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## What's News

### Business & Finance

**G**lobal economies are posting stronger growth but inflation remains low, posing a challenge to policy makers and investors. **A1**

◆ **An Insys representative** misled an insurer into paying for fentanyl for a patient who later died from drug complications, a report said. **A1**

◆ **Intel's appeal** of a \$1.26 billion EU antitrust fine was backed by the European Court of Justice. **B1**

◆ **Nordea Bank** said it would move its headquarters to Finland from Sweden because of regulations. **B1**

◆ **Texas oil refineries** are starting to come back online after Hurricane Harvey but some key transport infrastructure remains down. **B2**

◆ **CSX lowered** some of its financial targets after a summer of railway congestion and service woes. **B2**

◆ **Gap plans** to close some 200 Banana Republic and Gap stores and open new Old Navy and Athleta outlets. **B3**

◆ **Some Toshiba directors** are pushing to accept Foxconn's bid for Toshiba's memory-chip unit. **B4**

◆ **The U.S. House** passed a bill aimed at removing regulatory barriers to development of self-driving cars. **B4**

◆ **EU economic growth** will exceed expectations this year, the bloc's economy chief said. **A3**

◆ **Deutsche Bank's CEO** said the ECB should begin the process of ending its stimulus policy. **B7**

### World-Wide

◆ **Trump agreed** to a Democratic proposal to raise the debt limit for three months as part of a Hurricane Harvey aid bill. **A1**

◆ **The EU's top court** ruled that Central European countries have no legal grounds to reject a refugee-relocation program. **A3**

◆ **The U.S. envoy** to the U.N. proposed a path for the White House to declare that Iran isn't complying with the nuclear deal. **A3**

◆ **Qatar opened** a seaport for imports after Arab neighbors cut off trade routes in a diplomatic dispute. **A3**

◆ **China has increased** monitoring for signs of radioactive fallout from North Korea's latest nuclear test. **A4**

◆ **Ryan said** he would seek a deal to protect young undocumented immigrants after Trump decided to end the DACA program. **A6**

◆ **Hurricane Irma** walloped several Caribbean islands as officials in Florida pressed residents to follow calls for evacuations. **A6**

◆ **Oxford and Cambridge** led a global ranking of top universities as U.S. dominance declined. **A7**

◆ **A new U.S. poll** found deeper partisan division on the economy and social and cultural values. **A7**

◆ **The No. 2 Fed official**, a close Yellen ally, said he would resign in October. **A6**

◆ **A U.N. report** blamed the Syrian regime for a deadly sarin gas attack. **A4**

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## Irma Hammers the Caribbean as Florida Braces for Trouble



**On THE LOOKOUT:** Police patrolled in San Juan, Puerto Rico, as Hurricane Irma whipped islands in the northeast Caribbean Sea. The hurricane, one of the most powerful storms ever recorded over the Atlantic Ocean, made landfall over the island of Barbuda. **A6**

## A NORTH KOREAN KEY TO WEAPONS TECHNOLOGY

Scientists bring know-how home from abroad despite U.N. sanctions

By JEREMY PAGE AND ALASTAIR GALE

HARBIN, China—When North Korea tested what it said was a domestically produced hydrogen bomb on Sunday—a week after launching its 18th ballistic missile of the year—it was a reminder of a conundrum at the heart of the country's nuclear program. How has it advanced so rapidly despite concerted international efforts to keep weapons-related technology out of its hands? The answer may lie in expertise

brought home by scientists who studied abroad, especially in China, sometimes in apparent violation of 2016 United Nations sanctions that ban teaching North Koreans certain subjects.

Hundreds of North Korean scientists have studied outside the country in recent years, according to a Wall Street Journal review of official figures, academic papers and data from universities, many in areas the U.N. says could help Pyongyang's weapons programs. Early in its quest for a nuclear arsenal,

North Korea relied on technology and experts from the Soviet Union, then later from Iran and Pakistan. That it can now draw on its own scientists indicates it will only become harder to contain Pyongyang's ambitions.

"We should be very concerned about North Korean researchers abroad, particularly in China," said Katsuhisa Fukushima, a senior Japanese official.

*Please see KOREA page A8*

◆ **China tests** for leaks from nuclear blasts, wary of political fallout..... **A4**

### A Nation Divided

In the U.S. a wide gulf is visible in an array of issues and attitudes, helping explain why political divisions are now especially hard to bridge, a Wall Street Journal/NBC News Survey has found. **A7**

**Proportion of people polled who describe themselves as... a supporter of the traditional definition of marriage as being between one man and one woman**



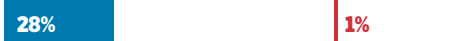
**a National Rifle Association supporter**



**a supporter of taking immediate action to address climate change**



**a supporter of the Black Lives Matter movement**



**comfortable with social changes of recent years**



Source: WSJ/NBC News telephone poll of 1,200 adults conducted August 5-9; margin of error +/- 2.82 pct. pts. THE WALL STREET JOURNAL.

## Inflation-Growth Dynamic Shifts, Baffling Experts

By JON SINDREU

The world's biggest economies are chalking up stronger growth. Yet what was once thought to be growth's constant companion is puzzlingly missing: inflation.

The U.S. economy grew at an annualized 3% in the second quarter, but in July consumer-price inflation advanced only 1.7% from the previous year.

Japan's economy grew by an annualized 4% in the same quarter, for its longest expansion since 2006. Yet inflation hovers around zero, as it has for most of two decades. Eurozone inflation is stuck at 1.5% despite the bloc's recovery.

Standard economics teaches that prices are ultimately set by supply and demand. When growth is strong, people demand more products and companies need to offer better pay to hire more workers, and so prices go up.

But there are signs the relationship is broken. If it is, the consequences are vast for economic policy making and financial markets.

"There's no question this is a very fundamental challenge to our knowledge and our policy making," said Adam Posen, the president of the Peterson Institute for International Economics.

The growth-inflation relationship is the fulcrum of cen-

tral banking: Central banks set an inflation target—usually around 2%—and then lower interest rates to help prices adjust whenever demand falters. If there is a risk that excessive spending pushes inflation over the target, they raise rates to retard growth.

It is essential to investors' decisions about where to put money: Bonds do well when interest rates fall, and falling rates traditionally are taken as signaling concerns about growth, so stocks and bonds typically cushion each other.

Yet in 2017, and for much of the posterisis period, bonds and stocks have been going in the same direction. This year, *Please see PRICES page A6*

### Youth Must Be Served

\* \* \*

Colleges overhaul menus to cater to finicky eaters

By QUINT FORGEY AND PATRICK MCGROARTY

Students returning to the University of Texas at Austin this fall will have twice as much help wrestling with some of the big questions that college presents.

For instance, does water contain gluten? And, is all food genetically modified?

Those are among a growing list of food-related student queries that prompted UT Austin to hire a second campus dietician ahead of the fall semester. The first, Lindsay Wilson, was overwhelmed with requests to craft personalized menus for picky eaters, *Please see FOOD page A8*

## U.S. Opioid Report Faults Drugmaker

By JOSEPH WALKER

A representative of Insys Therapeutics Inc. misled a health insurer into approving payment for a prescription of the company's addictive fentanyl painkiller, and 14 months later the woman who received the prescription was dead at age 32 from complications related to the drug, according to a report by a U.S. Senate committee investigating the opioid crisis.

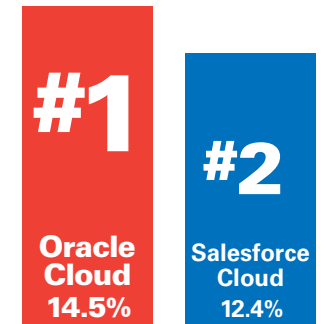
The report released Wednesday is the first to stem from an investigation into the soaring rate of opioid deaths in the U.S., one being led by Sen. Claire McCaskill, the top-ranking Democrat on the Senate Homeland Security and Governmental Affairs Committee. The investigators said they have been reviewing "thousands of pages" of documents to learn how companies marketed the drugs and what

steps they have taken to prevent opioids from being diverted onto the black market.

Wednesday's report provides new details on the operation of the Insys Reimbursement Center, or IRC, which was tasked with helping patients and doctors secure prior authorization from insurers for prescriptions of Subsys, an inhaled form of fentanyl. The report also includes a copy of a 2014 audit of the IRC that was conducted on behalf of Insys by a consulting firm now owned by accounting firm Deloitte. The audit showed that Insys "lacked even basic measures to prevent its employees from manipulating the prior authorization process," the report alleges.

The Senate investigation comes as Insys is already facing multiple state, federal and civil lawsuits over allegations that it defrauded insurers and *Please see INSYS page A2*

## Oracle #1 SaaS Enterprise Applications Revenue



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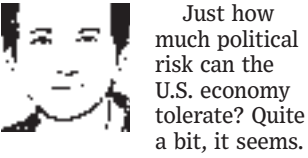
Source: IDC "Worldwide SaaS Enterprise Applications Market Shares, 2015: The Top 15 by Buyer Size," doc #US41913816, Dec. 2016; Table 4. For the purposes of this report, SaaS enterprise applications include the following application markets: CRM, engineering, ERP, operations and manufacturing, and SCM. Copyright © 2017, Oracle and/or its affiliates. All rights reserved.



WORLD NEWS

CAPITAL ACCOUNT | By Greg Ip

Why The U.S. Economy Shrugs Off Risks



Just how much political risk can the U.S. economy tolerate? Quite a bit, it seems. The federal government could shut down in a few weeks for lack of a budget. It could default on its obligations if the debt ceiling isn't raised. Trade treaties with Mexico, Canada and Korea may be torn up.

North Korea has tested an apparent H-bomb and threatened to use it. And overseeing these challenges is an unpredictable and often-divisive president with associates embroiled in an investigation over ties to Russia.

Yet economic growth has remained largely unperturbed and, judging by the latest gross domestic product numbers, may have even accelerated ahead of two major hurricanes. Stock prices remain near record highs.

The reason for the dichotomy is that the impact of political risk depends on the risk. Government shutdowns, protectionism, presidential scandals, even conventional wars have happened before and are thus knowable and sometimes quantifiable to businesses, consumers and investors.

Federal default or nuclear war fall in the category of unprecedented and unthinkable. Faced with such risks, the usual reaction is to assume they won't happen. Yet that assumption becomes a risk in itself: It alleviates the pressure to prepare for either and multiplies the damage if they do occur.

The outbreak of the global financial crisis a decade ago ushered in an era of elevated political risk, as illustrated by an index compiled by the



The economy and stock market have not reacted to the crisis with North Korea, whose navy personnel are shown in a Pyongyang parade.

academic economists Scott Baker, Nicholas Bloom and Steven Davis that tracks mentions of economic policy uncertainty in newspapers. The U.S. mortgage meltdown was soon followed by the European sovereign-debt crisis, a showdown over the U.S. debt ceiling in 2011, Britain's vote to leave the European Union last year and the election of Donald Trump last fall.

Because political risk has been a constant, it has lost some of its shock value. Investors have in effect built that risk into their assumptions; their demand for safety is one reason government bond yields around the world are so low. Since 2009, hedge funds

as a group have positioned themselves for another meltdown like the subprime bust, says Jason Thomas, head of economic research at Carlyle Group, a private-equity manager. But "the same psychological factors that make 'next subprime' investment strategies seem more appealing," he says, have also led businesses to favor cash retention or share buybacks over capital expenditure, and policy makers to regulate more. That depresses growth but also makes the economy less vulnerable to sudden shifts in sentiment.

As a result, hedge-fund performance has suffered from strategies designed to profit from a meltdown that has yet to happen. With bearish psychology already

so prevalent, actual selloffs have been brief and the VIX, the market's so-called fear gauge, which is based on derivatives prices, has been subdued.

Those who watch politics and policy for a living—a sizable contingent on Wall Street and in Washington—tend to overestimate how many ordinary people do the same, and thus how much their behavior will change because of politics. In market economies, the natural rhythm of the business cycle easily drowns out politics. Big policy actions such as rising trade barriers or reduced immigration do take their toll, as the latest British data suggest, but slowly, not in a spasm of panic selling and recession.

What would overwhelm these coping mechanisms? Something previously unfathomable, like nuclear war.

No atomic weapons have been used since the U.S. dropped them on Hiroshima and Nagasaki. The public assumes global leaders won't let it happen again. As Capital Economics notes in a recent report, the market barely sold off during the Cuban missile crisis in 1962, the closest the world has come to nuclear war since 1945.

A nuclear attack on a U.S. ally, city or electrical grid via electromagnetic pulse is so alien to a business's frame of reference that it can't be planned for. On earnings calls with investors in the past three quarters, big companies have mentioned tax

policy 1,024 times, immigration issues 40 times, and North Korea just 14 times, according to Hamilton Place Strategies.

But North Korea may be a less rational actor than the Soviet Union was in 1962. Mr. Trump's willingness to go to war is also being underestimated, says Marc Sumerlin, a former economic aide to President George W. Bush who runs Evenflow Macro.

To say there is no military solution is to say Americans must accept living within missile range of a country whose leader may be unstable, he says: "That's not as easy a decision for someone who's taken an oath to defend the country as it is for someone sitting in a think tank."

As with nuclear war, the assumption the U.S. won't default is based on the fact that it hasn't done so since 1814, at least deliberately. It delayed payment on some Treasury bills in 1979 because of a technical glitch. Its refusal to repay some bonds in gold in 1933 also is considered by some a type of default.

The Fed and Treasury in 2011 drew up contingency plans if the debt ceiling wasn't raised to prioritize debt payments over other obligations such as Social Security benefits. Yet the deepening dysfunction of U.S. lawmaking means default by accident is a recurrent threat.

Political risk is part of a new normal. It takes its toll slowly and at the margin as decisions to hire or invest are deferred, rethought or resized. But until the unthinkable happens, don't expect it to tank the economy.

DEBT

Continued from Page One

deal from Democrats. "In the meeting, the President and congressional leadership agreed to pass aid for Harvey, an extension of the debt limit, and a continuing resolution both to Dec. 15, all together," House Minority Leader Nancy Pelosi (D., Calif.) and Senate Minority Leader Chuck Schumer (D., N.Y.) said in a joint statement after the meeting. "Both sides have every intention of avoiding default in December and look forward to working together on the many issues before us."

Others in the room—including House Majority Leader Kevin McCarthy (R., Calif.), Mr. McConnell and Mr. Ryan—argued that a short-term increase in the debt ceiling was a bad idea because it wouldn't provide certainty to the markets, according to a person

briefed on the meeting. Mr. Trump confirmed that the deal included the Harvey funding, as well as a three-month extension on the debt ceiling and money to continue funding government. Mr. Trump was speaking with reporters aboard Air Force One, shortly before taking off for North Dakota where he planned to discuss his tax proposals.

Ryan had earlier called the plan 'ridiculous' and 'unworkable.'

Earlier in the day, Mrs. Pelosi and Mr. Schumer had proposed pairing a three-month debt limit extension with the Harvey aid. Speaking to reporters Wednesday, Mr. Ryan had quickly rejected the idea, saying it was an attempt

by Democrats to use the must-pass legislation as a bargaining chip in other negotiations. "That's a ridiculous idea," Mr. Ryan told reporters. "We've got all this devastation in Texas, we've got another hurricane about to hit Florida, and they want to play politics with the debt ceiling?"

Mr. Ryan said Democrats' three-month offer could jeopardize the Harvey aid if it gets caught in the crosshairs of the debt-ceiling fight. A measure containing just the \$7.85 billion Harvey aid passed the House earlier Wednesday in a 419-3 vote.

If the Senate makes changes to the House's Harvey bill to add the debt-ceiling and funding provisions and passes it, the House must then approve the same version before sending it to the White House for Mr. Trump's signature.

U.S. Treasury officials have said Congress needs to raise the borrowing limit by the end of the month or risk miss-



President Trump met with Mitch McConnell, Chuck Schumer and Nancy Pelosi, left to right on sofa.

ing payments on bills and defaulting on its debt obligations

Toward the end of the meeting, Mr. Trump's eldest

daughter, Ivanka Trump, entered the Oval Office to "say hello" and the meeting veered off topic, according to an aide briefed on the meeting. Re-

publican leaders were visibly annoyed by Ms. Trump's presence, the aide said.

—Michael C. Bender contributed to this article.

INSYS

Continued from Page One

paid kickbacks to doctors. Federal prosecutors have alleged that IRC staff, under the direction of Insys executives and managers, frequently misrepresented their identities and patient diagnoses to defraud insurers who paid for Subsys, which can cost tens of thousands of dollars a month.

Insys is seeking to reach a legal settlement with the U.S. attorney's office in Boston to resolve allegations related to the company's sales and marketing practices and the IRC, the company has said. The Boston prosecutors are investigating civil and criminal allegations against the company, according to people familiar with the matter.

Insys, based in Chandler, Ariz., has revamped its executive ranks over the past year, and 90% of its sales force before 2014 is no longer with the company, CEO Saeed Motahari said in a letter to Sen. McCaskill included in the report. The "mistakes and unacceptable actions of former Insys employees" do not reflect the company's current culture, Mr. Motahari said.

Deloitte didn't immediately respond to a request for comment.

Mr. Motahari, a former executive at Oxycontin-maker Purdue Pharma, took over as Insys CEO earlier this year and serves on the company's board of directors. Despite the organizational changes at the company, the majority of its directors have been with the firm since before its launch of Subsys in 2012. The directors include former CEO John N. Kapoor, the company's co-founder and largest shareholder.

According to the Senate report, a doctor prescribed Subsys to New Jersey resident Sarah Fuller in January 2015 to treat her back pain and other ailments. But because of the drug's high price tag, com-

bined with its high potential for abuse and overdose, insurers like Ms. Fuller's had restricted its use to patients who suffered from severe cancer pain, the only use approved by the Food and Drug Administration.

An Insys representative called Ms. Fuller's insurance administrator, EnvisionRx, to get clearance for the prescription, and said she was "calling with [Ms. Fuller's] doctor's office," according to a transcript of the January 2015 call included in Wednesday's report. The Insys representative provided the doctor's national provider identifier number, or NPI.

When the EnvisionRx repre-

sentative asked if the Subsys prescription was for cancer pain, "the Insys employee avoids responding directly and instead explains 'there's no code for breakthrough cancer pain,'" according to the Senate report. The Insys representative later says, "it's for breakthrough pain, yeah," according to the report.

A spokeswoman for EnvisionRx didn't immediately respond to a request for comment.

Ms. Fuller's prescription was approved, and "the result...was death due to allegedly improper and excessive Subsys abuse," the report says. In a wrongful-death suit filed against Insys and others in New Jersey state court, Ms. Fuller's family alleges she died in March 2016 as "a result of an adverse reaction to prescription drugs," including Subsys and the antianxiety medication known by the brand name Xanax.

Insys is defending itself vigorously against the lawsuit, the company said in regulatory filings.

In an interview Wednesday, former Insys employee Patty Nixon said the IRC misrepresented Subsys prescriptions, and that this played a vital role in expanding the use of Subsys to patients without cancer. Many of them, she said, didn't need the drug and

their insurers wouldn't have paid for it otherwise.

"The only way to get it into the patient's hands was it had to get through the IRC, otherwise the patient had to figure out how to pay thousands of dollars to pay for this medication," said Ms. Nixon.

Several former Insys executives and managers, including ex-CEO Michael Babich, have been charged with crimes related to their work at the company. Mr. Babich has pleaded not guilty to charges including racketeering conspiracy, mail fraud and violations of the

CORRECTIONS & AMPLIFICATIONS

The name of payment-processing company Vantiv Inc. was misspelled as Vantic in a Finance & Markets article on Wednesday about a new Citigroup Inc. services unit.

Kosovo was mislabeled as Serbia on a map of Albania and neighboring nations that was published with an Off Duty article about the Albanian town of Gjirokastra in the Friday-Sunday edition.

Readers can alert The Wall Street Journal to any errors in news articles by emailing [wsjcontact@wsj.com](mailto:wsjcontact@wsj.com).



Sen. Claire McCaskill is leading a probe of the opioid crisis in the U.S.

anti-kickback statute. Elizabeth Gurrieri, the former head of the IRC, pleaded guilty in June to wire-fraud conspiracy and is cooperating in a federal investigation into Insys, according to court records.

According to the Senate report, Ms. Gurrieri was interviewed as part of the audit of the IRC in 2014.

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## WORLD NEWS

# EU Court Orders States to Accept Refugees

The European Union's top court on Wednesday ruled that Central European states have no legal grounds to reject a refugee-relocation program, backing the bloc on a policy that has roiled politics across the region since a major influx of people two years ago.

*By Valentina Pop in Brussels and Drew Hinshaw in Warsaw*

The ruling reopened deep disagreements about immigration amid already simmering tensions over the rule of law and the extent to which Brussels should have a say in enforcing controversial policies.

The Luxembourg-based European Court of Justice ruled that the EU's mandatory plan to relocate refugees among the bloc's members, hammered out in September 2015 as hundreds of thousands of Syrians entered the continent via Turkey and Greece, was legal.

It dismissed arguments brought by Hungary and Slovakia, which had voted against the program and refused to take part in it. Poland and the Czech Republic—where nation-

alist, anti-immigration politicians are in power—have also refused to participate.

The original plaintiffs have meanwhile drifted apart in their approaches.

On Wednesday, Slovakia's foreign minister said his government "fully respects the verdict." The European Commission, the EU's executive arm, said Slovakia was preparing to take in a first batch of refugees from Italy, which along with Greece has borne the brunt of the arrivals. Under the EU plan, Slovakia is being asked to resettle 902 people.

"We will actively work to express solidarity with countries most affected by the problem of migration," Foreign Minister Miroslav Lajcak said, adding the caveat that Slovakia would try to find a solution "other than accepting migrants who have no desire or intention to remain in our country."

Hungary, which has refused to take in the 1,294 refugees allotted by the plan, had a much sharper reaction to the court's ruling. Foreign Minister Peter Szijarto called the verdict "outrageous and irre-



Refugees reached out for food aid at a camp on the Hungarian border with Serbia in 2015.

sponsible" and said the country would continue to prioritize protecting Hungarians from refugees over improving relations with the rest of the EU.

"Our first goal in connection with the future of the EU is to continue to guarantee the security of Hungarians," he said. "Politics has raped European laws and values."

Asked about the ruling on

Wednesday, Poland's Prime Minister Beata Szydlo said she had expected the outcome and her government's position hadn't changed. The country's foreign ministry said the relocation program "doesn't solve the EU's migration problem," adding the court's ruling would only complicate ongoing talks about overhauling the current policy.

Emboldened by the ruling,

EU migration commissioner Dimitris Avramopoulos upped the ante and gave Hungary, Poland and the Czech Republic a few weeks to change course or be taken to court to force compliance with the EU plan. Given the Wednesday ruling, they are likely to lose that case and face financial sanctions.

"Member states are obliged, legally and politically, I would say even morally, to do their

part," Mr. Avramopoulos said.

For two years, the migrant-resettlement program has given nationalist leaders on the bloc's eastern edge a provocative issue to rally around.

Hungarian Prime Minister Viktor Orban fenced off his country's southern border and contracted guards called "border hunters." Billboards in his capital bear government messages, including, "Did you know that Brussels wants to settle a city's worth of illegal immigrants in Hungary?"

Thousands of Hungarian homes have received surveys from the government asking questions like "Would you support the government placing illegal immigrants in internment camps?"

Other political leaders have copied Mr. Orban's playbook. Poland's Law and Justice party and Slovakia's Direction-Social Democracy have both cemented power by campaigning to keep out refugees, saying they could be terrorists.

Wednesday's decision, some analysts said, will force those governments to decide how much they want to keep fighting the EU leadership.

## Finance Chief Bullish On European Growth

*By Emre Peker  
And Julia-Amber Verlaime*

BRUSSELS—The European Union's economic growth will exceed expectations this year, leaving behind a decade of financial crises and creating the new challenge of tackling long-delayed reforms, EU economy chief Pierre Moscovici said.

Gross domestic product in the 28-country EU and its 19-member monetary union is poised to end the year at almost 2%, he said, topping the EU's May forecast of 1.9% for the whole bloc and 1.7% for the eurozone.

"I'm quite confident about EU and eurozone growth," Mr. Moscovici said in an interview.

Economic threats from Britain's leaving the bloc and anti-EU nationalists in France, the Netherlands and Germany have subsided. Mr. Moscovici said the improving economic and political fortunes mean officials must move quickly to fix how the eurozone economy is managed.

"The risk that we can address is the lack of structural reforms," Mr. Moscovici said. "It's not when things are getting better that we need to stop reforms—on the contrary, it's the moment you should seize to do what's necessary."

Eurozone reforms—from creating a treasury and finance minister for the euro economies to establishing a budget and a European Monetary Fund—are proving difficult because EU governments want to guard their purses and sovereignty.



Commissioner Pierre Moscovici.

But changes are needed to prepare the EU to better withstand future economic shocks and to even out disparities among the bloc's economies, advocates say. Germany and other rich countries are growing strongly, with low unemployment. Others, including Italy and Greece, are saddled with debt, slow growth and debilitating joblessness.

Mr. Moscovici warned that the economic troubles create fertile ground for populists to cultivate.

"We suffer from a lack of solidarity," Mr. Moscovici said. "It's not possible to have a eurozone in which some countries benefit from the rules, while others feel they live in austerity."

Almost 20 years after the eurozone's inception, it faces attack from wealthy members that want stricter fiscal discipline and from poorer members that blame budgetary constraints for their economic malaise.

## Germany's Turks Face Vote Quandary

Turkish leader's boycott call raises politicians' ire, fuels shift in diaspora's allegiances

*By Andrea Thomas*

BERLIN—Germany's rapidly worsening relations with Turkey could scramble long-established voting patterns among the roughly one million German voters of Turkish origin, throwing a wild card in an election polls suggest is nearly certain to deliver a fourth term to Chancellor Angela Merkel.

In a country of 81 million with some 61.5 million registered voters, even a sharp shift among these voters in the Sept. 24 vote is unlikely to cost Ms. Merkel her victory, pollsters say, but it could be bad news for some of her smaller rivals and potential coalition partners.

Turkish President Recep Tayyip Erdogan caused an uproar in Germany last month when he called on German Turks not to vote for Ms. Merkel's Christian Democratic Union, the center-left Social Democratic Party, and the smaller Green party, calling them enemies of Turkey.

Ms. Merkel on Friday called Mr. Erdogan's attempts to influence the German election unacceptable. "The people in our country decide for themselves," she said. SPD leaders have lashed out at Mr. Erdogan, with Foreign Minister Sigmar Gabriel and Justice Minister Heiko Maas calling his comments "a threat to Germany's democratic culture" in a joint column published last month in Spiegel magazine.



Turkey's president urged German Turks not to vote for the party of Chancellor Angela Merkel, shown in a re-election poster.

But Mr. Erdogan's call likely struck a chord in parts of a diaspora increasingly dissatisfied with its political treatment. "German Turks no longer trust German parties as they used to because they don't get treated as equals," said Umit Karakas, co-head of Data4U opinion-research institute. The parties often vow to address integration issues ahead of elections but tend not to deliver on these promises, she said.

For Remzi Aru, the Turkish president's boycott appeal was great news. The Berlin-based, Turkish-born businessman founded the Alliance of German Democrats, which targets immigrant voters. Polls show the party is unlikely to reach the 5%

threshold required to enter the German parliament, but it could inflict some pain on its competitors, especially the Social Democrats, Ms. Merkel's main rivals.

A 2015 poll of 1,003 German voters of Turkish origin by market-research firm BIK Aschpurwis Behrens GmbH showed 69.8% considered the Social Democrats their favorite party. But a survey of 1,000 such voters commissioned early this year by the Union of European Turkish Democrats—a group linked to Mr. Erdogan's AKP party—showed a strong shift. It found that less than half of the 46% of responders who said they voted for the SPD in the 2013 elections intended to do so again this year.

"We don't feel at home with any party right now. And if one can't feel at home with any party, it's very sad for democracy," said Zafer Sirakaya, president of the UETD. "Nobody has any chance to become active in German politics unless they're critical of Turkey and critical of Erdogan."

The two countries' ties started fraying last year, a few months after Ms. Merkel helped the European Union broker a deal with Turkey to stem the flow of illegal migrants into the bloc. In June 2016, Germany's parliament adopted a resolution branding the killing of more than a million Armenians by Ottoman Turkey in 1915 and 1916 as genocide, sparking loud protests in Ankara.

Since then the relationship between the two North Atlantic Treaty Organization allies has gone from bad to worse. In March, German officials banned Mr. Erdogan and his cabinet from campaigning in Germany for a referendum in Turkey to expand the president's powers.

The low point came in July, when Turkish security officers arrested a German human-rights activist in Istanbul, prompting Berlin to issue a travel advisory for the country and threaten aid cuts. On Friday, the German Foreign Ministry said Turkey had arrested two more German citizens, one of whom has since been released.

—Yeliz Candemir in Istanbul contributed to this article.

## U.S. Envoy Proposes a New Path on Iran

*By Felicia Schwartz*

WASHINGTON—U.S. Ambassador to the United Nations Nikki Haley laid out a path for the White House to declare that Iran isn't complying with the 2015 nuclear deal but leave it to Congress to decide what to do.

Although the U.S. has said Tehran is technically abiding by its commitments, Ms. Haley raised critical questions about the deal in an effort to give President Donald Trump support should he choose not to certify Iranian compliance.

Mr. Trump has called the accord between Iran and six world powers "the worst deal ever," but some of his advisers in recent months have been looking for ways to let the president say Iran isn't complying without immediately killing it.

"What happens next is significantly in Congress's hands," Ms. Haley said Tuesday in a speech at the American Enterprise Institute, a conservative think tank. "If the president chooses not to certify Iranian compliance, that does not mean the United States is withdrawing" from the accord.

Mr. Trump faces a deadline in October when he must tell

Congress whether he believes that Iran is meeting terms of the deal, which required Iran to cut back its nuclear capabilities in exchange for sanctions relief.

While Ms. Haley said she didn't know what Mr. Trump will say, the president said in an interview with The Wall Street Journal in July that he is likely to say Iran isn't meeting its commitments.

The Obama administration hailed the deal as a historic step in curbing Iran's nuclear ambitions and said it didn't intend to focus on Iran's other destabilizing behavior in the region. In her speech, Ms. Haley said the Obama administration drew "an artificial line between the Iranian regime's nuclear development and the rest of its lawless behavior."

She said Mr. Trump would be justified if he didn't certify Iran's compliance because the deal itself is "very flawed and very limited." She said the accord discourages countries from confronting what the administration views as destabilizing behavior, such as missile tests and support for terrorist groups.

"U.S. law requires the president to also look at whether the



U.S. envoy to the U.N. Nikki Haley

Iran deal is appropriate, proportionate and in our national security interests," Ms. Haley said in the speech.

Despite Mr. Trump's misgivings about the deal, he has twice told Congress that Iran is living up to its terms. He most recently did so in July after an intense fight with advisers and had come close to telling lawmakers otherwise.

The U.N.'s nuclear watchdog said last week that Iran is meeting its commitments under the nuclear deal. Before Mr. Trump faces the congressional deadline in October, the administration must decide this month

whether to waive sanctions under the terms of the deal.

Ms. Haley said she hasn't yet consulted with lawmakers about the administration's possible approach and acknowledged that European allies don't want the administration to take steps to weaken or leave the deal.

"I get that Congress doesn't want this," Ms. Haley said.

At least one foe of the deal, Sen. Tom Cotton (R., Ark.), said on Tuesday he supports Ms. Haley's strategy.

President Barack Obama didn't make the deal a treaty, which meant the Senate didn't have to ratify it. But the agreement did pass an up-or-down vote in Congress in 2015 after a bitter fight and a heavy push by the Obama administration to get it through.

That vote took place under the terms of a law known as the Iran Nuclear Agreement Review Act, which allowed Congress to review the agreement and requires the president to certify Iran's compliance with the deal every quarter.

Supporters of Ms. Haley's approach said it could give the administration space to pursue a broader strategy of cracking down on Iran.

## Qatar Opens Big Port To Ease Gulf Blockade

*By Nicolas Parasie*

DUBAI—Qatar, faced with dwindling supplies of essentials such as food, has opened a massive seaport, which will help the Gulf state secure imports after its Arab neighbors cut off trade routes in an intensifying diplomatic standoff.

The move is Qatar's latest riposte to a blockade by its Arab neighbors and another sign of how a monthslong diplomatic spat is starting to alter the region's trade flows in significant ways.

Saudi Arabia, the United Arab Emirates, Bahrain and Egypt in June severed diplomatic ties and closed their air routes and land and sea borders with Qatar to protest its alleged support for regional extremist organizations and terrorist groups.

That month, imports fell nearly 40% year-over-year, according to government data. They recovered slightly in July but were still down about 35% on the year.

To cope with the transportation ban, Qatar has rapidly established alternative trade

routes. It has used nearby Oman's ports and Iranian airspace while turning to Iran and Turkey for food imports.

On Tuesday, Qatar's ruler, Sheikh Tamim bin Hamad Al-Thani, inaugurated a \$7.4 billion seaport that will allow Doha to further circumvent the blockade.

Hamad Port can receive the world's largest vessels, allowing container ships to go directly to Qatar, bypassing the U.A.E. where they traditionally stopped to refuel and to unload cargo. The port has three terminals with a combined annual capacity of 7.5 million containers.

Work on Hamad Port, named after the current emir's father, began about a decade ago as part of efforts to diversify the economy beyond energy. It became fully operational late last year but a Qatari official said the port was never used to full capacity in the first months because of existing agreements between Doha and the U.A.E.'s Jebel Ali port through which its largest container ships went.



WORLD NEWS

# China Tests for Leaks From Nuclear Blast

Underground test by North Korea is thought to have collapsed a containing structure

By JEREMY PAGE

**B**EIJING—China is amping up monitoring for signs of radioactive fallout from North Korea's latest nuclear test, concerned that contamination could provoke a public outcry and force Beijing to harden its approach to Pyongyang, diplomats and analysts say.

Beijing put an extensive radiation-monitoring network on emergency level of operations Sunday, after sensors detected a 6.3-magnitude tremor from North Korea's sixth and largest nuclear test.

Minutes later, they registered a second, smaller tremor, possibly caused by a structural collapse. Nuclear and seismological experts said that underground atomic blasts can cause tunnels to collapse or terrain to shift, potentially allowing radiation to vent into the atmosphere.

Chinese government agencies said no radiation has been detected thus far but they will continue to test air, water and soil samples in a network of radiation-monitoring stations that has steadily expanded since 2013 and is due to grow by at least two more stations in the next few months.

The slightest risk of a leak is of huge concern, with more than 100 million people living in China's three northeastern provinces bordering or near North Korea. The Punggye-ri test site, where the blast took place, is less than 50 miles from China's border. Nuclear blasts produce radioactive forms of elements such as iodine, exposure to which can cause cancer in humans—or even death in extreme cases.

Sunday's test shook buildings in Chinese cities near the border and could be felt hundreds of miles away. Some people ran into the streets and posted videos of shaking chandeliers in their apartments. Others have since taken to social media to express alarm.

A key concern for Chinese leaders, according to diplomats and analysts, is that any environmental contamination could quickly turn into a political problem, with people demanding that Beijing hold Pyongyang accountable as its biggest investor, trade partner and aid donor.

"If it turns out that there is fallout, and some leaking that threatens northeastern China, it will likely change China's stance," said Zhu Feng, an international security expert at China's Nanjing University. "It would be nanjing to tell people that it will keep [North Korea] under check."



**A North Korean cargo ship passes by the Chinese border city of Dandong. More than 100 million people live in China's three provinces bordering or near North Korea, making the slightest risk of a leak from Sunday's North Korean nuclear blast an issue of huge concern.**

Chinese authoritarian leaders are sensitive to public opinion and wary of anything that could provoke protests, dent the image of the Communist Party, or otherwise diminish their power. Such sensitivities are especially high with China's leadership heading into a key political meeting next month to shuffle top portfolios—and with the government under pressure from the U.S. to bring North Korea to heel.

China has never publicly reported contamination from North Korean nuclear testing. In private Chinese officials have expressed increasing concern about the environmental impact, according to diplomats and analysts.

After a meeting in 2013, then-South Korean President Park Geun-hye said that Chinese Premier Li Keqiang told her that Pyongyang's test that year contaminated the Yalu River that forms the border with China, according to a South Korean presidential representative. China's foreign and environment ministries didn't respond to requests to comment on that conversation.

North Korea's state-controlled news agency said on Sunday that the test didn't result in leaking of radioactive materials and had no "adverse impact on the surrounding ecological environment."

Daily notices from China's nuclear safety and environmental agencies said no traces of radiation have been detected. Japanese nuclear regulators also said on Tuesday that radiation-sensing aircraft found no abnormal readings over the Sea of Japan, just east of the Korean Peninsula.

sula.

Pyongyang performs its nuclear tests in solid rock beneath a steep mountain. The depth of the blast would make a large radiation leak unlikely even if there were a cave-in, said Steven Gibbons, a seismologist at Norwegian geological monitoring agency Norsar who specializes in nuclear testing.

"There's a lot of mountain to go before you reach air," said Mr. Gibbons. It will likely take days or weeks before radiation from this test is detected, if at all, he said, noting that radioactivity was detected only after two previous North Korean nuclear tests, in 2006 and 2013.

A potential leak would most likely be radioactive xenon gas

and, based on weather patterns, would spread into northeastern China and then across far eastern Russia over this week, said Lassina Zerbo, head of the Vienna-based Comprehensive Test Ban Treaty Organization.

Along the 880-mile border separating China from North Korea is an active volcano, known as Mount Paektu to Koreans and Mount Changbai in China. While previous tests had no impact on it, some volcanologists say a larger underground blast could trigger an eruption. Other experts call that unlikely.

Residents of border areas have grown accustomed to tensions with North Korea, and periodic nuclear or missile tests. But Sunday's blast, which was

## Fallout Fears

China has added several radiation-monitoring stations since 2013 amid rising fears of contamination from North Korea's nuclear-testing program.



Source: China's Ministry of Environment

THE WALL STREET JOURNAL.

estimated to be as much as 10 times more powerful than the last test a year ago, raised the anxiety level.

Zhou Haotian, a 23-year-old film editor in Shenyang city about 350 miles from the test site, said he worried the blast would contaminate the region and destabilize the area around the volcano, which he has visited.

A resident of Yongji, a city 200 miles from the border, wrote on his Sina Weibo microblog that his family ran down from their 10th floor apartment when they felt the tremor. Such fears, he said, could easily turn into outright panic.

"Some people still support North Korea having nuclear

weapons...I think that's ridiculous," he wrote under a pseudonym. The government cannot publicly acknowledge the impact of North Korea's nuclear test, he said, because if it did "the northeast would be upside down with fear, and there'd be chaos in the country."

While China has agreed to stricter U.N. sanctions barring some trade with North Korea, Beijing has resisted closing the border and reducing, or temporarily cutting, its oil exports to North Korea—something the U.S. has sought, analysts and diplomats said.

Over the past several years, China steadily expanded its radiation monitoring and nuclear emergency response facilities, especially in the two provinces bordering North Korea, Jilin and Liaoning, according to government websites.

A total of 38 automated stations are set up to monitor radiation from North Korea, including 13 on the border, according to the Environment Ministry's website. In 2013, there were 25 such stations, including five on the border.

Chinese authorities commissioned two more radiation-monitoring stations for border areas in April and June this year, according to a government procurement website.

In September, the environment ministry is also due to start building a radiation laboratory and emergency command center in the Changbai mountain region, according to another government procurement notice. —*Alastair Gale in Tokyo and Josh Chin, Xiao Xiao and Yang Jie in Beijing contributed to this article.*

## Putin Bats Down North Korea Oil Ban

Russian leader opposes new U.N. sanctions on Pyongyang

Russian President Vladimir Putin told his South Korean counterpart that cutting off oil exports to North Korea would violate humanitarian norms, South Korea said, signaling that Moscow would likely block U.S.-led efforts to impose an oil embargo on Pyongyang following its sixth nuclear test.

Mr. Putin's remarks, made during a meeting Wednesday with South Korean President Moon Jae-in in the Pacific port of Vladivostok, could complicate attempts by the U.S. to punish North Korea in the United Nations Security Council, where

Russia and China hold vetoes. "We must increase the intensity of U.N. Security Council sanctions," Mr. Moon told Mr. Putin, according to a readout from South Korea's presidential office. "It is imperative that we stop the supply of oil to North Korea, and Russia should actively cooperate."

Mr. Putin batted aside Mr. Moon's demand, according to the South Korean statement, saying Russia exported very little oil—about 40,000 tons a year—to North Korea. By comparison, China exports roughly 500,000 tons of oil to North Korea each year, according to estimates by the Nautilus Institute for Security and Stability in Berkeley, Calif.

"We are worried that cutting off oil exports will inflict damage on North Korea's hospitals and on ordinary people,"

Mr. Putin said, according to South Korea.

The limited excerpts the Kremlin provided of the discussions between Messrs. Moon and Putin didn't include this exchange. Kremlin foreign-policy aide Yuri Ushakov told reporters the South Korean and Russian leaders had found common ground on the crisis during their meeting, Russian news agencies reported, without giving specifics.

During the meeting, both governments said, Mr. Putin urged continued dialogue to resolve the nuclear crisis on the Korean Peninsula.

Messrs. Putin and Moon were meeting on the sidelines of the Eastern Economic Forum, an annual convention aimed at boosting investment in Russia's Far East region.

—*Nathan Hodge*

## WORLD WATCH

### CANADA

## Bank Surprises With Another Rate Rise

The Bank of Canada raised its benchmark interest rate by a quarter-percentage point to 1%, signaling further increases are in the works as Canada's economic growth roars to the top among Group of Seven countries.

This marks the second straight meeting at which the central bank increased its main interest rate, which has been on hold for seven years, and unwinds the two rate cuts it delivered in 2015 to deal with negative fallout from the commodity-price swoon.

Recent indicators, such as a report showing economic growth surged by a strong 4.5% annualized rate in the second quarter, support "the bank's view that growth in Canada is becoming more broadly based and self-sustaining," the Bank of Canada said in a statement explaining its decision. "Given the stronger-than-expected economic performance, [the bank] judges that the removal of some of the considerable monetary policy stimulus is warranted."

The decision came as a surprise. A majority of private-sector economists surveyed by The Wall Street Journal had expected the central bank to leave its policy rate unchanged and to wait until its October meeting to raise rates again. The Canadian dollar initially surged on the news to a fresh two-year high, although it pared some of the early gains.

The decision "implies that absent a significant shock, Wednesday's rate increase will be part of a larger and longer march towards interest-rate normalization," said Brian DePratto, TD Bank economist. He said the overall positive tone of the rate-decision statement suggests rate increases are in store over the next six quarters, to possibly 1.75%, by the end of 2018.

The last time the Bank of Canada's main interest rate sat above 1% was in early 2009.

—*Paul Vieira*

### CAMBODIA

## Hun Sen Vows to Rule For 10 More Years

Speaking to thousands of garment-factory workers on the outskirts of Phnom Penh, Prime Minister Hun Sen said he has decided to run for another two terms.

"Before I was very hesitant of when I shall be leaving office, but after witnessing the treasonous acts of some Cambodians in recent days, I have decided to continue my job for another 10 years," the 65-year-old said.

In power for 32 years, Mr. Hun Sen is the world's longest-serving prime minister and among its longest-serving leaders. In 2007, he said he wanted to retire at 90 but backtracked in 2015.

After the opposition Cambodia National Rescue Party mounted a strong challenge in 2013, Mr. Hun Sen and his Cambodian People's Party have sought to stifle dissent and weaken challengers ahead of elections in July.

—*Associated Press*

### SYRIA

## U.N. Blames Regime For April Sarin Attack

A United Nations report blamed the government in Damascus for a sarin gas attack on an opposition-held town that killed at least 83 people—many of them women and children—and called it a war crime.

The U.S. and other Western nations immediately blamed President Bashar al-Assad's regime for the April 4 attack on the town of Khan Sheikhoun in rebel-held Idlib province. But this was the first time the U.N. echoed the allegation.

"The chemical bomb released a cloud which spread over a distance between 300 and 600 meters from the impact point and killed at least 83 persons, including 28 children and 23 women," the U.N. said. "Some of the victims died in bed and their bodies weren't found until later on 4 April. A single mother who was out farming returned home to find all her four children dead."

The attack was carried out by a Sukhoi 22 warplane, an aircraft that only the regime operates. It conducted four airstrikes on Khan Sheikhoun, dropping three conventional bombs and one chemical bomb, according to the report by the U.N.'s independent

Commission of Inquiry on Syria.

The commission has been gathering evidence of war crimes committed by the parties involved in Syria's conflict, now in its seventh year, and issues regular reports on its findings.

—*Raja Abdulrahim*

### INDONESIA

## Protesters Support Myanmar Muslims

Thousands of Indonesians protested against a military campaign in Myanmar that has forced the exodus of about 125,000 Rohingya Muslims, fueling a global wave of Muslim anger at Myanmar and its Nobel Prize-winning leader.

Protests in countries from Indonesia, Turkey and elsewhere are raising pressure on governments to intervene to stop the violence in Myanmar, where members of a long-persecuted ethnic-Muslim minority have been fleeing to neighboring Bangladesh in the wake of village-burning clearances and fighting since Aug. 25 that have left hundreds dead.

In Jakarta, police said about 5,000 people attended the rally.

—*Ben Otto and Anita Rachman*

### AUSTRALIA

## GDP Growth Aligns With Forecasts

The economy shrugged off the effects of a cyclone in March to grow strongly in the second quarter, helped by soaring business confidence and higher commodity prices.

Gross domestic product grew 0.8% in the second quarter from the first quarter and 1.8% from a year earlier, data showed.

That was close to economists' forecasts of 0.9% growth over the quarter and 1.9% growth over the year. It was a strong result compared with first-quarter growth, which was unchanged at 0.3% on-quarter.

It also supports the optimistic outlook offered this week by the Reserve Bank of Australia, which kept official interest rates unchanged at a record low 1.5% for a 13th month in a row.

—*James Glynn*



**Cambodian Prime Minister Hun Sen posed with workers at a garment factory in Phnom Penh on Wednesday. The 65-year-old leader told them he intended to run for another two terms in office.**







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U.S. NEWS

# ‘Dreamer’ Immigrant Deal Is Sought

House Speaker Ryan suggests pairing legalization with tighter border security

By Laura Meckler  
And Byron Tau

WASHINGTON—House Speaker Paul Ryan said he would work to find a compromise that protects young undocumented immigrants brought to the U.S. as children, suggesting the measure may be paired with additional border security.

The Wisconsin Republican on Wednesday said it was important to protect the young people in the wake of President Donald Trump’s decision, announced Tuesday, to end the Obama-era program that gives them safe harbor from deportation and work authorization. Mr. Trump gave lawmakers six months to act before the protections begin to expire.

Mr. Ryan also affirmed the

view of many Republicans that a legalization program should be combined with some sort of enforcement measure, such as additional border security funding. He didn’t offer any specifics.

“It’s only reasonable and fitting that we also address the root cause of the problem, which is borders that are not sufficiently controlled, while we address this very real and very human problem that’s right in front of us,” he told reporters.

Many Republicans would like to protect this group of undocumented immigrants, reasoning that they didn’t make the decision to come to the U.S. illegally and shouldn’t be punished. But they are divided over how to proceed.

Some support passage of the Dream Act, proposed legislation that offers this group legal status and a path to citizenship. Others are willing to go along if Democrats agree to additional border security or immigration enforcement mea-

sures, with some insisting on funding for Mr. Trump’s controversial border wall. Still other Republicans oppose the program as amnesty for people who broke the law.

Mr. Ryan didn’t say whether a border security package should include wall funding, which Democrats are united against, or other measures to which Democrats might agree.

For their part, congressional Democrats vowed Wednesday to try to attach legislation protecting these young people to other pieces of legislation if Republican leaders won’t bring the measure to a vote on their own this month.

“Congress has an ability and obligation to act,” Senate Minority Leader Chuck Schumer (D., N.Y.) said at a news conference alongside at least 50 Democratic lawmakers from both houses of Congress. “If a clean Dream Act does not come to floor in September, we are prepared to attach it to other items on the floor until it passes,” Mr. Schumer said.



Speaker Paul Ryan didn’t offer any specifics on a compromise.

He repeated his vow from the Senate floor a few minutes later. “We could solve this problem tomorrow rather than letting fear of deportation hang over the heads of 800,000 Dreamers,” he said.

Democrats are in the minority in both houses of Congress, but their votes will be needed on important pieces of legisla-

tion this fall, including a spending bill required to keep the government open, giving them some leverage.

Mr. Trump ignited the scramble in Congress on Tuesday when he said he would end the Deferred Action for Childhood Arrivals program, which gives nearly 800,000 young undocumented immigrants

freedom from deportation and the ability to work in the U.S. legally.

No new applications to the program will be considered, but the administration will renew DACA for those whose grants expire before March 5. If Congress doesn’t act by then, DACA recipients will begin losing their protections.

DACA was created by former President Barack Obama in 2012 after the Dream Act died in Congress. Republicans have long argued that Mr. Obama exceeded his executive authority in doing so.

In his remarks, Mr. Ryan said he was encouraged that Mr. Trump gave lawmakers time to find a compromise “because these kids don’t, for the most part, don’t know any other home.”

“Where does that compromise exist? That’s what we’re going to spend the next months figuring out,” Mr. Ryan said.

—Siobhan Hughes  
contributed to this article.



People put up shutters as they prepared for Hurricane Irma on Wednesday in Miami.

## Irma Hammers Caribbean; Florida Prepares for Storm

By Jon Kamp  
And Scott Calvert

Hurricane Irma, one of the most powerful storms ever recorded over the Atlantic Ocean, walloped several islands in the northeast Caribbean as officials in Florida pressed residents to follow evacuation calls.

The “potentially catastrophic” storm packed maximum-sustained winds of 185 miles an hour, making it a Category 5 hurricane and one of the five strongest ever recorded in the Atlantic, according to the National Hurricane Center’s latest forecast.

The center said it was still too soon to forecast the timing and magnitude of a potential Florida hit.

“The chance of direct impacts from Irma beginning later this week and this weekend from wind, storm surge and rainfall continues to increase in the Florida Keys and portions of the Florida Peninsula,” the center said.

Florida Gov. Rick Scott called the storm “extremely dangerous and deadly” and warned that Irma could hit the state even harder than Andrew, a Category 5 hurricane that slammed into South Florida in 1992.

“This storm has the potential to devastate our state, and you have to take this very seriously,” Mr. Scott, a Republican, said Wednesday.

Authorities also advised there could be a storm impact in Georgia and South Carolina.

The storm’s center made landfall over the island of Barbuda on Wednesday and passed over St. Martin, where video posted online showed submerged cars and flooded buildings.

Communication with Barbuda was impossible in the immediate wake of the storm.

“All that we heard earlier is that people lost some roofs and that sort of thing,” said Claudette Thomas, 56 years old, general manager of the Barbuda Belle Luxury Beach Hotel. Speaking by phone from Antigua, which is a 15-minute flight or 90-minute ferry ride away, Ms. Thomas said that island was “perfect. We didn’t even get any amount of rain.”

Gaston Browne, prime minister of Antigua and Barbuda, which make up an independent commonwealth, said on Facebook that Antigua suffered no fatalities and that damage on the island was light.

According to a tweet from French authorities in the island region of Guadeloupe, the

St. Martin administrative offices had been partially destroyed and the local prefect and 23 other people were taking refuge in a concrete reinforced room. On the island of St. Barthélemy, the firehouse was under 3 feet of water, with the firefighters taking refuge on the floor above. Both islands have lost power.

New hurricane warnings extended to the northern coast of Haiti as Irma’s forecast track called for a dangerously close approach near Puerto Rico and the island of Hispaniola.

Civil-defense officials in the Dominican Republic said Irma was on track to pass overnight Wednesday some 30 to 60 miles to the north. There have been some evacuations, the officials said in a news conference, but no evacuees have gone to the island’s shelters.

President Donald Trump approved emergency declarations late Tuesday for Florida, Puerto Rico and the U.S. Virgin Islands, moves that can hasten preparations and federal assistance.

Puerto Rico Gov. Ricardo Rosselló urged residents on Twitter on Wednesday to evaluate their situation and go to shelters if necessary.

—Dudley Althaus  
contributed to this article.

## PRICES

Continued from Page One

the S&P 500 has risen almost 10%, while 10-year Treasury prices have gained 6%, pushing the benchmark U.S. bond yield down near 2%—a level typically associated more with financial distress than with improving growth.

Explanations for the breakup of the growth-inflation marriage abound. European Central Bank President Mario Draghi argued in June that statistics miss people in temporary jobs or outside the labor force—in other words, the economy isn’t necessarily as strong as the numbers suggest.

In a speech Tuesday, Federal Reserve governor Lael Brainard said that “one simple explanation may be the experience of persistently low inflation”: Because inflation has been low and often falling for much of the past decade, households and firms now expect low inflation in the future as well.

Paul Donovan, chief economist at UBS Wealth Management, believes the bond market is giving the wrong signal about inflation. “Bond markets are rigged,” he said, by extraordinary demand for safe debt, created by an aging population, regulation and central-bank buying.

But it is also possible, investors say, that something deeper has changed. Candidates include globalization, the decline of labor unions and the rise of big multinationals holding down consumer prices in an effort to grab market share.

Bond markets aren’t imagining low inflation. Unemployment across the developed world has fallen to where it was before 2008, so in theory companies should be offering more generous pay increases to attract workers and increasing prices to offset the cost. Neither is happening.

A partial explanation is that workers can’t demand pay raises. In its annual report in June, the Bank for International Settlements found a “positive and significant” link between wages and the strength of unions. Unionization has dropped by half over

four decades.

Enrique Martínez-García, economist at the Federal Reserve Bank of Dallas, published research in July showing that globalization is part of why inflation has been low and unresponsive to growth.

Companies can outsource production or import if the wage bill starts to get too high, rather than raise prices. China has flooded international markets with cheaper goods, ultimately pushing down prices.

BIS data show that in the U.S., 10% of the change in labor costs between 2006 and 2016 was determined by the price of labor abroad, compared with 2% between 1995 and 2005. For the world overall, the figure is 22%, up from 11%.

The Dallas Fed has started “to seriously consider the impact of globalization on inflation,” Mr. Martínez-García said.

What makes the problem difficult to solve is that inflation hovered around policy makers’ targets for more than two decades until 2008, after shooting up in the 1970s. Central banks were then credited with subduing inflation by raising rates and cooling the economy, but many investors now doubt they can manage the effect in reverse.

“Inflation is not a leading indicator” of growth anymore, said Didier Borowski, head of

macroeconomic research at Amundi, Europe’s largest asset manager. He said “much more competition at the global level” is leading producers to price more aggressively.

Indeed, the focus of many analysts is now on the market power of superstar firms, especially technology giants such as Alphabet Inc. or Amazon.com Inc., rather than on traditional supply-and-demand explanations.

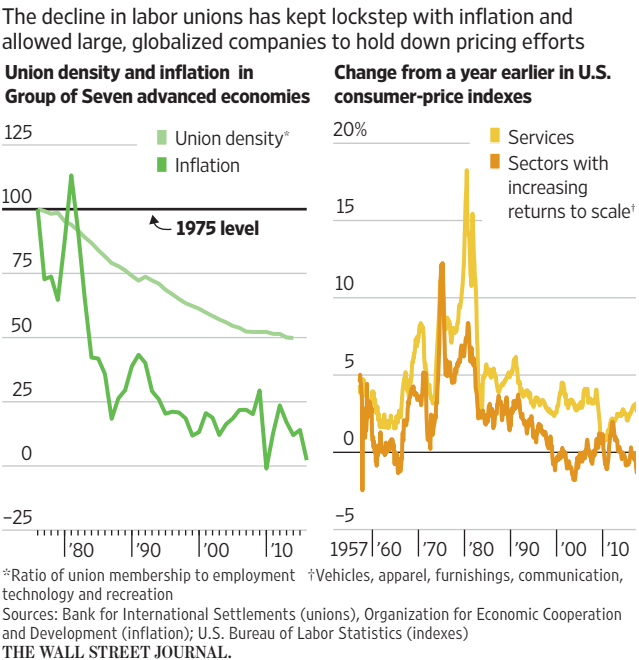
“When Amazon enters a market, it drives prices down,” said Jason Helfstein, a tech-sector analyst at Oppenheimer & Co.

Federal Reserve Bank of Chicago President Charles Evans referred to Amazon’s purchase of Whole Foods Market Inc. as an example of “disruptive technology” that keeps inflation down.

For extra demand to lead to higher prices, like many textbooks say, a company must face higher costs when making more of a product. However, economists have long documented that, in the real world, many industries benefit from economies of scale.

For them, producing more is cheaper—and might not even require more workers, because bigger markets can spur investment in labor-saving equipment. So even if growth and demand increase, prices need not.

### Changing Relationship



## Fischer, the Fed’s No. 2 and Close Yellen Ally, to Leave Early

Growth Continues Despite Slowing Employment Gains

Economic activity grew at a measured pace across the country even though employment growth slowed somewhat in July and August, according to a new report from the Federal Reserve.

“Economic activity expanded at a modest to moderate pace,” the central bank said Wednesday in its latest roundup of anecdotal information about regional economic conditions, known as the beige book. “Employment growth

slowed some on balance, ranging from a slight to a modest rate in most districts.” The report was based on information collected through Aug. 28 across the Fed’s 12 districts.

Despite the slowdown in employment growth, Fed districts said the labor market remained tight. Some said a shortage of workers at all skill levels had led firms to turn down business.

The report comes as Fed officials are getting ready for their Sept. 19-20 policy meeting at which they are expected to announce the start of shrinking their \$4.5 trillion portfolio.

—David Harrison

By Harriet Torrey  
And Nick Timiraos

Federal Reserve Vice Chairman Stanley Fischer will resign in mid-October, he said Wednesday, accelerating President Donald Trump’s opportunity to reshape the central bank’s leadership and creating more uncertainty about Fed policies next year.

Mr. Fischer, a respected economist and central banker, said his resignation was due to personal reasons and would be effective on or around Oct. 13.

He has been a close ally of Fed Chairwoman Janet Yellen, whose term in the top job expires in early February. His resignation gives Mr. Trump a fourth vacancy on the power-

ful seven-member Fed board of governors and comes as the president mulls whether to nominate Ms. Yellen for a second term or pick someone else to succeed her.

Mr. Trump told The Wall Street Journal in July he was considering asking her to stay on, though he might not announce his nominee until late this year. He also said his economic policy director, Gary Cohn, was in the running for the Fed job, though that was before Mr. Cohn publicly criticized the president’s handling of protests organized by white nationalists in Charlottesville, Va., last month that turned violent.

The president has declined to name other possible candi-

dates, but potential replacements for the chair position—and now the vice chair—are likely to fall into two camps: conservative economists such as John Taylor of Stanford University, or nonacademics with a business background, such as Fed governor Jerome Powell and former Fed governor Kevin Warsh.

Mr. Fischer’s mid-October resignation means he is due to attend the central bank’s next policy gathering Sept. 19 to Sept. 20, when the Fed is expected to announce plans to begin shrinking its portfolio of bonds and other assets accumulated during the financial crisis.

Policy decisions beyond December are clouded by the leadership succession ques-

tion, and that uncertainty could increasingly weigh on markets. The S&P 500 slightly pared gains and Treasury yields dipped briefly following the announcement of Mr. Fischer’s plan to resign.

Analysts saw Mr. Fischer as a centrist voice as the Fed’s second-in-command, and slightly less inclined to keep rates low to spur the economy than Ms. Yellen.

“At the margin, his absence may lower slightly the odds of a December hike, though we think the data will be much more important for that decision than today’s news,” said Michael Feroli, chief U.S. economist at J.P. Morgan Chase & Co. on Wednesday in a note to clients.



U.S. NEWS

# Health Sign-Ups Face Test

Trump administration cuts millions from programs aimed at enrollment outreach

By **STEPHANIE ARMOUR**

Democrats and activists are trying to promote the Affordable Care Act's open enrollment period and raise money for outreach following a Trump administration decision to cut millions of dollars from programs that help people sign up for health coverage.

That outside effort, unfolding alongside a push on Capitol Hill to restore some of the funds, includes more than 1,500 volunteers organizing on social-media sites such as Facebook under the name Indivisible ACA Signup Project, seeking to promote the open-enrollment season beginning Nov. 1.

Such efforts are likely to fall far short of the outreach campaigns undertaken by the Obama administration, which spent \$100 million for last year's open sign-up period. But they reflect an attempt to leverage the ACA's rising popularity and keep up enrollment on the federally run health exchanges at a time when the groups say the administration's actions could cause the markets to fail.

Organizations such as Protect Our Care, a coalition focused on preserving the ACA, are helping lead the effort. Andy Slavitt, former acting administrator of the Centers for Medicare and Medicaid Services in the Obama administration, is also involved, people close to the planning said. Plans include the possible participation of celebrities who have contacted the group,



**A health navigator, right, worked with a college student in Tampa, Fla., in November 2016.**

these people said.

Outside efforts to boost the ACA gained urgency after the Trump administration last week said it was reducing advertising for the open-enrollment period by 90%, from \$100 million last year. The Health and Human Services Department also said it would reduce grants to outreach groups, called navigators, that help people sign up for coverage and tax credits under the ACA and served as a key tool under the Obama administration to increase enrollment. The administration said the grants would be cut to \$36.5 million this year from \$63.5 million in 2016.

That has forced the navigator groups to suspend training and weigh layoffs, their leaders said, adding that they had initially been told by federal officials their funding levels would be similar to last year.

"We have a staff meeting

Friday, and I don't know if we'll have staff," said Shelli Quenga, program director at the Palmetto Project, a non-profit in North Charleston, S.C., that received about \$1 million last year.

This year's open enrollment, which extends through Dec. 15, could be crucial for the health of the ACA's individual insurance markets. Lackluster sign-ups could cause insurers to raise customers' premiums if they don't get enough younger, healthier consumers to offset the costs of older and sicker people.

President Donald Trump has said that in light of the Republican Congress's failure to repeal the law, his administration could act to let the law implode. Besides the cuts in the ad and grant programs, Mr. Trump has threatened to cut off federal payments to insurers designed to help lower-

income people afford health coverage.

Pro-ACA groups are increasingly worried the administration's cut in outreach funding, coupled with public confusion about the law's status, would depress enrollment.

The law's critics say the administration is boosting accountability for the ACA outreach efforts that was lacking in the Obama years.

For now, the navigators say they are in limbo and have no idea when they will learn about their individual funding amounts. Some organizations said they aren't sure whether to continue scheduling outreach and training events.

"All indications were that we'd get full funding, and this took everybody by surprise," said Randal Serr, director of Take Care Utah, a navigator network that received about \$800,000 last year. "It's a really frustrating time."

# U.S. Colleges Slip In Global Rankings

By **DOUGLAS BELKIN**

The U.S. continues to lay claim to more elite research universities than any other country in the world, but that dominance is beginning to fray.

Oxford and Cambridge, the intellectual one-two punch of the U.K., took the first and second spots in the 2018 Times Higher Education World University Rankings. Their showing marked the first year schools outside the U.S. seized the two top positions in the 14-year history of the list.

The U.S., led by California Institute of Technology and Stanford University, took seven of the top 11 spots.

But this also marked the fifth year of consecutive decline in the overall showing of the U.S. This ranking listed 62 U.S. schools in the top 200. In 2014, 77 U.S. universities ranked in the top 200.

By contrast, the cumulative reputation of Chinese research institutions is swelling. In the latest ranking, seven Chinese schools cracked the top 200. In 2014, there were just two. Peking University and Tsinghua University topped Chinese schools, ranking 27th and 30th, respectively. That placed them ahead of the Georgia Institute of Technology (No. 33), Brown University (No. 51) and the University of North Carolina at Chapel Hill (No. 56).

*The rise of Oxford and Cambridge comes after years of increases in research revenue.*

## The Top 15

1. University of Oxford (U.K.)
2. University of Cambridge (U.K.)
- T-3. California Institute of Technology (U.S.)
- T-3. Stanford University (U.S.)
5. Massachusetts Institute of Technology (U.S.)
6. Harvard University (U.S.)
7. Princeton University (U.S.)
8. Imperial College London (U.K.)
9. University of Chicago (U.S.)
- T-10. ETH Zurich–Swiss Federal Institute of Technology Zurich (Switzerland)
- T-10. University of Pennsylvania (U.S.)
12. Yale University (U.S.)
13. Johns Hopkins University (U.S.)
14. Columbia University (U.S.)
15. University of California, Los Angeles (U.S.)

and Cambridge comes after years of increases in research revenue—but much of that money, as well as the researchers who use it, come from the European Union. Britain's decision to withdraw from the EU has thrown that revenue source into question.

The rise of Chinese universities comes as the Chinese Communist Party has invested heavily in research universities.

Elizabeth Perry, a professor at Harvard and expert on China, said the Chinese are actively "gaming" the system. "They are hiring an army of postdocs whose responsibility is to produce articles," she said. "They are changing the nature of a university from an educational institution to basically a factory that is producing what these rankings reward."

Times Higher Education is a unit of TES Global Ltd., a London company owned by private-equity firm TPG Capital since 2013. Times Higher Education was sold in 2005 by News Corp, the parent of The Wall Street Journal owner Dow Jones & Co. Times Higher Education has a business relationship with The Wall Street Journal to develop college rankings.

—*Te-Ping Chen contributed to this article.*



**Oxford, above, ranks first among elite research universities.**

# Poll: America's Divisions Growing

By **JANET HOOK**

Divisions in America reach far beyond Washington into the nation's culture, economy and social fabric, and the polarization began long before the rise of President Donald Trump, a new Wall Street Journal/NBC News survey of social trends has found.

The findings help explain why political divisions are now especially hard to bridge. People who identify with either party increasingly disagree not just on policy; they inhabit separate worlds of differing social and cultural values and even see their economic outlook through a partisan lens.

The wide gulf is visible in an array of issues and attitudes: Democrats are twice as likely to say they never go to church as are Republicans, and they are eight times as likely to favor action on climate change. One-third of Republicans say they support the National Rifle Association, while just 4% of Democrats do. More than three-quarters of Democrats, but less than one-third of Republicans, said they felt comfortable with societal changes that have made the U.S. more diverse.

What is more, Americans' view of the economy, the direction of the nation and the future has even come to be closely aligned with their feelings about the current president, the survey found.

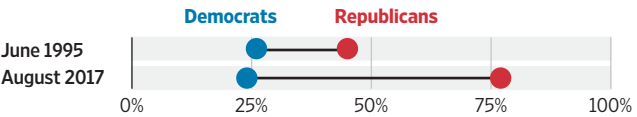
"Our political compass is totally dominating our economic and world views about the country," said GOP pollster Bill McInturff, who conducted

## Partisan Lens

Members of the two parties have moved further apart on several issues over the past decade or two.

### Attitudes toward gun rights

Concerned that government will go too far in restricting gun rights



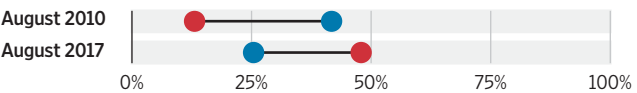
### Attitudes toward immigration

Immigration strengthens the U.S.



### Attitudes toward the future

Confident life will be better for our children's generation



Source: WSJ/NBC News telephone poll of 1,200 people conducted August 5-9; margin of error +/-2.82 pct. pts. THE WALL STREET JOURNAL.

the survey with Democratic pollster Fred Yang.

The poll found deep splits along geographic and educational lines. Rural Americans and people without a four-year college degree are notably more pessimistic about the economy and more conservative on social issues. Those groups make up an increasingly large share of the GOP.

One measure of how much more polarized the electorate is than a generation ago can be found in views of the president. Eight months into the 1950s presidency of Republican Dwight Eisenhower, 60% of Democrats approved of the

job he was doing. That level of cross-party support for a new president remained above 40% until Bill Clinton, when only 20% of Republicans approved of his performance after eight months in 1993. For Barack Obama, Republican support dropped to 16% at this point in his presidency in 2009.

Under Mr. Trump, that trend has continued and intensified. His job-approval rating among Americans overall has remained in recent months at about 40%, but just 8% of Democrats approve of the job he is doing, the survey found. By contrast, 80% of Republicans approve.

Mr. Trump's election has

brought a sharp mood swing among Republicans. In August 2014, 88% of Republicans said they weren't confident that life for their children's generation would be better than their own. Eight months into the Trump presidency, just 46% of Republicans say they lack confidence in their children's future—a 42-point swing that is more dramatic than improvements in the economy seem to justify.

Two groups in particular have a relatively pessimistic view of the economy—rural Americans and those with less education, the survey found.

Some 43% of rural residents gave a high rating to their local economy's health, compared with 57% of urban dwellers. Among people without a four-year college degree, only 47% viewed the economy in their area as good or excellent, compared with two-thirds of people with a degree.

Both groups have been moving from the Democratic Party to the GOP. Among people without a four-year college degree, a plurality of 44% identified as Democrats in 2010. Now, only 36% do. Among those who are college graduates, just 36% now identify as Republican, versus 41% in 2010.

While there is broad agreement that the country is riven by division, there is no consensus on why. Fully 80% of those surveyed saw the country as mainly or totally divided.

The Journal/NBC News poll surveyed 1,200 people on Aug. 5-9. The margin of error for the full sample was plus or minus 2.82 percentage points.

## U.S. WATCH

### CONGRESS

## Trump's Son, Rice Talk to Russia Panels

Several congressional committees investigating Russian activity during the 2016 U.S. election are expected to hear this week from witnesses connected to the controversy, which has dominated the early months of Donald Trump's presidency.

Donald Trump Jr., the president's eldest son, is scheduled to meet privately Thursday with staff on the Senate Judiciary Committee while former National Security Adviser Susan Rice met behind closed doors on Wednesday with the House Intelligence Committee, according to people familiar with the matter.

Separately, the House Intelligence Committee also issued a subpoena to the **Federal Bureau of Investigation** for information concerning a dossier of unverified information about the president.

Moscow has denied meddling in the U.S. election, and Mr. Trump has denied his campaign colluded with Russia.

In an interview scheduled for Thursday, the younger Mr. Trump is expected to be asked by the Senate Judiciary Committee staff about contacts with Russia during his father's 2016 presidential campaign.

"We look forward to a professional and productive meeting and appreciate the opportunity to assist the committee," a lawyer for the younger Mr. Trump said in a statement.

Ms. Rice's appearance is in part related to questions raised by Republicans about her role in revealing and disseminating the names of Trump campaign officials in classified intelligence reports during the Obama administration, a process known as "unmasking." She has denied any improper handling of classified information.

"Ambassador Rice remains fully supportive of bipartisan efforts to determine the extent and scope of Russia's outrageous efforts to interfere in the 2016 election, which violated one of the core foundations of American democracy," said Erin Pelton, a spokeswoman for Ms. Rice.

—*Byron Tau and Rebecca Ballhaus*

### COMMERCE DEPARTMENT

## Trade Gap Widened Slightly in July

The U.S. trade deficit expanded very slightly in July, reflecting a decline in exports.

The foreign-trade gap in goods and services increased 0.3% from the prior month to a seasonally adjusted \$43.69 billion in July, the Commerce Department said Wednesday. Economists surveyed by The Wall Street Journal had expected a trade deficit of \$44.7 billion for the month.

Exports fell 0.3% in July and imports declined 0.2%.

The fall in exports was led by declining shipments of consumer goods, including phones, dia-

monds and drugs. That was partially offset by increased exports of petroleum. Imports of petroleum and motor vehicles fell, but deliveries of capital goods and food rose.

Data on international trade can be volatile from month to month, and the figures aren't adjusted for inflation.

Both exports and imports have been increasing most of this year, reflecting a stronger global economy driving an upswing in world trade flows. A weaker dollar has made U.S. products relatively more affordable overseas and consumer spending in the U.S. has been solid, which aids import purchases.

—*Eric Morath and Sarah Chaney*

### MONTANA

## People Taking Photos Separate Bear, Cubs

Montana wildlife officials say people trying to take photos of two young bear cubs ended up separating them from their mother. Fish, Wildlife and Parks game warden Nick Taylor says the bears were near the town of Harlowton over the weekend when people stopped to take pictures. At some point, people chased the bears and got between the mother and her still-nursing cubs.

Wildlife officials captured the two cubs and held them for a day to try to find the mother, but she had left the area.

—*Associated Press*



IN DEPTH

KOREA

*Continued from Page One*  
rukawa, a member from 2011 to 2016 of the U.N. panel of experts monitoring sanctions enforcement on North Korea.

Among those scientists is Kim Kyong Sol, who was at China's elite Harbin Institute of Technology more than a year after the U.N. introduced its sanctions, doing a Ph.D. in mechatronics—a blend of mechanical engineering, electronics and programming—according to university staff. In March this year, he published a paper in China co-written by a senior engineer in Beijing's military-run space program.

After reviewing Mr. Kim's paper at the Journal's request, Mr. Furukawa concluded it fell into a category banned by sanctions.

Foreign-educated North Koreans' work in multiple disciplines, said Mr. Furukawa, now an independent analyst, has "surely contributed to the accumulation of scientific know-how and information relevant to its weapons program."

North Korea's technological advances go beyond nuclear science. Any research or contacts abroad that could help North Korea launch objects into space is of concern to the U.S. as it tries to stop Pyongyang from perfecting ways to attack America or its allies.

Pyongyang has launched Earth-observation satellites, which can be used for reconnaissance and targeting. It has also test-fired missiles from a submarine and said it could conduct an electromagnetic-pulse attack, designed to cripple electric grids by detonating a nuclear device on a satellite.

The technology Mr. Kim studied, called MR damping, can be used to stabilize spacecraft and absorb shock in missile-launch systems, including in submarines, as well as to reduce vibration in cars, buildings and helicopters, U.S. experts in the field said.

Mr. Kim returned home in June, university staff said. He didn't respond to emails. China's foreign ministry said Beijing was "strictly implementing" all U.N. resolutions on North Korea. It didn't respond to questions about Mr. Kim, nor did Harbin Institute of Technology.

The concern among U.S. officials is that Pyongyang exploited a lack of strict education sanctions before the 2016 U.N. ban to dispatch scientists and bring back "dual use" expertise—with civilian and military applications—and could continue to benefit from any lax enforcement of the ban.

Some of those officials said they fear that even with strict sanctions enforcement, Pyongyang may already have sufficient indigenous know-how for its nuclear goals. There is evidence North Korea produces its own rocket engines, the Journal reported in August.

Homemade claims

Kim Jong Un made a point of bragging that his claimed hydrogen bomb was indigenous: "All components of the H-bomb were homemade and all the processes ranging from the production of weapons-grade nuclear materials to precision processing of com-

ponents and their assembling," the nation's official Korean Central News Agency quoted him as saying.

Following North Korea's second nuclear-bomb test in 2009, the U.N. in a package of sanctions in response called on countries to "prevent specialized teaching or training" within their territories or by their nationals that could help Pyongyang's nuclear and missile development.

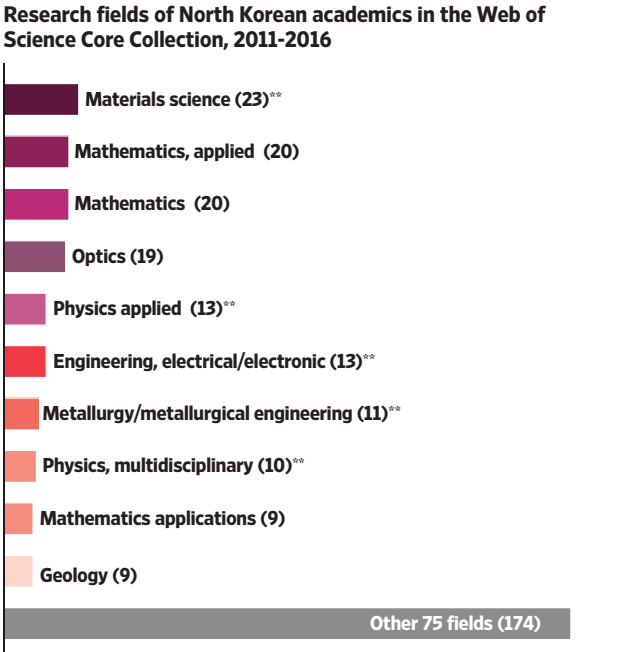
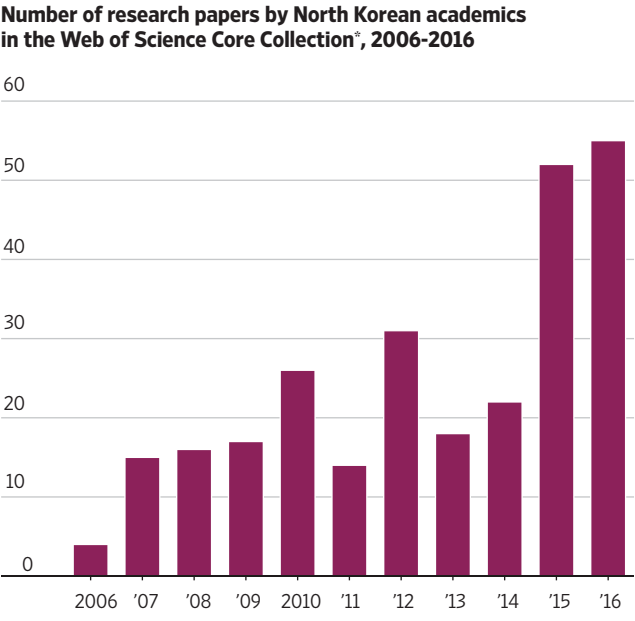
The U.N. imposed the 2016 ban on teaching specific subjects in response to a fourth nuclear test in January of that year and broadened it to encompass disciplines such as advanced engineering and materials science after another test in September 2016.

In a report in February 2017, U.N. experts said they found several North Koreans studying physics in Italy and four studying material science, engineering and electronic communications in Romania last year after the ban. The report said all were redirected to permitted subjects. The institutions didn't respond to requests to comment.

In 2016, U.N. experts said two North Koreans were training that year before the ban at an Indian space technology center where 32 others had attended since 1996, including one who recently headed

Advanced Studies

Hundreds of North Korean scientists have studied abroad or collaborated with foreign scholars in recent years, some in fields subject to 2016 U.N. sanctions.



\*The Web of Science Core Collection is a database of information from more than 18,000 major academic journals  
\*\*All or partly banned by the U.N. for training or teaching to North Korean nationals  
Source: Geum Hee Jeong and Sun Huh; Hallym University (co-authoring and research fields); U.N. Security Council Resolutions (U.N. banned subjects)



Photos of North Korean doctoral students in a registration book at their former accommodation block at China's Harbin Institute of Technology.

Pyongyang's satellite control center. The center said it no longer accepts North Koreans.

China in recent years has accounted for the bulk of North Korean scientists abroad, the Journal found in a review of official figures and data from universities in countries where the most North Koreans typically have studied. In China, 1,086 North Korean postgraduates studied in 2015, the last year for which official data are available, according to a Chinese Ministry of Education publication, up from 354 in 2009. The publication doesn't show which schools they attended or what they studied. The Education Ministry didn't respond to re-

quests to comment.

China accounted for 60% of research papers by North Koreans in foreign journals from 2011 through 2016, mostly in physics, engineering, math, metallurgy and materials science, a study of academic databases by researchers from South Korea's Hallym University found.

Papers published by North Koreans in China since the 2016 U.N. sanctions span civilian fields such as medicine and mining but also include several in fields now prohibited, including metallic foams that protect against radiation.

Sending scientists abroad, and giving them perks at home, has been central to Kim Jong Un's policy of *byungjin*, or parallel progress, to develop nuclear weapons and the economy—a policy he introduced publicly after taking power on his father's 2011 death.

North Korea has said it needs nuclear weapons to prevent an attack by the U.S. It began its nuclear-arms program with Soviet backing in the 1950s and for years had small exchanges of scientists with the Eastern Bloc. After the Cold War's end, Pyongyang traded for nuclear and missile expertise, mainly with Iran and Pakistan, according to historians, while continuing to send a few scientists abroad.

Since North Korea's first nuclear test in 2006, U.S. and U.N. sanctions have focused on curbing the flow of money and dual-use materials to Pyongyang's weapons programs. The regime has compensated by trying to develop more indigenous weapons know-how, experts on North Korea said.

Kim Jong Un's *byungjin* policy has helped Pyongyang develop a wide spectrum of technical expertise—including metallurgists to make strong, lightweight alloys for rockets, mathematicians to help guide missiles, and satellite engineers to improve targeting and reconnaissance, said experts and Western government officials.

Mr. Kim's studies

It isn't clear how the mechatronics scientist, Mr. Kim, planned to use his expertise in MR damping. "Could it be turned into military applications? Possibly," said Mehdi Ahmadian, a Virginia Tech professor who said he had done similar research on MR damping in space structures, which could include satellites, antennas or mirrors.

Footnotes in the paper Mr. Kim published show funding came from a project led by his Chinese supervisor, Chen Zhaoobo, on hypersonic vehicles, which can fly at more than 3,800 mph and are being de-

veloped by China, Russia and the U.S. to deliver weapons.

Prof. Chen said that, after four years in Harbin on a Chinese government scholarship, Mr. Kim returned home because of the sanctions shortly before defending his Ph.D. thesis. "I tried to comfort him a little," Prof. Chen said.

He said Mr. Kim didn't have access to secret Chinese defense technology but said his former student's work, with further development, had potential civilian and military uses, including in space. He and two other professors who worked with Mr. Kim said they learned of the U.N. sanctions only around May or June of this year.

Mr. Kim arrived as part of a cooperative agreement of the type several Chinese universities have signed since 2010 with North Korean universities, including two that U.N. experts have reported provide personnel and technology for Pyongyang's nuclear-weapons program. They are Kim Il Sung University and Kim Chaek University of Technology, Mr. Kim's alma mater.

David Albright, a former

U.N. sanctions ban teaching North Korean students certain subjects.

U.N. weapons inspector and expert in nuclear proliferation, said it is common among nations seeking to develop weapons of mass destruction to seek knowledge abroad, including by sending scientists to take courses and attend conferences. China's engineering schools and training programs, he said, offer "opportunities to mingle with people who may have sensitive information, such as Chinese who have been in military programs."

The Harbin university, known as HIT, is one of China's top engineering schools and conducts classified defense and space-related research, as well as regular civilian studies. The school has cooperation agreements with Kim Chaek and Kim Il Sung universities, which in 2013 sent the first group of 12 doctoral and postdoctoral students to enroll there, according to the HIT website. That number increased to 28 by 2015.

Mr. Kim was in the first group. Born in 1975, he studied mechanical engineering in North Korea before enrolling in HIT's School of Mechatronic Engineering, according to his research papers. The school boasts on its website it has trained personnel for China's manned space program and has facilities for defense research, including on ultraprecision machining.

Mr. Kim and the other North Koreans at HIT kept low profiles, sharing apartments and rarely socializing, university staff said. The North Koreans all had Chinese government scholarships, they said, which provided free housing and tuition and monthly stipends of about 3,000 yuan (\$450).

"They were easy to recognize from their clothes and their looks," said one Chinese postgraduate student at HIT.

Upon arrival, Mr. Kim "looked at the direction of my research and thought it was quite interesting," said Prof. Chen, a vibration-control expert who has worked on defense projects. He said he now focuses on civilian research because "military project management is very strict and not conducive to academic exchanges."

In 2007, Prof. Chen co-wrote a paper on designing composite laminates to control vibration in spacecraft. From 2012 to 2015, he ran a project on vibration control for hypersonic vehicles, according to his profile and the National Natural Science Foundation of China.

That project sponsored Mr. Kim's paper in March, whose co-authors included Wang Xiaoyu from the Beijing Institute of Spacecraft System Engineering, which has worked on Chinese satellites and China's manned spacecraft and lunar rover. Ms. Wang declined to comment.

Prof. Chen said Mr. Kim's work was more directly related to helicopters but could be used in multiple fields. He and Mr. Kim applied for a patent in February, saying their technology has applications in areas including aerospace, according to China's patent registry.

Norman Wereley, a University of Maryland aerospace-engineering professor and MR-damping expert, said Mr. Kim's research was fairly basic but would allow him to do more sophisticated work at home. "He could think about, 'well, hey if I want to do vibration control in a missile system, I have a much better understanding of how to do that,'" he said. "I don't think he's getting this education for scholarly reasons."

At least 11 other North Korean Ph.D. students left HIT in June, while others switched to subjects such as management studies that aren't banned by the U.N., university staff said.

Some may have taken home extra know-how. North Koreans are suspected of violating library regulations by downloading tens of thousands of papers from subscription-based databases in recent months at least two Chinese schools, including HIT, according to university staff and students.

On May 16, 57,000 papers were downloaded by nine foreign students from the mechatronics and other faculties at HIT, according to a notice from its library. Staff and students said the culprits were North Korean.

—Daniel Stacey and Kersten Zhang contributed to this article.

FOOD

*Continued from Page One*  
to debunk urban myths about the contents of food the school serves, and to recommend healthier lifestyle choices.

"I have had a little pushback from some very feisty vegans," she said.

College students across the U.S. are making some precise demands of school chefs and dining halls. For a generation animated by a desire to make a difference and raised to believe personal wellness is paramount, a meaningful academic experience begins with minding what you eat.

That's inspired the University of Houston to spend \$6,500 to build two hydroponic grow towers, vertical gardens that use nutrient-rich waters to cultivate cilantro and oregano indoors, without soil. The University of California, Los Angeles has installed aeroponic grow towers that grow plants with just mist. Thyme, butter lettuce and microgreens are flourishing in

the breeze on the roof of UCLA's Bruin Plate dining hall.

"If you're not eating good things, how do they expect your brain to grow?" said Hannah Logan, a senior at the University of Massachusetts Amherst majoring in sustainable food and farming.

UMass Amherst and other schools say passing that test is increasingly important as the college-age population plateaus and competition for the best students intensifies. "A strong dining program can attract top students," said Garrett Distefano, UMass Amherst's director of residential dining and sustainability.

He pointed to a survey from 2016 that showed 70% of more than 1,200 UMass Amherst students said the quality of the school's food was an important factor in their decision to attend. The school increased spending on local and sustainably grown foods to \$4.9 million in the year through June, from \$2.7 million three years ago.

Some students and parents balk at such spending after watching college tuition climb nearly 400% nationwide over

the past 30 years. UMass Amherst and other schools say they offset the cost by cutting back on food waste and striking deals directly with local farmers. They are keen to appeal to students who say food is front and center in their college decision.

"For me to see myself going to a school, I also had to see myself being able to eat there," said Ally Roberts, an aspiring neuroscientist who started her freshman year last week at the University of Colorado Boulder. "I see a huge correlation between what I eat and how I think."

Some schools are encouraging students to get their hands dirty. Livia Marrs, a 21-year-old senior at The College of William & Mary in Williamsburg, Va., is a "sustainability intern" who spends more than 15 hours a week tending eight 100-yard rows of zucchini and sweet potatoes at a farm 17 miles from campus.

Ms. Marrs recalls pulling a bunch of carrots from the ground that she had grown herself this spring. "The first time that happened was just, like, a very fulfilling moment,"

she said.

Some schools say the costs or the hassles to compete can be more trouble than they are worth. A quarter-acre vegetable garden at St. Norbert College in De Pere, Wis., withered after its student founder graduated a few years ago.

One of the first schools to address such requests was Yale University, where students plowed a corner of the campus gardens in 2003 to learn more about what they were eating. Today the 1-acre garden is a hybrid farm and living-history laboratory,



The student farm at University of Massachusetts Amherst.

where students thresh wheat to lend context to readings of Anna Karenina and grind grain into a flatbread dough made from a recipe in Yale's Beinecke Rare Book & Manuscript Library. And some flour from the farm is baked into pizzas served at weekly food symposiums called Knead 2 Know.

The free-trade coffee movement played an early part in influencing campus dining. When Virginia Tech students demanded more free-trade coffee in 2008, dining-services head Ted Faulkner booked a trip to Nicaragua, where he

helped pick beans at an organic, bird-friendly coffee estate that now supplies the school.

A churrascaria, a gelateria and a sushi bar are among Virginia Tech's other campus dining options.

"You've got to keep pace with their expectations," Mr. Faulkner said.

The bar is always rising, he said. At a student dining committee meeting this spring, Taqua Elleithy, a marketing and psychology major, complained that Virginia Tech's pancake syrup was too bland.

Soon dining staff summoned Ms. Elleithy and other student leaders to a kitchen and presented them with french toast sticks and a lineup of 13 sticky sauces.

"They were like, 'Yo, rank them,'" said Ms. Elleithy, a junior. The winner was sweet and flavorful, with a "good dipping and pouring consistency." The university's efforts impressed her.

"It's one thing to like, listen, but it's a whole 'nother to follow through," she said. "I think it validates students' opinions."



# LIFE & ARTS



Swiss is using the  
Bombardier CS100 on  
short-haul routes.

**THE MIDDLE SEAT** | By Scott McCartney

## Sure, It's Roomier, But Do Fliers Care?

The C Series has wider seats and other perks; most major carriers aren't buying

*Mirabel, Quebec*  
**THERE'S A NEW** passenger jet with wide seats, ample overhead bin space and an extra-quiet engine.

It isn't selling well. Four years after its maiden flight, only two small European airlines fly the Bombardier C Series of 110- and 140-passenger planes. Delta will begin flying the plane next year. While there are many reasons for the slow sales, the lack of interest highlights the low priority airlines and passengers place on comfort.

And the two airlines currently flying the C Series—Swiss and Air Baltic—say most coach passengers won't pay higher fares for comfy cabins. For a small fare difference, they'll still pick less-comfortable airplanes. Airlines say cost is the No. 1 factor when evaluating new airplanes.

"Passengers get into anything that flies if the ticket is cheap," says Martin Gauss, chief executive of Air Baltic, based in Riga, Latvia.

He says flying the new plane has brought attention to his brand. Passengers notice how quiet the C Series is and that you can pass by a

trolley in the aisle without getting blocked. Overhead bins are large, and since there are only five passengers in a row instead of six, there's more bin space per passenger.

The CS100, which seats 100 to 125 people, and its sister CS300, with up to 145 seats, were designed to bring the low per-seat costs of big planes into the small-plane arena, usually dominated by cramped regional jets.

Bombardier, a longtime producer of regional jets, saw a gap in the aircraft market and decided to venture into larger planes. Boeing and Airbus have made their popular single-aisle jets longer so airlines can pack in more seats. Bombardier figured many markets with service on 50-, 70- and 90-seat regional jets would get bigger, too.

In aviation, there's usually a trade-off between comfort and cost. Making an airplane wider requires a beefier fuselage. Flying more weight burns more fuel, adds cost and can reduce how far the plane can fly.

But with new fuel-efficient engines and lighter airframe materials, Bombardier found ways to keep

operating costs low and still offer a wide cabin. The C Series cabin at its widest point is 129 inches, only 10 inches narrower than a Boeing 737. But the Boeing has six seats in an aisle; the C Series only five.

That means each passenger can have an 18.5-inch-wide seat, roomier than any other coach single-aisle airplane. Alternatively, Bombardier is also offering a unique option for the poor souls stuck in the middle: a 19-inch-wide seat while window and aisle seats get 18 inches.

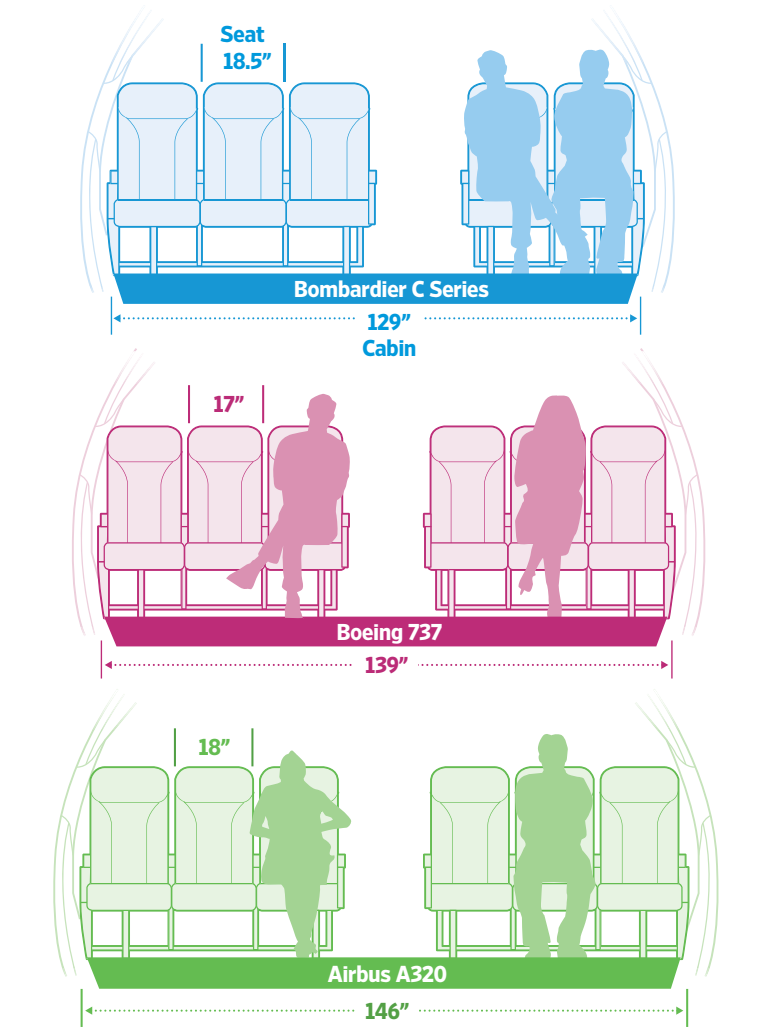
The C Series, built at Bombardier's factory here at the Montreal airport, also has larger windows than rival narrow-bodies, and more of them—1.5 windows per row on average. The cabin feels open and roomy, especially when daylight pours in.

"I think it's as strong a selling point as we thought it would be," says Fred Cromer, Bombardier's president of commercial aircraft, says of the plane's comfortable cabin.

Which is to say, secondary. Sales were so bad that Bombardier took a \$3 billion write-down on the C Series program and needed a

### A Wider Berth

Bombardier's C Series seats are wider than those in similar planes made by Boeing and Airbus.



Source: The airlines

THE WALL STREET JOURNAL.

bailout in the form of an investment from the Canadian government. Problems were many, from delays in the flight-test program to analysts suggesting Bombardier was pricing the aircraft too high.

Firm orders currently total about 350, Mr. Cromer says. By comparison, Boeing has 3,816 orders for its newest 737 and Airbus has 5,167 orders for the new-engine option of the A320 family.

Mr. Cromer, a former airline executive, says orders will pick up now that the plane is in service and proving to be both economical and reliable. With that, the passenger comforts will sway airlines. "We're starting to check all the boxes," he says.

United President Scott Kirby, whose airline canceled an earlier C Series order, says he'll probably examine the 100-seat market again someday. But his preference is for bigger planes. Even if you can't fill a 737 on a particular route today, he says, in 10 years you'll likely be able to, and the airline will own the plane for 20 years.

"We're in a world where flying bigger and bigger planes is just

better and better," Mr. Kirby said at the Boyd Group conference in Las Vegas last week.

Asked later about the benefits of passenger comfort, Mr. Kirby said, "All that stuff matters. But I would have a hard time giving the C Series a passenger preference premium to a 737 or 320-sized aircraft."

Bombardier's list prices are close to or even higher than list prices for larger airplanes. The CS100 lists for \$79.5 million and the CS300 for \$89.5 million. The current list price of a Boeing 737-700 is \$82.4 million. But analysts say Bombardier is now more willing to discount prices.

At Swiss, the fuel burn on its C Series planes has been 4% better than Bombardier predicted and the jets have been reliable, with few cancellations, says Peter Koch, Swiss C Series fleet chief.

Mr. Koch says the new plane can upend the basic airline strategy to cram in more seats to improve profitability. "The C Series is breaking that chain. It has a good amount of seat comfort. However, we're getting big savings from fuel and maintenance," he says.

### MUSIC

## TICKETMASTER ASKS: ARE YOU A BIG ENOUGH FAN?

BY ANNE STEELE

**AFTER MISSING OUT** when tickets went on sale for Taylor Swift's 2015 concert tour, Kelley Johnson couldn't afford the sky-high prices scalpers were asking. Her final gambit, calling into radio stations in her hometown of Lenoir, N.C., was also unsuccessful and she never saw the tour.

"It killed me knowing there were seats open," she says. "But I couldn't get them because they were \$1,000."

When the pop star's next tour kicks off, Ms. Johnson, 30, hopes things will work out differently for her, thanks to a new system called Verified Fan.

It's Ticketmaster's latest attempt to ensure that actual fans, rather than scalpers, get first crack at tickets to hot events, including Ms. Swift's "Reputation" tour and Bruce Springsteen's upcoming run of solo shows on Broadway. For at least a decade, the ticketing giant has waged war against professional resellers and the software "bots" they use to harvest tickets the instant they're available.

"Instead of fighting an arms race, we decided we could take advantage of a deep database of info on ticket buyers and identify the behaviors that real fans exhibit," says David Marcus, head of music at Ticketmaster, a unit of Live Nation Entertainment Inc.

The system asks users to register weeks before tickets go on sale, providing their name, email and phone number. Ticketmaster doesn't disclose the exact details of how the program works. But according to people who have worked on tours that used Verified Fan, the ticketing giant mines its own sales records, along with publicly available data such as social-media history, to verify would-be buyers' identities. Those deemed legitimate are sent codes that let them access tickets.

Verified Fan has generated controversy in its first several months. Unsuccessful fans are livid, feeling snubbed by software that



Fewer than 3% of tickets sold via Verified Fan for Bruce Springsteen's show have hit the secondary market.

purports to quantify their enthusiasm for a given artist. Ticket brokers—the term resellers prefer to scalpers—say the process interferes with free-market dynamics.

But many in the concert industry hail it as the best solution yet to an age-old problem.

Mr. Marcus says for typical high-demand shows, Ticketmaster expects 30% to 50% of tickets to be snapped up by scalpers and their bots. With Verified Fan, which some 50 artists have used since it rolled out late last year, fewer than 5% end up being offered for resale on services such as StubHub or through brokers' own websites.

So far, Ticketmaster says fewer than 3%

of the tickets sold via Verified Fan last week for Bruce Springsteen's 79-show run on Broadway have hit the secondary market.

Diane Wilkes, a Springsteen fan-page administrator who's seen him 150 times, wasn't among the lucky few to secure a ticket code for one of the Broadway shows, which run from Oct. 3 to Feb. 3 at the 960-seat Walter Kerr Theatre. Luckily, her husband did, and secured a pair for \$600 apiece.

"I think this made it less horrible," she said, adding that no ticketing system could solve the basic problem that there simply aren't enough tickets for everyone who wants one.

Not all fans are convinced. Edward Morris, a diehard Springsteen fan, took the day off work last Wednesday to wait for a code that never came. He's used to tough times when it comes to securing tickets.

"When Springsteen goes on sale the computers crash—that's almost tradition," he says. But at least he had a shot in those cases. "I'm wondering if the fairest way isn't just to camp out like the old days."

Representatives for Mr. Springsteen declined to comment.

In Ms. Swift's case, fans are being prioritized for tickets before tour dates are even announced. Preference is based on how aggressively fans display their fervor, including by spending money on her products.

A registered user can earn a "medium boost" by watching one of Ms. Swift's videos on the her site or posting a photo on Twitter showing a UPS truck emblazoned with an ad for her upcoming album, "Reputation"; UPS is a sponsor of her tour. They can earn a "high boost" for ordering merchandise including T-shirts (\$47 to \$50), rings (\$60) or "Reputation" for \$15, plus \$45 for "expedited" shipping—via UPS—to ensure it arrives on its release date, Nov. 10.

Mr. Marcus says the system rewards fans for things they already do.

"Nobody is forced to buy anything," he says. "Taylor's fan base is hyper-engaged. They are collectors of her music, avid buyers of her merchandise, rabid viewers of her videos and listeners of her singles."

Ms. Swift's publicist said scalpers won't take the time to engage in legitimate fan activity. "If these same tickets were offered on the open market, scalpers would snatch them up and fans would be paying thousands of dollars for them," she said.

Ram Silverman, operations director for Golden Tickets, a broker based in Plano, Texas, dismissed Verified Fan as a gimmick.

"It's good marketing but in the end it's very deceiving," he says. "You don't know where you're going to be in line or what kind of tickets you might get."



OPINION

REVIEW & OUTLOOK

America’s Dreamer Debacle

President Trump is taking flak from all sides for ending his predecessor’s Deferred Action for Childhood Arrivals (DACA) policy, thus putting some 800,000 young immigrants—so-called Dreamers—in legal limbo. Though the President and Barack Obama share responsibility for instigating the crisis, Mr. Trump and Congress now have an obligation to fix it and spare these productive young adults from harm they don’t deserve.

\* \* \*

Mr. Trump was at his worst during the campaign when he assailed DACA as an “unconstitutional executive amnesty,” though to his credit he later evinced a change of heart toward these immigrants who were brought to the U.S. illegally as children. The White House continued DACA despite legal misgivings. But in June, 10 Republican state Attorneys General presented an ultimatum: Kill DACA or we’ll sue.

They could make this threat because President Obama unilaterally issued the policy in June 2012 putatively because Congress failed to reform immigration, but the end-run was timed to galvanize his base before the election. He also knew that Dreamers have widespread public sympathy, including among Republicans who otherwise support strict immigration enforcement. He figured Republicans would harm themselves politically by opposing the compassionate policy and that a Republican successor couldn’t roll it back without a public backlash.

This was Mr. Obama at his most cynical, and it takes gall for him to scold Mr. Trump as he did Tuesday for making a “political decision” about “a moral question” and “basic decency.” Mr. Obama’s “political decision” to act as his own legislature teed up this moral crisis and created the legal jeopardy.

DACA allows undocumented immigrants under age 36 to apply for legal status and work permits, which can be renewed every two years. Applicants cannot have a serious criminal conviction. They must attend school, have a job or serve in the military.

As America’s problems go, these young adults shouldn’t even be on the list. And it shows the Republican Party at its worst that the state AGs and Attorney General Jeff Sessions want to make this an urgent priority, rather than let Congress take it up when it has a less-crowded schedule. They are pandering to the restrictionist right that is a minority even within the GOP.

But as a legal matter, they are right that Mr. Obama’s DACA diktat presents legal problems. The U.S. Constitution gives Congress the power to write immigration law, and issuing work permits confers a right that is the purview of the legislative branch.

The GOP AGs led by Texas’s Ken Paxton threatened to amend their lawsuit against the Deferred Action for Parents of Americans and Lawful Permanent Residents (DAPA), which Mr. Obama issued in November 2014. That sweeping order granted legal protections to four million or so undocumented immigrants

and stretched far beyond any reasonable definition of prosecutorial discretion.

In 2015 the Fifth Circuit Court of Appeals stayed DAPA, holding that the order usurped congressional authority. The Supreme Court left the injunction in place last year. Mr. Sessions is probably right that DACA “is vulnerable to the same legal and constitutional challenges that the courts recognized with respect to the DAPA program.”

But DACA presents distinct humanitarian and economic concerns—as well as a government promise that carries a moral if not legal obligation. Unlike DAPA, which was never implemented, some 800,000 Dreamers have used DACA to reorder their lives.

The Obama Administration invited Dreamers out of the shadows and asked them to submit personal identification and records that could now allow the feds to track them down. These young immigrants have committed no crime and trusted the federal government to protect them. A study last year by the Immigrant Legal Resource Center found that 87% of DACA beneficiaries are employed.

They would no longer be able to work legally once their DACA permits expire. And if they forge work documents, they would become a deportation priority. Dreamers could be forced to return to a country where they have no family and may not even speak the language. Is deporting these people really how Republicans want to define themselves?

\* \* \*

The White House seems to understand the terrible political optics, which is why it has tossed the issue to Congress. It plans what it calls “an orderly wind-down of DACA” rather than wait for a potentially disruptive court injunction. Current Dreamers whose permits expire over the next six months will be allowed to apply for renewals by Oct. 5, though no new applications will be accepted.

This gives Congress at least some time to enact the current Dreamer legalization process in a statute that is the proper legal path under the Constitution’s separation of powers. Mr. Trump signaled his willingness to sign such a bill on Tuesday when he tweeted, “Congress, get ready to do your job—DACA!” We hope he means it.

This will be a test of the sincerity of both Republicans and Democrats in Congress. Some Republicans like Iowa Rep. Steve King will oppose any DACA legalization as “amnesty,” and will want to load up a bill with poison pills that moderates and Democrats can’t abide. Many Democrats may also be more than happy to block legislation and use the Dreamers as a cudgel against Republicans next year.

An obvious bipartisan solution would trade authorizing DACA in return for additional border enforcement. But Republicans should also be prepared to send Mr. Trump a clean authorization to make good on the government’s moral obligation to these young people.

Persecution of the Rohingyas may fuel Islamist radicals.

A new humanitarian catastrophe is looming on the border between Burma and Bangladesh. The United Nations reports that 125,000 Rohingya Muslims have fled violence in Burma, and tens of thousands are believed to be on their way. Persecution of the stateless minority could destabilize the region by fueling Islamist movements.

The Rohingyas (now numbering 1.3 million) have lived in Burma for centuries, but since the 1980s the government has stripped them of citizenship, insisting that they are illegal immigrants from Bangladesh. This makes it difficult for them to find work, buy property, go to school or even get married. This mistreatment is the source of the present violence.

On Aug. 25, a new militant group, the Arakan Rohingya Salvation Army (ARSA), attacked police posts and an army base, killing 110. The Burmese Army retaliated with a campaign of ethnic cleansing. Satellite photos show 17 villages burned, and eyewitnesses say soldiers slaughtered men, women and children.

The Burmese government led by Aung San Suu Kyi says these are lies and exaggerations. It has even accused the Rohingyas of torching their own property to gain international attention. But the government’s credibility is minimal after years of similar atrocities against the Rohingyas and other minorities.

After Buddhist mobs attacked Rohingyas in 2012, the government moved about 140,000 of them into camps with appalling conditions. In 2015 that treatment drove tens of thousands to pay human traffickers for journeys on rickety boats to Malaysia and Thailand. Thousands died at sea and in the jungles.

Last October the Arkan Roningya Salvation Army conducted its first attacks against the Burmese government, killing nine police officers. Over the next four months, the Burmese army razed villages and slaughtered civilians in retaliation. About 70,000 Rohingyas fled to Bangladesh. A U.N. report found evidence the military committed crimes against humanity, including mass rape.

Ms. Suu Kyi, Burma’s de facto leader whose National League for Democracy won a landslide victory in the 2015 election, has failed to end the violence or speak on behalf of the Rohingyas.

Last week she used Facebook to accuse foreign aid groups, including the U.N. World Food Program, of supporting Rohingya “terrorists,” and she has refused to grant U.N. investigators visas to enter the country.

Political and religious leaders as well as Ms. Suu Kyi’s fellow Nobel Peace Prize laureates have called on her to live up to the lofty ideals she preached as a democracy campaigner, to no avail. U.N. Special Rapporteur Yanghee Lee says that the Burmese government “may be trying to expel the Rohingya population from the country altogether.”

Ms. Suu Kyi’s moral failure has naturally raised tensions with Bangladesh, which is sheltering more than 200,000 refugees. In Malaysia, home to about 60,000 Rohingya migrants, a local charity organized a protest in Kuala Lumpur last week, and Prime Minister Najib Razak last year accused Burma of genocide. Indonesia’s second-largest Muslim organization, Muhammadiyah, called for Burma to be referred to the International Criminal Court.

Southeast Asia is home to 240 million Muslims, and conservative forms of Islam are growing thanks in part to funding from the Middle East. So far the Rohingya Salvation Army remains small and crudely armed.

But if the persecution of the Rohingyas continues, radical groups could use their plight to recruit new members and send them into the fight. That would destabilize neighboring countries with multireligious populations.

Aid donors such as the U.S., Japan and the European Union can use their leverage to ask Ms. Suu Kyi and the Burmese army to restore the Rohingyas’ citizenship rights. But the Association of Southeast Asian Nations can exert the greatest pressure on Burma. They must overcome their reluctance to intervene because they have so much to lose.



POLITICS & IDEAS  
By William A. Galston

With Labor Day just behind us, now is a fitting time to review the condition of American workers and their families.

During the past few months, median household incomes finally have regained the ground lost during the 2007-09 recession—closing in on the all-time high reached in 1999. Yet for average Americans almost two decades have passed without significant improvement in their standard of living.

For many, it has been far worse. On average, high-school educated white American men working full time earned 4% less in 2014 than they did in 1996, according to a Sentier Research study.

Statistical aggregates often conceal as much as they reveal. All else equal, when experienced workers retire and younger workers are hired in their place, median income will decline. This is no cause for concern.

The real issue is what happens to individuals over the course of their working lives. This reality, the Sentier study shows, was far worse than the aggregate numbers suggest. The cohort of high-school educated white men who were 25 years old in 1996 and 43 years old in 2014 experienced a 9% decline in annual earnings, on average, between 1996 and 2014.

The losses were concentrated among the oldest workers in this group. For example, individuals ages 37 to 38 earned an average of \$44,209 in 1996. In 2014, when they were in their mid-50s, these individuals on average earned only \$32,298—a decline of 27%.

During this same period, by contrast, white men with college degrees were gaining ground. Overall, as college-educated men who were 25 in 1996 and 43 in 2014 experienced average earnings gains of 23% between 1996 and 2014.

Those beginning their careers fared even better. College-educated men ages 25 and 26 earned an average of \$40,487 in 1996. Eighteen years later, these men on average earned \$94,252, a gain of 133%.

In one sense, this is nothing new. A cohort analysis for white men between 1978 and 1996 tells much the same story. Overall, high-school-educated men ages 25 to 44 in 1978 had annual earnings of \$49,414. By 1996, when these men were ages 43 to 62, the average stood at \$44,108, a decline of 11%. By contrast, college-educated men in this age cohort saw average earnings gains of 30%.

But there is a key difference between these two 18-year chunks of recent history. Between 1978 and 1996, women at all educational levels surged into the paid workforce, and two-earner families became the norm.

LETTERS TO THE EDITOR

The Journal Was Too Polite Toward Antifa

Your editorial analysis of Antifa is timely and on target (“Behind the Bedlam in Berkeley,” Aug. 30). Some media cavalierly refer to Antifa actors as “demonstrators” or “participants” or “protesters” when it is becoming apparent that Antifa wants to violently shut down legitimate protests and demonstrations. The “comrades” who claim to be antifascist are actually anti-everything.

Violence is Antifa’s primary tactic to stifle free speech and shut down conservative or midstream speech, whether Republican or Democratic.

You stop short of identifying Antifa as a major terrorist threat to America, evidence of which is growing. Both political parties, college presidents, campus leaders and the media must denounce Antifa for its nihilistic suppression of free speech and its violent opposition to any exchange of ideas. They must also demonstrate a solidarity against anarchy and Antifa’s intrinsic violence.

JOSEPH E. COFFEY  
West Roxbury, Mass.

As anarchists, Antifa thugs are by definition a law unto themselves. They despise authority, particularly law enforcement. So far this year Antifa has used Molotov cocktails, rocks, bricks, marbles, bottles of urine, balloons filled with feces and unknown chemicals, red-stained tampons, fireworks and pepper spray to attack police in Berkeley, Boston, Phoenix, Portland, Ore., and Olympia, Wash.

When a black police officer recently intervened to stop Antifa from vandalizing an Atlanta park statue, the demonstrators chanted: “Blue lives splatter.” Antifascists interviewed by the Atlanta Journal-Constitution said they “view police as a tool of an establishment they want to dismantle.”

Eventually Antifa will kill someone unless law enforcement clamps down soon, perhaps using a no-tol-

Trump Can Achieve Inclusive Growth

Overall incomes in households with high school-educated men could rise even when men’s earnings did not.

But female labor-force participation peaked in 1999 and declined thereafter, eliminating a key counterbalance to declining earnings for less-educated men.

For four decades, American society has left less-educated workers to fend for themselves as unions weakened and the forces of globalization and technological change intensified.

And now there are two Americas divided by education. One moves forward, the other falls behind. One is optimistic, the other pessimistic. One is comfortable with change, the other fears it. This divide is dangerous and has been ignored for far too long.

Focus on ‘middle skill’ jobs, which require some training but not a bachelor’s degree.

For the next generation, the pole star must be not only overall growth, but inclusive growth that gives Americans at different levels of formal education a chance to succeed.

Although the details remain up for debate, consensus broadly exists on how to achieve this. To increase aggregate growth, the U.S. must focus on higher rates of labor-force participation and productivity-enhancing capital investments. As long as global forces hold inflation in check, U.S. monetary policy can tilt toward growth.

To achieve inclusive growth, Congress and the president should emphasize middle-skill jobs, which require more than a high-school education but less than a bachelor’s degree. Studies have identified pools of these jobs that are of high value for businesses, provide pathways to higher wages over careers and have proved persistently difficult to fill. There are gaps between what non college-educated workers are bringing to the job market and what employers are seeking.

A systematic program to close this gap would begin by expanding modern skills training in high schools and local community colleges. It would increase the availability of apprenticeships.

And as a Harvard Business Review study puts it, because no *deus ex machina* will produce workers with the right skills who are ready to contribute from day one, employers must “take ownership for fixing the skills gap,” and they “must be willing to make the investments necessary” to close it. The alternative is to continue sitting on the sidelines complaining about the American educational system.

It’s time for employers to get back into the game. The country will benefit, and over time they will too.

erance “broken-windows policy” to arrest those who hurl projectiles, vandalize property, commit assaults or even jaywalk. Unmask them, jail them, publish their names and force them to attend free-speech training.

CHARLES D. EDEN  
Atlanta

The similarities among Antifa, the Sturmabteilung (Nazi Brownshirts) and Stalin’s thugs is chilling. Have we learned nothing from the 20th century?

JAMES SCHAEFER  
Paso Robles, Calif.

These groups routinely show up at otherwise peaceful rallies armed and ready for battle. They come clad in black, hooded and masked to disrupt and attack anyone that might put forth ideas or positions that differ with their beliefs. This ignores the right of others to freely express opposing ideas and concepts. This is un-American and must be stopped.

I suggest that as soon as Antifa or any others appear in masks they be immediately arrested, unmasked and photographed. It is obvious by their dependence on these masks that they are cowards and are most afraid of being identified and associated publicly with these hate groups. This might not solve all problems but would greatly reduce participation in these groups.

JOHN R. ASHBURN JR.  
Carrollton, Va.

It’s the antifada.

ROBERT HERNDON  
Brandon, Miss.

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OPINION

# Trump's Looming Trade Crack-Up

By Robert B. Zoellick

Donald Trump's trade policy is speeding toward a shipwreck. Under the U.S. Constitution, Congress has principal authority over trade, although it has delegated considerable powers to the executive. Congress needs to reassert control to block Mr. Trump's crack-up.

The president threatened last week to abandon the U.S.-Korea Free Trade Agreement. The immediate result would be to increase barriers to American exporters, especially farmers, ranchers, manufacturers and service industries. Without the FTA, Korea's average

**His fight with Seoul would leave the U.S. a loser. Congress needs to assert its authority to stop him.**

tariff could be boosted to almost 14%, quadruple the average U.S. tariff. The European Union will retain free access to Korea through its trade deal.

Mr. Trump's impulses are strategically incoherent. China has been squeezing Korean companies because Seoul has been installing missile defenses against North Korean rockets. When Mr. Trump seeks to cut off South Korea's trade with the U.S., Seoul's logical course is to accommodate Beijing to protect ties with its largest trading partner.

Combined with his withdrawal from the Trans-Pacific Partnership (TPP), Mr. Trump's attack on the Korean FTA signals America's unreliability as an economic partner. Asian countries will inevitably

question whether America's economic retreat is consistent with U.S. security commitments across the Pacific.

No one will understand why Mr. Trump would fracture ties with Seoul—and provoke public hostility in South Korea—at a moment when North Korea's threats necessitate tight cooperation and trust to thwart Pyongyang. North Korea's Kim Jong Un will proclaim that he is Korea's true national patriot, having shown his countrymen that America is selfishly thrashing the “running dogs” in Seoul.

The recently appointed South Korean trade minister, Kim Hyun Chong, is the same man who negotiated the FTA with the George W. Bush administration, who patiently renegotiated with Barack Obama, and who worked with Congress during both terms to forge closer links. South Korea's economic and democratic development has been an incredible success story; Korea grew to become America's sixth-largest trading partner for goods even without an FTA.

But Mr. Kim wanted to lock in an alliance with America in the 21st-century competition for power in the Indo-Pacific. Especially in Asia, where respect and reliability in personal relations are valued highly, Mr. Trump's shocking slap to America's Korean friends will be noted and long remembered.

Mr. Trump's tirade about South Korea is part of a much larger problem. He has repeatedly threatened to terminate the North American Free Trade Agreement (Nafta), too. Conventional wisdom has treated these trade tantrums as passing storms, but the rationalizers have misread his purposes.

Mr. Trump wants to reverse bilateral trade deficits, which he views as “losing.” In reality, trade



South Korea's President Moon Jae-in visiting the Oval Office on July 30.

deficits with other countries reflect a mix of relative growth rates, differential production advantages, supply chains, savings and investment, and currency exchange rates. The U.S. has a trade surplus with Australia, which has a surplus with China, which has a surplus with the U.S.—each reflecting comparative advantages. I have a “deficit” with my local supermarket, but I offset what I owe by earning money elsewhere, not by stocking shelves at night to pay for my groceries.

The U.S. cannot reverse trade deficits through new agreements. Mr. Trump's negotiators will try to fix outcomes by having governments set market shares or through arrangements similar to barter, like the Soviet Union's old Council for Mutual Economic Assistance.

Neither Canada, Mexico, South Korea nor any other market-economy partner will agree to a central-planning trade model. Even if they tried, bilateral trade patterns would still reflect global comparative advantages. Some 60% of America's

imports are for intermediate goods that contribute to U.S. competitiveness. Mexico's trade surplus with the U.S. primarily reflects integrated auto production, which helps U.S. companies and workers to compete globally.

The administration's Nafta proposals reveal its own contradictions. The U.S. demands more-open markets for American goods, pressing for provisions from the TPP that Mr. Trump denounced. But the U.S. also wants the ability to ignore its commitments. The administration, for example, wants to abolish neutral panels that apply agreed rules to resolve disputes about subsidies or selling goods below cost.

The U.S. also wants to be able to raise new barriers when interest groups demand “temporary protection.” And the administration wants to ignore rules on treating investors fairly. Mr. Trump's abandonment of investment protections could prove self-defeating if a new Mexican government reverses President Enrique

Peña Nieto's move to open Mexico's energy markets.

Mr. Trump appears oblivious to these realities. His real aim may be to forge a domestic political realignment around matters such as trade protectionism, hostility to immigration and walling off Mexico.

As he is unable to achieve simple solutions in North Korea, Afghanistan and the Middle East—and as his frustrations build with Congress and investigations—the danger is that he will lash out. Because his trade policy won't reverse bilateral trade deficits, the president will want to scrap “bad deals” that he can blame on others. He will destroy agreements to keep faith with his own false arguments—and to save himself.

Those in Congress who still want to give Mr. Trump the benefit of the doubt should ask how he plans to enact his new deals. Nafta's passage in 1993 required a huge effort by President Clinton and relied heavily on Republican support.

Mr. Trump is inept with Congress and will never fight for any Nafta. Democratic lawmakers will happily embrace Mr. Trump's economic isolationism to reclaim voters they lost.

This trade policy will unravel vital ties across the Asia-Pacific region, hurt an ally facing a security crisis, destroy a North American partnership that should be the foundation for U.S. global power projection and subvert confidence in the U.S. around the world.

Congress can no longer wait for Mr. Trump to speak and act sensibly. It needs to assert its constitutional powers over trade to stop this president's destruction.

*Mr. Zoellick is a former World Bank president, U.S. trade representative and deputy secretary of state.*

## The Case for Companies Issuing Nonvoting Stock

By Dorothy Shapiro Lund

S&P Dow Jones Indices will no longer include companies that go public with multiple classes of shares on its major U.S. stock indexes, it announced in July. A few days earlier, FTSE Russell said it would bar dual-class companies from its indexes unless public shareholders hold at least 5% of the voting rights.

These policy changes were made in response to a recent surge in dual-class initial public offerings, in which company insiders raise cash by selling nonvoting or low-voting stock to the public while retaining voting control over the company.

Such structures were historically favored by family-owned companies seeking to preserve control but have recently gained popularity among successful technology companies, including Facebook, Google and, more recently, Snap Inc.

The conventional view is that dual-class structures insulate company insiders from investor influence and accountability. When a problem arises at a company, the shareholders most affected have

few tools to take action. Separating control from ownership therefore weakens the insiders' incentives to maximize shareholder welfare. When the insiders slack or skim off the top, they reap all of the benefits but bear only a fraction of the costs.

Dual-class issuers don't deny that low-vote stock shields insiders from influence. They view it as the key benefit. That's because the dual-class structure can allow insiders to operate without interference from outside shareholders who seek short-term gains at the expense of the company's long-term vision.

Both sides of the debate overlook an important and unrecognized benefit of dual-class structures: A corporation that offers two classes of stock to the public is able to allocate voting power between shareholders who are informed about the company and its performance and those who are not.

Put differently, there may be companies that are made worse off when all shareholders vote. Some shareholders, including many retail investors, have no interest in learning about the company and prefer to free-ride off informed investors.

Other passive shareholders, such as index funds, may lack financial incentives to vote intelligently because of their investment strategy. Index funds seek to match the performance of the market, not beat it, so any investment in informed voting would drive up the fund's costs with little to no benefit.

**Having two classes of shares leaves decisions to those who are informed.**

Index-fund voting, therefore, is unlikely to move the company in the right direction. Yet as index funds own more of the market, uninformed shareholders are likelier to be the ultimate arbiter of shareholder elections.

This is where nonvoting stock could be especially useful: If a company issued nonvoting shares for uninformed investors to buy, all shareholders would be better off. Consolidating voting power in the hands of informed investors would make the company more attractive to those investors, who would get

greater influence at a lower cost, and also to uninformed investors, who would save on costs associated with voting.

Moreover, because nonvoting stock generally trades at a discount, voter sorting should occur without legal intervention. Uninformed voters should want to purchase discounted nonvoting shares, while informed voters would likely pay a premium for the right to vote.

But there are reasons to believe that such sorting won't always occur. The institutional investors that primarily invest in index funds haven't yet embraced nonvoting stock. Quite the opposite—they have been leading the effort to bar dual-class companies from stock indexes.

These largely passive institutional investors explain that because their indexing strategy requires them to buy and hold company stock under all conditions, they need a voice in company affairs. In time, though, the opportunity to purchase stock at a discount and avoid costs associated with voting would likely push uninformed investors, including many index funds, toward nonvoting

shares. And when this happens, the company that issued them would be more valuable, not less.

It's also true that so far the effect of issuing nonvoting stock has been to keep control with company insiders. But over time, the growing concentration of wealth in the hands of index funds and exchange-traded funds should increase the attractiveness of company structures that concentrate voting power with informed investors—that is, so long as companies aren't prohibited from using those structures.

The decisions by the major U.S. stock indexes, however, serve as a powerful deterrent to future dual-class offerings. Those indexes are major drivers of demand for U.S. stocks, so their decisions are likely to eliminate dual-class IPOs in the U.S.

Rather than celebrate the elimination of an entrenching corporate governance practice, Americans should pause and consider what unintended consequences arise from blanket prohibitions on corporate structuring in competitive markets.

*Ms. Lund is a teaching fellow at the University of Chicago Law School.*

## Silicon Valley's Hypocrisy on Internet Censorship

By Mark Epstein

Apple has at last broken its silence on net neutrality. Last week the company sent a letter to the U.S. Federal Communications Commission endorsing “strong, enforceable open internet protections” and opposing the FCC's planned deregulation.

“Consumers must be allowed to access the lawful internet content, applications, and services of their choice,” wrote Cynthia C. Hogan, Apple's vice president of public policy for the Americas. “Broadband providers should not block, throttle, or otherwise discriminate against lawful websites and services.”

Apple's comments are directly in line with the larger progressive narrative, which presents net neutrality as a bulwark against corporate censorship. If the FCC's deregulation went through, a senior policy analyst for the American Civil Liberties Union worried in July, “corporations like Comcast, Verizon, and AT&T will have the power to distort the flow of data and the marketplace of ideas online.”

Facebook's Mark Zuckerberg wrote that the FCC plan would let internet providers “block you from seeing certain content.” A public policy manager at Twitter said “free expression” would be threatened because cable companies

could “block content they don't like.”

One problem: No one has presented a single credible case of any major internet provider censoring web content based on political beliefs. But you know who does? The very companies calling for net neutrality.

Apple, Facebook, Google, PayPal, Twitter and other tech firms are engaged in increasingly strict political censorship through vague and subjective prohibitions on “hate speech” and “fake news.”

Twitter outright banned the conservative provocateurs Milo Yiannopoulos and Anthony Cumia. Although these men could be caustic online—Mr. Yiannopoulos has embraced the label “troll”—social-media companies also blocked controversial but sober political arguments.

Twitter allows paying users to “promote” their tweets, but last month it refused posts from the Center for Immigration Studies, including one that argued “illegal immigrants are a large net fiscal drain.”

Facebook reportedly removed a post last year that merely argued “what Trump is trying to say is that Homeland Security can not differentiate which muslim is radical wanting to cause harm and which is a harmless refugee.”

Google's YouTube restricted access last year to dozens of videos from PragerU, a project of conservative talk-radio host Dennis Prager, including lectures by prominent experts on subjects such as “Israel: The World's Most Moral Army.”

PayPal canceled service this summer to dozens of accounts labeled as “hate groups” by the left-wing Southern Poverty Law Center. Apple Pay soon followed suit, and CEO Tim Cook announced his company would donate \$1 million each to the SPLC and the Anti-Defamation League.

**Companies like Apple and Facebook claim net neutrality will protect free speech—and then they take down your ‘hate.’**

Proponents of net neutrality say this comparison is apples and oranges. Since most people have only one or two options for high-speed internet, and because cable companies must invest billions of dollars in infrastructure, the argument is that competition won't effectively check censorship.

On the other hand, we're told to think of “platform monopolies” like Facebook as competing newspapers that would be beaten in the marketplace if they began to censor.

But this ignores that social media is the textbook example of a service with “network effects.” The more users they have, the more valuable they become.

The point of social media is communicating with others on social media. You could start a free-speech competitor to Facebook or Twitter, but it wouldn't provide remotely the same service until it attracted hundreds of millions of users.

Moreover, social media companies present themselves as open forums. “Free expression is part of our company DNA,” the Twitter public-policy manager wrote in July. “We are the platform that lets users see what's happening and to see all sides.”

The Supreme Court apparently agrees. In *Packingham v. North Carolina*, an opinion issued in June, the justices described social media as the “modern public square.”

For years, Facebook denied it was a media company in any sense of the term. Then in December, when it began restricting fake news, Mr. Zuckerberg claimed it was “not a traditional media company.”

The legal difference here is important. Traditional media companies like newspapers can be held liable for the content they publish. But online platforms are given a safe harbor under law to avoid liability for their users' content. The statute setting up this immunity explicitly states that Congress believes “the Internet and other interactive computer services offer a forum for a true diversity of political discourse.”

This isn't to say that social-media companies should be subject to the First Amendment of the U.S. Constitution or “common carrier” regulations, as some have recently begun to advocate. But if Apple, Facebook and Google want to prevent big corporations from suppressing free speech online, then: physician, heal thyself.

*Mr. Epstein is an attorney and freelance writer.*

**THE WALL STREET JOURNAL.**

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LIFE & ARTS

MUSIC REVIEW | By Jim Fusilli

# Breaking From Indie Rock Orthodoxy

**ERUDITE AND HIGHLY** capable musicians, the members of the National dedicated the years since their 2013 album, “Trouble Will Find Me,” to a range of independent projects: EL VY, singer-composer Matt Berninger’s delightful pop collaboration with Brent Knopf of Ramona Falls; the twin brothers Aaron and Bryce Dessner’s broody score for the crime-thriller film “Transpecos”; the full band’s musical contributions to “Day of the Dead,” a 59-track multi-artist tribute to the Grateful Dead co-produced by the Dessners and Josh Kaufman; and Bryce’s classically minded compositions performed by the Copenhagen Philharmonic, Eighth Blackbird, Kronos Quartet and Sô Percussion; among many other ventures.

Inspired by their adventures, when they reconvened to write and record, they found that they were eager to alter their familiar sound of traditional organic rock in support of Mr. Berninger’s baritone and his lyrical storytelling. Mr. Berninger said the quintet had realized they had been working with “a limited palette.” “We had been more in a corner than we thought,” he added when we spoke by phone last week.

The resulting “Sleep Well Beast” (4AD), out on Friday, is unlike any of the National’s previous six albums and is well removed from indie rock’s orthodoxy. Its foundation is propulsive electronic music composed by the Dessners, who previewed some of the new sounds at an October 2016 festival in Berlin in which about 80 eclectic musicians collaborated on spontaneous and often experimental performances. The presence of Mr. Berninger’s voice, snarling electric guitars, supple bass and pounding drums in conjunction with the complex electronica places the album at an intersection of the new and familiar. “It feels more reckless,” Aaron told me when I called him at home in Copenhagen. “We were interested in melting away some of the barriers between genres.”

Most tracks on “Sleep Well Beast” utilize a synthesized substructure from start to end. “I’ll Still Destroy You” rises from a



The National: Scott Devendorf, Bryce Dessner, Matt Berninger, Bryan Devendorf and Aaron Dessner; the band’s ‘Sleep Well Beast’ is out on Friday.

simple beat created on Aaron’s laptop; when it recedes, a folk guitar and what sounds like a marimba slide under Mr. Berninger’s voice. “Empire Line” also opens with an electronic pulse that’s joined by drummer Bryan Devendorf, who excels throughout the album, and lush strings sweep in as Mr. Berninger shifts easily between singing and speaking the tale. A lovely take on a 1950s-style stroll, “Dark Side of the Gym” features synthetic sounds flitting about the midrange; after a deft modulation, orchestral strings appear to provide a thrilling exit.

The National rocks hard on the album, even within the electronic context. In the rumbling “The System Only Dreams in Total Darkness,” a stinging repeated guitar riff suggests the instrument will be

used as decoration only, but there is a blistering solo that elevates the track. “Turtleneck” is booming rock in which Scott Devendorf’s bass locks in with his younger brother’s kick drum and toms.

The National composed the new disc as it had past recordings—with the Dessners recording instrumental sketches and submitting them to the full group for development. Working on his own or with the aid of his wife, Carin—the National is nothing if not a family affair—Mr. Berninger crafted melodies in the digital audio workstation GarageBand. Lyrics emerge through free association or “mumblings,” as Mr. Berninger called them. The darker colors of his baritone, that here is of a school with Nick Cave, Bryan Ferry and Leonard Cohen, well suit

the somber mood that permeates “Sleep Well Beast.” In writing the lyrics, Mr. Berninger said he was responding to the music that was presented to him. “I can tell when Aaron is sad,” he confided.

Aaron agrees that the band can be “gloomy,” as he put it, without trying to be. “I like to make music that is meditative and cathartic,” he said, adding that if the early drafts of the compositions have an emotional weight to them, Mr. Berninger responds accordingly.

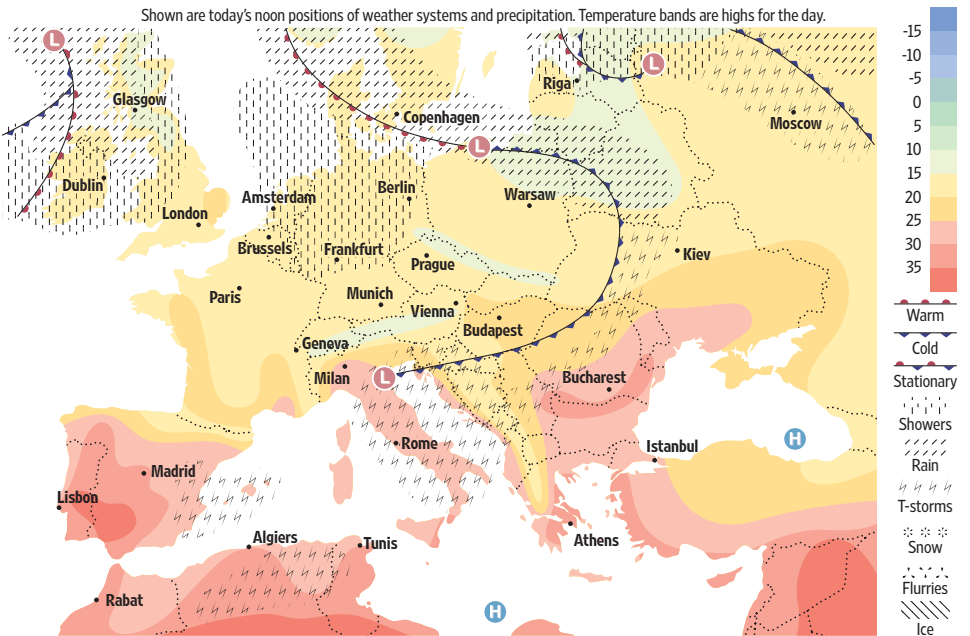
Here, the narrator is often isolated. “I try to save it for a rainy day. It’s raining all the time,” Mr. Berninger sings in “Walk It Back.” In “Empire Line,” he sings, “I’ve been talking about you to myself because there’s nobody else.” He summarizes his state of mind in “I’ll Still Destroy You”: “I have no

positions, no point of view or vision / I’m just trying to stay in touch with anything I’m still in touch with.” In several songs, characters are in motion, seemingly only for the sake of being so.

The presence of Mr. Berninger will be a comfort to longtime fans of the National: His voice and lyrics ensure “Sleep Well Beast” is in the continuum of its body of work. For those who follow the band members’ external explorations, the experimental nature of the music is a welcome variation that reflects the musicians’ capabilities. Thus, the album doubly satisfies. And at its best it exhilarates.

*Mr. Fusilli is the Journal’s rock and pop music critic. Email him at [jfusilli@wsj.com](mailto:jfusilli@wsj.com) and follow him on Twitter @wsjrock.*

## Weather



## The WSJ Daily Crossword | Edited by Mike Shenk

1	2	3	4	5		6	7	8	9	10		11	12	13
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69												71		

## E-MOBILITY | By Mark MacLachlan

<b>Across</b>	28 Louis le Grand, par exemple	48 Screen makeup
1 Crossed one's fingers	29 Fine-tune	51 It can drip or drop
6 Plays in the street	30 Big pistachio producer	53 Beats Music VIP
11 CEO's degree	31 Reelection seekers	54 Show with booths
14 Discombobulated	32 Neophyte, in Internet gaming lingo	55 Salon request for My Little Pony?
15 Designer of Doha's Museum of Islamic Art	33 Military command center, for short	57 Scholarly sort
16 Middle-earth's Azog, e.g.	35 Like some larcenies	59 Unwritten exam
17 Harrison mate	37 [not my error]	60 Despise greetings from the queen?
18 Banana without a peel?	39 Storyteller of the 6th century B.C.	63 Boot
20 Place	43 Chum	66 Cheer for a charge
22 They're scored on a 1 to 5 scale	45 Zip along	67 Make ___ in (reduce somewhat)
23 Croquet and badminton?	47 Jack's predecessor	68 First choice word?
27 Say no to		

► Solve this puzzle online and discuss it at [WSJ.com/Puzzles](http://WSJ.com/Puzzles).

69 Paris's Pont ___ Invalides	24 Primo
70 Like many D&D players	25 Alejandro's eyes
71 Links legend Sam	26 Add insult to injury
<b>Down</b>	34 Perform some pruning?
1 Orders at the diner	36 Item with an airplane mode
2 National League RBI leader in 1934	38 Gospel singer Winans
3 David, for one	40 Source of extra income
4 Chilling	41 Creole staple
5 Challenge St. Nick to go down a chimney?	42 Furtive look
6 Dribble catcher	44 Tangy quencher
7 She was Emma in 1998's "The Avengers"	46 Additionally
8 Some smoked fish	48 System
9 Follows strictly	49 Yoga class instruction
10 Free of coarseness	50 Deliberately hurts
11 Working cat	52 Thanksgiving dinner VIP
12 Gillian Jacobs's "Community" character	56 Poetic "fowl" whose fiery eyes now burned into my bosom's core"
13 Pursues, as a police tip	58 Skater Michelle
19 Polish text, say	61 Wrap up
21 Beehive, e.g.	62 Fairground enclosure
23 Klutzy move	64 Bourne's former employer
	65 Tycoon Turner

### Previous Puzzle's Solution

ELEVATOR	SET
PROXIMATE	CLOD
OILPAINTS	ISLIP
OKLA	SOIL
ELI	
LASTED	NOSTRIL
STRAID	GARAGE
CAM	OUTER
GATED	
UNOS	BOGUS
MENU	
STROP	BANKS
STP	
HEALER	STING
INTONED	SLURPS
ONO	PEAS
SHIN	
NARCO	ILPOSTINO
SIRE	STARTANEW
AIR	MAINEUVIER

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# BUSINESS & FINANCE

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Thursday, September 7, 2017 | B1

Euro vs. Dollar 1.1938 ▲ 0.19%

FTSE 100 7354.13 ▼ 0.25%

Gold 1333.90 ▼ 0.40%

WTI crude 49.16 ▲ 1.03%

German Bund yield 0.349%

10-Year Treasury yield 2.108%

## Intel Receives Antitrust Reprieve

Ruling by EU's highest court blunts attack by regulators on U.S. technology giants

By NATALIA DROZDIAK

BRUSSELS—The European Union's highest court on Wednesday backed Intel Corp.'s appeal of a €1.06 billion (\$1.26 billion) EU antitrust fine in 2009, referring the case back to a lower court and dealing a blow to a regulator that has taken a hard line on U.S. tech giants.

The decision could embolden companies challenging the European Commission, the bloc's antitrust authority, in court over competition decisions—cases the regulator typically

wins. It could also force the commission to re-examine its strategy in several cases.

The Intel case centers on whether an industry-dominant company abuses its commercial power by offering rebates to business customers to retain its market position. The commission in 2009 argued the chip maker violated the bloc's antitrust rules because the use of rebates by dominant companies necessarily hurts competition.

The European Court of Justice said in a statement that the lower court failed to examine whether Intel's rebates to other companies in fact restricted competition.

The decision means that regulators may now have to prove in each case that the rebate offers would cause economic harm. That could make it



DAVID PAUL MORRIS/BLOOMBERG NEWS

The European Court of Justice backed the U.S. chip maker's appeal of an antitrust penalty tied to a customer-rebate program.

harder for the commission when it seeks to lodge another such antitrust case.

"This is certainly a defeat for

the European Commission and indicates a certain relaxation of the formalistic case law on abuse of dominance," said Assi-

makis Komninou, a Brussels-based partner at law firm White & Case. "While the Intel case is about rebates, all major corporates being investigated by the commission can take this as a positive sign."

The ruling could have ramifications for other abuse-of-dominance cases, including the regulator's antitrust probe into Qualcomm Inc., which is accused of illegally paying Apple Inc. to exclusively use its chips and selling chips below cost to force a competitor, Icera Inc., out of the market.

Most recently, the EU levied a record €2.42 billion fine against Alphabet Inc.'s Google in June for abusing its market position with its shopping service. Google has said it is considering an appeal.

Please see INTEL page B2

## HPE's Whitman Deflects Talk of An Exit

By RACHAEL KING

When Meg Whitman declared to Hewlett-Packard investors at an annual meeting in 2012 that it would take five years to turn around the troubled hardware maker, there was an audible gasp in the room, the chief executive recalled.

"They were like, 'You've got to be kidding me. Five years?'" Ms. Whitman said in a recent interview. "I think they just didn't quite understand how deep the hole H-P had dug itself."

The 61-year-old chief has since carved up one of Silicon Valley's most storied technology companies in a series of splits and sales. A fourth major deal completed Friday—the \$8.8 billion spinoff of its software business—is the culmination of a controversial turnaround plan that went off script. It involved the largest split in corporate history, tens of thousands of layoffs, \$18 billion in write-offs and a nearly entire recasting of the executive ranks.

The results are mixed, analysts say, delivering billions of dollars to shareholders and erasing some debt but arguably without the innovation needed to effectively compete in declining markets for corporate hardware.

Now that the five years are over, the question is what is next for Ms. Whitman, who previously served as chief executive of eBay Inc. and ran for governor of California in 2010.

Speculation about Ms. Whitman's possible exit from Hewlett-Packard Enterprise Co. revved up over the past several weeks following reports she was interviewing for Uber Technologies Inc.'s top job. Some people familiar with her thinking say she has begun to make plans to leave HPE—which split from HP Inc. in 2015—as soon as this fall.

Asked about whether she is leaving the company, Whitman said in the Aug. 23 interview with The Wall Street Journal: "I originally told the board I would stay five years; it's been six in September. What I would tell you is that there's more work to be done here." Ms. Whitman repeated those words on Tuesday following the release of HPE's third-quarter results and denied she is exiting in the fall.

Ms. Whitman said in August that she wouldn't run for public office again, but would consider serving in the government. "When I graduated from Harvard Business School and went to [Procter & Gamble] in Cincinnati, I never dreamed 10 years later I'd be at the Walt Disney Co.," Ms. Whitman said of her career, including a brief stint at the entertainment company. "If there's something interesting next to do, it will reveal itself."

Ms. Whitman, one of only a few women running a prominent Silicon Valley company, Please see HPE page B4

### HEARD ON THE STREET

By Justin Lahart

## Hurricanes Push Fed Off Course On Rates

The devastation Hurricane Harvey brought to Houston, and any further destruction Hurricane Irma could cause, pose little long-term threat to the U.S. economy. But the Federal Reserve's plans to raise rates one more time this year may not weather the storms.

One of the peculiarities of how we gauge the economy is that natural disasters end up looking like a wash. When people are unable to buy things or go to work, and when businesses are forced to close, gross domestic product gets dinged. But the effort to rebuild what was lost can more than offset those drags. And property that is permanently lost doesn't show up at all in growth measures. The timing of these pluses and minuses is what matters for the Fed.

Any boost that comes after this year's hurricanes probably won't show up until sometime in the fourth quarter when the business of repairing, rebuilding and replacing damaged homes, cars, equipment and infrastructure gets fully under way. Hurricane-related losses, on the other hand, will show up earlier. Businesses closed because of Harvey, and their out-of-work employees, are losing income right now. The lost oil, natural gas and chemical production in the Houston area, in particular, will weaken GDP. So, too, will the

Please see HEARD page B2



DAVID KASNIC FOR THE WALL STREET JOURNAL

One of BP's three wind farms in Benton County, Indiana. The company operates more than half of the county's 560 turbines.

By ERIN AILWORTH

FOWLER, Ind.—BP PLC does big business harvesting energy in and around this farm town. But it isn't oil and gas—it's wind.

Hundreds of wind turbines ring Fowler, their white towers rising for miles amid the golden-tipped cornfields and leafy soybean plants blanketing much of Benton County, pop. 8,650. More than half of the county's 560 turbines are operated by BP, which has three wind farms here.

"Turbines as far as you can see," said Ryan Linzner, who manages the BP wind farms.

Wind developers have made \$17 million in payments to the county and have spent \$33 million on roads, a boon for an economically struggling community that about a decade earlier considered hosting a

waste dump to generate jobs and government revenue.

The wind farms took hundreds of construction workers to build, and created 110 permanent jobs, mostly wind technicians—in charge of servicing and maintaining wind turbines—who, according to federal data, earn about \$51,500 a year in Indiana.

"Benton County didn't see the recession until 2011," said the county commission's president, Bryan Berry, who has three turbines on his farmland. "The wind industry helped keep things open."

As wind becomes a bigger part of the U.S. electricity mix, it is becoming an economic force in rural communities such as Fowler, a development that is changing the political conversation around renewable energy in many parts of the U.S.

Wind supplied just over 6% of the country's electricity last year, and the industry employed close to 102,000 people—nearly double the number working in coal mining, according to federal data.

President Donald Trump campaigned in part on reviving the U.S. coal industry, and has been critical of renewable-energy subsidies. But heavily Republican states such as Indiana, Iowa, Texas and Wyoming have embraced wind for the work and revenue it brings.

Nearly 90% of the wind capacity brought online in 2016 was in states that voted for Mr. Trump, according to the American Wind Energy Association, a trade group.

In the process, the industry has developed powerful allies, including Energy Secretary Rick Perry, who presided over a wind-turbine boom as gover-

nor of Texas, and Sen. Chuck Grassley, the Iowa Republican who chairs the Judiciary Committee.

While some in Congress have argued against the federal subsidies that wind energy receives, Mr. Grassley said that support helped build an industry that creates jobs and lowers the nation's need for foreign oil. "It helps us to be energy independent," he said, adding that wind's growing competitiveness with traditional energy sources has diminished the need for wind tax credits, which are being phased out.

Excluding subsidies, it now costs about \$47 per megawatt hour to generate electricity from wind in North America over the full lifetime of a facility, compared with \$63 for natural gas and \$102 for coal, Please see WIND page B2

## So Long, Sweden: Nordea to Move Due to Regulation

By MAX COLCHESTER

Faced with tougher regulations, bankers sometimes threaten to decamp to a friendlier jurisdiction. Now a financial institution is following through.

Nordea Bank AB, the Nordics' biggest lender, said Wednesday it will move its headquarters from Sweden to Finland, which is inside the eurozone's banking union, saving as much as €1 billion (\$1.19 billion). Nordea said it will make the switch to Helsinki in the second half of next year. Finland uses the euro; Sweden doesn't.

Banks have in the past threatened to quit countries for friendlier climes but rarely go through with it. HSBC Holdings PLC, for instance, has repeatedly said it would consider moving away from London but last year decided to stay put.



CASPER HEDBERG/BLOOMBERG NEWS

Nordea, the biggest lender in the Nordic region, is moving from Sweden to Finland, putting it inside the eurozone's banking union.

Nordea's move would mark the first time since the financial crisis that a major European bank has uprooted for regulatory reasons.

Earlier this year, Nordea said it was considering leaving Sweden after the country proposed increasing the fees banks pay to help cover the cost of saving

them if they get into trouble. The country also has some of the strictest capital requirements in Europe. Nordea, which does business across Norway, Sweden, Denmark and Finland, said the move would save it around €1 billion in resolution fees and deposit guarantees compared to remaining in Sweden.

"We wanted predictability," says Casper von Koskull, Nordea's chief executive officer.

Under European Union rules, the European Central Bank supervises the biggest banks across the eurozone. This supervision, which has been in progress since 2014, aims to impose rules evenly in the currency bloc, with common rules for winding down banks eventually backed by a system of common depositor protection.

Nordea's assets as of the end of 2016 were triple Finland's

gross domestic product, but inside the eurozone's banking union it is only a midsize player. Analysts expect Nordea's capital requirement to shrink when the ECB becomes its lead regulator, because the ECB's rules are less stringent than Sweden's. The bank said in a statement it was too early to know the impact on its capital requirements.

For Sweden, it is a bitter blow. In 1991, the Swedish state took a stake in Nordbanken, which later became Nordea, to help shore up the lender. The state then took over the rest of Nordbanken in 1992 amid what became a deep national financial crisis. The Swedish state only sold its remaining shares in 2013.

Nordea shares will remain listed on the stock exchanges of Stockholm, Helsinki and Copenhagen.

### INSIDE



DAVID DE LA PAZ/GETTY IMAGES

AVOCADO PRICES RISE TO RECORD HIGHS

BUSINESS NEWS, B3



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# CSX Reduces Outlook After Its Service Woes

By PAUL ZIOBRO

CSX Corp. on Wednesday lowered some of its financial targets for the year after a summer of railway congestion and service woes as its chief executive, Hunter Harrison, implemented his precision railroading strategy.

The railroad said due to various operating challenges in July and August, it now expects its operating ratio, a closely watched metric, to register “around the high end of the mid-60s” percentage range, instead of being squarely in the mid-60s. Operating ratio is the percentage of revenue consumed by operating costs, so the lower the better for a company.

CSX also scaled back its per-share profit growth to between 20% and 25% this year, instead of being in the higher end of that range.

Shares of the company, which fell in premarket trading, ended 2.5% higher at \$50.21 as executives stressed that the problems were being resolved. The stock was trading around \$35 before Mr. Harrison disclosed he was joining an activist investor’s campaign to run the railroad—though the shares have retreated from recent highs around \$55.

Mr. Harrison took over in March and promised to run the company’s 21,000-mile network more efficiently by idling excess equipment, closing some freight yards and running trains on a tighter schedule. However, the changes have caused conges-

tion, delays and erratic service, according to customers, some of whom have complained to rail regulators.

In statement Wednesday, Mr. Harrison said that the bulk of the service challenges are behind CSX, and that key metrics, including train velocity and car dwell, are improving.

At an industry conference Wednesday, CSX Chief Financial Officer Frank Lonegro said the railway has implemented more than 1,300 changes to train schedules since March, with major revisions occurring in early July. The pace of change has moderated in recent weeks, which has allowed CSX to recover somewhat from the shock to the network.

Mr. Lonegro said the railway will likely soon win back freight volume it lost to trucks or other railroads after working through the disruption caused during the summer.

“These are temporal challenges, they are transitional challenges,” Mr. Lonegro said. “You can see we’re coming back and we’re coming back pretty strong.”

He added: “If Hunter were here, he’d say something like, ‘We’re back. Watch out. Here we come.’”

CSX executives next week are scheduled to appear at a Surface Transportation Board hearing about the railway’s service issues. Several shippers have already filed notice to present details of the problems over the summer.

Mr. Lonegro said the regulator is “doing their job” in addressing shipper complaints.

## INTEL

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In future appeals to antitrust decisions, the EU regulator won’t be able “to defend its decision on the basis of narrow legal grounds as the general court will have to look at the economic arguments” put forth by the company, said Damien Geradin, a partner at competition law firm Euclid Law.

The court’s ruling could also give dominant companies more freedom over how they offer rebates and discounts. As a result, it may also unintentionally make rules for compliance murkier.

“The commission takes note of today’s ruling by the European Court of Justice and will study the judgment carefully,” the commission said. “It is now for the general court to review the commission decision under the framework set out by today’s judgment.”

Intel welcomed the ruling. “While this case concerns events that happened more than a decade ago, we have always believed that our actions were lawful and did not harm competition,” said Steven Rodgers, the company’s general

counsel.

In the Intel case, the commission penalized the company over rebates it granted to four major computer manufacturers—Dell Inc., Hewlett-Packard Co., NEC Corp. of Japan and Lenovo Group—for using its microchips between 2002 and 2007.

The antitrust authority found that Intel had used the rebates, coupled with its dominant position, to lock rival Advanced Micro Devices Inc. out of the market, reducing choice for consumers. The EU also said Intel made payments to electronics retailer Media Saturn Holding on the condition that it only sold computers containing Intel’s microprocessors.

While the commission argued the company’s rebates were by their nature anticompetitive, it also carried out an in-depth analysis of the circumstances, proving the rebate scheme was capable of shutting out a rival. Intel appealed the decision to the EU’s general court. The court in 2014 backed the commission’s first argument that dominant companies’ rebates are by nature potentially anticompetitive—a decision Intel then appealed to the bloc’s highest court.

# Houston Oil Refineries Revive

By CHRISTOPHER M. MATTHEWS

HOUSTON—Oil refineries here are starting to come back online as the epicenter of the U.S. energy industry begins to recover from Hurricane Harvey. But getting the fuel flowing again isn’t as easy as flipping a switch, and some key transport infrastructure remains down.

When Harvey inundated the Texas coast last month, it closed about 25% of U.S. refining capacity. Six Gulf Coast refineries, accounting for 9% of U.S. refining capacity, remained closed as of Tuesday afternoon, according to the Energy Department. Another five were in the process of restarting, and at least seven were running at reduced rates.

Saudi Arabian Oil Co. said Tuesday it was in the initial phases of restarting its Motiva refinery, the country’s largest. It said that the Port Arthur, Texas, facility, which can make 600,000 barrels of fuel a day, could be running at just 40% of capacity by the end of this weekend. And Exxon Mobil Corp. said over the weekend it was working toward restarting its Baytown refinery, the nation’s second-largest.

Gasoline prices have jumped in the past week. Nationwide, the average gasoline price was \$2.65 a gallon Tuesday, 30.2 cents higher than a month ago, according to AAA. At the same time, gasoline futures fell Tuesday as news emerged that fuel facilities were coming back online.

At LyondellBasell Industries NV, Chief Executive Bhavesh V. Patel left work before the hurricane made landfall on Aug. 25 confident that his company had done all it could to prepare its Houston refinery for the storm.



A flooded facility in Port Arthur, Texas, on Aug. 31. About 25% of U.S. refinery capacity was closed.

Operators at the 268,000-barrel-a-day facility knew the greatest threat was flooding, and had spent the week draining water from the site’s dikes and retention pools and inspecting pumps and electrical infrastructure. Their goal was to avoid a complete shutdown and a potentially dangerous start-up.

Then, 50 inches of rain fell. LyondellBasell’s Houston refinery did continue running throughout the storm, one of a handful in the area to do so. But the company had to cut back production, mainly because it couldn’t get in enough shipments of crude oil or find a way to move out its shipments of refined fuel.

Flooding caused the closure of the Houston Ship Channel, which enables tankers laden with crude to move from the Gulf of Mexico to area refineries. LyondellBasell continued to receive shipments from Canada via pipeline, but not

enough to operate at full capacity. At the other end, LyondellBasell also couldn’t move its refined fuel product through the ship channel, creating the risk of running out of storage space. Outages on the Colonial Pipeline, which transports gasoline from the Gulf to New York, exacerbated storage woes, officials said.

“Not only are you trying to conserve what you’re consuming to keep this thing running, but you also don’t want to fill up your storage of products and have no way out,” Mr. Patel said.

The goal was to stretch out supplies and storage space enough to keep the refinery running, even if barely. A complete restart of a refinery can take weeks and poses serious risks. The primary danger is human error—starting back up often requires hundreds of new workers to come in and perform tasks outside ordinary operations. In 2005, 15 work-

ers were killed during a start-up at a Texas City refinery, at the time owned by BP PLC, when a vapor cloud ignited.

At LyondellBasell’s Houston refinery, which primarily processes heavy crude, workers are now in a pre-startup phase, checking electrical systems, pressure levels, steam supply, flaring and instrumentation. But fully resuming normal operations will require Houston’s infrastructure to be up and running. Company officials declined to say how long that will take.

The ship channel is now open but not at full capacity. Rail networks remain hampered, and pipelines are still not running at normal levels. LyondellBasell’s employees are also in recovery mode. Some 100 employees out of a total of 850 at the Houston refinery were affected by the storm.

—Dan Molinski contributed to this article.

## WIND

Continued from page B1

according to a 2016 analysis by Lazard Ltd.

Wind now produces more than 36% of Iowa’s electricity, nearly 7 gigawatts of capacity in all, second only to Texas’ 21 gigawatts.

The falling price of wind power, along with its environmental benefits, helped persuade companies such as Facebook Inc., Microsoft Corp. and Alphabet Inc.’s Google to open data centers in the state, said Debi Durham, director of the Iowa Economic Development Authority.

“We use this wind portfolio, this renewable portfolio, as a calling card when we are talking to companies,” she said.

Indiana is an up-and-coming wind competitor, with nearly 2 gigawatts of wind capacity. More than half that capacity is in Benton County, where there is roughly one turbine for every 15 residents. Turbines started sprouting in Benton a decade ago, a few years after a landfill project proved unpopular in 2004.

“When renewable energy came around, it was like, well, this isn’t even close to a dump,” said Benton County Economic Development Director Paul Jackson.

In addition to BP, which owns wind farms here with Dominion Energy Inc. and Sempra Energy, the area’s wind developers include Orion Energy Group LLC, Pattern Energy Group Inc., and the North American subsidiary of Électricité de France SA’s EDF Énergies Nouvelles. Electricity produced by Pattern’s farm is bought by Amazon Web Services Inc., a subsidiary of Amazon.com Inc.

The wind boom has allowed Mike Kidwell, a Fowler native, to stop commuting about 35 miles to a Subaru plant in Lafayette, Ind., where he worked for 18 years.

He initially found a job in Fowler as a wind technician for Vestas Wind Systems AS, a Danish wind company, and is now vice president of opera-



Technician Travis Nolan at a Chalmers, Ind., wind farm. Indiana is an up-and-coming wind competitor.

tions at Auxilius Heavy Industries, a Fowler-based business that provides crews to service wind farms.

“I always said if I could find something that paid good at home, I would come back,” said Mr. Kidwell, 47 years old. Three of his six children—sons Nick, Brandon and Chris—work with him at Auxilius.

Some other counties are still debating whether wind is right for them, concerned that the turbines are unsightly and could spook lucrative residential development as suburbs sprawl from Lafayette and Indianapolis. But in Benton County, the turbines are now a fact of life.

Farmer Bruce Buchanan, who has 14 turbines spinning amid his corn and soybean crops, said wind payments are helping him finance needed improvements, such as fixing drainage issues.

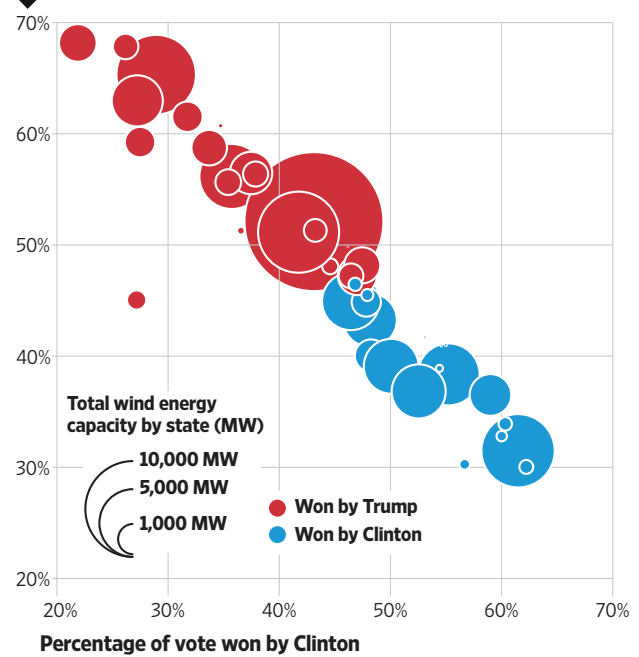
His wife, Virginia, still hasn’t gotten used to the turbines, however, finding them unattractive and odd.

“They have them in California,” she said. “I never thought of us having them here.”

### Political Winds

Nearly 90% of the wind capacity brought online in 2016 was in states that voted for Donald Trump.

Percentage of vote won by Trump



Note: Only states with at least 1 MW capacity are shown  
Sources: American Wind Energy Association (capacity); David Leip’s Atlas of U.S. Presidential Elections (vote share)

THE WALL STREET JOURNAL.

## HEARD

Continued from page B1

higher gasoline prices that have come as a result of the storm, which will leave consumers nationwide with less money to spend on other items.

Economists at Barclays esti-

mate Harvey will shave as much as 1 to 1.5 percentage points off GDP growth in the third quarter. Irma, depending on where it makes landfall, could make a further dent.

The Fed has been aiming to raise rates for the third time this year at its mid-December meeting. At that point, it will know how much GDP weakened in the third quarter, but

it won’t have much certainty about the scope of any rebound; fourth-quarter GDP figures won’t be reported until January.

With a weaker economy, the only thing that would get the Fed to raise rates would be inflation heating up quickly. The hurricanes could cause that as supplies shrink and demand rises, but the central bank will

likely see any price increases as temporary. Investors also have become more pessimistic about another rate increase this year.

The Fed has paused its rate-increase campaign whenever there have been doubts about growth. The hurricanes are big enough to convince all but the biggest doubters. Wait til next year.



BUSINESS NEWS

# Avocado Consumers Feel Hassled

Thin harvests push up prices for the popular fruit, squeezing restaurant operators

By Benjamin Parkin

Meager avocado harvests have caused a shortage of the fatty fruit, pushing prices to record highs.

Avocado farming is a volatile business. Output from avocado trees alternates from year to year, with a high-yield season one year typically followed by a leaner one the next. Packers and distributors usually offset a bad harvest in California, the largest U.S. growing state, with fruit from elsewhere in the Americas.

This summer a smaller crop in California coincided with a tough season in Mexico after a lack of rain delayed the main harvest there. As a result, wholesale prices have soared 75% since mid-July to around \$80 for a case of 48 Hass avocados, according to the American Restaurant Association Inc. Average retail prices for avocados rose 35% in the first half of this year to \$1.21 per avocado, according to the Hass Avocado Board, pushed higher by strong demand.

"There's just not enough supply out there," said David



Farm workers load crates of avocados at a plantation in Tacambaro, in Michoacan state, Mexico.

Maloni, president of the American Restaurant Association.

That is threatening the bottom line at restaurants such as **Chipotle Mexican Grill Inc.** The burrito maker spends 10% of its food costs on avocados, Credit Suisse estimates, meaning the price surge could hurt Chipotle's earnings for the remainder of the year.

Chipotle declined to comment in detail ahead of its next earnings report in October. The company said it believed the impact of rising av-

ocado prices would be temporary.

Vice President Mike Pence said on an August trip to Latin America that the U.S. would allow imports of Hass avocados, the most common variety, from Colombia to widen its supplier base.

Scientists are also working to make crop cycles more uniform by developing strains of the fruit that grow more consistently.

"The market is growing faster than the supply," said

Mary Lu Arpaia, a biologist breeding new avocado varieties at the University of California at Riverside.

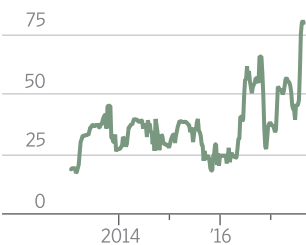
U.S. consumption of avocados has quadrupled since 2000, the Hass Avocado Board said. Demand is also increasing in Europe and Asia.

Glowing publicity of the fruit's high nutrient and beneficial fat content has driven its popularity, analysts say. High-end restaurants and food trucks increasingly use the fruit, said Erik Thoresen of

## Bruised Fruit

Tough harvests have prompted a run-up in avocado prices.

\$100 per case of 48 hass avocados.



Source: American Restaurant Association, U.S. Department of Agriculture  
THE WALL STREET JOURNAL.

restaurant consultancy Technomic, helping make it a staple in more than just guacamole.

**Whole Foods Market Inc.** slashed prices for its avocados and many other products last month as **Amazon.com Inc.** assumed ownership of the natural-food grocer. Not many other retailers or restaurants can afford to follow suit with wholesale prices so high.

"We're paying a lot more for the product," said Robb Bertels, vice president of marketing at **Mission Produce Inc.** in Oxnard, Calif., one of the world's largest avocado distributors. "We're hoping production will ramp up."

# Gap Puts Focus on Bargain Approach

By Khadeeja Safdar

**Gap Inc.** plans to close about 200 **Banana Republic** and **Gap** stores over the next three years, while opening new **Old Navy** and **Athleta** locations, shifting the company's footprint to budget and athletic brands as shoppers search for bargains.

At an investor conference Wednesday, Chief Executive Art Peck said the company's online and lower-priced businesses are more profitable and attracting more shoppers than its specialty businesses, which include **Gap** and **Banana Republic**. "We will continue to move in this direction," he said, "and selectively diminish our exposure to specialty."

Over the same period as the **Gap** and **Banana Republic** closures, the company expects to open about 270 new **Old Navy** and **Athleta** stores.

Wardrobe basics have evolved since **Gap's** heyday, with many customers swapping out its casual uniform for yoga attire. The **Gap** brand and **Banana Republic** have been getting squeezed as more niche brands chase an affluent customer, and fast-fashion and off-price chains woo the fru-

# Whole Foods' Price Moves Barely Register

By Heather Haddon  
And Laura Stevens

**Amazon.com Inc.**'s bid to revive sales at **Whole Foods** is showing some signs of success, though the natural grocer's prices on many items still exceed those of competitors.

Shoppers interviewed at **Whole Foods** stores in New York, Chicago and the Bay Area said they hadn't seen much of a change in their grocery bills since **Amazon** completed its roughly \$13.5 billion takeover of the grocer last week.

"It's like 10 cents here and there," said Erika Feehan, a 35-year-old mother of two from Brooklyn, who noticed lower prices on a few products including avocados and eggs.

Several **Whole Foods** employees said they have noticed a sales pickup at their respective stores since the merger, beyond the expected back-to-school rush. A J.P. Morgan & Chase Co. analysis of four days of car traffic to **Whole Foods** stores found visits were up compared with averages before the merger and during comparable periods over the previous three years.

But the chain's prices remain higher than those at **Wal-Mart Stores Inc.** or deep-discounters such as **Aldi** and **Trader Joe's**, analysts have found. A comparable basket of **Wal-Mart** goods is still 37% cheaper than at **Whole Foods**, according to a store survey by Consumer Growth Partners. **Whole Foods** had narrowed the gap by 3 percentage points from before the merger, the market research firm found.

A **Wal-Mart** spokesman said the company felt confident of its position in the industry.



A **Whole Foods** store in New York on the first day of **Amazon's** ownership of the chain. Some shoppers say its items remain pricey.

**Whole Foods** stores in different regions of the country are also holding routine sales that go beyond the **Amazon** markdowns, a spokeswoman for the grocer said. She said **Whole Foods** would continue to cut prices, adding that its products are superior to those sold by its competitors. **Amazon** declined to comment.

**Amazon's** takeover of **Whole Foods** has heightened the competition among grocery stores. An increase in the number of businesses that sell food has contributed to an extended period of lower food prices, just at a time when large chains are racing to invest in e-com-

merce operations. Grocery stocks are down 18% this year, according to **FactSet**.

A spokeswoman for **Ahold Delhaize NV**, owner of U.S. grocery chains such as **Food Lion** and **Stop & Shop** along with the **Peapod** online grocery service, said the company is investing more in e-commerce and private-label brands to compete.

Monique Kofoid, a 52-year-old stay-at-home mother shopping at a **Whole Foods** in Chicago on Tuesday, said she believes **Amazon** will transform grocery shopping as it has buying other consumer goods. She said she hopes to

buy more of her groceries through **Amazon Prime** as the company sells more products through the online membership service.

**Whole Foods** hasn't added to its list of items marked down after the merger last week, but some stores have placed larger orange signs advertising the discounts. A **Goldman Sachs** survey of roughly 90 items found that 20% were marked down last week, with produce down by 31%, packaged goods by 20% and refrigerated items by 19% from before the merger.

The **Trader Joe's** in Emeryville, Calif. was selling some

items for less than the **Whole Foods** in nearby Berkeley on Tuesday.

"I love the shopping experience here," said Carol Dreher, a nurse shopping for items including flowers, bananas and potatoes at **Trader Joe's**. "And I love the prices."

But **Whole Foods** had undercut **Trader Joe's** on some products. Two pounds of organic **Driscoll** strawberries were \$6.49 at **Whole Foods**, compared with \$6.99 at **Trader Joe's**. Organic red, seedless grapes sold for \$2.49 per pound at **Whole Foods** compared with \$2.99 at **Trader Joe's**.

About 200 **Gap** brand and **Banana Republic** stores will be closed as **Old Navy** ascends.

gal. Sales at both divisions fell last quarter compared with the year-earlier period.

**Old Navy**, **Gap's** budget brand and biggest division by sales, has been a bright spot for the company, helping to shore up its results even as other brands have struggled.

Mr. Peck on Wednesday referred to **Old Navy** as pulling the company and said **Gap** and **Banana Republic** are recovering from "creative mistakes."

**Gap** said it expects annual **Old Navy** sales to exceed \$10 billion over the coming years. It expects **Athleta**, its athletic-wear brand, to exceed \$1 billion in sales during that time.

Since he became CEO in 2015, Mr. Peck has closed hundreds of stores, eliminated creative directors and expanded the role of outside vendors. The former management consultant has also emphasized the use of market-research data to monitor trends.

The latest closures, which the clothing retailer said would focus on underperforming, "lower-productivity" locations, represent about 10% of **Gap's** global **Banana Republic** and flagship stores, according to its financial results reported in August. Across all its apparel brands, it has about 3,600 company-operated and franchise stores.

It expects to save about \$500 million over that period as a result of the closures and other operational changes.

# Do Free Online Business-School Courses Have a Payoff?

By Kelsey GEE

An explosion of online business courses is prompting some students to ask: What's the ROI for free classes?

Schools like the University of Pennsylvania's **Wharton**

School and the **University of Illinois** at **Urbana-Champaign College**

of **Business** have attracted thousands of people to free or low-cost digital versions of courses taken by full-time, two-year **M.B.A.** students. Classes such as "Selling Ideas" and "People Analytics," two current **Wharton** offerings, have helped schools win attention and revenue at a time of waning interest in the flagship **M.B.A.** degree.

"It used to be the case that an **M.B.A.** from a top school was a golden passport to professional success, and a few universities had a monopoly on the credential," said Bill

Aulet, who teaches entrepreneurship at the Massachusetts Institute of Technology's **Sloan School of Management**, which offers a suite of free classes online. Those credentials matter less now that online learning and non-university training have widened access to skills that once came only with an **M.B.A.**, he said.

For learners, the career payoff remains unclear as many new certificates have been untested in the job market, giving the credential less sway than a traditional B-school degree. Still, students in massive open online courses, or **MOOCs**, tend to be further along in their careers and not immediately interested in an **M.B.A.**, said Anne Trumbore, **Wharton's** senior director of online learning. In a recent survey of 4,650 of the school's online learners, roughly two-thirds were located outside the U.S., and around 60% were seeking to advance their careers.

**Wharton** has enrolled nearly one million professional learners since 2015. Around 100,000 of those have taken individual courses or strung together a series of classes to earn credentials such as a professional certificate in digital marketing, paying up to \$600 a course. By contrast, the school each year graduates 900 **M.B.A.** students, who pay about \$250,000 for their degrees.

**Harvard Business School** charges up to \$1,500 for eight-week classes like "Becoming a Better Manager" via **HBX**, its online learning platform. **HBX** revenue doubled to \$10 million last year, according to the school's most recent financial statement.

In many of these courses, students complete graded assignments and take quizzes much like full-time students do. "MOOCs have found their audience, and it's professional learners seeking career-related credentials," said Dhawal



Over three years **Laurie Pickard** amassed multiple certificates, but no degree, taking free online courses from schools like **Wharton**.

Shah, who has run the course search engine **Class Central** since 2011. The strong brands of top business schools like **Harvard** and **Wharton** carry special weight in the increasingly crowded online educational market, he added.

**Laurie Pickard** began taking free **M.B.A.**-level courses online while working as an inter-

national development specialist in **Rwanda** in 2013. Ms. **Pickard**, now 36 years old, chronicled her free coursework from schools like **Wharton** and **University of Michigan's Ross School of Business** on her blog, **No-Pay M.B.A.**

Over three years, Ms. **Pickard** amassed a large following online, along with multiple

certificates, but no degree. In 2015, she was promoted—in part, she says, because her employers were impressed by her new business acumen.

"The market ought to recognize the value of people with the determination to learn on their own," said Ms. **Pickard**, who has advised other online learners and wrote a book "Don't Pay For Your **M.B.A.**," due out in October.

**M.B.A.** grads get a median base salary boost of around \$30,000, according to the **Graduate Management Admission Council**, which administers the traditional B-school entrance exam. Calculating the return on low-cost online classes is harder.

A study of more than 17 million online job listings found that of 2,500 certifications requested by employers, the most commonly sought were ones like certified public accountant, which are awarded by industry associations, not universities.



TECHNOLOGY

WSJ.com/Tech

# Foxconn Offer Gets a Boost at Toshiba

By TAKASHI MOCHIZUKI  
AND YOKO KUBOTA

TOKYO—Some board members of **Toshiba Corp.** are making a last-minute push to accept **Foxconn Technology Group's** bid for Toshiba's memory-chip unit, fighting an uphill battle against Japanese government pressure to choose a bidder with fewer Chinese ties.

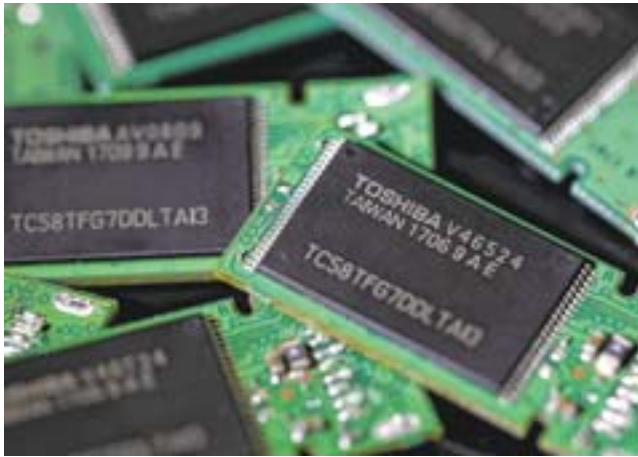
Foxconn, the Taiwan-based iPhone assembler formally known as **Hon Hai Precision Industry Co.**, is offering more than ¥2 trillion (\$18.4 billion) for Toshiba's flash-memory unit, people directly involved in the discussions said. That is slightly higher than the two rival bids, one from a group that includes U.S.-based **Western Digital Corp.** and another

from a group that includes private-equity firm Bain Capital, they said.

Foxconn's package could include support from business partners from the U.S. and Japan, including **Apple Inc.** and **SoftBank Group Corp.**, the people said. Apple declined to comment. SoftBank chief Masayoshi Son, who has called Foxconn leader Terry Gou "a true, close friend," said recently that he is open to discussing how he might help on a Toshiba deal.

Inside Toshiba, the Foxconn consortium is getting a vocal boost from some board members, people involved in the discussions said.

These board members say that Toshiba would be better off keeping the chip unit, because it is the conglomerate's



Toshiba's memory-chip unit is being pursued by three bidders.

biggest profit maker, but they argue that if it must be sold, Toshiba needs to get a maximum price so its remaining parts can survive.

The Japanese conglomerate is struggling to stay afloat after its nuclear subsidiary Westinghouse Electric Co. filed for bankruptcy in March.

Toshiba's liabilities exceeded assets by nearly \$5 billion as of June 30.

Foxconn's boosters say that its bid would be more likely to receive antitrust clearance because the Foxconn-led consortium doesn't include any memory-chip makers.

They also say that the Taiwanese company's broad connections in the technology world could help Toshiba's unit sell more chips and compete with memory-chip leader Samsung Electronics Co. of South Korea.

Still, Foxconn remains an underdog, people involved in the decision said. Japanese government officials have long expressed concern that if Foxconn wins, Toshiba's technology could leak to China because of Foxconn's extensive

operations in China.

People on Foxconn's side say it would preserve employees and technology in Japan.

The Japanese government is pushing Toshiba's board to accept the Western Digital group's bid, the people said. Western Digital, a hard-disk-drive maker, jointly operates Toshiba's Japan-based memory business and has threatened to block any deal it doesn't like, using an international arbitration process and other legal steps.

Representatives of Toshiba, Western Digital, Foxconn and Japan's Ministry of Economy, Trade and Industry declined to comment about the status of the discussions.

—Tripp Mickle  
in San Francisco  
contributed to this article.

## The Mart

BUSINESS OPPORTUNITY

**GOVERNMENT OF MAHARASHTRA  
PUBLIC WORKS DIVISION, WASHIM**  
**NOTICE FOR HYBRID ANNUITY (ONLINE) TENDER**  
**E-TENDER NOTICE NO.11 FOR 2017-18**  
**NOTICE INVITING BID**  
Email-washim.ee@mahapwd.com Telephone no. (+91) 07252-232334

**Subject:- RFP for Improvement of Roads in the Washim District in Maharashtra State for Two Laning Road / Two Laning road with paved shoulder under MRIP Package AM-15 on Hybrid Annuity Mode.**  
**The Government of Maharashtra had entrusted the Authority for the development, maintenance and management of State Highways and Major District Roads of State of Maharashtra. The Authority had resolved to augment the existing road for**  
**1) Improvement to Nagpur Aurangabad Sinner ghoti Mumbai road MSH 12 Section form Pulgaon Talegaon Wadhona to Amravati Dist. Border (Amaravati Dist.) 2) Improvement to Nagpur Aurangabad Sinner Ghoti Mumbai Road MSH 12 Section from Donad Karanja Malegaon Dongaon in Washim dist. 3) Improvement to Nagpur Aurangabad Sinner Ghoti Mumbai Road MSH 12 Section from Dongaon Mehakar Dusrbid Sindkhaedraja to Buldhana Dist.Border (Buldhana dist.) ( Package AM -15) in the state of Maharashtra by [ Two lanning / Two lanning with paved shoulder therof ( the "Project") on Design, Build, Operate and Transfer (the "DBOT Annuity" or "Hybrid Annuity") basis and has decided to carry out the bidding process for selection of a Private Entity / Bidder to whom the project may be awarded.**  
**Brief particulars of the Project are as follows :**

Name of the Highway / Major District Road	Length (in Km)	Estimated Project Cost (in Rs.Cr.)
1	2	3
1) Improvement to Nagpur Aurangabad Sinner ghoti Mumbai road MSH 12 Section form Pulgaon Talegaon Wadhona to Amravati Dist. Border (Amaravati Dist.)	270.330	669.27
2) Improvement to Nagpur Aurangabad Sinner Ghoti Mumbai Road MSH 12 Section from Donad Karanja Malegaon Dongaon in Washim dist.		
3) Improvement to Nagpur Aurangabad Sinner Ghoti Mumbai Road MSH 12 Section from Dongaon Mehakar Dusrbid Sindkhaedraja to Buldhana Dist. Border (Buldhana dist.) ( Package AM -15)		

**The complete BID document can be viewed / download from e-procurement portal from Dt. 28.08.2017 to Dt. 30.10.2017 (up to 23.00 Hrs. IST ). Bid must be submitted online only at <https://maharashtra.etenders.in> ( subportal - <https://pwd.maharashtra.etenders.in>), during the validity of registration with the e-Tendering Portal on or before Dt.30.10.2017 (upto 23.00 Hrs. IST). Technical submission of the Bids received online shall be opened on Dt. 06.11.2017 at 12.30 Hrs. to Dt. 10.11.2017 at, 18.00 Hrs. (IST)**  
**Bid submitted through any other mode shall not be entertained. However, Bid Security, Proof of online payment of cost of bid document, Power of Attorney and Joint Bidding Agreement etc. as specified in Clause 2.11.2 of the RFP Shall be submitted physically by the Bidder on or before Dt. 06.11.2017 (at 12.00 Hrs. IST). Please note that the Authority reserves the right to accept or reject all or any of the BIDs without assigning any reason whatsoever.**

Out word No. **5680** /e-tn-11/TC/dt.18.08.2017  
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Public Works Division  
Civil Line washim Pin Code- 444505  
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## House Approves Self-Driving Car Bill

By JOHN D. MCKINNON

WASHINGTON—The House on Wednesday passed legislation aimed at removing regulatory barriers to development of self-driving cars, a victory for autonomous-vehicle companies that say a proliferation of state rules has created a confusing patchwork for the industry.

The measure, approved by voice vote, faces tougher going in the Senate, where members are concerned about possible job losses in the trucking industry, and about consumer-safety standards.

The House legislation would effectively void state and local safety regulations concerning autonomous vehicles that have begun to crop up in the absence of formal federal safety rules. The bill instead would

require companies to submit safety-assessment certifications for their autonomous vehicles to U.S. regulators.

The bill also would provide autonomous vehicles with exemptions from existing U.S. safety regulations that govern all motor vehicles. The exemptions eventually could cover up to 100,000 vehicles per manufacturer.

The exemptions are intended to prevent delays in technological advancements that could improve vehicle safety, sponsors say.

Rep. Bob Latta, a subcommittee chairman who led negotiations over the House bill, said the measure would ensure that "innovation can flourish without the heavy hand of government."

Despite Wednesday's overwhelming vote, the Senate is

likely to pursue its own path on the issue, reflecting the difficult policy choices that are sometimes raised by self-driving vehicles.

Senators who have been assembling their own version of the legislation have yet to in-

*Federal officials have sought to balance safety concerns with rapid development.*

troduce a bill, and they continue to weigh a couple of big issues. Those include how to deal with self-driving trucks, which is an issue that the House bill largely avoids. Senators also appear likely to

soften the central provision in the House bill that effectively voids state and local safety regulations governing self-driving cars.

Underscoring some of the political concerns, the Senate Commerce Committee announced a hearing for next week to examine issues related to self-driving trucks. The question of how to use federal policy to encourage self-driving trucks is a particularly dicey one, given the prospects for eventual job losses and economic dislocation.

Federal officials under both the Obama and Trump administrations have sought to balance safety concerns with rapid technological development by self-driving vehicle makers. So far, the federal government has issued only guidelines for the nascent industry.

## HPE

*Continued from page B1*  
had ruled herself out of contention for Uber. But she appeared before Uber's board as a finalist ahead of a vote in late August, said people familiar with the matter. Ms. Whitman denied she was ever a candidate, saying she only met with directors in the final weekend as a courtesy to the board. Other people familiar with the board deliberations say she pursued the role and prepared a comprehensive presentation.

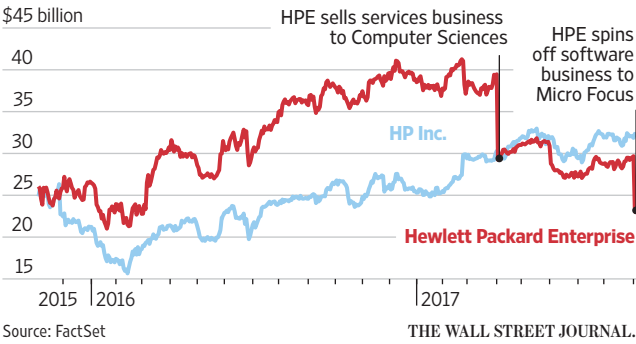
Uber selected former **Expedia Inc.** head Dara Khosrowshahi as its new leader. But the dust-up over Ms. Whitman's involvement in the CEO race has created an awkward situation for the sitting chief of HPE.

Some former managers who worked for Ms. Whitman say it is difficult to imagine she would be sufficiently challenged by running HPE for much longer. The business she now heads is just a fraction of the size of what she took the reins of six years ago.

Back then H-P was one of the largest tech companies, with about \$127 billion in annual revenue and 350,000 employees. HPE—which mainly sells corporate computing hardware after divesting PCs and printers, outsourcing services and software—has

### Tech Transfer

After Hewlett-Packard broke into two, the market value of the corporate-hardware business has shrunk through asset sales while the PC and printer company has surged.



52,000 employees and is projected to report about \$34 billion in revenue this year.

When Ms. Whitman took over H-P in September 2011, it had suffered from a rapid succession of CEOs and scandals that damped employee morale. The company was laden with debt and investors were unhappy with its \$10.3 billion acquisition of startup Autonomy.

Her first major decision came within 30 days: Ms. Whitman would keep the PC business rather than spin it off as her predecessor Leo Apotheker wanted. If she had ripped the H-P brand away from either the PC or printer business, it would have cost about \$1 billion dollars to create a new brand, she said.

For the next two years, Ms. Whitman said H-P was stron-

ger together, focusing instead on repairing its financial health. She said she tried to instill what she calls "founder DNA," making internal moves that weren't always popular. She moved executives out of their offices to sit in cubicles so they would collaborate more. She also tore down the fence between executive parking and employee parking, trying to create a more egalitarian environment.

Ms. Whitman reversed course after more than a year of discussions with the board and several quarters of sharply lower revenue. In the fall of 2014, she and the board concluded the PC and printer unit would be better off on its own. That business, HP Inc., has enjoyed a resurgence under CEO Dion Weisler, while HPE has

struggled to right the ship under Ms. Whitman.

Investors applaud Ms. Whitman for the stock-price appreciation since her arrival six years ago. Those who bought H-P stock on the day Ms. Whitman started in September 2011 have received an annualized return of 19%, outpacing a 14% return from the S&P 500 over the same period, according to an analysis from Robert W. Baird & Co.

Still, Ms. Whitman hasn't been able to consistently spur revenue growth at the rate of gross domestic product as she predicted. HPE also struggled to keep up with a shift to cloud computing as servers became rapidly commoditized.

Ms. Whitman defended her innovation record, saying the H-P companies have brought notable products to the market, such as the Sprout PC, which combines a projector, touch mat and 3-D scanner, and HPE Synergy, which combines storage, compute and networking.

But she admitted the printer, PC and server markets were tougher than expected. "Frankly, it's taken a little bit longer to get our organization and the innovation engine and the sales organization to consistently deliver," she said.

Ms. Whitman said she won't leave HPE until a succession plan is in place. In July, she promoted veteran executive Antonio Neri to president.

## BUSINESS WATCH

### FASHION INDUSTRY

#### LVMH, Kering Release New Modeling Codes

The world's two largest luxury fashion conglomerates Wednesday announced a code of conduct to protect models from mistreatment, responding to a history of abuse, health problems and extreme dieting that models have long endured to land on catwalks and in the pages of glossy magazines.

The conglomerates, **LVMH Moët Hennessy Louis Vuitton** and **Kering Co.**, and others in the fashion industry are facing pressure on the issue from new legislation around the world and increasingly vocal complaints from models themselves. Critics say the fashion industry's use of ultrathin models idealizes unhealthy body weights and encourages eating disorders, particularly among teenage girls and young women.

Under the new code, LVMH

and Kering brands are requiring models to furnish a medical certificate obtained in the previous six months "attesting to their good health and ability to work." They will no longer seek models for the smallest clothing sizes for their casting calls. Their brands will restrict how they use younger models, including a ban on portraying models under the age of 16 as adults. The code says brands must ensure that modeling agencies pay models on time.

Advocates for models applauded the move but said the charter's enforcement provisions should be strengthened.

—Matthew Dalton

### NISSAN

#### New Leaf to Go On Sale in October

**Nissan Motor Co.** unveiled its new Leaf electric car on Wednesday, with improved range, autonomous-driving tech-

nology and a price tag that undercuts rivals in a bid to jumpstart slowing sales.

Nissan said the car would go on sale in Japan on Oct. 2 and in the U.S. and Europe in January. When it goes on sale in the U.S. the vehicle will start at \$29,990, slightly less expensive than the current Leaf.

With bulked-up battery power, the Leaf will go 240 kilometers (149 miles) on a single charge, according to the company, up from 170 kilometers in the previous version. Nissan also plans to introduce a version in the next year with a range of more than 480 kilometers.

The new Leaf is the vanguard of a planned expansion of electric models as Nissan makes a renewed push to get battery-powered cars into the mainstream.

"This is a priority, and we have to make it successful," said Nissan Chief Executive Hiroto Saikawa.

—Sean McLain

### BARRY CALLEBAUT

#### Company Unveils 'Ruby' Chocolate

There is milk chocolate, dark chocolate and white chocolate. Now a Swiss chocolate maker is adding a "ruby" to the mix.

Barry Callebaut Group said Tuesday it has produced a type of chocolate extracted from the Ruby cocoa bean, resulting in a chocolate that is reddish.

The new type of chocolate, launched Tuesday in China, was created at the company's research-and-development centers in Belgium and France as well as Jacobs University in Germany.

The company described the taste as "not bitter, milky or sweet, but a tension between berry-fruityness and luscious smoothness." No berries, berry flavor or colors are added, it said. The news comes amid technological changes to the chocolate industry.

—Brian Blackstone



FINANCE & MARKETS

# India Separates Itself From the Pack

Stocks, currency are thriving as investors embrace growth and political stability

BY CORINNE ABRAMS  
AND DEBIPRASAD NAYAK

MUMBAI—India's stocks and currency have outperformed those of most large economies in the past six months as renewed confidence in the country's relative economic and political stability has made it an emerging-market haven.

The firm standing of the ruling Bharatiya Janata Party, good economic fundamentals, a prime minister with an appetite for overhauls, and a potential demographic dividend from a young population make the country an attractive bet, bullish investors say.

It is a turnaround from four years ago, when Morgan Stanley bundled India with Brazil, Indonesia, South Africa and Turkey as one of the "fragile five," because of its weak currency and economic fundamentals.

"India seems to be standing out from the emerging-market peer group from a political perspective and to some extent from a developed-market

perspective," said David Cornell, chief investment officer of Ocean Dial, which manages \$550 million in India.

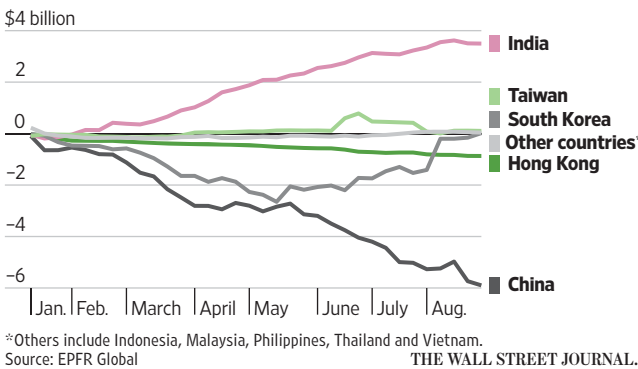
The Indian rupee has gained nearly 6% this year against the dollar, and the benchmark S&P BSE Sensex index is up 19%. Only China's currency is outperforming the rupee, and Hong Kong's Hang Seng Index is outpacing the Sensex.

The World Bank predicted that the South Asian nation's economic growth will accelerate from an estimated 6.8% this year to 7.2% in 2018. Low inflation positions the central bank to possibly cut interest rates again this year. Other emerging markets such as Russia and Brazil last year suffered negative growth, and the pace of growth of China has slowed. India is less dependent on exports than most major countries and so is less vulnerable to the vagaries of international trade.

The positive outlook comes despite some recent setbacks. Prime Minister Narendra Modi's move last year to cancel 86% of the currency in circulation in a bid to tackle corruption and tax evasion hurt economic expansion in the short run. India's gross-domestic-product expansion slowed from first in the world

## Going with the Flow

While money has left many Asia country funds since January, weekly estimates of cumulative flows show India has emerged as a winner.



for large economies to second behind China over the past two quarters as the lack of cash and confusion about the goods-and-services tax led to less spending by consumers and companies.

Some analysts say Indian shares look expensive. Stocks on the Sensex are trading at a price/earnings ratio of 23 times the expected profits for this fiscal year, a 17-year high.

But Indian stocks and bonds attracted about a net \$27 billion from foreign investors this year through August. Demand for offshore rupee-denominated bonds has been so high that regulators shut down new issues.

Foreign direct investment hit a high of \$60 billion for the fiscal year that ended on March 31.

Some optimists hope that India is finally emerging from China's shadow. India's long-term stock performance suggests it is pulling away.

The Sensex is up more than 80% in the past five years, while China's Shanghai Composite Index has risen about 66%, Brazil's Bovespa less than 30% and Russia's RTS has fallen.

One part of the positive story is the "political stability with the Modi government coming into power and also getting footholds in the states

so they could turn on the reform agenda," said Stefan Grünwald, a fixed-income specialist at Raiffeisen Bank International AG.

Mr. Modi's tax-collection push has begun to yield results. After the currency move, direct tax revenue increased 19% from a year earlier to 1.9 trillion rupees (\$30 billion) from April to July.

The rollout of a long-delayed goods-and-services tax this year is also expected to increase compliance and eventually boost growth.

"The government's ability to collect taxes in a much more efficient manner, and the implementation of [the goods-and-services tax] over the long run are going to be massively positive for the economy," said Dhiraj Bajaj, fund manager and head of Asia fixed income for Lombard Odier.

The market is pricing in the expectation that Mr. Modi's party has enough support to push through more change and win the 2019 general election, "and that will help him to legislate more reform which will in turn lead to a stronger economy," said Mr. Cornell of Ocean Dial.

While money has flowed into emerging markets over the past six months, India has gained the most, according to

estimates from fund-tracker EPFR Global. Over the year to July 31, almost \$17 billion came into India funds, compared with \$7.6 billion to China funds and \$6 billion to Brazil funds.

India bulls say that though shares may be expensive, they are attractive if you look at it as a long-term bet on the country's vast young population, which will be consuming more and pushing up earnings for decades.

"It is coming of age, and the younger demographics that India has to offer make it an attractive investment destination," said Vikas Gattani, founder and CEO of Progress Opportunities Fund at Progress Asia Capital.

A recent selloff showed how India has become a shelter. When mutual-fund investors pulled money from emerging-market funds in August, India funds weren't badly hit, according to data from EPFR Global.

More than \$20 billion flowed out of China funds in the three weeks beginning Aug. 2, while \$14 billion flowed into funds dedicated to India during that period.

"Compared to Brazil or Russia, India is a bit of a fundamental turnaround story," Mr. Grünwald said.

# Burger Chains Plan To Test IPO Market

BY JULIE JARGON  
AND CORRIE DRIEBUSCH

Two gourmet hamburger chains are betting investors will have an appetite for their companies' shares, even as America's craving for fancy burgers is waning.

Los Angeles-based **Fat Brands**, parent of the 162-unit Fatburger chain, said it wants to raise \$24 million from an initial public offering, according to regulatory filings made with the Securities and Exchange Commission on Wednesday. It said it wants to use part of the IPO proceeds to fund a planned \$10.6 million purchase of the Ponderosa and Bonanza Steakhouse chains owned by **Metromedia Restaurant Group**, retire debt and finance future acquisitions.

**Bobby's Burger Palace**, a 17-unit chain owned by New York-based celebrity chef Bobby Flay, has said publicly it wants to raise up to \$15 million in a flotation to fund domestic and international expansion. It hasn't filed paperwork with the SEC and declined to provide further details.

The plans come amid struggles for fast-casual burger restaurants, which face fierce competition and tightened consumer spending.

Kathleen Smith, principal at Renaissance Capital, an IPO investment advisory firm, said fast-casual restaurants that have gone public in recent years have "really underperformed, and it's going to be challenging when it comes to generating investor enthusiasm."

Shake Shack Inc., the burger joint that went public in January 2015, has seen declining consumer traffic. Shares of Shake Shack rose 119% on their first day of trading from their IPO price of \$21, closing at \$45.90. On Tuesday, Shake Shack shares closed at \$30.97.

Habit Restaurants Inc., another publicly traded fast-casual burger chain, reported a second-quarter same-store sales increase of just 0.1% amid what it called a "choppy consumer environment."

While Shake Shack and Habit did traditional IPOs, Fatburger and Bobby's are looking to go public under federal rules, known as Regulation A+, intended for small businesses.

Reg A+ allows companies to raise up to \$50 million by re-



Fatburger's XXXL burger

moving some hurdles and regulatory requirements. In doing so, it has the potential to open investors up to more risk, say some bankers and analysts. June was the first time a company used the provision to list on a national exchange, and since then several more companies have tried to follow.

Last year was the slowest for U.S.-listed IPOs since 2003 in terms of money raised, according to data provider Dealogic. In 2017, things have perked up, but there have been recent disappointing performances by some offerings, such as Blue Apron Holdings Inc. and Snap Inc. Some analysts say that could cause a chill in the IPO market for the second half of the year.

Fat Brands Chief Executive Andrew Wiederhorn said in an interview that he plans to diversify beyond burgers. The chain already owns 19 Buffalo's Café chicken wings restaurants and 66 smaller Buffalo's Express restaurants that are located together with Fatburgers.

In its filing, Fat Brands spelled out Mr. Wiederhorn's previous legal troubles. He formerly pleaded guilty to one count of filing a false tax return and of violating the Employee Retirement Income Security Act of 1974 with regard to a company he previously led. He served a 14-month sentence in 2004-2005 and paid \$2 million in fines and restitution.

Fat Brands plans to launch its formal pitch to investors next week and close the offering by the end of September, according to Mark Elenowitz, chief executive of TriPoint Global Equities, which is underwriting Fat Brands' offering.

Fatburger said it plans to list on the Nasdaq Stock Market. Bobby's said it hopes to list on the New York Stock Exchange.



A State Farm adjuster surveys a home in Rockport, Texas. Many homeowners are unaware that hurricane deductibles exist.

# Home Policies Shift Repair Costs

BY NICOLE FRIEDMAN  
AND LESLIE SCISM

Hurricanes Irma and Harvey could present the first widespread use of little-known "hurricane deductibles," which allow insurers to shift thousands of dollars of damage costs per home onto consumers.

Homeowners' insurance policies in coastal states often allow insurers to charge consumers a higher deductible if certain catastrophes like hurricanes occur.

These deductibles were widely used after Hurricane Katrina in 2005 and have been standard in many states for years. But they have rarely been triggered on a large scale because fewer hurricanes have landed in the U.S. over the past decade.

Harvey made landfall as a Category 4 hurricane last month before weakening to a tropical depression as it moved inland. Irma, a Category 5 hurricane, made landfall in the northeast Caribbean on Wednesday and could reach the U.S. later this week. Florida Gov. Rick Scott on Monday declared a state of emergency in all of the state's 67 counties.

Proponents say hurricane deductibles make insurers more willing to offer policies in high-risk areas and encourage homeowners to take precautionary steps to prevent storm damage.

But consumer advocates say hurricane deductibles can be confusing and prohibitively expensive for homeowners.

Unlike a typical deductible, which requires consumers to pay a flat amount to cover losses before the insurance company will pay out for a claim, these special deductibles are calculated as a percentage. Consumers can be required to pay anywhere from

## Damage Done

Costliest U.S. hurricanes

Hurricane	Year	Estimated insured loss, in billions*
Katrina	2005	\$49.8
Andrew	1992	24.5
Sandy	2012	19.9
Ike	2008	14.0
Wilma	2005	12.5
Charley	2004	9.3
Ivan	2004	8.9
Hugo	1989	7.3
Rita	2005	6.8
Frances	2004	5.7

\*All data are in 2016 dollars.  
Source: Property Claim Services via Insurance Information Institute

THE WALL STREET JOURNAL.

1% to about 10% of the total insured value of the building or its contents. Insurers will only pay for damage that exceeds the deductible amount.

For example, a homeowner whose house is insured up to \$200,000 with a 5% hurricane deductible would be responsible for the first \$10,000 of hurricane-related damage to the building.

This type of deductible can be triggered by hurricanes, high wind speeds, earthquakes or other disasters. The triggers vary depending on region and insurer. Nineteen states and the District of Columbia have hurricane deductibles, according to the Insurance Information Institute.

In 2012, Hurricane Sandy didn't trigger hurricane deductibles across the East Coast because the storm weakened from a hurricane to a tropical storm before it made landfall.

Harvey, on the other hand, arrived on Aug. 25 as a hurricane. The Texas Wind Insurance Association, the insurer of last resort on the Texas coast, had received more than

42,000 claims from policyholders as of late Monday, a spokeswoman said. A majority of TWIA residential policies have a hurricane deductible of 1% or 2%.

Allstate Corp., one of the top home insurers in Texas, has different deductible criteria for policies in different regions, but they were all triggered by Harvey, a spokesman said.

In Florida, the typical homeowners policy has a 2% hurricane deductible, and the average insured value is \$250,000, according to a spokeswoman for the state's Office of Insurance Regulation. That means the average Florida homeowner needs to pay about \$5,000 to cover the deductible, which "may be problematic for some homeowners," she said.

Some insurers began adding hurricane deductibles to policies after Hurricane Andrew in 1992, the second-costliest hurricane for insurers in U.S. history.

"It was a strategy employed by the national carriers to at least maintain their presence in Florida" as many were sharply cutting back their footprint in the state, said Kevin McCarty, a founder of **Celtic Global Consulting LLC** and a former Florida insurance commissioner. "It gave insurance companies more capacity to sell additional policies" in Florida, he said.

Many households in the Caribbean islands in Irma's path are uninsured or underinsured compared with U.S. households, meaning that residents could be on the hook for much greater recovery costs.

Hurricane activity has been subdued in Florida over the past decade, so for many homeowners Irma could mark the first time that their hurricane deductibles are triggered.

Yet about one-third of

homeowners in five coastal states, including Florida and Texas, are unaware that hurricane deductibles exist, according to a 2017 survey by the Insurance Research Council. About one-fourth of survey respondents in those states said they didn't know whether their home-insurance policies included hurricane deductibles.

"The problem is, a lot of people end up getting nothing because of percentage deductibles," said Amy Bach, executive director of consumer-advocacy organization United Policyholders. "People tend not to pay attention to their insurance until it's really too late."

Danielle Hoffman of Deltona, Fla., learned that her insurance includes a hurricane deductible of several thousand dollars after Hurricane Matthew in 2016 caused some minor damage in her home.

"We were shocked at how high it was," said Ms. Hoffman, 31 years old. "It wasn't something we really paid too much attention to" when buying homeowners insurance.

Ms. Hoffman said she and her husband paid out of pocket for some repairs but propped up the fence around their home instead of getting it fixed. "I guarantee with this storm coming, it will be the first thing to go down," she said about the fence.

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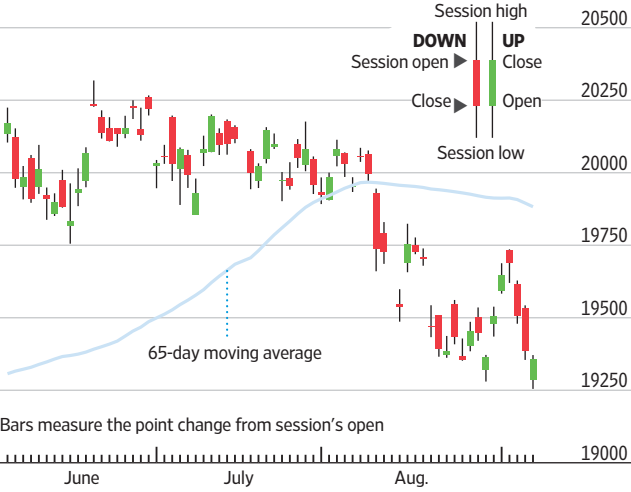
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MARKETS DIGEST

Nikkei 225 Index

**19357.97** ▼27.84, or 0.14%  
High, low, open and close for each trading day of the past three months.



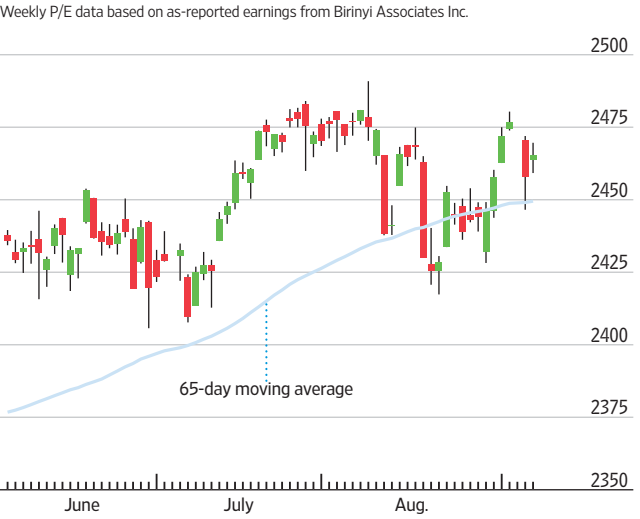
STOXX 600 Index

**373.95** ▲0.24, or 0.06%  
High, low, open and close for each trading day of the past three months.



S&P 500 Index

**2465.54** ▲7.69, or 0.31%  
High, low, open and close for each trading day of the past three months.



International Stock Indexes

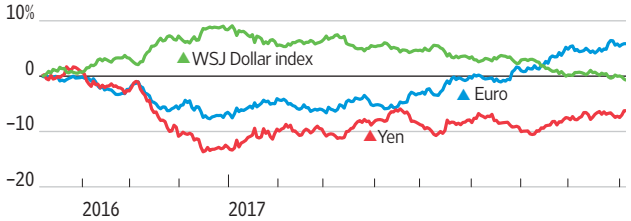
Region/Country		Index	Close	Latest NetChg	% chg	Low	52-Week Range Close	High	YTD % chg
World	The Global Dow		2839.48	3.38	0.12	2386.93		2881.15	12.3
	MSCI EAFE		1929.60	-3.52	-0.18	1614.17		1955.39	21.6
	MSCI EM USD		1084.53	-0.40	-0.04	838.96		1091.36	36.6
Americas	DJ Americas		595.08	2.08	0.35	503.44		599.20	10.1
	Brazil Sao Paulo Bovespa		73498.91	1348.03	1.87	56459.11		73607.91	22.0
	Canada S&P/TSX Comp		15057.20	-32.95	-0.22	14319.11		15943.09	-1.5
	Mexico IPC All-Share		50506.91	205.52	0.41	43998.98		51772.37	10.7
	Chile Santiago IPSA		3859.43	-39.95	-1.02	3120.87		3945.90	19.7
U.S.	DJIA		21807.64	54.33	0.25	17883.56		22179.11	10.3
	Nasdaq Composite		6393.31	17.74	0.28	5034.41		6460.84	18.8
	S&P 500		2465.54	7.69	0.31	2083.79		2490.87	10.1
	CBOE Volatility		11.64	-0.59	-4.82	8.84		23.01	-17.1
EMEA	Stoxx Europe 600		373.95	0.24	0.06	328.80		396.45	3.5
	Stoxx Europe 50		3043.23	7.05	0.23	2720.66		3279.71	1.1
	Austria ATX		3218.96	-7.67	-0.24	2311.88		3285.00	22.9
	Belgium Bel-20		3890.55	6.86	0.18	3384.68		4055.96	7.9
	France CAC 40		5101.41	14.85	0.29	4310.88		5442.10	4.9
	Germany DAX		12214.54	90.83	0.75	10174.92		12951.54	6.4
	Greece ATG		811.70	-1.15	-0.14	548.72		859.78	26.1
	Hungary BUX		37878.86	142.76	0.38	27466.59		38147.22	18.4
	Israel Tel Aviv		1393.31	1.00	0.07	1346.71		1490.23	-5.3
	Italy FTSE MIB		21814.56	76.87	0.35	15923.11		22065.42	13.4
	Netherlands AEX		516.47	1.01	0.20	436.28		537.84	6.9
	Poland WIG		64768.25	-226.65	-0.35	46321.24		65611.21	25.1
	Russia RTS Index		1106.70	5.87	0.53	953.12		1196.99	-4.0
	Spain IBEX 35		10131.00	-48.80	-0.48	8512.40		11184.40	8.3
	Sweden SX All Share		552.77	-2.20	-0.40	489.12		598.42	3.4
Asia-Pacific	Switzerland Swiss Market		8859.47	-10.09	-0.11	7585.56		9198.45	7.8
	South Africa Johannesburg All Share		55480.20	-664.60	-1.18	48935.90		56896.89	9.5
	Turkey BIST 100		109611.79	738.80	0.68	71792.96		110530.75	40.3
	U.K. FTSE 100		7354.13	-18.79	-0.25	6654.48		7598.99	3.0

Australia	S&P/ASX 200	5689.70	-16.50	-0.29	5156.60		5956.50	0.4
China	Shanghai Composite	3385.39	1.07	0.03	2980.43		3385.39	9.1
Hong Kong	Hang Seng	27613.76	-127.59	-0.46	21574.76		28094.61	25.5
India	S&P BSE Sensex	31661.97	-147.58	-0.46	25765.14		32575.17	18.9
Japan	Nikkei Stock Avg	19357.97	-27.84	-0.14	16251.54		20230.41	1.3
Singapore	Straits Times	3232.47	-18.79	-0.58	2787.27		3354.71	12.2
South Korea	Kospi	2319.82	-6.80	-0.29	1958.38		2451.53	14.5
Taiwan	Weighted	10547.86	-69.98	-0.66	8902.30		10617.84	14.0

Source: SIX Financial Information;WSJ Market Data Group

Currencies

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



Country/currency	Wed in US\$	Wed per US\$	YTD chg (%)
<b>Americas</b>			
Argentina peso-a	0.0580	17.2314	8.6
Brazil real	0.3217	3.1089	-4.5
Canada dollar	0.8186	1.2216	-9.1
Chile peso	0.001617	618.40	-7.7
Colombia peso	0.0003427	2918.29	-2.8
Ecuador US dollar-f	1	1	unch
Mexico peso-a	0.0562	17.7965	-14.2
Peru sol	0.3091	3.2357	-3.5
Uruguay peso-e	0.0347	28.790	-1.9
Venezuela bolivar	0.099239	10.08	0.8
<b>Asia-Pacific</b>			
Australia dollar	0.8011	1.2483	-10.1
China yuan	0.1533	6.5246	-6.1

Key Rates

	Latest	52 wks ago
<b>Libor</b>		
One month	1.23222%	0.51322%
Three month	1.31722%	0.83356%
Six month	1.45222%	1.23361%
One year	1.70789%	1.53922%
<b>Euro Libor</b>		
One month	-0.40071%	-0.37286%
Three month	-0.37329%	-0.32114%
Six month	-0.30771%	-0.20786%
One year	-0.21043%	-0.07843%
<b>Euribor</b>		
One month	-0.37100%	-0.37200%
Three month	-0.32900%	-0.30300%
Six month	-0.27400%	-0.19800%
One year	-0.16300%	-0.05900%
<b>Yen Libor</b>		
One month	-0.04693%	-0.07100%
Three month	-0.03250%	-0.03064%
Six month	-0.00736%	-0.00129%
One year	0.10914%	0.09200%
	Offer	Bid
<b>Eurodollars</b>		
One month	1.3300%	1.2300%
Three month	1.3700%	1.2700%
Six month	1.5700%	1.4700%
One year	1.8200%	1.7200%
	Latest	52 wks ago
<b>Prime rates</b>		
U.S.	4.25%	3.50%
Canada	2.95	2.70
Japan	1.475	1.475
Hong Kong	5.00	5.00
<b>Policy rates</b>		
ECB	0.00%	0.00%
Britain	0.25	0.25
Switzerland	0.50	0.50
Australia	1.50	1.50
U.S. discount	1.75	1.00
Fed-funds target	1.00-1.25	0.25-0.50
Call money	3.00	2.25
<b>Overnight repurchase rates</b>		
U.S.	1.16%	0.51%
Euro zone	n.a.	n.a.

Sources: WSJ Market Data Group, SIX Financial Information, Tullett

Top Stock Listings

Cur Stock	Sym	Last	% Chg	YTD% Chg
<b>Asia Titans</b>				
HK\$ AIA Group	1299	59.85	-0.58	36.80
¥ AstellasPharma	4503	1374.00	-0.87	-15.37
AUS AusNZBK	ANZ	29.20	-0.51	-4.01
AUS BHP	BHP	27.73	0.40	10.65
HK\$ BankofChina	3988	4.02	-0.74	16.86
HK\$ CK Hutchison	0001	99.35	-1.05	13.03
HK\$ CNOOC	0883	9.46	0.21	-2.47
AUS CSL	CSL	132.28	1.07	31.74
¥ Canon	7751	3793.00	0.72	15.11
¥ CentralJapanRwy	4503	1866.00	-0.54	-2.96
HK\$ ChinaConstructBk	9022	6.72	1.03	12.56
HK\$ ChinaLifeInsurance	2628	24.25	-1.42	20.05
HK\$ ChinaMobile	0941	82.00	...	-0.24
HK\$ ChinaPetroChem	0386	6.00	-0.33	9.09
AUS CmwthBkAust	CBA	73.70	-1.19	-10.57
¥ EastJapanRailway	9020	10035	0.96	-0.64
¥ Fancuc	6954	21145	0.62	6.71
¥ Hitachi	6501	740.80	0.57	17.22
TW\$ Hon Hai Precisin	2317	115.50	-0.86	37.17
¥ HondaMotor	7267	3036.00	-0.69	-11.10
KRW HyundaiMtr	005380	136000	-1.45	-6.85
HK\$ IndoComml	1398	5.74	-1.03	23.44
¥ JapanTobacco	9413	3702.00	-1.11	-3.69
¥ KDDI	2934	2953.50	0.01	-0.20
¥ Mitsubishi	8058	2522.00	0.06	1.29
¥ MitsubishiElectric	6503	1626.50	-0.34	-0.18
¥ MitsubishiUFJFin	8306	657.90	-1.38	-8.65
¥ Mitsuui	8031	1635.50	0.09	1.77
¥ Mizuho Fin	8411	186.40	-0.64	-11.15
¥ NTTDoCoMo	9437	2520.00	-0.48	-5.37
AUS NatAusBnk	NAB	30.15	-0.66	-1.70
¥ NipponTelegr	9432	5232.00	-0.17	6.51
¥ NissanMotor	7201	1086.00	-0.59	-7.61
¥ Panasonic	6752	1462.00	-0.93	22.91
HK\$ PingAnInsfChina	2318	61.65	-0.16	58.89
¥ RelianceIndsDR	RIGD	51.00	0.99	61.65
¥ SamsungElectronics	005930	235000	0.51	30.41
¥ Sevens&Hlids	3382	4268.00	-0.02	-4.15
¥ SoftBankGroup	9984	8579.00	-0.48	10.48
¥ Sony	6758	4283.00	-0.63	30.78
¥ Sumitomo Mitsui	8316	4024.00	-1.08	-9.78
HK\$ SunHngKaiPrp	0016	128.40	-0.08	31.02
TW\$ TaiwanSemiMfg	2330	217.00	-0.46	19.56

Cur Stock	Sym	Last	% Chg	YTD% Chg
¥ TakedaPharm	4502	5948.00	-0.67	23.02
HK\$ TencentHoldings	0700	324.20	0.75	70.90
¥ TokioMarineHldg	8766	4302.00	-0.60	-10.30
¥ ToyotaMtr	7203	6165.00	-0.87	-10.37
AUS Wesfarmers	WES	42.25	-0.47	0.26
AUS WestpacBanking	WBC	30.95	-1.09	-5.06
AUS Woolworths	WOW	25.76	-0.35	6.89
<b>Stoxx 50</b>				
CHF ABB	ABBN	22.73	0.53	5.82
¥ ASMLHolding	ASML	131.15	0.23	22.97
¥ AXA	CS	23.96	-0.48	-0.10
¥ AirLiquide	AI	103.00	0.64	-2.51
¥ Allianz	ALV	179.45	0.34	14.30
¥ AB InBev	ABI	100.05	0.23	-0.50
¥ AstraZeneca	AZN	4576.50	0.07	3.13
¥ BASF	BAS	83.17	0.60	-5.82
¥ BNP Paribas	BNP	62.59	-0.14	3.37
¥ BT Group	BT.A	285.40	-0.80	-22.21
¥ BancoBilvizAr	BVVA	7.23	-0.11	13.91
¥ Bancosantander	SAN	5.30	-0.86	6.94
¥ Barclays	BARC	185.85	-1.09	-16.83
¥ Bayer	BAYN	108.75	1.26	9.70
¥ BP	BP.	446.75	0.01	-12.33
¥ BritishAmTob	BATS	4812.00	0.74	4.12
¥ Daimler	DAI	64.40	3.17	-8.94
¥ DeutscheTelekom	DTE	15.00	...	-7.37
¥ Diageo	DGE	2565.00	-0.48	21.56
¥ ENI	ENI	13.48	0.67	-12.86
¥ GlaxoSmithKline	GSK	1506.00	-0.50	-3.59
¥ Glencore	GLEN	365.80	1.61	31.89
¥ HSBC Hldgs	HSBA	728.90	-0.71	10.96
¥ INGGroup	INGA	14.62	-0.27	9.31
¥ ImperialBrands	IMB	3210.00	0.31	-9.39
¥ IntesaSanpaolo	ISP	2.81	-0.14	15.91
¥ LVMHMoetHennessy	MC	217.90	0.05	20.12
¥ LloydsBankingGroup	LLOY	63.05	-0.08	0.86
¥ Loreal	OR	177.70	0.48	2.48
¥ NationalGrid	NG	970.40	0.07	-6.52
CHF Nestle	NESN	80.55	-0.49	10.27
CHF Novartis	NOVN	80.10	...	8.10
DKK NovoNordiskB	NOVO-B	299.00	1.08	17.39
¥ Prudential	PRU	1761.00	-0.82	8.20
¥ RedkittBenckiser	RIB	7139.00	0.66	3.67
¥ RioTinto	RIO	3701.00	0.15	17.18

Global government bonds

Latest, month-ago and year-ago yields and spreads over or under U.S. Treasuries on benchmark two-year and 10-year government bonds around the world. Data as of 3 p.m. ET

Country/ Maturity, in years		Yield	Spread Over Treasuries, in basis points				Yield		
Coupon			Latest	Previous	Month Ago	Year ago	Previous	Month ago	Year ago
2.750	Australia 2	1.845	55.1	60.4	43.8	78.3	1.890	1.785	1.513
2.750	10	2.607	50.2	62.3	36.6	37.7	2.683	2.631	1.913
3.000	Belgium 2	-0.577	-187.1	-188.0	-187.6	-137.2	-0.594	-0.529	-0.642
0.800	10	0.662	-144.4	-141.5	-150.0	-142.0	0.646	0.765	0.116
0.000	France 2	-0.541	-183.5	-182.6	-182.0	-134.7	-0.540	-0.473	-0.617
1.000	10	0.658	-144.7	-141.3	-150.7	-142.1	0.647	0.758	0.114
0.000	Germany 2	-0.762	-205.6	-206.5	-202.9	-139.6	-0.779	-0.682	-0.666
0.500	10	0.349	-175.7	-172.0	-179.5	-164.4	0.340	0.471	-0.109
0.050	Italy 2	-0.097	-139.1	-139.1	-136.2	-85.2	-0.105	-0.015	-0.122
2.200	10	2.017	-8.8	-6.7	-24.5	-43.6	1.994	2.021	1.100
0.100	Japan 2	-0.152	-144.6	-143.9	-146.0	-91.9	-0.153	-0.113	-0.189
0.100	10	0.010	-209.6	-205.8	-220.2	-155.7	0.003	0.064	-0.021
4.000	Netherlands 2	-0.722	-201.6	-200.2	-198.2	-135.8	-0.716	-0.635	-0.628
0.750	10	0.478	-162.7	-159.0	-167.4	-153.5	0.471	0.592	0.001
4.750	Portugal 2	-0.039	-133.3	-134.3	-131.3	-29.1	-0.057	0.034	0.439
4.125	10	2.828	72.2	75.0	57.7	144.6	2.811	2.843	2.982
2.750	Spain 2	-0.341	-163.5	-165.4	-167.3	-91.8	-0.368	-0.326	-0.188
1.450	10	1.565	-54.1	-53.0	-80.0	-59.7	1.531	1.466	0.939
4.250	Sweden 2	-0.653	-194.7	-196.0	-201.3	-136.1	-0.674	-0.666	-0.631
1.000	10	0.593	-151.3	-145.0	-157.9	-139.2	0.611	0.687	0.144
1.750	U.K. 2	0.179	-111.6	-110.0	-109.2	-64.1	0.186	0.255	0.089
4.250	10	1.007	-109.9	-104.6	-108.9	-97.5	1.014	1.177	0.561
1.250	U.S. 2	1.294	...	...	...	...	1.286	1.347	0.730
2.250	10	2.106	...	...	...	...	2.060	2.266	1.536



FINANCE & MARKETS

# Former Wells Fargo Managers Sue Bank

By Emily Glazer

Two former managers have sued **Wells Fargo & Co.**, claiming they were unfairly fired over the bank's sales-practices issues.

Reza Razzaghipour and Marla Razzaghipour claimed their dismissals were retaliation for them raising issues with senior managers about the questionable sales practices, such as falsification of bank records, according to a lawsuit filed Aug. 31 in Los Angeles Superior Court.

The former managers, who are husband and wife, were fired in March 2017 from positions overseeing regions in Southern California. Combined, the two managed about 3,500 people, The Wall Street Journal previously reported.

A Wells Fargo spokesman said Tuesday that the bank

"denies the allegations of these two former regional presidents. The termination decisions were not retaliatory as alleged in the complaint. The company terminated the employment of these two individuals for legitimate and lawful reasons."

Wells Fargo was ordered to pay a \$185 million fine last year over its sales practices and has since faced public and political pressure as the scandal erupted.

More than 5,300 employees were fired over a five-year period for the behavior. The bank said last week that as many as 3.5 million customer accounts may have been unauthorized.

The lawsuit alleges that Mr. Razzaghipour reported one type of employee fraud in 2013 and fired a "significant number of employees involved."

The lawsuit also alleges that Mrs. Razzaghipour, known to some at work as Marla Clemow, "reported the illegal and unethical sales practices at the highest levels multiple times."

Both former managers "never fired or disciplined anyone for failing to meet the bank's impossible and fraudulent sales goals," the lawsuit claimed.

But some current and former employees and managers have told the Journal that Mr. and Mrs. Razzaghipour pushed them to engage in questionable sales tactics.

"My clients were fired in retaliation for complaining of illegal conduct at Wells Fargo, including the bank's improper sales practices," said the managers' lawyer, Emanuel Shirazi, of Los Angeles-based Shirazi Law Firm. "Despite



The lawsuit is tied to the sales-practices scandal that has rocked the San Francisco-based lender.

knowing this, Wells Fargo chose to scapegoat Mr. & Mrs. Razzaghipour." The lawyer didn't comment specifically on the employee allegations.

The Razzaghipours' lawsuit also names several retail-

banking executives, some of whom are still employed by the bank and others who were fired, as the real "bad actors."

The managers requested their payroll and personnel files from Wells Fargo, which

refused to produce them, according to the lawsuit. They then filed a complaint with the Department of Fair Employment and Housing. In the lawsuit, they ask for damages of at least \$50 million.

# Deutsche Bank Chief Calls for End of ECB Stimulus

By Todd Buell

FRANKFURT—**Deutsche Bank** AG's chief said the European Central Bank should begin the process of ending its accommodative monetary policy, regardless of the strength of the euro.

Speaking at a banking conference Wednesday, Deutsche Bank CEO John Cryan said that while cheap money has helped countries and banks escape the crisis, it has also led to "ever greater upheavals."

He noted record real-estate prices in advanced economies. "The stock market appears only to know one direction," he said, adding "we are now seeing signs of bubbles in more and more parts of the capital market, where we wouldn't have expected them."

The comments further high-

light the discomfort among many in Germany over the ECB's monetary policy, which includes a negative interest rate on deposits that banks leave at the central bank overnight, meaning the lenders must pay to park their money there instead of receiving interest on the funds.

"The era of cheap money in Europe should come to an end, despite the strong euro," said Mr. Cryan. "I welcome the recent announcement by the **Federal Reserve** and now also from the ECB that they intend to gradually bring their loose monetary policy to an end."

"The central banks must, however, plot a middle way that averts massive losses on the markets," he said. The euro has gained 13% against the dollar this year through Tuesday.



CEO John Cryan says 'we are now seeing signs of bubbles.'

Speaking at the same conference, German Finance Minister Wolfgang Schäuble said "everyone hopes world-wide

that we come to a normalization as soon as possible. I believe that with the good, stable economic development of

the eurozone we are much closer to this normalization than pessimists would have thought one year ago."

The German minister, who in the past has sharply criticized ECB policy, said, however, that he supported the central bank's independence.

The comments come one day before the ECB is set to announce its monetary policy decision. Economists said they expect the ECB to announce how it intends to unwind its large-scale bond-buying program. The ECB isn't expected to provide many details about the end of quantitative easing at its meeting Thursday, but it may provide signals it is preparing the exit from its asset-buying program.

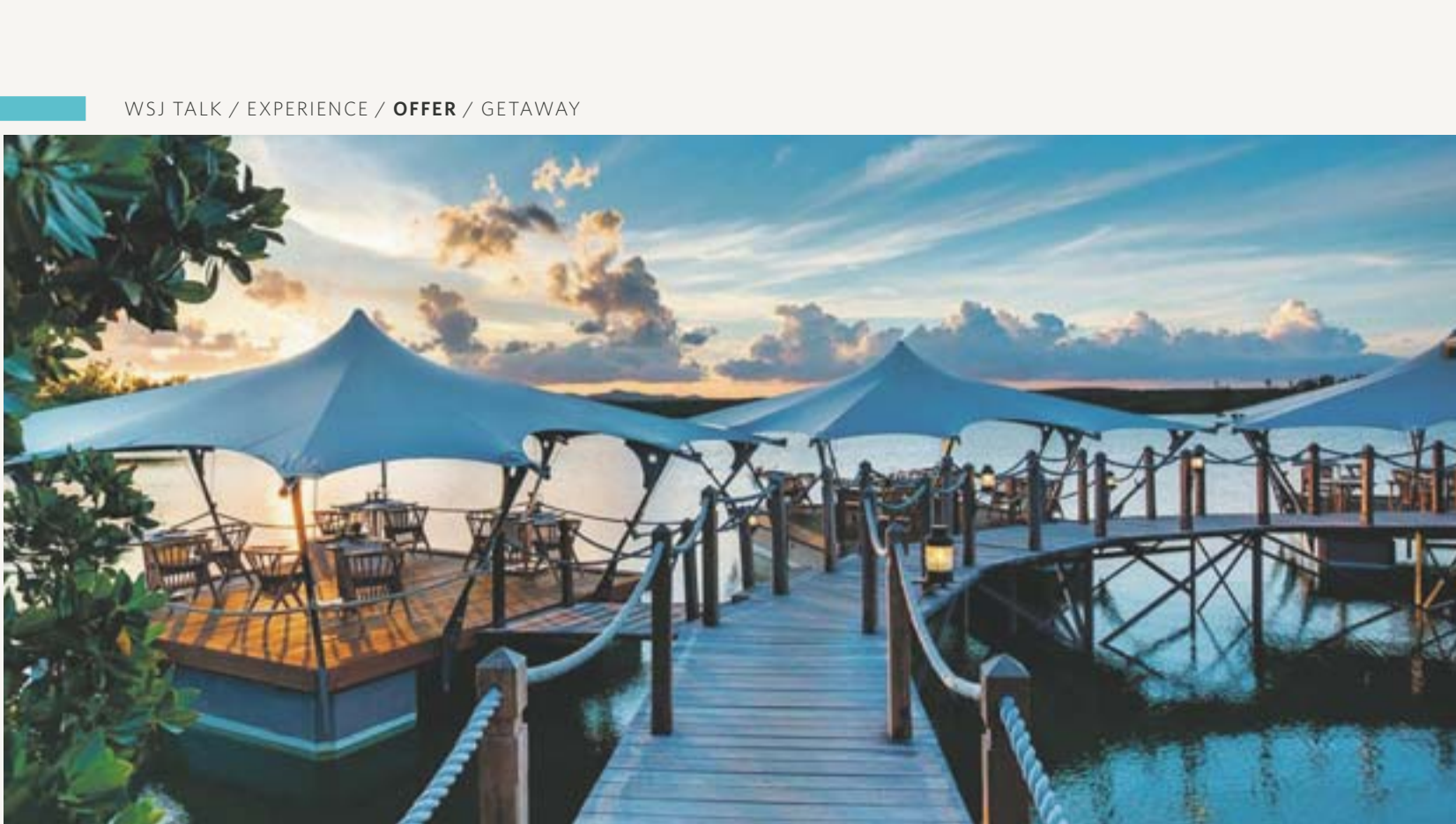
Mr. Cryan also gave Frankfurt an endorsement as the top location to relocate after

the U.K. leaves the European Union. He said that jobs would come to Dublin, Amsterdam and Paris. But "in reality, none of these locations have the structures in place to assume a large portion of the business from London," he said. "There is only one European city which can fulfill these requirements and that is Frankfurt."

Mr. Schäuble also plugged Frankfurt as the new home of the European banking rule-setter, the European Banking Authority, which is in London but will have to leave due to Brexit.

"It is entirely logical that [EBA] comes to Frankfurt. I know other countries have applied for it, but I hope we can get it for Frankfurt with better arguments," he said.

—Hans Bentzien contributed to this article.



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MARKETS

Euro Rise to Starting Point May Worry ECB

Central-bank concerns include 'overshooting' exchange rate by the currency in the future

By Mike Bird

The euro is back to where it began, partying like it's 1999. As the euro rallies to the levels of its birth, its creator, the European Central Bank, may be getting nervous. And some analysts think it could climb higher.

On Jan. 4, 1999, the first trading day of the euro's existence, the euro reached \$1.1789, according to the ECB. That is only around 1% from its level of \$1.1912 midafternoon Wednesday in New York.

On a trade-weighted basis, the euro is even closer to its genesis. The ECB's nominal effective exchange rate, which measures the euro's value against the currencies of its 12

Back to the Beginning

Measured against the currencies of the eurozone's most significant trading partners, the euro's exchange rate is nearly where it was when the common currency began.

Euro against 12 trading partners, change from Jan. 4, 1999



closest trading partners, currently sits at 103.6, almost exactly its level of 103.8 in 1999.

The euro has been on quite a ride since the ECB pressed the button on the currency that January. It hit a low of

\$0.825 in late 2000 and bounced to a high of \$1.599 during 2008, when the dollar went through a particularly weak patch. In more recent years, through much of 2015 and 2016, the currency has

traded in a range as investors despaired over weak growth and anti-establishment politicians calling for its end.

This year the euro has been on a tear, gaining around 13% against the dollar, helped by a round of good economic data and as concerns over political risk in the region decline. The dollar's recent broader weakness has also helped.

The central bank's governing council meets Thursday, and investors expect the euro's current strength to be on the agenda. Minutes of the ECB's July meeting included concerns about the exchange rate "overshooting in the future."

Among the possible concerns for a central bank: A stronger currency drags down import prices, reducing inflation at a time when regional price-growth is still below the ECB's target.

But some analysts believe that even given the recent gains, the currency is either

trading at what they believe it is worth or it may even be undervalued.

Analysts use various methods to estimate what they see as the appropriate level of exchange rates, based on factors such as the country's current

A stronger currency drags down import prices, reducing inflation.

account surplus or deficit, growth and inflation.

Deutsche Bank suggests the euro is almost exactly fairly valued at \$1.19, while BNP Paribas's analysts believe that the currency's fair value is more like \$1.33.

The Big Mac index of London-based magazine The Economist compares the purchasing

power of different currencies by looking at the cost of a McDonald's Corp. burger. That suggests that the euro is still undervalued by around 13%.

There are other ways of looking at the euro that suggest comfort with its current trading position. Three-month euro-dollar risk reversals, a measure of the cost of protection against a drop in the currency, have moved into positive territory for the first time in several years—meaning that the euro is regarded as safer.

"A stronger euro is at least partially a response to the better growth outlook," said Luigi Speranza, head of European market economics at BNP Paribas. "As the recovery is domestic-led, it is less vulnerable to external shocks than in the recent past."

"Importantly, the euro is still below its historical average in real terms," he added. "The eurozone economy remains rather competitive."

Energy Companies Lead a Rebound in U.S. Stocks

By Georgi Kantchev and Amrith Ramkumar

The Dow Jones Industrial Average rebounded from its worst session in weeks, boosted by shares of energy and financial companies.

The Dow industrials rose 54.33 points, or 0.25%, to 21807.64, following the blue-chip index's

WEDNESDAY'S MARKETS

largest one-day decline since Aug. 17 on Tuesday. The S&P 500 advanced 0.3%, and the Nasdaq Composite swung between small gains and losses before ending up 0.3%.

Strong economic data around the globe has underpinned stock markets this year, with U.S. indexes hitting record highs over the summer

even as investors have grown anxious about how long the bull run can last.

"We remain overweight equities and don't think yesterday was a sign of things to come," said Jon Adams, senior investment strategist with BMO Global Asset Management. "Our bias has been to buy the dips."

Energy stocks were among the best performers, rising alongside oil prices as Gulf Coast refineries continued to restart following Hurricane Harvey, boosting demand. U.S. crude oil rose 1% to \$49.16 a barrel.

The S&P 500 energy sector was up 1.8% in late trade, with Chevron and Exxon Mobil among the biggest gainers in the Dow industrials.

Financial stocks bounced back from their worst day

since mid-May, with the KBW Nasdaq Bank Index, a measure of 24 of the largest U.S. bank stocks, up 0.2% in late trading.

Shares of financial firms fell a day earlier after Federal Reserve governor Lael Brainard said the U.S. central bank should be cautious about raising short-term interest rates further until policy makers are confident of overcoming the "persistent failure" to reach 2% inflation. Higher rates tend to boost lending profitability.

Stocks pared earlier gains Wednesday and Treasury yields fell briefly after Fed Vice Chairman Stanley Fischer announced his intention to resign, months before his term was set to expire.

Treasury yields then climbed following news that President Donald Trump and congressional leaders had

agreed to raise the federal government's borrowing limit for three months. Doubts about raising the debt ceiling had weighed on markets in recent weeks.

The yield on the 10-year U.S. Treasury note rose to 2.108%, according to Tradeweb, compared with 2.072% Tuesday, its lowest level since November. A run of soft inflation data in the U.S. has been contributing to a two-month decline in Treasury yields, which fall as bond prices rise.

Investors were tracking Hurricane Irma, which has grown into one of the most powerful storms ever recorded over the Atlantic Ocean, prompting evacuations in Florida and disrupting air and sea travel.

United Continental Holdings shares were off 1.7% in late

trading after the company said Hurricane Harvey and price competition will weigh on revenue in the current quarter.

Continuing tensions following North Korea's recent nuclear test—its most powerful yet—were also a concern for investors. North Korea issued a defiant response on Tuesday to U.S. attempts to impose new sanctions, declaring that it wasn't cowed by the Trump administration's warnings and hinting at an unspecified "counteroffensive."

"While the [market] outlook is generally positive, there are a lot of risk factors out there," said Richard Benson, co-head of portfolio investments at Millennium Global Investments. "I'm positive but worried."

The Stoxx Europe 600 rose less than 0.1% to 373.95, fol-

lowing two days of losses. Many investors were looking ahead to the next monetary policy meeting of the European Central Bank on Thursday.

Most expect the ECB to hold off until next month to announce the start of winding down its €2.3 trillion (\$2.7 trillion) stimulus program. But investors were awaiting comments by ECB President Mario Draghi, who is expected to offer clues about the stimulus phaseout.

In Hong Kong, the Hang Seng Index—among the world's best-performing stock benchmarks this year—finished down 0.5%. Japan's Nikkei Stock Average fell 0.1%. South Korea's Kospi index ended 0.3% lower, posting a fifth consecutive session of losses.

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China Merchants Bank Is in the Danger Zone

Forget China's debt binge, piles of bad loans and billions in dodgy investment products: Investors have fallen in love with Chinese banks again. Their favorite object of affection is **China Merchants Bank**, whose Hong Kong-listed shares are up nearly 60% this year to a record.

Aside from the perennial, and serious, concerns about the Chinese financial system, the crackdown on banks by regulators should be enough to make investors nervous.

On the surface, China Merchants is doing well. Net profit rose at a double-digit-percentage pace in the first half, while its nonperforming-loan balance fell sharply.

Beneath the surface, there are problems brewing. The bank is deeply reliant on wealth-management products, which are short-term investments that promise higher returns than ordinary bank deposits. Chinese banks have issued hundreds of billions of dollars of these products in recent years, much of which they have recorded off their balance sheets.

China Merchants has about 2.1 trillion yuan (\$316 billion) of these outstanding, the biggest exposure among its midsize bank peers, and is dependent on them for both fee income and as a source of funding.

Amid the regulatory crackdown, the bank issued fewer wealth-management products than it did a year earlier. If regulators step up efforts to force China Merchants to bring all of its wealth-management products onto its books, it would have to raise 100 billion yuan in new capital, according to Autonomous Research analysts.

There is another reason China Merchants' balance

sheet isn't all that it seems: The bank has been a big user of asset-management plans. This tool, which is increasing in popularity, allows banks to set up unconsolidated entities that buy some of their souring loans and then issue securities to investors. China Merchants' exposure to such plans rose nearly 20% to more than 400 billion yuan in the first half.

The bank is also looking squeezed when it comes to income. One of its key customers is **Anbang Insurance Group**, which owns a 10% stake in China Merchants.

There are signs that the Chinese lender is preparing for a capital crunch.

Anbang is among the institutions Beijing is now scrutinizing following a wave of overseas acquisitions. Any threat to its business could have an effect on the bank.

There are already signs that China Merchants is preparing for a capital crunch. Last month, it said it would issue bonds, including non-public preference shares, valued at up to \$5.3 billion. Last week, it said it was injecting capital into a fund-management subsidiary that deals with its more than \$150 billion asset-management business.

All of these issues suggest its current valuation of 1.3 times book value is overly generous, especially as other comparable Chinese banks trade below one times book. As Chinese banks face a challenging period, China Merchants should be on top of the worry list.

—Anjani Trivedi

Harvey Gives Hope to Auto Sector

Relief for the embattled U.S. automotive industry is coming from an unlikely source: hurricanes.

Research firm Cox Automotive estimates the number of vehicles damaged by Hurricane Harvey in Texas at between 300,000 and half a million. Perhaps 20% will be repaired, and most of the rest replaced with second-hand vehicles, but at least some will drive new-car sales. On top of that there is the damage to vehicles on dealers' lots, though Ford Motor said last week that this was less than 5,000 units for its brands, which are dominant in Texas. Hurricane Irma, which is approaching Florida, could have a similar impact in coming days.

Brokerage Evercore ISI puts the potential bump to 2017 new-car sales from Harvey at about 135,000, or a little under 1%. That wouldn't



THOMAS B. SHEA/AGENCE FRANCE PRESSE/GETTY IMAGES

One estimate puts Harvey's damage at up to 500,000 vehicles.

be enough to restore the market to growth—sales are down 2.7% for the year through August, according to Autodata—but it would cushion the decline. The impact on profits in Detroit would also likely be greater, as Texans favor the lucrative pickups in which U.S. manufac-

turers specialize.

Meanwhile, the rush of secondhand sales should support used-car prices. After Hurricane Katrina in 2005, used-car prices rose for half a year, notes Barclays.

Secondhand prices have been falling as cars bought new on lease three years ago

hit dealer lots in ever greater numbers. The residual values that car makers' finance arms and independent leasing companies include in their models are likewise falling, weighing on profits. They are compensating for this by tightening the terms of leasing packages, even as secondhand models get cheaper.

This is an important reason why U.S. new-car sales are weakening—and likely to decline further—despite near-record consumer confidence. Any support for used-car prices should slow this gradual erosion.

The storms won't wash away Detroit's long-term challenge of investing in electric and self-driving vehicles as demand in its crucial home market turns down. But insurance payouts may give U.S. car makers a much-needed late-year fillip.

—Stephen Wilmot

Why the Rally in Bank Shares Is Over

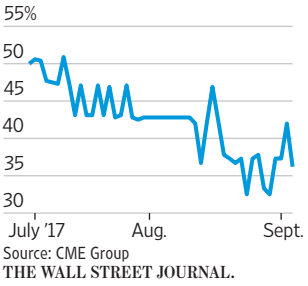
Bank stocks are having a hard time making the transition to autumn. The forecast is for chilly conditions to continue.

Following strong gains for most of the summer, the KBW Nasdaq Bank Index has fallen about 6% over the past month compared with a decline of less than 1% in the S&P 500. The immediate trigger appears to be a sharp move downward in long-term interest rates. This certainly isn't helpful to banks, but their biggest problems at the moment lie elsewhere.

The yield on 10-year Treasury's has fallen to 2.10% from 2.22% over the same period. One reason is that North Korean weapons tests have goosed demand for haven government bonds. Other factors include weak-

Not Banking on Higher Rates

Probability implied by futures markets of a quarter-percentage-point Fed rate increase in December



ening employment growth.

There is a case to be made, though, that investors in bank stocks focus too much on the 10-year rate. After all, commercial banks

don't typically hold many 10-year assets. In the second quarter, just 28% of total bank assets had terms of more than five years, according to data from the Federal Deposit Insurance Corp.

In a note on Wednesday, analysts at **Goldman Sachs Group** argued for a bet on bank shares. They pointed out that 54% of loans at the biggest lenders have floating rates, meaning they adjust automatically in line with short-term benchmark rates.

As a result, movements in short-term rates matter more for most banks' profitability than movements in long-term rates. This explains why banks' net interest margins have steadily expanded this year despite a flattening yield curve.

The big problem for banks

right now is that short-term rates aren't likely to go higher for a while. Markets are now pricing in a 36% chance that the Fed will raise rates at its December meeting, according to **CME Group**.

Low inflation, lukewarm employment reports and the uncertain fallout from one or possibly even two disastrous hurricanes have tempered rate bets.

Various other indicators also are pointing in the wrong direction for banks. Loan growth continues to be slow, capital markets activity is weak, and defaults on consumer loans are ticking up. The glorious bank rally following last year's presidential election suddenly seems like a long time ago.

—Aaron Back