their highest level in two years. European "crack spreads"—the difference between the price of crude oil and the gasoline extracted from it—had widened to \$18.30 a barrel by Wednesday, up \$2.80 a barrel from Tuesday, according to

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- A constantly enhanced risk control system
- A leading IT platform

Operational Highlights

Profitability remained strong

- Net profit for the first half of the year was RMB108.67 billion, up by 3.4% year-on-year.
- Return on average total assets (ROAA) and return on weighted average net assets (ROAE) reached 1.08% and 16.74% respectively.
- Net interest margin (NIM) and net interest spread (NIS) were 2.24% and 2.11% respectively.

The scale of business grew steadily

- Total assets reached RMB20.57 trillion, up by 5.1% over the end of the previous year.
- Loans and advances amounted to RMB10.41 trillion, up by 7.1% over the end of the previous year.
- Deposits reached RMB16.10 trillion, up by 7.1% over the end of the previous year.

Asset quality remained stable

- Non-performing loans stood at RMB228.43 billion, down by RMB2.40 billion over the end of the previous year. Non-performing loan ratio was 2.19%, down by 0.18 percentage point from the end of the previous year.
- Allowance to non-performing loans ratio was 181.80% and the allowance to total loans ratio reached 3.99%.

County-area financial services developed steadily

- County-area deposits reached RMB6.86 trillion, up by 6.8% over the end of the previous year. County-area loans and advances reached RMB3.48 trillion, up by 9.6% over the end of the previous year.
- Interest spread between county-area deposits and loans was 3.22%, 35 basis points higher than the average level of the Bank.

• Pre-tax profit from County-area banking business was RMB42.53 billion.

• The provision coverage ratio of County-area banking business reached 177.41% and the allowance to total loans ratio of County-area banking business reached 4.90%.

• Targeted loans to 832 national key poverty alleviation counties were increased by RMB 76.3 billion, representing a growth rate of 10.8%.

• The Bank worked vigorously to promote Internet Finance Platform Serving Sannong, which accumulates online e-commerce merchants of 168,000.

The operational structure improved continuously

- ABC worked proactively to serve the real economy and continuously promoted the transformation of its Corporate Banking Business. More credits were directed to major marketing projects and a good reserve of such projects was developed. The number of projects in the reserve amounted to 7,951, rising by 2,140 over the end of the previous year. Targeted loans to major marketing projects amounted to RMB344.85 billion, up by RMB206.12 billion year-on-year. Moreover, it adhered to the philosophy of green development with the balance of green

credit accumulated to RMB729.44 billion, rising by RMB80.00 billion compared to the end of the previous year. In addition, the Bank actively explored high-end investment banking services such as bond underwriting issues and loans for corporate mergers and acquisitions. In the first half of 2017, ABC underwrote 121 tranches of bonds and raised funds of RMB149.78 billion.

• The Bank further enhanced its advantage in Retail Banking. The balance of retail deposits reached RMB9.20 trillion, representing an increase of 4.4%. It also actively supported resident's reasonable demands of home purchase for non-investment purposes, and pushed forward the steady development of retail residential credit business. "Anjiadai" loans for rural households increased by RMB103.86 billion over the end of the previous year. In addition, the Bank continuously upgraded its integrated online and offline credit card marketing channels. The number of credit cards issued amounted to 78.23 million, rising by 9.60 million over the end of the previous year. The private banking service system was constantly improving with the number of private banking customers reaching 67,000 and the balance of managed assets amounting to RMB924.34 billion.

• The Bank made steady progress in increasing investments and maintained its leading position in terms of returns on bond investments among the banking industry. Investments in local government bonds and financial institution bonds were increased in an active and prudent way with a net worth of RMB5.89 trillion, rising by RMB555.21 billion over the end of the previous year.

• The Bank vigorously explored innovation in wealth management business by enriching its product offerings and encouraging innovation in sales models. Balance of wealth management products amounted to RMB1.50 trillion, of which RMB1.19 trillion was credited to personal investment services and the rest RMB314.60 billion to corporate investment services.

• The Bank made steady progress in developing its capability of cross-border financial services and comprehensive financial services. The total assets of its overseas branches and subsidiaries reached USD120.68 billion, up by 10.4% over the end of the previous year. Profits made by overseas branches and subsidiaries amounted to USD439 million in the first half of 2017, up by 81.4% year-on-year. The total assets of its four integrated operating subsidiaries were RMB150.18 billion, generating a net profit of RMB1.09 billion in the first half of 2017.

• ABC's internet banking registered steady growth with sustained increases in the number of customers and transaction volumes. The total number of customers of the Bank's internet banking services reached 765 million, rising by 54.14 million over the end of the previous year. The number of financial transactions through electronic channels was 20.05 billion, representing an increase of 52.8% year-on-year. The financial transactions through electronic channels accounted for a proportion of 97.0%, up by 2.7 percentage points year-on-year.

Looking forward, in the second half of the year, the Bank will diligently implement the spirits of the Fifth National Financial Work Conference, focus closely on the three tasks of serving the real economy, preventing and controlling financial risks, and deepening the financial reform, and work proactively to support the supply-side structural reform and push ahead with the five priority tasks of "cutting overcapacity, reducing inventory, deleveraging, lowering costs and strengthen areas of weakness". Guided by its development strategy, ABC will strive to ensure growth, optimize structures, deepen reforms, improve services, control risks, and intensify management, so as to achieve the business targets of the year.

MARKETS DIGEST

Nikkei 225 Index

19646.24 ▲139.70, or 0.72%

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

373.88 ▲2.87, or 0.77%

High, low, open and close for each trading day of the past three months.



Bars measure the point change from session's open

May June July Aug.



S&P 500 Index

2469.09 ▲11.50, or 0.47%

High, low, open and close for each trading day of the past three months.

Data as of 12 p.m. New York time

Last 23.53 Year ago 24.71

Trailing P/E ratio 23.53 P/E estimate * 18.73 Dividend yield 2.01 All-time high 2480.91, 08/07/17

Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

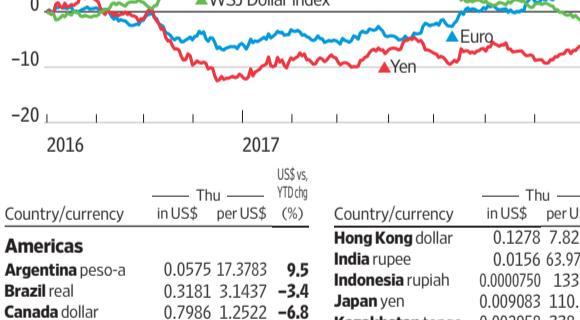


International Stock Indexes

Region/Country	Index	Data as of 12 p.m. New York time					
		Close	Net Chg	% chg	52-Week Range	YTD High	% chg
World	The Global Dow	2843.82	10.79	+0.38	2386.93	2881.15	12.5
	MSCI EAFE	1931.47	12.70	+0.66	1614.17	1955.39	12.5
	MSCI EM USD	1087.60	-0.40	-0.04	838.96	1088.07	36.9
Americas	DJ Americas	594.97	3.22	+0.54	503.44	599.20	10.1
Brazil	Sao Paulo Bovespa	70622.71	-263.55	-0.37	56459.11	71505.69	17.3
Canada	S&P/TSX Comp	15192.02	58.89	+0.39	14319.11	15943.09	-0.6
Mexico	IPC All-Share	51097.66	-95.86	-0.19	43998.98	51772.37	12.0
Chile	Santiago IPSA	3900.75	-16.40	-0.42	3120.87	3945.90	21.0
U.S.	DJIA	21942.38	49.95	+0.23	17883.56	22179.11	11.0
	Nasdaq Composite	6419.34	51.03	+0.80	5034.41	6460.84	19.2
	S&P 500	2469.09	11.50	+0.47	2083.79	2490.87	10.3
	CBOE Volatility	10.58	-0.64	-5.70	8.84	23.01	-24.6
EMEA	Stoxx Europe 600	373.88	2.87	+0.77	328.80	396.45	3.4
	Stoxx Europe 50	3041.61	24.77	+0.82	2720.66	3279.71	1.0
France	CAC 40	5085.59	29.25	+0.58	4310.88	5442.10	4.6
Germany	DAX	12055.84	53.37	+0.44	10174.92	12951.54	5.0
Greece	ATG	825.48	1.83	+0.22	548.72	859.78	28.3
Israel	Tel Aviv	1400.94	9.95	+0.72	1346.71	1490.23	-4.7
Italy	FTSE MIB	21670.02	166.56	+0.77	15923.11	22065.42	12.7
Netherlands	AEX	516.04	3.03	+0.59	436.28	537.84	6.8
Russia	RTS Index	1095.84	11.43	+1.05	944.88	1196.99	-4.9
Spain	IBEX 35	10299.50	53.70	+0.52	8512.40	11184.40	10.1
Switzerland	Swiss Market	8925.45	74.19	+0.84	7585.56	9198.45	8.6
South Africa	Johannesburg All Share	56522.11	354.11	+0.63	48935.90	56896.89	11.6
Turkey	BIST 100	110010.49	-412.62	-0.37	71792.96	110530.75	40.8
U.K.	FTSE 100	7430.62	65.36	+0.89	6654.48	7598.99	4.0
Asia-Pacific	S&P/ASX 200	5714.50	44.80	+0.79	5156.60	5956.50	0.9
China	Shanghai Composite	3360.81	-2.82	-0.08	2980.43	3365.23	8.3
Hong Kong	Hang Seng	27970.30	-124.31	-0.44	21574.76	28094.61	27.1
India	S&P BSE Sensex	31730.49	84.03	+0.27	25765.14	32575.17	19.2
Indonesia	Jakarta Composite	5864.06	-8.45	-0.14	5027.70	5915.36	10.7
Japan	Nikkei Stock Avg	19646.24	139.70	+0.72	16251.54	20230.41	2.8
Malaysia	Kuala Lumpur Composite	1773.16	...	Closed	1616.64	1792.35	8.0
New Zealand	S&P/NZX 50	7817.10	41.90	+0.54	6664.21	7879.46	13.6
Philippines	PSEI	7958.57	1.84	+0.02	6563.67	8072.75	16.3
Singapore	Straits Times	3277.26	12.00	+0.37	2787.27	3354.71	13.8
South Korea	Kospi	2363.19	-9.10	-0.38	1958.38	2451.53	16.6
Taiwan	Weighted	10585.78	16.38	+0.15	8902.30	10585.78	14.4
Thailand	SET	1616.16	2.82	+0.17	1406.18	1616.16	4.7

Currencies

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



US\$ vs. in US\$ per US\$ (%)

London close on Aug. 31

US\$ vs. in US\$ per US\$ (%)

Country/currency

Thu YTD chg

Country/currency

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MARKETS

A China Warning on Digital Coins

Financial institutions urge more scrutiny of 'initial coin offerings' to guard against fraud

By STEVEN RUSSOLILLO

A new method of fundraising using cryptocurrencies, known as initial coin offerings, deserves more stringent regulation in China to protect investors from fraudulent activity, according to an industry watchdog endorsed by the country's central bank.

Investors involved in initial coin offerings, or ICOs, should be aware of potential fraud, illegal fundraising and misleading propaganda in China, the Na-

tional Internet Finance Association of China warned on Wednesday. The self-regulated organization, established last year and made up of hundreds of banks, brokerages and other financial institutions, cautioned investors that as these fundraising projects spread, they also pose major financial risks.

"There is a lack of enforcement to ensure investor suitability and a severe shortage of information disclosures," the association said in a statement posted on its website. "These investment activities face major risks."

ICOs are viewed as a cross between traditional initial public offerings and crowdfunding. In an ICO, a company, usually associated with the digital-cur-

rency sector, creates a coin similar to bitcoin and offers it to the public. More than \$1 billion has been raised in ICOs this year.

Some coin offerings have exceeded what other startups have raised in traditional markets through venture-capital funds. But coins usually don't confer any ownership in a company. Rather, typically the coins can be used in the future to buy a product or service a company plans to offer. Investors hope the coins will rise in value over time if a company's product or service is popular.

"People need to be very careful in ICOs," said Iris Pang, a Greater China economist at ING Bank in Hong Kong. "Most people don't understand the market and whether pure speculation is

the only thing driving these prices higher."

Surging prices for ICO coins have helped propel the value of popular virtual currencies to new records. Bitcoin recently traded at a record above \$4,600 and has more than quadrupled this year, according to research site CoinDesk.

In China, regulators worry that ICOs could hurt the stability of the financial system. Fear of social unrest has made Beijing increasingly wary of fraudulent investment schemes, including cryptocurrency-related scams and pyramid-scheme operations. Earlier this month, police arrested five people thought to be involved in the death of a 23-year-old college graduate in northeastern China, who was

tricked into joining a possible pyramid scheme by a fake offer of employment at a technology firm, according to state media.

In the U.S., the Securities and Exchange Commission said last month it would start patrolling virtual coin offerings, acknowledging that regulations meant for stock sales might apply to these offerings, too.

Earlier this week, the SEC warned investors about potential scams involving ICOs.

"Developers, businesses, and individuals increasingly are using ICOs—also called coin or token launches or sales—to raise capital," the SEC said in an investor alert posted Monday. "While these activities may provide fair and lawful investment opportuni-

Takeoff

The value of bitcoin has more than quadrupled this year.



Source: WSJ Market Data Group
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ties, there may be situations in which companies are publicly announcing ICO or coin/token related events to affect the price of the company's common stock."

—Yifan Xie

contributed to this article.

Economic News Lifts Equities Across the Globe

By MICHAEL WURSTHORN
AND MIKE BIRD

Stocks rose Thursday, as strong economic data helped lift major indexes.

The Dow Jones Industrial Average was up 0.2%, or 49 points, to

THURSDAY'S MARKETS 21941 near midday in New York.

The S&P 500 gained 0.4%, while the Nasdaq

Composite added 0.6%, gains

that followed market advances in Europe and Japan.

Fresh data suggested the U.S. economy has continued to grow at a steady, albeit slow, pace. While geopolitical tensions have weighed on stocks in recent weeks, some investors say the strong data, along with robust corporate earnings, have kept markets on an upward path.

"If the economy is growing and global growth is stable, then that's what we're going to lean on until something tells us something drastically different," said Doron Bar-



The Stoxx Europe picked up 0.8% to close at 373.88 despite declines in retailers' stocks that followed a warning about the outlook for sales from the French supermarket chain Carrefour.

"We are looking at a recovery in the global economy along with stabilization in China," said Joanne Goh, regional equity strategist at DBS Group in Singapore. As long as the U.S. economy continues to recover, it will be supportive of the reflation trade and recovery in Asia, she said.

The U.S. and Chinese data followed upbeat reports Wednesday showing U.S. gross domestic product growth was stronger than initially thought in the second quarter, while hiring among U.S. private employers increased by more than expected.

Shares of energy companies in the S&P 500 rose 0.5% alongside the price of crude oil Thursday. Both energy stocks and oil prices have swung in recent sessions as Tropical Storm Harvey shut

down refineries and hit demand for crude.

Marathon Oil, one of the sector's biggest gainers, was up 2.9%, while Newfield Exploration rose 2.4%.

In Asia, the Nikkei Stock Average closed up 0.7% after weakening in 14 of the past 19 trading sessions, leaving the index down for August. Hong Kong's Hang Seng Index added 0.4%, for a monthly gain.

The euro dipped slightly against the dollar, falling 0.1% to \$1.1875, on the back of media reports that European Central Bank officials are concerned about the common currency's surge in the past four months. A stronger euro could damp inflation by making imported goods cheaper.

"We see the risks as still skewed toward the euro overshooting above \$1.20 at some point this year rather than permanently reversing lower," said Deutsche Bank strategist George Saravelos in a note to clients published Thursday.

—Kenan Machado contributed to this article

The mining company Anglo American rose 2.8% in response to upbeat economic news from China.

ness, global head of trading at Oppenheimer & Co.

Americans' personal spending rose in July at the fastest pace since April, while personal incomes posted their biggest one-month jump since

February, according to the Commerce Department.

Meanwhile, an official gauge of China's factory activity rose in August, even though new export orders declined.

That news lifted shares of commodity producers. In London, shares of the copper miner Antofagasta tacked on 2%, Anglo American rose by 2.8% and Rio Tinto gained 1.8%.

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FINANCIAL ANALYSIS & COMMENTARY

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HEARD ON THE STREET

Workday Must Clear A High Bar

Of all companies, **Workday** may be the one to best appreciate the challenge of dealing with a high-performing worker who already is topping the pay scales.

Workday's cloud-based software for human-resources management has proved to be a hit with large companies. A newer service for corporate financial management is gaining ground as well. Both helped drive the company's subscription revenue up 42% year over year to nearly \$435 million for the fiscal second quarter, Workday said late Wednesday. That was ahead of the 38% gain analysts expected.

A solid showing. But much was already reflected in the stock, which slipped a bit following the report. The stock has jumped 63% this year through Wednesday, making Workday one of the largest pure-play cloud software companies by market cap, second only to **Salesforce**.

But at more than 9 times forward sales, Workday commands one of the highest multiples in the group. And like its peers, Workday still loses money due to its heavy use of stock-based compensation.

Investors still tend to favor cloud companies for growth prospects, which Workday has plenty of. The company notes that half the Fortune 500 roster has yet to transition its human-resource activities to the cloud. Joel Fishbein of BTIG estimates that Workday can continue to expand its subscription business by more than 30% annually over the next few years.

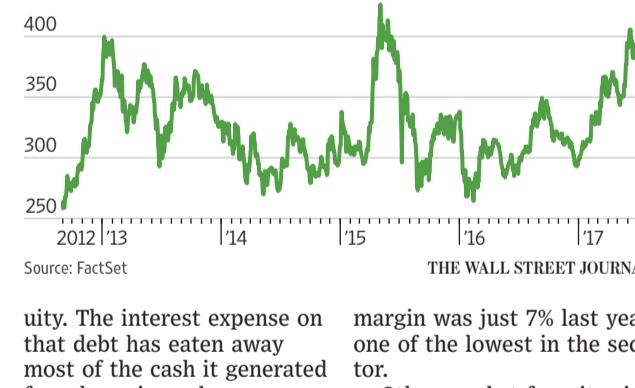
The problem is that with so much overachievement already priced in, Workday will struggle to generate another big raise for investors.

—Dan Gallagher

Rethinking Chinese Developers

High Rise

S&P China Property index, a gauge of developers' stocks



Source: FactSet

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erty prices in smaller cities has started to slow in recent months. Chinese investment and industrial-growth levels also slowed sharply last month, suggesting the broader economy is coming off the boil.

So investors still looking to property companies would be better off betting on the laggards. **China Overseas Land**, for example, enjoyed a 25% net profit margin in the first half, aided by its low financing costs: The company's net debt is equivalent to less than 20% of its equity. The company has a record of riding out market downturns, having grown its profits during the last one in 2015. Its stock has gained a relatively muted 33% this year, but is only back to the level of one year ago.

Chasing the leaders in Chinese property may be exciting. Prudent investors should think about shifting course.

—Jacky Wong

OVERHEARD

Biotech stocks giveth, and biotech stocks taketh away.

Shareholders of **Otonomy** found this out on Wednesday. The biotech company had benefited from a soaring stock price. Shares had nearly doubled since April as investors awaited its late-stage clinical trial to test a new drug for patients with Meniere's disease, a rare inner-ear disorder that can cause episodes of vertigo.

But Otonomy announced the trial was a flop. CEO **David Weber** said in a statement the company was surprised by weak results for patients taking the drug, Otitivex, as well as higher-than-expected patient responses from a placebo. As a result, the company is scrapping its development plans for the drug.

Shares plunged 83% on Wednesday. When riding risky biotechs, investors shouldn't forget to have an exit strategy.

Aircraft Maker Airbus on the Runway, Ready for Takeoff

Planes eventually get built—and investors rewarded. Stick to that faith when it comes to **Airbus**.

Europe's jet maker has been a laggard of late compared with **Boeing**. What is holding Airbus back is also what could make its stock pop.

In many ways, Airbus and Boeing are in a sweet spot. After years of healing among airlines, order books for new planes have swelled. At current production, it will take Airbus nearly 10 years to fulfill its confirmed orders for 6,771 planes. Selling aircraft isn't the problem—executing on the orders is.

In that respect, Airbus has been punished largely for the faults of others. **United Technologies' Pratt & Whit-**

ney division

ney division, one of two engine suppliers to Airbus's wildly popular narrow-body A320neo program, has encountered problems with the engine's novel turbofan design. That has endangered Airbus's delivery target of around 200 of the fuel-efficient planes this year.

Investors are right to be concerned about how long it will take for Pratt to resolve the issues, which it has promised to do.

But past lessons of aerospace technology delays is that they eventually get resolved, as was the case with Boeing's troubled 787 launch. And with Airbus's delivery schedule on the A320neo swelling to more than 600 planes a year by 2020, sorting out problems now will

ensure smoother cash-flow generation in the future. There is better news on that front with Airbus's newest plane, the widebody A350, a competitor to Boeing's 787 for long-haul traffic. There have been bumps, notably interiors supplier **Zodiac** failing to deliver toilets on time. But there are now 100 A350s in service, some having flown for over a year without the major problems that dogged other ambitious debuts. Investors will be relieved when Airbus delivers on its target of around 80 units this year, ramping to over 100 for the next four years.

Another overhang on the stock, possible cancellations, aren't the threat that they seem. With the order book so

large, a recent **Qatar Airways** cancellation of four A350s won't seriously dent cash flows. Other customers simply move ahead in the line. With passenger travel growing at more than 7% this year, above the industry's long-term trend of 4% to 5%,

and airlines' profits robust, buyers have little reason to abandon new orders en masse.

Airbus has traveled neck-and-neck with Boeing in terms of shareholder returns over the past 15 years, with the most recent period being an exception. In terms of valuation, though, Boeing's success and Airbus's hiccups have the two trading on their widest gap in terms of enterprise value to forecast earnings before interest, taxes, depreciation and amortization since 2011.

Airplane makers often stumble, but in the end get it right. Waiting for Airbus's problems to be fixed will be too late for shareholders to enjoy the flight.

—Alex Frangos

Flight Paths

Total-return performance



Source: FactSet

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large, a recent **Qatar Airways** cancellation of four A350s won't seriously dent cash flows. Other customers simply move ahead in the line. With passenger travel growing at more than 7% this year, above the industry's long-term trend of 4% to 5%,

The insider's
guide to
Mexico City
WS



OFF DUTY



A tale of two
(exceedingly
rare) BMWs
WS

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Friday - Sunday, September 1 - 3, 2017 | **W1**



RECUT THE CORD

Officine Générale Corduroy Jacket, \$540, Shirt, \$235, Corduroy Pants, \$265, mrporter.com, and Scarf, \$155, Saks Fifth Avenue, 212-753-4000; Anderson's Belt, \$200, bloomingdales.com.

Fashion Editor: Rebecca Malinsky

BY JACOB GALLAGHER

AN OTHERWISE pleasant stroll up Madison Avenue one recent Sunday turned into a 1970s flashback for Ralph Auriemma, the creative director of classic-suit purveyor Paul Stuart. Gazing into the windows at Prada's New York store, Mr. Auriemma saw male mannequins clad in bell-bottom corduroys, fur belts and fuzzy angora sweaters, all hallmarks of that stylistically divisive decade. "The '70s were probably the most horrific, ugliest era of menswear

The Time Warp Again

For men's fashion, the 1970s were a decade of distorted shapes and questionable prints. But in among the ugliness were some timelessly cool clothes—the focus of this fall's me-decade redux

ever assembled," said Mr. Auriemma, who was a teenager when Journey ruled the airwaves. "I remember polyester flared pants, platform cork shoes and bold, obnoxious patterns on shirts. And," he added, proudly, "I didn't wear any of it." Nor is he about to start. Yet, at a time when much of men's fashion is embracing, shall we say, challenging aesthetics (see "Off-Putting Is In" on page D2), many of his peers disagree.

The '70s renaissance on the fall runways was not limited to Prada. For his debut at Calvin Klein, Belgian designer Raf Simons went

Please turn to page W2

OFF DUTY

TIES TO THE SEVENTIES



Jacket, \$3,020, Sweater, \$640, and Pants, \$1,200, Prada, 212-334-8888; Shirt, \$345, Stella McCartney, 212-255-1556; Boots, \$135, clarksusa.com



Coat, \$1,235, amiparis.com; Dries Van Noten Sweater, \$580, and Pants, \$500, barneys.com; Coat, \$485, Stella McCartney, 212-255-1556; Converse Sneakers, \$85, nike.com; Sunglasses, \$300, moscot.com



Jacket, \$540, amiparis.com; Dries Van Noten Sweater, \$580, and Shirt, \$325, barneys.com; Pants, \$483, MP Massimo Piombo, 39-027-862-5718; Socks, \$25, falke.com; Boots, \$685, crockettandjones.com

Continued from page W1

with an all-American aesthetic that suggested he'd been binge-watching old episodes of "Starsky & Hutch": Denim-on-denim ensembles, two-pocket western shirts and stacked-heel boots. Three years into the job, Gucci's creative director Alessandro Michele has transformed the Milanese label into a "Partridge Family" fantasy with embroidered jean jackets and kicked-out silk trousers. Eat your heart out, Danny Bonaduce.

If you long ago burned every Polaroid of yourself in a Visa polyester leisure suit, you may share Mr. Auriemma's dismay. Bruce Pask, the men's fashion director at New York department store Bergdorf Goodman, knows that the more-extreme designer versions of these neo-'70s looks—the descendants of glam-rock glitter garb and Sears-catalog surrealism—will be plucked off Bergdorf's racks by what he calls "the early adopters."

But those weren't the clothes we loved at the menswear shows.

What caught our eye were looks that echo and recast the best trends of that time: corduroy suits; roomy, yet refined plaid overcoats; and shearling-collared denim jackets. Kaleidoscopic prints, that might have been tacky then in Qiana nylon, take on a different character reworked in eye-pleasing hues on today's silkier rayon shirts. The 2017 versions of these pieces resemble the kind of working-guy clothes worn by the twins James Franco plays in "The Deuce," the HBO series set in early-'70s New York City that premières Sept. 10.

A little boho, a little preppy: When recalibrated correctly, these particular '70s trends aren't ugly. Instead, they're an opportunity to add a little depth to your look through texture, interesting proportions and muted, earthy colors. For the risk-averse, texture is

the safest starting point. Stella McCartney's smooth velveteen pants (above, right) are something any guy can wear. But don't stop at the trousers, said Mr. Pask. There's nothing easier than a cord trucker jacket or blazer, he advised: "Corduroy, especially, is a great sport jacket option for fall, as it has an interesting, professional look."

Remember Donald Sutherland's pot-smoking professor in "Animal House" (1978) with his velveteen three-piece suit and curly mop of hair? Tailored, comfortable outfits like his (or the Officine Générale corduroy suit on page D1) earn high marks for their rather sexy textures. On the feel-good front, a cherry-red ribbed ski sweater or Prada's plush wool Harrington jacket (above, top left) are slightly more advanced.

"There's something warm and fuzzy" about such textures, said Mr. Pask. Lately, he's been remi-

niscing over the wardrobe of Ryan O'Neal's character in 1970s relentlessly tear-jerking "Love Story": wide-wale corduroy pants, shearling-collared jackets and tweed sport coats—sumptuous combos he calls "evocative" and "romantic," '70s style worth emulating.

The '70s opened the door and allowed men to express themselves.'

What's missing from this season's fabric roster: clingy synthetics, Dacron double-knits and don't-light-a-match-near-it poly. "The era produced man-made fabrics that were revolutionary in their day but ugly," said Steven Stipeleman, who did his share to disseminate the garish '70s aesthetic as a fashion illustrator at Women's Wear Daily. Forty years later, we are more discerning, he said: Designers "extract from the style, making it more polished. When we look at the suits now, the silhouette is softer—they don't look like cardboard."

That sense of refinement applies to a reconsidered color palette, too. Those off-putting mustard yellows, algae greens and Cheeto oranges that bubbled up long ago, making leisure suits and turtlenecks uneasy on the eyes, are as dead as disco; what endures are the decade's autumnal tones, rich not kitsch.

Alexandre Mattiussi, the designer of Parisian label Ami, uses color here and there—a bit of violet on a crewneck, or a cherry panel on a zip up sweater—adding bright touches to earth-toned pieces in low-risk, high-reward pairings. Navy-on-navy-on-navy, or any tone-on-tone combination, would be easier, but it would also be boring and predictable. Instead, mixing elements that are subtle shades apart, like "a blue shirt and light wash jeans with a dark-brown checked jacket," reflect the "nonchalant sophistication of the '70s," he said.

For all of its fashion flaws, the '70s was a time that encouraged men to take chances with what they wore, and didn't censure them for doing so. "In the '50s and

'60s, everyone was a cookie cutter of one another," said Mark-Evan Blackman, a professor of menswear at Fashion Institute of Technology in New York City. That was particularly true for businessmen, he added. "History has shown us that to get ahead, you had to look like someone from the cast of 'Mad Men.'" The early seasons, that is.

When the counterculture trickled up to the mainstream, out went those stodgy gray flannel suits. "What the '70s did was open the door and allow men to express themselves," said Mr. Blackman. Like any good educator, however, he's enthusiastic about learning from mistakes. And when it comes to the era in question, no mistake was bigger, literally, than bell bottoms.

We won't attempt to gaslight you into believing that full-on bell bottoms have a place in your closet. That said, their outlandish lines have influenced the proportions of fall's fuller pants, a change from the narrow trouser cut that has reigned for years. "We're moving out of a trimmed, cropped, skinny look into a more voluminous and accommodating shape," said Mr. Pask.

What's more, the slight flare allows your pant legs to hang neatly over dressy Chelsea boots (check out the versions from Crockett & Jones), as popular now as they were then. Also worth mentioning are brown suede chukkas, so beloved by 1970s Ivy Leaguers. The shoes' napped texture plays well off corduroy, and both styles of footwear offer more versatility than the sort of shock-white boots Alice Cooper wore when accessorizing his arena-rock costumes with snakes.

The welcome change in silhouette doesn't stop at the trousers. Look at the Ami topcoat (above right): Its longer, fluid shape is decidedly comfortable, ideal over an oxford-cloth shirt or rib-knit turtleneck. Thanks to its unstructured shoulders and high-cut armholes, the coat appears mod and modern.

It also exemplifies the benefits of selectively mining '70s design. "What was ugly once is beautiful now," said Mr. Stipeleman. Except for leisure suits: Some things are best left to rot in a YouTube clip from "The Six Million Dollar Man."

OFF-PUTTING IS IN // MANY OF FALL'S NON-'70S LOOKS FLIRT WITH EXTREMES, TOO



We're in a polarizing fashion period, very much as we were 40 years ago. Radical runway trends that some applaud and others abhor include (clockwise from left) Prada's scuba sneakers, a Balenciaga jumpsuit, Palm Angels' shiny purple jersey-style top, Gucci's Technicolor crewneck and Amiri's distressed denim. Is this where menswear is headed? Let's revisit the topic in 2057.

OFF DUTY

Bristle No More

Laser hair removal means no more nicked skin, rough stubble or shaving cream mess. But is it safe—and does it last?

BY FIORELLA VALDESOLO

WOMEN IN ANCIENT Egypt removed body hair by plucking it with proto-tweezers crafted from sea-shells. The ancient Greeks burned it off, while Romans used pumice stones to rub it away. Centuries later, at the Manhattan salon J Sisters, Brazilian-born experts spread their gospel of pubic hairlessness via body waxing. The popularity of the no-hair-left-behind Brazilian wax peaked in the early aughts when Carrie Bradshaw famously experienced the agony of one on "Sex and the City." The desire to rid our bodies of hair is certainly not new.

One breakthrough that's been welcomed by the unhappily hirsute is laser hair removal. Developed at Massachusetts General Hospital in the 1990s, the technique directs laser light toward the hair follicle, killing the follicle's stem cells so the hair doesn't regrow.

Initially, the practice was limited to those with light skin and dark hair, because only hair with considerable pigment in it would absorb the laser wavelength. Women with darker skin also risked scarring, since early lasers couldn't reliably distinguish between the darker pigment in skin and that in the hair follicle. Today, more advanced technology can extend the treatment to more women who have been wearily resigned to razors, hot wax and Nair. "We can now safely and effectively treat most patients by using lasers with focused wavelengths suitable to the pigment in the patient's skin," said dermatologist Mathew M. Avram, MD, director Massachusetts General Hospital's Dermatology Laser & Cosmetic Center.

'Lasers are like scalpels. The side effects depend on who's wielding the tool.'

There are still risks involved, however: burns; skin ulcerations that result in a scar; white spots; hyperpigmentation, or dark spots; and, in rare cases, with some patients of Mediterranean or Middle Eastern descent, an increased hair growth called paradoxical hypertrichosis. "Lasers are like scalpels," said New York dermatologist Anne Chapas, MD. "They're tools used to achieve a medical result so the side effects depend on who's wielding that tool."

Laws vary from state to state when it comes to defining laser hair removal as a medical procedure and specifying who can perform it; there's no universal standard of care. In some areas, laser-hair-removal technicians now include salon aestheticians. "It's a common source of malpractice among laser surgery procedures," said Dr. Avram, who co-wrote a relevant study in the Journal of the American Medical Association. His research found that between 2010 to 2012, 90% of laser hair removal lawsuits targeted non-physician operators.

So, do your laser due diligence and proceed with caution before any work occurs, whether you're seeking a hair-free upper lip,



MARCUS MARRIT

chin, underarm, or legs. The safest route? Go to a board-certified dermatologist who specializes in cosmetic procedures. Costs vary, depending on where you live. For example, a laser hair removal session with Dr. Chapas starts at \$400; a bikini line treatment can take 4-to-7 visits. Manhattan medi-spa, Spruce & Bond, charges \$1,700 for its signature 5-session bikini-line treatment.

Ask questions—of any practitioner, medical or otherwise—before you book an appointment: What kind of training does she have? How many laser procedures has she performed? If you have darker skin, how often has she worked on your skin type? What

device is she using and how much experience does she have with it? How often is the device serviced? Ask if the specialist will do a test area to see how your skin reacts.

The ideal time to start is in the fall or winter, when skin won't be regularly exposed to the sun, as exposure (or sunburn) may heighten the skin's sensitivity before and after treatments. Dr. Chapas tells her patients to expect to see results within 4-to-7 treatments spaced 4-to-8 weeks apart. It might seem counterintuitive, but you may be asked to shave before your first appointment. "The surface hairs can get in the way as the laser goes down to the root, a few

millimeters below the skin," said Dr. Chapas. Treatment time varies dramatically, from 5-to-60 minutes, depending on how much hair is being removed; a numbing cream can be applied to dull the pain. Those who have had laser hair removal often liken the pain to a rubber-band-like snap on the skin.

One misconception is that laser hair removal is permanent, when, in fact, you'll need touch-ups every one or two years to address any growth that sprouts from new hair cells. But many women feel the trade-off is worth it to avoid the ingrown hairs that result with other treatments, or simply to escape from waxing hell. Just ask Carrie.

SADDLE UP

What makes the leather supple is skiving, a process of shaping the hide by hand so it's lightweight yet sturdy. The work is done by artisans with years of experience making equestrian gear.

GRIPPING DETAILS

With a short drop from handle to handbag, the strap is ideal to nestle in the crook of your arm or swing by your side. Each bag comes with a padlock (not shown); the key resides in a tiny pouch.



LINKED IN

This rustic canvas is like one used by the French military for cots; the print of unfastened chains riffs on equestrian motifs, such as horse bits and links, featured on Hermès scarfs.

Kelly II Retourne 28 Bag, \$10,600, Hermès, 800-441-4488

POINTS OF DISTINCTION

GRACE NOTES

This unique take on the Kelly bag—a classic named for a movie star—sports a *toile de camp* print

IN 1928, Hermès designer Robert Dumas created the *sac à dépeches* or dispatch bag—a purse with a functional aesthetic that deviated from the ornamental fashions of the time. That idea informed the trapezoidal Kelly bag, which was popular even before it was nicknamed after the sexily patrician actress Grace Kelly ("To Catch a Thief") in the mid-1950s. Women found its easy-to-grip top handle and roomy interior both practical and chic.

"Larger handbags came into fashion in the '50s," said Kristina Haugland, the Philadelphia Museum of Art curator of costume and textiles, who has written two books on Grace Kelly's style. "It wasn't that she had so many [Kelly bags], but she used them a lot."

Today, the Kelly is as iconic as its namesake. In truth, though, it has always been a work in progress. Over the years, there have been many versions that

have been modernized in fresh colors and sizes (the tiniest being a clutch-sized pochette, the biggest, a suitcase-like behemoth with a 20-inch base). But each version retains its handcrafted hallmarks: supple leather; saddle stitching; and hardware that's undergone pearlizing, a technique that polishes and smooths it to glossy perfection.

The latest, rather idiosyncratic and likely collectible iteration of the Retourne version (shown), recalls the brand's origins as a saddlemaker. Note the bag's equestrian-worthy caramel leather and rustic canvas. The *toile de camp* print of unfastening chain links—dubbed *Déchainé*, or "unchained"—is inspired by a drawing in the albums of Émile-Maurice Hermès, whose grandfather founded the firm in 1837. If you're going to invest in a Kelly (no small outlay), why not get this distinctively graceful edition? —*Kimberly Chrisman-Campbell*

OFF DUTY

ON WINE LETTIE TEAGUE



White Blends Dance to Their Own Tunes

RED BLENDS have been sought-after wines for years. And white blends? Not so much. While red blends accounted for just over \$1.8 billion in U.S. retail sales this past year, sales of white blends didn't quite reach \$330 million. Why such disparity between the two types?

Charlie Wagner, director of winemaking at Conundrum Wines in Monterey County, Calif., believes that consumers think of white wines in terms of single grape varieties. "They know what to expect from a Chardonnay or a Sauvignon Blanc. They don't know how they work in a blend," he said.

Mr. Wagner's father and grandfather acknowledged that when they named their white blend Conundrum. The wine was first produced in 1989 at Caymus Vineyards in Napa Valley. A lush, tropical blend of Chardonnay, Sauvignon Blanc, Semillon, Viognier and Muscat Canelli, Conundrum attracted attention when it debuted, doubtless helped by Caymus's status as one of Napa's most famous Cabernet wineries.

The Wagner family followed up with a Conundrum red blend in 2009—the year that red blends really began to take off—as well as a rosé and a sparkling wine this past year. They've since dropped the Caymus name from the label; all Conundrum wines are sold under the Conundrum label. Equal amounts of red and white blends are produced (80,000 to 90,000 cases) but the red blend has grown more quickly than the white, Mr. Wagner said.

I found some delicious wines among the 20 or so white blends I tasted, but they proved a truly disparate group.

Many California producers of white blends purchase grapes, but Murrieta's Well, owned by Wente Vineyards in Livermore, produces a white blend called the Whip from estate-grown fruit, which can mean a



JAMES ALBON / F. MARTIN RAMIREZ / THE WALL STREET JOURNAL (BOTTLES)

more predictable flavor profile. The Whip is made from the same group of grapes as Conundrum white, but it's lighter and less tropical, with more pronounced acidity. The Murrieta's Well red blend, the Spur, is Cabernet-based, although it changes each year. Both blends debuted the same year, but Murrieta's Well now makes more red than white.

Though blended whites have been produced in Europe for centuries, the Old World blends aren't necessarily better understood or more prized than New World ones. Take, for example, the Austrian white blend Gemischter Satz or "mixed set"—a reference to the multiple grapes used in the blend—which is most famously produced around Vienna, though it is produced all over

Austria too. It was long a low-quality wine that "farmers drank," according to New York-based Austrian importer Monika Caha. Lately, however, producers have begun to focus on quality not quantity, and as a result the Austrian government even granted the Vienna Gemischter Satz wines official DAC (Districtus Austriae Controllatus) status, the first time a style and not a region has been granted such recognition.

Gemischter Satz producers can use a wide range of grapes—some include up to 50 varieties—though the DAC wines of Vienna have rules about quantities and percentages. The wines can therefore vary quite a bit from one producer to another. Some Gemischter Satz wines are big and rich while others, like one of my

favorites, the 2016 Weingut Neumeister Gemischter Satz (\$16), are minerally and bracingly fresh.

The white blends of Alsace, France, began as elite wines several centuries ago but fell from grace when producers began focusing on single-grape wines like Riesling or Pinot Blanc, according to Alsace producer Jean Frédéric Hugel of Famille Hugel. The blends, known as Gentil or Edelzwicker, became the region's "workhorse" wines.

Today, a Gentil blend must meet more stringent criteria than an Edelzwicker. Whereas Edelzwicker may be made up of any number of grapes grown together, and they may be vinified together or not, a Gentil must be made up of at least 50% of the noble grapes of Alsace—

Riesling, Gewürztraminer or Muscat—with the balance to include Pinot Blanc, Sylvaner and/or Chasselas, and each wine must be vinified separately. A perfect Gentil, according to Mr. Hugel, should be "dry wine, aromatic, bright and appealing"—a good description of his 2015 Hugel Gentil (\$14). But the character of a wine can change year to year, warned Mr. Hugel, depending on the grapes used. "It is not a wine made to a recipe," he said.

The winemakers of Friuli in northern Italy also turned from producing blended whites to single-varietals a few decades ago. But one producer, Edi Keber, recently chose to move in the opposite direction. He's gone from producing eight single-varietal wines to a single blend that he called Collio. Not only was the one wine just as good as any of the eight, said Jan D'Amore, Mr. Keber's New York-based importer, but "it's an even better story to tell...an important factor in selling the wine."

While a good story might help propel sales of any one wine, what would it take to lift sales of white blends as a category? And could they ever be as big as the reds? I put these questions to Jeff Wooddy, general manager of Rochambeau Wines & Liquors in Dobbs Ferry, N.Y., who predicted the popularity of red blends a few years before they took off. "I think people are more open to a blended red. There's a long cultural history of red blends," he said. He doesn't see the same openness to white blends; buyers are more often than not "flummoxed" by the wines.

I understood what he meant. I found delicious wines among the 20 or so white blends I tasted, but they proved a truly disparate group. There wasn't predictability or even much continuity from one white blend to another, even those made from the same grapes—and a single wine, as Mr. Hugel noted, could be different one year to the next. Drinkers looking for connective threads might well be "flummoxed"—which, by the way, sounds like a pretty good name for a white blend.

► Email Lettie at wine@wsj.com.

OENOFILE // FIVE RELIABLE AND VERY DRINKABLE WHITE BLENDS



2015 Murrieta's Well The Whip, \$19

A vibrant blend (Chardonnay and Sauvignon Blanc are key) from California's Livermore Valley. Fermented in oak and stainless steel, it has a bright acidity and floral aromas thanks to Viognier and Muscat Canelli.



2016 Weingut Neumeister Gemischter Satz, \$16

Though Gemischter Satz is commonly produced around Vienna, this fresh, minerally white made from seven grapes (including Riesling) hails from the Steiermark region of Austria.



2015 Hugel Gentil, \$11

The Hugel family of Alsace changes its Gentil blend from year to year. This soft, aromatic white features the "noble" grapes of Alsace—Riesling, Pinot Gris, Gewürztraminer and Muscat—as well as others.



2015 Edi Keber Collio, \$32

A full-bodied, generously proportioned wine with a long and powerful finish, this white blend from the Friuli region of Italy is a blend from producer Edi Keber's best Friulano, Malvasia and Ribolla Gialla vineyards.



2015 Château Sainte-Marie Vieilles Vignes Entre-Deux-Mers, \$12

Bordeaux's Entre-Deux-Mers region is known for cheap, simple whites. This zippy, bright Sauvignon Blanc-Semillon-Muscadelle blend is a cut above and a great buy.

SLOW FOOD FAST: SATISFYING AND SEASONAL FOOD IN ABOUT 30 MINUTES

Tomato-Watermelon Salad With Feta and Olives



The Chef
Julia Sullivan

Her Restaurant
Henrietta Red in Nashville, Tenn.

What She's Known For

Cooking at once modern and cozy. A way with shellfish, from raw to roasted. Fresh, bright dishes kissed with the flavor of wood fire.

CEASE WEARING white after Labor Day if you must, but by all means go on eating tomatoes and watermelon, which will remain in season another month. Better still, eat them together in this luscious late-summer salad, the first Slow Food Fast contribution from chef Julia Sullivan of Henrietta Red in Nashville, Tenn.

"There's that saying, 'What grows together, goes together,'" said Ms. Sullivan. "Watermelon brings out the savoriness and sweetness in tomatoes, and vice versa. If you take a bite of each, side by side, you can see how similar they actually are."

Firm little cherry tomatoes provide pop that plays off the larger, softer heirloom

tomatoes, and cool, crisp cucumbers lend further textural variety. A bright confetti of pistachios, crumbled feta, chopped olives, and fresh mint and basil brings in briny and bold flavors, and a lemon-jalapeño vinaigrette pulls it all together.

This is an exceptionally easy weekend lunch or weeknight supper—though Ms. Sullivan does advise taking care with the placement of the ingredients, which aren't tossed together but arranged by hand, one by one, like a floral centerpiece. "I plate this so that with every couple of bites, you taste all the components," she said. It makes for a very pretty presentation, too. —Kitty Greenwald

TOTAL TIME: 15 minutes SERVES: 4

2 large heirloom tomatoes, cut into wedges

3 pounds seedless watermelon, cut into large bite-size pieces

20 cherry tomatoes, halved

3 Persian cucumbers or 1

English cucumber, sliced into thin rounds

Flaky sea salt

½ cup chopped toasted pistachios

¾ cup crumbled feta

½ cup pitted and roughly chopped Castelvetrano olives

Finely grated zest and juice of 1 lemon

½ cup olive oil

1 jalapeño chili, stemmed, seeded and minced

¼ cup roughly torn mint leaves

¼ cup roughly torn basil leaves

1. Arrange tomato wedges and watermelon pieces on a serving platter or on 4 individual plates, interspersing and distributing the 2 ingredients evenly across the plate, leaving about a ½-inch space between pieces.

2. Fill in gaps with cherry tomato halves and cucumber slices. Season everything with salt to taste. Scatter chopped pistachios, feta and

olives evenly over and around vegetables.

3. In a small bowl, whisk together lemon zest, lemon juice, olive oil and minced jalapeño until emulsified. Season with salt to taste.

4. Drizzle dressing generously over salad. Scatter mint and basil evenly over top. Serve immediately.



THE BITE STUFF A combination of salty, sweet, acidic and unctuous elements makes this salad a satisfying study in contrasts.

1. rooftop terrace at Downtown Mexico hotel



JOURNAL CONCIERGE
An Insider's Guide

Museo Diego Rivera Anahuacalli



Tetelán



LAUCKNER GUNDLOCK FOR THE WALL STREET JOURNAL; FREEVECTORMAPS.COM

FASHION DESIGNER
Ana Fernández
Owner of CDMX-based
famous stores



RA RESERVOIR // Museo Diego Rivera
Anahuacalli [6]. The most amazing tribute to
Mexico, it's in a massive building he designed for
the collection of pre-Hispanic art and artifacts.

From about \$150 a night, museoanahuacalli.org.mx

SUNDAY SPECIAL // Bazaar Sábado. I
love shopping in this renovated 18th-century
market for textiles and magnificent Mexican jewelry
from great artisan families. Only Saturdays. San
Angel 11, Coyoacán, bazaarsabado.com

ESCO APERITIF // Downtown Mexico
You'll find a lively scene in this 17th-century
market spiced up with bold art. I go to its terrace
to enjoy a cucumber mezcal cocktail and the
downtown view. From about \$150 a night, islaCatólica.com, downtownmexico.com

ZY BITES // Tetelán [5]. This is the restaura-
nt of the moment. I love the crickets dried with
salt and the fire-roasted avocados. Av. de Las
Fuentes 180, [Jardines del Pedregal](http://JardinesdelPedregal.com), tetetlan.com.

DON'T MISS Museo Nacional de Antropología. Deservedly the most visited museum in CDMX, it holds a wealth of pre-Hispanic culture. Av. Paseo de la Reforma y Calzada Gandhi s/n, mna.inah.gob.mx

Templo Mayor is the remains of the pyramid of former Tenochtitlán peoples, which was discovered in the 1970s during the excavation of a parking lot. templomayor.inah.gob.mx

Los Danzantes.com // San Ángel Inn. This former monastery offers a patio for cocktails and snacks like the tasty escamoles (edible ant larvae). Calle Diego Rivera 50, sanangelinn.com

Los Danzantes.com // Museo Universitario. This is my favorite dive bar for artisanal mezcal. It's dark and soothing, and serves one-of-a-kind bottles. Alvaro Obregón 298, Colonia Condesa

Mexico City

A capital this mammoth and magnetic requires a well-honed cheat sheet. Meet four discerning tipsters

MANSIONS OF FADED colonial glory, picturesque plazas, an enviable restaurant scene and more museums than one could reasonably consume are drawing ever more travelers to Mexico's capital city. Like a Big Apple of Latin America, it's a melting pot of nationalities, including the largest number of U.S. expats in one city.

A mere 20 years ago, visitors largely steered clear of the crime-plagued capital. In 1997, the federal district received the right to elect its own officials, triggering a seismic shift in the city's political scene and a new era of rein-

vention. Young architects, chefs, designers and hoteliers began making their mark. These days, though many parts of the country continue to generate headlines for drug-related violence, the tourist areas of Mexico City remain generally calm.

Of course, the Mexican capital can also be a traffic-knotted mess. For that reason, our local experts advise taking in just one or two of its 16 distinctive neighborhoods a day. And for a truly local experience, leave time for a glass of mezcal to wash down the giant ant larvae. —Dyan Machan

4. Avenida Francisco Sosa



RETRO DIGS // Camino Real Polanco. This midcentury masterpiece has never lost its coolness. I recommend a room next to the pool and near the gardens of Chapultepec Park. From about \$130 a night, caminoreal.com

A MONUMENTAL MARTINI // St. Regis Hotel terrace. The King Cole Bar presents a good martini at sunset and a view of the shimmering angel on the Independence Monument. Paseo de la Reforma 439, Cuauhtémoc

MARKET MUNCHIES // San Juan Market. It's an unsurpassable food market filled with edible eccentricities like kangaroo or crocodile meat. Find a merchant for midmorning ceviche or tapas. Calle de Ernesto Pugibet No. 21

SALSA AT THE SALON // Salón Los Angeles

[2]. In this cathedral of culture, celebrating its 80th year, live orchestras play while you swirl to salsa. Calle de Lerdo 206, Cuahtémoc, Guerrero. salonlosangeles.mx

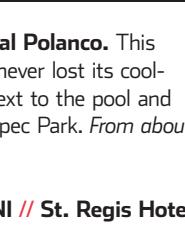
TOP TACOS // El Venadito. Join the line to fuel up with a tacos al pastor at my favorite taco stand. Across the street, stop to admire the mid-20th-century Chapel of San José del Altillito. Av. Universidad 1701, Colonia Agrícola, Chimalistac

BEYOND MARIACHI // Fonoteca Nacional. This splendid archive of Mexican music is housed in an 18th-century hacienda where poet Octavio Paz last lived. And it's on Avenida Francisco Sosa [4], one of the city's most beautiful colonial-era streets. Av. Francisco Sosa 383, Coyoacán, fonotecanacional.gob.mx

CORN FED // Merendero las Lupitas [3]. At this outpost for Northern Mexican food, I order the atole, a hot corn-based drink, and the egg and bean dishes. Calle Jardín, Santa Catarina, merenderolaslupitas.com.mx

PARK IT // Santa Catarina Plaza. Find a bench to soak up the charms of the 16th-century chapel Capilla de Santa Catarina.

THE ART DOYENNE // Patricia Sloane. Associate curator of Museo Universitario de Arte Contemporáneo (MUAC/UNAM)

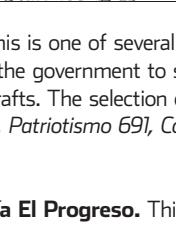


THE ARCHITECT // Mauricio Rocha. Founder and principal architect of Taller de Arquitectura



THE STAR CHEF // Jair Téllez

Chef and founder of Amaya and Laja restaurants and co-founder of MeroToro restaurant



GIFT STOP // Fonart. This is one of several curated stores funded by the government to support traditional Mexican crafts. The selection of pottery is outstanding. Av. Patriotismo 691, Coacalco, fonart.gob.mx

BRAIN FOOD // Taquería El Progreso. This sidewalk restaurant is my favorite place for a CDMX specialty, cow head tacos (tacos de cabeza). Cow brain is supremely flavorful. Call Maestro Antonio Caso 30, Tabacalera

FRENCH-MEX // Havre 77. When I'm not in front of a stove, I crave the steak frites and oysters at this French-Mexican brasserie from chef Eduardo García, a former migrant worker and chef. Havre 77, Colonia Juárez, Cuauhtémoc, havre77.com

MOODY MEZCAL // La Clandestina Mezcalería. This is my favorite dive bar for artisanal mezcal. It's dark and soothing, and serves one-of-a-kind bottles. Alvaro Obregón 298, Colonia Condesa

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OFF DUTY



EMPIRE BUILDINGS The historic center of Gjirokastra, where many dwellings date back to the Ottoman period. Below right: The garden at Taverna Kuka.

FRANCESCO LASTRUCCI FOR THE WALL STREET JOURNAL

An Ottoman Time Capsule

Pashas and other iron fists once ruled this Albanian 'City of Stone.' Now preservationists are taking the lead

BY CATHRYN DRAKE

GJIROKASTRA, in southern Albania, may not be the most obvious destination for a late-summer European getaway. But this hill town of 66,000 is immensely charming and affordable and a two-hour drive from the fine beaches of the Albanian coast. Still not convinced? A veritable time capsule, Gjirokastra served as a trading hub for some 500 years under the Ottoman Empire (1385 to 1912) and the setting for a real-life game of thrones.

Throw in a medieval castle, a Communist-era underground bunker and a U.S. "spy plane," and Gjirokastra might just be the most intriguing small town you've never heard of.

The weekend I spent in Gjirokastra, I stayed in the Babameto House, set just beneath the hulking Gothic citadel. Although the accommodations are austere (even the private rooms have shared baths), the structure is anything but. A 19th-century Ottoman kullë ("tower") house, with elegant rows of windows and warm wooden interiors, Babameto is the latest of many historic restorations undertaken in the last decade by the nonprofit Gjirokastra Foundation.

I met the foundation's executive director, Sadi Petrela, upon my arrival at Babameto, and we took in the panorama beyond the garden walls: fairy-tale palaces arrayed on the surrounding hills, an 18th-century minaret hovering above a patchwork of slate roofs, and, farther off, stark mountain ridges. The foundation has spearheaded over 50 projects, including rehabilitation of the cobblestone streets and revitalization of the bazaar in the Old Town, nicknamed the "City of

Stone" for the hundreds of rock-hewn buildings. The grandest project may be the Zekate House, an 1811 mansion, now a museum, where visitors can wander the ornate period interior. As Mr. Petrela and I strolled over to Zekate, on the other side of town from Babameto, he felt compelled, per local custom, to chat with each person he knew along the way—which was nearly everyone. I noticed few foreign tourists during my visit to Gjirokastra. After a couple of days, even the women hanging out on stoops and the men nursing Turkish coffee at cafes greeted me like a local.

Zekate House originally belonged to a high official of the notorious warlord Ali Pasha. Ali seized Gjirokastra and made it a stronghold for his rebellion against the Ottoman region, only to be executed by order of the Sultan. Built during this time of civil unrest and merciless banditry, Zekate was constructed like a fortress, with thick stone walls, massive reinforced doors and small windows. In the living quarters, on the top floors, sits a sumptuous reception salon with low-lying divans lining the walls, soaring carved-wood ceilings, and a grand fireplace adorned with an intricate floral motif echoed in the wall frescoes. After Mr. Petrela and I toured Zekate, we sat down for coffee with the Džekos, the elderly couple who inherited and manage the house. "The small building where they live now was for the servants," Mr. Petrela said. After the Communist regime nationalized the mansion, he explained, the Zekate family was reduced to poverty.

Indeed, the Communists took over many historic buildings in Gjirokastra; upon the party's fall, in 1991, all were returned to the families who owned them. The founda-

tion isn't just working to return these buildings to their former glory. Integral to each project is a business plan that will hopefully entice family members, many of whom have left to seek work abroad, to return to their hometown. The Babameto House, for example, will be turned over to the owners next year, once it generates enough income as a hostel to repay renovation costs. "We want to demonstrate to the owners that these houses can produce money and have a promising future," Mr. Petrela said.

Gjirokastra's Communist past is being preserved, too. The next day, Mr. Petrela invited me to join a tour of the Cold War Museum, which opened in 2014 after various bureaucratic struggles. The museum encompasses a labyrinthine bunker built in secrecy in the 1970s and only discovered decades later. This musty network of tunnels connects some 80 rooms, still labeled with their official functions and filled with corroded metal furniture.

The evolution of the vast fortress looming above the bunker embodies the vicissitudes of Balkan history. Ali Pasha and King Zog, Albania's ruler in the early 20th century, expanded the structure during their reigns and used it as a prison, as did the Nazis and Communists, who also used it as torture chambers, until as late as 1963. Now the National Armaments Museum, it houses an impressive collection of World War II artillery, including a U.S. Air Force "spy plane" captured in 1957. "When we built the museum up in the castle, we were accused by the government of corruption and being nostalgic of Communism," Mr. Petrela said. "But it is a very important part of our history, absolutely."

The castle serves as a festive space too. The evening I was there,

the outdoor stage hosted a concert by the raucous brass band Fanfara Tirana and popular singer Hysni Zela—a fusion of syncopated Balkan and rock rhythms accented by flourishes of clarinet. I joined in on the exuberant circle dances that erupted spontaneously among the youthful audience and faked it rather well.

The flutter of lace curtains

greeted me as I awoke at Babameto the next morning. Looking out at the Ottoman palaces dotting the hills, I remembered a passage written in 1933 by British travel writer Patrick Leigh Fermor. Gjirokastra, he wrote, was "immeasurably old and at the same time brand new and totally unknown." Nearly 100 years later, the description still holds true.



THE LOWDOWN // TOURING GJIROKAстра, ALBANIA

Getting There Fly into Albania's capital, Tirana, and rent a car or take a furgon (minibus) for the four-hour drive south.



Staying There Babameto House, a restored Ottoman palace, functions as both hostel and hotel with double rooms and a dorm room (from about \$30 a night for a double room, facebook.com/BabametoHouse). In the Old Town, Kalemi 2 occupies a recently converted building that's more than 300 years old; it offers splendid views and spacious rooms (from about \$54 a night, kalemihotels.com). The simpler Kalemi Hotel, farther uphill, is in another restored centuries-

old structure (from about \$41, kalemihotels.com).

Eating There Taverna Kuka serves excellent local specialties such as the midhje (fried mussels) and qifqi (herbed rice balls fried with an egg) in a trellised garden (Rugra Astrit Karagjozi).

Shopping There At GjiroArt, on the main street of the bazaar area, you can find embroidered homewares, handwoven carpets and blankets, and other items made by local artisans, many of whom cooperate with the Gjirokastra Foundation's artisan training program (gjirokastra.org/gjiroart/design.html).

SOUVENIR

GOLDEN ARCHES The Una Storia ring from Florence's Aika Fushimi boutique.



FLORENTINE FLOURISHES TO-GO

Traveler keepsakes from artisan jewelers inspired by Florence's medieval past

FOR A GOLDEN memento of Florence, head for the jewelry shops that famously line the Ponte Vecchio—and don't set foot in any of them. Bypass the bridge, the tour groups and the flashy international brands for an austere stone building tucked into an alley across the Lungarno degli Acciaioli (the street along the Arno's north bank). The medieval walls of 2 Vico Marzio, once a convent, now enclose the workshops of more than 20 orafi and incassatore—traditional Florentine goldsmiths and engravers.

On the ground floor is Nerdì Orafi, a family-owned outfit whose modest atelier turns out custom jewels—artfully mismatched emerald earrings, engraved signet rings—for connoisseurs and Italian aristocrats. But Nerdì also fashions ready-to-wear pieces, including Etruscan-inspired hammered chains and flowery Renaissance-influenced bracelets. Their most popular pieces are the understated florin pendants. Replicas of the Florentine gold

coins that dominated European trade for centuries, the necklace charms have the city's fleur-de-lis badge on one side, and its patron saint, John the Baptist, on the other. The large 18k gold version—sized between a nickel and a quarter—costs about \$322; silver costs a tenth the price. *Vico Marzio, 2, nerdiorafifirenze.it*

For a more whimsical take on the past, cross the river to the Oltrarno quarter, where locals outnumber tourists and where Japanese jeweler Aika Fushimi opened her Quarant'otto boutique two years ago. Ms. Fushimi's signature piece, the Una Storia ring (about \$2,050), mimics the arches of the hushed courtyard of the Basilica di Santa Croce. A man and a woman stand between tiny gold columns. It could be a tryst, it could be a first encounter. Or maybe they're just two more tourists, falling in love with Florence. *Vico Maggio, 6, www.quarantotto.co.jp*

—Sara Clemence

OFF DUTY

Spin Me Right Round

Beach boardwalks. Lobster rolls. Unbridled nostalgia. A family road trip to sample Rhode Island's classic carousels is quite a ride

BY MICHAEL TORTORELLO

STEP RIGHT UP and pick a horse. The Slater Memorial Park Carousel, in Pawtucket, R.I., offers riders their choice from a revolving menagerie of 44 steeds, 3 dogs, 2 chariots, 1 giraffe, 1 camel and 1 lion. Every one is a winner.

Children take the selection seriously. You can tell by the way they size up the mounts and then rush aboard the platform, lest anyone beat them to their picks. Grown-ups, poor judges of wooden horse-flesh, don't see the point. The horses, the dogs, the chariots, the giraffe—they all end up where they started at the exact same time. Yet a family road trip to visit historic U.S. wooden carousels may take you somewhere unexpected: a bygone America of steam power, immigrant woodworking shops, trolley-car amusement parks and beach boardwalks. During the golden age of carousels—1880 to 1930—builders competed for business by developing highly original styles of carving, painting, and ornamentation. Of the 5,000 merry-go-rounds they fabricated in this country, only 200 or so survive.

If you narrow your geographic range to Rhode Island, you can visit four classic American carousels—two of them National Historic Landmarks—while driving less than 70 miles in your own motorized chariot. In early fall, with the kiddos riding school buses again, the carousels run weekends only. Crack the whip, and you might finish this tour a little after lunchtime. But then what kind of fool would try to hurry a carousel? Put on a swimsuit (the unofficial state uniform) and stop at Misquamicut Beach. Catch a AAA Red Sox game in Pawtucket. Almost anything you want to see in the Ocean State lies within 25 minutes of a classic carousel.

For road-trippers driving north from New York, Watch Hill makes a logical first stop. The Flying Horse Carousel, dating to 1876, is the oldest continuously operating ride in the U.S. Local legend has it that a roaming carnival abandoned the carousel in this seaside resort

Though this carousel dates back to 1895, few whirl faster.

colony. In 1883, the herd of wood horses took up residence in front of the town beach, housed in a decagonal pavilion with cobblestone columns. And the attraction has stayed here ever since.

No other working carousel resembles the Flying Horse. True to the attraction's name, its steeds hang down from wooden sweeps (or rafters), with chains at the haunches and vertical iron rods attaching to the horse near the horn



MERRY MAKING Clockwise from top: Pawtucket Carousel, in Slater Park; Watch Hill Beach; an ice cream stop at Atlantic Beach Park; playing croquet at the Ocean House hotel in Watch Hill; Jordan Williams saddled up on the 1895 Pawtucket Carousel.

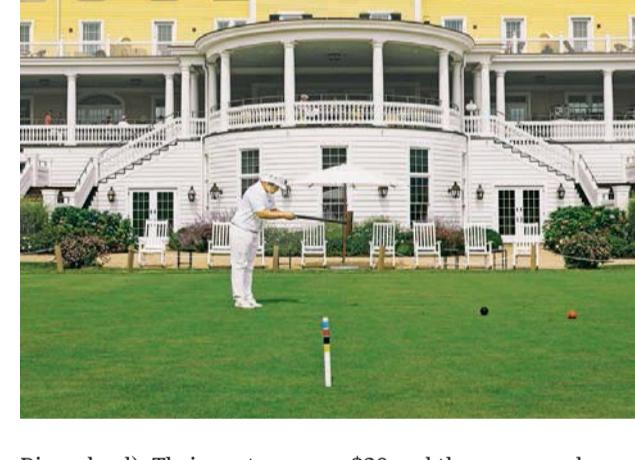
of the saddle. The carousel's maker, the Charles W.F. Dare Company, of Brooklyn, N.Y., also manufactured children's perambulators and toys, such as rocking horses. You can detect that influence in the quadrupeds' bent forelegs and primitive heads. Carousel fanciers label the style "Country Fair." That doesn't mean the horses lack character. Real horsehair fills out the tail; leather forms the saddle and stirrups; agate marbles serve as eyes. You feel like you're riding a functional antique, or your kids are, at least. The weight limit on the Flying Horse is 100 pounds—suited to only the lightest of jockeys.

If this merry-go-round seems rarefied, the neighborhood strives for the same tone. The boutique windows that line Bay Street display sailcloth purses, Turkish towels, pricey espadrilles. At the stately Ocean House hotel up the hill, guests play croquet on the groomed lawn, while

diners on the veranda choose from lobster rolls two ways: hot (with tarragon and celery), or cold (with Vermont creamy butter).

Compared with the thoroughbreds of Watch Hill, the horses running 5 miles up the coast at the Atlantic Beach Park Carousel appear to be a mongrel lot. The National Carousel Association, a preservation group, identifies this merry-go-round as a 1915 machine by the prolific Herschell Spillman Company. Allan Herschell, a Scottish immigrant, manufactured boilers and steam engines near Buffalo, N.Y. After talking his partners into experimenting with a "steam riding gallery"—industry parlance for a carousel—his company began to manufacture 100 of them a year.

At the Atlantic Beach Carousel, some of the 39 jumping horses (and one zebra) were likely produced in the mid-20th century at the Arrow Development Co. (which also created early rides for



Disneyland). Their coats are a single color: either white or gray. Call them workhorses.

Discriminating equestrians should climb aboard one of the dappled show ponies

crafted by Marcus Charles Illions, one of several Jewish immigrant furniture makers who found his way into the business. Illions was a carousel artist of the highest rank and creator of the dramatic "Coney Island" style. The animals' musculature, carved out of pliable basswood, appears dynamic. nostrils seem to flare, manes to flutter.

Listen for the oom-pah-pah of a vintage band organ nearby, a belt-driven, automatic instrument (much like a player piano) with horns, percussion and xylophone. You really can't ignore it. The organ blares a mid-20th-century repertoire: "Love Me Tender," "Don't Worry Baby," "Que Sera Sera (Whatever Will Be, Will Be)." This is the soundtrack of your life whipping by in three-minute intervals.

If the kids don't care to examine the finer points of folk art—or to see their parents mist up—you can buy a little time by handing them \$10 for the arcade next door. Make it

dled to a donkey and a couple of pygmy goats.

Redevelopment drove Charles Looff from his workshop in Greenpoint, Brooklyn to Crescent Park, in East Providence. At the time, the turn of the 20th century, Crescent Park could claim to be one of largest shore resorts in the world, a 300-acre fun-land that drew 50,000 to 75,000 visitors on a weekend day. Looff apparently lived on the grounds, in a six-room apartment attached to his carousel shed. The Crescent Park carousel became Looff's showroom: the place to exhibit his latest and most elaborate models.

The most popular horses prance on the outside of the four rows. Each revolution of the carousel offers riders a fleeting chance to grab a brass ring. Not just a figure of speech, these 2-inch-diameter hoops extend from a mechanical arm at the perimeter of the ride. Traditionally, a single gold ring can be redeemed at the end for a free ride. When you get near, chances are you'll be thinking the same thing carousel riders in Crescent Park have thought for 120 years: This time around, I can't miss.

THE LOWDOWN // COASTING IN RHODE ISLAND

Staying There Ocean House—a five-minute uphill stroll from the Flying Horse Carousel—recreates the Victorian age of Watch Hill luxury: a seaside resort of squash courts, full-service beach cabanas and mornings at the spa (from \$795 a night, oceanhouserri.com).

Eating There The simple pleasure of a carousel ride doesn't pair well with a 10-course tasting menu. A better bet: lob-

ster rolls, raw shellfish and ice cream. Blount Clam Shack serves respectable whole-bellied fried clams, clam cakes, and lobster rolls right next door to the Looff Carousel in Crescent Park (335 Water St., blountretail.com/crescent_park/home). Matunuck Oyster Bar, mid-coast in South County, prepares all those seafood staples for a more discriminating palate, and adds what might be Rhode Island's most popular raw bar, with

its own farmed oysters (629 Succotash Rd., rhodyoysters.com). Ten minutes from the carousel in Slater Park lies Three Sisters, a sandwich and homemade ice cream shop with flavors for little jockeys (cake batter, cookies and cream) and mature equestrians



(dirty garden mint). (1074 Hope St., Providence, threesistersri.com).

► For a few prime beaches in Rhode Islands, see wsj.com/travel.

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OFF DUTY

RUMBLE SEAT DAN NEIL



Rare Bavarians: BMW i8 and M4 Dinan S2

I HAD SEEN SHADOWY figures loitering near the BMW i8 that was plugged in beside my house. They came by in the evening, usually in pairs, one tall—the dad or mom—and one small. Then I started getting jolly flash traffic from neighborhood parents. What is that thing?

It turns out that, from the eye level of a 6-year-old, BMW's techno-luxury statement car looks like Jackson Storm, the rival to Lightning McQueen in the movie "Cars 3." That BMW failed to exploit this accidental resemblance constitutes gross marketing malpractice, but let that go. The point is, for two weeks, I was King of the Dads.

You pinky-ringed minions of Babylon can ride around in your Ferraris and Lambos if you want. Kind of ordinary, though. For rarity, for sheer automotive rarefaction, the flagship of BMW's billion-euro i Division makes those cars look like link sausage. BMW will sell only about 300 of these cars in the U.S. this year, though not for want of trying. It is, for starters, wildly expensive. Our black-and-blue tester cost \$152,695, about the same as an Acura NSX, which on a racetrack would leave the i8 for dead, blackened, fly-blown carnage. The i8 has charms other than raw performance, and for that price it bloody well ought to.

Here is a brief, real history of BMW's i Division. It was born in alarm and dismay at the turn of the decade, when German automakers got their first look at the Tesla Model S. They realized they had been out-engineered and they had guessed wrong on electrification. The i Division was set up to model—in technology, design and manufacturing—BMW's next chapter of sustainable, low-consumption, socially accountable transportation. But it was also a riposte, a fending off of Tesla.

The company even built a temple to its future: the assembly hall in Leipzig, Germany, with its grand concourse designed by Zaha Hadid. Here BMW deployed its visionary LifeDrive vehicle architecture. In an automotive-manufacturing first, the passenger safety cell, or tub, is fashioned from lightweight carbon fiber reinforced plastic in a beguilingly human-free process that takes hours instead of days. For anyone watching, and Germany's autoworkers certainly are, the i8 and sister car i3 preview the industry's radical and hastening automation.

If ever the i Division were merely a virtue-signaling pilot program with unserious volume expectations, Dieselgate put an end to that. The company has announced more than 40 new plug-in models, with the new iPerformance imprimatur.

No one in Munich actually knows how the Ultimate Driving Machine will weather the next decade. Everything that the future holds for automobile-connected, shared, self-driving, electric—sounds to traditionalists about as ap-



SPROUTING WINGS The BMW i8, a techno-luxury sports coupe, is a wildly expensive brand experiment.

pealing as a glass of bile.

In this respect, the i8 is a rolling soul search, an experiment in brand. What are the tactile feedbacks, the synaptic connections, the satisfactions of a post-combustion era BMW? The i8's presentation to the driver is serenity by wire, cool and technical, information-forward. You press the start button and instead of a quickening fire of combustion there's swooping electronic sound, an ear-icon. None of the familiar, the analogue remains.

Trickiest, philosophically, is the balance the i8 strikes between performance and efficiency—call it sufficiency of sportivity, a phrase for which there simply must be a compounded German word. Behind the seats is a tiny, purring 1.5-liter turbocharged three-cylinder gas engine and six-speed automatic transmission, producing 227 hp and 236 lb-feet of torque.

BMW will sell only about 300 of these cars in the U.S. this year, though not for want of trying.

In the nose of the car is an AC synchronous electric motor (129 hp, 184 lb-ft of torque) driving the front wheels through a two-speed gearbox. When the hybrid chakras are aligned, the all-wheel drive system output is 357 hp and 420 lb-ft of torque, pitted against the car's dense 3,455 pounds.

Romp the e-throttle at a green light and the i8 will surge hummily to 60 mph in 4.2 seconds, a syrupy squirt. If you give the car enough stick and enough runway, it will hit a top speed of 155 mph, says BMW. Once in a while you can hear the turbos chuff, but the engine growl filling the cabin is synthesized and pumped through the au-

dio system speakers.

The i8 is certainly potent, responsive and refined. The dual-sourced powertrain is a minor miracle of hybrid integration. But the i8 is not particularly fast. It might be the slowest mid-engine carbon-bodied sports car with pain-in-the-ass doors I've ever driven.

And, as a sign of just how fast things move, this state-of-the-art machine is already a bit dated by its battery tech. With a usable capacity of about 5 kWh—roughly a third that of the pack in a Chevy Volt PHEV—the lithium-ion cells will carry the car only about 15 miles before the three-cylinder gas engine kicks in. To avoid tailpipe emissions I was plugging in three times a day.

The first-gen i3 also suffered from underperforming batteries. However, BMW increased the pack capacity 50%, to 33 kWh. It's reasonable to expect these more energy-dense cells will turn up in the i8, perhaps as soon as December at the Los Angeles Auto Show, when BMW will unveil the i8 convertible.

You won't see one of those every day, if ever.

IF THE I8 is New School BMW, the M4 is the Old School. Actually, it's more like standardized testing, since the Bavarian's compact performance four-seater has been a perennial benchmark for spendthrift enthusiasts since the 1990s. And if you were to take a factory-fresh M4 for a rage up a canyon road you might ask yourself, "Could these cars get any better?" Yes, they could. All you need is (more) money and the name Steve Dinan.

Mr. Dinan's company has been pumping performance and pizazz into BMWs since the Carter Administration at its shop in Santa Clara County, Calif. And while I typically avoid aftermarket performance tuners and the evil they do, Mr. Dinan's work—notable for the balanced,

thoughtful insanity of the cars—stands apart from the usual scoundrels. Note the factory-matching 4-year /50,000 mile warranty.

For a recent dash from San Francisco to Napa to Monterey and back, I borrowed a BMW M4 Dinan S2, which in tuner-speak means a Signature 2 (stage 2) package, with engine, suspension and cosmetic upgrades, totaling \$13,282 above the cost of the donor M4 (\$67,700).

The car that comes back from Dinan has been cured of itself in three distinct ways. First, sound: The intercooled/turbocharged S55 engine has a strained and hollow sound

out of the box. Dinan's plumbers install a resonant stainless-steel exhaust system and, aft of the catalytic converters, a high-flow cross-pipe. The popping, can-full-of-bees din emerges from dual-quad exhaust tips the diameter of Crisco cans. Ungawa.

Second, power: The engine mods include an XXL cold-air intake, upsized charge-air intercooler, and a hot-rodded chip, adding 123 hp over the stock M4 for a total of 548 hp and 549 lb-ft of torque. Moreover, all this power hangs out at the screaming end of the tachometer, well over 4,000 rpm. So that cures whatever alleged lack of emotionalism



2017 BMW i8 PHEV

PARALLEL HYBRID ELECTRIC 2+2 LUXURY SPORTS COUPE

Base price \$143,400

Price, as tested \$152,695

Powertrain gas-electric

hybrid drive with mid-mounted turbocharged direct-injection 1.5-liter in-line three-cylinder engine (228 hp) and six-speed automatic transmission (rear wheel drive); front-mounted AC synchronous traction motor (129 hp) with two-speed gearbox; liquid-cooled 5.2 kWh nominal lithium-ion battery pack.

Net system power/torque 357 hp/420 lb-ft

Length/width/height/wheel-base 184.9/87.3/50.8/101.2 inches

Curb weight 3,455 pounds

0-60 mph 4.2 seconds

Top speed 155 mph

Luggage capacity 4.7 cubic feet

the M4 suffers.

Steering sharpness and precision: Dinan's magic kit includes way stiff springs and dampers and hatefully stiff (optional) Pirelli P Zero Corsa tires that are a ballsy 10.5-inches wide at the rear. Critically, Dinan replaces all the rubber bushings with Teflon-coated machined ball joints, hardened housings, and billet aluminum rear toe links. The suspension mods make the Dinan drive hard and thrashy, stiff as a Bavarian buckboard. The road static in the steering wheel will make your hands tingle. The steering is as sensitive as sunburn.

Just the way I like it.



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The Face of Real News

Dana Mattioli's unrivaled access to the business world helped break the story of Berkshire Hathaway's 2015 agreement to acquire Precision Castparts—the largest such deal in Warren Buffett's storied career. The timely, accurate reporting from Dana and her colleagues delivered scoop after scoop, including 8 out of the 10 biggest M&A deals that year.

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Source: Pew Research Center, Political Polarization & Media Habits, 2014

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THE WALL STREET JOURNAL.

*This castle hath a pleasant seat.
The air nimbly and sweetly
recommends itself.'*
—William Shakespeare, 'Macbeth'

Friday - Sunday, September 1 - 3, 2017 | W9

Ye Olde Castle for Sale

For those in search of their own magical kingdom, ancient castles dot the European countryside. And with sales currently in the dungeon, buyers may get a bargain.



SOTHEBY'S INTERNATIONAL REALTY

MODERN-DAY PALACE In Scotland, Craigcrook Castle dates to 1542 and has since then been enlarged and embellished. The castle, which is currently listed for about \$7.74 million, comes with more than 4 acres of land. The market for high-end properties is 'difficult,' says Anna Henderson, an associate with estate agent Galbraith in Edinburgh.

BY RUTH BLOOMFIELD

CASTLES ARE THE ULTIMATE trophy homes—vast, imposing and steeped in enough atmosphere to satisfy the most devoted "Game of Thrones" fan.

Becoming king—or queen—of a bona fide castle in Europe is a relatively simple business right now. The prime country-house market remains weakened after the recession, creating buying opportunities at a wide range of price points.

But, as Oliver Sanger can attest, while owning a castle might be a joy, finding an exit strategy can be a slow, slow process.

Dr. Sanger, a psychiatrist, and his wife didn't set out to buy a castle. With a residence on Manhattan's Upper East Side, they wanted a vacation home somewhere in Europe that was quiet and sunny. They homed in on the area around Perpignan in southeast France and, during a visit to view potential properties, they saw Château de Corbère outlined on a hilltop in the distance.

Intrigued, they went to have a look, and when

the housekeeper told them the 11th-century château was for sale it seemed like fate. They agreed to pay \$1 million for the property and its 25 acres of grounds.

That was 23 years ago, and in that time they have renovated the 6,997-square-foot, eight-bedroom, eight-bathroom château, created a garden and spent holidays there with their children and grandchildren.

Dr. Sanger, who is in his early 80s, said the real thrill was in restoring the château. "We had all

Please turn to page W12

HOUSE CALL | BOB NEWHART

THE FIRST LAUGH WAS AT HOME

The comedian used humor to communicate with his father; gag phone calls from work led to a No. 1 comedy album.

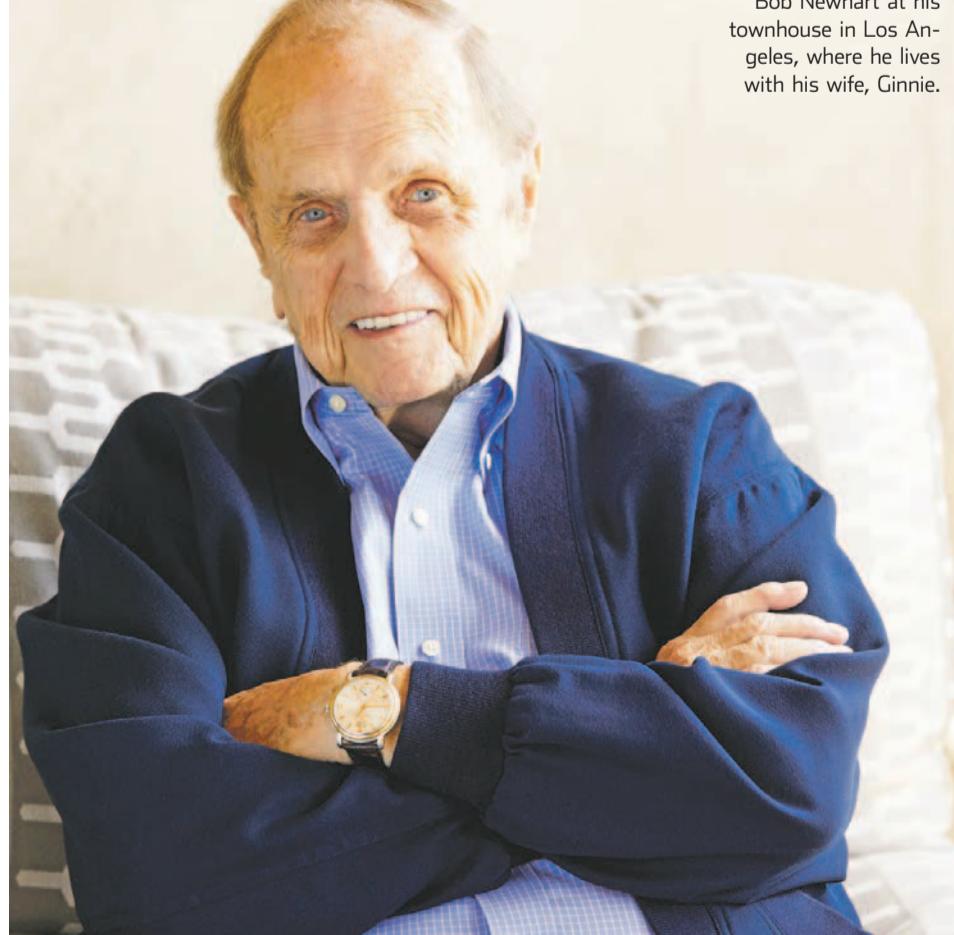
Bob Newhart, 87, is a stand-up comedian and actor who won three Grammy Awards in 1961 for his first comedy albums. He starred in two successful TV sitcoms, "The Bob Newhart Show" in the 1970s and "Newhart" in the '80s, as well as in films such as "Catch-22." He spoke with Marc Myers.

I came to comedy through a series of funny accidents.

When I was young, I never envisioned stand-up as a way to make a living. I was always the guy on the edge of the crowd saying things to people next to me and they'd laugh. I couldn't help myself. Stand-up was something I had to do.

I grew up in Chicago during the Depression. My father, George, worked for American Radiator, but he was among the last ones hired so he was the first one let go. Jobs were hard to come by then.

Fortunately for us, my grandfather on my mother's side owned the four-story building on North Menard Avenue where we lived. Our apartment was on the second floor.



FUNNY BUSINESS

Bob Newhart at his townhouse in Los Angeles, where he lives with his wife, Ginnie.

My grandfather ultimately lost the building and bought a smaller two-story one. We moved there and lived upstairs and my grandparents lived downstairs. Then he lost ownership of that one, so they moved in with us.

As the economy picked up, my father went to work at W.C. Morris, a company that sold plumbing and heating supplies. He was a good salesman who eventually had a 15% stake in the business.

When I was 12, we moved to a two-story, mixed-occupancy duplex on North Mason Street. When my grandfather on my father's side died, my grandmother moved in with us. She took my bedroom, and I slept in the dining room.

My father and I never had a close relationship. My mother, Pauline, filled the gap and often took me to see the Cubs.

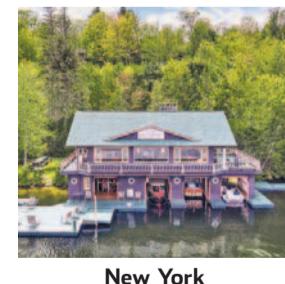
My father was funny, and humor dominated the little contact I had with him. I remember us in the same room telling each other what was funny about the books we were reading. Like any kid, I

Please turn to page W10

HOUSE OF THE DAY
wsj.com/houseoftheday



Florida
A car buff's retreat in Palm Beach Gardens



New York
An Adirondack camp on Lake Placid



New York
A Mamaroneck home doubles as an art gallery

AMANDA FRIEDMAN FOR THE WALL STREET JOURNAL

DANIEL MILSTEIN

ANNOTATED POOL

A Place to Chill When the Days Are Hot

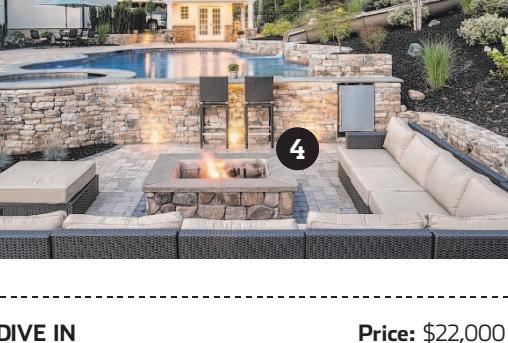
A Franklin, Mass., couple created a backyard spa with bar, sofa, fire pit, waterfall, slide and music

THROUGH HARSH New England winters, this on-area couple wanted to make the most of summer. To that end, they built a backyard pool with a waterfall and swim-up bar. An outdoor entertaining area is outfitted with a fire pit, a plush sectional sofa and a spa.

The couple, who are in their 40s, have three children, the eldest of whom is 11. Their newly built home is located in Franklin, Mass., about an hour's drive from Boston, where the husband works in finance. They turned to Andrew Everleigh of Chelmsford Environmental Pools to "design something with personality but that the kids would enjoy." The project, which cost about \$500,000, began in July 2016 and was completed by Memorial Day 2017—with a two-week break in-between.

Here are some of the components of the pool. Prices are approximate and can vary based on the materials and scope of the project.

—Beth DeCarbo



DIVE IN

The saltwater pool is made of gunite, a mixture of cement, sand and water pumped through a hose onto a reinforced frame. The interior has a pebble finish. The water goes from 3½ feet deep to 7½ feet. A waterfall adds visual interest and sound.

Price: \$70,000 for the pool and equipment

SLICK

To create a popular water-park perk, Everleigh designed a 32-foot waterslide at the deep end. Water is pumped down the fiberglass chute to keep the slide cool and slippery.

Price: \$22,000 for the slide, fabricated by Dolphin Waterslides in Adairsville, Tenn.

3. ROCK CITY

The entire pool area measures about 2,200 square feet. Techo-Bloc pavers make up most of the stonework decking; the coping around the edge of the pool is bluestone. Retaining walls are made of Yankee special stacked stone.

Price: \$104,000 for the decking, coping and retaining walls

4. SOME LIKE IT HOT

An entertaining area can comfortably seat eight to 10 adults and features a

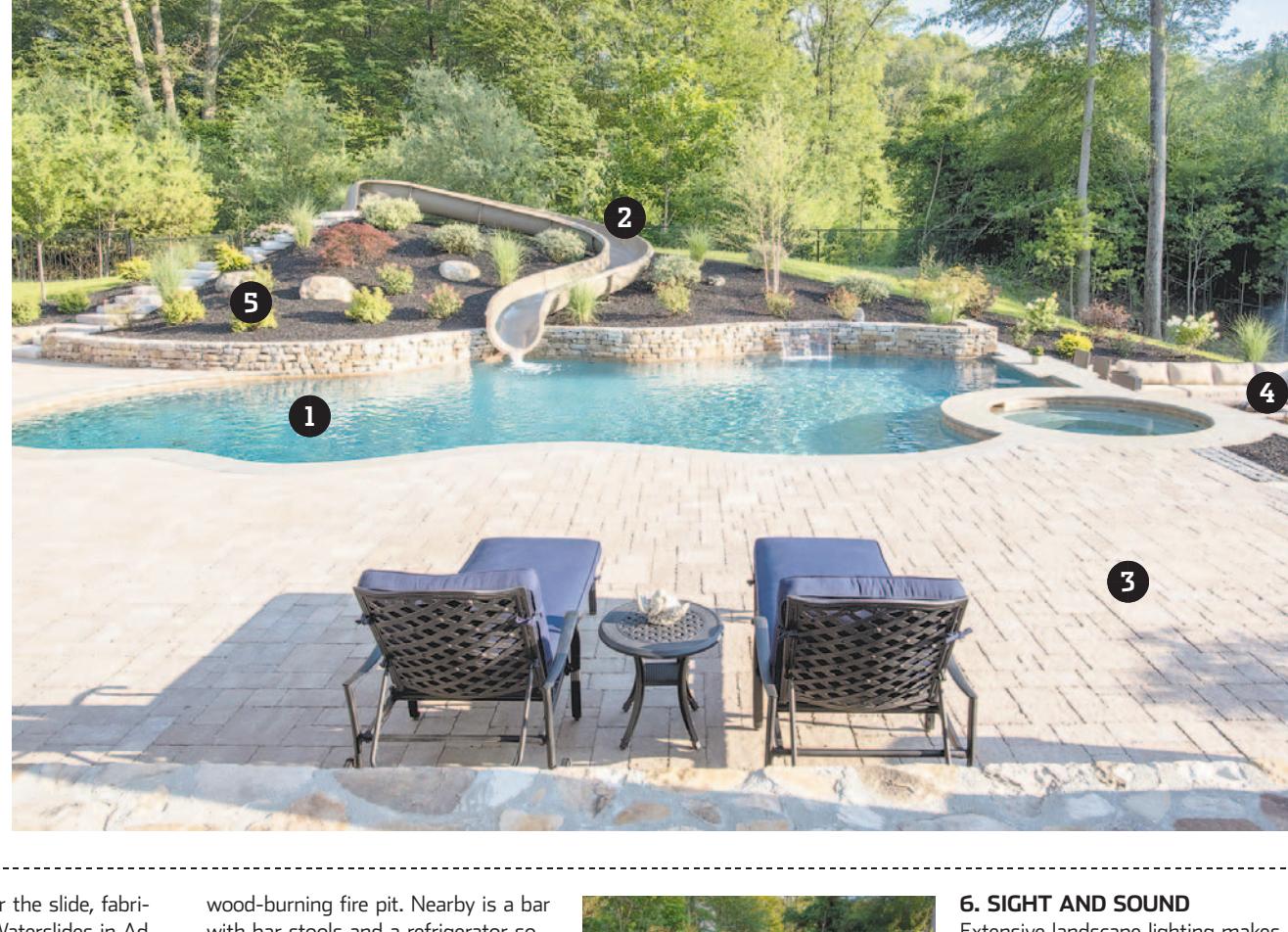
wood-burning fire pit. Nearby is a bar with bar stools and a refrigerator so drinks can be served.

Price: \$5,500 for the fire pit; \$4,000 for the sectional sofa by Madbury Road; \$1,300 for two Inter-Fab bar stools and \$3,000 for the Lynx refrigerator

5. GREENERY

The family wanted low-key landscaping that would be low maintenance. Grasses, Japanese maples, knockout roses and other plants were selected because they don't drop a lot of debris into the pool, Mr. Everleigh said.

Price: \$25,000



6. SIGHT AND SOUND

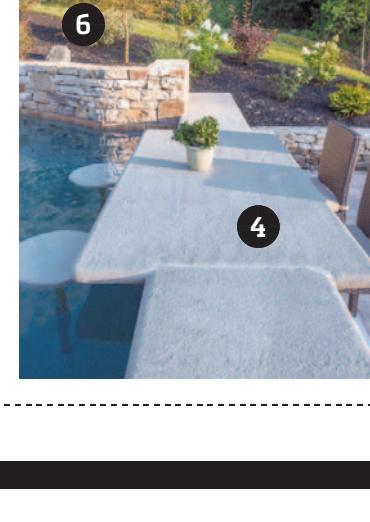
Extensive landscape lighting makes the pool area usable at night. Colored LED lights are also in the pool and spa. A sound system, controlled via smartphone, includes outdoor speakers camouflaged as rocks.

Price: \$13,500 for lighting and Sonos sound system

7. INSIDE JOB

A pool house includes a storage closet and a half-bath. The exterior wall features an outdoor shower for rinsing off.

Price: \$45,000



BOB NEWHART'S ROAD TO COMEDY



Continued from page W9

was trying to get my dad's attention. I don't think I was very successful at it.

I probably got my first laugh at home. When someone laughed at something I said, I liked how laughter sounded. I also wanted to hear that sound more. I still like hearing that sound.

My sense of humor got me through high school. Initially, I was good at imitating film stars. I had played the drums as a kid, so timing wasn't a problem.

My early hero was comedian Jack Benny. I loved how he'd take his time telling a joke on the radio and TV.

I stammered as a kid. You can hear it in my routines. But it was never a problem. I found that people finish your sentences when you start to stammer. They try to help you out, so you wind up off the hook.

I attended Loyola University and majored in business management and minored in accounting. I always had a head for numbers. Then I went into the Army during the Korean War. When I was discharged, I went to law school under the GI Bill. Then I left to work as an accountant.

But accounting was painfully dull. To break up the day, I'd call my friend Ed Gallagher, who worked for the Leo Burnett ad agency in Chicago. We'd do improv bits over the phone.

For example, I'd pretend he was my boss and that I was calling from the yeast factory where we just had a fire. I'd tell him that the fire department had put out the blaze but that I had to run up to the next floor because the water from the hoses had caused the yeast to rise. Then Ed would ask me questions.

A friend of ours, Chris Peterson, thought the bits were funny. He said if we made a demo record, he'd make copies and send them out to radio stations. So we did, and Chris made 100 records of our five-minute routines.

Then Ed was offered a job at the BBDO ad agency in New York. I had to find another partner or go out on my own. That's when I con-

tinued at comedy as a solo act. But it was a slow process, and I took part-time jobs to make ends meet.

In the late 1950s, I worked behind the counter at the Illinois unemployment office. I was paid \$6 a week, but the claimants got checks for \$55 and they only had to come in one day a week. So I left.

Finally Dan Sorkin, a DJ friend of WCFL in Chicago, told Warner Bros. about me. They said if he recorded me, they'd listen to the tape.

By then I was doing comedy routines about Abe Lincoln, a swimming instructor and a submarine commander. We taped those at a studio, and Dan gave Warner Bros. the reel.

I love my new home office. I have to be alone with my legal pad when I work on routines.

Executives there liked it. They recorded me live at a club in Houston, and "The Button-Down Mind of Bob Newhart" reached No. 1 on the Billboard album chart in 1972, the first time a comedy album achieved the top spot.

As my stand-up career evolved, I became known for keeping a straight face and for a slight, endearing stammer. The stammer was real. As for the straight face, that's just my delivery.

Today, after living in the Bel-Air section of Los Angeles for 40 years, my wife, Ginnie, and I recently downsized to a townhouse in Century City.

I love my new home office. I have to be alone with my legal pad when I work on routines. Ginnie hates the office because it's a mess. But there's a certain order to it that only I realize.

Ginnie and I met in 1963 through comedian Buddy Hackett. When Buddy and I were first introduced, we started talking and I had an accounting degree.

He said, "You mean you don't have to do this?" I laughed and

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MANSION

YE OLDE EUROPEAN CASTLES FOR SALE

Continued from page W9

the fun of talking to French workers about fenestration and stained glass—I loved it,” he said.

Around four years ago, however, the Sangars decided to sell. They own a more convenient vacation home in Ontario, Canada, and none of their children want to take the château on. Unfortunately, their decision has coincided with a fractious political period in France, and the château remains on the market, listed for about \$3.82 million with Savills.

Potential buyers of the château could be someone looking for a “second, third, or fourth” home with real wow factor, said Stewart Cook, managing director of Classic French Homes, a Savills affiliate based in southwest France. “There is a bit of a snob element,” he added. “Some buyers are definitely looking for a property that makes a bit of a statement of success, wealth and making it.”

They might also find a bargain. Mr. Cook currently has a château in the Dordogne under contract. It is owned by an English couple who spent around \$3.82 million on the purchase and renovations. The buyers, a French couple, are paying about \$2.03 million for the property.

Many châteaux were built during the 100 Years War, waged between England and France between 1337 and 1453. They have thick stone walls and floors, and an array of battlements, towers and turrets. The front door is often guarded with a metal portcullis. The French government classifies châteaux as being at least 6,458 square feet.

Alongside these officially recognized châteaux, the French countryside is littered with later château-style country houses.

Mr. Cook said that châteaux of either vintage tend to be valued at between \$110 and \$275 per square foot—around the same as for a prime country house, although if a château also comes with land, this will be reflected in the price.

Despite competitive pricing, as Dr. and Mrs. Sanger know, the château market is difficult. Traditionally propped up by international buyers, sales have floundered after a series of shocks: the eurozone crisis, the recession and political upheaval across the globe. “I reckon...[prices]...are 50% of what they were in the peak of 2007,” Mr. Cook said.

In Italy, the Apennine Mountains, which run like a spine through the country, are dotted with castles, as are the northern regions of Piedmont and Lombardy, close to Italy’s border with the rest of mainland Europe.

While some Italian castles date close to the start of the last millennium, the Renaissance, between the 14th and 16th centuries, was a particularly busy period for castle building.

“Every region was constantly invading one another, so there was a lot of need for these heavily fortified buildings,” explained Rupert Fawcett, a partner at Knight Frank and head of its Italian department.

These castles were built with defense in mind, rather than what Mr. Fawcett describes as “Disneyland looks.” Buyers can expect impregnable stone edifices with turrets and slit windows to repel enemy arrows and bullets.

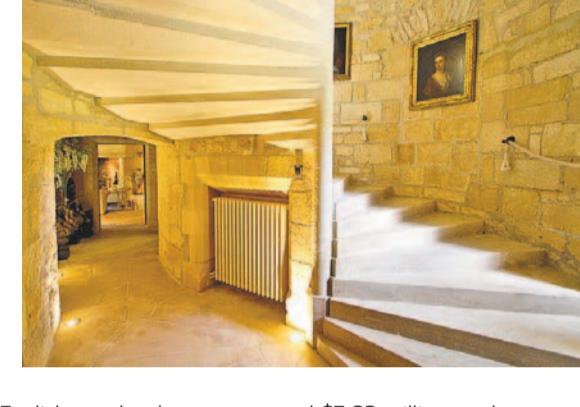
While there are few castles openly on the market in Italy, Mr. Fawcett said that in reality, would-be buyers can take their pick. “I would say that every castle in Italy would be for sale if you approached the owners,” he said.

Currently listed with Knight Frank for \$8.12 million is Castello Baronale, 31 miles east of Rome. The 32,291-square-foot castle, almost 700 years old, has nine bedrooms, seven bathrooms, plus a ballroom, library, gymnasium, spa and movie theater.

Pricing a castle is—naturally—difficult. “It is not an exact science,” said Mr. Fawcett. He tends to work on the local price per square foot, and then add a premium for the property’s “historical factor.” While owners often believe the age and relative rarity of a castle deserves a hefty dividend, Mr. Fawcett says buyers are rarely of the same opinion—which has led to something of a buyer/seller standoff.

Buyers looking for an Italian castle to call home are an “extraordinarily eclectic mixture,” according to Mr. Fawcett. “We have had some Russian interest, and there is often North American interest in ‘coming back’ to Italy if they have roots here,” he said.

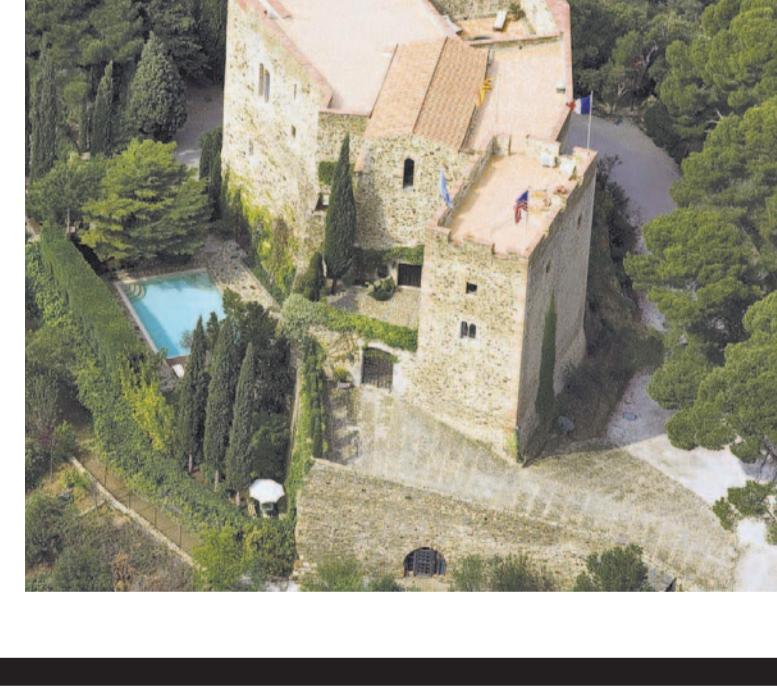
Like Italy, Scotland is famous



PRICE REDUCTION A château in southwestern France is currently under contract. It is owned by an English couple who spent around \$3.82 million on the purchase and renovations. The buyers, a French couple, are paying about \$2.03 million for the property. Above, the pool, a living room and the stone stairwell.



ITALIAN ELEGANCE Currently listed for about \$8.12 million is Castello Baronale, 31 miles east of Rome. The 32,291-square-foot castle, almost 700 years old, has nine bedrooms, seven bathrooms, plus a ballroom, library, gymnasium, spa and movie theater, according to the listing agent, Knight Frank. Above, a living room.



FRENCH FLAVOR Oliver Sanger’s 6,997-square-foot, eight-bedroom, eight-bathroom château in southeast France is currently listed for about \$3.82 million. Above, the pool of the home, which sits on 25 acres.

for its castles, but as in France the line between ancient castles and castle-style country houses is often blurred. Many homes styled as castles are in fact examples of Scots Baronial architecture, a style that revived key features from Scotland’s medieval castles and defensive watch towers, as well as French châteaux, and was popular in the 18th, 19th and early 20th centuries. A Scots Baronial property will have a roofline decorated with towers and turrets, often topped with battlements.

Three miles from central Edinburgh, Craigcrook Castle is a classic example of an ancient castle that has been enlarged and embellished since its site was first built on in 1542. It has been used as offices since the 1970s but has potential to be renovated back into a 6,701-square-foot family home or a boutique hotel. The castle comes with more than 4 acres and is listed with Sotheby’s International Realty for about \$7.74 million.

These kinds of properties are scattered across Scotland, said Anna Henderson, an associate with estate agent Galbraith, and attract global interest when they come to the market.

Interest, however, doesn’t always translate into actual sales. The prime country market across the whole U.K. hasn’t yet recovered from the recession. Buyers are increasingly nervous about the cost of running landmark historic homes, and in 2016 the Scottish government increased the buying tax to 12% on homes sold for £750,000, about \$900,000, or more, slowing the top end of the market.

What this means is that castles put on the market in Scotland can sit there, sometimes for years, while owners hang on for the right offer.

“The market is difficult,” agreed Ms. Henderson. “However most sellers are not forced sellers, so they do have the luxury of time.”

A King’s Ransom



\$41.82 million

Castillo di Fosini

2,152-square-foot castle

Set in its own private hunting grounds near Siena, Italy, this castle is less a single home and more an entire village—with the main castle, two farmhouses, more than a dozen outbuildings and almost 5,000 acres of land, including vineyards. The castle needs restoration.

Agent: Sotheby’s International Realty



\$1.03 million

Balbithan House

Nine bedrooms, three bathrooms

This Scots Baronial-style sits on almost 10 acres and is 13 miles from the city of Aberdeen. The property, which measures 7,907 square feet, was originally a watchtower, dating from 1560, but was extended and remodeled during the 17th, 18th and 19th centuries.

Agent: Galbraith



\$1.77 million

Château near Parisot, France

Six bedrooms, six bathrooms

A recently renovated stone château dating from the 16th century sits on 8 acres. Although it has been updated, the château retains many of its original features, including two medieval towers and two look-out posts. The property includes a swimming pool, guesthouse and outbuildings.

Agent: Leggett Prestige

ITALY SOTHEBY’S INTERNATIONAL REALTY

GALBRAITH (CENTER); LEGGETT PRESTIGE (2)