

THE WALL STREET JOURNAL.

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North Korea Stands Defiant as Tensions With U.S. Escalate



TOGETHER: North Koreans attend an anti-U.S. rally Saturday in a photo released by state media Sunday. The foreign minister called a rocket attack on the U.S. 'inevitable.' A4

Repeal Hits Another Snag

Sen. Collins says she will probably vote against Republicans' latest health-care bill

BY LOUISE RADNOFSKY AND TED MANN

WASHINGTON—Republican Sen. Susan Collins of Maine said Sunday she couldn't see herself voting for a revived effort to repeal the Obama-era Affordable Care Act, leaving GOP leaders with no room for further defections as they try to secure 50 votes

for the bid this week.

"It's very difficult for me to imagine a scenario where I would end up voting for this bill," Ms. Collins said on CNN's "State of the Union" Sunday morning.

Republican senators are making a last-ditch attempt this week to pass legislation striking the 2010 health law popularly known as Obamacare, with a bill by GOP Sens. Bill Cassidy of Louisiana and Lindsey Graham of South Carolina that would effectively turn over decisions over the law's future to each state, with limited federal funding for

each state to use to implement their own health systems.

No Senate Democrats are expected to support the legis-

Trump Clashes With Athletes

More NFL players knelt in protest as the president said fans should boycott..... A7

lation, forcing the bill's sponsors to cobble together 50 votes from among the 52 Senate seats they control. That

has been a monthslong struggle marked by tensions between the party's centrist and conservative wings.

Republican Sen. John McCain of Arizona indicated his own vote was out of reach Friday. Since leaders can afford no more than two defections, they have focused their efforts on winning over Sen. Rand Paul of Kentucky, who has criticized the Graham-Cassidy effort but is believed to be open to negotiating.

Speaking on ABC's "This Week," the bill's backers said they remain hopeful of win-

Please see HEALTH page A7

Risks of Leveraged Lending Pile Up

BY CHRISTOPHER WHITTALL

Lending to the most highly indebted companies in the U.S. and Europe is surging, a development that investors worry could pressure financial markets if the global economic expansion starts to fade.

Volume for these leveraged loans is up 53% this year in the U.S., putting it on pace to surpass the 2007 record of \$534 billion, according to S&P Global Market Intelligence's LCD unit.

In Europe, recent loans offer fewer investor safeguards than in the past. This year, 70% of the region's new leveraged loans are known as covenant-lite, according to LCD, more than triple the number four years ago. Covenants are the terms in a loan's contract that offer investor protections, such as provisions on borrowers' ability to take on more debt or invest in projects.

Toys 'R' Us offered a reminder of the risks of piling on debt when the company filed for bankruptcy protection on Sept. 18. The toy seller's chief executive said in court

Please see LOANS page A2

China Steps Up Ideology Push on College Campuses

BY TE-PING CHEN

BEIJING—China may have poured billions into making its universities more globally competitive, but its idea of a quality education is guided more than

ever by the Communist Party. In a drumbeat that has accelerated ahead of October's twice-a-decade Party Congress, President Xi Jinping's campaign to rein in civil society, online media and speech has extended to the classroom.

Top universities seen as insufficiently rigorous in their ideological work are being shamed. Professors who speak out are punished. The government is sending observers to nearly 2,600 universities to monitor mandatory ideology classes, which include staples like "Mao Zedong thought."

"What they most want to see is whether what you're saying is in line with the official demands on ideology and values," said Xiao Wei, who will be sitting in on classes in Shanghai this fall as part of a group of some 100 professors examining the quality of ideological education in the city. "They also want to understand how effective [the classes] are," said Mr. Xiao,

Please see SCHOOL page A3

Merkel on Track for Victory



VOTE HERE: Chancellor Angela Merkel's conservative alliance was headed for victory in Germany's election, according to exit polls, which also indicated a surge of support for an anti-immigrant party. A3

BROTHERS IN ARMS

The Goski twins belonged to a generation of rural youths who enlisted after 9/11 and shouldered the greatest burden for the nation's defense

BY MICHAEL M. PHILLIPS

Mike Goski stared into the steel casket at his twin brother's body, dressed for eternity in a deep-blue Marine Corps jacket with red piping and brass buttons. It was like looking into a cruel mirror, Chris's face, so like his own, distorted by a wound the mortician couldn't hide.

Alone together for the last time, Mike slipped a knife into his brother's hand, a

weapon for Valhalla, the mythical refuge for fallen warriors.

Chris was a born fighter from Red Oak, Texas, a Marine commando with six tours of duty. In combat, he could orchestrate from the chaos a lethal strike by jet fighters, helicopters, mortar and artillery, raining hot metal on enemies a few hundred yards away.

At the cemetery, as "Taps" played, comrades of the Goski twins stood at attention,

Please see TWINS page A6

Want to Be a Fed Governor? Roots Matter

* * *

Why a nominee from Utah insists he's from Colorado

BY RYAN TRACY

Winning nomination to the Federal Reserve Board takes financial acumen, political savvy and a very expansive notion of geography and biography.

Randal Quarles, nominated by President Donald Trump, hopes to join the powerful policy-making body in coming weeks. He is by most indications from Utah and the Fed board has met its quota of members from that part of America. Fortunately for Mr.

Quarles, he can argue he's from somewhere else. Colorado, to be precise.

Mr. Quarles's provenance matters because of an obscure provision inserted into the Federal Reserve Act of

1913 by William "Alfalfa Bill" Murray of Oklahoma, a mustachioed, pistol-wielding congressman. Mr. Murray's aim was to dilute Wall Street's



Randal Quarles

influence in an amendment requiring geographic diversity on the governing board: No two members may come from the same region.

Utah falls under the Fed's 12th district, which is the Federal Reserve Bank of San Francisco's domain. It is represented by Chairwoman Janet Yellen.

Please see ROOTS page A2

THE NEED FOR BREACH DISCLOSURE

KEYWORDS, B1

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WORLD NEWS

THE NUMBERS | By Jo Craven McGinty

Scary Question: How Do Nuclear Codes Work?



A question has been lurking in the back of my mind since news stories began mentioning the nuclear codes with unsettling regularity. North Korea began detonating bombs with alarming frequency and President Donald Trump began threatening Kim Jong Un with total destruction.

How do the nuclear codes work?

In the event of a nuclear attack on the U.S., there is no button for the president to push, if he chooses to respond with nuclear weapons. Instead, a series of codes must be relayed before 42 pairs of land-based missile operators in as many different locations can turn their launch keys to unleash a nuclear response.

If the president were to fire all 420 of those land-based nuclear warheads, plus 1,000 missiles aboard 10 nuclear submarines, it would equal roughly 30,000 Hiroshima bombs.

From start to finish, everything will be gone and exploded in an hour or 45 minutes.

"utes," said Bruce G. Blair, a former Minuteman missile-launch officer and research scholar at Princeton University's Program on Science and Global Security.

Mr. Blair, who has first-hand knowledge of some of the procedures, laid out the expected timeline for a U.S. nuclear response to an attack. Here's a breakdown of what would likely happen and how long each step would take:

Sounding the Alarm (3 minutes)

If the North American Aerospace Defense Command, or Norad, located in Colorado Springs, Colo., spots satellite or ground-radar evidence of a nuclear attack, it alerts the Pentagon.

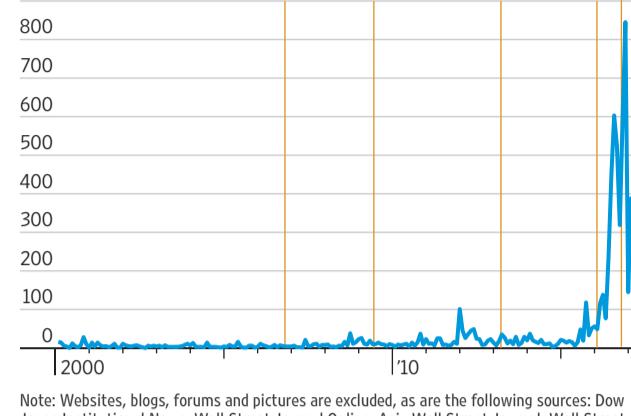
Briefing the President (1 minute)

The Pentagon calls the president, the commander of the U.S. Strategic Command in Omaha, Neb., and various other advisers.

A military aide who accompanies the president at all times produces a menu of nuclear options from a locked, leather satchel known as the "football." But to save time,

Code Talkers

Mentions of 'nuclear codes' in English-language licensed publications



Note: Websites, blogs, forums and pictures are excluded, as are the following sources: Dow Jones Institutional News, Wall Street Journal Online, Asia Wall Street Journal, Wall Street Journal Europe and all wires.

Source: Factiva

THE WALL STREET JOURNAL

it's likely that the four-star general in charge of Strategic Command would inform the president on his nuclear options. "It's basically a 1 minute briefing," Mr. Blair said, "but it could be as short as 30 seconds."

Deciding on a Response (12 minutes)

The process allows the president about 12 minutes to launch a retaliatory strike.

and letters arranged in lines, not unlike a Bingo card," according to an account by Bill Gulley, a former director of the White House Military Office, who wrote about his experiences in the 1980 book "Breaking Cover."

The Pentagon challenges

the president over the telephone with a code such as Delta Zulu. "The President with the help of a military aide finds Delta Zulu on his card and responds with the appropriate code," Mr. Blair said. "Let's say Charlie Bravo."

Transmitting the Orders to Launch (2 minutes)

The Pentagon formats and transmits the president's launch order in a message that includes sealed authenticator system codes, the launch time, a war-plan code that corresponds with the president's nuclear choice and codes to unlock the weapons.

Validating and Executing the Orders (1 minute)

Land-based missile operators working in underground launch centers validate and execute the order. They match the sealed authentica-

tor system codes with codes they have locked in a safe and then enter the war plan and unlock codes. At launch time, the missile operators, working in pairs for security, simultaneously turn their launch keys.

The war plan code determines which of the missiles will fire. "A computer in the missile knows what the war plan code means to it," Mr. Blair said.

Crews aboard submarines follow a similar routine.

Heading Toward the Target (30 minutes)

Land-based missiles will reach the other side of the planet in 30 minutes. Submarines, which must get to launch depth, take about 10 minutes longer to launch, but because they are likely to be positioned closer to the target, their missiles reach it at about the same time as the land-based weapons.

Missiles could reach the U.S. on a similar timetable. Russia has the same capabilities as the U.S., and North Korea aspires to be able to land a nuke here.

It's enough to keep you up at night.

ECONOMIC CALENDAR

MONDAY: European Central President Mario Draghi gives a speech at the European Parliament in Brussels. Analysts hope for clues on what to expect ahead of the ECB's October Governing Council monetary policy meeting.

TUESDAY: Federal Reserve Chairwoman Janet Yellen speaks in Cleveland, days after the Fed announced its plans to begin shrinking its bond portfolio next month. Ms. Yellen may address the Fed's decision to roll back its stimulus campaigns to stabilize the economy and plans to raise short-term rates this year despite puzzlingly low inflation readings.

WEDNESDAY: The U.S.'s Commerce Department releases its report on August's durable goods orders. The data, which measures orders for big-ticket items like refrigerators and bulldozers, will offer a snapshot of business investment, which has picked up in recent months. Orders for core capital goods rose in July, as companies ramped up buying of computers, machinery and electrical appliances.

THURSDAY: The U.S. Commerce Department releases its third estimate on second quarter gross domestic product. The most recent second-quarter reading showed the country's economy growing at its most robust pace in more than two years.

FRIDAY: The European Commission releases a flash estimate on European area inflation. The eurozone's inflation rate has remained stubbornly below the ECB's target of just under 2%.

The U.S. Commerce Department releases its August personal income report. Economists surveyed by The Wall Street Journal forecast a 0.2% increase.

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LOANS

Continued from Page One

papers that Toys 'R' Us had been hampered by its "significant leverage." Its \$5.3 billion in debt included a large number of leveraged loans and high-yield bonds.

Even though default levels are low, and global growth has been picking up, the lending boom could prove troublesome when market conditions change or the economy slows.

"It feels like the market is getting frothy," said Henrik Johnsson, co-head of global debt-capital markets at Deutsche Bank AG. "We're overdue a correction."

Before the financial crisis, the boom in leveraged loans was one of the signs of markets overheating. As the crisis intensified in 2008, investors in U.S. leveraged loans lost nearly 30%, according to the S&P/LSTA Leveraged Loan Index.

Regulators are taking note. In its most recent quarterly report, the Bank for International Settlements noted the growth of covenant-lite loans and pointed out that U.S. companies are more leveraged than at any time since the beginning of the millennium.

The leveraged loan market has long been favored by private-equity firms raising cash to fund takeovers. Investment banks arrange the loans and typically parcel them out to other lenders and investors.

Now, investors are jumping in because central bank stimulus has pushed down returns across bond and equity markets. In the U.S. alone, inves-

tors have poured \$16.9 billion into loan funds this year, taking total assets to a record of \$141.2 billion at the end of August, according to Thomson Reuters Lipper.

In Europe, the pipeline for leveraged loan deals still to be sold was €7.6 billion in August, according to LCD, the highest level in seven years.

In the U.S., loans issued to fund leveraged buyouts from private-equity companies this year total \$88.5 billion, up 74% from the same period last year and on track for the largest amount since 2007. High-yield bonds are trading at their highest levels since before the financial crisis.

"When you have more money seeking loans and bonds than there are new [deals], you see leverage creep up and covenants" relax, said Jeff Mueller, a portfolio manager at Eaton Vance in London.

Loan terms are now "more aggressive here in Europe," said Christopher Kandel, a partner at law firm Latham & Watkins LLP, citing provisions giving borrowers greater flexibility to pay out dividends or incur additional debt.

Cov-lite loans barely existed in Europe before the financial crisis. "That will be the test for investors," said Taron Wade, a director at S&P Global. "How they perform through the cycle."

Some fund managers, meanwhile, are uncomfortable with increasing levels of leverage in the market.

That is particularly true in the U.S., where nearly a third of loans to private-equity backed companies this year are leveraged six times or

more, according to LCD's calculations of companies' debt to earnings before interest, tax, depreciation and amortization. That is despite 2013 guidelines from U.S. regulators, including the Federal Reserve, on loan underwriting stating that leverage of more than six times "raises concerns for most industries."

Five of the six largest new loans backing leveraged buyouts this year have exceeded those levels, according to Dealogic and Moody's Investors Service.

The largest was a \$3.15 billion loan taken earlier this year by Team Health Holdings Inc. to fund Blackstone Group LP's leveraged buyout of this health-care provider. In January, Moody's estimated that Team Health's leverage was at around 7.5 times.

Other corners of the market are showing signs of overheating. In the high-yield bond market, another area where riskier companies look for funding, the extra premium investors demand to hold these securities over haven U.S. Treasurys has declined this year to levels not seen since 2007, according to Bloomberg Barclays bond indexes.

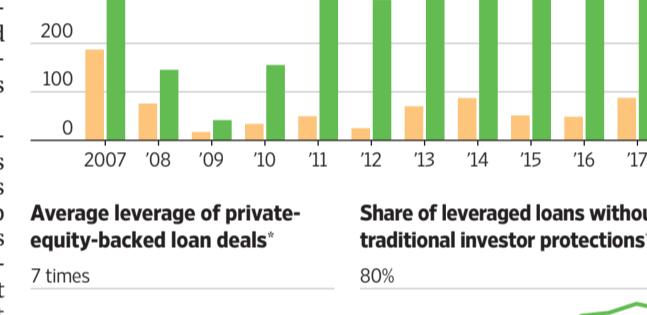
"If you get a spike in default rates, you're patently not getting compensated in high yield," said Zak Summerscale, head of credit fund management for Europe and Asia Pacific at Intermediate Capital Group.

Still, some argue the valuations in loans and bonds are justified. Mike Freno, global head of fixed income and multiasset at Barings, said that while there are some troubled

On a Roll

While the volume of leveraged loans is up, changing market conditions could become troublesome for the lending boom.

Total leveraged-loan issuance, through Sept. 15 of each year



*Through August. Leverage is measured by debt to earnings before interest, tax, depreciation and amortization. *Through Sept. 15

Source: LCD, S&P Global Market Intelligence

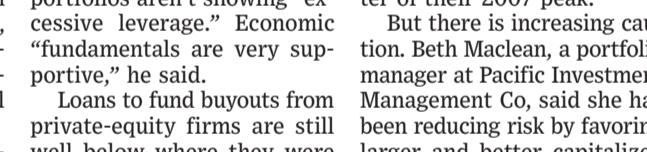
7 times



*Through August. Leverage is measured by debt to earnings before interest, tax, depreciation and amortization. *Through Sept. 15

Source: LCD, S&P Global Market Intelligence

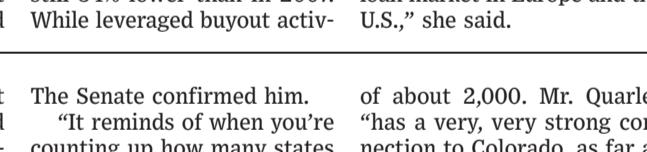
80%



*Through August. Leverage is measured by debt to earnings before interest, tax, depreciation and amortization. *Through Sept. 15

Source: LCD, S&P Global Market Intelligence

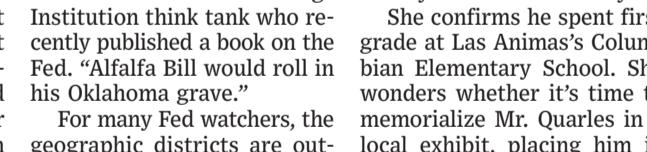
60



*Through August. Leverage is measured by debt to earnings before interest, tax, depreciation and amortization. *Through Sept. 15

Source: LCD, S&P Global Market Intelligence

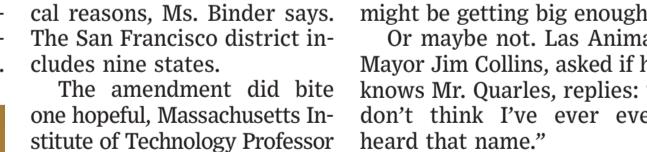
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*Through August. Leverage is measured by debt to earnings before interest, tax, depreciation and amortization. *Through Sept. 15

Source: LCD, S&P Global Market Intelligence

40



WORLD NEWS

Merkel on Track for Win, Exit Polls Show

AfD appears set to be first far-right party in more than 50 years to enter parliament

By ANTON TROIANOVSKI

BERLIN—Chancellor Angela Merkel's conservative alliance was headed for victory in Germany's general election on Sunday, according to exit polls, which also indicated a surge of support for an anti-immigrant party—signaling potential political turbulence for Europe's largest economy.

Ms. Merkel's center-right alliance finished well ahead of its closest competitor, the center-left Social Democrats, 32.5% to 20%, according to exit polls released by ARD public television.

If those results hold, Ms. Merkel is all but assured of winning a fourth term and cementing her status as the longest-serving elected leader of any major Western country.

But Germany's mainstream politicians also face a significant challenge. The nationalist Alternative for Germany, or AfD, was on track to win 13.5% of the vote, according to the exit polls, a result that would make it the first far-right party in more than half a century to win seats in Germany's Parliament.

With a foothold in the legislature, the AfD, which has



A woman casts her ballot at a polling station in Berlin during the general elections Sunday.

RALF HIRSCHBERGER/AGENCE FRANCE PRESSE/GETTY IMAGES

pledged to weaken European integration, would gain a more prominent voice in the national discourse. The party describes Germany's Muslim minority as a "great danger" and says the country should reduce its focus on Holocaust remembrance.

Support for AfD has surged in the wake of the arrival in

Germany of more than a million refugees and migrants admitted by Ms. Merkel's government since 2015.

Sunday's election results are a sign that even in stable Germany, the political center is weakening—as it has across much of Europe—in the face of pressure from nationalist and euroskeptic parties once on

the margins. In addition to the AfD's gains, the far-left Left Party was projected to win 9%.

The AfD's rise and what is likely to be an arduous effort by Ms. Merkel to assemble a ruling coalition inject new uncertainty into Europe's biggest economy—and the European Union itself—as important policy decisions loom on the direc-

tion of the EU and immigration.

Fear of losing more voters to the AfD could boost the influence of conservatives in Ms. Merkel's camp who are skeptical of deeper European integration and want the chancellor to limit the numbers of refugees that Germany will accept.

Ms. Merkel remains widely popular, buoyed by a strong

economy providing jobs for almost every German who wants one. But with her own party falling short of an outright majority, she could face complicated negotiations to build a ruling coalition.

If the exit polls are right, her conservative alliance's favored partner, the pro-business Free Democrats, were set to win 10.5% of the vote, according to the exit polls, which wouldn't be enough for a governing majority.

Instead, Ms. Merkel could seek a repeat of her current "grand coalition" with the Social Democrats, but would face resistance from some in her party. Or she could try for a three-way alliance with the Free Democrats and the environmentalist Greens, which were on track to win 9.5% of the vote.

The Free Democrats want more fiscal discipline in the eurozone and a tougher line on migrants, while the Greens are significantly more liberal on both issues. Squaring their divergent positions is likely to prove very challenging for Ms. Merkel if she pursues an unprecedented three-way coalition with those two parties.

The alternative—a repeat of her current coalition with the Social Democrats—also carries risks. The center-left party's projected result would be its worst in postwar history. Many of its members fiercely oppose another four years governing in Ms. Merkel's shadow.

Spain Blocks Catalan Vote but Secession Push Persists

By JEANNETTE NEUMANN

MADRID—Spanish authorities' efforts to stop Catalonia's independence referendum by arresting separatist leaders and confiscating ballots appear to have diminished the prospect that millions of Catalans will formally vote on Oct. 1, but that doesn't mean a cri-

sis has been averted.

Leaders on both sides of the bitter divide expect hundreds of thousands of separatists to protest if they aren't able to cast their vote. Pro-independence leaders might declare Catalonia an independent republic regardless of how any vote unfolds, they say, presenting Spain with its worst political impasse in

decades and leaving the country even more torn about the future of the rebellious region.

Since Catalonia's leaders announced the independence referendum, the central government in Madrid has staged an all-out effort to stop the vote. It successfully petitioned a Spanish court to suspend the balloting while it weighs its le-

gality, and seized control of most of Catalonia's finances to prevent the spending of public funds on the referendum.

Spanish police last week arrested 14 people allegedly involved in planning the referendum on charges of disobedience, malfeasance and misappropriation of public funds. After those arrests

brought nearly 40,000 people to the streets of central Barcelona, prosecutors asked a top court to investigate the demonstrators for alleged sedition.

Even if a large-scale, organized vote doesn't take place, leaders on both sides say pro-independence forces could still cobble together a makeshift ballot. They also expect sepa-

ratists to take to the streets in mass protests against the outlawing of the referendum.

A protracted period of mobilization against Prime Minister Mariano Rajoy's government could embolden secessionist leaders to declare Catalonia an independent republic, even if the vote itself is largely squelched.



Students attend a graduation ceremony at Fudan University in Shanghai in June.

SCHOOL

Continued from Page One
a professor of Marxism at Shanghai's elite **Fudan University**.

Since the 1989 Tiananmen Square protests, the party has kept colleges on a tight leash, fearing a reprise of student-led demonstrations. Nevertheless, there had been some room to deal with sensitive topics in the classroom. Under Mr. Xi, that narrow space is closing.

The Ministry of Education has declared 2017 a key year for enhancing the quality of ideological education—an area where classes have long been seen as turgid affairs. Officials are trying to shed that image, encouraging teachers to make lessons more engaging, while giving such classes greater academic weight.

In the northeast city of

Tianjin, authorities announced plans to hire 1,300 workers to deepen ideological education in 16 universities. Beijing has long required colleges to employ at least one full-time ideology teacher for every 350-400 undergraduate students, but in practice, many schools have fallen short of that goal.

Along with attempts to improve lessons come warnings against stepping out of line. Students at **Sun Yat-sen University** in southern China arrived this year to find new instructions on classroom walls telling them not to criticize

comes as President Xi moves to extend his dominance ahead of the Party Congress, a conclave set to anoint him for a second five-year term.

Mr. Xi in December declared that universities should become "strongholds that adhere to party leadership," and that—amid increasing collaboration with Western universities and more Chinese students studying abroad—China should develop its own vision of education guided by its history.

The Ministry of Education

party leadership; professors were advised to do the same.

An associate professor at

an elite Beijing university said he was told he was rejected for promotion because of social-media posts that were critical of China's political system. "Now I don't speak much online," he said.

This summer, the party's

discipline inspection agency, in

the first report of its kind,

criticized 14 top Chinese universities for what the agency

said was weak party leadership

and poor ideological work.

Since the February release

of a State Council document

calling for stronger party leadership in schools, at least 30

top-tier universities have

tapped university presidents

to also take on the role of deputy party secretary. Such joint

appointments had taken place

before, but the pace has accelerated in recent months.

One key component of Mr.

Xi's call is to build up social

sciences "with Chinese characteristics," outlined in a docu-

ment issued by the party's

Central Committee this spring.

Some Chinese students have

in years past been able to write

dissertations about nonpolitical

aspects of the Cultural Revolu-

tion era, such as fashion or

gender relations, "but now

even this isn't tolerated," said

Michel Bonnin, an adjunct pro-

fessor at the **Chinese Uni-**

versity of Hong Kong who spe-

cializes in the Cultural Revolution.

We like to take
a different path.
Yours.

An illustration featuring a hand holding a pencil, drawing a winding white line on a light gray surface. An orange toy car is shown driving along this line. The background is a light gray gradient.

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WORLD NEWS

U.S. Planes Skirt North Korea Coast

Foreign minister warns rocket attack 'inevitable' as hostility escalates between Trump, Kim

BY FARNAZ FASSIHI
AND BEN KESLING

In a new escalation of hostility between Washington and Pyongyang, North Korea's foreign minister warned in a United Nations speech that a rocket attack on the U.S. mainland was "inevitable," while U.S. warplanes flew off the east coast of North Korea in an explicit show of force.

The eight U.S. aircraft flew close to the North Korean coastline while remaining in international airspace, the Pentagon said in a statement, adding it was the farthest north of the demilitarized zone between North Korea and South Korea that American warplanes have flown since Pyongyang started testing ballistic missiles and nuclear weapons in the 1990s.

"This mission is a demonstration of U.S. resolve and a clear message that the president has many military options to defeat any threat," Pentagon spokeswoman Dana White said. "We are prepared to use the full range of military capabilities to defend the U.S. homeland and our allies."

The moves on Saturday capped a week of hostility be-

tween the two countries and involving their top leaders. The rising animosity has spurred world leaders to call for restraint and diplomacy, but neither capital has shown an inclination to back down from the standoff.

President Donald Trump last week derided North Korean leader Kim Jong Un as "Rocket Man," saying he was on a suicide mission and that the U.S. would annihilate North Korea if forced to defend itself or its allies. He drew a personal response from Mr. Kim, who called Mr. Trump "deranged" and warned of retaliation.

On Saturday, North Korean Foreign Minister Ri Yong Ho suggested at the annual General Assembly gathering that military strikes by his country are inevitable. North Korea has been steadily advancing in both its missile and nuclear-warhead programs and is considered close to possessing the capability of an intercontinental strike.

"Trump might not have been aware what is uttered from his mouth, but we will make sure that he bears consequences far beyond his words, far beyond the scope of what he can handle, even if he is ready to do so," Mr. Ri said.

"He committed an irreversible mistake of making our rockets' visit to the entire U.S. mainland inevitable all the more," he said.

U.S. officials watched as Mr.



U.S. warplanes flew off the east coast of North Korea in a show of force. Above, an anti-U.S. rally in Pyongyang on Saturday.

Ri spoke, but the U.S. mission to the U.N. didn't comment on Mr. Ri's speech.

Mr. Ri's speech marked a setback to hopes that Pyongyang was open in the short run to attempts to de-escalate tensions in the interest of diplomacy and negotiations.

The North Korean official delivered a series of personal attacks on Mr. Trump, calling him "mentally deranged," "evil," and an "old gambler" who had turned the White House into "a noisy marketing place" and the U.N. into a "gangster den."

He said it was Mr. Trump, not North Korea's leader Kim Jong Un, who was on a "suicide mission" and that he should be blamed if innocent American lives were lost.

Mr. Ri also said North Ko-

rea's nuclear program had entered into the phase of completion and the country was a "responsible nuclear state" that would only use its weapons against nations that took military actions against Pyongyang.

Mr. Trump responded via Twitter late Saturday: "Just heard Foreign Minister of North Korea speak at U.N. If he echoes thoughts of Little Rocket Man, they won't be around much longer!"

In the U.S. air operation east of North Korea, eight planes including Air Force B-1 Lancer bombers and F-15C Eagle fighter escorts flew off the east coast of North Korea, the Pentagon said.

The U.S. air mission underscored "the seriousness with which we take DPRK's reckless behavior," said Ms. White, the

Pentagon spokeswoman, referring to North Korea by its acronym.

Two B-1 bombers flew from the U.S. territory of Guam, home to two U.S. military bases, including Andersen Air Force base and its fleet of B-1 bombers. Mr. Kim in August threatened to launch a missile attack on the island of Guam, located roughly 3,800 miles west of Hawaii and 2,100 miles south-southeast of Pyongyang, though he ratcheted back that threat days later.

The six F-15C escorts were deployed from Kadena Air Base in Okinawa, Japan, U.S. Pacific Command spokesman Cmdr. David Benham said.

Cmdr. Benham didn't comment on the planes' armaments but said the F-15s provided fighter escort and "they

are prepared to defend against attack, if necessary."

Japan is within the range of North Korea's ballistic missiles, and in mid-September Mr. Kim launched a missile over Japan, the second such launch in the span of a month. That missile flew an estimated 2,300 miles, according to South Korea's Joint Chiefs of Staff, which also would put Guam within range.

Cmdr. Benham declined to comment on whether North Korea responded in any way to the mission.

At the U.N., Mr. Ri said his country was a victim of unfair sanctions and biased action by the world body and said the U.N. was tilted in favor of the five permanent members of the Security Council, the U.S., U.K., France, Russia and China.

Iran Tests Missile Amid Tensions

BY ARESU EQBALI

TEHRAN—Iran said it had tested a new medium-range ballistic missile, the day after unveiling it in defiance of U.S. criticism over its disputed nuclear program.

State television flashed images of the Khoramshahr missile's disengaging warhead, calling it the country's third such missile capable of traveling some 2,000 kilometers (1,240 miles). The announcement came after it and other missiles, tanks and a submarine were displayed in a military parade on Tehran's outskirts marking the anniversary of the 1980s Iran-Iraq war.

President Hassan Rouhani on Friday vowed that his country would continue to bolster its ballistic-missile program, amid rising tensions with the U.S.

"Whether you like it or not, we will strengthen our defense and military capabilities as deemed necessary for deter-



Iranian armed forces members march in a military parade Friday.

rence. Not just our missiles but also our land, air and maritime capabilities," he said in a speech. "We won't ask anybody's permission to defend our people."

Mr. Rouhani also addressed a key source of tension with the U.S. and its regional allies, saying Iran would continue to defend "the wronged people of Yemen, Syria and Palestine,"

indicating it wouldn't scale back its involvement in Middle East conflicts.

The missile test comes days after U.S. President Donald Trump sharply criticized Iran in his address to the United Nations General Assembly, denouncing the landmark 2015 nuclear deal reached between Tehran and six world powers including the U.S.

Mr. Trump referred to the missile test in a Twitter message Saturday that reiterated his criticism that the nuclear agreement doesn't cover issues such as Iran's missile program or support for regional militant groups.

"Iran just test-fired a ballistic missile capable of reaching Israel," he wrote in the Twitter message. "They are also working with North Korea. Not much of an agreement we have."

U.S. and international experts have said there is no evidence of nuclear cooperation between the two countries, but that they have cooperated on missile development.

U.S. sanctions introduced this year included legislation targeting the missile program. Iran regards those new sanctions as a violation of the deal, which suspended most international sanctions on Tehran in return for curbs to its nuclear program. It doesn't mention ballistic missiles.

May Vows to Honor EU Budget Promises

British Prime Minister Theresa May said the U.K. would honor its financial commitments to the European Union's current budget and seek to retain current trade terms with the bloc for two years after its planned exit in 2019.

By Jason Douglas
in Florence, Italy,
Valentina Pop in
Brussels and Stephen
Fidler in London

In a speech on Friday aimed at revitalizing stalled divorce talks with the EU, Mrs. May appealed for creativity and ambition from negotiators working to untangle the U.K.'s four-decade ties to the bloc and craft a new partnership built on economic and security cooperation.

Britain's exit from the EU, scheduled for March 2019, "does not mean we are turning our back on Europe, or worse that we do not wish the EU to succeed," Mrs. May said, speaking in a grand hall overlooking Florence's famed Church of Santa Maria Novella.

Mrs. May's speech, which came ahead of the planned resumption on Monday of exit talks between London and Brussels, was seen as a bid to present the EU with a coherent British position on Brexit after months of public disagreements among senior U.K. government officials.

Brexit talks have made only limited progress since they began in the summer and remain focused on three key issues: EU citizens' rights after Brexit, managing the Irish border with Britain, and reaching a deal on the U.K.'s financial commitments to the EU that haven't yet been paid.

Mrs. May touched on each of those issues, saying London doesn't want to see the return of a border between Ireland and Northern Ireland and British courts would uphold EU citizens' rights after Brexit.

She also pledged that the U.K. would honor financial commitments to the bloc made during its membership.

"I do not want our partners to fear that they will need to pay more or receive less over the remainder of the current budget plan as a result of our decision to leave," Mrs. May said. The current EU budget plan runs from 2014 to 2020.

Her official spokesman later told reporters this pledge covers budgetary commitments through 2020—but that other potential liabilities, such as contributions to the pensions of EU staff, remain subject to negotiation.

In her speech, Mrs. May also said that during a two-year "implementation period" after the U.K.'s planned withdrawal in 2019, "access to one another's markets should continue on current terms." She said the framework for the transition—aimed at allowing businesses and public services to adjust to Brexit—"would be the existing structure of EU rules and regulations." She added, however, that the U.K. wants to be free to seek new trade deals during that transition period.

The EU's chief Brexit negotiator, Michel Barnier, said Mrs. May's Florence speech "shows a willingness to move forward." He said the EU would analyze her request for the U.K. to stay for two years after Brexit in the single market and in EU's security arrangements.

Housing Woes Following Quake

By ROBBIE WHELAN
AND DUDLEY ALTHAUS

MEXICO CITY—The 7.1-magnitude earthquake that tore through central Mexico on Tuesday left at least 305 dead, 167 of them here in the capital city, causing wrenching terror, panic and sadness as news of the destruction and loss of life rolled in.

Now, Chilangos—as Mexico City residents are known—who survived the disaster are dealing with a new challenge: the gnawing uncertainty of not knowing when, if ever, they will be able to return to their homes.

The tremor—which came 32 years to the day after an earthquake that killed more than 6,000 people and leveled swaths of the capital—caused serious damage to at least 3,000 buildings in Mexico City, according to Mayor Miguel Ángel Mancera, leaving thousands of families homeless and many structures totally uninhabitable. About 40 structures collapsed completely.

Across the city, soldiers, police and representatives of the government's Civil Protection agency stood guard at buildings with crumbled facades, shattered plate-glass windows and sagging walls, their entrances roped off with tape.

On one street in the Miravalle neighborhood in the city's southeast, the partial collapse of two six-story apartment complexes killed three and injured eight. On Friday, the street's resident clamored around Victor Fernando Pérez Ramos, a representative of the local government, and peppered him with questions about when they could return to their houses.

Mexico City residents face uncertainty of not knowing whether they can return to homes.

He told the residents that there were hundreds of unstable buildings in the area and that homeowners needed to file damage reports at the local delegation office.

"If there's an aftershock, this street could be very unsafe," he explained to the worried homeowners. "For this reason, we're being very cautious."

Carlos Mendoza, 51 years old,

once to retrieve possessions.

"They have to knock down these buildings as fast as possible," Mr. Mendoza said, referring to the partially collapsed apartment buildings where the residents had died. "There are schools on this street and having unstable buildings nearby is too dangerous," he said.

Immediately following the earthquake, volunteer teams of architects and engineers assembled and registered with the government to conduct damage assessments of buildings.

Ulises Omar Zúñiga, an architect who owns a design studio called Taller 24 in the hard-hit Roma Norte neighborhood, said Saturday that he and four of his employees underwent an emergency certification course to inspect for earthquake damage organized by Mexico City's National Autonomous University, or UNAM, and had inspected 12 buildings so far.

Mr. Zúñiga explained that because of the location of the epicenter of Tuesday's quake, about 110 miles southwest of Mexico City, the seismic waves remained relatively compressed by the time they hit the capital, and as a result most of the roughly 40 buildings that collapsed were between 6 and 12 stories tall.

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Prime Minister Theresa May speaking in Florence on Friday.

REVIEW

Letter From North Korea

As the nuclear crisis mounts, Journal reporters were able to visit Pyongyang and see life there in a tightly controlled tour.

By JOHN LYONS
AND JONATHAN CHENG

NORTH KOREA'S nuclear ambitions are etched into the landscape of Pyongyang, its showcase capital city. A giant sculpture of the atom sits on top of a new apartment tower built for nuclear scientists. Atom designs adorn road overpasses, lampposts and building facades.

Bomb imagery colors daily life. At an orphanage, children play with plastic mobile rocket launchers instead of toy trucks. Shops sell commemorative intercontinental ballistic missile stamps, while a bakery sells cakes featuring an upright rocket, ready for launch.

During a recent visit, the first by The Wall Street Journal since 2008, the city's atomic aesthetics reinforced the message government officials conveyed repeatedly to the Journal reporters: North Korea won't part with its nuclear weapons under any circumstances and is resolved to suffer economic sanctions and risk war with the U.S. to keep them.

"It is too late, we have grown up," said Ri Yong Pil, the vice president of the Institute for American Studies, a division of North Korea's Ministry of Foreign Affairs. "We are not interested in dialogue to undermine our newly built strategic status."

The Journal reporters traveled to Pyongyang for a tightly controlled reporting trip between Sept. 14 and 19 amid rising tension between the U.S. and North Korea, one of the world's most brutal and isolated dictatorships. North Korea launched a ballistic missile over Japan on the second day of the trip. Hours after the group departed, U.S. President Donald Trump vowed to "totally destroy North Korea" if the U.S. is required to defend itself or allies, saying leader Kim Jong Un—whom he called "Rocket Man"—was on a suicide path.

On the day the Journal group flew into Pyongyang, North Korea's state news agency declared in a news release that all "Yankees" should be "beaten to death, as a stick is fit for a rabid dog," for persuading the United Nations to enact economic sanctions against the country.

Two affable, English-speaking diplomats in dark suits who received the Journal at Pyongyang's new glass-fronted international airport took a more measured tone.

Over the next few days, the supervised series of official interviews, visits to city landmarks and brief encounters with a handful of Pyongyang residents appeared to signal a rare outreach campaign by the government, which has included other U.S. news organizations, to describe what it sees as the logic of its nuclear-weapons program. The U.S. and North Korea don't have diplomatic relations, and even informal contact between the two nations is limited.

Official reporting trips to North Korea only happen with the explicit sanction of the state, and visitors are kept under close watch. Authorities granted Journal requests to visit factories and stores, which were chosen by the government. Some requests, such as to meet two U.S. citizens detained while working at a Pyongyang university, were denied.

Handlers allowed the Journal to talk to residents encountered along the way, but translations were done by the North Koreans and it was unclear if people felt free to speak their minds.

North Korean officials said their weapons, which include nuclear missiles being designed to reach the U.S., were meant for defensive purposes only. They described them as necessary to end what they said was a constant threat of attack by the U.S., which has maintained troops in South Korea since 1953. The officials said they wanted to force the U.S. to coexist under a system of deterrence, much as it did with the Soviet Union in the Cold War.

The North Korean officials expressed curiosity about difficult-to-answer questions such as: Who is Mr. Trump's chief adviser? And will Secretary of State Rex Tillerson keep his job? One official had followed the heated U.S. debate over transgender soldiers, and wondered if the U.S. had many.

They were convinced the U.S. had wanted the destruction of their government since the Cold War, and reminded reporters that the U.S. designated North Korea as part of an axis of evil in 2002. They expressed chagrin at perceived U.S. slights, with Mr. Ri recalling taking offense once when a U.S. immigration officer at New York's John F.



A SIGNBOARD in Pyongyang declares 'No one can stand in our way' as a tank rolls over words representing U.N. sanctions and North Korea's international isolation.



A BIRTHDAY CAKE in Pyongyang featured a replica of a North Korean rocket.

PAOLO BOSONI/THE WALL STREET JOURNAL
conclusions about whether Pyongyang can outlast the sanctions.

During the trip, Mr. Trump suggested in a tweet that new sanctions were causing long lines at Pyongyang gas stations.

A European aid worker in Pyongyang interviewed by the Journal said gas prices had risen significantly since November. But there were no lines at four gas stations that reporters saw while touring the city. At one station where reporters waited for 20 minutes seeking permission to take a photograph, two cars came in to fill up.

Ri Gi Song, an economist at North Korea's Academy of Social Sciences, said North Korea was well positioned to weather sanctions after enduring them in some form or another since the end of the Korean War. Cryptically, he said the country could rely on oil-producing North Korean allies to get around the sanctions. "I'll let you guess which," he said. When the Journal suggested a few possible countries, including Iran and Venezuela, he smiled and repeated his answer.

What's more, he said, the nuclear-weapons program was already allowing the country to reduce spending on conventional weapons and channel that money to economic development.

"You can't hurt this economy with sanctions," said Ding Jiancheng, a Chinese coal trader who lives in Pyongyang and was enjoying a musical performance by the waitresses at a bustling new Pyongyang pizza restaurant on the banks of the Taedong River. He said his coal business was thriving despite U.N. sanctions designed to stop coal sales to North Korea, though he declined to say how.

The Journal also spoke with Ri Song Ho, who directs the Golden Cup Trading Co. factory, which produces some 700 different snacks, sodas, bread and sweets, including a cake featuring a North Korean rocket ready for launch. He said his experience during the lean years of the 1990s inspired him to produce more food to offset the sanctions.

"Since we were kids, we've known how to find a way to make things work," he said.

Like all companies in North Korea, the Golden Cup is state-owned. An economic policy introduced in 2013 gives managers such as Mr. Ri more decision-making power, he said, as well as the freedom to sell any surplus production directly to customers for extra profit.

Much of the building was dedicated to other activities. On a higher floor, a hallway decorated like a cave led to a large tropical-themed swimming pool featuring live banana trees.

Mr. Ri had two rooms dedicated to the two visits made by North Korea's leader.

His conversation moved quickly from making snacks to nuclear deterrence. He was convinced that the threat of war would fade as the U.S. came to accept North Korea's nuclear power as a fact of life.

"We now have all these nuclear weapons to defend us. I believe in a few days there will be news that will mean that the U.S. will not attack us, but I can't say what that is," said Mr. Ri.

—Andrew Dowell and Paolo Bosonni contributed to this article.

'We are not interested in dialogue to undermine our newly built strategic status.'

said they supported the missile program and were resolved to make sacrifices if sanctions squeezed the economy.

A restaurant bartender approached by the Journal expressed pride in the country's advancing missile capabilities after a broadcast of a Sept. 15 missile test played on a television over the bar. "We will accomplish the final victory against the U.S.," the bartender said. "I wish they would launch 20 or 30 missiles a day."

Several people, including some government officials, expressed wariness of China, a longtime friend of Pyongyang that historically has opposed any talk of regime change. China supported recent steps to tighten sanctions against North Korea, and some residents said they question the quality and safety of Chinese foods and other products.

Pyongyang appeared spotless. A Korean War museum with marbled

anti-U.S. posters and slogans to the constant sound of patriotic hymns, sometimes set to rock beats. The messages exalt three generations of Kim family leaders, who have stayed in power for more than seven decades by building a police state and instilling in the populace a quasi-religious devotion.

At a new ophthalmology hospital with a giant bubble window shaped like a human eye, external-affairs director Kim Un Ae said the facility was completed in six months and that supreme leader Kim Jong Un visited on May 26, 2016, during construction to give "on-the-spot guidance."

Mr. Kim suggested changes to the hospital's eye-shaped logo, including adding a second line to the eye-brow, the hospital's external-affairs director said. Mr. Kim picked green as the main interior color because it soothes the eyes, and guided the glasses shop inside to organize frames by gender and price.

parts of the country describe a strikingly different scene in the provinces. Even on the city's outskirts, the drop-off in living standards is stark. Journal reporters saw farmers relying on ox carts in fields just a short drive from the new dolphin-show facility and science complexes.

North Korea's economy grew 3.9% last year to around \$32 billion, according to South Korea's central bank, which makes estimates about the economy of its northern neighbor in the absence of reliable figures from Pyongyang.

That is the fastest growth since 1999, according to South Korea, and may have been helped by government spending on weapons manufacturing.

The U.S. strategy is to squeeze Mr. Kim by snuffing out North Korean growth with sanctions, including limits on purchases of oil. The supervised nature of the Journal's trip made it impossible to draw

IN DEPTH

TWINS

Continued from Page One
Marines in white hats and Special Forces in green berets. Mike, an Army Special Forces patch on his shoulder, asked that none cry.

"Chris had only one fear that I'm aware of, and it was not death," Mike said as he stood beside the coffin that held his twin. "He feared providing anything less than absolutely perfect close air support for his brothers. He feared failing them when they needed him the most."

The twins were small-town boys, part of a generation who came of age at the time of the Sept. 11 terrorist attacks. Since 2001, volunteers from such places—many of them out-of-the-way counties struggling with lagging economies, drug addiction and fewer options—have shouldered the greatest burden for America's defense. They enlisted, fought and died in greater proportions than those from relatively more prosperous urban areas, an analysis of government military data by The Wall Street Journal found.

Using Pentagon data on the hometowns of 6,800 military casualties from the wars in Iraq and Afghanistan through 2016, the Journal found that 23% came from small towns and rural areas, even though those places made up just 17% of the U.S. population.

By contrast, 23% of those killed came from core counties of U.S. metropolitan areas of more than one million people, where 29% of Americans live.

The Goskis' story is one of brothers at home and at arms. Chris was born first, and Mike followed. That was the way it would always be. Growing up, Chris threw the first punch, and Mike leapt to his defense. Chris quit high school; Mike did the same. Chris enlisted in the military the day after 9/11; Mike wasn't far behind.

"The thing Mike loved most in the world was Chris," their father said, "and the thing Chris loved most in the world was Mike."

After burying his brother in 2012, Mike was left to find a new path.

This account of his journey is based on military, police and medical records, as well as journals, emails, texts, videos and photographs; and interviews with relatives and friends, and comrades and officials from Army Special Forces, U.S. Special Operations Command, Marine Special Operations Command, the 10th Mountain Division and the 2nd Air Naval Gunfire Liaison Co.

'Little destructors'

Chris and Mike Goski were born on May 1, 1981. They grew up in Red Oak, at the time a town of 4,300 people and countless crepe myrtles, 20 miles south of Dallas. The family lived on a street of single-story brick houses.

The boys were fraternal twins with good looks so similar it was hard to distinguish one from the other.

Their father, Tim Goski, worked in trucking. Their mother, Kathy, was a nurse.

The Goskis tried to raise the twins—obedient as young boys—with a firm yet loving hand. Chris and Mike developed a rambunctious energy that attracted friends.

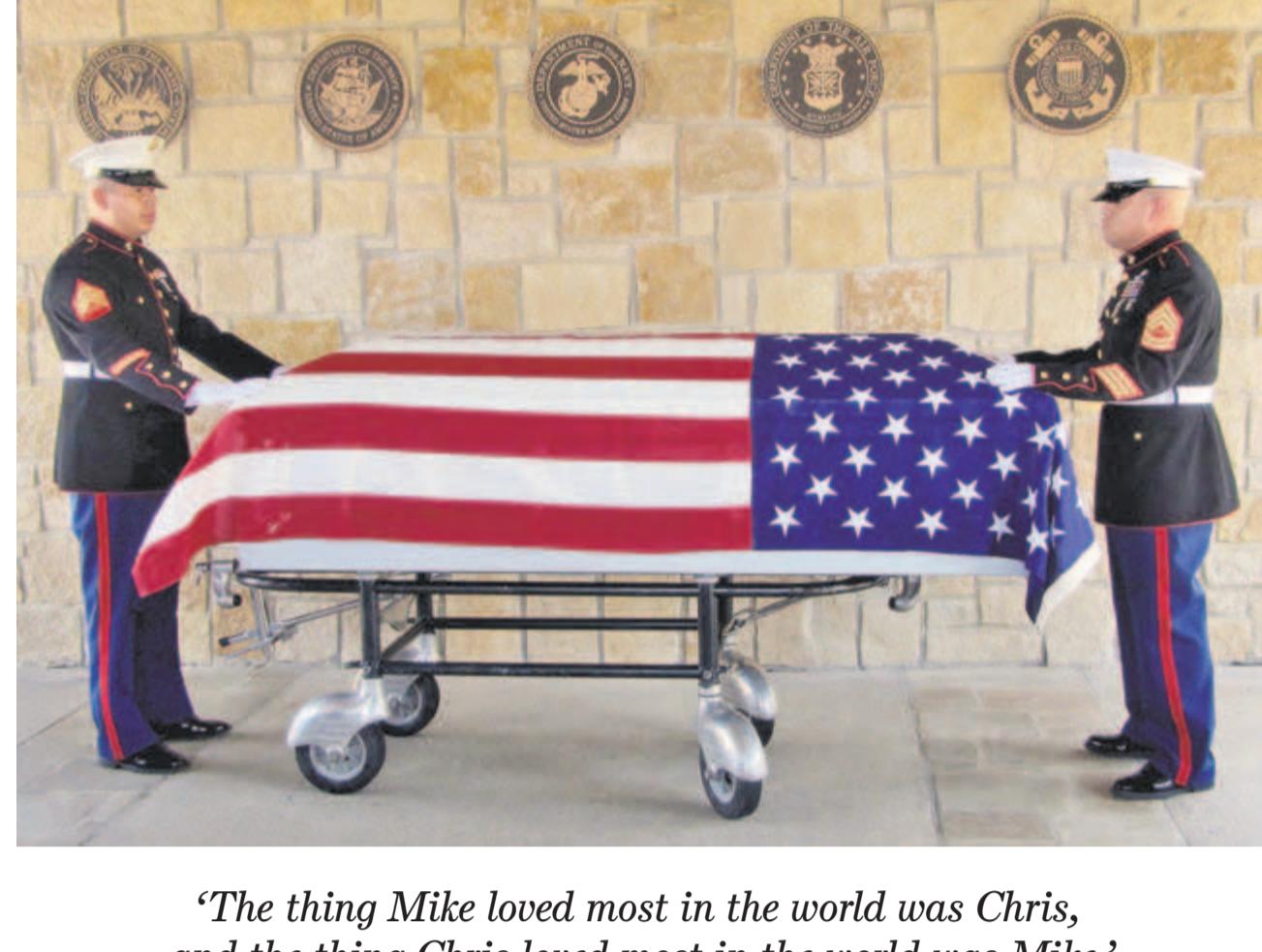
Their mischief eventually veered into delinquency. Their father, Tim, had quit drinking around the time Chris and Mike were 14 years old, yet the lure of substance-fueled escape seemed to pass from one generation to the next.

Chris was the impulsive leader; Mike, the thoughtful follower. "Shut the f— up, Mike, and come on," Chris would say. In fights, he would mouth off and throw the first punch, and Mike would step in to back up his brother. After one such bout, Mike told his mother: "I was just standing there thinking, 'Chris, don't do it, don't say it.'"

Jenny Jones, who met the twins in eighth grade and dated Mike, said, "They were willing-to-do-anything type kids, little destructors."

The twins bought and sold drugs in tough South Dallas neighborhoods. In Red Oak, the Goski brothers became the usual suspects to local police.

When the boys were 16,



SPECIAL FORCES FRIEND; LAURA BUCKMAN FOR THE WALL STREET JOURNAL; GOSKI FAMILY (BOTTOM)

'The thing Mike loved most in the world was Chris, and the thing Chris loved most in the world was Mike.'

Tim Goski, their father



Clockwise from top left, Mike and Chris Goski, right, with Mike's twin boys, also named Mike and Chris; Chris, left, and Mike in uniform in New Jersey; the twins as boys.

Tim and Kathy moved the family, which included a younger son, J.P., to Irving, Texas, hoping to spare the twins from a future in prison or the morgue. "They were rebels in a little Texas town," their father said, a label that was tough to shake.

The move to Irving led to more trouble. Chris ripped off a drug dealer, and his parents, worried for his safety, sent him to live with his grandmother in New Jersey in 1999.

With his brother gone, Mike slipped deep into drugs. Tim and Kathy checked him into a treatment program, where he was diagnosed with schizophrenia. A doctor prescribed an antipsychotic medicine that slowed Mike's thinking and bloated him to 275 pounds.

Chris returned from New Jersey that spring, and by the end of summer, the brothers hit bottom, aiming pistols at each other while high on PCP.

Tim and Kathy put Chris into a drug-rehabilitation program, where he watched the 9/11 terrorist attacks on TV.

Chris called his father and said, "Come get me the hell out of here."

The next day, Chris went to the Marine Corps recruiter's office in an Irving strip mall and enlisted in the Reserve. Mike also tried to enlist, but Marine and Army recruiters rejected him for being overweight.

Months later, when Chris returned from boot camp, he urged Mike to stop taking the antipsychotic pills. Mike complied, and he dropped 70 pounds on a diet of fish and vegetables—and by wrapping himself in trash bags as he worked unloading trucks at a warehouse.

In late 2002, the Army enlisted the newly trim Mike Goski. He served with the 10th Mountain Division in Afghanistan and, following the invasion of Iraq, was in Baghdad.

Mike embraced Army life and, after his second combat tour, was eager to advance beyond the infantry. "I'm better than this," he told friends.

He won a spot in the Special Forces selection course. A third of the class gave up after standing in formation for hours in a cold North Carolina rain. Mike trained as an explosives expert, graduating in 2008 to become a Green Beret.

The same year, Mike

learned he was going to be a father. When the sonogram showed two heartbeats, Mike raced out to call his brother.

When the twins were born, Mike and his wife, a former Army truck driver, named them Mike and Chris.

When he returned to Texas, the panic attacks started. One night he called his father. "I think I'm having a heart attack," he said. Chris's mother, a nurse, recognized it as anxiety.

In 2007, Chris was back in Iraq. One night, in a freak accident, static electricity from a helicopter's blades detonated the explosives carried by a soldier. The blast blew up the man, and his remains drew federal dogs.

The commander, worried about land mines, forbade anyone from retrieving the body until dawn.

Chris and two other men watched as the dogs ate their fill. In the morning, he and the others collected what was left.

Like his brother, Chris

moved to an elite force. In August 2009, he earned a spot in the 2nd Marine Special Operations Battalion, the Marine Corps equivalent of the Green Berets. Mike gave him a .45-caliber Springfield 1911 pistol to mark the promotion.

The commandos wanted Chris for his skill coordinating air and artillery attacks. In Iraq, Chris excelled at his job with an uncanny ability to picture airspace in three dimensions during combat. But back home at the base in North Carolina, friends watched him grow disheveled and edgy.

His decline accelerated during an eight-month tour of Afghanistan that began in 2010. The pace of operations wore at Chris. He turned to pills to help him sleep and to wake him up.

On April 24, 2011, the Marines found five insurgent bombs on the road. Dave Day, the team's explosives expert, defused four of them. He was lying on his stomach to work on the last one when 80 pounds of explosives blew up beneath him. Chris retrieved Dave's helmet and jaw.

When Chris got back to Camp Lejeune, he tried to blend into stateside life.

Around Christmas 2011, he flew home to Texas. While switching planes in Atlanta, he had what an airport medical team said was a panic attack.

His commanders ordered a mental-health evaluation on April 20, 2012. The examiner diagnosed him with anxiety disorder but concluded Chris was no threat to himself or others. Chris was prescribed antidepressants and antianxiety drugs and warned against mixing the pills with alcohol.

On June 7, he and Doug Webb, a close Marine comrade, attended a suicide-prevention lecture led by a general and his wife. The couple had lost a son in war and another to suicide. During the talk, Chris told Doug, "We've all had the gun in our mouth at one point." The thought of Mike kept him from pulling the trigger, he said.

On June 8, Chris reclined on the guest bed at a friend's house. On his laptop, he entered a search for post-traumatic stress disorder. He raised the .45-caliber pistol his brother had given him, put it to his right ear and pulled the trigger, according to authorities. Chris was 31 years old.

Onslow County sheriff's deputies found his body surrounded by 24 empty Bud Light cans.

Mike alone

Mike and his parents waited on the tarmac in Dallas to meet Chris's casket, which arrived draped in stars and stripes. A Marine friend stepped off the plane and told Tim and Kathy, "I brought Chris home to you."

The Goski family buried Chris at Dallas-Fort Worth National Cemetery on June 18, 2012.

Mike returned to Fort Campbell to a glowing evaluation and a bronze star. Yet Mike had struggled at home in the months before his brother's death. Bills went unpaid, and the routine problems of civilian life set him off.

"You are all like cartoon characters to us," Mike told civilian friends. "You're not even in the real world."

His wife had moved away with the twins, and Mike had a hard time talking about anything but war. He fumed over Chris's death and believed the Marines had killed his brother through negligence.

In December, Chris's commander, Col. Jeffrey Fultz, and a sergeant major visited Mike in Clarksville, Tenn., to deliver the findings of a Marine Corps investigation. The report said Chris had mixed alcohol and antianxiety drugs despite warnings and determined the Marine Corps wasn't responsible for his death.

"This is unacceptable," Mike told them. "He was your responsibility." Then Mike took a menacing step toward the senior Marines. "Get the f— out of my house," he said.

In the months that followed, Mike became convinced the outburst undermined his standing in the Special Forces.

Mike's commander ordered him to undergo a mental-health evaluation in January 2013, citing a menu of issues: "Dealing with grief; Danger to self & others; Anger management; Ability to perform; coping skills."

In October 2013, Mike left active duty. He lost his house to foreclosure, and returned to Texas to live with his parents. Over the next 2½ years, he rarely left his room.

Mike sought escape through a mind-addling use of Dust-Off, cans of compressed air used to clear debris from computer keyboards. He inhaled blasts of the chemical vapors, which gave him hallucinations.

High on the fumes, Mike would imagine Chris beckoning to him and saying, "I lost you. I've been looking for you."

In May 2016, Kathy received notice of a certified letter waiting for her at the post office. It was about Chris. She read it before leaving the parking lot, sitting in the 14-year-old Chevy TrailBlazer he had given her.

"I know that words could never ease the pain of your loss, which is why I have made suicide prevention my priority as the commander of the United States Special Operations Command," wrote Gen. Raymond A. Thomas III.

He asked Kathy and Tim to participate in a study of military suicides. He included the phone number of a social worker. Kathy called the social worker at once. "You really want to help?" she demanded. "How about you help my son that's still alive?"

The social worker contacted Larry Rivera, a care coordinator assigned to special-operations troops. The next day, Mr. Rivera spoke with Mike for 90 minutes. They discussed treatment at the Department of Veterans Affairs hospital in Tampa, Fla., which specializes in helping commandos.

Tim saw a rare smile on Kathy's face. Mike returned to Tennessee hopeful but wary. "I'll believe it when I see it," he told his mother.

On July 2, Mike went to Nashville for the wedding of a close friend, another Green Beret. The ceremony included only the couple, a maid of honor and Mike, who was the best man. He felt safe enough to leave his gun in the hotel when the wedding party went out to celebrate.

The next day, Mike drove back to his apartment in Clarksville. He settled onto a camouflaged poncho liner on the bare mattress and put the nozzle of a Dust-Off can in his mouth. Police found his body five days later.

When Mike's casket arrived in Dallas, Tim and Kathy followed the same journey as they had with Chris. They learned Mike had arranged permission to share his twin brother's gravesite.

On July 18, 2016, the Goskis buried Mike's casket atop of Chris's, one brother's name chiseled into the front of the grave marker, the other's name chiseled into the back.

"That's how they came into the world," Tim said. "And that's how they left."

Heavy Burden

Per capita, nearly twice as many small-town Americans have died at war since the Sept. 11, 2001 terrorist attacks compared with those from large metro areas.

Casualties per million population*

Large metro cores

Large metro suburbs

Medium and small metros†

Rural areas and small towns

16

17

24

28

*Deployed military fatal casualties from 2001 through 2016 divided by 2006 population

†Metros with between 50,000 and 1 million population

Source: Defense Department

THE WALL STREET JOURNAL

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U.S. NEWS

THE OUTLOOK | By Eric Morath

Real Wages Power Ahead, but It May Not Last



You probably can't tell from looking at your paycheck, but hourly wages

in the U.S. are racking up solid gains. That is, if you take very low inflation into account.

Average wage growth has been steady, unspectacular and below historic norms for several years. But workers have been able to stretch their paychecks farther because inflation is so low.

Real wages for nonsupervisors, which take inflation into account, topped \$22 an hour this year, the best inflation-adjusted reading since 1973, according to Labor Department data. The nonsupervisory figure covers about 70% of the workforce and excludes managers who are more likely to receive bonuses, stock options and other forms of non-wage compensation.

In the past decade, real-wage growth has been stronger than during the economic cycles of the 1980s, 1990s and early 2000s, according to a paper the Brookings Institution's Hamilton Project released Sunday. Inflation-adjusted wages have increased at a 0.82% annual rate since

the recession began in late 2007. In contrast, real wages declined in the 1980s, and rose at 0.71% and 0.31% rates, respectively, in the cycles of the 1990s and early 2000s.

Raises were far more robust in those expansions, but they didn't go as far because inflation was higher.

"I don't know why we have to apologize for nominal wage growth," said Carl Tannenbaum chief economist at Northern Trust. "At the end of the day it's real wage growth that allows us to buy our bread."

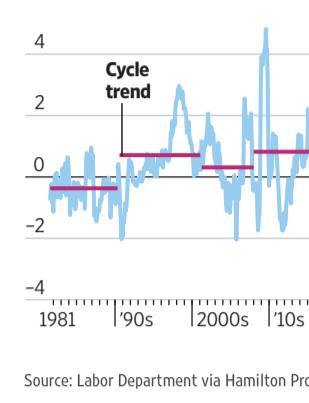
Other measures of income tell a similar story. Median household income last year was \$59,039, up an inflation-adjusted 3.2% from the previous year, on top of a 5.2% gain in 2015. The 2016 level surpassed the previous peak reached in 1999, though historical comparisons using this metric are tricky because of changes in the way the Census Bureau has calculated the figures over time.

Whether the trend can continue is less clear. Economic theory links real wage trends with productivity growth—the wage a worker earns should

Uneven Gains

Inflation-adjusted earnings have risen faster since 2007 than in previous business cycles, but gains mostly flowed to higher earners.

Real earnings growth, change from a year earlier



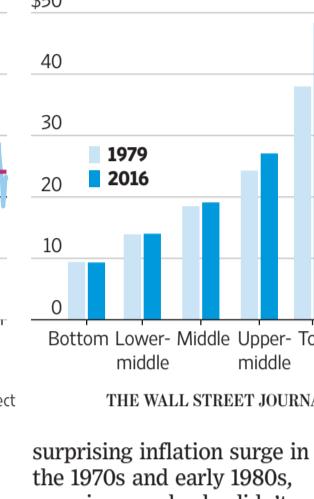
Source: Labor Department via Hamilton Project

be correlated to the output the worker can produce. A jump in real wages in the 1990s was easily explained by strong productivity growth. But worker productivity growth has been slow in recent years.

So why are real wages rising now when productivity is advancing so slowly?

Shifting inflation trends are an important part of the story. Wages adjusted slowly to a

Hourly earnings in 2016 dollars by earnings quintile



THE WALL STREET JOURNAL

surprising inflation surge in the 1970s and early 1980s, meaning paychecks didn't go as far. In recent years, there has been an inflation surprise of another kind. The consumer-price index, the Labor Department's inflation gauge, is on pace to rise less than 2% this year for the fifth straight year.

That has happened only three times in the previous 103 years, and each over-

lapped with a recession.

Prices have been rising more slowly than expected, and that is allowing workers to stretch their paychecks farther. Big declines in oil and gasoline prices have been especially helpful.

Some economists argue that productivity itself is being mismeasured and see rising real wages as evidence that it is stronger than the numbers show.

Another factor: For many years, workers were getting a shrinking share of the income earned by business, which put downward pressure on real wages. Since the recession, the worker share has stabilized between 56% and 58% of business income, which could be helping to diminish downward pressure on inflation-adjusted wages.

But not everyone is enjoying the real wage pickup. Real wages for the top fifth of earners rose 27% from 1979 to 2016, according to the Hamilton paper. However, real wages for those in the bottom 20% declined slightly during that time.

Workers have less bargaining power due to a decline in unionization, increased foreign competition and the re-

luctance of workers to move for better-paying jobs, said Jay Shambaugh, director of the Hamilton Project and former economic adviser to President Barack Obama.

The forces driving real wages might be shifting. Firmer inflation caused real wages to slip in August from their July peak. They could ease further in the coming months if gasoline prices remain elevated in the wake of hurricanes striking the south. But that might be countered by a tightening labor market, which could lead to bigger nominal raises.

That is happening now in places like Denver, which has the seventh-lowest unemployment rate, 2.4% in July, among nearly 400 metro areas in the U.S. The starting wage for servers and other staff at the Crazy Caterer, a Denver food-service company, has increased to \$15 an hour from \$12.50 an hour two years ago, owner Kim Velasquez said.

Some employees working weddings and corporate events earn as much as \$22.50 an hour.

"I pay bonuses and have given raises," she said, "but it doesn't seem to be enough."

Puerto Rico's Mayors Tell of Ruin

BY JOSÉ DE CÓRDOBA

SAN JUAN, Puerto Rico—The full scope of Hurricane Maria's devastation of Puerto Rico began to emerge over the weekend as 48 of the island's 78 mayors, many of them cut off since the storm, met with Gov. Ricardo Rosselló for the first time, bringing reports of ruined homes and destroyed infrastructure.

Most of the mayors attending the meeting Saturday had been incommunicado since the Category 4 hurricane dragged fierce winds and heavy rain across the island after making landfall Wednesday. "I learnt about it from a runner who brought a note," said Jose Gerena Polanco, the mayor of the town of Florida. In his area, bridges have been destroyed and more than 200 people had lost the roofs on their homes, he said.

Oscar Santiago, the mayor of Vega Alta, a town on Puerto Rico's north coast, said his municipality had been pounded by 20-foot waves. Two bridges had been destroyed, and more than 100 families had lost roofs. He said many people had refused to evacuate, and were staying in the ruins of their houses, using wood and zinc sheets scrounged from the detritus to build new temporary roofs on their homes.

"This is about to turn into a humanitarian crisis," said Rolando Ortega, the president of Puerto Rico's mayors association. Mr. Ortega, the mayor of Cayey, a town of about 50,000 people in the island's central mountains, said the town had been devastated. Its residents were in dire need of water, diesel fuel and gasoline, and he said they would soon lack food.



Residents sat in shelters after evacuations from flooded areas in Isabela, Puerto Rico, on Saturday.

About 20 municipalities still haven't been able to communicate with the governor.

As the mayors described widespread destruction in their towns, the island's national guard and police raced to evacuate some 300 families around the towns of Quebradillas and Isabela on Puerto Rico's northern coast because of a widening crack in a dam threatening communities with catastrophic flooding.

"It's a situation that calls for immediate evacuation," said Mr. Rosselló in a news conference. He confirmed 10 deaths on the island due to the hurricane, the strongest storm to make landfall on the island since 1928.

The government doesn't yet have a cost estimate for the island's reconstruction, but the governor said it would surely be

"north of the \$7 billion to \$8 billion" cost of repairing the damage brought about by Hurricane Georges in 1998.

Throughout the island, Puerto Ricans struggled to cope with the total absence of power that has plunged the island into almost total darkness. Only diesel-fed generators are keeping a few lights shining, and telecommunications were spotty to nonexistent. Mr. Rosselló said the telecommunications system was working only at 25%, most of that concentrated in the metropolitan area of San Juan.

Mr. Rosselló said the grid would take a long time to restore. The government would concentrate on bringing power to heavily damaged hospitals. Rather than repair and open all the hospitals, Mr. Rosselló said the government would seek to

consolidate medical care.

The double wallop of Maria and Hurricane Irma two weeks earlier comes during desperate economic times for Puerto Rico, where years of overborrowing and economic recession pushed the government and the state-owned public power monopoly into bankruptcy protection. The U.S. Congress installed an oversight board last year to renegotiate roughly \$73 billion in debt and coax businesses back to the island.

The island has already been contending with a population exodus that many fear could accelerate in the wake of Maria's damage. Towns have struggled to dry out from heavy rain that turned many of the city streets into surging rivers. Hurricane Maria dumped as much as 25 inches of rain on some areas.

HEALTH

Continued from Page One
ning sufficient support for the measure.

"We're moving forward. We'll see what happens next week," Mr. Graham said. "The fight goes on. It's a fight worth having."

Ms. Collins said she had "serious reservations" about the potential effects of the Graham-Cassidy bill, including its impact on Medicaid and the "erosion of protections for people with pre-existing conditions."

Ms. Collins said she had a "very lengthy conversation" with Vice President Mike Pence on Saturday, in which he urged her to consider supporting the bill. Pressed by CNN's Jake Tapper to say whether she would oppose the bill if it comes to a vote, Ms. Collins said she expected to make her decision after the Congressional Budget Office weighs in on the legislation Monday morning.



Sen. Susan Collins, a Republican from Maine, in July.

Ms. Collins said the Senate should follow the lead of Sens. Lamar Alexander and Patty Murray, who have held hearings on plans to stabilize the insurance markets.

Ms. Collins has been one of the warriest centrist Republicans in her party as it wrestles with how to fulfill a seven-year campaign pledge to overturn Obamacare and enact a new policy in its place. With Mr. Mc-

Cain and Sen. Lisa Murkowski of Alaska, she was one of three GOP senators to vote down a July bill aimed at toppling swaths of the law.

Ms. Murkowski hasn't yet indicated her decision on the new bill, and GOP leaders also are aggressively pursuing her vote. Democrats and health-care lobbyists have zeroed in on her in an effort to persuade her to kill the bill.

They argue that the new effort would leave states with too little funding to operate health systems and undo popular and important protections of the ACA, such as the federal requirement for everyone to be able to buy health insurance at similar prices regardless of their medical history.

Mr. Graham also argued that there is no possibility of a bipartisan solution, as his friend Mr. McCain wants, because Democrats won't agree to anything that undermines the Affordable Care Act.

Defending his legislation, Mr. Cassidy said those concerned about people with pre-existing conditions shouldn't worry. He said that states won't be able to jettison guaranteed coverage for these patients unless they show that these people have other protections.

"They must first establish that those with pre-existing conditions have access to affordable and accessible coverage," he said.

—Laura Meckler contributed to this article.

Trump, Athletes Escalate Dispute

BY TED MANN

WASHINGTON—The spat between Donald Trump and professional athletes protesting police shootings escalated, with more players kneeling in protest during the national anthem and the president firing back on Twitter that fans should boycott football games.

"If NFL fans refuse to go to games until players stop disrespecting our Flag & Country, you will see change take place fast. Fire or suspend!" Mr. Trump wrote early Sunday. "NFL attendance and ratings are WAY DOWN. Boring games, yes, but many stay away because they love our country. League should back U.S."

National Football League players knelt en masse at a game Sunday in London between the Baltimore Ravens and Jacksonville Jaguars. The protests also spread to baseball, as Bruce Maxwell, a catcher for the Oakland Athletics, knelt Saturday during a pregame playing of the national anthem.

In pregame warm-ups Sunday, some Miami Dolphins players wore black T-shirts with "#IMWITHKAP" on the front, a show of support for free-agent quarterback Colin Kaepernick, who first knelt during the national anthem last year as a silent, solitary expression of dissent.

The developments extended a feud Mr. Trump has been waging since Friday against athletes who have criticized him or his policies.

On Saturday morning, Mr. Trump declared that he had withdrawn an invitation for the National Basketball Association champion Golden State Warriors to visit the White House, after star guard Stephen Curry, among others, had expressed reluctance to attend a ceremony with the president. Mr. Trump was quickly denounced by other prominent athletes, including LeBron James of the Cleveland Cavaliers. "U bum," Mr. James tweeted at the president.

In calling for the firing of players who decline to stand for the national anthem, Mr. Trump waded even more deeply into

tense dispute over race, politics and the mingling of social protest with spectator sports.

The NFL has been roiled for a year by what began with Mr. Kaepernick, the then-quarterback of the San Francisco 49ers, kneeling during the national anthem to express his anger over the shootings of black men by police.

At a rally Friday for GOP Sen. Luther Strange of Alabama, Mr. Trump said he thought any player refusing to stand for the anthem should be barred from playing professional football.

His comments drew broad condemnation, including from NFL Commissioner Roger Goodell, players and coaches.

Speaking to a cheering crowd on Friday, Mr. Trump said, "Wouldn't you love to see one of these NFL owners, when somebody disrespects our flag, to say 'get that son of a bitch off the field?'"

Mr. Trump's comments drew criticism even from friends and supporters of the president, like Robert Kraft, the owner of the New England Patriots. He said he was "deeply disappointed by the tone of the comments made by the president on Friday."

"Our players are intelligent, thoughtful, and care deeply about our community," Mr. Kraft said in a written statement the team posted to Twitter. "I support their right to peacefully affect social change and raise awareness in a manner they feel is most impactful."

Treasury Secretary Steven Mnuchin defended Mr. Trump's broadside against the athletes, saying team owners should bar players from expressing political views while on the job.

"The NFL has all different types of rules. You can't have stickers on your helmet. You have to have your jerseys tucked in. I think what the president is saying is that the owners should have a rule that players should have to stand and respect for the national anthem," he said on ABC's "This Week." "They can do free speech on their own time."

—Laura Meckler contributed to this article.



NFL players knelt during the U.S. national anthem in London Sunday.

LIFE & ARTS

WEEKEND CONFIDENTIAL | By Alexandra Wolfe

A Novelist's New Experiment

With 'Manhattan Beach,' Jennifer Egan opted for a more traditional approach

JENNIFER EGAN has become known for her genre-bending, time-traveling, inventive fiction. Her 2010 Pulitzer-Prize winning novel "A Visit from the Goon Squad" was hailed as a creative work of meta-fiction, incorporating multiple points of view, with one chapter told entirely in PowerPoint and another set far in the future. In 2012, her science-fiction short story "Black Box" was released in 140-character installments on Twitter.

Her new book, "Manhattan Beach," thus comes as something of a surprise. It's a more traditional historical novel whose protagonist is a female diver working in the Brooklyn Navy Yard during World War II.

Ms. Egan didn't set out to write a straightforward narrative. At first she wanted to tell the story by going back and forth in time, but it just didn't lend itself to a fragmented approach. "It was so inert when I tried that," she says.

She did years of research for the book, interviewing retirees in Florida who once worked at the Navy Yard and combing through original documents at the Brooklyn Historical Society. "I found writing...the old-fashioned way to be actually much harder," she says, because of the need to sustain the story's momentum. "It's no joke," she says. "It's really hard to do."

Ms. Egan, 55, wanted to be a doctor as a kid growing up in San Francisco. "In a way I'm amazed I didn't become a doctor in that I was so sure," she says. But she found as a teen that she was squeamish about blood and gore.

She discovered her passion for writing just before college, when she kept a journal during a trip through Europe. It was a difficult time in her life. She was anxious about being so far away from home, and her mother and stepfather were divorcing. Writing, she found, was a "lifeline." Once she got to the University of Pennsylvania, she decided to major in English.

In her mid-20s Ms. Egan moved to New York to try to become a writer. Inspired by her pre-college trip abroad, she had started a novel about an 18-year-old girl who re-traces a trip her sister took through Europe before she committed suicide.

She worked on the novel for years. An early draft grew to 800 pages. An old college professor agreed to take a look at it and told her he could barely make it through the first few pages.

She kept at it, though. "I don't think I really believed in myself that much, but I just kept going," she says. In the meantime, she took on odd jobs, such as working as a caterer for the Port Authority at the World Trade Center and becoming a



Ms. Egan's new novel whose protagonist is a female diver working in the Brooklyn Navy Yard during World War II is something of a surprise.

personal secretary to a countess.

She eventually managed to publish some short stories and won a grant from the National Endowment for the Arts. Her novel, "The Invisible Circus" was published in 1995, when she was 32.

She went on to publish "Emerald City and Other Stories" in 1996, and "Look at Me," a suspenseful novel about the fashion industry, in 2001. Her first best seller was her 2006 novel "The Keep," a haunting book about two cousins renovating a Gothic castle. She calls "Look at Me" a "cross-over book" in terms of her writing style. Her previous books had been more traditional.

"The Keep" is actually a story within a story: The Gothic castle

narrative is being written by a character in a writing workshop at a prison. "It's sort of one step removed from reality," she says. "I felt like it was the first thing I'd written for which I didn't really have any clear models."

She says that she has always been excited about new approaches to narrative. "I didn't think, 'Oh, I am going to experiment,'" she recalls. "I thought, 'Oh, I'm telling this really strange story, and I'm doing it the best I can.'" "A Visit From the Goon Squad" took the experimentation further. "I think it's natural that my projects would be more ambitious as I got older and more confident as a writer," she says. She admires Don DeLillo, among current writers, but says that she doesn't

strive to emulate anyone in particular.

Ms. Egan keeps to a routine when she's writing. As we tour her office on the third floor of her spacious Brooklyn brownstone, she points to a lounge chair in the corner. "That's where I write," she says. "I like to recline."

She writes the first draft of her books by hand. The first draft of "Manhattan Beach" takes up 27 legal pads. Now stacked up in a shelf in her office closet, they took her a year and a half to fill.

Then she types up what she's written. "There's a certain amount of horror in that, because of course it's terrible," she says with a laugh. Once that's done, she develops a proper outline and structure, using

the parts and characters that work and discarding those that don't.

She hasn't given up on experimental literature. For her next book, she'd like to bring back characters and elements from "A Visit from the Goon Squad."

Ms. Egan has two teenage sons with her husband, theater director David Herskovits. But don't expect to read any fiction based on her own life. "For me, the No. 1 thing about my process that's different from most people I know is that I do not use my own life at all or anyone I know.... I seem to go pretty cold when I try to get near myself," she says. "I don't know what it is, but I feel bored." Instead, she adds, "I'm always looking to be transported out of my life."

ANATOMY OF A SONG | By Marc Myers

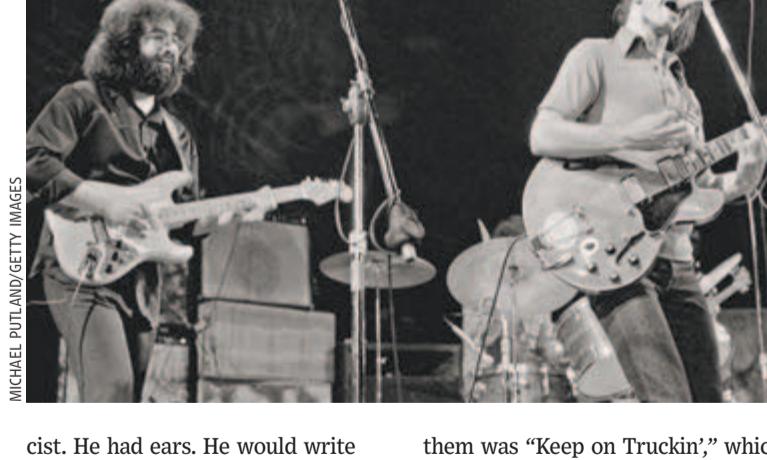
HOW THE DEAD'S TOURING INSPIRED 'TRUCKIN'

A MONTH AFTER the Grateful Dead's "Truckin'" was released in November 1970, the single peaked at #64 on Billboard's pop chart. Frequent FM-radio airplay of the longer album version turned the road song into a counterculture anthem. Recently, Bob Weir, the Grateful Dead guitarist and lead singer and the co-writer of "Truckin,'" talked about the song's evolution. Mr. Weir was just named a U.N. Development Programme Goodwill Ambassador for world poverty and climate change, and his band, Dead & Company, will tour this fall. Edited from an interview.

Bob Weir: In the spring of 1970, the hardest thing about touring was getting up in the morning. We were young and full of fun, and we didn't go to bed real early. We were on the road a lot, and our nightly "celebrations" probably made touring more difficult than it had to be (laughs).

Our touring schedule in 1969 and early '70 was relentless. We'd play a gig, stay up late and then fly to our next gig first thing in the morning. Most of the time, our equipment was trucked overnight to the next destination.

In the band's early days, Robert Hunter occasionally traveled with us. He's a great guitarist, but he wasn't a playing member of the band. He was a friend and our lyri-



cist. He had ears. He would write lyrics and hand us the sheets. Then we'd work on the music and vocal harmonies.

At some point in early March 1970, Hunter pulled a lyric sheet out of his luggage and gave it to Jerry [Garcia]. Hunter's title at the top said "Truckin'." Jerry liked what he read, and we planned to work on the music as soon as we had some down time.

The word "truckin'" goes back to music of the 1930s. But Hunter probably grabbed the title from Mr. Natural, one of R. Crumb's underground-comic characters. Mr. Natural had a bunch of sayings. One of

them was "Keep on Truckin'," which was the spirit of our song—keep boogieing on.

At first, the meaning of Hunter's lyric was a mystery to us. But the words became clear the more we read them. For example, Hunter included our New Orleans incident two months earlier in January.

After we played a gig at the Warehouse there, we returned to our hotel to find that the cops had searched our rooms and found our stash. A bunch of us were arrested, but a settlement was reached.

Hunter's lyric was, "Busted, down on Bourbon Street / Set up, like a bowlin' pin / Knocked down, it gets

The Grateful Dead's Jerry Garcia, far left, and Bob Weir in London in 1972.

to wearin' thin / They just won't let you be."

The "reds" were red Seconal pills. The bikers were using them as a recreational drug. We took them to overcome insomnia. Given how much coffee we drank to be up for shows, a little Seconal at night was the only thing that knocked us out fast.

In late March 1970, we finally had time to work on the music. We were booked to play a theme park in Dania Beach, Fla., called Pirates World. At our motel, we had the afternoon off, so the band sat by the pool. I don't believe Hunter was there.

Jerry, bassist Phil Lesh and I sat on the diving board with our acoustic guitars and came up with a melody to go with Hunter's words.

As we wrote, we came up with this bluesy shuffle. We moved back and forth from the diving board to a table to write things down. The melody had to work in my register, so we put it in the key of E. The melody came fairly quickly. Then we came up with choral parts for the melody, an approach we picked up from the Swan Silvertones, a gospel group we loved and listened to.

The choruses were easy for me to sing lead but the verses were hell. Some of them were straight-up

tongue twisters, like "Most of the cats that you meet on the streets speak of true love."

At first, I complained about how those dense verses were going to go. Jerry's response was, "Sing 'em like Chuck Berry in 'School Days.'" Jerry meant I should use Chuck's rapid-fire delivery and enunciation.

We kept refining the music and tightening the choruses (sings): "Truckin', up to Buffalo. Been thinkin', you got to mellow slow / Takes time, you pick a place to go, an' just keep truckin' on."

We never divided up harmony parts to sing in specific ranges. Instead, each of us just looked for great-sounding notes. If you listen carefully, you'll hear that sometimes I'm on the high notes and sometimes the lowest ones.

We first performed "Truckin'" in August 1970 at the Fillmore West in San Francisco. We did that live, while touring. Today, when I sing "Truckin,'" I go back to that time through my character's eyes. It's sort of a fantasy version of what my life was like then and what I was observing on the road. In those rare moments when I do think about the words I'm singing on "Truckin,'" I usually wish I had a few new verses. But I don't feel at liberty to write them myself. I'll have to give Hunter a buzz to see if he has anything for me.

LIFE & ARTS

FITNESS

When Take-Out Follows Workout

Catering to time-pressed fitness buffs, many gyms offer freshly made ready-to-eat meals to go

BY RACHEL BACHMAN

SEAN POTTER gets his pork chops where he does his pull-ups.

Mr. Potter, a member of the CrossFit New England gym in Natick, Mass., is part of a growing group of exercisers picking up prepared food where they work out. His favorite service, Paleo Power Meals, delivers freshly made breakfasts, lunches and dinners twice weekly to a refrigerator at CrossFit New England. When not on the road for work, Mr. Potter buys several meals a week, such as the "all-natural" Berkshire pork chop with red and green peppers, balsamic glaze and mashed cauliflower. Other members order ahead, and leave workouts lugging bags bulging with entrees.

Mr. Potter, who is married and has three children, explains why he started relying on the gym for healthy meals, particularly lunches. "No. 1, spending time with my family is more important than cooking meals for the week," the 40-year-old software salesman says. "No. 2, spending time at the gym is more important than going out to lunch."

For years, companies have delivered stocks of enticing meals to customers' homes. The services are finding a new market in time-strapped people seeking healthy, preservative-free servings, often packed in a single plastic container. To minimize delivery costs, many companies drop the meals off in a place that customers frequent: the gym.

Healthy packaged meals are popping up everywhere from Tone House, a Manhattan studio where a sports-conditioning class costs \$40, to Energy Fitness in Paducah, Ky., where the meals are popular with food-loving millennials as well as budget-conscious seniors who live alone, says Sharon Hales, the gym's general manager.

About 25% of Energy Fitness's members buy Megafit Meals, prepared in nearby Benton, Ky., which the gym displays in a cooler. Offering healthy meals helps members stick to weight-loss and fitness goals, Ms. Hales says.

"If they leave our club and they



Heather Bergeron, above, co-owner of CrossFit New England in Natick Mass., which stocks Paleo Power Meals, like the one favored by her co-owner, Ben Bergeron, below right. Chicken harissa, below left, is an option from LifeCafe.



go through a drive-thru and eat unhealthy food, they're just spinning their wheels," she says.

A typical lunch or dinner from these services costs between \$8 and \$14 if picked up at a gym. (Delivery can add \$30 or more for multiple-meal orders going long distances on dry ice or in insulated packages.) Fans point out



that the meals don't cost much more than grass-fed beef or organic vegetables at a grocery store—and spare them the shopping, food prep and clean-up.

These meals often have labels detailing how much protein, carbohydrates and fat they contain—along with calories and ingredients. Some meals are vegan or vegetarian, or comply with low-carb plans such as the Paleo diet or Whole 30, in which people ex-

clude sugar, grains, dairy and other foods for 30 days.

Life Time, a 127-location health-club chain based in Chanhassen, Minn., is revamping and relaunching its Meals to Go service. What used to be a few basic items—chicken enchiladas and wraps—is expanding to about 30 options including steak chimichurri with roasted vegetables and tuna togarashi.

The club's members are "trying

to avoid carbs and sugar and are really seeking out protein and fresh vegetables," says Jason Vieth, senior vice president of LifeCafe, Life Time's fast-casual restaurant.

It's good that more people are focused on eating unprocessed foods, says Yoni Freedhoff, medical director of the Bariatric Medical Institute, a weight-management center in Ottawa. But for the average person, he says, packaged-meal services can subvert an important part of long-term overall health: preparing healthy meals and sharing them with friends or family.

"I think it's a mistake for us to fall into that narrative that it's hugely difficult and takes tremendous effort, because it really doesn't," Dr. Freedhoff says.

Many fitness-industry leaders acknowledge that eating choices play a larger role in weight loss than exercise. The U.S. Army is planning to bring healthy foods into fitness centers, including sandwiches, salads and box breakfasts.

"In some cases our dining facilities are a distance away from a fitness center, so sometimes soldiers have to choose between working out and eating breakfast," says Tim Higdon, Healthy Army Communities program manager. "This allows them to accomplish both."

The changes could arrive in some fitness centers as soon as next spring, he says.

Bonnie Lefrak, chief executive of the Fitness Asylum, a studio with three Massachusetts locations, has tried half-a-dozen prepared-healthy-meal services and says they help her have something nourishing on hand amid a hectic schedule.

"I know if I get hungry, then I'm eating off my kids' plates. I call those 'mommivores,'" Ms. Lefrak says. She recently started offering meals from New York-based Kettlebell Kitchen at her location in Hudson, Mass.

Ms. Lefrak says she asks members at kickoff events: How many of you like to cook? "Not a lot of hands are going up," she says.

Nationwide research underscores that notion, and the challenge for meal-kit services that arrive with ingredients and a recipe. Baltimore-based Terra's Kitchen mostly delivers meal kits but CEO Mike McDevitt says prepared foods make up 16% of sales, a share that's rising quickly.

"There are these two markets," the Fitness Asylum's Ms. Lefrak says, "and the one with the already cooked food is going to win."

FILM REVIEW

'STRONGER': WHAT MAKES A HERO?

BY JOHN ANDERSON

WHEN A MOVIE is called "Stronger" and its hero is a maimed survivor of the Boston Marathon bombing, certain expectations arise. Courage? Valor? Tragedy? A dash of dark comedy? A heaping helping of tenacity? Yes, and "Stronger" delivers all the above. But it does so in a way that flips the whole idea of post-9/11 hero worship upside down, in a manner as welcome as it is disturbing.

Equally disturbing: Jake Gyllenhaal, who always has the glint of the madman about him and delivers a powerful, vulnerable portrayal of Jeff Bauman, a Boston guy who was in the wrong place at the wrong time: A photo of a shattered Mr. Bauman post-blast, his legs shredded, became emblematic of the catastrophe. When he awakens in the hospital, intubated and mute, the first thing he writes down is "saw the bomber"—he'd been jostled by one of the Tsarnaev brothers just before the explosion, and realizes the connection. The FBI descends. The inclination of the public to find a bright spot amid senseless terror suddenly has an outlet.

From the start, Jeff recoils from having the whole "Boston Strong" thing thrust upon him. "I'm a hero for standing there and getting my legs blown off?" he asks. The only reason he was at the Marathon at all was to impress his on-again, off-again girlfriend Erin Hurley (a wonderful Tatiana Maslany), who was actually running. If anything, Erin is the real heroine of "Stronger." She's the person who doesn't walk



Jake Gyllenhaal plays Boston Marathon survivor Jeff Bauman in a film that turns hero worship upside down.

away, who cleans Jeff up when he's a mess, and who contends with Jeff's family—who, if they are to be construed as typical of the city's blue-collar community, might constitute grounds for a class-action slander suit by an entire stratum of Boston citizenry.

It's a remarkable characterization, actually. Spearheaded by an epic Miranda Richardson as Jeff's mother, Patty, the family Bauman is an almost comically vulgar clan of alcoholic Red Sox fans who come to

enjoy the reflected celebrity of their mangled boy. They coerce him into waving the team flag at center ice at a Bruins game, during which he experiences a violent flashback to the bombing. They can't believe he doesn't want to have Oprah Winfrey come to his house. "C'mon, it's Oprah," his mother pleads, oblivious to his pain. She's a full-blown monster, but no one save Erin is exempt from that categorization.

Director David Gordon Green, working with screenwriter John

Pollono's adaptation of the book by Mr. Bauman and Bret Witter, maintains a brisk pace. There's barely a maudlin moment, which is remarkable given the subject matter, and the things that make Mr. Bauman's story more than a soap opera with a side of current events come through loud and clear: the embarrassment of being publicly deified for something you consider your own stupid timing; the pure idiocy of characters who accuse Jeff of being part of a

"false flag" operation; the near impossibility of functioning as a legless man, not just as a citizen of the modern world but as a member of a family in which somebody should know how to install a handrail in a bathroom. Being Jeff Bauman isn't easy, of course, and he isn't even totally likable. But the fact he survives that family makes him a hero in my book.

Mr. Anderson writes on TV for the Journal. Joe Morgenstern is away.

OPINION

REVIEW & OUTLOOK

Turning the Screws on North Korea

American officials have been wrong for years predicting breakthroughs in the North Korea nuclear crisis, but last week could prove to be different. The combination of Kim Jong Un's growing belligerence, new U.S. financial sanctions and a Chinese turn on North Korea trade might be a turning point that finally isolates the Kim regime.

The new U.S. sanctions that President Trump announced Thursday will finally cut off the regime from the U.S. dollar, the currency it has continued to rely on for trade. Any institution that does business with Pyongyang will lose access to the U.S. financial system. Meanwhile, Chinese regulators have told China's banks to stop handling North Korea trade, and many of them had already frozen North Korean accounts.

These mark a significant ramp-up in pressure on the North. Americans might think that such sanctions were already in place since the regime first tested a nuclear weapon 11 years ago. Barack Obama once called North Korea "the most heavily sanctioned, the most cut-off nation on Earth." And the U.S. foreign-policy establishment, right and left, has claimed that sanctions were tried and failed to change Pyongyang's behavior.

Yet until last year United Nations and U.S. sanctions on North Korea were far-less stringent than those imposed on Iran before 2015. Only in March 2016 did the U.N. begin to restrict the country's commercial trade, and only in November did the U.S. sever North Korean banks from its financial system. This June the U.S. finally blacklisted a Chinese bank along with companies and individuals that helped the North obtain forbidden materials for its nuclear and missile programs.

Those were important steps, but on Thursday the gloves really came off. U.S. Treasury Secretary Steve Mnuchin told a press briefing, "Foreign financial institutions are now on notice that, going forward, they can choose to do business with the United States or with North Korea, but not both." The punishments to be meted out are similar to those reserved for financiers of terrorism under the Patriot Act. One Administration official claimed that Thursday's ex-

ecutive order goes further than sanctions on any other country.

So far the U.S. has declined to sanction large Chinese banks, so will it do that now? It may not have to. Since the U.S. fired its warning shot by sanctioning the Bank of Dandong in June, Chinese banks have frozen or closed North Korean accounts. That has reduced trade flows across the Chinese border by 75%, according to a Kyodo report. Fuel prices began to rise in Pyongyang even before new U.N. sanctions this month capped trade in petroleum.

China isn't saying if the People's Bank of China acted last week in anticipation of the tougher Trump sanctions. Leaks to the press say the U.S. gave President Xi Jinping a heads-up on Wednesday. But it's hard to dispute that Mr. Trump's public statements and official actions on the North have got Beijing's attention in a way that previous American Presidents have not. Mr. Trump's words are often undiplomatic, as with last week's exchanges with Kim Jong Un, but they are an attempt to convince the world that he intends to solve the problem one way or another.

Relations between Beijing and Pyongyang have also clearly soured over the past year, and some Chinese scholars and media are openly calling for an end to support for Kim Jong Un. This suggests that Kim's behavior and U.S. sanctions may be driving a wedge between China and North Korea. The increased pressure may have helped Beijing recognize that it would endure heavy costs if it continues to prop up a destabilizing regime.

On Friday Kim Jong Un responded to all of this by threatening to detonate a hydrogen bomb over the Pacific Ocean. That would be the first nuclear explosion in the atmosphere in decades, with radiation effects throughout the northern hemisphere.

The threat is further proof that a nuclear North Korea would mean a new era of instability and danger. War on the Korean Peninsula must be a last resort, which is why the world should hope that China follows through on its order and that these latest sanctions convince enough people in North Korea that its current path means the end of the regime.

The Kurds' Catalonian Turn

Do Iraq's Kurds want a self-sufficient, internationally recognized independent state or, like the Catalonians of Spain, a permanent grievance to complain about? One has to wonder, given plans for a Monday plebiscite that threatens the ethnic group's security and economic prosperity.

Masoud Barzani, the head of the Kurdistan Regional Government (KRG), announced his intention to hold a referendum in 2014, but postponed the measure to help Baghdad and Washington beat back Islamic State advances in Iraq. Now that the terrorists are in retreat, he says the time is right for a vote.

Mr. Barzani says his people have a "natural, god-given right" to self-determination, and it's easy to sympathize. The Kurds, spread across Iran, Iraq, Syria and Turkey, share a common language, culture and geography. They've proved a reliable partner for Washington fighting Islamic terrorism and protecting their territory, which is why the U.S. enforced a decade-long no-fly zone to protect them from Saddam Hussein's depredations after the first Gulf War.

The strategic question isn't the sincerity of long-held Kurdish aspirations for self-governance, but whether Monday's vote would help or hurt their cause. Certainly the referendum lacks legal standing; Iraq's constitution doesn't have an opt-out clause, and earlier this month the country's Supreme Court put a temporary hold on the vote.

Nor is it clear that the Kurds would improve their economic circumstances by voting yes. Mr. Barzani may believe a nonbinding vote will give him political leverage to negoti-

ate more autonomy and better economic support from Baghdad. In reality, it will kill a U.S.-brokered deal already on the table that would assuage Kurdish concerns about border security, oil revenues and regional relations.

The vote would also undermine the government of Iraq's prime minister, Haider al-Abadi.

Then there's the real threat of military conflict and ethnic strife if the vote proceeds. Istanbul and Tehran oppose the KRG's referendum, fearing it will stoke Kurdish uprisings in their own countries. Turkey has already held tank drills on its border with the Iraqi Kurdish region, and those tanks could roll south quickly if Monday's vote proceeds. Iran, which dislikes Mr. al-Abadi's close relationship with Washington and wants to see him ejected from power, would cheer.

The Trump Administration denounced the vote on Wednesday, warning "the decision to hold the referendum in disputed areas is especially destabilizing, raising tensions which ISIS and other extremist groups are now seeking to exploit." Washington has an interest in not further inflaming an Arab-Kurd conflict, and keeping Iraq steady while the White House deals with Iran, the Syrian conflict, and the Gulf spat between Saudi Arabia and Qatar.

Mr. Barzani has backed himself into a corner by pushing ahead with a vote that wasn't supported by his allies or particularly well-conceived. It won't be easy for him to save face now, but postponing the vote and suffering political embarrassment is a small price to pay to protect the long-term interests of the Kurds he says he wants to help.

ObamaCare's Tax on the Poor

Democrats claim to have a monopoly on caring for the poor and suffering, and the left has been portraying a GOP health-care bill as an attack on America's vulnerable. So check out the data on how ObamaCare is a tax on some low-income families.

Internal Revenue Service data offers insight into who paid the law's individual-mandate penalty in 2015 for not buying health insurance, the latest year for which figures are available. Spoiler alert: The payers aren't Warren Buffett or any of the other wealthy folks Democrats say they want to tax. More than one in three of taxed U.S. households earned less than \$25,000, which is roughly the federal poverty line for a family of four.

More than 75% of penalized households made less than \$50,000 and nine in 10 earned less than \$75,000. Fewer families paid the tax in 2015 than in 2014, yet government revenues increased to more than \$3 billion from about \$1.7 billion, as the financial punishment for

lacking coverage increased.

These Americans are paying a fine to avoid purchasing a product they don't want or can't afford but government compels them to buy. Such individuals don't suddenly have access to less expensive or higher quality medical care, but they do have less money for household expenses, which can consume a high share of income for this class of families.

The unfortunate irony is that ObamaCare destroyed the private market that offered options that in some cases made sense for these people. For example: High-deductible, limited coverage for unexpected events.

Then again, the point of this coercion was to substitute the government's political preferences for individual judgment, while forcing the young and healthy to pay more to finance the mandated benefits that Democrats think everyone must have. This is the status quo that Senators John McCain and Rand Paul are supporting with their opposition to reform.

Ignore the Turmoil, ESPN Isn't Doomed



BUSINESS WORLD
By Holman W. Jenkins, Jr.

It's time to let you in on a secret, two weeks into the Jemele Hill controversy here in America. Ms. Hill, an ESPN on-air personality, sparked a furor by tweeting her opinion that Donald Trump is a "white supremacist" and his presidency a "direct result of white supremacy."

Now, this epithet may not mean what you think it does. As Wikipedia or linguists or some on the disquieted left would be happy to tell you, in the mouths of "critical race theory" activists, white supremacy refers, in fact, to almost everybody and everything. CUNY's Angus Johnston, an enthusiastic purveyor, explained on Twitter last year: "White supremacy isn't about what is in somebody's heart. It's about who wields political power."

The finer points received a thorough airing last November when certain writers on the left debated whether Bernie Sanders qualified as a white supremacist because of comments pooh-poohing the Democratic preoccupation with identity politics. What remains to be pointed out is the obvious appeal of such thinking about white supremacy: It's a way of gratifyingly expanding the number of persons, occasions and institutions that can be denounced as racist.

How ESPN put its foot in this mess is also partly explained by the fact that many more enrollees in American journalism schools aspire to be sports reporters than find jobs as sports reporters instead. And the flailings of ESPN have already become America's favorite—and overstated—business story.

The Disney-owned sports channel has been losing at least two million subscribers a year since 2013. Many of them were basic-cable subscribers who were forced to pay for ESPN though they didn't watch it. If this keeps up, ESPN is certainly kaput. Except it likely won't: When the sports network loses a cord-cutter who never watched, its remaining customer base consists increasingly of those who value ESPN.

To be sure, the rise of broadband video has eroded cable's strength in regularly scheduled programming, including ESPN's flagship "Sports Center." Scores and highlights now can be watched on your smartphone whenever you want. This seems to have led ESPN down the ill-advised path of promoting noisy, opinionated hosts like Ms. Hill to jazz up the viewing.

But notice something else: In a Netflix world, live sports increasingly will be the only programming people will be willing to watch while tolerating commercials. The value of ESPN's live-sports rights should actually go up.

Which brings us to the real crux of the ESPN-is-doomed argument, recently touted on the cover of Barron's magazine. Isn't ESPN destined to be trampled by Amazon, Apple, Google and Facebook in the bidding for future sports rights as these tech giants build out their video businesses and battle for eyeballs? After all, they have tens of billions to throw at "Monday Night Football."

Except why would they? Amazon is paying \$50 million this year to stream "Thursday Night Football," in an experiment that begins with next week's Chicago-Green Bay matchup. But Amazon's stream will be ancillary. The games will still air on CBS or the NFL Network. Amazon might get a few hundred thousand viewers, whose data usage would pose no serious challenge to the public internet. But what if Amazon were trying to deliver the action to the entire 13 million who tune in for "Thursday Night Football"?

Why Amazon and Facebook don't want 'Monday Night Football.'

The point is consistently overlooked. Distributing live, big-time sports programming, which millions want to watch simultaneously, isn't the same as streaming prerecorded shows that people watch on their own schedules, and which can be "cached" in advance around the internet.

Verizon has tried to crack this nut by implementing multicast on its wireless system, reserving a slice of spectrum for a single stream that any subscriber can tune into, rather than sending a duplicate stream to each viewer. Verizon might do this as a promotional stunt for one event, but a whole weekend of overlapping sporting events? Verizon presumably would quickly run out of spectrum to serve its regular wireless customers.

It's not that it couldn't be done, with enough investment and management. But why bother when we already have a broadcast business model better suited to simultaneous delivery of identical programming to millions of viewers? The digital revolution certainly is upending the traditional "linear" TV channels. But it never followed that the cable bundle would go away, only that it would become increasingly a live news-and-sports bundle. In fact, it already has.

Which means ESPN has some adjustments to make, but its business model is far from unsalvageable, assuming it doesn't keep stepping into messes of its own creation. Disney needs to remember that the culture of sports is fundamentally celebratory and unifying, not divisive. Let the cable news channels specialize in niche-making. ESPN should be the antidote.

LETTERS TO THE EDITOR

'Bourgeois Norms' Got Professors Their Jobs

Regarding Heather Mac Donald's "Higher Education's Latest Taboo Is 'Bourgeois Norms'" (op-ed, Sept. 9): The left won the culture wars that began in the 1960s and ended with cultural conservatives running for cover during the Obama years. One would think that the left would be magnanimous in victory and open to intellectual debate. After all, President Obama himself observed that children growing up without a father are more likely to live in poverty, more likely to drop out of school and more likely to wind up in prison.

A married couple with children earns, on average, an income that is more than triple the income of a household headed by a single mom. That fact isn't a license to stigmatize single moms, but it is a statistical truth—and the left apparently cannot handle the truth. With freedom, including post-1950s sexual liberation, comes responsibility. Shouting down those who call attention to the economic fall-out from postbourgeois culture change is neither responsible nor progressive.

GENE BRADLEY
Norfolk, Va.

up the "norms" of that era as some sort of beacon of American virtue sure as hell scares me.

DAVID L. SAFFAN
Santa Barbara, Calif.

As an immigrant from India, I am, like most of my fellow immigrants, living the American dream precisely because my family follows what the authors advocate. This also holds true, from what I know, for most East Asian immigrants, even the most liberal among us. And I am gratified to see that our adult children do this too.

We practice bourgeois norms, self-reliance, conservatism and are proud to be in America. But we personify "diversity" and are perplexed to hear rants against diversity in general, rather than against specific behavior.

AJIT DAMLE
Tampa, Fla.

What is strange about the opposition by University of Pennsylvania faculty to Amy Wax's advice (work hard, get married, go to school, don't drink too much) is that every one of them has followed this advice. I have spent my career in academia, and all professors whom I know have done exactly that. Why would so many of Ms. Wax's colleagues be opposed to advice that has made them so successful?

PROF. PAUL H. RUBIN
Emory University
Atlanta

Ms. Wax and Larry Alexander say nothing to imply white supremacy, misogyny or homophobia. They espouse traditional values. The response of Dean Ruger, Stephen Ferruolo and many of the faculty only reveals their bigotry in assuming the authors were referring to black people.

HUGH DOSS
Louisville, Ky.

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OPINION

Trump Gets Blunt at the United Nations



DECLARATIONS
By Peggy Noonan

I'm not sure President Trump's speech to the United Nations General Assembly last week has been fairly judged or received. It was a strong speech—clear, emphatic, remarkably blunt. The great question is whether the bluntness will tend at this point in history to make things better or worse. We'll find out soon enough.

Often Mr. Trump grows bored with prepared speeches and starts throwing in asides and improvising adjectives. But he was committed to this speech and focused: It looked

Will bracing clarity make things better or worse? We'll know soon enough. But he said things the world needed to hear.

like Trump believing what Trump was saying. Detractors say, "Oh, his speechwriters just put something in front of him," but all presidents, from the most naturally eloquent to the verbally dullest, have speechwriters. The point is what a president decides he wants to say and how he agrees to say it. In the end he directs what goes in and what comes out.

Mr. Trump explained to the U.N. the assumptions he sees as driving his own foreign policy, which showed a proper respect for the opinion of mankind. He outlined the central problems facing the world as he sees them—a tradition in such speeches, and a good one, for it matters what an American president thinks.

Mr. Trump's speech was rhetorically dense, in that a lot was in it and

little time was wasted. There were moments of eloquence—the U.N. must not be complacent; we cannot become "bystanders to history."

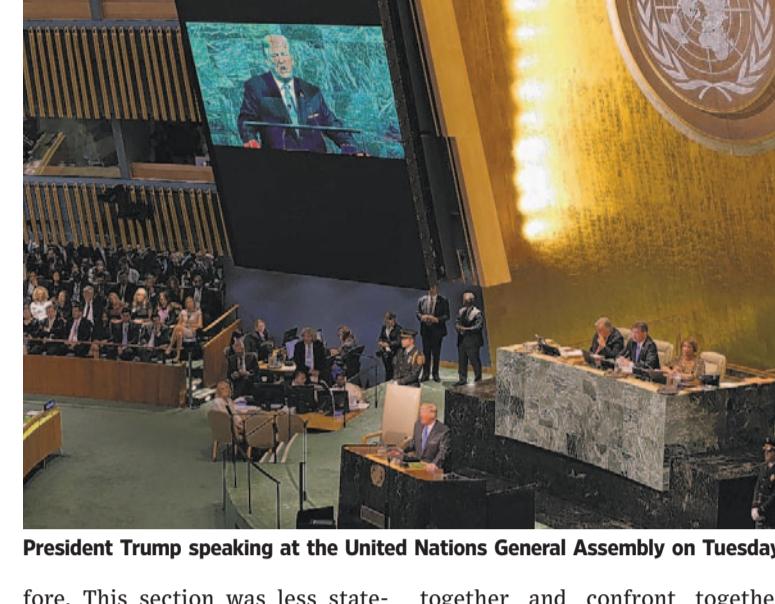
He began with the usual bragging: The U.S. economy is improving, and we are militarily strong and getting stronger—and fairly quickly kicked into hopefulness, and respect for the U.N.'s history.

On his administration's driving foreign-policy attitudes: "We do not expect diverse countries to share the same cultures, traditions or even systems of government. But we do expect all nations to uphold these two core sovereign duties: to respect the interests of their own people and the rights of every sovereign nation." Then: "In America, we do not seek to impose our way of life on anyone, but rather to let it shine as an example for everyone to watch."

He painted "America First" as benign, politically realistic. "Our government's first duty is to its people, to our citizens—to serve their needs, to ensure their safety, to preserve their rights, and to defend their values. As president of the United States, I will always put America first, just like you, as the leaders of your countries, will always and should always put your countries first." Still, the nations of the world must "work together in close harmony and unity to create a more safe and peaceful future for all people."

The U.S. has always been "a great friend to the world" and will continue to be. "Our citizens have paid the ultimate price to defend our freedom and the freedom of many nations represented in this great hall," he said. "We want harmony and friendship, not conflict and strife. We are guided by outcomes, not ideology. We have a policy of principled realism, rooted in shared goals, interests and values."

All this is the opposite of democracy promotion and nation building and dreams of eradicating evil. The president has spoken like this be-



MOHAMMED ELSHANINY/ANADOLU AGENCY/GETTY IMAGES

President Trump speaking at the United Nations General Assembly on Tuesday.

fore. This section was less statement than restatement for an international audience.

But there was an interesting question of emphasis. Throughout the speech Mr. Trump stressed the importance of national sovereignty, of countries protecting their own ways and needs.

Sovereignty, of course, is crucial. But as he spoke, my mind went back to 1914 and all the fiercely sovereign nations that decided to go to war with each other, putting an end to a unique and rising European civilization. In 1945, after World War II, they put greater emphasis on a more corporate approach, on cooperation and transnational institutions. That path can be abused too, and has been. But it hasn't been all bad.

It has been charged that Mr. Trump virtually ignored Russia, mentioning it only once, in thanks for supporting sanctions against North Korea. But he also said: "We must reject threats to sovereignty, from the Ukraine to the South China Sea." That isn't ignoring Russia. "We must uphold respect for law, respect for borders, and respect for culture," he said. "We must work

together and confront those who threaten us with chaos, turmoil, and terror."

The most publicized section of the speech was on North Korea. He characterized its regime as "depraved," "twisted," a "band of criminals." True enough. North Korea's "reckless pursuit of nuclear weapons and ballistic missiles" cannot be allowed to continue. In the speech's most famous flourish: "Rocket Man is on a suicide mission for himself and for his regime." The U.S. "has great strength and patience, but if it is forced to defend itself or its allies, we will have no choice but to totally destroy North Korea."

Is this too hot, or helpful, or both? During the Cold War colorful candor produced a great deal. When Ronald Reagan was drop-dead blunt about the nature of the Soviet Union, foreign affairs was a high-stakes chess game between two superpowers. The context now is a less clearly demarcated world in which anyone with a weapon of mass destruction is, for the moment, a "superpower."

It's hard to know if blunt talk will excite nuts into greater activity, or if bracing clarity about the risks

they're taking will slow them down, make them question their ambitions and intentions. But the U.N. needed to hear clearly and unequivocally the gravity with which the American president views North Korea. Ultimately, as Mr. Trump noted, confronting this question is "what the United Nations is for."

A great line—because it spoke a great truth—was this: "The problem in Venezuela is not that socialism has been poorly implemented, but that socialism has been faithfully implemented." Mr. Trump then paused and looked at the audience. It struck some as a "please clap" moment. It struck me as a stare-down: *I'm saying something a lot of you need to hear. You're not going to like it, and I'm going to watch you not like it.*

Two final points: One is that Mr. Trump is on a roll, a sustained one the past few weeks, and this is new. All levels of government performed well in the hurricanes. Mr. Trump showed competence, focus and warmth. His bipartisan outreach, however it ends, went over well with core supporters and others. He had a strong speech at the U.N., in fact a successful U.N. week, from beginning to end. His poll numbers are inching toward 40%.

Which gets us to point two: This is a very important moment for him. History suggests he will ruin it at any minute with intemperate statements, wiggy decisions or crazy tweets.

He does this because he's somewhat compulsive and has trouble governing himself. He also does it because he thinks his supporters like it. Some do, most don't. He thinks they all do because he misunderstands his base.

Mr. Trump's supporters should push back when he starts to go slightly mad. They should tweet at him: "Stop, Donald! Be U.N. Donald, not Twitter Donald."

They should tweet this to him by the millions. Because he does feel some loyalty to them, and it's possible he might try to listen.

Why Afghans Are Hopeful About Trump's New Strategy

By Parwiz Kawa
And Shafi Sharifi

Kabul

In 2011 President Obama announced that all U.S.-led coalition forces would leave Afghanistan by the end of 2014. The timing of the departure could not have been worse. The country was being ripped apart politically by a presidential election marred with corruption. Afghan security forces were not fully ready to take on the Taliban and other terrorist groups pouring in from safe havens across the border in Pakistan, their ranks replenished by thousands of recent graduates of Pakistani madrassas.

In the absence of a clear U.S. strategy, Iran and Russia also began increasing their involvement in Afghanistan, providing arms to the Taliban. By mid-2015, the emboldened Taliban could see victory. They had been attacking Afghan government posts in bigger numbers, targeting provincial centers and strategic areas. According to

public reports and private accounts of Afghan officials, casualty rates of Afghan security forces in 2015 and 2016 soared to record numbers, as many as 50 killed and wounded daily.

Despite all this, violent extremists have failed to break up Afghan security forces or gain full control of a province. There were two reasons.

First, Mr. Obama realized that leaving Afghanistan altogether risked squandering the gains of the previous decade and a half. The limited presence and support of U.S. special forces and advisers helped Afghan special forces stall the Taliban's momentum, especially in the battle for Kunduz in 2015 and 2016.

Second, Afghanistan has changed fundamentally since 1996, when the Taliban came to power. The population is younger and better educated. Afghans have better access to information and technology, as well as higher literacy rates. Popular support for Afghan security forces has increased too, especially for the Afghan National Army.

The Iraqi Jewish community, its roots in the Babylonian exile, was forced out over the past 70 years; fewer than 10 Jewish families remain

Now that President Trump has announced a new strategy, there is renewed but cautious optimism in Afghanistan. Afghans are hopeful because Mr. Trump's plan, though

lacking details, puts aside a timeline-based exit in favor of a conditions-based approach.

It also boosts support for Afghan security forces and, more importantly, addresses Pakistan's support for the Taliban and other terrorist groups such as the Haqqani network. This will allow Afghanistan to sustain what has been achieved since 2001.

In the past 16 years a new generation of Afghans have come of age. They are accustomed to a free

press, social media and fearless self-expression. This was inconceivable for past generations. They are also against the Taliban's ideology and their version of Islam.

The new strategy provides more training and support for Afghan security forces. A strong military is essential if Afghanistan is to tackle domestic security challenges and join with coalition forces against terrorism in the country and region. It will also pave the way for a peaceful political settlement.

With his new strategy, Mr. Trump has made it clear that he recognizes Pakistan's double game—harboring, arming and supporting the Taliban and Haqqani network while claiming to be an ally of the U.S.

On the political side, the success of the new American strategy largely depends on whether President Ashraf Ghani's government can ensure that elections scheduled for 2018 and 2019 are fair, transparent and successful. Afghans cannot afford another debacle like the 2014 elections.

Corruption remains a significant challenge. Some corrupt officials have been successfully prosecuted: Gen. Mohammad Moeen Faqir and businessman Abdul Ghafar Dawi were convicted of embezzlement and abuse of authority in August.

Yet the government must do a better job of tackling the ethnic divisions and partisan bickering that hamper anticorruption efforts.

There is also the problem of brain drain. Without serious economic and security reforms to create more and better jobs, Afghanistan will lose its best asset: educated Afghan youth.

Afghanistan's future as a peaceful, functioning democracy is not guaranteed. But for the first time in a long time, Afghanistan has hope.

Mr. Kawa is editor in chief of *Hasht-e-Sabz Daily*, Afghanistan's largest newspaper. Mr. Sharifi is the chairman of Afghanistan Analysis and Awareness, a Kabul-based think tank.

How to Help Iraq's Religious Minorities

By Nina Shea

As Islamic State heads toward defeat in Iraq, Christian and Yazidi survivors of genocide should be returning to their hometowns in Nineveh province. Instead, these fragile minority communities mostly remain stranded at displacement shelters in Kurdistan without the means to rebuild their villages. Many are fleeing Iraq, and the country now risks losing these religious minorities entirely. The Trump administration is making the situation worse by continuing Obama policies that effectively ex-

clude these non-Muslims from U.S. aid in Iraq.

Today there are fewer than 250,000 Christians in Iraq, according to the U.S. State Department, down from as many as 1.4 million before the 2003 invasion. These Christians speak Aramaic, like Jesus of Nazareth, and trace their faith to Thomas the Apostle, whose relics were spirited from Nineveh by Orthodox monks as Islamic State approached.

The Iraqi Jewish community, its roots in the Babylonian exile, was forced out over the past 70 years; fewer than 10 Jewish families remain

in Baghdad. Yazidis—who have lived near the Sinjar Mountains—number about 400,000. Nadia Murad, the voice for thousands of Yazidis enslaved by Islamic State, warned a congressional panel earlier this year that her people could soon disappear because of emigration. This would signal the end of Iraq's indigenous non-Muslim communities.

Since fiscal 2014, the U.S. has provided \$1.4 billion in humanitarian aid for Iraq, but very little of it has reached the beleaguered Christian and Yazidi communities. This is because the Obama administration decided to channel most of it through United Nations refugee and development agencies, a practice the new administration has continued.

There is no protection for religious minorities in the U.N.'s overwhelmingly Muslim camps, and Christians and Yazidis are terrified of entering them. The U.N. doesn't operate camps in Iraq for displaced Christians, and the international body has enough resources to shelter only half the Yazidis who congregate around Dohuk, in Iraqi Kurdistan. U.N. programs also exclude the local churches that struggle to care for these minorities, forcing them to raise aid on a piecemeal and insecure basis from other sources.

President Trump has spoken about the plight of Christians in the Middle East, but he has done little to effect change. Far lower percentages of Christians and Yazidis are returning from displacement to their homes in the devastated Nineveh Plains and Sinjar, respectively, compared with

the larger religious groups in Tikrit, Fallujah and Mosul.

Usaid lacks direct oversight in Nineveh and relies heavily on U.N. Development Program reports that claim

Trump should undo an Obama policy that largely blocks them from getting U.S. aid.

progress in Christian towns. One local church authority told me the U.N. reports "grossly overstate the quality and substance of the actual work" and their projects' influence is "minimal or nonexistent." A representative from the Nineveh Reconstruction Committee, a unified church group, told me earlier this month that the only major projects under way are its own. These are supported by Hungary and the Knights of Columbus. Samaritan's Purse and Aid to the Church in Need are planning projects in Qaraqosh, also without U.S. government assistance. These private charities can rebuild houses, but large infrastructure projects need government aid.

The U.N. acknowledges that most of the displaced minorities have not returned home and have shown "a reluctance to return without guarantees of their security and the stability of their towns and villages." Church leaders close to the displaced are excluded from U.N. and Iraqi government committees that

decide stabilization projects, track progress and ensure locals are hired for them. Rex Tillerson's State Department has not changed this policy. Nor has it answered my request for information.

Security remains a problem and threatens America's regional interests. Iran is moving in on the towns minorities have been unable to reclaim. The U.N. has focused on minor projects in Bartella, a main Christian town. Yet on Sept. 15 the "Imam Khomeini" elementary school and mosque complex opened there at an official ceremony, a "gift from the Islamic Republic of Iran." In several towns, Iranian-backed militias stand guard.

Mr. Trump can take immediate steps to ensure U.S. aid reaches Iraq's most vulnerable minorities. First, he can direct his administration to address their humanitarian and stabilization needs. This should include dropping the U.N. as a pass-through for U.S. aid.

He can also appoint an interagency coordinator to ensure that bureaucratic hurdles don't interfere with getting aid to all groups. These relatively small tweaks would help preserve the region's religious minorities.

Iraq's religious minorities are small in number, but assisting them would affirm that the U.S. stands against genocide, protects religious freedom and aids vulnerable minority groups.

Ms. Shea is director of the Hudson Institute's Center for Religious Freedom.

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LIFE & ARTS

WHAT'S YOUR WORKOUT? | By Jen Murphy

Inspired to Sweat

Hawaii's culture and natural beauty led Jeff Ammerman to Kiakahi, an intense workout

SOME PEOPLE TURN to spirituality when they hit hard times. Jeff Ammerman turned to fitness. "Sunday beach workouts are my church," he says. "It's my spiritual reset and network of support." Mr. Ammerman, 37, had been living a "rocker party" lifestyle on Oahu, struggling with depression and alcohol. In 2015 he moved to Maui hoping for a fresh start. A personal vacation planner for Westin Maui Resorts, he overhead a resort concierge talking about Kiakahi.

Kiakahi workouts fuse Polynesian cultural practices with functional movement. A typical session might start with an oli, or a Hawaiian chant, follow with various kolo, or crawls, and sprints in the ocean, and end with the instructor blowing on a conch shell.

Mr. Ammerman showed up for a free community workout on Sugar Beach in September 2016 and was greeted by an instructor jumping out of the ocean with a huge rock in his hands. "I was immediately sold," he says.

Mr. Ammerman is 6-feet-2 and at the time weighed 250 pounds. "I struggled," he says. "I couldn't run more than 25 yards on the sand without thinking of giving up." But he says the instructors' encouragement and outdoor setting kept him motivated.

Mr. Ammerman was born on Oahu but spent his teens and 20s in California and says he lost touch with Hawaii's culture. "Every workout speaks to the cultural message of respecting the land or people and understanding the true meaning of aloha," he says. "It sets a tone of gratitude and appreciation."

As he got more fit, Mr. Ammerman began going to Uprising, a functional workout at a field run by some of the Kiakahi instructors. "It's like Kiakahi, but with a CrossFit edge, and you have to wear shoes," he says. In August, Mr. Ammerman, along with some of his Uprising and Kiakahi friends, participated in the Spar-



Top, Mr. Ammerman and a partner work with a laau. Below, he and teammates run through the surf carrying a pohaku.

tan Ultra Beast, a race that covers 26 miles and has 60-plus obstacles throughout the course.

Mr. Ammerman has dropped to 215 pounds and is training for the Maui Marathon Relay on Oct. 15. "I never imagined when I went to that first beach workout I'd find a family," he says. "I train not just for me but to make them proud because they believe in me."

The Workout

Two-hour Kiakahi sessions incorporate ropes, sandbags, medicine balls, jump rope, pohaku, or rocks, and laau, or long wooden sticks.

The workout is broken into four parts. The first involves crawls that warm up the muscles and might even include somersaults and frog hops. The second part uses laau, which Mr. Ammerman might push and pull with a partner or throw

at a target. Hakoko, or Hawaiian play fight, involves partner drills and movements like squats and lunges. Workouts end with kaula, or ropes, which work the arms and core and challenge balance. He says one of the toughest drills involves carrying sandbags through thigh-high waves.

Four nights a week he attends



Uprising workouts at a local field. The group might run stadium stairs 100 times, then rotate through stations of kettle bells, jump ropes, sled pulls, burpees and medicine ball throws. He goes to 24 Hour Fitness three times a week and will lift weights and run 3 miles on the treadmill. Once or twice a week he does a P90X yoga and ab workout at home after a beach run.

The Diet

Breakfast is occasional and light. "It depends on if I'm working," Mr. Ammerman says. "I usually grab a banana after I run." He has sushi for lunch. Uprising finishes at 6:30 p.m. and his drive home can take up to an hour. "I'm too lazy to cook when I get home," he says. "I usually just pick up something healthy and easy."

A Buddy's Positive Influence

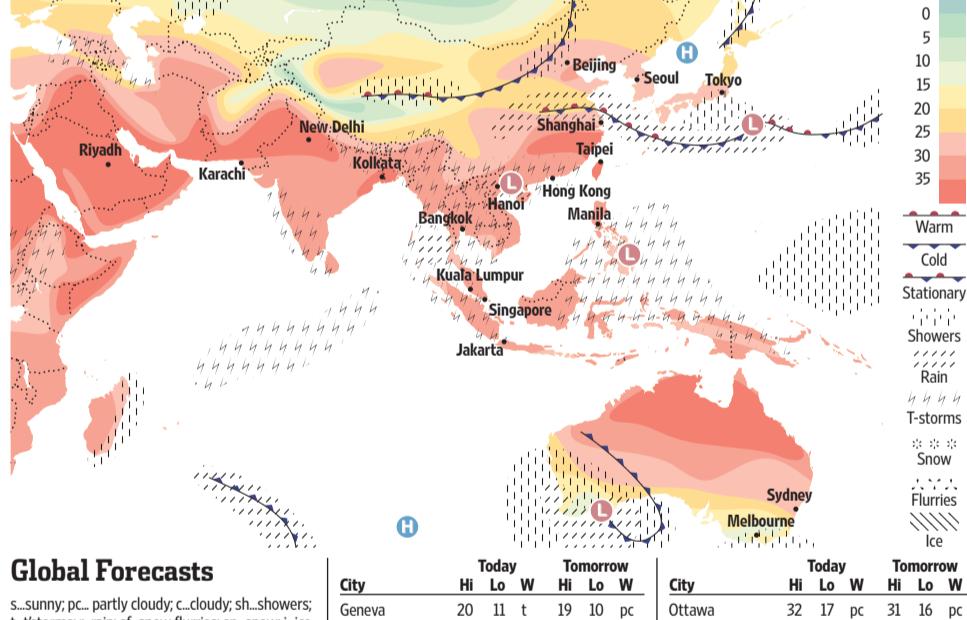
Workout buddies can motivate us for a 5 a.m. gym session and push us to run that extra mile, but they can also affect our choices outside the gym, says Tony Maloney, an exercise physiologist and fitness center manager at the National Institute for Fitness and Sport in Indianapolis. "I always ask people, 'What does your power circle of friends look like?'" he says. "We often act like the people we hang out with." Mr. Maloney says people who overcome an addiction, such as alcoholism, typically change their friends. "When you make a positive change and others don't, it can bring out their insecurities," he says. "Rather than rise up and support you, they might try to bring you down." Being in a community that cares about exercise, nutrition, sleep, career and family can be inspiring, he says, and people who discover fitness often pick up the healthy habits of their personal trainers or workout partners and friends. "Instead of having three drinks at a bar after a workout, you might go for a juice or grab a healthy dinner," he says.

He routinely hits the salad bar at a local grocery store and tosses together greens, broccoli, eggs, chicken, cucumbers and strawberries or raisins and tops it with balsamic vinaigrette. He used to eat sweets every day. His weakness is chocolate peanut butter Häagen-Dazs. "I would eat an entire container in one go," he says. "Now I try to make a pint last over the course of a week or two. I have four or five bites and set a date of when I'm allowed to dig back in." He says he still drinks alcohol, but in moderation.

The Gear & Cost

Mr. Ammerman wears Inov-8 X Talon 212 sneakers for trail running (retail \$115) and or Nike Flex Experience RN 6 sneakers (\$65) for the gym or road running. He buys Virus compression apparel. He pays \$40 a month for his membership at 24 Hour Fitness and \$60 a month for Uprising workouts. Kiakahi workouts are free.

Weather



Global Forecasts

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

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	18	10	pc	18	10	sh
Anchorage	11	6	r	12	7	s
Athens	27	20	pc	25	18	t
Atlanta	30	20	s	31	20	s
Bahrain	42	24	s	43	25	s
Baltimore	31	20	s	28	21	pc
Bangkok	33	25	t	31	25	t
Beijing	27	18	pc	22	12	c
Berlin	15	10	sh	18	11	pc
Bogota	21	8	r	21	8	r
Boise	18	8	pc	21	9	s
Boston	27	18	pc	26	19	pc
Brussels	20	9	pc	19	9	sh
Buenos Aires	24	9	s	17	10	sh
Cairo	32	22	pc	32	23	s
Calgary	18	7	pc	18	6	p
Caracas	32	26	pc	32	24	pc
Charlotte	31	19	pc	30	21	s
Chicago	33	20	s	32	16	s
Dallas	33	24	pc	32	23	c
Denver	12	4	c	17	7	pc
Detroit	31	20	s	31	19	s
Dubai	39	28	s	39	29	s
Dublin	17	9	r	18	10	pc
Edinburgh	17	9	pc	18	9	sh
Frankfurt	18	9	pc	18	9	sh

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Geneva	20	11	t	19	10	pc
Hanoi	31	27	t	32	26	pc
Havana	31	21	pc	31	22	pc
Hong Kong	32	28	t	33	27	s
Honolulu	31	23	s	31	24	pc
Istanbul	25	20	pc	25	19	c
Jakarta	32	23	t	32	25	t
Johannesburg	27	14	c	25	6	s
Kansas City	28	17	t	22	14	t
Las Vegas	27	16	s	29	17	s
Lima	20	15	c	20	15	pc
London	18	11	c	20	12	pc
Los Angeles	33	18	s	34	17	s
Milan	29	13	s	28	13	s
Manila	33	26	t	30	26	t
Melbourne	15	5	r	18	9	s
Mexico City	24	14	pc	24	15	pc
Miami	33	25	pc	33	24	pc
Milan	23	14	pc	22	13	pc
Minneapolis	21	15	r	19	10	c
Montreal	31	23	t	31	23	t
Montreal	31	19	s	30	19	pc
Moscow	14	6	pc	11	2	c
Nashville	31	24	pc	30	26	t
New Delhi	35	23	s	35	24	s
New Orleans	30	23	t	31	24	pc
New York City	30	22	s	27	21	pc
Orlando	32	22	pc	33	22	s
Zurich	20	8	pc	19	8	pc

The WSJ Daily Crossword | Edited by Mike Shenk



BAND BOXES | By Melina Merchant

Across	Down
1 Public square	32 Reach its destination, as a train
6 Untrustworthy sort	34 Chelsea Peretti's "Brooklyn Nine-Nine" role
10 Wearer of team colors	35 Fraternal order since 1868
13 President between Jimmy and George	38 Pioneering person
15 Dresden's river	41 Soft mineral
16 ___ Jima	42 Stands the test of time
17 *It'll wave over Tokyo in 2020	44 Article ignored when alphabetizing
19 Slimy stuff	45 Deep regret
20 Sidewalk section	47 Yearning
21 Fitting	49 Aviator Post who was first to fly solo around the world
22 *Titan orbits it	50 Naval NCO
24 Capital on a fjord	51 Bro or sis, for short
26 Butler of "300"	52 Land jutting into the sea
27 Willing to consider	54 Must have
30 Hub	55 Caked filth
31 *Place you might go around	56 Catch sight of
33 Grasslike plant	59 Minor criticism
36 "Man, that's pretty!"	60 Put on the radio
37 Appears	Previous Puzzle's Solution
38 *Stump source	ARAB DIDD PTBOAT FIRECODE VELCRO TOETOTOE CRETAN MULAN OCEANIC TURBOTAX EMU HAILESELASSIE RODE CONGISTS BLAZE KRAKEN BOVARY INNASTATE EVERSO BOYARDEE REDDEN SNOWYANK
39 Deep fryer fill	The contest answer is THE LONGEST YARD. Three of the Across answers contain names of movie dogs (TOTO, LASSIE and ASTA). The letters directly underneath those names spell the contest answer.
40 Cream of the crop	
41 Director John	
42	

BUSINESS & FINANCE

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Monday, September 25, 2017 | B1

Yen vs. Dollar 112.0810 ▼ 0.35%

Hang Seng 27880.53 ▼ 0.82%

Gold 1293.30 ▲ 0.21%

WTI crude 50.66 ▲ 0.22%

10-Year JGB yield 0.028%

10-Year Treasury yield 2.262%

Mashable Pursues Possible Sale

By LUKAS I. ALPERT
AND SUZANNE VRANICA

The new-media company **Mashable** is about to test how much "pivoting to video" pays off.

The U.S. company, known for its mix of technology and pop-culture stories, has for months been looking to raise capital from a strategic investor but is now leaning toward an all-out sale, people familiar with the matter said. Mashable has had extensive discussions with German television broadcaster **ProSiebenSat.1**, the people said.

It is possible another suitor could emerge. U.S. media company Viacom Inc. also explored

a deal but isn't currently engaged in talks, one of the people said.

Mashable laid off about 30 employees last year, curtailed the scope of its written-news reporting and shifted resources into video. That preceded a wave of similar moves by media outlets seeking faster digital advertising growth as their business models come under stress. Many have used the phrase "pivot to video" to explain the shift.

By some measures, the change has paid off for Mashable: Its revenue increased 36% to \$42 million in 2016, while the site posted a net loss of \$10 million, people familiar with its financials said. It is

targeting \$50 million this year and might break even. Video views have soared on YouTube and other platforms.

But the real test is how much of a premium someone

New-media company faces a test of its decision to shift resources into video.

would pay for part—or all—of the company.

"We made big changes and it wasn't easy, but we are extremely happy where we are.

We consider it success by any measure," Greg Gittrich, Mashable's chief content officer, said of the company's shift toward video production. "Any further investment will help us unlock growth much faster than we could organically."

Mashable, which has raised \$46 million in capital, was valued at \$250 million in its last fundraising round in 2016, people familiar with the matter said. Assuming a steady multiple—the ratio of its valuation to its revenue—its valuation now would top \$300 million, not factoring in any premium for acquiring control.

If the company fetched a disappointing price, it would be a signal of skepticism about the

prospects of digital-media firms.

The industry—which features bigger competitors such as BuzzFeed, Vox Media and Vice Media and smaller, independent outfits such as Mic, Refinery 29, Bustle and Mashable—was flying high a few years ago as the digital ad market looked promising and capital poured in. Traditional media companies were hungry to invest in these players, as they lost young audiences on the TV dial.

But the high valuations placed on these companies came with high expectations from investors: rapid revenue growth and the promise of lucrative exits one day via an initial public offering or sale.

Germany Targets Foreign Hackers

By WILLIAM WILKES

BERLIN—A wave of attacks by Chinese hackers on Germany's cutting-edge manufacturers is raising alarm in Berlin and prompting the government to step in to defend the country's competitive edge.

The small and midsize companies that make Germany an export powerhouse have landed in the crosshairs of foreign hackers attracted to the companies' valuable but often poorly protected intellectual property, German intelligence officials warn.

Some 65% of German manufacturing and technology companies were hit by cyberattacks in 2016, compared with 62% in the U.S. and 50% in the U.K., according to insurer Hiscox Ltd. Germany's BfV domestic intelligence agency estimates that German companies lost €55 billion (\$66 billion) to espionage, sabotage and data theft last year, up from €51 billion in 2015.

Spooked by the losses, the German government is moving to shield companies from state-backed hackers and criminal gangs, offering to pay to harden the defenses of Germany's most vulnerable companies. Industry groups are also reaching out to members about the threat.

"The German economy is the focus of industrial espionage," Hans-Georg Maassen, head of Germany's domestic intelligence agency, said in July. "Attacks have increased over the last two years."

Two years ago, the U.S. and China signed an agreement not to support hacking aimed at industrial espionage. But despite high-level discussions, German officials have yet to secure a similar deal. The G-20, which includes China and Germany, announced a pact against commercial cyberespionage in 2015.

In June 2016, a delegation led by German Chancellor Angela Merkel flew to Beijing for talks on the matter. While Chinese officials led by Premier Li Keqiang told Ms. Merkel that Beijing would protect German companies' intellectual property in China, they didn't agree to stop hacking.

As Chinese attacks on U.S. companies have eased, Germany has become a bigger target, according to Nigel Inkster, senior adviser to the International Institute for Strategic Studies in London.

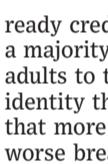
In a faxed statement, China's Ministry of Foreign Affairs said it was unaware of the German allegations but reiterated Beijing's official position that it "opposes" cyberhacking in every form.

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KEYWORDS

By Christopher Mims

Should U.S. Require Breach Disclosure?

 There are two things we can count on in the wake of the **Equifax** breach, already credited with exposing a majority of American adults to the possibility of identity theft. The first is that more and potentially worse breaches are in our future. The second is that companies will need to be prodded toward smarter cybersecurity practices and faster reporting of breaches.

Details of the breach—which Equifax said it discovered in late July—have only recently been revealed by the credit-reporting company and by **Mandiant**, the cyberforensics firm it hired. However, the enormous loss of data appears to have been the result of an unpatched vulnerability, which allowed hackers to roam freely inside Equifax's computer network for more than four months. (In a report, Equifax said it "took efforts" to fix the compromised system.)

The Federal Trade Commission and the Federal Bureau of Investigation are investigating, and the first of what's expected to be a wave of lawsuits by state attorneys general has already been filed. But punishing Equifax isn't the same as minimizing the impact of similar disasters. For that, we're going to need something anathema to the tech industry and especially companies that have been hacked: transparency.

It isn't coming voluntarily. There is already a patchwork of data-breach disclosure laws passed by 48 different states, yet none have been strong enough to get companies—wary of increased costs and hits to their reputations—in line. Newly proposed federal regulations could be, if they can get bipartisan support.

"Equifax has had a very poor response and I'm disappointed in them," says Rep. Jim Langevin (D., R.I.), one of the members of Congress behind the new regulatory push. "As good corporate citizens I believe Equifax owes much more transparency to consumers."

Equifax didn't respond to requests for comment.

Many firms share information with each other through cybersecurity back-channels, but participation is entirely voluntary. That is one reason the European Union passed the General Data Protection Regulation, going into effect in May 2018, which will force companies that do business in the EU and the U.K. to promptly disclose when per-



JITENDRA PRAKASH/REUTERS

A Hindu holy man used the Paytm mobile-payment app to buy a book during a religious festival in Allahabad, India, in January.

Chinese Propel Mobile Pay's Spread

By NEWLEY PURNELL

NEW DELHI—Silicon Valley is home to the world's most influential consumer-tech companies, but China's online corporate titans are way ahead in the race to build mobile-payment services in many of the world's fastest-growing consumer markets.

China's digital-payments market, by far the world's largest, is dominated by e-commerce company **Alibaba Group Holding Ltd.** and social-media champ **Tencent Holdings Ltd.** Now the two are imparting money and know-how to mobile-money startups in other Asian markets, from Indonesia to India.

As people across Asia increasingly move from cash to smartphone apps for buying goods and transferring money between individuals, U.S. companies are "still very focused on their home market," trying

No Contest

When it comes to mobile payments, China dwarfs the U.S.

U.S.
2016
\$112 billion

2011
\$8.3 billion

Sources: iResearch (China); Forrester (U.S.)
THE WALL STREET JOURNAL.

to increase usage there, said Shiv Putcha, an analyst at research firm IDC in Mumbai.

QR codes are used widely by smartphone owners in China to pay bills and make purchases in shops and at vending machines, contributing to a \$9 trillion mobile-payment market last year, according to iResearch. That is almost 90 times the size of the



U.S. mobile-payment market of \$112 billion, according to data from research firm Forrester.

Two payment platforms—Alibaba-backed Alipay and Tencent's Tenpay—handle some 90% of China's online payments by transaction value, iResearch says. As China's market matures, Alibaba and Tencent are chasing growth overseas, helping local

startups in emerging markets run mobile-money systems that don't require plastic.

Chinese investors supplied the bulk of \$2.7 billion in funding to Asian financial-technology startups in the second quarter of 2017, according to research firm CB Insights. Their experience in China and technical savvy might prove even more valuable.

As in China, merchants in many emerging markets lack point-of-sale machines needed to process payments via Apple Inc.'s Apple Pay and Alphabet Inc.'s Android Pay. Meanwhile, few consumers in these markets have credit or debit cards to make payments.

Executives at India's largest mobile-payment app, Paytm, drew inspiration from Alibaba, one of its main funders. Paytm's chief financial officer, Madhur Deora, said his company benefits from frequent

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Please see HACK page B2



Richard Smith has transformed Equifax into a data powerhouse.

BY ANNAMARIA ANDRIOTIS
AND MICHAEL RAPORT

Equifax Inc. Chief Executive Richard Smith told a breakfast meeting in mid-August that data fraud is a "huge opportunity" for the credit-reporting company, allowing it to sell consumers more offerings.

Mr. Smith, who goes by Rick, said young people should sign up for the company's credit-monitoring offerings, according to a video recording of the meeting at the University of Georgia's Terry College of Business. Mr. Smith was responding to an audience question and said protecting consumer data was "a huge priority" for the company.

What the audience didn't know, and Mr. Smith didn't mention: Less than three weeks earlier, Equifax had discovered a systems breach and

called in Mandiant, the cyber-investigations division of **Fire-Eye Inc.**, to investigate. That inquiry uncovered a massive attack that exposed vital personal information of potentially 143 million Americans, something Equifax didn't announce until Sept. 7.

Mr. Smith's remarks add to questions from consumers, regulators and politicians about what Equifax knew, when it knew and whether it took sufficient steps to safeguard its data. They also underscore how focused Mr. Smith has been on getting and selling more data.

Mr. Smith and Equifax declined to comment.

Until the hack was announced, the drive for data had helped both Mr. Smith and Equifax prosper. After taking the helm of the company 12 years ago this week, Mr.

Smith transformed Equifax from what he once described as a staid, slow-growing credit-reporting company into a data giant.

He bought companies with databases that contained information about consumers' employment histories, salaries and savings while also expanding internationally to places such as Australia and India.

The result: by 2016, credit-reporting activities accounted for less than a third of revenues versus about 80% a decade earlier. Equifax's market value soared to nearly \$18 billion, more than quadruple its value when Mr. Smith started.

Mr. Smith also has done well financially: Over his time as CEO, he has taken home

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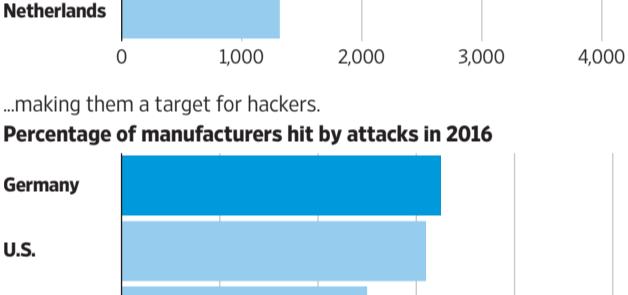
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Elvidge, Tom.....B3	Mittal, Kavin Bharti.....B2	Van Hoisington.....B5
F	Murtagh, Ciaran.....B4	W
Farrar, James.....B3	Neill, John.....B4	Wang, Zane.....B4
Fine, Saul.....B4	O	Wedin, Charlie.....B3
Friedman, Michael.....B5	O'Sullivan, Andrea.....B3	Wegner, Kirsten.....B5
H	P	Zuckerberg, Mark.....B3
Hoppe, Ulrich.....B4	Palmer, Andy.....B4	

Targeting Technology

German firms lead the world in factory technology...

Factory patents filed, 2016



...making them a target for hackers.

Percentage of manufacturers hit by attacks in 2016



Sources: World Intellectual Property Organization (patents); Hiscox Insurance

HACK

Continued from the prior page

"If the relevant parties have definitive evidence of hacking attacks, they can provide it to the Chinese side and we will handle it according to the law," the statement said. It added that, "baseless accusations and speculation are not only unprofessional, they also do nothing to solve the problem."

German companies lead the world in advanced-manufacturing patents, with 3,917 filed last year versus 1,410 by U.S. and 860 by Japanese companies, according to the World Intellectual Property Organization. The world's third-largest exporter spends 2.9% of gross domestic product on research and development, a higher percentage than the U.S. and the U.K. do, according to the most recent figures from the Organization for Economic Cooperation and Development.

Some 65% of German manufacturing and tech firms were hit by cyberattacks in 2016.

Large multinationals can afford to protect their property. Not so the more than 3.5 million small and midsize businesses—known collectively as the Mittelstand—that produce more than half of Germany's economic output and sell the tools, parts and components that power factories around the world, experts say.

"The ignorance at smaller firms is extreme," Alexander Dörsam, head of information-technology security at computer-security firm Antago GmbH said. "The founders of the company are often its leaders. They are older and don't understand the technology."

China has long fed its voracious appetite for German technology via Chinese regulations and directives that force foreign investors to share

knowledge with local partners and by acquiring German businesses. But China's spy agencies have also joined the hunt, counterintelligence officials here say.

Deutsche Telekom AG, Germany's largest telecommunications company, said it detected 30,150 cyberattacks from China so far this month, with Russia the second-largest source at 7,661 attacks.

Chinese state-backed hacking of Western companies is conducted by the cyberwarfare units of the People's Liberation Army or China's Ministry of State Security intelligence agency, according to Western intelligence agencies and security companies.

Chinese companies used to be able to direct the PLA or MSS to hack into Western competitors, according to James Lewis, director of the Strategic Technologies Program at the Center for Strategic and International Studies in Washington. In the wake of Beijing's crackdown on businesses using intelligence resources, companies can still put in a request for a target to be hacked but no longer can assign tasks to the teams directly, Mr. Lewis said.

Germany's domestic intelligence agency said in May it had evidence the APT-10 Chinese hacker group—also known as Menupass Team and Stone Panda—was behind a recent hacking campaign against German high-tech companies.

APT-10 has been active since 2009 when it started hacking U.S. military research institutions and companies, according to an April report by BAE Systems PLC and consulting firm PWC in collaboration with Britain's GCHQ intelligence agency.

Intelligence officials in the South-German state of Baden-Württemberg in March said hackers likely controlled by Chinese intelligence had penetrated in 2016 the systems of a Mittelstand manufacturer—a leading manufacturer in its field—injecting software to steal blueprints and other data.

—Josh Chin

contributed to this article.

BUSINESS & FINANCE

All Eyes on L'Oréal-Nestlé Ties

BY MATTHEW DALTON
AND BRIAN BLACKSTONE

PARIS—The death of Liliane Bettencourt has placed a question mark over the decades-long ties between L'Oréal SA and Nestlé SA, two of the world's largest consumer-goods companies.

Shares of L'Oréal jumped Friday as investors speculated on the possibility either side might reconsider Nestlé's large stake in L'Oréal. However, analysts, as well as a person close to the Bettencourt family, are tamping down expectations of a shake-up, citing a thicket of financial hurdles as well as the companies' comfort with the status quo.

Nestlé, the Swiss consumer-goods giant, and L'Oréal, the world's biggest cosmetics company, have been intertwined since 1974, when Ms. Bettencourt, heiress to the L'Oréal cosmetics fortune, swapped a large stake in L'Oréal for shares in Nestlé to fend off a feared nationalization by the French state.

That agreement between Nestlé and Ms. Bettencourt, who died Thursday in Paris at the age of 94, allows either party to increase its stake in L'Oréal six months after her death.

Nestlé and L'Oréal have been moving to unwind their relationship in recent years. In 2014, Nestlé agreed to sell 48.5 million L'Oréal shares



JACQUES HANLOU/SYGMA/GETTY IMAGES

back to L'Oréal for assets and cash, cutting its stake from 29.4% to 23.29%. Ms. Bettencourt's stake in L'Oréal rose from 30.6% to 33.31%, while Nestlé's presence on L'Oréal's board shrank from three seats to two.

Following Ms. Bettencourt's death, Nestlé expressed its condolences and said now is "not the right time" for additional comment. But execu-

tives have previously said they are in no rush to trim the L'Oréal stake further.

"This asset has been delivering stellar financial returns to us in recent years, and we also consider it a strategic asset. Hence anything we would ever want to do on that would need to be pondered very carefully," Nestlé Chief Executive Mark Schneider told a news conference in February

Some analysts have questioned whether Ms. Bettencourt's death could prompt her heirs to either sell their L'Oréal shares or increase their stake in the company. But a person close to the family and analysts say neither outcome is likely.

Françoise Bettencourt Meyers, Ms. Bettencourt's only child, orchestrated the 2014 deal to cement her family's control over L'Oréal. Neither she nor her sons want to separate from the company, a person close to the family said Friday. "It's the story of their life, their family," the person said. "They are very attached to the company."

The family faces a significant obstacle to increasing its stake: Under French law, any shareholder that wants to own more than one-third of a company must make an offer to buy all of the company. That would stretch the pockets of even one of the world's richest families.

"Launching a mandatory offer on L'Oréal would require close to €60 billion, which is a significant amount," said Marion Boucheron, an analyst at Raymond James in Paris.

The relationship between the two companies extends beyond shareholding. Nestlé's stake in L'Oréal gives it a valuable asset in neighboring France while providing L'Oréal with a stable long-term investor.

TECH

Continued from the prior page
meetings with senior Alibaba executives. Paytm staff travel to Alibaba's offices in China and vice versa.

"We exchange thoughts on design and product," Mr. Deora said, referring to the way apps appear graphically on smartphone screens and how services can increase user engagement.

Mr. Deora and his colleagues had noted that Alibaba was offering users of its app access to online money-market funds, so the Indian company decided to riff on that product. "Our takeaway was that it had to be an instrument people could relate to," he said.

The result is a savings product that Paytm's more than 225 million users in India can use to purchase portions of gold bars through the platform—an idea designed to appeal to consumers accustomed to storing wealth in the precious metal.

When India's government last year suddenly canceled 86% of currency in circulation to clamp down on corruption and tax evasion, Paytm swooped in. It bombarded India's merchants—the vast majority of which don't accept credit cards because they lack swiping machines—with stickers bearing the Paytm logo and QR codes. The service's user numbers skyrocketed.

Now, Paytm is used in India to pay for items from roadside hawkers, rides from auto rickshaws and more. Sellers don't need special gadgets beyond the QR code, which transfers money from a buyer's mobile

account into the vendor's.

Paytm added to its heft in May, raising \$1.4 billion from Japan's SoftBank Group Corp.

Alphabet's Google last Monday launched its own mobile-payment smartphone app in India, which people can use to transfer money to individuals and businesses without the use of a credit or debit card. Meanwhile, Alibaba and its affiliate Ant Financial have invested in Thailand in a financial-services company called Ascend Money.

China's digital-payment kings have another incentive to reach out: Chinese international tourists, a fast-growing consumer group. Alibaba and Tencent want to build links in their mobile-payment platforms to ensure their core services are available to Chinese consumers wherever they travel.

Ant Financial is working with Indonesian media conglomerate Emtek to launch a

digital-payments service in that country, and with a financial-technology firm in the Philippines.

Alibaba has been helping startups learn to use new cloud technologies to handle transactions efficiently, according to a person familiar with the matter. Alibaba processes a "huge amount of payment transactions in peak moments" and that kind of experience is hard to acquire, the person added.

An Emtek spokesman declined to comment.

Tencent last year led a \$175 million round of fundraising in Indian messaging app Hike Ltd. In June, Hike brought a payments feature to its platform, beating larger rivals.

Hike founder Kavin Bharti Mittal has said the app draws upon Tencent's experience running China's biggest social network, WeChat. A Tencent spokeswoman didn't respond to requests for comment.

Mobile Money Boom

Despite recent dips, analysts expect mobile payments in India to continue rising in the years ahead.

Number of transactions made through mobile wallets in India



Source: Reserve Bank of India

THE WALL STREET JOURNAL.

SMITH

Continued from the prior page about \$127 million in total compensation, according to securities filings.

The breach upended it all. Equifax has faced heated criticism from angry consumers, politicians and its own customers. The company is under investigation by regulators even as the Federal Bureau of Investigation probes the hack. The shares have lost over a quarter of their value since Equifax disclosed the incident, though they rose 6.9% Friday.

Mr. Smith, meanwhile, will testify before Congress in coming weeks. He hasn't spoken publicly since the hack was disclosed, except for a video Equifax released at that time. In an article he wrote for USA Today, Mr. Smith said the incident was the "most humbling moment in our 118-year history."

Equifax decided to hold off on immediately informing the public of its breach until the company had more clarity on the number of people affected and the types of information that were compromised, according to people familiar with the matter.

People who worked with Mr. Smith describe him as being in constant motion, always focused on an objective and looking to move on.

He was the same outside the office. "He plays speed golf," said a person who knows him. "I never had a three-putt with Rick. You putt once, and he gives you the second one because he's ready to go to the next hole."

When Mr. Smith came to Equifax he looked to change the company and its culture, he said in his University of Georgia remarks.

He added he wanted to turn Equifax into a "global data-analytics company." To do so, Mr. Smith acquired and monetized countless pieces of data on consumers' financial lives, allowing lenders, landlords and insurance companies, among others, to make decisions ranging from extending credit to hiring job seekers to renting an apartment.

While Equifax grew quickly, competitors privately criticized the company's technological abilities, saying it was more focused on growing data sets. Equifax "came to the software party very late," said an industry executive.

After the breach, questions have arisen in information-security communities about whether and when Equifax patched a software vulnerability that gave hackers entry to the company's servers. Equifax, while saying it "took efforts" to patch systems when the vulnerability was reported in early March, acknowledged the questions and said its review "is ongoing."

—Robert McMillan contributed to this article.

lion in bribes in Uzbekistan.

Telia, which is partly owned by the Swedish state, said the resolution brings to an end all known corruption investigations into the company. It remains part of a broader probe by U.S. authorities into corruption in Uzbekistan. Telia agreed on Thursday to pay a total of \$965 million in penalties and fines, the criminal portion of which will be equally split between the U.S. and Dutch authorities.

—Samuel Rubenfeld

ROUND HILL

Private-Equity Firm To Buy Carlin Music

TECHNOLOGY

WSJ.com/Tech

Uber Loses Its London Operating License

By SAM SCHECHNER
AND WIKTOR SZARY

LONDON—London's top transport authority stripped Uber Technologies Inc. of its private-car hire license in the city, threatening to shut the company out of one of its biggest markets.

The surprise decision Friday presents another obstacle for the company as it tries to pare heavy losses and right itself amid a series of scandals, probes and board infighting. The authority, Transport for London, cited "a lack of corporate responsibility" that it said could undermine public safety and security, and said it won't issue Uber a new license when its current one expires Sept. 30.

Uber said it would appeal the decision. It will be allowed to operate during that process, which could involve lengthy court proceedings. For riders in London, that means Uber will

remain a transportation option in the short term.

The move is one of the highest-profile regulatory setbacks for Uber. London accounts for about 5% of Uber's global active user base of 65 million, and nearly a third of its active user base of 11 million in Europe.

Chief Executive Dara Khosrowshahi recently succeeded co-founder Travis Kalanick, who was pressured to resign in June. Mr. Kalanick had struggled to manage a series of scandals that dented Uber's reputation, while board members have squabbled over issues including Mr. Kalanick's fate and how to make room for new investors.

Mr. Khosrowshahi has said Uber could go public in as little as 18 months. The threat of a London shutdown is likely to raise new questions among potential investors about the company's global growth prospects.

"The truth is that there is a high cost to a bad reputation,"



Uber will be allowed to serve riders in London during an appeal.

Mr. Khosrowshahi said Friday in an internal email reviewed by The Wall Street Journal.

Uber doesn't break out revenue by market, but the company incurred a loss of at least \$3 billion last year on sales of \$6.5 billion, and incurred a further

loss of \$1.35 billion in this year's first half. Investors have been pointing to rising ride bookings and narrower losses from the first quarter to the second as a positive sign—momentum that could hit a bump if the company is forced to sus-

pend service in London.

Uber's strategy of plowing into markets and clashing openly with regulators has led to numerous legal battles with taxi companies and authorities, but the scrutiny has been especially intense in Europe.

It has faced local or national bans of at least some of its services in Germany, France, Italy, Spain, the Netherlands, Denmark, Belgium, Hungary and the U.S. Uber has long tried to fight local transportation laws by saying it isn't a transportation company, and is fighting a case on the topic before the European Union's top court. It is also being investigated by U.S. federal officials in three different probes.

At the same time, Uber has abandoned efforts to establish an independent foothold in China and Russia.

Tom Elvidge, Uber's general manager in the city, said the "3.5 million Londoners who use

our app...will be astounded by this decision." He said the regulator and London's mayor had "caved in" to pressure from a small group of people "who wanted to restrict customer choice." He said 40,000 licensed Uber drivers in London could lose work.

Uber's arrival in London five years ago was met with resistance from the city's established car-hire services and the drivers of its black cabs who spend years training for their job, in part by memorizing London's streets.

The Licensed Taxi Drivers' Association, a union representing London's black-cab drivers, said Mayor Sadiq Khan "made the right call not to relicense Uber." Mr. Khan, whose administration oversees the transport authority, said he backed the move.

—Greg Bensinger, Denise Roland and Robert Wall contributed to this article.



Any sluggishness in sales of the iPhone 8 could signal more appetite for the higher-priced iPhone X, which is due in a few weeks.

iPhone Shoppers Consider Options

When new iPhones hit the market, they usually fly off the shelves. But with the two models that began selling Friday, there are signs demand is tepid—and some analysts say that could be a good thing for Apple Inc.

By Tripp Mickle
in San Francisco
and Yoko Kubota
in Beijing

The paradox arises from Apple's unusual lineup this year. It includes the iPhone 8 and 8 Plus that arrived Friday, plus the far pricier and advanced iPhone X scheduled to arrive six weeks later, which many Apple investors expect to be this year's blockbuster.

Any sluggishness in iPhone 8 sales could signal more appetite for the iPhone X, said Katy Huberty, an analyst with Morgan Stanley.

"From a financial standpoint, that's the best outcome" for Apple, she said, because the more expensive, higher-margin model would boost revenue and profits.

The trio of phones has created confusion for some long-time customers. Jeremy Kirkland, a 32-year-old marketer from Brooklyn, N.Y., woke at 2:45 a.m. on Sept. 15—when Apple started allowing pre-orders—to buy an iPhone 8 Plus. (The phone starts at \$799 in the U.S. but costs more in China because of a value-added tax.)

Much of Apple's performance over the next year will be determined by iPhone demand in China. Sales there have slumped over the past six quarters as local, low-price manufacturers have cut into Apple's market share.

Still, Apple has its Chinese fans. Some of the customers in Beijing on Friday took photos and videos of the new phones going on sale.

Several of those picking up the new handset said they

didn't think the iPhone X would be worth the wait.

"The new features of the iPhone X are fresh, but not attractive enough for me to feel that I have to own it no matter what," said Yang Zheng, a 30-year-old working in the education industry who paid \$1,200 for his iPhone 8 Plus. (The phone starts at \$799 in the U.S. but costs more in China because of a value-added tax.)

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In Beijing, lines were short at the Apple Store in the city's Sanlitun district, where the new iPhone 8s went on sale Friday morning.

Several of those picking up the new handset said they

said he buys a new iPhone every year.

The 33-year-old lawyer opted for the iPhone 8, picking it up at the Apple store next to the Louvre museum in Paris. "I didn't go for the iPhone X because it is just too expensive," he said. "I'd rather just wait for the new features to appear in other models."

Strong sales of all three new iPhone models would be the best scenario for Apple. And there are risks in banking too much on the iPhone X. The phone, which features facial-recognition technology and a larger, edge-to-edge display, was beset by production problems this summer, and it is unclear how many will be available when the iPhone X ships on Nov. 3.

—Yang Jie in Beijing
and Sam Schechner in Paris
contributed to this article.

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Under this proposed legislation, Equifax would have had to disclose its breach within 30 days—not the six weeks it took—to the FTC and the Department of Homeland Security, which would become central clearinghouses for breach information.

Companies that fail to meet the requirements would face a raft of penalties, including fines of as much as \$1 million per violation.

They would be liable for civil penalties in lawsuits from states' attorneys general, with no limit on the damages that could be recovered if a company is found to have acted willfully or intentionally.

Transparency could actually give companies herd immunity.

Existing voluntary breach reporting systems allow companies to share data on the nature of cyberattacks as soon as they occur. If reporting were mandatory, more companies could be quicker to defend against new attack vectors and new bad actors.

And, needless to say, strong cybersecurity is quickly becoming a selling point for savvy financial businesses.

Even regulation-averse

politicians have cause to support a data-breach disclosure law at the federal level, says Rep. Langevin. It would simplify the issue for businesses by pre-empting the patchwork of 48 state laws, dating to 2003, that currently govern what companies have to do in the event of a breach of personal data.

Rep. Langevin argues that, had it been in place already, the Personal Data Notification and Protection Act would have had a direct impact in the case of the Equifax hack, and in previous hacks that inspired the bill.

Companies don't want to

be embarrassed or face the increased costs of having to disclose when people's data is leaked, and there is also a concern that should companies be forced to report every breach, it could lead to "data breach fatigue," where regulators are overwhelmed and the public throws up its hands at a problem that feels too pervasive to fix. (One could argue we're already past that point.)

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JOURNAL REPORT | THE FUTURE OF FINANCE

Gap in China's Economy: Consumer Credit Ratings

Lack of recognized single standard limits growth of borrowing among nation's rising middle class

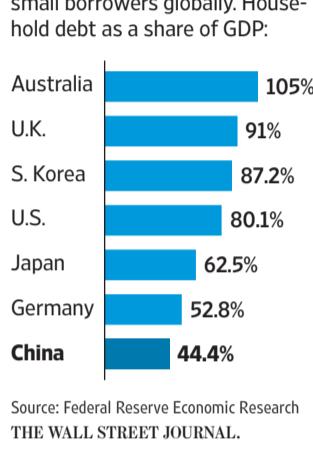
BY CHUIN-WEI YAP

SAUL FINE, a Tel Aviv-based psychologist, used to help Israel's military develop personality and integrity tests for its soldiers. Now, he's helping a small Chinese financial-technology company conduct tests of consumers' fitness as borrowers.

Mr. Fine's work with Beijing-based Finup Credit Co. is part of a scramble to plug a gap in China: The world's sec-

ond largest economy doesn't have a widely accepted system to gauge creditworthiness among a fast-expanding middle class with growing paychecks, a hunger for consumer products and little or no credit history.

Chinese consumers are relatively small borrowers globally. Household debt as a share of GDP:



Source: Federal Reserve Economic Research
THE WALL STREET JOURNAL.

China's central bank has sought for nearly three years to put in place an answer to the FICO credit-scoring system predominant in the U.S., created in 1989 by data firm Fair Isaac Corp. A viable system still eludes Chinese officials.

Technology giants Ant Financial Services Group and Tencent Holdings Ltd., along with several smaller companies, are developing competing credit-rating systems. Tencent began testing its system in August, two years after Ant, an affiliate of e-commerce giant Alibaba Group Holding Ltd., launched its Sesame Credit personal scores.

But none of these projects has emerged as a single standard that's widely used and trusted by lenders nationwide. And detractors say some don't genuinely gauge creditworthiness but rather are designed mainly as lures to get consumers to use e-commerce sites where higher scores earn shoppers discounts and other perks.

"These firms have great scope to mine data on con-

sumer behavior, but they don't answer a basic question: Is this person creditworthy and to what degree?" says Zane Wang, chief executive officer of online lending platform China Rapid Finance Ltd.

"What you get with FICO is the legitimacy of a company that's been doing this for 50-odd years," says Tony Lythgoe, a financial-infrastructure consultant previously with the World Bank Group. "The trust it gets is what sets it apart. That's what the Chinese businesses don't have."

Mr. Lythgoe says he isn't particularly fazed by the recent massive data breach at Equifax, one of the big U.S. credit-reporting companies.

"To my mind the data breaches are inevitable when you have such a high profile," he says. "I think what sets the established players apart is, ironically, their transparency. I am not so sure that if something similar was to happen in China we would find out about it quite so quickly."

Chinese regulators in January 2015 invited eight companies, including Ant and Tencent, to design the commercial component of a "social credit" system the Communist Party has said it wants to put in place nationwide by 2020. The system would assign scores to people—based on both financial and social activity, from loan repayment to shopping habits and volunteer activity—that would affect their access to credit and to various government services.

But so far, no company has been licensed to develop the commercial portion of the system.

"A license can't be issued as none of the eight so far has met the standards for the personal-credit preparatory work," Wan Cunzhi, head of



China is looking to consumer spending for growth, but household debt is low by global standards.

credit regulation at the People's Bank of China, said in April. The central bank didn't respond to requests for comment for this article.

Regulators in March set up a new clearinghouse, Wanlian, to centralize the processing of online payments. Analysts say the government-controlled agency, by making payment platforms share transaction information, could pave the way for a national credit-scoring system.

Meanwhile, Ant's Sesame Credit has a head start on its competition. Launched in 2015, Sesame derives a person's credit score—which the individual can view on Ant's popular Alipay payment platform—by mining data on the consumer's e-commerce activity and other online behavior. Higher ratings confer perks such as waived deposits at some hotels and faster security screening at Beijing's airport.

Tencent completed tests on its system in early August, though the company is taking a more cautious approach, a person familiar with the matter says. There's no certainty internally if its scores, which

are based more on users' social-media interaction than on e-commerce activity, would be more reliable than other systems, the person says.

There are small credit bureaus in major cities including Beijing and Shanghai, but they have never gained traction and often lack access to borrowers' financial data.

Such bureaus reach only a third of Chinese borrowers, compared with 90% of borrowers in the U.S. reached by credit bureaus there, according to consulting firm Oliver Wyman.

Accuracy concerns

Some experts are concerned about the accuracy and privacy of the data used to generate credit scores in China, as well as the lack of a clear process to challenge scores and have them redressed.

"Without independent validation of the models or the right to challenge and address the underlying data, Chinese citizens are at risk of inappropriate discrimination," Mr. Lythgoe says.

But lenders, borrowers and credit-scoring developers are all pressing ahead.

In November last year, Liu

Qi, Finup Credit's chief executive officer, struck up a friendship with Mr. Fine at an industry conference in New York. Mr. Liu saw in him a key to Chinese markets.

In May, Finup launched tests designed by Mr. Fine, giving its customers a means to estimate the likelihood of default among borrowers. "We've taken note of the work done by various payment platforms, but we're also developing our own way," Mr. Liu says.

When Cai Kaining, a 52-year-old Shanghai state employee, wanted a home-renovation loan earlier this year, he turned to his smartphone. It took him one meeting with a Finup representative and a 10-minute questionnaire—designed by Mr. Fine—to get a 110,000 yuan (\$16,500) loan.

"I wasn't even sure I wanted to borrow," Mr. Cai says. "But it was so convenient that I did."

Mr. Yap is a Wall Street Journal reporter in Hong Kong. He can be reached at chuin-wei.yap@wsj.com. Alyssa Abkowitz in Beijing contributed to this article.

Brexit Uncertainty Crimps Investment Plans

Looming split from EU leads some companies to change or postpone U.K. projects

BY NINA TRENTMANN

JOHN NEILL IS FACING some tough decisions.

The chairman of Unipart Group Ltd., a closely held logistics, manufacturing and consulting firm in Oxford, England, with annual revenue of \$1 billion, is about to decide on his capital-spending plans for the next five to 10 years.

But Britain's planned exit from the European Union is making that task more challenging. "We haven't made that decision yet, and it has been made more difficult by the uncertainty," Mr. Neill says.

Fifteen months after the June 2016 Brexit vote, many British and international companies say they lack crucial information about the future relationship between the U.K. and the EU, one of its most important trading partners. As a result, some have delayed spending decisions or changed their U.K. investment plans.

According to the Office of National Statistics, business investment by British companies and local subsidiaries of multinationals was broadly unchanged in the second quarter from a year earlier, at £43.8 billion, or about \$59.2 billion.

Lower forecast

But Mark Carney, governor of the Bank of England, warned last month that uncertainty about the country's relationship with the EU is weighing on business investment. The central bank says it now expects investment in the U.K. economy to be 20% lower in 2020 than what it had been forecasting before the referendum.

The British Chambers of Commerce, which represents more than 75,000 businesses in the U.K., says investment by some of its member companies has declined, especially in the service sector, the backbone of the British economy.

"We see subdued business investment, across the board," says Suren Thiru, head of economics at the BCC.

In the car industry, production investment fell to £1.6 billion in 2016 after averaging around £2.5 billion annually in previous years, according to the Society of Motor Manufacturers and Traders, an industry body. In the first six months of this year, less than £500 million has been committed.

"Companies are waiting for the outcome of the [Brexit] negotiations," says Terry Scuoler, head of the EEF, a British manufacturers' association.

Some businesses, however, are taking a more proactive approach. Greg McDonald, founder of Goodfish Group Ltd., which makes machines and injection-molded parts for the car industry, is setting up a plant in Slovakia that he expects to be operational in 2019. His three U.K. factories might soon be outside the EU's single market and customs union, Mr. McDonald says, so he decided to follow some of his customers to Eastern Europe.

"I have invested too much money to wait and see what is happening," Mr. McDonald says. He plans to invest around £2 million in the new site—money that without Brexit he says he likely would have spent in the U.K.

For some companies, looking outside the U.K. isn't an option. "Our brand stands for Britishness," says Andy Palmer, chief executive of Aston Martin Lagonda Ltd., an auto maker based in Gaydon, England. "Making the car somewhere else could alienate some of our customers."

Yet Brexit may affect the car maker's investment decisions in other ways, he says. Two months before the referendum, Aston Martin announced plans to spend £500



A Siemens unit put off plans to expand output of wind-turbine blades in Hull, England, for export to Europe and other countries.

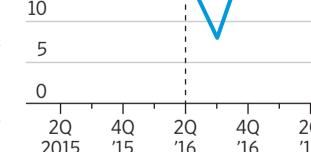
Brexit Effect?

The net percentage* of surveyed British companies saying their investment plans for plant and machinery or training have increased

Plant & machinery ■ Training

Manufacturing companies

Brexit vote (6/23/16)



*Figures are the percentage of companies saying investment plans have increased minus the percentage saying plans have decreased.

Source: British Chambers of Commerce Quarterly Economic Survey, 1,878 manufacturing companies and 4,856 services companies

million to produce new models in Gaydon and in Wales. But now, because of the continued uncertainty around Brexit, the company may reduce the number of sports-car models it plans to produce in Gaydon

England to export to Europe and other countries. That plan has been postponed until there is more clarity on Brexit, a spokeswoman says.

Of course, not all companies are willing to speak openly about their investment plans in the wake of Brexit, says Ulrich Hoppe, director general of the German-British Chamber of Industry & Commerce in London. "Many firms keep a low profile," he says. "Brexit plays a role, but companies don't necessarily want to talk about it."

Too soon to tell

Other firms simply state the obvious: that it is just too early to tell how Brexit will affect them. "We simply don't know what the impact of Brexit will be," says Richard John Carter, managing director for the U.K. and Ireland at German chemical company BASF SE, though he concedes the referendum hasn't helped him in discussions with the board in Germany.

The U.K. government recently asked big companies to sign an open letter in support of its Brexit strategy—the let-

ter was leaked to the press after some businesses refused to sign it—and says a decision by BMW AG to manufacture a new electric Mini at an existing plant in Oxford is proof that investing in the U.K. remains attractive.

And indeed, in a few instances, the Brexit vote has led to U.K. investments that might not have happened otherwise. Ciaran Murtagh, managing director of Irish firm Shay Murtagh Precast Ltd., a maker of precast concrete products, bought a factory near Derby, England, for £4.5 million after the Brexit vote. Mr. Murtagh says he plans to invest an additional £2 million in the coming 18 months.

Because the U.K. is his most important market, he didn't want to risk losing out in case of potential trade barriers between Ireland and the U.K., he says. "We bought the factory because of Brexit," he says.

Nina Trentmann is a news editor for CFO Journal in London. Email her at nina.trentmann@wsj.com.

FINANCE & MARKETS

SEC Breach Stirs Fears on New Database

Some say the audit system would contain sensitive and lucrative information for hackers

The breach of the Securities and Exchange Commission is stoking doubts about a vast database of trades that the agency has touted as a defense

By Alexander Osipovich,
Dave Michaels
and Kate Fazzini

against episodes like the 2010 "Flash Crash" but is coming under fire as a hacking risk.

The Consolidated Audit Trail, or CAT, would keep track of every trade and order in U.S. stock and option markets, and is designed to help the SEC analyze market events and detect manipulation. The CAT will begin receiving data from stock exchanges in November following a multiyear

push by the SEC, which approved the plan last year.

Critics have argued that if the detailed information reported to the database falls into the wrong hands, it could be used to reconstruct the most lucrative and closely guarded trades of hedge funds and other big investors.

The program is an ambitious, expensive and not universally popular undertaking that is coming under renewed scrutiny after the agency was caught off guard by the breach of its corporate filings system, known as Edgar.

"This data can be used to reverse-engineer highly profitable trading strategies," said Michael Friedman, general counsel of **Trillium Management** LLC, a New York-based electronic trading firm. "It is worth tens of millions to the quant firms and other proprietary trading firms who create it, and they keep it under lock and key."



ANDREW HARRER/BLOOMBERG NEWS

SEC Chairman Jay Clayton has acknowledged concerns of hacking.

The New York Stock Exchange recently lobbied Capitol Hill to delay the CAT's launch, say people familiar with the matter. The exchange says it still supports the project but thinks the SEC should consider scaling back the amount of customer data kept

in the repository.

"The existence of such a vast collection of [personal information] of individual customers of U.S. brokerage firms creates a risk to those customers that, we believe, has not been sufficiently considered," the NYSE wrote in a letter

shared with Capitol Hill staff that was reviewed by The Wall Street Journal.

SEC Chairman Jay Clayton has acknowledged that the CAT raises hacking concerns. In the same statement on Wednesday in which he disclosed the breach of the agency's filings system, he wrote that the CAT would give the SEC "access to significant, nonpublic, market sensitive data and personally identifiable information."

"Cybersecurity has been and will remain a key element in the development of CAT systems," he added.

An SEC spokeswoman declined to comment.

Executives of the company that was picked to build the CAT say they have designed robust cybersecurity defenses. The data is encrypted both while it is sitting in the repository and when it is being sent between different parties.

The CAT will receive data

on roughly 58 billion daily transactions submitted to exchanges and private trading venues operated by brokerage firms.

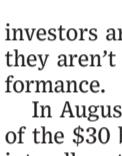
"One of the reasons we won the CAT is because of the deep expertise of our management team in data security," said Shane Swanson, chief compliance officer of Thesys CAT LLC, a subsidiary of **Thesys Technologies** LLC.

Lobbying groups representing financial firms have criticized the plan to create the giant database, which they say would bring additional costs.

"There's going to be heightened attention to the question of securing financial information from cyberrisk," said Kirsten Wegner, chief executive of Modern Markets Initiative, a group that lobbies on behalf of high-frequency trading firms. "I don't think this should be a reason to stop the CAT, but it's a question that's going to be raised."

THE INTELLIGENT INVESTOR | By Jason Zweig

Bonds or Stocks? Picking the Less-Expensive Evil



Bonds have been in a bull market for most of the past 35 years or so. Many investors are still buying, but they aren't chasing past performance.

In August, more than 90% of the \$30 billion that flowed into all mutual funds and exchange-traded funds went into taxable-bond funds.

Yet the bond market has squeezed out only a 3% return this year, according to one gauge, while the S&P 500 is up more than 13%, including dividends.

Look at the money pouring into such funds as the iShares 20+ Year Treasury Bond ETF, which holds government debt maturing between 2036 and 2047.

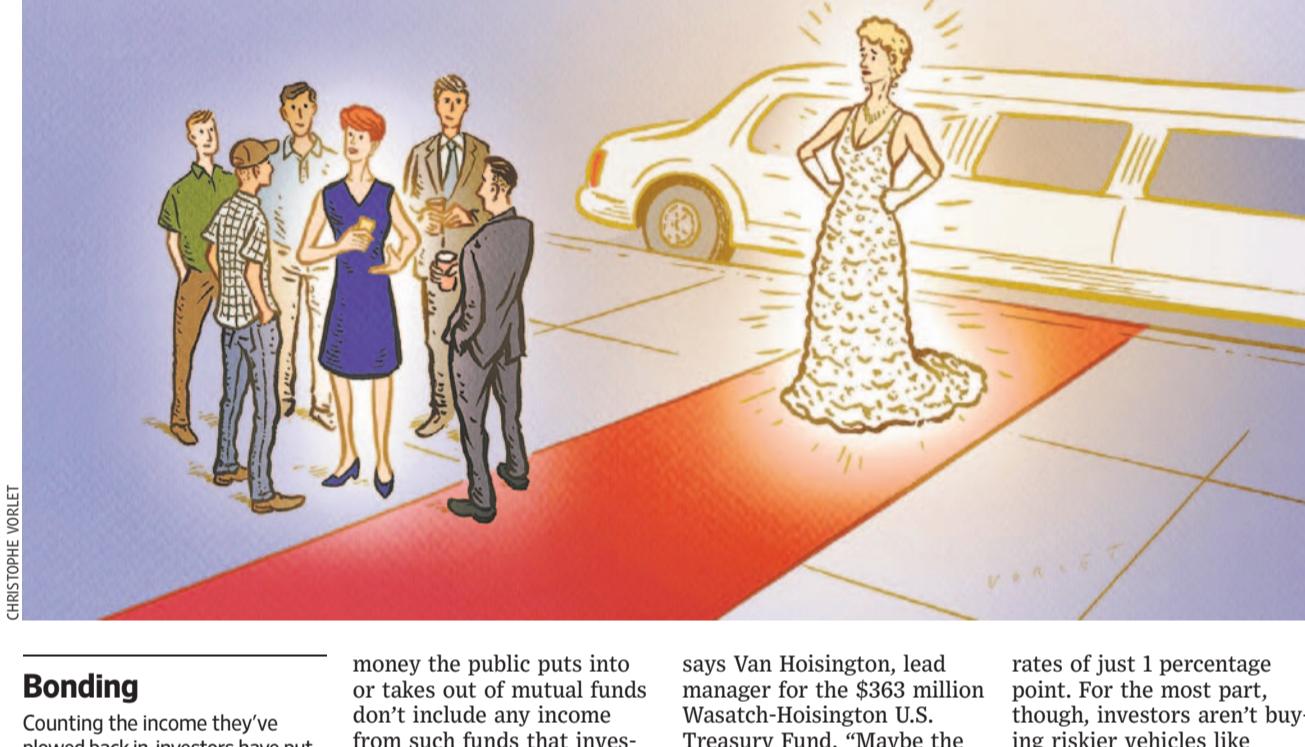
Through Sept. 20, this fund has had the strongest monthly, quarterly and year-to-date influx of money in its 15-year history. Investors have added \$4.4 billion this year and \$2.7 billion in September alone; the fund has nearly doubled in size, to \$9.9 billion, since the end of February.

Fund investors are notorious for buying whatever has recently had hot returns, often right before it goes cold. If you map the performance of bonds against the money going into and out of bond funds over the past couple of decades, you can see the public chronically—almost addictively—buying after bond prices have shot up and selling after a drop.

What's happening now is the opposite. Investors seem to be moving from stocks, the hot asset, to bonds, the cold one.

Over the past year, long-term Treasury bonds have lost more than 4%, and the overall bond market has delivered a gain of less than 1%, counting interest payments.

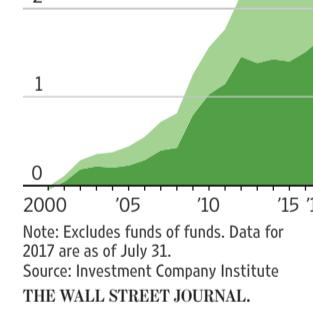
What's more, at last week's Federal Reserve policy meeting, officials left



Bonding

Counting the income they've plowed back in, investors have put trillions of dollars into bond funds.

Cumulative flows to bond mutual funds



open the possibility of another interest-rate rise by year-end and lowered their forecast of rates over the longer run from 3% to 2.75%.

So why are investors buying bond funds hand over fist?

The figures commonly cited to show how much

money the public puts into or takes out of mutual funds don't include any income from such funds that investors plow back into their accounts. Through July, according to the Investment Company Institute, those reinvested dividends totaled nearly \$51 billion.

Instead of sporadically spending that income, investors are automatically putting it back in. Over time, that raises their stake in bonds, providing more balance if the stock market becomes turbulent.

A "healthy mix of institutional and retail investors" have been buying the iShares long-term Treasury fund, says Karen Schenone, fixed-income strategist at the firm. "They seem to be saying, 'I've done well in the stock market in the past few years, so maybe it's time to take some of that risk off the table.'"

People are buying bond funds for their stability relative to stocks "rather than to take advantage of an expected rise in bond prices,"

says Van Hoisington, lead manager for the \$363 million Wasatch-Hoisington U.S. Treasury Fund. "Maybe the average, supposedly unsophisticated investor is right."

Fran Kinniry, an investment strategist at **Vanguard Group**, points out that U.S. stocks have more than tripled since the financial crisis. So an investor who had 60% in stocks and 40% in bonds then would have more than 75% in stocks now.

Stocks have done so well that bond funds are only about 25% of investors' total portfolios, down from 31% in 2012, according to the ICI.

Getting those ratios back into balance requires buying a lot more bonds.

"Back in the late 1990s, investors were very momentum-based, buying stocks and selling bonds," says Mr. Kinniry. "But now, here we are in the midst of this giant bull market for stocks, and I love seeing that investors are buying bonds instead."

Yes, many long-term bond funds will fall in price by 15% or more on a rise in interest

rates of just 1 percentage point. For the most part, though, investors aren't buying riskier vehicles like emerging-market bond funds or high-yield corporate funds.

Instead, hordes of retirees and near-retirees are moving into more-conservative investment-grade and government funds with lower risk of default and moderate sensitivity to rising interest rates.

And with the S&P 500 brushing highs and interest rates too low for bond funds to provide generous income, neither stocks nor bonds look particularly attractive.

During the financial crisis, however, high-quality bonds like Treasurys were one of the few assets that did well when stocks got trashed.

Government bonds "have continued to be the strongest flight-to-quality asset," says Mr. Kinniry, and remain likely to do well in future stock-market crashes unless interest rates unexpectedly rise at the same time. For many investors, bonds feel like the lesser of two evils.

The rating company's move late on Thursday prompted an early selloff in Chinese shares, dragging the main Shanghai market down as much as 0.7%. The Shanghai Composite ended the day's session down 0.2%, and the Shenzhen benchmark index closed down 0.3%.

"S&P's decision did contribute to declines because some of the concerns it expressed about China's economic health are valid," said Shen Meng, director at Chanson & Co., a Beijing-based boutique investment bank.

The equity market's performance on Friday mirrored that of May 24, after Moody's cut its China credit rating. Shares in Shanghai initially fell as much as 1.3%, before ending the day with a 0.1% gain with the help of the national team. The market rose 1.4% the following session.

"Given that S&P's downgrade comes at a sensitive time...the authorities will make sure that the bearishness doesn't last long," said Mr. Shen.

Chinese securities regulators have summoned the heads of several large domestic brokerages for meetings, instructing them to help ensure market stability before the leadership gathering scheduled to start on Oct. 18, according to two people familiar with the situation.

"At a time like this, the national team will make sure that things don't look too bad," said Wu Yufeng, a Shanghai-based stock investor.

AIG for Now Remains Under Federal Supervision

BY RYAN TRACY
AND LESLIE SCISM

American International Group Inc. will remain under federal supervision for now after U.S. officials discussed the firm's future at a private meeting Friday, according to people familiar with the matter and a Treasury Department statement.

Discussions among regulators are expected to continue about the company, which was designated a systemically important financial institution in 2013. The SIFI label was created after the financial crisis and comes with stricter federal oversight.

Regulators review the designation for companies tagged with it every year. This year, they have been considering whether to remove it for AIG, according to people familiar with the matter.

AIG declined to comment.

A Treasury Department statement said the Financial Stability Oversight Council of senior regulators discussed the designation of a financial firm, but didn't disclose a vote. The firm under discussion was AIG, people familiar with the matter said.

The AIG issue has become a battleground between President Donald Trump's appointees and holdovers from the Obama administration.

Treasury Secretary Steven Mnuchin, a Trump appointee, chairs the council. He is one of five Trump appointees among the group's 10 voting members. The rest were chosen by President Barack Obama and are still serving out their terms.

Rescinding AIG's SIFI designation would typically require a two-thirds vote of the council, or seven out of 10 votes. It isn't clear whether any Obama appointees are willing to join Trump appointees to rescind

the SIFI tag. None commented on the matter when contacted Friday.

Analysts have said Roy Woodall, the council member with insurance expertise, may be sympathetic to AIG's argument that it has reshaped itself since the financial crisis. Federal Reserve Chairwoman Janet Yellen also "seemed open to the possibility" in a press conference Wednesday, said Ian Katz, an analyst at Capital Alpha Partners, in a client note Thursday.

Ms. Yellen on Wednesday said the designation "is not meant to be a one-way street...firms may change their business models or just how they conduct their business, and we should welcome designation of firms."

Trump and Obama appointees have been at odds in recent weeks over the procedures surrounding the AIG vote, according to people fa-

miliar with the matter.

Securities and Exchange Commission Chairman Jay Clayton has recused himself from the AIG discussions due to his prior work at the Sullivan & Cromwell law firm, which counts AIG as a significant client. That leaves an open question: If Mr. Clayton doesn't vote, are seven votes still required to rescind the SIFI designation?

Treasury officials at one point proposed changing the council's bylaws with the goal of allowing another SEC official to vote in Mr. Clayton's stead, but the matter was dropped after other council members objected, these people said.

Regulators are expected to continue discussing AIG's status.

MICHAEL B. RUBIN FOR THE WALL STREET JOURNAL

MARKETS DIGEST

Data as of Friday, September 22, 2017

Nikkei 225 Index

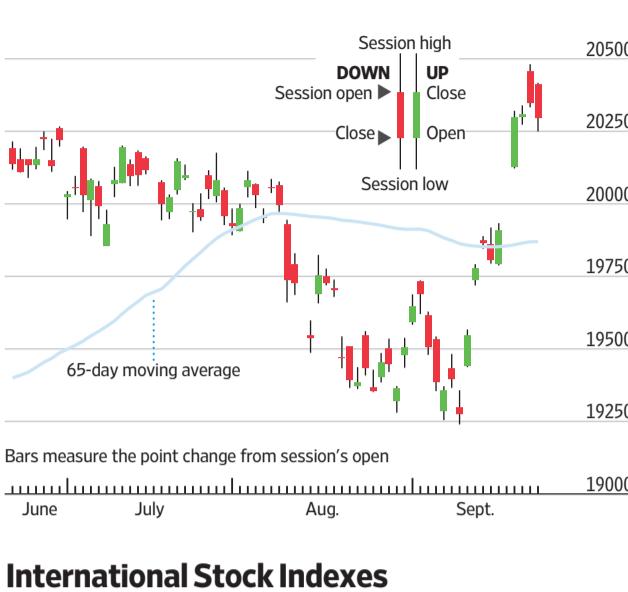
20296.45 ▼ 51.03, or 0.25%

High, low, open and close for each trading day of the past three months.

Year-to-date
52-wk high/low
All-time high

▲ 6.18%

20347.48
16251.54
38915.87 12/29/89



Bars measure the point change from session's open

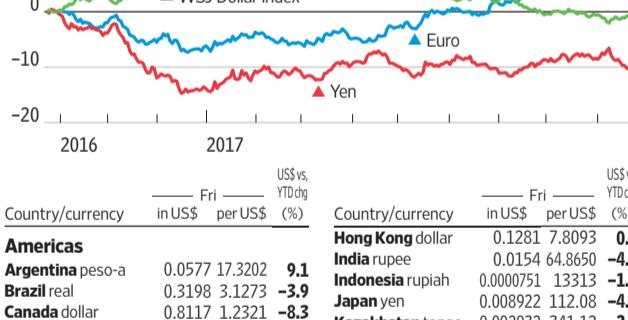
June July Aug. Sept.

International Stock Indexes

Region/Country	Index	Data as of 4 p.m. New York time					
		Close	Net Chg	% chg	52-Week Range	YTD High	% chg
World	The Global Dow	2909.74	5.01	▲ 0.17	2390.11	2914.34	14.9
	MSCI EAFE	1977.61	8.35	▲ 0.42	1614.17	1981.49	17.4
	MSCI EM USD	1102.25	-5.94	-0.54	838.96	1112.92	27.8
Americas	DJ Americas	604.74	0.66	▲ 0.11	503.67	605.95	11.9
Brazil	Sao Paulo Bovespa	75389.75	-214.59	-0.28	57110.99	76004.15	25.2
Canada	S&P/TSX Comp	15454.23	-0.69	-0.004	14509.25	15922.37	1.1
Mexico	IPC All-Share	50313.51	-232.24	-0.46	44364.17	51713.38	10.2
Chile	Santiago IPSA	4015.83	0.51	▲ 0.01	3127.54	4015.83	24.6
U.S.	DJIA	22349.59	-9.64	-0.04	17888.28	22412.59	13.1
	Nasdaq Composite	6426.92	4.23	▲ 0.07	5046.37	6461.32	19.4
	S&P 500	2502.22	1.62	▲ 0.06	2085.18	2508.24	11.8
	CBOE Volatility	9.59	-0.08	-0.83	9.36	9.21	22.51 -31.7
EMEA	Stoxx Europe 600	383.22	0.34	▲ 0.09	328.80	396.45	6.0
	Stoxx Europe 50	3126.02	3.47	▲ 0.11	2730.05	3276.11	3.8
France	CAC 40	5281.29	14.00	▲ 0.27	4377.46	5432.40	8.6
Germany	DAX	12592.35	-7.68	-0.06	10259.13	12888.95	9.7
Greece	ATG	773.94	7.95	▲ 1.04	562.40	858.08	20.2
Israel	Tel Aviv	1419.90	...	Closed	1363.50	1478.96	-3.5
Italy	FTSE MIB	22530.83	39.10	▲ 0.17	16134.71	22530.83	17.1
Netherlands	AEX	528.03	-0.44	-0.08	440.51	536.26	9.3
Russia	RTS Index	1123.24	3.11	▲ 0.28	960.32	1195.61	-2.5
Spain	IBEX 35	10305.00	8.00	▲ 0.08	8607.10	11135.40	10.2
Switzerland	Swiss Market	9136.72	2.59	▲ 0.03	7593.20	9176.99	11.2
South Africa	Johannesburg All Share	55839.73	-27.61	-0.05	48935.90	56655.88	10.2
Turkey	BIST 100	104122.85	121.65	▲ 0.12	72519.85	110423.11	33.3
U.K.	FTSE 100	7310.64	46.74	▲ 0.64	6693.26	7547.63	2.3
Asia-Pacific	S&P/ASX 200	5682.10	26.70	▲ 0.47	5156.60	5956.50	0.3
China	Shanghai Composite	3352.53	-5.28	-0.16	2980.43	3385.39	8.0
Hong Kong	Hang Seng	27880.53	-229.80	-0.82	21574.76	28159.77	26.7
India	S&P BSE Sensex	31922.44	-447.60	-1.38	25765.14	32575.17	19.9
Indonesia	Jakarta Composite	5911.71	5.13	▲ 0.09	5027.70	5915.36	11.6
Japan	Nikkei Stock Avg	20296.45	-51.03	-0.25	16251.54	20347.48	6.2
Malaysia	Kuala Lumpur Composite	1771.04	...	Closed	1616.64	1792.35	7.9
New Zealand	S&P/NZX 50	7814.78	19.37	▲ 0.25	6664.21	7879.46	13.6
Philippines	PSEI	8281.27	-5.59	-0.07	6563.67	8294.14	21.1
Singapore	Straits Times	3220.25	6.43	▲ 0.20	2787.27	3354.71	11.8
South Korea	Kospi	2388.71	-17.79	-0.74	1958.38	2451.53	17.9
Taiwan	Weighted	10449.68	-128.76	-1.22	8931.03	10631.57	12.9
Thailand	SET	1659.05	-11.44	-0.68	1406.18	1672.59	7.5

Currencies

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



US\$ vs. in US\$ per US\$ (%)

Country/currency

Fri in US

GLOBAL FINANCE

Europe Weighs on Yields

Investors from
Continent buy debt
elsewhere, pushing up
fixed-income prices

By MIKE BIRD

European investors are buying more foreign bonds than ever, another sign that many fund managers aren't expecting tapering from the European Central Bank to boost local yields anytime soon.

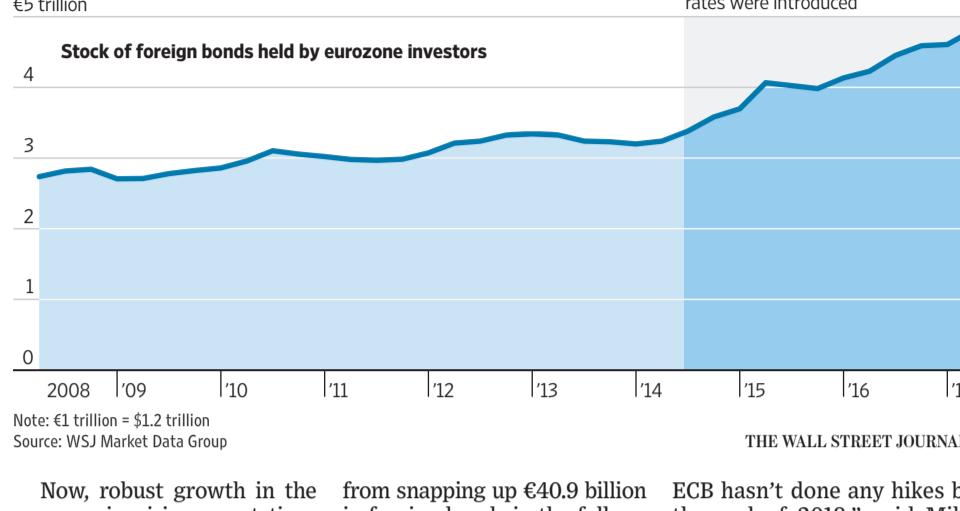
The trend has global implications. Heavy demand from the eurozone puts pressure on yields elsewhere in the world, including the U.S., and lowers borrowing costs there. Eurozone investors are big spenders: In 2016, local investors bought around \$500 billion in foreign, mainly government, bonds, almost enough to cover the \$584.7 billion U.S. budget deficit.

The most recent numbers, for May through July, show that the eurozone's investors bought €160.8 billion (\$192 billion) in international bonds, the largest sum in any three-month period on record, according to data from the ECB.

ECB stimulus, including negative interest rates and a huge bond-buying program, has pushed the yields on local government debt to record lows. That has made investors look elsewhere for returns.

Bond Binge

European investors have stepped up their purchases of bonds issued outside the eurozone since the Continent began moving to negative interest rates three years ago.



Now, robust growth in the eurozone is raising expectations that the ECB will roll back its monetary easing more quickly than once expected. As ECB buying subsidies, that should push yields higher.

But eurozone investors don't appear to be buying into the idea that local yields are about to get more attractive.

In June, ECB President Mario Draghi said that "all the signs now point to a strengthening and broadening recovery in the euro area"—which investors interpreted as being the central bank laying the ground for tapering. But that didn't stop eurozone investors

from snapping up €40.9 billion in foreign bonds in the following month alone.

"The rhetoric is about higher rates and tapering...but the reality is that government-bond yields and interest rates in Europe are extremely low and even negative in some places," said Mohammed Choukeir, chief investment officer at Kleinwort Hambros.

"So you're going to see that continued search for yield overseas."

European government-bond yields haven't shifted significantly against their global peers since the ECB began changing its tone on tapering.

That is particularly so in the short-dated government-bond market. German two-year bond yields are now 2.1 percentage points below U.S. two-year Treasury yields, a gap that has widened from 2 percentage points six months ago. That is partly because the Federal Reserve has already moved on tightening its own monetary policy. On Wednesday, Fed officials kept the door open for a December interest-rate rise at the conclusion of their September meeting. Officials also said that they would begin shrinking the Fed's portfolio of bonds in October.

"There is a good chance the

ECB hasn't done any hikes by the end of 2018," said Mike Bell, global market strategist at J.P. Morgan Asset Management. "Whilst that gap between very low bond yields in the eurozone and somewhat higher global yields persists, you could well see continued large foreign bond purchases."

All that could mean lower borrowing costs for Americans. In 2012, a Fed research paper estimated a \$100 billion rise in foreign official demand—from institutions such as central banks and sovereign-wealth funds—reduces the five-year Treasury yield by 0.4 to 0.6 percentage point in the short run.

Adding to the attraction of investing abroad for European investors: The cost of hedging exposure to foreign currencies has fallen this year.

Still, despite European investors buying their bonds abroad, the eurozone is now registering inflows in the equity market. Earnings have picked up in Europe, and compared with U.S. stocks, equities in the region are relatively cheap.

"Looking at the growth momentum and the economic reform story, we expect that to continue," said Jordan Rochester, strategist at Nomura.

Cromwell Pulls REIT Offering

By P.R. VENKAT

An Australian real-estate company has pulled its plans for a billion-dollar initial public offering in Singapore following tepid demand for its units, people familiar with the process said Friday, indicating that investors remain wary in a volatile global market.

Cromwell European Real Estate Investment Trust, a unit of Australia-listed Cromwell Property Group, had started taking orders earlier this month for the up to €1.09 billion (US\$1.30 billion) transaction, which would have been Singapore's second-largest IPO this year.

The Cromwell European REIT would have also been the first company to offer shares denominated in euros in the city-state, which is one of the sought-after destinations for REIT offerings in Asia.

People familiar with the process said that the demand from institutional investors didn't meet the company's expectations. Also, some investors were skeptical of the growth prospects in some of its European assets given their unfamiliarity with those markets.

In a filing to the Australian Securities Exchange, Cromwell Property Group said it decided against registering the prospectus for Cromwell European REIT's planned IPO due to current market conditions, adding that it will reassess the situation.

Cromwell European REIT was planning to sell up to 1.91 billion units at €0.55-€0.57 (US\$0.66-US\$0.68) each. The REIT's initial portfolio was set to comprise 81 assets that include office, retail and industrial properties from six European countries including Denmark, France, Germany and Italy.

Stocks denominated in foreign currencies are relatively

uncommon in Singapore. About two dozen companies listed on the Singapore Exchange have shares that trade in foreign currencies, including the U.S. dollar, yen and Hong Kong dollar.

The euro has been gaining against many currencies this year, as worries about a prolonged slowdown in European economic growth have faded. The common currency has gained 12.1% against the U.S. dollar and 5.7% against the Singapore dollar since the beginning of 2017.

Cromwell European REIT was planning to offer a yield between 7.5% and 7.7%, which is higher than banks' interest rates for savings accounts and could ordinarily be expected to attract investors that chase yield-based products.

Foreign companies have been looking to tap Singapore's REIT market.

Singapore is home to more than 40 REITs with a combined market capitalization of nearly \$60 billion. Foreign companies have been looking to tap Singapore's REIT market because of the large number of investors in the city-state interested in buying high-yielding, stable property assets.

Earlier this past week, people familiar with the process said that an American real-estate investment firm, KBS Realty Advisors LLC, plans to list some of its U.S. office assets to raise about \$500 million via a Singapore IPO.

Last year, Manulife US REIT, a unit of Canadian insurer Manulife Financial Corp., raised \$470 million by listing some of its U.S. office properties.



CLODAGH KILCOYNE/REUTERS

The ECB's Mario Draghi has highlighted the eurozone recovery.

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MARKETS

OPEC Aims to Recalibrate

Meeting focuses on output from Libya and Nigeria, the cartel's 'problem children'

By BOENOT FAUCON
AND SUMMER SAID

VIENNA—The Organization of the Petroleum Exporting Countries is scrambling to contain output from strife-torn members Libya and Nigeria, where surging production could derail efforts to withhold supplies and raise the price of oil.

Libya and Nigeria were exempt from OPEC's agreement last year to join with Russia and other producers to cut about 2% of the world's oil production. The countries' oil industries at the time were crippled by unrest and weren't expected to recover soon.

Both have since struck deals with militants, allowing the spigots to reopen.

Libya and Nigeria have added 550,000 barrels a day of crude-oil production since October, the month OPEC uses as a benchmark for its cuts, according to figures from the International Energy Agency.

That new output wipes out almost half of the cuts achieved by OPEC's other members, about 1.2 million barrels a day.

OPEC asked Nigerian Oil Minister Emmanuel Ibe Kachikwu and Libyan oil chief Mustafa Sanallah to explain their production plans at a meeting Friday. "If these countries stabilize around certain levels and hold them around a period of time, then this would be the time for them to join this initiative," said Russian Energy Minister Alexander Novak, whose country isn't an OPEC member but who has taken a leading role this year in regulating output.

OPEC, and allies such as Russia, didn't make a recommendation Friday on whether



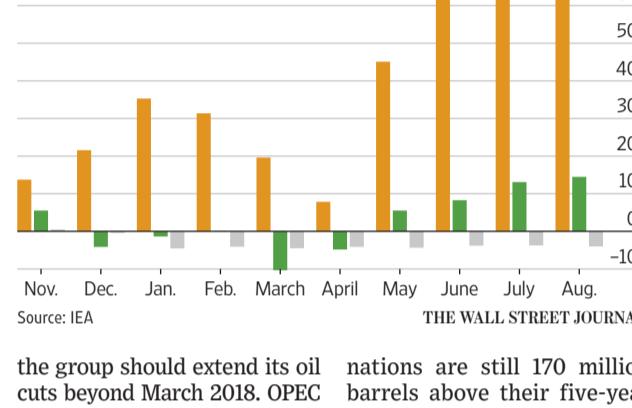
PATRICK MCGRATH/THE WALL STREET JOURNAL

A refinery in Nigeria. A deal with militants has lifted oil output.

Opening the Spigots

New output from Libya and Nigeria is complicating OPEC's attempts to withhold crude-oil supply and raise prices.

Monthly crude-oil production, percentage above or below October 2016 levels



Source: IEA

nations are still 170 million barrels above their five-year average.

"While we are on the right track and there is more light at the end of the tunnel, this is not the time to take our foot off the accelerator," he said.

However, Libya and Nigeria are pumping out so much new oil that, combined with robust output from the U.S., they are keeping the world well supplied with crude and weighing down prices, said Ian Taylor, chief executive of Vitol Group, a large independent oil trader.

OPEC has no legal mecha-

nism to force Libya and Nigeria to join its output cuts. For their part, Nigeria and Libya say they have no immediate plans to pull back.

In Nigeria, oil production rose to 1.69 million barrels a day in August, its highest level since February 2016.

The increase follows a cease-fire that Vice President Oluyemi Osinbajo sealed with militants in the country's Niger Delta. The militants had cut off pipelines to export hubs in a standoff with the government over money and services. Mr. Kachikwu said he is supportive of OPEC's policy and would cap his country's production at 1.8 million barrels a day but wants to wait another six months.

Libyan production has shot up even faster, reaching one million barrels a day in July for the first time in four years. As recently as August 2016, Libya's output was below 300,000 barrels a day.

A top official at Libya's National Oil Corp. said his country had no intention to cap its output for now. "Our production is too unstable," he said.

Libya remains divided between a United Nations-backed government in Tripoli and militias in the east aligned with Egypt and Russia. Islamic State is regrouping in the vacuum, The Wall Street Journal has reported, plotting attacks both in Libya and elsewhere.

Saudi Arabia Oil Minister Khalid Falih didn't attend the meeting but called in. He has lobbied Nigeria and Libya to join in cuts but also served as a buffer between the countries and members who want to take a harder line against them.

The meeting "put OPEC's problem children under the microscope," said Helima Croft, chief commodities strategist at RBC Capital Markets.

—Sarah McFarlane in London and Sarah Kent in Abuja, Nigeria, contributed to this article.

Small-Cap Value Stocks Are Back In Swing in U.S.

By CHRIS DIETERICH

Few corners of the U.S. stock market embodied the "Trump bump" more than undervalued shares of small U.S. companies.

After lagging behind for much of this year, small-capitalization value stocks are perking up, and analysts are becoming bullish. A popular exchange-traded fund of these is up more than 7% over the past month, and some say a second wind can carry the group to above-market gains in the final months of 2017.

That is because large-cap U.S. stocks are looking pricey, and signs that the Federal Reserve still plans to move steadily to boost interest rates mean this overlooked group could be poised to receive investors' attention.

Small value stocks shot higher in the immediate wake of the U.S. presidential election. Investors hoped that tax overhauls, infrastructure spending and pared-back regulation would boost the U.S. economy.

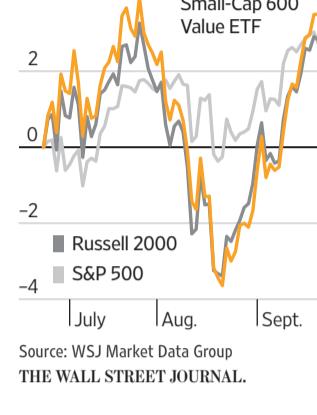
That postelection euphoria rewarded shares of long-neglected financial and industrial firms. Shares of small companies, which do business domestically and so tend to pay higher marginal tax rates, jumped as well.

The iShares S&P Small-Cap 600 Value ETF, which is nearly 40% composed of industrial and financial stocks with below-market valuations, soared 16% between Election Day and the end of 2016.

But small value stocks quickly ran out of steam as optimism for quick passage of President Donald Trump's agenda faded. Shares of economically sensitive stocks languished, and the Russell 2000

Pop Goes the ETF

The iShares S&P Small-Cap 600 Value ETF is beating rivals over the past three months after a dismal 2017.



Source: WSJ Market Data Group
THE WALL STREET JOURNAL.

Value Index was the only major benchmark to end the week ended Sept. 14 with a year-to-date decline.

That makes small value a screaming buy to some, including Vincent Deluard, the head of global macro strategy at the broker-dealer INTEL FCS-one.

Fed officials last week affirmed their view that the U.S. economy is strong enough to support higher interest rates, a plus for small, cheap U.S. stocks that benefit from sustained growth.

Of equal importance, Mr. Deluard sees this group rising in part as investors sell to take profits in large-cap technology shares, which have dominated the market all year, and rotate to cheaper segments of the market.

That already seems to be happening. The iShares Small value ETF is up 7.1% over the past month, more than tripling the S&P 500's return and topping the performance of small-cap benchmarks.

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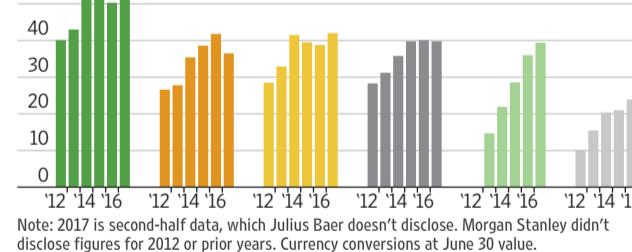
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Hidden Juice for Global Equities

Margin Makers

Loans secured against marketable securities



Note: 2017 is second-half data, which Julius Baer doesn't disclose. Morgan Stanley didn't disclose figures for 2012 or prior years. Currency conversions at June 30 value.

Source: the companies

Morgan Stanley, **Bank of America-Merrill Lynch** and **UBS's American wealth arm**.

Rich clients' desire to borrow against stocks has been stoked by low interest rates and rising stock markets. It is attractive for banks, too. Lending against shares is seen as less risky than mortgages because stocks can be sold more quickly than a house. Also, if the borrowed money is invested with the bank, that boosts assets under management.

The banks all say that while lending looks high, their own approach is conservative and competition for clients is less aggressive than in the past. But neither the banks nor their investors have a full view of leverage across the system and the risk that may pose.

Equities have to fall 20% to 30% before margin loans are underwater. That protects the banks, but doesn't stop a wave of selling to repay debt when a downturn comes. That could spell real pain for everyone else.

—Paul J. Davies

OVERHEARD

The stock market has fallen in love again with China's beleaguered state-owned steel titans, which are up roughly 60% since the dark days of early 2016 due to higher steel prices. But China's banks don't share investors' enthusiasm.

Maybe that is because state banks are being asked to convert loans they made to the steelmakers into their now inflated stocks. Only two of the 10 agreements signed so far have moved forward. The banks agreed to the swaps beginning in 2016—when steelmakers were gasping for air and share prices were far lower—following much arm-twisting by Beijing. Meanwhile, Chinese real estate, the main driver of steel demand, is slowing.

Westerners often assume Beijing's control over state firms is nearly absolute, but it turns out that corraling powerful state-owned firms isn't so simple. Don't be surprised if banks keep dragging their feet until steel-company shares are much lower.

Nintendo Switches on The Growth

Nintendo keeps hitting high scores. Getting to the next level will take some hard work.

Shares of the Japanese game maker have risen nearly 70% this year to their highest since 2008, when the Wii console was a sensation. This time, the main driver is the unexpected success of the Switch, a hand-held and home console. Since its launch in March, Nintendo has sold 1.5 million units in Japan, more than double Sony's PlayStation 4 in the country in its first six months, according to Jefferies. It also has been the best-selling console in the U.S. for four of the past six months.

Analysts are now raising forecasts. Credit Suisse expects Nintendo to sell 130 million units of the console by 2022, an 86% increase from its previous forecast.

And the Switch has attracted more third-party game makers, crucial for growth beyond its core fan base.

While the potential reward is huge, hopes are also rising fast. When Nintendo's share price was at this level nine years ago, its operating profit was about 10 times higher. To fulfill expectations, Nintendo needs to avoid execution mistakes—no given, judging by its track record. It needs to fight with the likes of **Apple** to secure a cheap and steady supply of components. The appeal of the console outside Nintendo's fan base is also untested. Most crucially, it needs to improve its online services, a durable revenue source for other consoles.

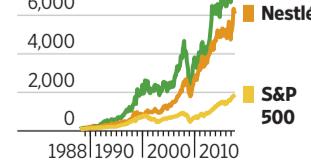
Investing in Nintendo's stock now may offer some upside, but the game isn't for the fainthearted.

—Jacky Wong

Death of World's Richest Woman Begins a Stock Scramble

Looking Good

Value of \$100 invested in January 1988



Source: FactSet

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from lifting its stake and binds them to act as one party. A clause barring them from selling shares expired in 2009. Nestlé sold a 6% slug back to L'Oréal in 2014,

but reaffirmed most elements of the memorandum and confirmed that its remaining 23% stake was "strategic." It has supplied no further explanation since. Stellar returns have helped silence the critics.

But now Nestlé has a new chief executive, Ulf Mark Schneider, under pressure from investors to shake up the company. Activist Daniel Loeb of Third Point has been particularly vocal since announcing a \$3.5 billion investment in June. He wants the L'Oréal stake sold.

Mr. Schneider is expected to update Nestlé's strategy at an investor day this week. Now that the memorandum

is formally due to expire, he may feel freer to answer the L'Oréal question more fully.

The likely outcome is that Nestlé sells its remaining €27.3 billion (\$32.6 billion) stake back to L'Oréal. L'Oréal can afford it as long as it sells its €11.8 billion stake in pharmaceutical giant Sanofi, which also dates back to the French nationalization fears of the early 1970s.

The buybacks would boost L'Oréal's earnings per share by 15.5% at the current share price, assuming a 1.5% cost of new debt, calculates Morgan Stanley. L'Oréal shares rose 2.5% Friday. Nestlé

would probably also plow the proceeds into its buy-

back program, but its huge size is such that the impact would be less dramatic: Morgan Stanley figures Nestlé's earnings per share would rise 5%, all else being equal.

This underlines the challenge facing Mr. Loeb's investment: On 23 times earnings, the share price is baking in a lot of reform at a company so large that even €27.3 billion of buybacks barely moves the needle. Nestlé's shares rose less than 1% Friday.

Ms. Bettencourt's death marks the end of an era—and opens the door to shareholder-friendly maneuvers at some of Europe's most storied companies.

—Stephen Wilmot