

THE WALL STREET JOURNAL.

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As of 12 p.m. ET

DJIA Closed (21987.56)

NIKKEI 19508.25 ▼ 0.93%

STOXX 600 374.20 ▼ 0.52%

BRENT 52.39 ▼ 0.68%

GOLD 1332.80 ▲ 0.63%

EURO 1.1920 ▲ 0.48%

DLR \$109.62 ▼ 0.59%

What's News

Business & Finance

Chinese regulators declared initial coin offerings illegal, dealing a blow to the latest financial-markets mania and sending the prices of the two leading cryptocurrencies tumbling. **A1**, **B8**

♦ Novartis CEO Jimenez will step down in January after leading the pharmaceutical company through a tumultuous eight years. **B1**

♦ Carlyle prevailed in a lawsuit alleging the buyout firm didn't do enough to save a financial-crisis-era bond fund. **B5**

♦ The U.S. Defense Department will be forced to rely on Russian-manufactured rocket engines longer than originally anticipated. **B1**

♦ Air France-KLM shareholders backed Delta and China Eastern Airlines taking minority stakes in the Franco-Dutch airline. **B3**

♦ Reckitt Benckiser said four senior executives are leaving, taking industry watchers by surprise and spooking investors. **B3**

♦ Google is ramping up its presence in China, hiring engineers to specialize in artificial intelligence. **B4**

♦ Kroger is looking for a sales bump to show that it can withstand Amazon's rapid advance in the grocery business. **B3**

♦ Saudi Aramco raised crude selling prices for October for the U.S. and Asia, while lowering prices for Northwest Europe. **B4**

World-Wide

♦ North Korea is making preparations for the possible launch of another intercontinental ballistic missile. **A1**

♦ Trump is expected to lift deportation protections for undocumented immigrants brought into the country as children. **A1**

♦ Leaders of major emerging economies jointly denounced North Korea's latest nuclear test at a summit in China. **A3**

♦ The economy in Mosul is coming back to life after three years under Islamic State rule. **A5**

♦ Kenya's Supreme Court ruling to annul last month's presidential election marks a new threshold for democracy in Africa. **A5**

♦ Local officials in Texas are warning about dangers associated with floodwaters, such as alligators and harmful bacteria. **A7**

♦ New Zealand's tightening election race has its roots in anxiety over immigration and the rise of a leader who wasn't her party's first choice. **A4**

♦ Germany's two leading parties were in agreement on many of today's polarizing issues during the country's main televised debate. **A4**

♦ Hurricane Harvey propelled drones to become integral parts of government and corporate disaster-recovery efforts. **A7**

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Liu Jieyi and Nikki Haley, the envoys to the United Nations for China and the U.S., confer on Monday.

KENYA BETANCUR/AGENCE FRANCE PRESSE/GETTY IMAGES

Trump Set to Lift Protections for 'Dreamers'

By MICHAEL C. BENDER
AND LAURA MECKLER

such a move remained under consideration and wasn't yet finalized.

House Speaker Paul Ryan and other Republicans in recent days had joined Democrats in urging Mr. Trump to retain the Obama-era program that protects young illegal immigrants from deportation, promising to push legislation to protect them if he doesn't. The program is called DACA, for Deferred Action for Childhood Arrivals.

The officials cautioned that

Mr. Trump was facing pressure from both sides of the emotional debate, and the White House said Friday the president would announce his decision on Tuesday, after the long Labor Day weekend.

Asked at an Oval Office appearance Friday if the young immigrants, known as Dreamers, should be worried, Mr. Trump said: "We love the Dreamers...We think the Dreamers are terrific."

Immigration hard-liners in-

side his administration have been urging the president to kill the program, and 10 states were threatening to sue him if he didn't. Pressure to keep it came from Mr. Ryan and other Republicans, as well as from U.S. corporations and the young people themselves.

Mr. Ryan said Friday that former President Barack Obama was wrong to create the Deferred Action for Childhood Arrivals program using executive authority, but that

Mr. Trump shouldn't kill it.

The program, created in 2012, offers young people brought to the U.S. as children a reprieve from deportation and work permits. Since then, nearly 800,000 people have enrolled. Mr. Obama, a Democrat, and his advisers have defended the program as a legitimate exercise of presi-

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♦ Gerald F. Seib: Hard truths govern crisis..... A2

♦ North Korea looms large at Brics summit in China..... A3

Digital-Coin Mania Takes a Hit in China

By PAUL VIGNA

Chinese regulators declared initial coin offerings illegal, dealing a blow to the latest financial-markets mania and sending the prices of the two leading cryptocurrencies, bitcoin and ether, tumbling on Monday.

The move by China, which included a call for fundraising activities through the digital tokens to "cease immediately," follows on the heels of a recent warning by the U.S. Securities and Exchange Commission that it may treat the coins as securities.

The regulatory maneuvering occurs as fears have grown

Please see *COINS* page A2

♦ Prices for bitcoin, ethereum tumble after Beijing's ban... B1

Not Hot

Worst-performing coin offerings in 2017, by percentage decline from offer price, that have raised more than \$10 million

BitcoinGrowthFund -59%

EncryptoTel -50%

Polybius -24%

Pillar -17%

Bancor -12%

Note: as of Aug. 30
Source: Smith & Crown

THE WALL STREET JOURNAL

P&G FIGHT SHATTERS OLD FRIENDSHIP

By SHARON TERLEP AND DAVID BENOIT

CINCINNATI—Clayton Daley gave 35 years of his professional life to Procter & Gamble Co., rising to finance chief and then grooming his successor, Jon Moeller.

Now, the mentor and his former protégé are on opposing sides of a boardroom fight over how best to reinvigorate P&G, a consumer-products giant that at one time boasted brands in nearly every aisle of the supermarket.

In a challenge of P&G leadership, Mr. Daley was hired this summer to help win a board seat for activist investor Nelson Peltz, who believes the maker of Tide and Pampers isn't moving fast enough to revive sales and profits. The company said Mr. Peltz would disrupt its progress and has cast Mr. Daley, who retired at the end of 2008, as too long

out of touch to be taken seriously.

P&G, which has a market value of about \$235 billion, is the largest company to ever face such a proxy fight.

The battle has upended longstanding relations between Mr. Moeller, chief financial officer, and Mr. Daley, who last spoke with his former colleague over lunch this summer at the private Queen City Club.

Mr. Moeller said Mr. Daley told him he was considering "becoming an enemy of the company." Mr. Daley denied that in an interview: "I told him, 'I don't want to become an enemy of the company,'" he said.

Whatever was communicated, Mr. Daley was hired as an adviser by Mr. Peltz's Trian Fund Management LP to aid in the activist's quest. Both sides are courting investors who are set to decide at the company's Oct. 10

Please see *P&G* page A6

Grime and Punishment: Belgium's Top Courthouse Is Falling Apart

* * *

The Palais de Justice suffers cracked

stonework, fungus; a 'pestilential' smell

By VALENTINA POP

BRUSSELS—Here's a new one for you: Why did the Belgian police officer put on a hazmat suit?

To visit the court-

This August, when two police forensics experts showed up to retrieve a mobile phone from an evidence storage area at the Palais de Justice in Brussels, they were forced to don the sort of garb you'd expect to see at the site of a chemical spill.

The only joke here, if you can call it that, is the condi-

tion of the city's 134-year-old courthouse—the very foundation of Belgian justice. It's a crumbling, mold-infested wreck.

Outside, the scaffolding installed decades ago to keep the building's cracked stonework from falling on passersby is so old that some of it needed its own scaffolding during repairs.

Inside, the ceilings are collapsing in places, the biblical statues in the marbled halls are coated in dust and some rooms are infested with fun-

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INSIDE

ASSOCIATED PRESS

MOSUL EMERGES FROM ISIS'S GRIP

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PENTAGON FORCED TO RELY ON RUSSIA

BUSINESS & FINANCE, B1

Investors Begin to Hedge Their Bets

By GUNJAN BANERJI

U.S. stock investors have been unfazed this year by everything from North Korean missile launches to the congressional debt-ceiling deadline.

Now, as the most turbulent season for equities looms,

hedging activity and money flows indicate that investors are starting to doubt that markets can only climb higher.

Some have protected themselves against losses from this year's biggest winners. The number of bearish versus bullish options on the tech-heavy

PowerShares QQQ Trust exchange-traded fund recently reached a two-year high in August. The most held contracts on a popular ETF that tracks high-yield bonds are bearish.

Some are wagering groups that have struggled, like small-

Please see *MARKET* page A2

WORLD NEWS

Hard Truths Govern the North Korea Crisis



CAPITAL JOURNAL

By Gerald F. Seib

There is no good news about North Korea's nuclear program, only hard truths. In the wake of Pyongyang's weekend nuclear-weapons test—its biggest ever—here are three of those truths:

Ideally, the U.S. would enter this new phase of the confrontation in harmony

with its key allies, but that isn't the case.

Tougher economic sanctions on North Korea

are a necessary weapon now, but aren't likely to be sufficient.

Ultimately, there probably is no choice except returning to diplomacy to contain this crisis.

This new phase arrives because of North Korea's underground test Sunday of what may have been a hydrogen bomb, as well as

signs it now is preparing for yet another test of an intercontinental ballistic missile.

On one level, a bigger underground explosion doesn't change the nature of the

challenge. It was, says one former national security official, merely "a bigger boom."

Yet the test underscores the relentless nature of North Korea's nuclear advances—and crystallizes those three hard truths. Let's deal with them in turn:

Problems with the allies. It would be hard to pick a worse time for a fight with South Korea, the country on the front line confronting North Korea, yet that is what President Donald Trump has done. He told advisers late last week he wants to withdraw from the five-year-old bilateral trade agreement with South Korea.

None of the presidential advisers involved in the discussion wanted to take that step, said a person familiar with the discussion. Word leaked out, straining the South Korean relationship.

Two days later, the North Koreans exploded their nuclear device. Then relations with Seoul were strained further by a presidential tweet accusing South Korea of "appeasement" of North Korea.

Meantime, a planned visit to Washington this week by Japanese Finance Minister Taro Aso was canceled after he made what seemed to be a remark justifying Adolf Hitler's motives in ruling Nazi Germany.

Ties with China are tense because of trade disputes as well as public criticism from



Pyongyang residents watched announcement of hydrogen-bomb test by the North Korean regime.

Mr. Trump of China's failure to rein in Pyongyang. In sum, relations with the three most important countries in confronting North Korea are less than ideal.

The limits of sanctions. Right now, the Trump administration's focus, understandably, is on imposing tougher economic sanctions to force North Korea to feel significant new pain.

These sanctions, likely to be codified at the United Nations, are likely to focus on curtailing energy supplies to North Korea, and to impose

unilateral American penalties on countries and companies that continue to trade with the North. There also may be an attempt to limit the activities of North Korean diplomats. The most potent step would be for China to agree to cut off shipments of oil to North Korea.

Yet there are limits to what sanctions can accomplish. Six decades as a pariah state have forced North Korea to develop an elaborate black-market system for acquiring what it needs. A defector told Japan's Kyodo

News Service earlier this summer that North Korea covertly receives oil from Russian suppliers through Singapore brokers.

Moreover, no country on Earth is better conditioned for handling pain than North Korea, which has long deprived its own people of basic goods. "I think you can hurt them a little bit," says Kurt Campbell, a former assistant secretary of state for East Asian and Pacific affairs who now is chairman of the Asia Group, an advisory firm. "But remember this is a

country that made it through a famine" in the 1990s that may have killed two million of its own people.

The need for diplomacy. Most experts simply don't think a pre-emptive military strike on North Korea is feasible, because it would trigger a conflict that could leave millions of South Koreans dead.

More likely, sanctions will need to be combined with a more robust military encirclement to further cut off North Korea from the outside world to make its leader, Kim Jong Un, see the wisdom of charting a new course. But even if that succeeds, a diplomatic track will be needed to negotiate that new course and the rules for enforcing it.

The most urgent need is to negotiate an end to North Korea's missile and weapons tests, which it needs to perfect its nascent program. Various approaches have been tried over the years, most notably six-party talks involving the U.S., China, Russia, Japan and South Korea with the North.

The results disappointed, mostly because of North Korean chicanery. The best hope for a different outcome now lies in the possibility that North Korea's actions have at last hardened international—and particularly Chinese—resolve to make this time different.

Waiting for a Time-Honored Ritual in Nepal



TRADITION: A Nepalese girl dressed as the living goddess Kumari waits for the Kumari Puja festival to begin in Kathmandu. In the rite, girls pose as Kumari and are worshipped to bring them good health.

COINS

Continued from Page One about initial coin offerings, which have captured investors' imagination like dot-com startups once did years ago.

Paris Hilton on Sunday tweeted about a coin offering. Boxer Floyd Mayweather has promoted two separate offerings. Tim Draper, a founder of the Silicon Valley venture-capital firm Draper Fisher Jurvetson, has said two of his coin holdings could bring about a "sea change as big as the internet."

Coin offerings this year have raised nearly \$1.5 billion, up from \$256 million last year, according to research site CoinDesk. Of offerings that have gained since their launch this year, the coins have jumped nearly 28 times in value, on average, according to data from research firm Smith & Crown.

But the latest market gold rush also has produced its share of pyrite. Of more than 100 coin offerings launched this year, 10% have declined in value and 30% haven't traded, according to Smith & Crown.

Losing deals, which initially raised nearly \$300 million, have lost about 40%, on average, since their offerings, the Smith & Crown data show.

Duds have included some highly publicized offerings. Coins offered by Bancor, which is designing an exchange for the growing number of coins being offered by companies involved with cryptocurrencies, are down 12% through Aug. 30. Bancor initially raised \$143 million. Estonia-based Polycratis, which raised about \$32 million, has dropped about 24% since its offering.

Bancor Chief Executive Guy Benartzi said his project had been hurt by external criticism, but added that the short-term price isn't a concern to him. Polybius project manager Vitali Pavlov said the token's price is probably due to limited liquidity, and he still sees "significant" upside.

The losses haven't deterred some coin buyers, many of whom have made so much in other deals that they are eager to take more chances. Mike Bardi, 28 years old, is a Chicago entrepreneur who started investing in cryptocurrencies last summer, just before the two big ones, bitcoin and ether, started taking off.

In a year, he turned an inheritance of \$80,000 into a couple of million dollars. "It was pure luck, literally," he said. Mr. Bardi then put \$1 million into Bancor, even as the price was falling.

While Mr. Bardi said he is mindful of price swings, and isn't willing to take a chance on another token offering, he said he believes in Bancor's product and has no plans to sell. "I'm not really touching

it," he added.

Coin offerings are sometimes compared with initial public offerings, but are in many ways more akin to crowdfunding efforts. Purchasers of coins, which are digital tokens, aren't buying stock in a company. Rather, they receive a coin that can conceivably be used at some later date to pay for a good or service from the company issuing the token.

The deals have attracted attention and dollars to the idea that technology systems of all sorts are about to be reshaped with open ledgers, or "blockchains," that are cheaper, more flexible and more secure than existing systems.

Losses in coin offerings haven't deterred some buyers, since many have profited in other deals.

abound about possible scams or simply efforts by some companies to profit by changing their names. Back in the late 1990s, companies found they could boost their value by adding a ".com" suffix to their name.

Some companies are hoping to gain a similar boost by adding the words "blockchain" or "cryptocurrency" to their name. Last week, the SEC warned that while some coin offerings may be fair and lawful investment opportunities, "There may be situations in which companies are publicly announcing ICO or coin/token related events to affect the price of the company's common stock." The agency added that it had recently issued several trading suspen-

sions on the common stock of some companies that had made claims regarding investment in coin offerings.

Currently, the coin offering market is like a fire building on itself, with each new offering creating a new crop of winners, said Virtual Capital's Mr. Mougayar. Very few coins have any real metrics upon which to base a valuation, he noted, and at some point there will be a significant pullback.

"They're all probably 10 times overvalued, but who cares?" he said. "Relative to each other, it's not so bad."

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Dow Jones Publishing Company (Asia)
25/F, Central Plaza, 18 Harbour Road,
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Tel: 852 2573 7121 Fax 852 2834 5291

Andrew Dowell, Asia Editor
Troy McCullough, Senior News Editor, Asia
Daren Everson, International Editions Editor

Hugo Restall, Editorial Page Editor
Mark Rogers, Advertising Sales
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MARKET

Continued from Page One cap companies, will continue to post losses. Speculators' net bearish futures positions on Russell 2000 index stocks last month reached the highest level since 2008, data from the Commodity Futures Trading Commission show.

People yanked funds from U.S. stocks for 10 straight weeks through Aug. 23, the biggest such streak in 13 years, according to data from Bank of America Merrill Lynch. Last week, they added money back into U.S. equities.

"We've gone from a period of potential complacency to one of caution over the last few weeks," Stewart Warther, New York-based derivatives strategist at BNP Paribas, said in an interview in August.

After a stretch when political risks were largely ignored, investors are growing increasingly wary of them in recent weeks, Mr. Warther said.

Stocks dipped last month as unfounded rumors swirled that Gary Cohn, director of the National Economic Council, was resigning. Now, investors' attention turns to the deadline for Congress to raise the debt limit.

Options trading on Wall Street's fear gauge hit a record one day in August. Investors may be hedging their holdings before one of the most volatile periods for stocks historically. October ranks as the month that has had the most deviation in price moves in the S&P 500 index, according to data from

WSJ Market Data Group going back to 1928.

September and November follow, the data show. Stocks plunged in October 2014, as the Federal Reserve concluded quantitative easing, while in September 2008, markets descended into turmoil amid the financial crisis.

Among those potentially hedging for a downturn are hedge-fund managers George Soros and Bill Ackman. Disclosures for Soros Fund Management showed bearish options holdings on ETFs for the S&P 500 and technology

stocks. Mr. Ackman of Pershing Square Capital Management said on an investor call that he recently allocated cash to options that pay out in the event of a significant market drop, like one stemming from conflict on the Korean Peninsula.

And stock investors may be the last to recognize the risks. U.S. equities posted gains last week, while the CBOE Volatility Index, which tracks volatility in stocks and is called the VIX, fell 10%, its third consecutive week of declines.

Meanwhile, the U.S. dollar has already unwound its post-election gains and Treasury prices have risen, pushing yields down, according to a Barclays PLC August note.

This could be because hedging hasn't always paid off.

"The things we expect to react don't always react reliably" in selloffs, wrote Pravit Chintawongvanich, New York-based derivatives strategist at brokerage Macro Risk Advisors, in an Aug. 24 note.

Hedges on a high-yield bond fund were "nearly useless" in August 2015, he wrote, even as the S&P 500 tumbled 10% within four days. In January 2016, when the benchmark equity index plummeted 10%, "VIX hedges were disappointing," he wrote.

Still, during the 16-day U.S. government shutdown in 2013, the VIX, known as the market's fear gauge, soared as high as 20 from 13.

The VIX recorded some outsize moves relative to the S&P 500 in August. The two are typically inversely correlated. Recently, a measure of expected swings in the gauge itself, known as VVIX, hit the highest level since August 2015, when U.S. equity markets swooned after China unexpectedly devalued the nation's currency.

Political news appears to be triggering market moves and has led to increased volatility, although it remains low relative to history, said Tobias Hekster, the Chicago-based co-chief investment officer of True Partner Advisor, which manages \$350 million in volatility strategies.

"For the first time people got scared about a political impact," said Mr. Hekster. "In the past, we've had a lot of political grandstanding. This year, it looks like it's going to be worse."

While Mr. Hekster said he is mindful of price swings, and isn't willing to take a chance on another token offering, he said he believes in Bancor's product and has no plans to sell. "I'm not really touching

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WORLD NEWS

North Korea Looms Large in China Meet

Summit of major emerging nations expresses disapproval of latest nuclear test

By EVA DOU

XIAMEN, China—Leaders of major emerging economies jointly denounced North Korea's latest nuclear test, issuing the condemnation at a summit that China, as host, hoped to use to portray President Xi Jinping as a global statesman.

In a statement released halfway through a two-day summit on Monday, leaders of the Brics countries—Brazil, Russia, India, China and South Africa—stuck mainly to script, opposing trade protectionism and calling for reform of the United Nations and other institutions to give emerging economies greater voice.

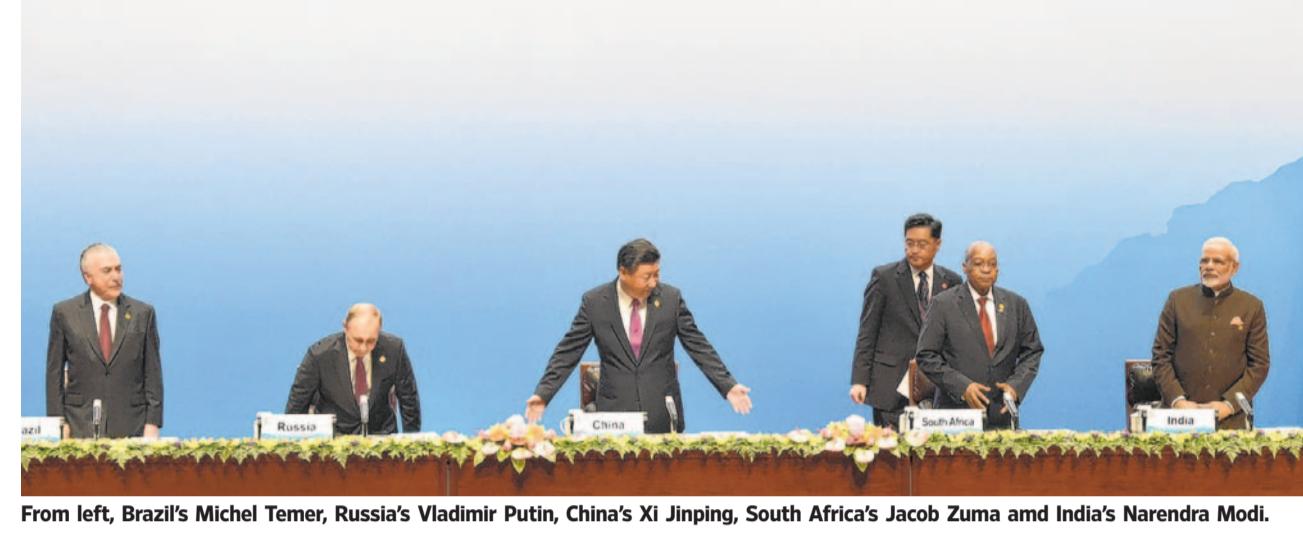
On North Korea, the leaders said they "strongly deplore" the nuclear test. The statement expressed concern for tensions surrounding North Korea's nuclear program and urged they be resolved through "peaceful means and direct dialogue" though offered no detailed solutions.

Ahead of the gathering of Brics leaders, who include Russia's Vladimir Putin and India's

BRICS XIAMEN SUMMIT

5日 中國·廈門

3-5 SEPTEMBER 2017 XIAMEN, CHINA



From left, Brazil's Michel Temer, Russia's Vladimir Putin, China's Xi Jinping, South Africa's Jacob Zuma and India's Narendra Modi.

refer to North Korea directly. He spoke of the importance of banding together amid "complex changes."

The Foreign Ministry condemned the test, and spokesman Geng Shuang said Monday the government lodged "stern representations" with Pyongyang's embassy.

Responding to U.S. President Donald Trump's threat in a tweet overnight of cutting off trade with countries that continue economic ties with North Korea, Mr. Geng said such a move would be "neither objective nor fair" while Beijing is working on resolving the issue. He said China is meeting its obligations under U.N. Security Council resolutions and isn't solely responsible for its neighbor's behavior.

The Brics summit also saw a concession by China to India on counterterrorism, after the countries backed off from a monthslong border standoff that threatened to overshadow the summit. Monday's declaration lists several Pakistan-based groups, including Jaish-e-Mohammad, as violent groups. Pakistan is a Chinese ally, and China previously has resisted branding Pakistani-based groups as terrorist organizations.

—Te-Ping Chen in Beijing contributed to this article.

Narendra Modi, China's state media issued a barrage of reports depicting Mr. Xi as a forceful international leader.

North Korea's sixth and largest nuclear test Sunday spotlighted an issue where Mr. Xi so far has been unwilling to take decisive action because of domestic considerations, pol-

icy experts said.

Mr. Xi is hoping for calm in the region in the politicking ahead of a critical Communist Party congress next month that will give the Chinese president another five-year term and shuffle other top portfolios. North Korean leader Kim Jong Un likely counted on China's de-

sire for stability in conducting the nuclear test on the eve of the summit, the experts said.

North Korea's timing is sure to strike China as an affront, said Steve Tsang, a China expert at the School of Oriental and African Studies in London. But, he said, Mr. Xi is unwilling to squeeze North Korea too hard

and destabilize its leadership, in part because that might unleash refugees into China and because that would show China's own citizens that East Asian authoritarian rulers can be unseated.

In remarks to business leaders on Sunday and in a speech to the other Brics leaders on Monday, Mr. Xi didn't

YONHAP NEWS/NEWSOM/ZUMA PRESS



North Korea's Kim Jong Un watched a missile launch on Aug. 29.

duct trade with Pyongyang.

Ms. Haley warned the U.S. would view any country doing business with North Korea as providing aid "to their reckless and dangerous nuclear intentions," echoing President Donald Trump's warning Sunday that the U.S. is considering ending trade relationships with countries that trade with North Korea. Possible new sanctions could target North Korea's oil sector and foreign workers, diplomats said.

—Farnaz Fassihi and Kate Davidson

U.S. Urges Strong U.N. Response

UNITED NATIONS—U.S. Ambassador to the United Nations Nikki Haley on Monday said North Korean leader Kim Jong Un appeared to be "beginning for war" with his latest nuclear test and urged the U.N. Security Council to adopt "the strongest possible measures" in response.

The U.S. is circulating a resolution for new sanctions, scheduled for a vote next Monday.

"The time for half-measures in the Security Council is over," Ms. Haley said at an emergency meeting of the council Monday morning. "The time has come to exhaust all diplomatic means before it's too late."

The U.S., its European allies and Japan called for the council to come together and swiftly adopt a new sanctions resolution targeting a wider range of North Korea's economic sector. France called for the European Union to take independent action and the U.S. pledged to punish all countries that con-

Defense, or Thaad, in the country. Thaad, which is designed to protect South Korea from Pyongyang's missiles, is fiercely opposed by China, which says the system undermines its national security.

South Korea's Defense Ministry said earlier on Monday that it had completed a small-scale environmental impact assessment, a prerequisite for the deployment, and would push ahead with installation shortly, without specifying a date. Mr. Moon said during his call with Mr. Trump that deployment would be completed "as quickly as possible."

Mr. Trump threatened North Korea with "fire and fury" for its provocations last month, while Pyongyang warned that it

would surround the U.S. territory of Guam—home to 200,000 U.S. citizens and a major American military base—in the "enveloping fire" of four simultaneously launched missiles.

Soon after that, Pyongyang fired a missile over Japan, drawing fury from Tokyo. The U.S. responded with flyovers of South Korea and test bombing runs with some of America's most advanced and lethal aerial weaponry: four F-35 stealth fighters and two B-1B bombers, accompanied by Japanese and Korean jet fighters.

The prospect of further nuclear tests and missile launches also underscores Mr. Kim's determination to keep up the pace of its tests in an effort to perfect a nuclear-

tipped long-range missile capable of reaching the continental U.S.

The South Korean Defense Ministry's assessment of a possible imminent missile launch was echoed on Monday by intelligence officers, who said North Korea could test launch another ICBM toward the northern Pacific Ocean or a submarine-launched ballistic missile, according to lawmakers who attended a closed-door legislative meeting on Monday.

The intelligence officers also said North Korea could conduct further nuclear tests at any time, based on construction work on two tunnels at its test site that appear to be near completion, according to these lawmakers.

The U.N. Security Council scheduled an emergency meeting on North Korea on Monday at the request of the U.S., France, Japan, South Korea and the U.K.

Sunday's nuclear test was part of Mr. Kim's strategy "to create a crescendo of crisis whereby the anxiety of the world is driven to its apex," said Danny Russel, a diplomat in residence at the Asia Society Policy Institute in New York.

"He's driving up the asking price for peace," said Mr. Russel, who until March served as the U.S. Assistant Secretary of State for East Asian and Pacific Affairs.

Washington and Seoul have just wrapped up a week of annual joint military exercises,

but North Korea's ramped-up weapons testing—and the war of words between Messrs. Trump and Kim—has strained ties between the U.S. and South Korea, a close ally that is home to 28,500 U.S. troops and which would be on the front lines of any military conflict on the Korean Peninsula.

In the hours after North Korea's nuclear test on Sunday, Mr. Trump spoke by phone twice with Japanese Prime Minister Shinzo Abe, each time to affirm that Washington and Tokyo are "100% together."

But Mr. Moon received no such calls until nearly 36 hours after the nuclear test.

—Kwanwoo Jun and Min Sun Lee contributed to this article.

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WORLD NEWS

New Zealand Immigration Upends Vote

Center-left plan to slow flow helps narrow poll gap with government as election nears

BY BEN COLLINS

WELLINGTON, New Zealand—A tightening election race in this U.S. ally has its roots in anxiety over immigration and the rise of a leader who wasn't even her party's first choice when campaigning began more than a month ago.

New Zealand votes Sept. 23 on whether Bill English's National party should remain in government after nearly nine years or be replaced by the opposition Labour Party headed by Jacinda Ardern, a 37-year-old former president of the International Union of Socialist Youth.

A recent voter poll put support for Labour at its highest level in more than a decade—at 43 points, while the National Party fell to 41 points. It raises the prospect of an upset win for Ms. Ardern, who succeeded Andrew Little as leader of the center-left party at the start of August, when it lagged behind Mr. English's conservatives by more than 20 points. It has also made the prospect of a hung Parliament more likely, which would thrust smaller parties like the populist New Zealand First into the role of kingmakers.

Ms. Ardern's rapid ascent owes much to tapping into

growing unease about affordability, particularly among young voters, and feeding off a global immigration backlash.

Economic growth in New Zealand—a member of the Five Eyes spy network, which also includes the U.S., the U.K., Australia and Canada—has outpaced other developed nations in recent years, yet many people say they aren't benefiting. At the same time, record house prices—fanned by low interest rates and demand from new migrants—are putting property ownership out of reach.

Annual net migration is at a record high. It hit 72,400 in the year to July, fanning criticism that the center-right National government, which has held power since 2008, has fueled economic growth with this influx. While GDP accelerated at 3% in the year through March, GDP per capita grew by less than 1% and had even contracted late last year.

Ms. Ardern wants to cut the annual net migration figure by up to 30,000 people a year to help more New Zealanders find work and own homes, as well as to take the pressure off infrastructure—especially in the commercial capital Auckland, which is often clogged with traffic.

A recent analysis from the Economist Intelligence Unit found Auckland and Wellington—two of the country's biggest cities—had become as expensive as Shanghai, China's



Labour Party leader Jacinda Ardern takes a selfie with schoolchildren. Below, Prime Minister Bill English with supporters in Christchurch.

priest city.

"Housing poses something of an Achilles' heel for the government because it's been in power for nine years and hasn't really been able to get to grips with the problem," said Raymond Miller, a political scientist at the University of Auckland.

While many commentators, including Prof. Miller, think it is likely the National Party will hold on to power in a minority coalition with NZ First, Ms. Ardern's policies, such as outlawing letting fees—one-off payments tenants make when renting homes—as well as providing free tertiary education, are finding favor, especially with younger voters, who are in the thrall of what the local media has dubbed "Jacindamania."

"It goes beyond personal appeal and she represents a growing mood for change," Prof. Miller said.

Mr. English and other critics



have questioned how cutting immigration levels would help, when the country is already suffering a skills shortage. Capacity pressures in the construction industry are one of the biggest handbrakes on the country's economy, they say.

The National Party recently unveiled its own curbs on mi-

gration, including pay thresholds designed to keep out unskilled migrants who compete with locals for lower-paid jobs.

"What's driving migration is the strength of the economy," Mr. English said in a recent debate. "If that changes it will slow the economy down, the houses will not get built."

Ms. Ardern wasn't available to comment, while Mr. English didn't respond to a request to comment.

Ms. Ardern also wants to tackle another big election issue, the environment, with a levy on the commercial use of water, then use this money to clean up waterways. But the government and farming groups claim that this could cripple the agriculture industry, which is the backbone of its economy.

New Zealand markets itself to international tourists as "100% pure," but a rapid expansion of its dairy industry has endangered its clean, green image. Seven out of 10 of its monitored rivers are potentially unsafe for swimmers, according to a government report and the damage threatens to pit the nation's two biggest exports—dairy and tourism—against each other.

Merkel and Schulz Face Off, and Find Common Ground

BY ANTON TROIANOVSKI

BERLIN—The main televised debate of Germany's campaign season highlighted something that makes the country unusual among large democracies: on many of today's most polarizing issues, its two leading parties are in agreement.

German Chancellor Angela Merkel spent much of the 90-minute debate among the two chancellor candidates parrying attacks from her center-left challenger, Martin Schulz. But many of his attacks were subtle digs at her handling of specific issues rather than challenges to her worldview.

Mr. Schulz, a former president of the European Parliament, said Ms. Merkel was right to keep the borders open for refugees in 2015 but should have coordinated her actions better with other European countries. Both said that Germany needed to push back

more against Turkish President Recep Tayyip Erdogan for his detention of German citizens, but Mr. Schulz was more direct in insisting that the European Union end accession talks with Turkey. And both criticized U.S. President Donald Trump while underscoring the importance of continued dialogue with Washington.

"We have grave differences with the American president, but on the other hand, we need to cooperate," Ms. Merkel said.

"The problem with Trump is his unpredictability. Who are we to talk to?" Mr. Schulz said. Praising Secretary of State Rex Tillerson as a "very reasonable man," he added that Germany must talk to "predictable partners, who also exist in Washington."

The debate underscored Ms. Merkel's strong position three weeks ahead of the general election on Sept. 24. Her center-right Christian Democrats



German Chancellor Angela Merkel and her main opponent, Martin Schulz, shown on screen during their Sunday debate.

have been leading Mr. Schulz's center-left Social Democrats by more than 10 percentage points in the polls since May. While neither party is expected to win a majority of parliamentary seats in Germany's system of proportional representation, Ms. Merkel will likely have a much easier time than Mr. Schulz of cobbling together a governing coalition if

the current polls hold.

On Sunday, she seemed relaxed and confident, even as Mr. Schulz tried to attack her directly. A poll after the debate by ARD public television found 55% of respondents believed Ms. Merkel had been more convincing, compared with 35% for Mr. Schulz.

"He was too well-behaved, too tame, too conciliatory, and

not power-conscious enough," Heribert Prantl of the left-leaning Süddeutsche Zeitung newspaper wrote afterward about Mr. Schulz. "On the few issues where he insisted there were differences he barely made it clear what those differences were."

The relative consensus displayed by Mr. Schulz and Ms. Merkel marked a contrast to the divisive French presidential race between centrist President Emmanuel Macron and nationalist Marine Le Pen, and to the American one between Mr. Trump and Hillary Clinton. On the role of Islam—another polarizing issue in other countries' elections—Mr. Schulz and Ms. Merkel also struck a similar tone of defending the vast majority of Muslims in Germany as law-abiding citizens while criticizing radical Islamist ideology.

Sunday's debate featured the only two candidates with a conceivable chance of becoming

chancellor, so smaller parties, including the anti-immigrant Alternative for Germany, or AfD, didn't participate. The AfD is polling around 9%, putting it in the race for third place and on pace to enter parliament for the first time. Immigration took up more than half an hour of the debate, with Ms. Merkel defending her decision to allow hundreds of thousands of migrants to enter Germany in 2015.

"Water cannons against thousands of people—are those things you think would solve anything?" she responded when a moderator asked her why she didn't close the border.

It was the only televised debate pitting Ms. Merkel against Mr. Schulz of this campaign season, and some of the biggest issues facing the European Union—including the U.K.'s departure from the EU and the future of the euro-zone—didn't come up.

WORLD WATCH

TAIWAN

Prime Minister Quits, Successor Is Named

Taiwan's prime minister resigned, raising the possibility of changes in the island's troubled relationship with mainland China.

The Presidential Office said on its website that President Tsai Ing-wen reluctantly accepted Lin Chuan's decision to resign after more than a year in office.

Ms. Tsai was scheduled to announce a successor on Tuesday, with the official Central News Agency saying her choice will be William Lai, mayor of the southern city of Tainan.

Though described as a supporter of Taiwanese independence, Mr. Lai suggested seeking common ground with China earlier in the year and said the ruling Democratic Progressive Party should approach Beijing with confidence.

China cut off contacts with Ms. Tsai's government more than a year ago because of her refusal to endorse Beijing's view that Taiwan is a part of China.

Ms. Tsai's popularity rating dipped to 33% in June partly over perceptions she had failed to manage foreign relations under pressure from China, which uses its economic and political clout as a lever against the island.

—Associated Press



CARABINIERI POLICE/REX SHUTTERSTOCK/EUROPEAN PRESSPHOTO AGENCY

Italian police examine photos of organized-crime figure Rocco Morabito, who was arrested in Uruguay.

Calabrian Crime Boss Arrested in Uruguay

Italian authorities said a top crime syndicate boss, on the run since 1994, has been arrested in Uruguay where he had been living under a false name and with a forged Brazilian passport.

Reggio Calabria Chief Prosecutor Federico Cafiero de Raho

said Monday that fugitive Rocco Morabito played a big role in cocaine trafficking between South America and Milan, a distribution point for the drug to be sold elsewhere. The Calabria-based 'ndrangheta is one of the world's biggest cocaine traffickers.

Interior Minister Marco Minniti said Morabito has been convicted of mafia association and drug trafficking.

—Associated Press

BURUNDI

U.N. Points to Crimes Against Humanity

A United Nations commission of inquiry said crimes against humanity are being committed in the Central African country.

Killings, torture, sexual violence, degrading treatment, enforced disappearances and arbitrary arrests have been taking

place since April 2015, according to the report published Monday.

"We were struck by the scale and the brutality of the violations. We also noted a lack of will on the part of the Burundian authorities to fight against impunity and guarantee the independence of the judiciary. As a result, there is a strong likelihood that the perpetrators of these crimes will remain unpunished," said Fatsah Ouguergouz, president of the commission.

Burundi has been plagued by political violence since April 2015, when President Pierre Nkurunziza announced he would seek a disputed third term. Mr. Nkurunziza won re-election despite widespread protests and Burundi has remained volatile.

Alleged perpetrators of the violence include top officials in Burundi's National Intelligence Services and police force, military officials and members of the youth league of the ruling party, known as Imbonerakure, said the commission's report.

—Associated Press

CAMBODIA

Hun Sen Assails Crackdown Criticism

Cambodian Prime Minister Hun Sen vowed to resist foreign interference, following international criticism of the arrest of his main rival for treason and increasing pressure on his critics.

The U.S. and the European Union condemned the detention of opposition leader Kem Sokha, who is accused of plotting with U.S. support, and steps against the media that forced the independent Cambodia Daily to close.

"We can't allow any group to destroy the peace we hold in our hands by being the puppets of foreigners," Hun Sen said at the opening of a new mosque in Kompong Cham province.

Opposition politicians, rights groups and independent media have come under pressure before an election next year in which Hun Sen could face his greatest challenge in more than three decades in power.

—Reuters

UNITED KINGDOM

Royal Couple Are Expecting 3rd Child

Prince William and his wife, the Duchess of Cambridge, are expecting their third child, Kensington Palace said Monday.

Kensington Palace made the pregnancy announcement as they said that the former Kate Middleton wasn't feeling well enough to attend an engagement later in the day.

As with her other two pregnancies, the duchess is suffering from Hyperemesis Gravidarum, or acute morning sickness.

—Associated Press



A fight to drive out Islamic State was devastating to western Mosul, shown here on July 11. Iraq's next big battle—the resurrection of its cities—is shifting into gear.

Mosul Emerges, One Business at a Time

Iraq's second-largest city, ISIS is driven out and commerce kicks in

Now that security forces driven Islamic State from Mosul, money changer Ayman Al Asa Fitch in Mosul, Iraq, and Maria Abi-Habib in Beirut

is just one of the signs the economy in Iraq's second-largest city is coming back after three years under extremists, who stifled private business by controlling and restricting who could part in it—and were even to execute independent currency changers.

Many challenges lie ahead, from demining to rebuilding, the overarching sentiment in northern Iraqi business community is far from positive. Business owners are putting off investment decisions as they wait for the bulk of reconstruction to begin.

But Iraq's next big battle—the resurrection of its cities—is shifting into gear. Some residents are returning to Mosul, businesses including grocery-furniture sellers and construction-material suppliers are

welcoming the revived demand for their goods.

"They are trying to establish a foothold," said Mus'ab Mohammed, 30 years old, the manager of the Al Alamia supermarket, which reopened after Iraqi forces took control of the area early this year. Al Alamia is now fully stocked with food and household goods, many of which were banned or unavailable under Islamic State.

Iraqi security forces have driven the extremists from Mosul, and on Thursday Prime Minister Haider al-Abadi declared the nearby town of Tal Afar "fully liberated." The only significant areas of Iraq still under Islamic State control are Hawija, a rural area between Baghdad and Mosul, and the mostly desert region around the Qaim border crossing with Syria.

Around 834,000 residents of Mosul were displaced, out of a pre-ISIS two million, but as of Thursday around 30% had returned, according to the U.N.'s International Organization for Migration.

When the extremists occupied Mosul in 2014, Mr. Younis, who is 45, said he shut his currency exchange and focused on self-preservation, not wealth-generation.

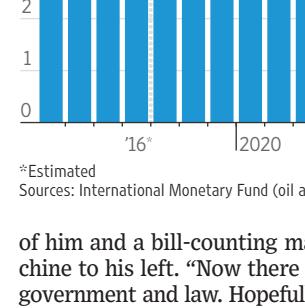
For those years, there were "only some narrow-minded people controlling you," he said, seated at his desk in a white shirt, a calculator in front

In Recovery

The IMF expects growing oil output to lift Iraq's economy, and other sectors are expected to grow as the country rebuilds and people return home.

Iraq's oil production

Millions of barrels a day



*Estimated

Sources: International Monetary Fund (oil and GDP); International Organization for Migration (displacement) THE WALL STREET JOURNAL

of him and a bill-counting machine to his left. "Now there is government and law. Hopefully things will be better."

The challenges are significant. Many neighborhoods were leveled by fighting. Business owners complain that security is still shaky, with the lingering threat of Islamic State mines and terrorist attacks.

Consumers, particularly government employees whose salaries were cut off in 2015, have little to spend. Industrial areas where Islamic State manufactured weapons have been destroyed.

Amer Gargaja, a food whole-

saler, said his warehouse in western Mosul was demolished. He said he won't rebuild until the government ensures security and gives compensation to those whose property was destroyed.

Qutaiba Shanshal, a clothing wholesaler, also said state support was necessary "to get the economic cycle running again." He said Islamic State's occupation had virtually destroyed Mosul's economy, which was already on uneven footing. "I'll try to resume my business, but not at the same size," he said.

Mr. Abadi's government estimates the reconstruction will

cost more than \$100 billion over the next 10 years. It has provided no breakdown of what is needed and where. While Iraq has significant oil reserves, a moderation in oil prices and the cost of the Islamic State fight have spread revenue thin.

Even before rebuilding begins, Iraqi leaders face the more pressing demands of how to finish off Islamic State and help the 3.26 million people who fled the conflict.

Several international efforts aim to aid reconstruction. The World Bank's International Finance Corporation is helping train members of Iraqi boards

of directors on global practices. Some Iraqi officials and executives promoted business opportunities at a conference in London. Iraqi officials and business leaders are looking to a conference set for January in Kuwait to provide a boost.

A big risk is unexploded ordnance. The militants used factories as military facilities and laid explosives across Iraqi cities and towns to prevent government forces and U.S.-led military coalition from fully reclaiming territory. Thousands of explosives prevent the return of displaced residents.

"It was almost like we thought 'OK, we can't own so you can't either,'" said Janus Global, a vice president at Janus Global, which is carrying out a countrywide demining program for the U.S. State Department. "It's like biting times, salting the earth."

Recovery in Mosul will be difficult. A cement factory in the Hamam al-Alil district of the city was once one of the biggest employers in Mosul, one of the largest cement producers in the country.

Janus finished demolishing the factory in July. But with most of the city still crawling out from years of occupation and war, investors have stepped up to restart the factory.

—Ali A. Nabhan in Mosul contributed to this article

Kenya Court Ruling a Watershed for African Democracy

E PARKINSON

The ruling by Kenya's Supreme Court to annul last month's presidential election is a new threshold for democracy in Africa, and a new one in a battle of ideas over rampant authoritarianism elsewhere on the continent.

The verdict comes as the contest between political systems in Africa has become more intense than at any moment since the Cold War, when pro-Soviet-backed regimes faced off across swaths of the continent. Emboldened autocrats are jostling with a cadre of autocratic technocrats who argue that Western-style democracy has failed to produce a large and sustainable rise in living standards.

Kenya's institutions struck a symbolic blow for the rule of law.



DAI KUROKAWA/REUTERS/EPA/EFE/SHUTTERSTOCK/EUROPEAN PRESSPHOTO AGENCY

Kenyatta—the son of the country's first post-independence leader—would also burnish his democratic credentials and be watched closely by the strongmen rulers in neighboring states.

"In all my years studying Africa, this news from Kenya is one of the biggest moments," said Alex Vines, head of the Africa program at U.K. think tank Chatham House. "Its implications for the rule of law across the continent are massive: it will embolden courts far beyond Kenya's borders," he said.

Recent years have seen a drumbeat of democratic advances. Last year, Ghana held a peaceful and fair election that ousted an incumbent government. This year, in nearby Gambia, President Yahya Jammeh—a former coup leader who pledged to govern for "a billion years"—fled into exile after accepting the result of an election that ended his 23-year rule.

The pockets of democratic advance have come in tandem with the rise of authoritarian-minded rulers in nations like Rwanda and Ethiopia, which have managed breakneck economic growth that has significantly outperformed the continental average. The state

other expensive and potentially divisive ballot within 60 days. But the ruling has already made history. It is the first of its kind in Africa and only the fourth time globally that courts have overturned presidential poll results after Austria, the Maldives and Ukraine.

As party leaders returned to campaign mode, many in Nairobi spoke of their pride in a verdict that has spotlighted the

institutions and for now helped narrow bitter political divides.

One social-media campaign has called for a Nairobi street to be renamed after Chief Justice David Maraga, a Seventh-day Adventist known for his personal integrity.

"I'm a Kenyatta supporter but now I'm happy because I know I can trust my court," said Ayub Kemani, a 34-year-old driver from Nairobi after a

Baptist church in the capital's Westlands district, on Sunday.

"If we win the second round or not, Kenya's democracy has been strengthened."

Analysts said the decision would reverberate far beyond the East African nation's borders, galvanizing independent institutions on a continent where judges are often seen as being under the thumb of executive powers. The accep-

polarizing President Paul Kagame, re-elected for a third term with 99% of the vote last month, have prompted some commentators to ponder whether technocratic strongmen are preferable to民主 democracy.

Yet transnational polling suggests African voters overwhelmingly prefer democracy. In a November survey of more than 53,000 people in 10 countries, 67% said democracy was "always preferable" to an alternative, according to the barometer, a polling and research firm. Only 11% saw presidential dictatorship or party rule as a viable option.

Kenya's Supreme Court ruling comes after a decade of slowly rebuilding confidence in the nation's judiciary since 2007's postelection violence left some 1,200 people dead.

Still, the decision should give Kenyans, including Mr. Odinga, who had launched an unsuccessful legal challenge to the result in the 2013 election in which he lost to Mr. Kenyatta. It also raised questions about the role of international observers, including former Secretary of State John Kerry, who called the election free and fair and urged

IN DEPTH

P&G

Continued from Page One

shareholder meeting. Trian's blueprint to revamp P&G is due out this week and, among its points, will be criticism of the company's connection with millennials, said people familiar with the plan.

"The only word I can use that is appropriate is, 'disappointing.' There are many other things I could say, but that's the word I'll use," P&G Chief Executive David Taylor said of Mr. Daley's new allegiance. "To be working against the company, the board, the folks who supported him while he was here."

There was a time when the idea of a longtime company insider siding with an activist investor was shocking. But activists have come to tap industry experts to help create and legitimize plans they use to win over shareholders.

This year, Jana Partners LLC hired experts to push Whole Foods Market Inc. to sell itself and to shake up the board at Tiffany & Co. Elliott Management Corp. tapped a former Arconic Inc. executive for its board fight at the automotive and aerospace-parts maker.

Mr. Daley said his intentions were noble: "I dedicated 35 years of my life to this company and still feel a lot of attachment." P&G has become too insular, bureaucratic and accepting of mediocrity, he said, and Mr. Peltz can help spur change. "As a retired executive, it's been very frustrating for the last eight years to see what's going on there," he said. "I want to help."

Mr. Moeller, 53 years old, said P&G and the consumer-products world have changed too rapidly for even well-informed outsiders to fully understand. He said he agreed with Trian's assessment of P&G's past problems, but he believes neither Mr. Daley nor Trian can chart a better course.

"The world has changed completely, the way business is done has changed completely and the company has changed completely," said Mr. Moeller, who has worked with three P&G CEOs as finance chief. "You don't stay on top of those things by reading reports or even sitting on boards."

After Mr. Daley's retirement at the end of 2008, he and Mr. Moeller used to meet socially a few times a year. That ended in 2012, when Mr. Daley told his protégé that he had spoken with investor William Ackman, who was challenging P&G's leadership at the time.

Mr. Daley said he declined to join Mr. Ackman's campaign. "I tried very hard to exit and stay out of the way and give Jon Moeller his space," said the 65-year-old resident of Longboat Key, Fla.

The two men continue to speak highly of one another. "Of all of P&G's many problems, Jon Moeller is not one of them," Mr. Daley said. And Mr. Moeller compliments Mr. Daley's prowess during his tenure as CFO. Yet as the former colleagues campaign in public and during one-on-one meetings with investors and institutional shareholders, one thing is clear: This is war.

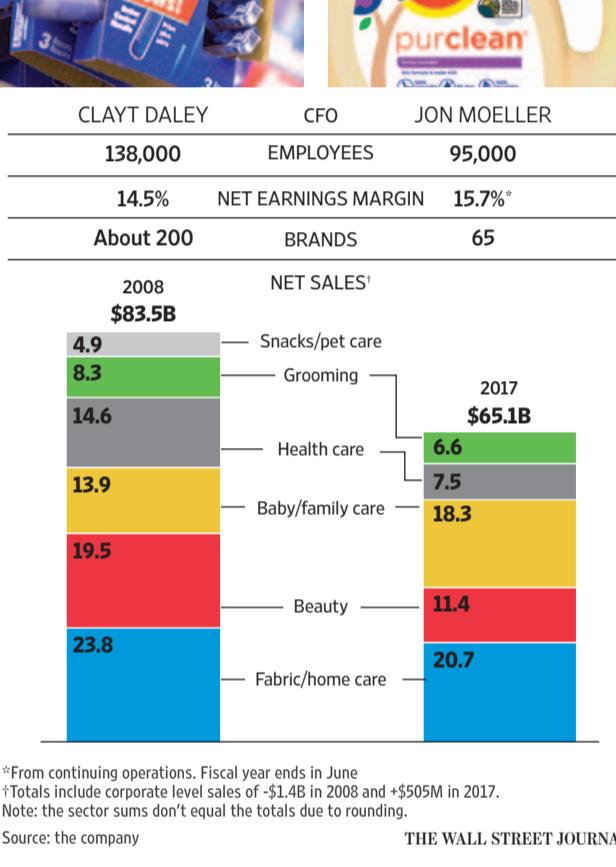
Procter's Progress

P&G outpaced rivals and the broader market last decade, but it has changed CEOs three times since the recession, with mixed results.

Total shareholder return under each CEO vs rivals and the broader market



A Tale of Two Eras



Head to head

The proxy fight has divided P&G's employees and its sprawling alumni network, according to current and former executives. Many are loyal to Mr. Taylor, who like Mr. Moeller is a low-key executive who spent decades climbing the corporate ladder. Others say they are frustrated with the poor performance of P&G's share price and feel the company has lost its competitive edge.

"There are a lot of employees in this area whose retirement and well-being depends on how P&G does. You can't live here and not get drawn into it," said Jim Russell, a portfolio manager at Bahl & Gaynor Investment Counsel in Cincinnati. The firm advises many hundreds of P&G retirees, he said, both former executives and those from the rank-and-file.

P&G's shares have under-

IN DEPTH

performed the S&P 500 and its competitors for the past 10 years. They have returned about 8.1% to investors over the past 12 months, including dividends, compared with a 16% return for the S&P 500.

"I've been contacted by more former executives who have offered to help in this investment, by a multiple, than ever before," said Mr. Peltz, whose past targets included DuPont Co. and H.J. Heinz Co. "I chose Clayt to work with because he has the stature, credibility and knowledge to really shape P&G."

Mr. Daley's hard-charging, often blunt, style contrasts with Mr. Moeller's more democratic approach, say people who know both men. They each rose through the finance ranks at P&G, starting out in the accounting departments of P&G factories and advancing to headquarters.

Mr. Moeller, whose wife also works at P&G, started at the company in 1988. He worked in different finance positions under Mr. Daley until he reported directly to him.

Mr. Daley joined P&G in 1974 and served as finance chief from 1998 until the end of 2008, a time of rising profits and double-digit sales growth. Mr. Daley was lauded by P&G—and rewarded with a \$1.5 million bonus—for leading the integration of the Gillette razor business following P&G's \$57 billion acquisition of the company in 2005. P&G had called the deal one of its most successful.

Mr. Daley, in his last conference call with analysts before turning his job over to Mr. Moeller, described his successor as "an excellent business strategist."

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Crisis management

Soon after Mr. Daley retired, the financial crisis and a slowdown in developing markets sapped P&G's business. One of Mr. Moeller's first tasks as CFO was to lower the company's financial targets and explain why P&G would miss projections.

As growth slowed, P&G was forced to shrink. In 2012, it launched a \$10 billion cost-cutting program that eliminated 24,000 jobs and 14 fac-

tories. It sold off dozens of brands, including Pringles snacks, Iams pet food and Duracell batteries. In 2015, P&G agreed to sell 43 beauty brands, including some like Clairol and Wella that it had bought a decade earlier. Since Mr. Taylor took over as chief executive in November 2015, he has promised to cut another \$10 billion in annual expenses by 2021.

Mr. Daley said he doesn't need to be an insider to understand how P&G has stalled. He has studied the company's financial reports, he said, listened in on analyst calls and stayed in touch with current executives.

The company's own goals are evidence of trouble, Mr. Daley said. "Once we saw what was going on there we made some big, big interventions."

"Those goals mean the management and the board of directors have accepted mediocrity," Mr. Daley said. He also argued that P&G shouldn't have sold the beauty brands—evidence, he said, that the company wasn't capable of managing smaller, trendy brands.

P&G said its goals reflected a realistic, long-term approach to growth, and that Trian was pushing short-term share gains at the expense of long-term progress. It noted the company total shareholder return has outpaced the S&P 500 and its peers since Mr. Taylor became chief executive. A yearslong effort to pare P&G's bureaucracy has taken hold, executives said.

"We're at the point where the nose is lifting and we're going up," Chief Brand Officer Marc Pritchard said. "A big derailment is the last thing we need."

The two sides have particularly clashed over the structure of P&G's management, which Trian said remained slow and bureaucratic.

The campaigns for shareholder votes have been costly. P&G, which has hired investment banks, is spending at least \$35 million. Trian, which owns roughly \$3.3 billion of P&G stock, is spending about \$25 million.

Mr. Taylor held a town hall meeting to rally P&G staff on Aug. 3. "You delivered what we committed without an asterisk," he said to the applause of hundreds of employees.

Last week, Trian released a video of Mr. Daley saying it was "simply time to do something different."

The public fight follows months of private negotiations between Mr. Peltz and P&G's board, which is stocked with business leaders including the chief executives of American Express Co. and Hewlett Packard Enterprise.

Mr. Peltz, age 75, said he needed to perform work that could be done only from inside the P&G boardroom. Mr. Taylor and other directors have refused to give their support, saying that Mr. Peltz wasn't proposing new ideas and that his style of activism would disrupt the progress already being made. Mr. Peltz said he planned to support Mr. Taylor if he wins a seat.

"You look at what he says and it sounds all wonderful: 'I love the company, I want to see it do better,'" said Mr. Taylor, P&G's chief executive. "But if you just want to help, wouldn't you come in with your plan and lay it out?"

they will resist that deal.

Rather, Democrats hope that Republicans will agree to adopt the Dream Act without conditions, and are considering ways to force a vote on the matter as part of debate over a defense policy bill or perhaps a short-term spending bill, both of which will be considered in the coming weeks.

Some Republicans are amenable to that. Sen. Thom Tillis (R., N.C.) is working on what his staff calls a conservative version of the bill that would set tougher requirements for participation but also offer more than two million Dreamers a path to citizenship.

In the Senate, both the border wall spending and the Dream Act would require at least 60 votes to overcome procedural hurdles, and neither party has that on their own. It is unclear how hard either side will push, and it is possible neither proposal becomes law.

In 2010, the Dream Act passed the House, then controlled by Democrats, but fell five votes short of the 60 needed in the Senate. Five Democrats joined most Republicans in voting no.

KYLE GRILLOT/REUTERS

DACA

Continued from Page One

denial discretion.

Mr. Trump opposed the program as a candidate but has allowed it to continue and said the issue is a difficult one for him. The 10 states threatening to sue the administration over the issue set Tuesday as the deadline for him to make a decision, and anticipation has run high as that date approaches.

Following reports of Mr. Trump's decision, Rep. Joaquin Castro (D., Texas) tweeted late Sunday: "For all the members of Congress over the past 5 years who said DACA should've been done 'legislatively' here's your chance."

Prominent illegal immigration foe Rep. Steve King (R., Iowa) said DACA should be ended immediately, with no delay. "Ending DACA now gives chance 2 restore Rule of Law. Delaying so [Republican] Leadership can push Amnesty is Republican suicide," he tweeted.

The issue of how to handle the estimated 11 million people living in the U.S. illegally has

long divided the nation. But the Dreamers have always enjoyed more support than others, given that they didn't make the decision to illegally enter or stay in the U.S. and, in many cases, know no other home. They have also grown politically active in recent years, demanding action in Washington.

Early in his first term, Mr. Obama insisted he didn't have the power to give Dreamers safe harbor en masse. But under pressure, he did just that in June 2012, months before he stood for re-election. That solidified his support among many Hispanic voters, who helped power him to victory.

After that, some Republicans concluded they needed to adopt a more pro-immigration stance, but Mr. Trump took the opposite tack. He ran for president on a promise to crack down on illegal immigration and to kill the DACA program, calling it an "unconstitutional executive amnesty."

As president, Mr. Trump softened his view. He allowed the program to continue and called it "one of the most difficult subjects" he had to deal with because "you have these

incredible kids." John Kelly, who oversaw the program as secretary of Homeland Security and is now White House chief of staff, opposed killing it but also voiced concerns about its ability to withstand a legal challenge and has said he would prefer legislation.

Mr. Trump's hand was forced by a group of conservative states that in June threatened to sue the administration if it didn't act on its own to rescind the program. Specifically, they promised to amend a lawsuit filed in 2014 that successfully challenged Mr. Obama's effort to expand the DACA program to cover parents of U.S. citizens and others. Many legal experts, including some who support the DACA program, predicted that

the conservative district judge would agree with the states that the program was unconstitutional.

In Congress, several versions of the Dream Act are pending or under discussion. Some Republicans are hoping they can persuade Democrats to pair passage with funding for Mr. Trump's border wall, but Democratic leaders say



U.S. NEWS

Drones' Role Grows In Harvey Recovery

By ANDY PASZTOR

For drone users, Hurricane Harvey is likely to be the event that propelled unmanned aircraft to become integral parts of government and corporate disaster-recovery efforts.

In the first six days after the storm hit, the Federal Aviation Administration issued more than 40 separate authorizations for emergency drone activities above flood-ravaged Houston and surrounding areas. They ranged from inspecting roadways to checking railroad tracks to assessing the condition of water plants, oil refineries and power lines.

That total climbed above 70 by Friday and topped 100 by Sunday, including some flights prohibited under routine circumstances, according to people familiar with the details. Industry officials said all of the operations—except for a handful flown by media outlets—were conducted in conjunction with, or on behalf of, local, state or federal agencies.

One person familiar with the details said certain applications were processed within hours, an unusually fast turnaround for federal safety regulators accustomed to days or weeks of analysis for such decisions.

The scope and pace of approvals likely will boost momentum for longer-term industry and congressional drives to open up more air-space for broader commercial applications.

"They're being used in a lot of different ways we've been talking about for a long time," said Brian Wynne, president of the Association for Unmanned Vehicle Systems International, the leading trade group.

Storm Increases Health Hazards

Flood victims are now in danger from germs and displaced wild animals, officials warn

By TAWNELL D. HOBBS

As southeast Texans return to their flood-ravaged homes, local officials are warning about dangers associated with floodwaters, from alligators seeking higher ground to harmful bacteria floating from damaged septic systems.

The sheriff's office in Fort Bend County, located in the Houston metropolitan area, has asked residents to leave reptiles, like alligators, found on their properties alone until the water recedes, saying they are simply looking for higher ground.

"We have everything from snakes to alligators to fire ants," said Lach Mullen, representative for the Office of Emergency Management in Fort Bend County. "Even though evacuation orders have been lifted, people have to be wary of new occupants in their homes. They don't want to occupy the same space as you; they will leave on their own when they can."

If the situation is dangerous, Mr. Mullen said to call a game warden.



A volunteer in Orange, Texas, heads out to look for people in need of help after torrential rains pounded southeast Texas.

Texas game wardens helped remove a 12-foot alligator to a less-populated area on Friday. That same day, the Harris County Precinct 4 Constable's Office reported that its deputies were met by an alligator

in a flooded home near Lake Houston.

"Alligators are wary of people, but keep your distance," Jonathan Warner, an alligator program leader at the Texas Parks and Wildlife Department, said in a news release. "Never approach, harass or feed an alligator."

waters during a news conference Saturday.

"The floodwaters that we have that are flowing across the county are coming from very rural areas where everyone is on septic systems," Mr. Sebesta said. "We all know what are in septic systems—that is now what is in all those waters. So please, if you can stay out of the water, it is not healthy to be in that water."

Larry Satterwhite, a Houston assistant police chief, said at a news conference Saturday that while out on the water with the fire department, he "saw a snake swimming right towards the boat."

"It has become very unsafe out there," he said.

Damaged septic systems that could release harmful bacteria into floodwaters also are a concern.

In Brazoria County, an area south of Houston that had widespread flooding, County Judge L.M. "Matt" Sebesta Jr. warned of contact with flood-

Damage Delays School Year's Start

als.

The past week has been a time of harsh reckoning and frantic planning for school officials across southeast Texas, as administrators assess the toll Hurricane Harvey has taken on school buildings and the storm's impact on at least one million schoolchildren.

"This is a heartfelt tragedy for many of us," said Houston Independent School District Board President Wanda Adams. "It's going to take a lot of money to restore these schools."

By Saturday, more than 200 of 288 schools had some water intrusion, with at least 50 suffering extensive damage, according to Houston ISD Chief Operating Officer Brian Busby.

The Houston district, the nation's seventh largest, was scheduled to start school on Aug. 28. It is now expected to open on Sept. 11. Even then, between 10,000 and 12,000 students enrolled in schools that need extensive repairs, like Hilliard, will be relocated.

—Tawnell D. Hobbs
and Melissa Korn

Peter Paul Rubens, "Portrait of Clara Serena Rubens", c. 1616.
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IN DEPTH

Primaries Bring Out Trump Talk

GOP candidates echo president's slogans and style, testing his impact on party

By JANET HOOK

President Donald Trump is leaving his mark on the Republican Party, with political candidates across the country shaping themselves in his populist, antiestablishment mold.

In races for Congress, governor and other offices, dozens of insurgent Republican candidates are touting their ties to Mr. Trump, echoing his slogans and seeking his endorsement against rivals who are more conventional.

"I'm not a career politician. I'm a career businessman," Jim Renacci, running for Ohio governor, said at a political event where many people wore red baseball caps that said "Make Congress Honest Again."

Some of these Trump-inspired candidates are political neophytes. Others are conventional GOP politicians who have repositioned themselves as outsiders as they gear up for Republican primaries in 2018.

Their fate will help determine whether Mr. Trump turns out to be a one-of-a-kind political phenomenon or whether he will have a lasting impact on the next generation of Republicans.

Mr. Trump has pushed the GOP in new policy directions, such as being more cautious about free trade and less concerned about reducing the federal deficit. The arrival of a wave of like-minded House and Senate members could make it far easier for the president to turn those ideas into law.

His presidency is already reframing GOP primaries, which for the past generation have largely been contests over which candidate is the most conservative. Now the question often is: Which candidate is the Trumpiest? These campaigns are fo-

menting more antiestablishment rhetoric within the Republican Party, where divisions are growing between Mr. Trump and some top lawmakers, including Senate Majority Leader Mitch McConnell (R., Ky.).

"People have just had it," says Mark Munroe, Republican chairman in Mahoning County, Ohio. "The party is going through a transition, a metamorphosis. It's a struggle between the old, traditional Republican Party and what you might call the new Republican Party, which is more Trump-like."

Democrats hope that any candidates who sound like Mr. Trump will be easier to portray as extremists and that competition for Trump supporters by Republican candidates will alienate swing voters.

Jared Leopold, spokesman for the Democratic Governors Association, says Republican primary campaigns "are becoming a Trump loyalty test." While that might be a successful strategy in primary races, Mr. Leopold says "it will be a problem in the general election."

In the swing state of Virginia, Corey Stewart, running for the Senate, defends the Confederate flag and vows to crack down on illegal immigration.

"I was Trump before Trump was Trump," Mr. Stewart said at his campaign announcement. "There's an appetite for a Republican fighter, and that's what I'm going to give people....I felt liberated by President Trump's race."

GOP candidates in Mr. Trump's mold are most common in states he won in November, such as Alabama, Georgia and Ohio. But even in the swing state of Nevada, where Democrat Hillary Clinton won in November but



Corey Stewart, right, nearly won the GOP gubernatorial primary in Virginia in June. 'I was Trump before Trump was Trump,' he said.

Mr. Trump won the GOP primary, Republican Sen. Dean Heller is facing a primary challenge from Danny Tarkanian, a pro-Trump businessman.

Both parties have undergone occasional makeovers. In the 1990s, President Bill Clinton transformed the Democratic Party into a more centrist, business-friendly force. Republican Ronald Reagan's election in 1980 was a triumph for the conservative movement and marked the beginning of the end of the GOP's dominance by moderates.

Mr. Trump has signaled some interest in shaping the party more directly through endorsing or encouraging primary challengers to Republicans who have crossed him. Presidents usually try to avoid weighing in on intraparty fights.

In a tweet, Mr. Trump praised the Republican primary challenger to Sen. Jeff Flake (R., Ariz.), who wrote a book that includes criticism of the president. Mr. Flake replied that he would take his cues from Arizona voters, not the White House.

In Alabama, Mr. Trump backed Sen. Luther Strange in a special election for the Senate seat vacated by Attorney General Jeff Sessions. The endorsement was seen by people close to the race

as inspired as much by opposition to one of Mr. Strange's opponents, Rep. Mo Brooks, as enthusiasm for Mr. Strange, a mainstream politician. Mr. Brooks criticized Mr. Trump during the 2016 campaign and recently for feuding with Mr. Sessions.

Mr. Strange placed second in the primary to evangelical conservative Roy Moore, and the two men will be in a Sept. 26 runoff.

Some GOP strategists warn that Mr. Trump's appeal might not be transferable to other politicians, no matter how hard they try.

Dozens of Trump-like Republicans are vying for Congress and other offices.

"There are candidates who are Trumpy, but there is only one President Trump," says Rob Jesmer, former executive director of the National Republican Senatorial Committee. "He has a unique ability to connect with voters. I think it's very hard to replicate that."

Still, Mr. Trump has clearly made it more acceptable for GOP candidates to openly respond to voter frustrations about Washington with a provocative, populist message, as Mr. Trump did on the campaign trail.

The first such candidate to make a big splash was Mr. Stewart in Virginia. He was Mr. Trump's campaign chairman in Virginia for part of 2016 and lost the Republican primary for governor by a percentage point in June to establishment favorite Ed Gillespie, former chairman of the Republican National Committee. In July, Mr. Stewart said he would try to defeat Democratic Sen. Tim Kaine next year.

In Georgia, the Twitter profile of state Sen. Michael Williams, running in the GOP primary for governor in 2018, boasts that he is a Trump loyalist. Mr. Williams's profile on Twitter

says: "1st GA elected official to endorse Donald Trump."

Mr. Williams compares his underdog status to Mr. Trump's at the start of the GOP presidential primaries last year.

"They said that about Donald Trump, too" Mr. Williams said in an interview with right-wing news site Infowars.

In Indiana, Rep. Todd Rokita announced his Senate bid in August and released a video that features footage of a Trump campaign rally.

"Take the next step," the video says. Before the announcement, Mr. Rokita circulated a letter from Mr. Trump's top campaign leaders in Indiana that vouched for the congressman's loyalty to the president.

In Ohio, Mr. Trump has helped reshape the GOP from the top down. After winning Ohio by 8 percentage points, Mr. Trump successfully lobbied for replacing the Republican Party's state chairman, Matt Borges. Mr. Borges was an ally of Ohio Gov. John Kasich, a presidential primary rival of Mr. Trump.

Even established Ohio politicians like State Treasurer Josh Mandel are starting to sound more like outsiders.

Mr. Mandel is trying for the second time to unseat Democratic Sen. Sherrod Brown and has put new emphasis on sanctuary cities and other issues promoted by Mr. Trump. "Most people think Washington is broken, but really it's just a rigged system," Mr. Mandel said.

"We'll go to Washington and drain the swamp."

Mr. Mandel's primary rivals include Mike Gibbons, a Cleveland businessman who is a political novice in the Trumpian mold. Mr. Gibbons, a top Ohio fundraiser for the Republican Party and the Trump campaign in 2016,

says he doesn't always agree with the president's bombastic style but was inspired to run for the Senate by a similar frustration with the Washington establishment.

Mr. Gibbons cheered when Mr. Trump attacked Mr. McConnell for failing to deliver legislation to repeal

and replace the Affordable Care Act. "The president is right," said Mr. Gibbons.

"Our party let him down. They have abandoned him, and I'm disgusted."

Novice GOP candidates often face one of the same daunting challenges that Mr. Trump did. Establishment-backed candidates usually have a big fundraising advantage. Mr. Gibbons's campaign had \$602,000 in cash at the end of June. Mr. Mandel, endorsed by Ohio's other senator, Rob Portman, had \$3.4 million.

In the gubernatorial race, recent polls show Mr. Renacci way behind better-known, well-funded GOP rivals such as former Sen. Mike DeWine, Ohio Secretary of State Jon Husted and Lt. Gov. Mary Taylor.

"The three opponents I have are all career politicians," said Mr. Renacci, a House member since 2011, at the event in August in Ravenna, near Akron. "If you're happy with where the state is today, you probably don't want to elect me."

Mr. Renacci's campaign slogan is "Ohio First," an echo of Mr. Trump's promise to put "America First." Like Mr. Trump, Mr. Renacci is funding his campaign in part with wealth attained as a businessman. The total is \$4 million so far.

Former Trump campaign manager Corey Lewandowski headlined a Cleveland fundraiser for Mr. Renacci. The president hasn't endorsed him, but his website includes video from a June event where Vice President Mike Pence praised Mr. Renacci. "I was for Jim Renacci before it was cool," Mr. Pence said.

Mr. Renacci is trying to appeal to voters like Harvey McClary, a retired auto worker who came to Ravenna to see where Mr. Renacci stood on the president's response to the violent white supremacist protest in Charlottesville, Va. "I have one question I want to ask him: Do you support President Trump?" said Mr. McClary. "If he's not going to support the president, I don't want him."



BILL CLARK/CONGRESSIONAL QUARTERLY/ZUMA PRESS

Ohio Republican Jim Renacci's campaign slogan is 'Ohio First.' He is running for Ohio governor.

PALACE

Continued from Page One

gus. The palace's vast atrium, darkened since the double-height main doors were shut for security, has the ambience of a tomb.

Officials say palace renovations should be completed by 2028. But even that distant target inspires skepticism. "My trust in such reassurances," says Luc Hennart, a federal judge who has worked in the building for more than 30 years, "is zero."

The palace's condition has become emblematic of Belgian dysfunction. Bickering between the country's French-speaking and Dutch-speaking halves has sucked power from the federal government, sapping its resources to maintain national monuments.

Completed in 1883 as the pet project of Belgium's King Leopold II, the palace is more than half the size of the U.S. Capitol and was Europe's largest building at the time. It looms over the city with a golden dome topped a massive Greek-Roman stone structure with mar-

ble staircases, columns and eight inner courtyards.

Inside its imposing walls, high-profile cases being tried include the 2016 Brussels terror attacks and an effort to establish the alleged paternity by retired King Albert II of an extramarital daughter. It's the central storage place for all police evidence gathered in Brussels, plus all legal documents such as birth certificates.

Walking through the palace's underground corridors in January, where some storage boxes were visibly wet, Mr. Hennart, the judge, discovered mold and called health inspectors.

Six months later, they showed up to conduct tests, then told him to wait until September for the results.

Infuriated, Mr. Hennart issued an order sealing the archives, risking trial delays. His one exception was allowing police to snag the cellphone, so long as they wore hazmat suits.

"As long as there is no real answer, we have to block the system—go on strike," he said.

Belgium's Buildings Agency, which oversees palace maintenance, says early test results indicate the fungus isn't dangerous to humans. The agency

says it will work out in the coming weeks when and how it will dry and salvage the objects and documents. Mr. Hennart says he's keeping the catacombs closed until work starts.

"I am but a tiny wheel in the machinery," he says, "but I am at war."

When the palace first opened its towering bronze doors, flooding sunlight into its cathedral-like atrium, "the instant reaction at the time was that it was going to be costly to maintain," says Johan Vanderborght, the buildings agency's spokesman. He says repairs today are slowed by cost, regulations and the palace's landmark status.

In the 1980s, when stones started falling from the facade, overseers wrapped its upper levels in scaffolding. It soon became clear the work would take years, so officials decided to buy the scaffolding, rather than rent it.

In 2003, workers finally removed some scaffolding to reveal the dome, regilded at a cost of roughly \$3.5 million.

In 2010, the scaffolding needed repairs and soon had its own scaffolding. Two years later, the government declared

to buy a separate section of rented scaffolding enveloping the building's block-long main entrance. The steel skeleton is needed because stonework behind it hasn't been maintained, creating a public danger, the Buildings Agency says.

In 2011, officials staged an architectural competition seeking ideas to repurpose the palace for commercial or cultural uses. Proposals included one suggesting the lower floors be replaced with a modernist cube.

No investors emerged. Last year, the government declared

the justice system would remain sole inhabitant of the palace and promised to restore its original grandeur. The aging building has also defied efforts to modernize its security. In 2009, five detainees escaped with help from armed accomplices who had entered undetected. In 2013, two men were convicted of attempting to destroy evidence the year before by starting a fire that took several hours to extinguish and caused more than \$200,000 in damage.

Filip Heyndrickx, an engineer overseeing security improvements, says he must contend with the palace's 80 exits and miles of corridors, which weren't conceived for high-security trials. Complicating work are some 2,000 staffers, judges, visitors and witnesses using the building daily.

Mr. Heyndrickx's team over recent years has modernized some holding cells, unblocked fire escapes, added video surveillance and installed metal detectors at two entrances. The rest are being secured or sealed. He says plans to move archives to drier, safer locations have been discussed for decades but documents and evidence remain in the damp recesses.

Sheets of wood cover holes engineers made last year to check the foundation's stability following underground subsidence that damaged sewer pipes. "The smell was pestilential and there were millions of flies," says Mr. Hennart.

One upside of the urban archaeology was discovery of original building plans signed by its architect. Mr. Hennart, his mood as soggy as his underground archives, is unimpressed: "The only thing missing is mummies."



BELGIUM'S BUILDINGS AGENCY

The Palais de Justice has loomed over Brussels since 1883.

LIFE & ARTS



HEALTH AND WELLNESS

Bargaining With Cancer Patients About Treatment

Surgeons borrowed techniques from Harvard Business School to help some prostate-cancer patients decide on treatment

BY LUCETTE LAGNADO

WHEN A DOCTOR and a patient discuss treatments, is it a conversation or a negotiation?

Surgeons at Memorial Sloan Kettering Cancer Center in New York are enlisting techniques taught at Harvard Business School to advise men facing tough decisions about prostate cancer.

Behfar Ehdaie liked giving his prostate-cancer patients hopeful news: While they had a low-grade version of the illness, they wouldn't need immediate treatment, let alone major surgery. Instead, they could be monitored through a process known as active surveillance. But Dr. Ehdaie, a surgeon at Sloan Kettering, found that many men insisted on having radical surgery or radiation—treatments that sometimes had devastating side effects.

"It was very frustrating," Dr. Ehdaie said. "They didn't see active surveillance as a viable option."

In recent years, a growing body of evidence indicates that men with low-grade early-stage prostate cancer don't need radical treatment, such as removing or radiating the prostate. The medical consensus is that active surveillance often is the appropriate treatment for small early tumors. Yet despite the data showing that this approach is safe, about 50% of eligible men don't get it either because they turn it down or their physicians don't embrace it. Medical experts say many men have been overtreated, as their cancers probably posed little immediate danger.

Dr. Ehdaie worried that too many patients were making the wrong decision. While surgery or radiation can be effective for early prostate cancer, potential side effects include sexual dysfunction, urinary incontinence and bowel problems.

Dr. Ehdaie confided his frustration to his research mentor and the two men decided to search outside the institution and even outside medicine for experts in behavioral economics and psychology.

"It was a very left-field idea to say let's use behavioral economics to help a doctor explain to a patient what is important," said Andrew Vickers, a biostatistician who advises Dr. Ehdaie on his research. "But we knew that this was a problem and that surgeons weren't dealing with it. Doctors often use the completely wrong words."

Dr. Ehdaie's wife, who has an M.B.A., thought an expert in negotiation theory might help. After hearing about a Harvard Business School professor named Deepak



Malhotra who specializes in tough negotiations, Dr. Ehdaie emailed him in December 2013.

Professor Malhotra says he was intrigued. He also believed that many doctor-patient conversations were in fact negotiations—and that doctors had no idea how to negotiate. He had co-authored an article with his brother, an emergency physician, in the Harvard Business Review about the need for doctors and hospitals to negotiate with patients to help them make better care decisions. The piece, published in 2013, said doctors and hospitals had "a dearth of negotiation skills and acumen."

The professor traveled to Manhattan in 2014 to observe Dr. Ehdaie with his patients. The two hammered out pointers adapted from negotiation theory that doctors could use. For example, Dr. Ehdaie, like many surgeons, would first tell newly diagnosed prostate-cancer patients about surgery as a treatment option, and then discuss radiation; he left active surveillance for last.

Professor Malhotra advised flipping the order. "Instead of going on and on about surgery, and then going on and on about radiation, you give the prominence and salience to active surveillance" he said. The rejiggering was critical to making surveillance—not surgery—the "default option."

It also was important to explain what active surveillance entailed. While the cancer is left untreated, patients follow a rigorous program of MRI's, tests and biopsies. Dr. Ehdaie told his patients he would see them every six months. But far from being reassured, patients



worried "the cancer could spread in six months."

Professor Malhotra advised reframing the time period. The doctor should emphasize that a patient's cancer was growing very slowly, if at all, and it would be safe for him to see them in about five years. But under active surveillance, he would examine them every six months—making some patients feel they were being closely monitored. Finally, Professor Malhotra advised giving patients a concise message to keep in mind when talking with family and friends who might "start questioning" the decision.

As Dr. Ehdaie changed his approach, he saw striking results. Nearly all his patients began accepting active surveillance and rejecting aggressive treatments.

continence and impotence, so it isn't a question" of an alternative without risk.

The Harvard Business School pointers have brought "more clarity and definition and concise thinking" to how doctors discuss these risks with patients, Dr. Scardino said.

In a report published in June in the journal European Urology, the Sloan Kettering team, along with Professor Malhotra, analyzed the decisions of 1,003 prostate-cancer patients eligible for active surveillance. When they compared 761 patients in a two-year period before the doctors were taught the Harvard methods, with 242 patients who were counseled with the business-school pointers, they found the percentage that chose active surveillance rose to 81% from 69%. In other words, there was a decrease of 30% in "the risk of unnecessary curative treatment." Even a "minimal intervention can decrease overtreatment," the paper concluded.

Richard Saler, a patient of Dr. Ehdaie who was diagnosed with low-grade prostate cancer in 2014, admits he is "a worrier" and was inclined to have surgery. "My mindset was 'Get it out, cut it out,'" he recalled. He spoke with Dr. Ehdaie and recalls when the doctor said, "I would be happy to do your surgery"—but he wouldn't advise it. After carefully reviewing the data on treatments, Mr. Saler chose active surveillance. Mr. Saler, who has an M.B.A., didn't realize his doctor was using classic negotiating tactics and said the conversations with Dr. Ehdaie "never feel like a negotiation."

"It is not supposed to feel like a negotiation," Dr. Ehdaie said. "You want to empower patients to make the best decisions for themselves." Professor Malhotra wrote about the experience with Sloan Kettering in a chapter in his book "Negotiating the Impossible."

James Eastham, chief of the urology service at Sloan Kettering, said his department incorporates Professor Malhotra's techniques. "Acceptance rates have increased significantly," he said. About 90% of eligible Sloan Kettering prostate-cancer patients now select active surveillance.

David Miller, a professor of urology at the University of Michigan in Ann Arbor, said Dr. Ehdaie is changing how doctors can talk to prostate-cancer patients. He wonders if the approach can work beyond Sloan Kettering. "The challenge is how do you bring Deepak Malhotra to care settings in rural parts of the United States," he said. "What happens at Memorial isn't necessarily what happens" in clinics across the country.

OPINION

REVIEW & OUTLOOK

Options for Removing Kim

North Korea conducted its sixth nuclear test on Sunday, detonating a bomb 10 times more powerful than its last test a year ago. The South Korean government says Pyongyang is also preparing its third test of an intercontinental ballistic missile. The tests underscore how much U.S. intelligence has underestimated the North's nuclear progress, which will soon make American cities vulnerable to attack.

The standard refrain of foreign-policy experts is that the world has no good options other than war or acquiescence. The policy default, repeated by the Trump Administration, is pleading with China to coerce North Korea into giving up its nuclear program, despite evidence that Chinese leaders don't want to help and Kim Jong Un may not take their orders.

A military strike has to be a last resort, because it might lead to a larger war that could kill tens of thousands in South Korea and Japan, including U.S. troops. But the U.S. does have other options. Washington can put severe pressure on North Korea and the Kim Jong Un regime. To understand how, take the standard tool kit of statecraft, sometimes summed up by the acronym Dimefil: diplomatic, information, military, economic, finance, intelligence and law enforcement.

• **Diplomatic.** The U.S. can put far more pressure on countries to cut or restrict ties with North Korea. While the regime preaches an ideology of self-reliance, it needs international ties to raise hard currency and source the raw materials and technology it needs.

• **Information.** Defectors are already sending information into the North about the outside world. The U.S. and its allies can expand that effort and encourage elites to defect or stage an internal coup.

• **Military.** Building up missile defenses and conventional forces will diminish the North's ability to use nuclear blackmail. Deploying tactical nuclear weapons to South Korea would make the threat to retaliate against a nuclear strike more credible.

• **Economic.** Donald Trump tweeted Sunday that the U.S. is considering sanctions against anyone who does business with North Korea. The regime uses networks of Chinese traders to evade sanctions and also to conduct more legitimate business. Applying sanctions to these networks could curtail the North's trade.

• **Financial.** The U.S. can cut off North Korea's access to financial intermediaries that conduct transactions in U.S. dollars. In June the U.S. applied secondary sanctions to the Bank of Dandong, a Chinese bank. Larger Chinese banks should suffer a similar fate if they continue to facilitate trade with North Korea.

Trump's Korean Trade Folly

A big problem with Donald Trump's protectionist trade agenda—and far from the only one—is that it contradicts his purported geopolitical goals. The latest example is Mr. Trump's threat, widely reported on the weekend, to withdraw from the U.S.-South Korea trade pact.

Mr. Trump has long opposed the deal with Seoul that was signed by George W. Bush in 2007, renegotiated at the margins by Barack Obama in 2010 and passed by a GOP Congress in 2011. The agreement, which reduced 95% of the tariffs on goods and opened the market for U.S. services, has been an economic boon to both countries. But Mr. Trump is fixated on the \$27.7 billion bilateral U.S. trade deficit in goods in

• **Intelligence.** The Proliferation Security Initiative begun under the George W. Bush Administration tracked and intercepted the North's weapons exports. The program could be enlarged to block other exports forbidden under United Nations sanctions.

• **Legal.** A U.N. Commission of Inquiry in 2014 reported evidence of human-rights abuses in the North's huge network of prison camps. China and Russia have shielded the Kim regime from prosecution at the International Criminal Court for these crimes against humanity. Pressure for accountability will further isolate the North and encourage elites to defect.

The North is especially vulnerable to pressure this year because a severe drought from April to June reduced the early grain harvest by 30%. If the main harvest is also affected, Pyongyang may need to import more food while sanctions restrict its ability to earn foreign currency. Even in a normal year, the North needs to import about 500,000 tons of grain.

While the regime survived a severe famine in the 1990s, today the political consequences of a failed harvest would be severe. More North Korean awareness of the outside world has fostered cynicism about the government, and about half the population is engaged in some form of private enterprise. Traders openly flout the laws because they bribe corrupt officials. The army was once the most desirable career path; now soldiers are underpaid and underfed. North Koreans will not simply accept starvation as they did two decades ago.

Withholding food aid to bring down a government would normally be unethical, but North Korea is an exceptional case. Past aid proved to be a mistake as it perpetuated one of the most evil regimes in history. The U.N. says some 40% of the population is undernourished, even as the Kims continue to spend huge sums on weapons. Ending the North Korean state as quickly as possible is the most humane course.

* * *

Ideally regime change would mean Korean reunification under the Seoul government. But Beijing is likely to resist that outcome, preferring to keep the North as a buffer state under its control. That would still offer North Koreans a better life and end the nuclear threat. We should send the message to coup plotters that as long as they give up their nuclear weapons and missiles they would not be punished.

The Trump Administration rightly refuses to accept North Korea as a nuclear power, but the U.S. and its allies have never used all of their options short of a military strike to stop that from happening. The U.S. could still bring down Kim Jong Un before he becomes a global nuclear menace, but time is running out.

2016, despite a \$10.9 surplus in services. The trade deficit is relatively small and economically meaningless in any event.

But even if you ignore the economic harm from unilateral U.S. withdrawal, the political damage would be worse. You don't have to be Henry Kissinger to see the folly of threatening a key ally economically at the same time you are asking that ally for support against North Korea's burgeoning nuclear-missile arsenal (see nearby).

Mr. Trump fairly criticizes South Korea for "talk of appeasement with North Korea," but why should the South trust the U.S. military commitment if an erratic U.S. President can't be trusted to keep a mere trade pact? The only winner would be the North's Kim Jong Un.

More Worker Visas for Less Government

The biggest American economic story these days may be the trouble employers are having finding workers. Friday's report of a modest gain of only 156,000 new jobs in August doesn't change that reality even though the jobless rate rose a tick to 4.4%.

There are many reasons for the worker shortage, including drug use among the young, the disincentive to work due to easier disability, and the skills mismatch between what employers need and what kids learn in poor K-12 public schools. But the shortage will increase if the economy grows faster, so it's good news that some in Congress have ideas to mitigate labor shortages in fields like construction and technology.

Senator Ron Johnson (R., Wis.) recently introduced a bill that would allow states to start visa programs for foreign guest workers that are currently managed by the federal government. The State-Sponsored Visa Pilot Program Act would allow for about 500,000 visas, with 5,000 for each state and the rest divvied up by population. The cap would be indexed to GDP growth. States would be free to decide which skill levels or industries would be eligible—and free not to participate in the program. Rep. Ken Buck (R., Colo.) is working on companion legislation.

Such visas might alleviate a shortage of farm hands in places like California's Central Valley, which is leaving millions in crops to rot unharvested even as employers are raising wages and offering benefits. In Sen. Johnson's Wisconsin, the unemployment rate is 3.2%, and manufacturers report thousands of openings. Wisconsin's boat industry is hunting for mechanics; a state vocational school in Ashland reports that

employers around the country are bidding for its graduates in marine mechanics.

The Johnson bill would permit workers to change employers, which would force companies to bid for workers. A worker who came from Canada or elsewhere wouldn't be eligible for welfare such as food stamps. Also included: Restrictions for states whose workers are routinely discovered as working illegally outside the sponsor state.

Legislators in Colorado (jobless rate: 2.4%) and Utah (3.5%) have in past years passed measures to start state worker programs, as a Cato Institute brief on the bill points out, though the federal government has refused to grant legal clarity. The American Action Forum's Jacqueline Varas reports that allowing state programs would create 900,000 to 1.2 million jobs—for American workers. Bringing in workers from abroad allows companies to grow and expand opportunities for U.S. citizens.

Another benefit would be political accountability. Voters could hold their governors and state legislators responsible for success or failure. The idea also concedes the reality that the labor market in Fort Wayne, Ind., differs from the one in Silicon Valley. States are better able to notice which industries need workers, and tailor the visa eligibility accordingly.

Congress has tied itself in knots for years over immigration because the Members insist on trying to move grand bills to settle every issue rather than discrete bills to address specific problems. The bills collapse of their own weight. Sen. Johnson's idea would be a good start in addressing the urgent problem of America's labor shortage.

A federalist plan to address the growing U.S. labor shortage.

OPINION

When the Truth Is Crazy



BUSINESS WORLD

By Holman W. Jenkins Jr.

Two things are intriguing about the "Trump is mentally ill" murmur that CNN's Brian Stelter, on his show "Reliable Sources," claimed is rife among the media.

Donald Trump's mental health is being questioned because he insists on saying a true thing about the violence in Charlottesville. Even the visible dismay on the faces of his own aides at his Aug. 15 press conference was there because he spontaneously reverted to the truth when they thought they had extorted his promise to refer only to the violence of the white-supremacist groups.

The other thing to notice is that "Trump is a liar," another favorite media theme (one with considerable validity), has had to be put on hold for the duration.

Mr. Trump is being diagnosed as crazy for insisting on an undisputed fact. Sociologically, this is interesting. A columnist of a more polemical bent might even make reference to the Soviet-era practice of condemning citizens to mental institutions for questioning the lies of the state.

This would be a cheap shot. Failure to conform, in any society, is treated in causal parlance as *prima facie* evidence of insanity. And the media, in any society, exist at least partly to enforce such conformity, not truthfulness.

Let me repeat: Many who enter the media profession do so because they have an extraordinary need to conform, to be seen conforming, to make others conform.

It is only a slight oversimplification to say there are two kinds of people in the world.

Call one Steven Mnuchin. He, with genuine perplexity, answered an open letter from his Yale colleagues by saying: "While I find it hard to believe I should have to defend myself on this, or the president, I feel compelled to let you know that the president in no way, shape or form, believes that neo-Nazi and other hate groups who endorse violence are equivalent to groups that demonstrate in peaceful and lawful ways."

Call the other Gary Cohn, who felt the need to proclaim his dismay that anybody would "equate" violent racists with peaceful protesters, though no one did, including Mr. Trump.

Now here's where we throw a curveball. There is a reason politicians constantly preach to themselves to stay "on message." The goal of political speech is always instrumental, to bend the game to your benefit, to minimize the opposition's opportunity to gain advantage.

LETTERS TO THE EDITOR

Private Internet Providers and Free Speech

Matthew Prince, CEO of Cloudflare, asks "Was I Right to Pull the Plug on a Nazi Website?" (op-ed, Aug. 24). His own writing makes the answer clear: No.

While the U.S. Constitution's First Amendment protections don't apply to private companies, the internet is an essential means for national (and world) discourse—political, commercial and social. It isn't possible to have freedom of speech today without freedom of speech on the internet.

Unfortunately, in order for democracy to flourish, that includes freedom for the reprehensible, like the Daily Stormer.

As a leader of one of the small cohort of companies with monopolistic power over the internet, Mr. Prince and his brethren must act *de facto* in accord with the First Amendment. If they refuse to do so—and Cloudflare's act of censorship is a clear violation—the government must either force them to comply or end their monopoly.

More than a century after the Sherman Antitrust Act targeted monopolies in restraint of trade, we now see the emergence of monopolies in restraint of thought.

Mr. Prince wants to play both sides. His act endears him to those who seek to conquer by censorship (and sometimes violence) rather than argument. On the other hand, his hand-wringing op-ed seeks to position him not as a knee-jerk leftist, but as a thoughtful centrist wrestling with complex issues.

"We're going to have a long debate at Cloudflare to think these issues over." Nonsense. All Mr. Prince needs to do is immediately restore the website and get out of the censorship business.

LAWRENCE BODENSTEIN
Bronx, N.Y.

Mr. Prince is laudably cautious about exercising control over the rights of others, but continuing to step up and make such difficult, sensitive decisions is necessary to secure the American people, their liberty, their institutions and their property both cyber and physical.

MARJORIE PARSONS
Brooklyn, N.Y.

I am Jewish, and so not a supporter of the Daily Stormer website. I am also well versed in American history and am a strong supporter of the First

Mr. Trump's failure to stay on what his staff, including Mr. Cohn, obviously think is the proper message in relation to Charlottesville has been costly. If Mr. Trump hoped to deliver tax reform, his chances seem slimmer now. If he hoped to build them rapport with Republicans and lead them to victory in the 2018 midterms, that also seems a mite less likely now.

Then again, does Mr. Trump really want these things? Did he really want to be president at all? These questions at the time made nominating him seem like a bad idea. Mr. Trump's purposes are not your purposes, Republicans. You forget this at your peril.

Trump is diagnosed with a severe case of conformity-resistance syndrome.

From the media, we still await an authoritative reconstruction of what happened in Charlottesville, but in the reporting so far the "Antifa" activists never have names and aren't quoted, whereas neo-Nazis and white nationalists babble freely to the press.

Either the Antifa types don't talk to the press, or the press makes no effort to talk to the Antifa types. Either way, it's especially weird in cases like last month's Boston riot or the melee in Berkeley, where the *sole or primary* actors were antifascist activists. Their alleged fascist enemies were few or nonexistent. In the Berkeley case, a pro-Trump rally had been canceled but Antifa actors showed up anyway and attacked whoever was handy.

The election of Mr. Trump was partly a fabulous accident, a fluky outcome of the Electoral College. His margin may well have been provided by the FBI and U.S. intelligence establishment's galling intervention in the Hillary Clinton email matter.

That said, this accident could have been met more constructively by Democrats and the media if they had been willing to build on Mr. Trump's basic nonattachment to party and his willingness to do deals to move the country forward.

Unfortunately another accident intervened: Russia. That Democrats and the media spent so much of his first months trying to paint Mr. Trump as a Russian agent needs to be explained: this theme hand-delivered to them by a U.S. intelligence establishment now trying to cover up its earlier Inspector Clouseau efforts to keep Mr. Trump out of the White House.

The true story of the Trump era will take a novelist, not a historian, to do it justice.

OSCAR ORRINGER
Duxbury, Mass.

Are internet-service providers and Web hosts "public accommodation" within the meaning of expansive federal and state law requiring private entities to sell goods and services to those with whom they disagree? We've seen this line of reasoning applied to florists, photographers and bakers by a number of states, with penalties in some cases running more than \$1 million. And in those cases there were acceptable alternative vendors nearby.

But if every website host decides to blackball a hateful group, there may not be any alternative. Given the increasing use of public-accommodation law to push favored political causes and silence those who disagree, we also should apply this to cases where it shuts down disagreeable speech.

CARY FULBRIGHT
San Francisco

Take yourself back 85 years when Hitler was rising with an ethos no different from those of the Charlottesville demonstrators. Would you hesitate to cut them off as a customer? I think not.

MIKE BAN
Chicago

Would a telephone company be right to refuse service to Occupy Wall Street? Would a credit-card purveyor be right to deny merchant accounts to Greenpeace? Would a car-sharing service be right to deny rides to Never Trumpers? Would a hotel be right to deny accommodations to Antifa? Would a property owner be right to refuse to sell to Black Lives Matter?

They are private companies selling a public product or service. Do they have the right to refuse service to anyone based on viewpoint?

Yes, Mr. Prince, they would all be wrong. And so are you.

A. JACKSON
Avila Beach, Calif.

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

OPINION

The American Spirit Is Alive in Texas



DECLARATIONS
By Peggy Noonan

Give Texas what it needs. It has endured a disaster without precedent. Washington must move quickly, generously. There should be no "The relief bill must be offset by cuts in federal spending." There should be no larding it up or loading it down with extraneous measures. This is an emergency.

This is no time to threaten government shutdowns. It's no time to be dilating on debt ceilings. This is the time to know as never before that everything that holds America together as a nation must be strengthened wherever possible, and whatever sinks us in rancor avoided and shunned.

'Hold the line,' Jim Mattis exhorted soldiers. In the face of a disaster, civilians are doing just that.

Give Texas everything it needs, and do it right quick.

Most Americans, including Texans, don't have more than a few hundred dollars in available savings. Most live close to the edge, paycheck to paycheck. Most homeowners in Houston don't have flood insurance. When they're lucky enough to get out of the shelter, they'll return to houses that are half-ruined—wet, moldy, dank, with no usable furniture—and with kids coming down with colds and stomach ailments from stress or from standing water that holds bacteria and viruses. It will be misery for months. When the trauma is over, there'll be plenty of

"You're a great example for our country right now. It's got some problems—you know it and I know it. It's

time for debate. Do we need to hold more in reserve for national disasters? Do local zoning laws need rethinking? All worthy questions—for later.

There is such a thing as tact. It has to do with a sense of touch—an ability to apprehend another's position or circumstances, and doing or saying the right thing. There is, believe it or not, such a thing as political tact. It too involves knowing the positions of others, and knowing what time it is.

Politicians, don't use this disaster to score points or rub your ideology in somebody's face or make your donors smile by being small, not big.

Give Texas what it needs. Keep the government up and running. Don't even consider doing otherwise.

* * *

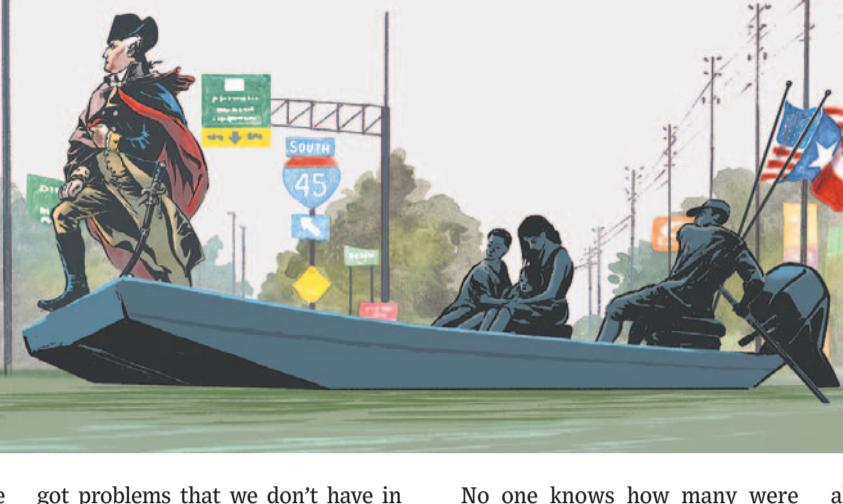
Now another subject, which ties back to Houston. A lot of people last week were saying, "You should see that Mattis speech." A frequent answer was: "I did. I play it over and over."

In August, probably in Jordan, Defense Secretary Jim Mattis had an impromptu meeting with what looked like a few dozen U.S. troops. Someone taped it. This is what Mr. Mattis said: "Hold the line."

"For those of you I haven't met, my name's Mattis," he began. "Thanks for being out here, OK? I know at times you wonder if any of us know... but believe me, I know you're far from home every one of you, I know you could all be going to college you young people, or you could be back on the block. [We're] just grateful...."

"The only way this great big experiment you and I call America is gonna survive is if we've got tough hombres like you.... We don't frickin' scare, that's the bottom line."

"You're a great example for our country right now. It's got some problems—you know it and I know it. It's



Lumbia Lakes a local man showed a reporter the homemade barrier he'd built to protect his neighbors in case the levee broke. He wasn't afraid: "We don't do drama."

On Facebook there was the story of the woman who went into labor while the waters quickly rose. Word spread through the apartment complex. Soon a huge, heavy truck made its way to her door. Neighbors formed a human chain to help her out. She got to the hospital and gave birth to a girl.

Christopher Serra
There were a lot of human chains. And often when they showed people being pulled from houses the families were all ethnicities and races, the whole American mix—black mamas, white papas, mixed kids, an Asian child.

On the national level America always sounds like a constant argument over race. On the local level, meantime, everybody has been happily integrating in the most personal possible ways.

A local TV station caught a young Catholic priest, a French Canadian assigned to a Houston parish, out in a kayak in heavy rain looking for people who could use a Mass. "I guess this is how the Americas were evangelized as well with a canoe," he said, "and this is a kayak. I hope that can bring a smile to a few people."

Noticing the TV cameras, he said: "I guess we're live. The Lord is alive, and the Lord is always with us as well."

And of course there was the Cajun Navy, from Louisiana, performing its own spontaneous Dunkirk. Texas had taken them in after Katrina. Now it was "Sam Houston, we are here."

We are a great nation. We forget. But what happened in Texas reminded us. It said: *My beloved America you're not a mirage, you're still here.*

If they'd done only that, they'd deserve whatever they need.

They held the line.

got problems that we don't have in the military. And you just hold the line, my fine young soldiers, sailors, airmen, Marines. You just hold the line until our country gets back to understanding and respecting each other and showing it, of being friendly to one another. That's what Americans owe to one another—we're so doggone lucky to be Americans."

He ended: "I flunked retirement, OK? Only reason I came back was to serve alongside young people like you, who are so selfless and frankly so rambunctious."

This was the voice of true moral authority, authority earned through personal sacrifice. Speeches like that come only from love.

But it was particularly poignant that Mr. Mattis's speech, with its refrain—"Hold the line"—spread so far and fast this week.

* * *

And so, to selfless and frankly rambunctious Texas:

If you gave just a few minutes to the news, you saw it all—the generosity and courage, the sense of community, of people who really care about each other. You saw the pontoons and air mattresses and bass boats and rowboats and pool floats in which people were rescued.

No one knows how many were saved or how many saved them. Every disaster at some point becomes a jumble, and people stopped counting. But surely tens of thousands were saved.

We all saw it, often live, on television and the internet because of excellent reporters and crews:

A mother with little children was marooned, the water in her home rising dangerously. "I didn't know who to call. I didn't know if it was going to be too late." Suddenly, there were men outside the house coming for her. "It was just an angel," she said as she wept from the back of their boat.

Houston Police Chief Art Acevedo honored Steve Perez, the 60-year-old cop who drowned in his patrol car. When Mr. Acevedo spoke to Perez's widow, she told him she'd begged her husband not to go in but he'd told her, "We've got work to do."

The chief told her: You know who he was, if he had to die, he wouldn't want it to be home in bed, he would have wanted it to be on the job and trying to help. "Because he has that in his DNA," said Mr. Acevedo.

On one channel they were looking for what they'd heard was a group of abandoned horses being led through the streets by a guy in a jet ski. In Co-

From Cicero to Trump, They're All in Plutarch's 'Lives'

By Rebecca Burgess
And Hugh Liebert

Thucydides has been enjoying quite the media moment, despite being dead for more than 2,400 years. Defense Secretary Jim Mattis and national security adviser H.R. McMaster have both been known to cite the Greek historian's "Peloponnesian Wars," which narrates the ancient conflict between Athens and Sparta. In May a group of staff at the National Security Council reportedly received a briefing from Graham Allison, who wrote a recent book about the "Thucydides trap." Not to knock Thucydides, but Washington should reconfigure its reading list. There's a better book for today's times: Plutarch's "Lives."

"They just don't come any better than old Plutarch," President Harry Truman told biographer Merle Miller after he'd left office. "He knew more about politics than all the other writers I've read put together. When I was in politics, there would be times when I tried to figure somebody out, and I could always turn to Plutarch, and 9 times out of 10 I'd be able to find a parallel in there."

Until fairly recently, the leading lights of Europe and America would have agreed. Plutarch's "Lives," which details the characters and careers of Greek and Roman men of action, were considered essential reading for citizens and statesmen. When the Founding Fathers clashed in political pamphlets, they wrote under names like Publius, Cato and Brutus. Alexander Hamilton was a huge Plutarch fan. So was his rival Thomas Jefferson, who recommended the "Lives" to several correspondents and made sure the University of Virginia had a copy.

For more than a century after America's founding, the classicist Meyer Reinhold has claimed, Plutarch's Lives was the country's most-read book after the Bible.

What made Plutarch so popular? He offered an education in civic vir-

tue, packaged in a way that was pleasant to read. Our closest translation of the Greek word for "life" used in the book's title is "biography," but it can also mean "way of life."

Plutarch's "Lives" offered both: It described each subject's actions and character from birth to death, providing models for the reader to emulate. Thanks to Plutarch's taste for the fine details that he says reveal "the signs of the soul in men," citizens of the new American republic could intimately know the legends of antiquity and shape their own souls accordingly.

Plutarch also wrote his lives in parallel: He paired Greeks and Romans, concluding each presentation with a short "comparison" that prodiced readers to decide which of the two was superior and in what respects. The point wasn't to show that the Greeks were better than the Romans or vice versa, but to reveal the character of the competitors and nudge readers to form judgments about virtue.

Consider one pairing: Pericles, the great Athenian general who lived around 450 B.C., and Fabius, the consul of the Roman Republic who came along about 200 years later. It's easy to admire both passively. Asking readers which of the two is better forces them to consider what exactly "better" means and how it applies to particular cases. Plutarch put his readers into the role of citizens casting a vote between worthy statesmen.

Plutarch did so, however, long after the ancient republics had declined. A citizen of the Roman Empire, he lived around A.D. 100 in the small Greek city of Chaeronea. He held local office and spoke with disdain of talented peers who decamped for careers in the metropolis. Fellow Greeks, he advised, should keep good relations with their Roman rulers, but not be too hasty to involve Rome in local affairs.

Plutarch worried that demagogues might elicit Roman intervention, and

thus he offered tips to fellow elites in how to oppose them. His "Lives" were meant in part to remind contemporaries what politics looked like before centralized Roman power

Truman said the essayist knew more about politics than all the other writers I've read put together.'

eclipsed the cities. If a man acts on behalf of the polis, Plutarch once wrote, he is not ignoble; on the contrary, his "attention to duty and zeal are all the greater when applied to little things."

Because Plutarch wrote at some remove from the lost world he depicted in his "Lives," some readers have found him unreliable and out of

touch. The British historian Thomas Macaulay wrote in 1828 that Plutarch and similarly earnest writers "conceived of liberty as monks conceive of love."

But Plutarch's distance from the preimperial politics he depicted was also an advantage. It allowed him to view the sweep of history, from the formation of the Greek cities to their subjugation, and from the mythical founding of Rome to the end of the Republic. Plutarch distilled it all into a curriculum of contests meant to stimulate civic virtue no matter the context of his readers.

Today statesmen are scouring Thucydides for some rule so timeless that it applies to modern America just as well as it did to ancient Greece. To the extent that any such rules exist, Thucydides is surely a worthy guide.

But Plutarch suggests that citizens and politicians need a different

kind of education. The goal is teaching them to practice good judgment and hone their ability to discern when a proposition holds true and when it does not.

Plutarch aspired to shape character, whether his readers were local leaders in small Greek cities or important officials in Rome's imperial hierarchy. He showed citizens how to admire and censure those in power, not to mention how to evaluate candidates for such positions.

Two millennia later, in an age of novel threats and rising dangers, they still don't come any better than old Plutarch.

Ms. Burgess manages the Program on American Citizenship at the American Enterprise Institute. Mr. Liebert is an associate professor of political science at the U.S. Military Academy and author of "Plutarch's Politics: Between City and Empire."

Catholics Can Welcome LGBT Believers

By Cardinal Robert Sarah

The Catholic Church has been criticized by many, including some of its own followers, for its pastoral response to the LGBT community. This criticism deserves a reply—not to defend the Church's practices reflexively, but to determine whether we, as the Lord's disciples, are reaching out effectively to a group in need. Christians must always strive to follow the new commandment Jesus gave at the Last Supper: "Love one another, even as I have loved you."

To love someone as Christ loves us means to love that person in the truth. "For this I was born," Jesus told Pontius Pilate, "to bear witness to the truth."

The Catechism of the Catholic Church reflects this insistence on honesty, stating that the church's message to the world must "reveal in all clarity the joy and demands of the way of Christ."

Those who speak on behalf of the church must be faithful to the unchanging teachings of Christ, because only through living in harmony with God's creative design do people find deep and lasting fulfillment. Jesus described his own message in these terms, saying in the Gospel of John: "These things I have spoken to you, that my joy may be in you, and that your joy may be full." Catholics believe that, with the guidance of the Holy Spirit, the church draws its teachings upon the truths of Christ's message.

Among Catholic priests, one of the most outspoken critics of the church's message with regard to sexuality is Father James Martin, an American Jesuit. In his book "Building a Bridge" he repeats the common criticism that Catholics have been harshly critical of homosexuality while neglecting the importance of sexual integrity among all of its followers.

Father Martin is correct to argue that there shouldn't be any double standard with regard to the virtue of chastity, which, challenging as it may be, is part of the good news of Jesus Christ for all Christians. For the unmarried—no matter their attractions—faithful chastity requires abstention from sex.

It's possible to stay faithful to the church's teachings without turning away millions.

This might seem a high standard, especially today. Yet it would be contrary to the wisdom and goodness of Christ to require something that cannot be achieved. Jesus calls us to this virtue because he has made our hearts for purity, just as he has made our minds for truth. With God's grace and our perseverance, chastity isn't only possible, but it will also become the source for true freedom.

We don't need to look far to see the sad consequences of the rejection of God's plan for human intimacy and love. The sexual liberation the world promotes doesn't deliver its promise. Rather, promiscuity is the cause of so much needless suffering, of broken hearts, of loneliness and of treatment of others as means for sexual gratification. As a mother, the church seeks to protect her children from the harm of sin, as an expression of her pastoral charity.

In her teaching about homosexuality, the church guides her followers by distinguishing their identities from their attractions and actions. First there are the people themselves, who are always good because they are children of God. Then there are

same-sex attractions, which are not sinful if not willed or acted upon but are nevertheless at odds with human nature. And finally there are same-sex relations, which are gravely sinful and harmful to the well-being of those who partake in them.

People who identify as members of the LGBT community are owed this truth in charity, especially from clergy who speak on behalf of the church about this complex and difficult topic.

It is my prayer that the world will finally heed the voices of Christians who experience same-sex attractions and who have discovered peace and joy by living the truth of the Gospel. I have been blessed by my encounters with them, and their witness moves me deeply.

I wrote the foreword to one such testimony, Daniel Mattson's book, "Why I Don't Call Myself Gay: How I Reclaimed My Sexual Reality and Found Peace," with the hope of making his and similar voices better heard.

These men and women testify to the power of grace, the nobility and resilience of the human heart, and the truth of the church's teaching on homosexuality. In many cases, they have lived apart from the Gospel for a period but have been reconciled to Christ and his church.

Their lives are not easy or without sacrifice. Their same-sex inclinations have not been vanquished. But they have discovered the beauty of chastity and of chaste friendships. Their example deserves respect and attention, because they have much to teach all of us about how to better welcome and accompany our brothers and sisters in authentic pastoral charity.

Cardinal Sarah is prefect of the Congregation for Divine Worship and the Discipline of the Sacraments.

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Matthew J. Murray
Deputy Editor in Chief

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MASTERPIECE: SIR JOHN SOANE'S MUSEUM

How an Architect Built a Collection

BY TOM L. FREUDENHEIM

SIR JOHN SOANE'S Museum in London does a better job of transporting us to the late 18th and early 19th centuries than most of that great city's more robust and equally venerable institutions. Sited on the north side of historic Lincoln's Inn Fields—London's largest public square—the museum is a multilayered magical ensemble: three connected townhouses designed by one of England's most famous architects and filled wall to wall and floor to ceiling with his varied collections: antiquities, furniture, painting, sculpture, architectural drawings and architectural models—over 40,000 objects in all. Perhaps its most important virtue is in reminding us of the intimate relationship of an accomplished, multitalented man with the environment he created for himself and planned to share with others.

The son of a bricklayer, John Soane was born in 1753 in a village near Oxford but began training as an architect in London by the time he was 15 years old. Within a decade he had become an award-winning student at the Royal Academy, using his traveling scholarship to embark on the Grand Tour—at that time a requisite rite of passage for young men of the upper classes, assuring them of a passing acquaintance with both classical antiquity and the Renaissance by exposing them to Rome and other important sites in Italy.

For Soane it was much more than a cultural initiation, providing the basis for both his architectural vision and his voracious collecting habits. No other single venue better expresses the centrality of the Grand Tour to British culture in Soane's time. The museum exemplifies the layered visual riches to which fortunate tour participants were exposed, and attests to the accumulation of art and other objects that Soane acquired with the help of friends he met during his two-year Italian sojourn. It was the beginning of a



IN THE MODEL ROOM, Soane's passion for architecture is on full display.

to the melange of disparate objects that Albert C. Barnes interspersed with the paintings in his eponymous suburban Philadelphia galleries a century later.

If the various living quarters (spaces for cooking, eating, sleeping, socializing, working) seem secondary, they also are chock-full of art, albeit more conventional yet wonderful paintings, watercolors and drawings, so that a tour of the three connected houses provides some insights into the ways in which early 19th-century nontitled Londoners

Expressing the Grand Tour's centrality to British culture.

collecting compulsion that occupied him for the rest of his life.

Soane purchased three houses—Nos. 12, 13 and 14 Lincoln's Inn Fields—between 1792 and 1823. Using them as both offices and living quarters, he demolished and rebuilt them over time. As a result, today's museum visit leads through a seductive series of passageways, staircases and rooms that are as complex and varied as the array of works on display.

Those looking for the psychological roots of Soane's compulsions might find them in the loss of two infant sons and the subsequent serious relationship and financial problems he had with the two sons

who survived. They suggest levels of anguish that may explain his acquisitive tendencies as much as the financial prowess he had achieved both from his own work as a successful architect and via his wife's considerable inheritance.

On the lower level of the museum, the Sepulchral Chamber houses the sarcophagus (1280 B.C.) of the Pharaoh Seti I, while the Catacombs hold a number of Roman funeral urns. The arrangement of sequential claustrophobic and double-height spaces is so crowded that it avoids feeling dour, suggesting an elaborate gothic sensibility ironically at odds with Soane's preference for the elegance of classically inspired Ital-

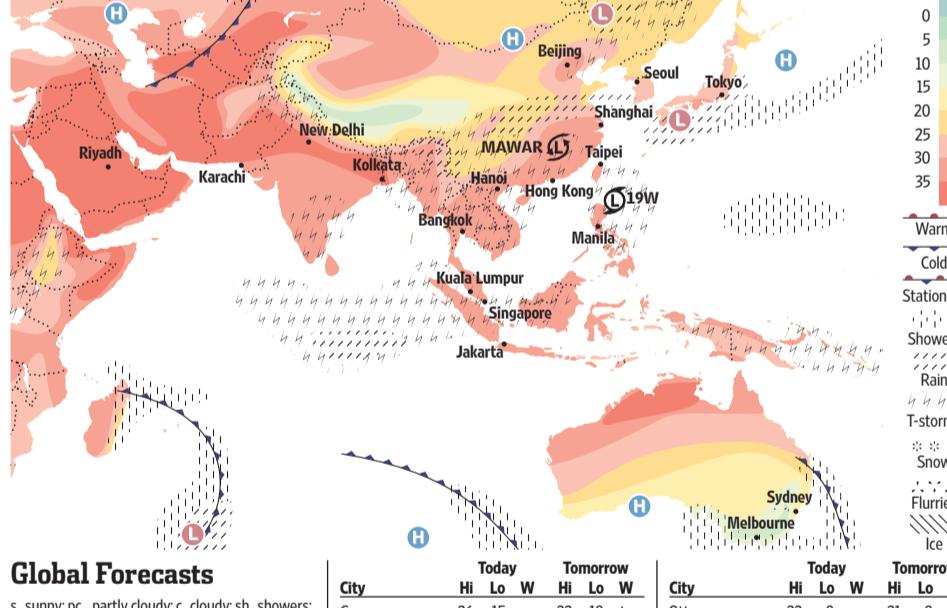
ian Renaissance tastes. We're never far from that Renaissance aesthetic, since copies and casts of famous antiquities (e.g., the Apollo Belvedere) sit amid a seemingly endless array of relief sculptures. A visitor's eyes dart around in all directions, trying to figure out the arrangement logic behind such a complex and layered assemblage. Soane's obvious intention to overwhelm with visual saturation remains fundamental and is intrinsic to any first impression of the museum. Yet ensembles of objects juxtaposed against each other, including works from antiquity through the Renaissance, reaffirm Soane as a discerning curator. There may well be an analogy here

lived. With over 30,000 architectural drawings in the collection (9,000 alone by Robert Adam), it's no surprise that a number of Soane's are also on view. And while the picture gallery here may be relatively small compared with that of contemporaneous grand London houses and stately country homes, it's no less remarkable, displaying some great paintings, including three delicious Canaletto Venetian scenes (once again reminders of the Grand Tour) and all eight of William Hogarth's "A Rake's Progress" canvases (1732-34)—themselves worthy of a museum visit.

John Soane arranged for an Act of Parliament that left his home to the nation following his death in 1837, with visitors to be admitted free of charge (but not in "wet or dirty weather")—an arrangement that continues to this day. More than a monument to a rich and presumably vain architect, Sir John Soane's Museum epitomizes the wonder of collecting and the joy of sharing one's riches.

Mr. Freudenheim, a former art-museum director, served as the assistant secretary for museums at the Smithsonian.

Weather



Global Forecasts

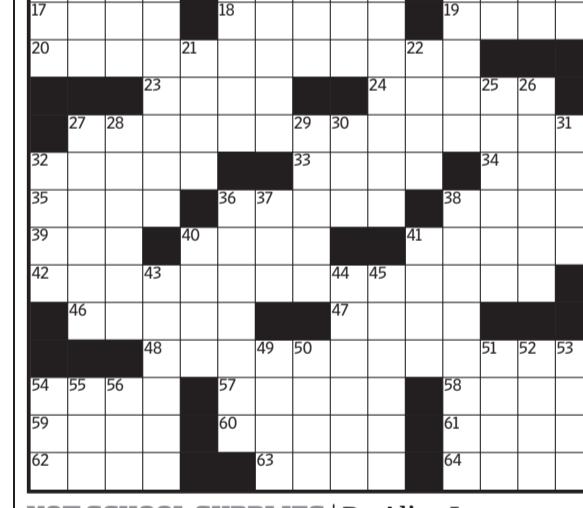
s...sunny; pc...partly cloudy; c...cloudy; sh...showers;

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

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	22	15	c	18	13	c
Anchorage	12	10	r	15	9	r
Athens	30	22	s	29	21	s
Atlanta	30	20	pc	24	14	t
Bahrain	47	27	s	47	29	s
Baltimore	31	20	pc	21	16	r
Bangkok	34	27	t	34	27	t
Beijing	30	18	c	31	16	s
Berlin	21	12	pc	19	11	t
Bogota	20	8	pc	20	9	pc
Boise	37	18	w	37	20	s
Boston	30	18	s	23	16	r
Brussels	23	14	c	17	11	c
Buenos Aires	17	10	c	17	11	pc
Cairo	36	23	s	34	23	s
Calgary	25	8	s	29	11	s
Caracas	32	24	pc	33	25	pc
Charlotte	32	19	pc	25	12	t
Chicago	22	9	c	19	11	t
Dallas	35	20	pc	29	17	s
Denver	22	10	pc	27	11	s
Detroit	23	11	c	20	9	pc
Dubai	41	31	s	41	33	s
Dublin	17	10	pc	17	11	pc
Edinburgh	17	9	r	16	9	pc
Frankfurt	24	15	pc	21	10	pc

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Geneva	26	15	p	22	10	t
Hanoi	33	27	t	33	26	t
Havana	31	23	pc	32	23	pc
Hong Kong	32	27	c	31	27	pc
Honolulu	30	22	pc	31	23	pc
Houston	33	23	pc	30	17	pc
Istanbul	26	18	s	26	19	s
Jakarta	33	23	t	32	25	pc
Johannesburg	22	9	pc	26	10	s
Kansas City	24	9	pc	22	10	s
Las Vegas	41	27	pc	38	26	pc
Lima	20	15	pc	20	16	pc
London	21	12	pc	19	11	pc
Los Angeles	29	20	pc	29	19	pc
Madrid	33	19	s	33	16	pc
Manila	31	25	r	32	25	pc
Melbourne	12	7	sh	13	8	sh
Mexico City	21	14	t	21	14	t
Miami	32	27	t	33	27	t
Milan	28	15	s	29	17	pc
Minneapolis	18	9	pc	19	10	pc
Monterey	29	20	pc	29	19	pc
Montreal	22	12	c	22	13	sh
Moscow	15	11	r	16	11	r
Mumbai	31	25	c	31	26	sh
Nashville	25	14	t	23	11	pc
New Delhi	35	27	s	34	26	t
New Orleans	31	23	t	29	20	s
New York City	30	20	pc	21	17	r
Omaha	23	9	pc	22	9	s
Orlando	33	23	t	33	24	t
Zurich	24	14	pc	21	9	t

The WSJ Daily Crossword | Edited by Mike Shenk



NOT SCHOOL SUPPLIES | By Alice Long

Across	Down
1 Courage	27 Dictators
5 Prayer ender	32 Terrific time
9 House, to Javier	33 Scott Turow book
13 Workplace watchdog org.	34 Band booster
14 Boggy areas	35 ___ concern (unimportant)
16 The yoke's on them	36 Wrote bad checks
17 Lusty look	38 Vivacious style
18 Pizzeria serving	39 Gun owners' org.
19 Well-ordered	40 Reasonable
20 Pocketknives, humorously	41 Cold shower?
23 Out of the wind, nautically	42 Identifiable DNA sequences
24 Hot room at the spa	44 Niels Bohr and Tycho Brahe, for two
	45 Pot boosters
	46 Obligation
	47 Principal

► Solve this puzzle online and discuss it at WSJ.com/Puzzles.

- 4 With 11-Down, area between the Azores and the Caribbean
- 30 End for ethyl or methyl
- 31 Catch sight of
- 32 Big Ben sound
- 33 German emperors
- 34 Corp. abbr.
- 35 Is inconspicuous
- 36 Leisurely pedestrian
- 37 Flight part
- 38 Tattoo artist's canvas
- 39 Boundaries
- 40 Lieutenant's subordinate
- 41 Old Italian coin
- 42 Casualness
- 43 Annoy
- 44 "Citizen Kane" prop
- 45 Pop
- 46 Psychology subject
- 47 Split base
- 48 Burner setting

Previous Puzzle's Solution	
MUSTDO	AIDA
ETCHER	CRUX
CHESE	TRADE
CENT	BLACKTIDE
GAIT	LORELEI

BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Tuesday, September 5, 2017 | B1

Yen vs. Dollar 110.1200 ▲ 0.13%

Hang Seng 27953.16 ▼ 0.06%

Gold 1324.50 ▲ 0.63%

WTI crude 47.29 ▲ 0.13%

10-Year JGB yield 0.0003%

10-Year Treasury yield 2.157%

Beijing Bans Initial Coin Offerings

By CHAO DENG

BEIJING—Chinese authorities banned a type of fundraising using cryptocurrencies like bitcoin, dealing a blow to startups and other businesses that seized on the relatively new method of raising capital.

China's central bank, cyberspace administration and banking, securities and other regulators Monday declared what are known as initial coin offerings illegal and ordered fundraising activities to "cease immediately."

The ban wasn't a surprise for the industry, coming after

a financial-technology industry association last month called for more stringent regulation of initial coin offerings, or ICOs. In recent days, authorities ordered inspections of ICO platforms, according to a document reviewed by The Wall Street Journal, and a handful of those platforms said they would stop providing services for the offerings.

Even so, prices for bitcoin and ethereum, two digital currencies that Chinese investors have pumped into ICOs, tumbled late Monday after the ban, falling as much as 5% and 17%, respectively.

The government move should "help cool down the market and sweep away bad actors," said Jehan Chu, whose cryptocurrency hedge fund Kenetic Capital has in-

Chinese regulators have waged a multifront campaign against financial risks this year, after a rapid run-up in corporate debt and a proliferation of new, risky investment

that will reshuffle senior portfolios.

Virtual currencies have been among Beijing's targets in its campaign against financial risks.

vested in Chinese ICOs. He said he hoped regulators would allow some forms of digital currency financing later. "I don't think they're trying to kill it."

products, often sold to individual investors via the internet. Scrutiny from Beijing is rising as Chinese leaders count down to a Communist Party congress next month

Please see COIN page B2



Joe Jimenez, CEO since 2010.

Jimenez To Step Down at Novartis

By DENISE ROLAND

Novartis AG Chief Executive Joe Jimenez is stepping down in January after leading the Swiss pharmaceutical company through a tumultuous eight years marked by expired patents and intensifying scrutiny on drug pricing in the U.S.

He will be succeeded by Vas Narasimhan, Novartis's global head of drug development and chief medical officer.

Mr. Jimenez, 57 years old, joined the company in 2007 and became its CEO in 2010. He will remain available to Novartis in an advisory capacity until the end of August next year, when he will retire, the company said.

He presided over the patent expirations of Diovan for hypertension and cancer drug Gleevec, both of which generated several billion dollars annually at peak. When a drug patent expires, cheaper copycats can enter the market, sharply eroding sales.

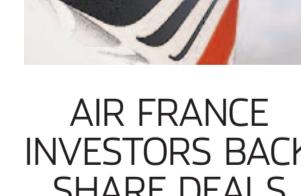
To replace that lost revenue, Mr. Jimenez bet on a series of would-be blockbusters that have met with mixed success.

Cosentyx, for certain rheumatological conditions and psoriasis, generated annual revenue of \$1.1 billion last year, having been launched in 2015.

But Mr. Jimenez's other big bet, Entresto for heart failure, was met with resistance from doctors reluctant to switch patients onto a new drug, as well as reimbursement barriers from insurers. That is changing as doctors gain more experience with Entresto and insurers gradually adopt more permissive policies, but those initial hurdles have hampered the drug's growth. Although Novartis launched Entresto shortly after Cosentyx, the heart drug's 2016 revenue

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INSIDE



AIR FRANCE INVESTORS BACK SHARE DEALS

BUSINESS NEWS, B3



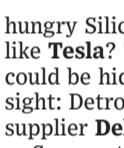
BLACKROCK'S CROSS-SELLING PUSH

MARKETS, B8

HEARD ON THE STREET

By Stephen Wilmot

Delphi May Be Target For a Tech Takeover



Looking for a play on the future of the car without taking a punt on a cash-hungry Silicon Valley venture like Tesla? The smart option could be hiding in plain sight: Detroit-based parts supplier Delphi Automotive.

Spun out of General Motors in 1999 and radically trimmed during a bankruptcy process between 2005 and 2009, Delphi has had a rocky history even by automotive-industry standards. Perhaps this explains the current management team's attention to future-proofing the portfolio. Having sold its low-growth air-conditioning unit in 2015, in May it announced a split: Delphi's engine-focused powertrain business will be spun off to investors as a separate listed entity.

Management expects sales at this "SpinCo" to grow by about 5% a year for the next couple of years. Engines need to be increasingly sophisticated to meet ever more exacting emissions standards, and car makers will apply lots of hybrid approaches before fully electric vehicles, which don't have engines, become the norm.

But electric cars still pose a long-term existential challenge to the SpinCo, and the uncertainty surrounding the pace of transition may limit the multiple at which it trades. This is a key reason for the spinoff, which will leave behind a company focused entirely on electric systems and software.

This "RemainCo" should then act as a good proxy for developments in automotive

Please see HEARD page B2

For U.S., Delay on the Launchpad



A United Launch rocket in Cape Canaveral, Fla. United Launch, the Pentagon's chief rocket supplier, uses some Russian-built engines.

Pentagon puts off plan to switch away from rocket engines provided by Russia

By ANDY PASZTOR

Technical and funding challenges will force the U.S. Defense Department to rely on Russian-manufactured rocket engines at least through the middle of the next decade, several years longer than originally anticipated.

Despite bipartisan demands from Congress to quickly phase out the RD-180 engines on national-security grounds, it is proving harder than many lawmakers expected to secure an equally reliable domestic replacement. Government and

Launch Alliance, the Pentagon's primary rocket provider, likely will continue flying some 1990s-vintage Atlas V boosters with Russian-built engines through 2024 or 2025.

Other people familiar with the details said United Launch—a joint venture between Lockheed Martin Corp. and Boeing Co.—might have to extend the timeline as far out as 2028.

The delay raises the question of whether the U.S. military will have to use more of the Russian engines amid tensions between the nations. It also has crucial implications for the cost and timing of Pentagon space programs, the health of the military-industrial base and the growth of the commercial space sector.

Gen. David Goldfein, the Air Force chief of staff, told law-

makers earlier this year that replacing RD-180s "as soon as possible" has to be balanced with two other pressing, sometimes conflicting priorities: maintaining access to space and promoting competition among launch providers.

United Launch, entrepreneur Elon Musk's Space Exploration Technologies Corp., and commercial startup Blue Origin LLC—founded and run by Amazon.com Inc. Chief Executive Jeff Bezos—are racing to develop their own versions of less-costly, more-capable rockets using only U.S.-made engines. The outcome of that competition partly depends on how quickly United Launch is able to pivot away from the more expensive Atlas V and the RD-180 engines that power its lower stage.

The Russian engines blast

most U.S. Air Force communications and navigation satellites into orbit. Launches of Falcon 9 rockets built by SpaceX, as Mr. Musk's company is called, start at less than \$83 million for the military, more than 40% below typical United Launch prices.

The Boeing-Lockheed venture expects to have a new engine fully tested by 2019 and a replacement rocket, called Vulcan, certified to carry Pentagon payloads by 2022 or 2023. But a spokeswoman for United Launch said some Atlas V missions are slated to continue beyond that point, at least through the mid-2020s, until Vulcan demonstrates its dependability.

That is much later than what many lawmakers and industry officials envisioned

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'It' May Signal a Box-Office Revival for Hollywood

By BEN FRITZ

Coming off its worst summer in more than a decade, Hollywood is looking to a movie with scarily good buzz to shake off its slump.

"It," a new adaptation of Stephen King's 1986 horror novel, debuts this Friday and is expected to break records. Prerelease surveys indicate it could make \$70 million or more during its opening weekend in the U.S., people who have seen the data said. The prior record for an opening in September, typically the slowest month of the year at the box office, was \$48.5 million for the animated "Hotel Transylvania 2" in 2015.

Fandango reports "It" is generating the highest pre-sales ever on the online-ticketing service for a horror film or a September release.



Horror film 'It' is expected to break records this weekend.

Movie studios and cinema chains are eager for a hit after a summer that included several big-budget flops, including "The Mummy," "Transformers: The Last Knight" and an adaptation of Mr. King's

"The Dark Tower." Total box-office receipts in the U.S. and Canada were \$3.8 billion between May and Labor Day, the lowest total since 2006, according to comScore, a media analytics company.

Summer ended on a particularly dismal note, as studios didn't release any new movies nationwide over Labor Day weekend for the first time since 1998.

Some in Hollywood thought a turnaround might not come until November's "Justice League" or December's "Star Wars: The Last Jedi."

Few suspected a turnaround would start this week with "It," a story about seven children who are terrorized by a supernatural clown who carries a red balloon.

The movie has a long history at Time Warner Inc.'s Warner Bros., which started development in 2009. After an early draft that attempted to compress the 1,000-plus-page book into one script was deemed overly ambitious, the studio put the project on hold. Then in 2012, Warner hired

Cary Fukunaga, best known for HBO's "True Detective" and Netflix Inc.'s "Beasts of No Nation," to co-write and direct. He divided "It" into two films, the first of which would feature its main characters as children.

Mr. Fukunaga was so enthusiastic that in 2014 he had an actor dress up as a clown to deliver his draft of the script to top executives at the studio, with fake blood on the cover and a red balloon attached, people with knowledge of the matter said.

But just three weeks before he was to start shooting in 2015, executives at Warner's New Line Cinema division shut down production on "It" due to creative differences with Mr. Fukunaga. The studio wrote off about \$4 million it had spent on preproduction,

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BLACKROCK'S CROSS-SELLING PUSH

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Bitcoin prices dropped after China banned initial coin offerings.

COIN

Continued from the prior page taken off.

Akin to crowdfunding, an ICO involves a firm, usually a business associated with the digital-currency sector, issuing tokens that investors can buy with digital currency and can one day exchange for a product or service. Celebrity endorsements of coin offerings, including by boxing champion Floyd Mayweather, have helped promote such fund raisings in the U.S., which doesn't have set rules on ICOs.

While no official fundraising figures are available, New York-based research firm Smith & Crown estimated that coin offerings this year had raised more than \$1 billion as of early July.

In China, businesses raised 2.6 billion yuan (\$397 million) in the first half of the year, according to a survey by the National Committee of Experts on the Internet Financial Security Technology, an industry group. It said that 90% of the fundraising was done through bitcoin and ethereum, and that more than 100,000 individual partici-

pants were investing in the ICOs.

The piling in of retail investors has prompted entrepreneurs in the virtual-currency sector to sound the alarm about a bubble. The National Internet Finance Association, a Chinese industry group backed by the central bank, warned last month about the potential for fraud, illegal fundraising and misleading advertisements.

Monday's ban on ICOs damps the climate for innovation in what had been a rapidly evolving corner of China's virtual-currency space, said investors, analysts and executives.

Authorities in charge of overseeing risk in the country's internet-finance industry have marked 60 domestic ICO platforms for inspection.

Two major Chinese platforms specializing in ICOs have already discontinued fundraising services, while a planned September summit in Beijing that sought to attract entrepreneurs from around the world to discuss technologies related to virtual currencies has now been canceled by organizers.

—Grace Zhu and Yifan Xie contributed to this article.

ognized title, which many know from a 1990 television miniseries also produced by Warner Bros., combined with its distinctiveness from the bigger-budget franchise films of the summer.

Some people close to the picture also think it is getting a boost from similarities to last year's Netflix hit "Stranger Things," which was itself inspired by "It."

Confident the movie will be a success, New Line already has a writer working on a follow-up that adapts the rest of the book in which the main characters are adults.

"It" might not be the only hit this month. Prerelease surveys also indicate interest is robust for two movies opening on Sept. 22: action sequel "Kingsman: The Golden Circle" from 21st Century Fox Inc.'s Twentieth Century Fox, and Warner's animated "The Lego Ninjago Movie."

according to a person with knowledge of the matter.

Within two months, New Line hired Andy Muschietti, who made the horror film "Mama," to direct. The film was shot in 2016 with no big-name stars and a budget of \$35 million, reflecting the studio's relatively modest expectations.

The first signs that "It" would be a breakout came in March, when a trailer set a record with 197 million global views on its first day online. Warner's advertising campaign since then—including a longer trailer, footage at Comic-Con and a "haunted house" in Los Angeles—has emphasized the scares but shown only glimpses of its evil clown.

The movie appears to be benefiting from a widely rec-

BUSINESS & FINANCE

ENGINES

Continued from the prior page three years ago, when Congress began wrestling with the problem of phasing out Russian hardware. The move was prompted by the Kremlin's annexation of Crimea and foreshadowing of civil war in eastern Ukraine.

Originally, Air Force generals and Pentagon brass said the switch to all-domestic boosters could be completed as soon as 2020. United Launch said it intended to cut development time to "half the normal span" of nearly a decade. Since then, costs and engineering hurdles have steadily stretched that timetable, even as military leaders continue to warn Congress about the hazards of prematurely cutting off Atlas V missions. At all times, the Pentagon wants a minimum of two separate rocket families for guaranteed access to space.

As recently as June, Sen. Richard Shelby (R., Ala.), a United Launch supporter, grilled Air Force generals about why a domestic alternative wouldn't be possible in two or three years.

Developing and test flying such a powerful new engine historically has cost about \$1 billion, with a price tag of roughly three times that much for an entirely new rocket and enhanced ground-support systems. Excluding engine-development costs, launch spending is expected to eat up nearly half of the Air Force's total 2018 procurement budget of roughly \$3.4 billion for unclassified space programs.

For United Launch, it isn't clear what portion of development costs the Pentagon will cover, or whether Boeing and Lockheed will keep the effort on track. United Launch has said it is determined to cut costs and has made good engineering progress.

SpaceX is four years late flying a much bigger derivative of its current Falcon 9 rocket, called the Falcon Heavy, powered by 27 engines that create huge technical hurdles. The maiden launch is now scheduled for late 2017. Mr. Musk said earlier this year that because of structural issues raised by the number of engines, it "ended up being



A model of a Russian RD-180 rocket engine at a Moscow metro station exhibition in 2015.

Accords Tried to Prevent Rogue Marketing of Space Technology

U.S. dependence on Russian rocket engines stretches back more than two decades, to an era when Washington and Moscow reached historic agreements to prevent proliferation of space technology after the Soviet Union's collapse.

In 1995 **Lockheed Martin** Corp. kicked off a joint venture with Russian entities to offer launch services to commercial-satellite operators world-wide.

The U.S. company provided marketing and overall management expertise, while Russians supplied Proton rockets, launchpads and industrial support.

After years of negotiations, both sides sought to keep Russian scientists and engineers, along with their secrets, away from regimes hostile to both nations. "What we feared and urgently attempted to prevent was the rogue marketing of space technology to new aspirants for power and prestige," Mark Albrecht, who played a big role in

the negotiations as a White House policy maker and then a Lockheed official, recounted in a book afterward.

In a separate deal, Lockheed in the mid-1990s opted to use kerosene-fueled RD-180 engines—renowned as inexpensive and reliable Russian workhorses—to power its newly designed Atlas V rocket serving the Pentagon.

Early on, there was discussion of setting up a U.S. assembly line for RD-180s. But the projected price tag of tens of millions of dollars was a major obstacle. When Lockheed and **Boeing** Co. formed a rocket-making joint venture in 2006 to keep a lid on costs, the Pentagon effectively eliminated all previous mandates for domestic production.

Without fanfare, the RD-180 pipeline remained filled. "The success of the program caused an overreaction" because "research and develop-

ment funding for space engines dried up in the U.S.," said George Torres, a veteran industry official and author specializing in space.

Yet senior Lockheed officials grew worried about fraying corporate relationships—and steadily growing financial exposure—involving their Russian partners, according to a person familiar with the details. Weary of bickering over accounting issues and unable to track revenue, the U.S. aerospace company in 2006 pulled out of the original satellite-launching joint venture with Russia.

Lockheed's board acted once it realized the company confronted roughly \$1 billion in potential liabilities to fulfill launch contracts, the person said.

Nonetheless, RD-180 engines continued to stream unrestricted into the U.S. for another decade, until Russia's invasion of Crimea in 2014.

—Andy Pasztor

way harder to do Falcon Heavy than we thought."

Part of a Blue Origin rocket exploded on the ground earlier this year, delaying development of a new, methane-fueled engine the company plans to use itself and hopes to sell to United Launch.

Blue Origin officials say they have duplicate hardware

to alleviate testing delays.

The spokeswoman for the joint venture said it has 22 contracts for Atlas V launches, not all of which are military, and has "more than 30 engines" either on hand or in the pipeline from Russia. "We have enough engines to satisfy the potential national-security space missions in the out

years," she said.

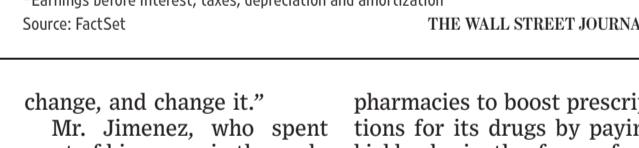
But other industry officials involved in discussions with lawmakers and Pentagon officials say they are bracing for a potential engine shortage. Ultimately, the U.S. "probably (is) going to have to buy more Russian engines," according to a senior official familiar with the details.

spin and has continued to rise since. The valuation boost inherent in the deal, which will likely close early next year, is now probably priced in. If the

SpinCo ends up at an earnings multiple similar to that of powertrain specialist **BorgWarner**, while the RemainCo is rerated in line with elec-

Fork In the Road

Forward enterprise value/ebitda* ratios



*Earnings before interest, taxes, depreciation and amortization

Source: FactSet

tronics group **TE Connectivity**, the two companies' combined enterprise value would be about \$29 billion, in line with Delphi's current valuation.

Yet this back-of-the-envelope calculation may underestimate the upside to come at the RemainCo. An electronics company focused almost purely on rapidly digitizing automotive applications will be a real rarity, with appeal not just to thematic investors but also to corporate buyers. As the acquisitions of Mobileye by Intel and infotainment specialist **Harman** by Samsung over the past year have shown, big tech wants a piece of the car industry. Without the burden of its engine business, Delphi could become its next takeover target.

change, and change it."

Mr. Jimenez, who spent most of his career in the packaged-goods industry before joining Novartis in 2007, ushered in a period of heightened cost-consciousness at the drug giant by gathering the company's back-office operations into a single unit.

He also slimmed Novartis down, following a period of intense consolidation by his predecessor Daniel Vasella. In 2014, Mr. Jimenez struck deals to unload Novartis's animal-health unit and most of its vaccines business to Eli Lilly & Co. and GlaxoSmithKline PLC, respectively. In the same raft of deals, Novartis bought Glaxo's marketed cancer drugs and the pair pooled their consumer health-care divisions, which make pharmacy staples like over-the-counter remedies, into a joint venture controlled by the U.K. drugmaker.

Novartis is in the midst of a strategic review of its struggling eye-care unit, Alcon. Mr. Jimenez told reporters he planned to complete that review, which could result in spinning off the business, before he steps down.

Mr. Jimenez's tenure hasn't been without controversy. In 2015, Novartis paid the U.S. Department of Justice \$390 million to settle allegations that it had induced specialty

pharmacies to boost prescriptions for its drugs by paying kickbacks in the form of rebates.

Earlier this year, South Korean authorities fined Novartis 200 million won (\$176,900) and banned the company from selling certain drugs for three months for allegedly paying kickbacks to promote sales of its medicines. Novartis accepted the decision but said the actions of the South Korean staff in question weren't sanctioned by the company's higher management.

Joe Jimenez has been credited with rejuvenating the firm's drug pipeline.

chief medical officer. He will become CEO on February 1 next year.

Mr. Reinhardt said Dr. Narasimhan's medical background combined with his "significant experience managing the interfaces between research and development and commercial units" made him the right choice to succeed Mr. Jimenez.

Among his biggest challenges will be ensuring the success of Entresto and other new drugs amid growing pressure from cost-conscious health insurers in the U.S. "Novartis has been productive in R&D over the last few quarters, but this does not necessarily automatically warrant commercial success," said **UBS** analyst Michael Leuchten in a note to clients Monday morning.

Dr. Narasimhan told reporters it was too soon for him to comment on the next phase of the company.

Mr. Jimenez, who as CEO has been based in Basel, Switzerland, said he planned to move back to California, where he is from, with an eye to taking up a role in Silicon Valley.

"It's too early to say [what I will do next], but I've always been incredibly interested in the intersection between biology and technology," he told reporters.

MOVIE

according to a person with knowledge of the matter.

Within two months, New Line hired Andy Muschietti, who made the horror film "Mama," to direct. The film was shot in 2016 with no big-name stars and a budget of \$35 million, reflecting the studio's relatively modest expectations.

The first signs that "It" would be a breakout came in March, when a trailer set a record with 197 million global views on its first day online. Warner's advertising campaign since then—including a longer trailer, footage at Comic-Con and a "haunted house" in Los Angeles—has emphasized the scares but shown only glimpses of its evil clown.

The movie appears to be benefiting from a widely rec-

ognized title, which many know from a 1990 television miniseries also produced by Warner Bros., combined with its distinctiveness from the bigger-budget franchise films of the summer.

Some people close to the picture also think it is getting a boost from similarities to last year's Netflix hit "Stranger Things," which was itself inspired by "It."

Confident the movie will be a success, New Line already has a writer working on a follow-up that adapts the rest of the book in which the main characters are adults.

"It" might not be the only hit this month. Prerelease surveys also indicate interest is robust for two movies opening on Sept. 22: action sequel "Kingsman: The Golden Circle" from 21st Century Fox Inc.'s Twentieth Century Fox, and Warner's animated "The Lego Ninjago Movie."

The movie appears to be benefiting from a widely rec-

BUSINESS NEWS

Air France's Investors Back 2 Deals

Delta, China Eastern each plan to acquire minority stakes in the Franco-Dutch carrier

By ROBERT WALL

Air France-KLM shareholders on Monday backed Delta Air Lines Inc. and China Eastern Airlines Corp. taking minority stakes in the Franco-Dutch airline to strengthen the partnership among three of the world's biggest carriers.

Delta said in July that it planned to acquire a 10% stake in Air France for €375 million, valued at the time at roughly \$437 million, as the longtime partners aim to strengthen their position on the lucrative trans-Atlantic market. China Eastern, a Delta partner in China, also would buy 10% of Air France. The two carriers plan to spend a total of €751 million to acquire the stakes.

A large majority of Air France-KLM voting shareholders backed issuing the new shares to Delta and China Eastern at a general meeting in Paris.

Air France and Delta have been trans-Atlantic partners since 1999, predating the French airline's merger with KLM Royal Dutch Airlines in 2004. The airlines received U.S. antitrust immunity in 2009 to coordinate fares and schedules and share revenue. Such immunity is the closest thing to a merger allowed under U.S. and European rules that limit foreign shareholding in airlines.

Air France-KLM Chief Executive Jean-Marc Janaillac told shareholders the deals would strengthen the carriers' control over trans-Atlantic flights. The transactions would also help strengthen Air France-KLM's balance sheet by reducing debt, he said.

Shareholders also backed



Air France-KLM Chief Executive Jean-Marc Janaillac expects the deals to strengthen the carriers' control over trans-Atlantic flights.

giving Delta and China Eastern each a representative on the Air France-KLM board.

As part of the deals, Air France said in July that it was taking a 31% stake in Virgin Atlantic Airways Ltd. from majority owner Richard Branson's Virgin Group Holdings Ltd. for £220 million (\$285 million). Delta already owns

49% of Virgin Atlantic. Air France said it has a put option to sell back the shares should that become necessary because of Britain's decision to leave the European Union. Foreign ownership in airlines is generally tightly regulated, though uncertainty remains over those limits in Britain after Brexit.

The transactions still require regulatory approvals. The airlines expect the equity investments to be concluded next year.

The French state's stake in Air France-KLM will shrink to 14.1% from 17.6% through the transactions.

The equity investments are part of a wider push among

airlines to work together more closely amid continued regulatory blocks to most cross-border mergers. Qatar Airways has become the largest shareholder in British Airways parent International Consolidated Airlines Group SA. United Continental Holdings Inc. has a 5% stake in a low-fare Brazilian carrier.

Kroger Seeks to Defend Its Turf

By HEATHER HADDON

Kroger Co. is looking for a sales bump to show investors and analysts it can withstand Amazon.com Inc.'s rapid advance in the grocery business.

Shares in the nation's largest supermarket by store count and sales have slid 35% this year, erasing more than \$7 billion in value. Investors are watching whether Kroger and other grocers can hold on to customers after Amazon's takeover of Whole Foods Market Inc. The company reports second-quarter results on Friday.

Deep-discounting European chains and online grocers are also threatening Kroger's market share. Food retail stocks are down nearly 20% this year, according to FactSet.

Kroger has been confronting the multitude of headwinds by slashing prices on staples, adding online ordering options and meal kits in some stores, and investing in technology to better market to consumers. It is slowing store growth, offering voluntary buyouts and ramping up other

cost-cutting efforts to do so.

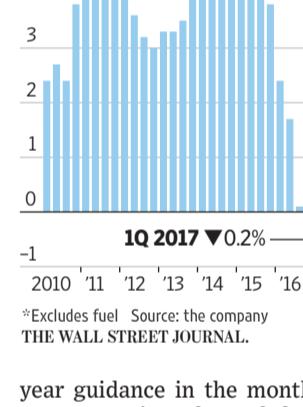
As the world's third-largest retailer after Wal-Mart Stores Inc. and Costco Wholesale Corp., Kroger is also considered a barometer of U.S. consumer sentiment and economic trends. A historic run of falling food prices hurt grocers and sparked a price war recently. Analysts will be watching on Friday to see whether food prices are rising now. Retailers typically react to rising inflation by raising prices in their stores. But increasingly competition in the grocery industry could keep some from doing so this time.

Kroger's same-store sales fell in the past two quarters after 13 years of quarterly growth. Analysts expect the Cincinnati-based company's second-quarter earnings on Friday to show a slight rise in same-store sales. Analysts polled by Thomson Reuters expect a 3% revenue increase to \$27.5 billion from the prior year's quarter.

Earnings per share are expected to fall slightly, and some analysts still expect Kroger to revise down its full-

Falling Fortunes

Kroger's same-store sales have fallen in recent quarters due to food-price deflation and rising competition.



year guidance in the months to come as it seeks to defend its share of the nearly \$800 billion U.S. grocery market.

"A bounce may prove fleeting," Jefferies analyst Christopher Mandeville said. "The grocery landscape is not get-

ting any easier."

Amazon marked its take-over of Whole Foods last month by cutting prices on many staple foods and marketing Whole Foods branded products on its site. The online offerings could threaten Kroger's attempts to market more of its own natural and organic products.

A Kroger spokeswoman said customers have become loyal to the company's store-brand natural goods. Last year, shoppers spent \$16 billion on those products, representing about 14% of the company's total sales.

"We're very proud of the role we've played in making natural and organic products more affordable and accessible to all customers, especially for shoppers on a budget," she said.

Investors will also be looking for updates on Kroger's efforts to sell groceries online. By the end of the year Kroger plans to allow consumers to order their groceries online for pickup in 1,000 of its stores. The grocer is also testing delivery through the third-party Shipt Inc. service and Uber drivers.

Four Top Leaders Bid Reckitt Adieu

By SAABIRA CHAUDHURI

LONDON—Reckitt Benckiser PLC said four senior executives are leaving the firm, an unusually large exodus at a time when the consumer giant, whose brands include Durex condoms and Scholl foot-care products, is absorbing its biggest-ever acquisition and coping with a series of headwinds.

Reckitt told employees last week that its chiefs for information technology, human resources, developing markets and category development are all leaving. The four are all members of its 10-strong senior executive committee.

The high number of departures took industry watchers by surprise and spooked investors. Shares in Reckitt fell 1.2% in London on Monday.

"RB has typically had low turnover among senior management, for 40% of the executive committee to leave simultaneously is, we believe, essentially unprecedented in recent years," said Société Générale analyst Iain Simpson.

A person familiar with the matter said the departures were all voluntary, and the timing represents a "confluence of events."

Reckitt faces some of the same challenges as its larger peers like Procter & Gamble Co. and Unilever PLC. Consumer tastes and shopping habits have changed dramatically, in many cases dragging on sales in markets around the world.

Reckitt has also been dealing with its own headwinds. Its sales in South Korea were wiped out because of a consumer boycott after its humidifier disinfectant was tied to dozens of deaths and injuries.

It was also hit by the Petya cyberattack in June, which the company said would hurt sales.

Reckitt is currently integrating U.S. baby-food maker Mead Johnson, which it bought for \$16.6 billion in June. The deal almost doubles the size of the British company's consumer-health business and pushes it deeper into emerging markets, but Mead's growth has been



Shares in Reckitt declined 1.2%.

weaker than analysts expected since it agreed to be acquired by Reckitt in February.

Reckitt confirmed Monday that Darrell Stein, Reckitt's information-technology head will leave on Oct. 1. He will be succeeded by PepsiCo Inc. executive Seth Cohen, currently the beverage company's chief information officer for Europe and Africa. Reckitt didn't provide details about the departure.

Deborah Yates, head of HR, is leaving at the end of the year. She is returning to her native Australia to be with her aging parents, according to the person familiar with the matter. She will be succeeded by Gurveen Singh, Reckitt's head of HR for developing markets.

Frederic Larmuseau, Reckitt's developing-markets head, is leaving at the end of the year as well. He is taking on the chief-executive job of privately held JAB Holdings coffee unit Jacobs Douwe Egberts. JAB has a roughly 8% stake in Reckitt and is led by the consumer company's former CEO, Bart Becht. Reckitt didn't disclose a successor for Mr. Larmuseau.

Roberto Funari, who heads category development—a role that involves working with retailers to drive sales—is also leaving at the end of the year, according to Reckitt.

The company hasn't named his successor.

Ms. Yates and Messrs. Larmuseau and Funari will all depart at the end of the year. None of the four departing executives responded immediately to requests for comment.



Deep-discounting chains and online grocers are threatening Kroger's market share. Above, a Kroger store in Louisville, Ky.

WTO Rules a Subsidy Boeing Received Wasn't Prohibited

By ROBERT WALL

The World Trade Organization on Monday reversed itself in a key case involving Boeing Co., deciding on appeal a local subsidy granted to the U.S. plane maker didn't violate international trade rules.

The Geneva-based trade adjudicator said it "rejected the European Union's claims that certain tax incentives provided by the U.S. State of Washington to the aerospace industry constitute prohibited subsidies."

The ruling is a big setback

for Europe. Airbus SE championed the original November ruling as a "knockout blow."

If sustained, the U.S. would have had to withdraw the tax break. Boeing general counsel J. Michael Luttrell on Monday called the outcome "a sweeping and clean win."

The case is one of a wider set of three in which the U.S. and Europe have been battling over alleged subsidies to their respective aircraft makers, Boeing and Airbus SE. The disputes date back to 2004, when the U.S. initially raised concerns with the WTO. The Eu-

ropeans soon after filed a counter-case alleging illegal state aid to Boeing.

The latest verdict comes in a European Union complaint against Boeing's 777X long-range jet. The challenge was filed in late 2014 because the revamp of Boeing's popular twin-engine 777 wasn't launched at the time of the earlier complaint. The plane, which can seat more than 400 passengers, is due to enter service around the end of the decade.

The appeal closes the European case against the Boeing

777X, though the EU's earlier challenge, which includes tax benefits granted the current version of the long-range jet, remain active.

"The 'game' is far from over," Airbus executive vice president for communications Rainer Ohler said. Airbus said the WTO's ruling in the earlier round established the U.S. plane maker was unfairly benefiting from subsidies.

The WTO said in both the initial U.S. and EU cases that Boeing and Airbus had been illegally subsidized. Respective efforts by the U.S. and EU to

address the WTO's concerns haven't completely satisfied the trade body.

"The EU should immediately come to the table on a solution that will end all its WTO-inconsistent subsidies," U.S. Trade Representative Robert Lighthizer said Monday.

At stake are potentially billions of dollars in tariffs the U.S. and EU could impose on each other unless the WTO's subsidy concerns are addressed. Those tariffs could be placed on goods and services unrelated to aircraft or air-

craft parts. The winning side isn't obliged to impose tariffs, and the penalty stage could be delayed again if the EU and U.S. make changes to the way the benefits are provided.

The U.S., whose case against Europe and Airbus has progressed more quickly, could be in a situation where it can apply sanctions next year. The EU counter-case could reach a similar point months later. Both sides have claimed they are entitled to impose huge sanctions, though those figures have yet to be endorsed by the WTO.

TECHNOLOGY

Google Builds Up AI Team in China

Alphabet Inc.'s Google is ramping up its presence in China, hiring engineers to specialize in one of technology's hottest corners: artificial intelligence.

By Alyssa Abkowitz
in Beijing and
Liza Lin in Shanghai

The Silicon Valley behemoth has recently posted at least four AI-related jobs on its career site in Beijing, including a technical lead to develop a team to work on natural language processing, data compression and other machine learning technologies. Two of the jobs are related to machine learning in Google's cloud-computing operation.

Google Cloud currently doesn't operate in China. The company would need a local partner and special licenses to establish the business here.

Broadly defined, AI involves computers that learn from the information they process.

China, with hundreds of millions of people connected to the internet and few qualms about privacy, is seen as having advantages over the U.S.



JASON LEE/REUTERS

Google posted at least four AI-related jobs on its career site in Beijing. Above, Google's booth at the Global Mobile Internet Conference.

as a place to advance parts of the technology.

"China has a lot of data from mobile payments, gaming, social, search and news," said Kitty Fok, China managing director at consulting firm IDC. "Technology companies

like Google are keen to learn what's going on and getting large amounts of data to create AI algorithms is very important to them."

There are nearly 60 positions available in Beijing and Shanghai combined on the

company's careers webpage. A person familiar with the positions said Google is focused on hiring top talent and improving the quality of its algorithms.

Google pulled back from China in 2010 on concerns over censorship and after a

cyberattack in which some of the company's proprietary computer code was stolen. Google said it had traced the attack to Chinese hackers. The company's search engine can be accessed here only by using virtual private networks, or

VPNs, to bypass the government's complex internet filtering system, known as the "Great Firewall."

Even so, Google has continued to maintain some operations in China and some analysts have said they believe the company is looking to expand its presence. This past spring, the southern city of Wuzhen hosted a three-game rematch in the ancient strategy game of Go between Google's AI program AlphaGo and China's 19-year-old human world champion. At the event, Google Cloud executive Jia Li said she was looking to hire AI engineers in China to add to its more than 500 employees in Beijing and Shanghai.

While the Mountain View, Calif., company is building its workforce here, Chinese rivals are setting up AI research-and-development facilities in the U.S.

Earlier this year, Chinese internet giant Tencent Holdings Ltd. said it would open an AI center in Seattle to focus on speech recognition and natural language understanding.

—Yang Jie contributed to this article.

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BUSINESS OPPORTUNITY

GOVERNMENT OF MAHARASHTRA, INDIA PUBLIC WORKS DIVISION NO.2, THANE NOTICE FOR HYBRID ANNUITY PROJECT (ONLINE) TENDER

E-TENDER NOTICE NO.23 FOR 2017-18

The Public Works Department, Government of Maharashtra, represented by the Executive Engineer, P.W. Division No.2, Thane (the "Authority") is engaged in the development of highways and as part of this endeavor, the Authority has decided to undertake development and operation/ maintenance of the following Projects (the "Projects") on [Design, Build, Operate and Transfer (the "DBOT")] Hybrid Annuity basis, and has decided to carry out the bidding process for selection of a private entity as the Bidder to whom the Project may be awarded.

Brief particulars of the Project are as follows:

Sr. No.	District/ State/ Country	Pack- age No.	Name of Project	Project Length in (km)	Project Cost in (Rs.)	Project Earnest Money Bid Security (Rs.)	Duration of the Project	Cost of Tender Fee Document (Rs.)
1	THANE	2	4	5	6	7	8	9
1)	MAHA- RASH- TRA INDIA	MA-27	A) Improvement to Shahapur Shewa Dolkhamb Chondha Sangamner Shegaon Nanded Dharmabhad Road S.H. 50 km. 0/00 to 38/00 in Tal. Shahapur Dist. Thane (Length-35.284 km) B) Improvement to Kambare Piwali NH-3 to Washind Road MDR-57 Km.0/00 to 23/600 in Tal. Shahapur Dist. Thane (Length-23.366 km) C) Improvement to Arjunoli Aamne Titwala Gwili Rayta Dahagaon Dapiwali Yeranjan Badlapur MDR-49 Km. 0/00 to 32/500 in Tal. Kalyan & Ambernath, Dist. Thane (Length- 15.690 km)	74.340 KM	₹ 113.61 Crore	₹ 1.14 Crore	24 Months	₹ 50,000/- Online Payment through NEFT/ RTGS
		Total		74.340 km	₹ 113.61 Crore	₹ 1.14 Crore		

E-Tender download period Dated :- 04/09/2017 to 06/11/2017

Pre-bid meeting. 1 Dated :- 20/09/2017 office of the Chief Engineer, Mumbai (P.W.) Region Mumbai at 3.30pm

Pre-bid meeting. 2 Dated :- 11/10/2017 office of the Chief Engineer, Mumbai (P.W.) Region Mumbai at 3.30pm

E Tender opening date Dated :- 13/11/2017

All information about the E-tenders is available on following websites.

1. <http://mahapwd.com>
2. <http://mahatenders.gov.in>

(Changes if any, will be displayed above websites.

3. Notice board of the Executive Engineer, P.W. Division No.2, Thane

No. PWDNo.2/Thane/E-Tender/2017/6070

Office of the Executive Engineer

P.W. Division No.2, Thane, Maharashtra (India) - 400601.

Date :- 16/08/2017

Executive Engineer,
Public Works Division No.2
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DGIPR/2017-2018/2577

ANNOUNCEMENTS

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THE WALL STREET JOURNAL.

SAUDI ARABIAN OIL

Firm Raises Crude Prices for U.S., Asia

Saudi Arabia's state-owned oil company on Monday raised crude selling prices for October for the U.S. and Asia, while lowering prices for Northwest Europe.

Saudi Arabian Oil Co., known as Saudi Aramco, increased official pricing of light crude month-on-month to the U.S. and Asia by 10 cents and 55 cents, respectively, in an effort to manage high demand from those regions. Analysts had expected prices for Asia to increase on the back of stronger demand and higher margins.

Aramco lowered the selling price of light crude to Northwest European buyers by 10 cents, even as the price for Mediterranean buyers was upped by 30 cents.

—Christopher Alessi

CHEMO GROUP

Drug Company Wins FDA Approval

Humanigen Inc., a drug-development firm run briefly by convicted fraudster Martin Shkreli, lost out last week in a competition for fast-track regulatory treatment for a drug to treat Chagas' disease, a dangerous parasitic infection.

Chemotherapy Group, not Humanigen, won approval from the U.S. Food and Drug Administration for benznidazole, an established

treatment for the disease, in the U.S. The FDA also granted Chemo Group a neglected-tropical-disease-priority-review voucher, a designation that is supposed to motivate drug companies to address diseases that don't have a ready remedy.

An estimated 300,000 people in the U.S. are dealing with Chagas' disease, and benznidazole is tough to get in the U.S. Benznidazole has been used for decades in South America to treat the infection, which can lead to serious heart damage.

Humanigen was known as Kalobios when it was led by Mr. Shkreli. The company fired him and filed for bankruptcy in December 2015 shortly after he was arrested by Federal Bureau of Investigation agents on securities fraud charges.

Chemo Group got the nod from the FDA for benznidazole after working in conjunction with Mundo Sano, an Argentine non-governmental organization, and with the Drugs for Neglected Diseases Initiative, a nonprofit drug-development organization.

Under the arrangement, Chemo Group has committed to make benznidazole affordable and accessible.

Chemo Group's win is a blow to Humanigen, which had already raised a red-flag warning in filings with the Securities and Exchange Commission about its ability to continue as a going concern. In an SEC filing last week, Humanigen said it was assessing its options following the FDA's decision.

—Peg Brickley

FINANCE & MARKETS

Carlyle Wins Suit Over Crisis Bond Fund

BY MARGOT PATRICK

A Guernsey judge ruled in favor of **Carlyle Group** LP Monday in a lawsuit alleging the buyout firm didn't do enough to save a financial-crisis-era bond fund.

In March 2008, mortgage-bond fund **Carlyle Capital Corp.**, or CCC, collapsed when it couldn't keep financing a \$23 billion bond portfolio of **Fannie Mae** and **Freddie Mac** bonds. Investors in the fund lost their entire \$945 million in capital.

CCC's liquidators in Guernsey, where the fund was incorporated, sued Carlyle Group and several officials alleging they failed in their duties and should have started selling the fund's assets months before it failed.

Funding for the lawsuit came from a burned Carlyle investor, Louis Reijtenbagh.

A trial last year in Guernsey's Royal Court spanned six months and brought Carlyle executives including co-founder Bill Conway to the tiny English Channel island to testify.

On Monday, the judge struck down the liquidators' arguments, saying CCC got caught in unforeseeable events.

She said the suggestion that Carlyle and CCC officials should have done anything significantly different is being "wise with hindsight."

"CCC failed because the depth of the weaknesses in the financial markets was so great that those weaknesses came to threaten, not merely the profits of major investment and commercial banks, but their very viability, and hence to cause a systematic withdrawal of what had previously been a very normal, stable and reliable form of finance," the Guernsey judge wrote in her decision.

Small and medium-size firms in Europe are bracing for a post-Brexit hit from their banks. Already vulnerable to rising finance costs, they have few alternatives.

Banks operating in the U.K. could face approximately €15 billion (\$17.8 billion) in restructuring expenses, plus potentially an additional €40 billion in extra capital requirements, according to a study by Boston Consulting Group Inc. and Clifford Chance LLP. Some of these costs could be passed on to companies.

Small and medium-size enterprises are particularly exposed to higher charges, as they often rely on a single bank and lack contingency plans to deal with the fallout from the U.K.'s departure from the European Union. Companies with annual revenue of up to €10 million are defined as small businesses. Medium-size businesses earn maximum revenue of €50 million, according to the EU Commission, the union's executive branch.

Carlyle Group in a statement said it is gratified by the decision.

Alan Roberts, one of CCC's liquidators, said in an email the judgment is "obviously disappointing and an appeal will be carefully considered."

A representative of Mr. Reijtenbagh declined to comment.

CCC's failure came the same month Bear Stearns & Co. was taken over by **J.P. Morgan Chase** & Co. Within a few months, a full-blown financial crisis was under way and Lehman Brothers collapsed.

The fund had been listed on Euronext in July 2007, at the tail end of a boom for private-equity groups and hedge funds raising so-called "permanent capital" on stock exchanges that didn't need to be returned to investors. Conditions in the U.S. housing market were already turning, though, and within weeks CCC was struggling to stay afloat.

In August 2007, with its own reputation on the line, Carlyle Group had to lend CCC money to make margin calls. The liquidators argued CCC's directors and managers should have considered selling its entire portfolio at that time. They alleged that Carlyle executives refused to have CCC sell assets or restructure that summer because they didn't want to jeopardize an investment by an Abu Dhabi government fund in Carlyle Group.

Some Carlyle Group executives privately expressed misgivings about CCC listing in July 2007 when markets were turbulent, the court heard. But the transaction went ahead anyway.

Betterment Chief Learns to Let Go

BY MICHAEL WURSTHORN

The 220 people who work for robo adviser **Betterment LLC** gather in the New York company's cafeteria twice a year to hear from their chief executive.

There, Jon Stein, a 38-year-old former bank consultant, often has addressed one of their biggest beefs with him: Even after years of trying to rein in his own worst habits, Mr. Stein remained a micromanager.

Mr. Stein sometimes was "sticking his nose in when he wasn't being productive," said Eli Broverman, who co-founded Betterment with Mr. Stein in 2008.

"Maybe it's particularly tough for me because I built this company," Mr. Stein said. "The first lines of code were mine. I'm intimately familiar with all the workings of it."

Mr. Stein wants to do financial services using technology and automation what companies such as Amazon.com Inc. have done to brick-and-mortar retailers. His mission is to make investment advice and financial services broadly accessible, while also lowering the cost and removing the compensation conflicts that investors sometimes grapple with when working with a financial adviser.

Mr. Stein's do-it-all mindset has been a key factor behind Betterment's success in delivering financial advice to investors. He has shaped a



Jon Stein, chief executive of the robo financial-adviser firm, has a reputation as a micromanager.

wealth-management business that one day looks to go public and become a household name.

Betterment relies on algorithms that gauge an investor's risks and goals to recommend cheap, long-term investments. Through its app and website, the firm suggests a basket of exchange-traded funds for investors, rebalances portfolios and offers securities-sale strategies to minimize tax bills.

But Betterment clients pay less than half of the typical financial-adviser fee of as much as 1% of portfolio assets. Mr. Stein said the firm isn't en-

cumbered with hundreds of branches and hefty salaries for thousands of brokers.

The firm's success—it has more than 250,000 clients—has spawned a raft of rivals, ranging from upstarts such as Wealthfront Inc. to Wall Street giants. Industry veterans say the onslaught of competition will make the firm's next chapter that much more challenging.

"It'll be about having a clear vision of the best way to serve customers," Mr. Broverman said.

Along the way, Mr. Stein has had to grow into his CEO

role and learn how to trust his employees, according to himself, colleagues and mentors, some of whom are investors in his company.

"There's an easygoing exterior," said Jim McCormick, chairman of First Manhattan Consulting, where Mr. Stein worked following graduation from Harvard University in 2001 with a degree in economics. That shell "hides a very demanding internal drive."

In 2007, when Mr. Stein started work on his M.B.A. at Columbia University, he also took up coding in his spare time to build an early version

of Betterment. "I really thought I could build it all myself," he said, "but I quickly realized that was stupid."

Mr. Stein eventually turned to his roommate at the time, an engineer at Google, to help build Betterment, as well as other friends, including Mr. Broverman, a securities attorney, to assist with the regulatory and operational work of launching a new wealth-management firm. Messrs. Stein and Broverman met when they played their first poker game together in 2003.

Mr. Broverman continues to serve on the robo adviser's board after stepping down from his role as president in April to focus on working with newer startups.

Betterment's \$800 million valuation, provided by investors such as Bessemer Venture Partners and Swedish fund Kinnevik AB, has risen as robo advisers have collected more assets. Researcher Cerulli Associates estimates the robo-advice industry had more than \$80 billion in assets by the end of 2016, and will have \$385 billion in the next five years.

While Mr. Stein says he has improved at delegating tasks to the teams that report to him, he still keeps a hand in activities such as answering customer-service calls—something all employees of Betterment have to do, too.

"It's one way of creating a connection with the people we serve," he said.

Bank Costs After Brexit Spook Small Firms

BY NINA TRENTMANN

A recent increase in bank overdraft fees was an early sign for Richard Crocker of what could happen. The owner of Lantoom Quarry Ltd., a construction-materials company located in Cornwall, England, said he fears banks will pass on the costs of Brexit to small and medium-size businesses.

"It will be more expensive for us to get finance once the U.K. has left the bloc," Mr. Crocker said.

Such a move would also reverse a trend of falling financing costs since the end of the financial crisis. U.K. banks in June charged SMEs an average of 3.89% for an overdraft facility and 3.12% for a loan, according to the Bank of England. A year ago, the rates were 4.11% and 3.36%, respectively.

But, 18 months ahead of Britain's exit in March 2019, some lenders have started tightening again.

Matt Hocking, founder of Leap Ltd., a graphic-design firm, recently argued with his bank over a £15,000 (\$19,334) overdraft facility. Co-Operative

Bank PLC wanted to end it, according to Mr. Hocking.

"The incident was an early warning for us," he said. "It pushed us to store larger cash reserves."

The bank said it doesn't comment on individual customers.

The slowdown in investment is already starting to show. U.K. GDP growth came

in at 0.3% in the second quarter, much lower than in previous quarters, according to the Office for National Statistics. Investment is forecast to remain low for the remainder of this year and in 2018. The eurozone, by contrast, grew by 0.6%.

Businesses all over Europe, not just the U.K., will carry the burden of higher financing

costs. In the eurozone, the average interest rate for small loans with a duration of one to five years has come down from a September 2008 peak of 6.37% to 2.27% in June 2017, according to the European Central Bank.

In Ireland, the Small and Medium Enterprises Association noticed a step-up in pressure, Chief Executive Neil McDonnell said. "Banks have started assessing the exposure of our members to Brexit risks," he said.

"It is difficult to see how the cost environment would not be negatively affected."

British firms face an additional challenge: After Brexit, loans and other funding provided by the European Investment Bank and other EU bodies will no longer be available to them.

Despite pledges by the U.K. government to keep the tabs open, there are doubts whether funds like the £3.6 billion set aside by the EU to improve the competitiveness of small U.K. firms will be replaced.

PETER FOLEY/BLOOMBERG NEWS

Carlyle Group's Bill Conway

Carlyle Group in a statement said it is gratified by the decision.

Alan Roberts, one of CCC's liquidators, said in an email the judgment is "obviously disappointing and an appeal will be carefully considered."

A representative of Mr. Reijtenbagh declined to comment.

CCC's failure came the same month Bear Stearns & Co. was taken over by **J.P. Morgan Chase** & Co. Within a few months, a full-blown financial crisis was under way and Lehman Brothers collapsed.

The fund had been listed on Euronext in July 2007, at the tail end of a boom for private-equity groups and hedge funds raising so-called "permanent capital" on stock exchanges that didn't need to be returned to investors. Conditions in the U.S. housing market were already turning, though, and within weeks CCC was struggling to stay afloat.

In August 2007, with its own reputation on the line, Carlyle Group had to lend CCC money to make margin calls. The liquidators argued CCC's directors and managers should have considered selling its entire portfolio at that time. They alleged that Carlyle executives refused to have CCC sell assets or restructure that summer because they didn't want to jeopardize an investment by an Abu Dhabi government fund in Carlyle Group.

Some Carlyle Group executives privately expressed misgivings about CCC listing in July 2007 when markets were turbulent, the court heard. But the transaction went ahead anyway.

Good Times Arrive For Europe's Lenders

BY REBECCA BYRNE

toxic assets on their balance sheets.

Expectations for a withdrawal of monetary stimulus from the European Central Bank have proven a powerful tailwind as well. Many economists expect the bank to signal the end of easy money in the autumn, potentially causing a spike in bond yields, which are closely correlated with bank shares.

J.P. Morgan predicts German bund yields will more than double this year.

Potential banking-law overhauls in the U.S. have given analysts another reason to be upbeat on European lenders. Proposals from the U.S. Treasury in June "strongly hint at a less-onerous regulatory environment for foreign banks," according to Deutsche Bank AG.

Analysts at J.P. Morgan Chase & Co. note that 75% of banks have seen their earnings-per-share forecasts revised higher since the start of the year. Estimates for 2017 have climbed by more than 5%, beating the broader market, while projections for next year have been on the rise.

And while cost cutting has played a role in the improved performance, analysts point out that the majority of profit growth in the latest quarter came from higher revenues. A stronger economic backdrop has been good for lending, and more borrowers are keeping up with their loan payments, they say.

Profitability has also been helped by lower provisions for bad loans after banks reduced

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MARKETS DIGEST

Nikkei 225 Index

19508.25 ▼183.22, or 0.93%

High, low, open and close for each trading day of the past three months.

Year-to-date 52-wk high/low All-time high

20230.41 16251.54 38915.87 12/29/89

▲ 2.06% 20500

20000

19500

19000

18500

18000

17500

17000

16500

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3500

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2500

2000

1500

1000

500

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May June July Aug.

1987 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017

Session high
DOWN UP Close
Close Open
Open Session low

STOXX 600 Index

374.20 ▼1.94, or 0.52%

High, low, open and close for each trading day of the past three months.

Year-to-date 52-wk high/low All-time high

392.00 328.80 414.06 4/15/15

▲ 3.54%

395

390

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375

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365

360

355

350

345

340

335

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May June July Aug.

1987 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017

S&P 500 Index

2476.55 Market Closed

High, low, open and close for each trading day of the past three months.

Year-to-date 52-wk high/low All-time high

396.45 328.80 414.06 4/15/15

▲ 3.54%

395

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FINANCE & MARKETS

Private Equity Invests in Rehab Centers

BY JEANNE WHALEN
AND LAURA COOPER

Private-equity firms are piling into a new business opportunity: the opioid-addiction crisis.

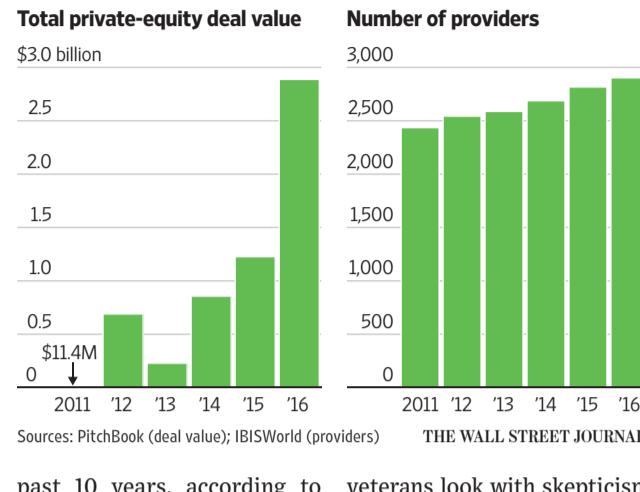
Drawn by soaring demand, expanded insurance coverage and the chance to consolidate a highly fragmented market, firms plowed \$2.9 billion into treatment facilities last year, up from \$11.4 million in 2011, according to research firm PitchBook Data Inc. The number of private-equity deals rose to 45 from 25.

The firms are acquiring or expanding clinics that provide everything from detox and residential care to outpatient and methadone treatment. In some cases, private-equity firms have approached not-for-profit outfits in an attempt to buy and convert them to for-profit entities, say treatment-center executives.

Private equity has become the "driving force" in growth in methadone clinics over the

Charging In

Private-equity firms are boosting investment in U.S. addiction-treatment facilities, drawn by soaring demand. Their spending has helped increase the number of providers.



past 10 years, according to Mark Parrino, head of a clinic trade association. While a decade ago roughly 60% of the clinics were nonprofits, today nearly 60% are for-profit entities, he said.

Some nonprofit treatment

veterans look with skepticism at the new profit-seeking investors.

"There are some very good private, for-profit groups," said Dick Steinberg, president of WestCare Foundation, a nonprofit provider of addiction

treatment and other services in 18 states. Others "are going to invest in it, market it, get people in, and I'm not sure the quality of treatment will last," he said.

Mr. Steinberg said he has turned down frequent inquiries from private-equity investors interested in buying WestCare facilities. "When you see these health crises happen people see a dollar as opposed to how to really help somebody," he said.

Private-equity firms say they are bringing capital to an industry that badly needs investment, helping increase the number of treatment facilities. Nonprofits "don't have the capital to have the best compliance, services and marketing," said Simon Bachleda, managing partner of Revelstoke Capital Partners, which owns a majority stake in an operator of two dozen methadone clinics—some acquired and some built from scratch. "Usually we enhance the service offering."

Among recent deals are Kohlberg & Co.'s \$180 million acquisition of the Meadows, a rehab center in Wickenburg, Ariz., best known for treating Olympic swimmer Michael Phelps after his 2014 DUI arrest. Investors including LLR Partners, HealthInvest Equity Partners, NewSpring Capital, Petra Capital Partners and SV Life Sciences spent \$34 million last year for a stake in Sun Behavioral Health, which runs free-standing psychiatric hospitals that treat addiction and other conditions.

Private-equity firm Flexpoint Ford acquired and expanded Summit Behavioral Health and is now considering a sale of the firm, which operates in 10 states.

U.S. drug- and alcohol-addiction clinics generated \$9.5 billion in revenue in 2016, up from \$7.5 billion in 2011, according to Los Angeles-based data provider IBISWorld.

Investors say legislation also made the sector more attractive by extending insur-

ance coverage to more Americans. The Mental Health Parity and Addiction Equity Act of 2008 required insurers that provide mental-health benefits to cover them as favorably as they do physical-health benefits.

The 2010 Affordable Care Act also expanded coverage by mandating that ACA insurance plans sold to individuals cover mental-health treatment. The law also stipulated that children could be covered under their parents' insurance until age 26.

"The Affordable Care Act created more insured lives. That, combined with the opioid crisis, has changed the fabric of what we're seeing in these treatment centers," said Hunter Peterson, a partner at Riverside Co., which recently purchased Florida-based treatment provider Lakeview Health LLC from another private-equity firm, Trinity Hunt Partners, and plans to expand it to Houston and other markets.



South Korea's Kospi stock index finished 1.2% lower on Monday.

clines and ended down 1.2%, while the South Korean won slid 0.7% against the U.S. dollar. Elsewhere, Hong Kong's Hang Seng Index fell 0.8% and Australia's S&P/ASX 200 closed down 0.4%.

Even following recent tensions, volatility in U.S. and global markets has been ex-

ceptionally muted, offering a major support to international markets. Late last month the CBOE Volatility Index or VIX, which measures S&P 500 options prices to assess expected volatility, hit a record intraday low.

—Suryata Bhattacharya contributed to this article.

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16-19
23-26

OCTOBER-NOVEMBER

Crossroads:
Chinese Contemporary Art

NOVEMBER

Modernity in Europe:
From Fauvism to Surrealism

SEPTEMBER

Art, Law and Ethics

OCTOBER-NOVEMBER

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MARKETS

Behind BlackRock's Cross-Selling Blitz

World's biggest money manager seeks to use growing heft in pursuit of business

By SARAH KROUSE
AND EMILY GLAZER

Many of Wall Street's largest banks paid BlackRock Inc. for help in passing the Federal Reserve's annual stress tests last year, but not J.P. Morgan Chase & Co. A campaign to fill that gap is part of a cross-selling push at the world's largest money manager.

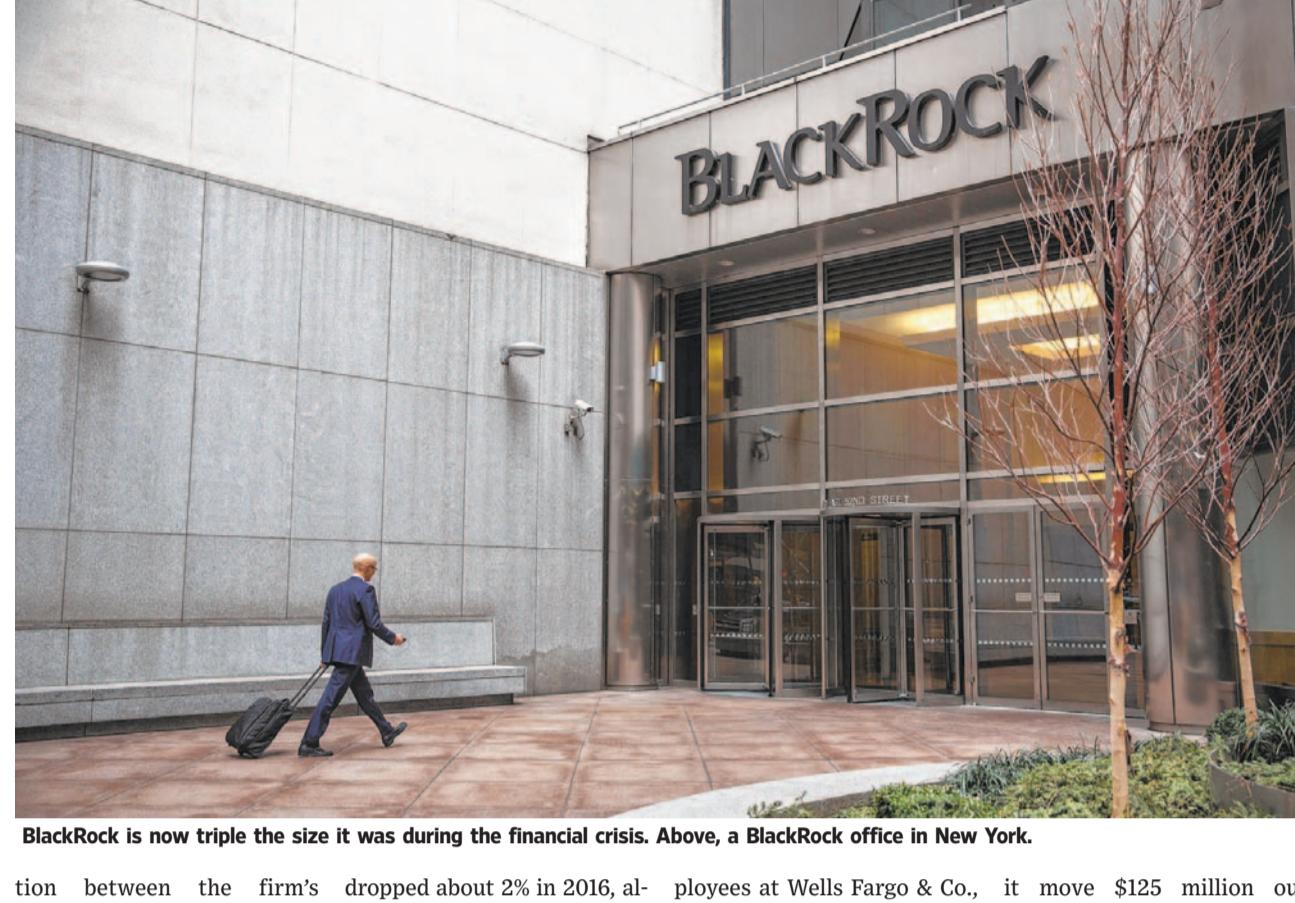
BlackRock has spent much of the past year trying to interest J.P. Morgan, a big trading partner and technology client, in the services of a small business known as Financial Markets Advisory, according to people familiar with the effort. That unit has struggled to match the money it made in the aftermath of the 2008 financial crisis, when it assisted banks with a variety of regulatory and financial headaches.

BlackRock's embrace of cross selling demonstrates how the giant money manager is using its expanding heft and reach in the financial world.

Top executives targeted J.P. Morgan partly because of the existing relationship between the two financial giants. BlackRock is also J.P. Morgan's second-largest shareholder. Several meetings haven't yet resulted in a new assignment, the people said.

It is unclear why J.P. Morgan hasn't hired the firm in that capacity. A spokesman for the bank declined to comment.

BlackRock is well positioned to sell multiple products to its customers because it has a wider range of services than many rivals and has interlocking relationships with many of the world's largest financial firms as one of their largest shareholders and clients. A growing internal program helps coordinate interac-



BlackRock is now triple the size it was during the financial crisis. Above, a BlackRock office in New York.

tion between the firm's businesses and its large existing clients.

The New York company is now triple the size it was during the financial crisis, with \$5.69 trillion in assets under management.

That surge is due largely to a string of acquisitions and an investor shift to lower-cost, passively managed funds that track market indexes.

The growth of cheaper funds has put pressure on revenues, prompting BlackRock to pitch existing clients on other business lines like advisory work and technology where it can collect extra fees. BlackRock is also searching for ways to replace revenue lost to the decline of traditional pension plans and aging baby boomers who are withdrawing savings from retirement plans.

The company's revenue

dropped about 2% in 2016, although many rivals experienced deeper drops and BlackRock's revenue rose 5.7% during this year's second quarter to \$2.97 billion.

"The biggest fear asset managers have right now is not necessarily gaining new clients because industry growth is flattening out; it's losing the ones they already have," said Ben Phillips, principal at Casey Quirk, a Deloitte Consulting LLP practice focused on the asset-management industry.

U.S. banks have been employing the same cross-selling strategy for decades, using it to justify waves of mergers that created national giants that sell everything from mortgages to wealth management to credit cards. Some have attracted scrutiny for more-aggressive tactics. Em-

ployees at Wells Fargo & Co., in efforts to reach lofty sales goals, opened accounts without customers' knowledge, sparking public and political outcries as well as numerous investigations.

BlackRock doesn't sell money-management products directly to individuals. Instead it works with large companies and financial firms, some of which market BlackRock's funds to investors.

It also offers those firms technology, regulatory and risk-management advice, giving BlackRock several chances to sell additional services.

Its cross-selling approach worked early last year in the case of St. Louis money manager Ascension Investment Management.

The company hired BlackRock, which already managed some of its assets, to help

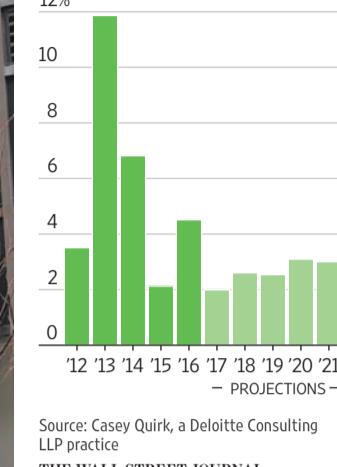
it move \$125 million out of a fixed-income fund and invest in other asset classes. It exchanged two-thirds of the roughly 1,200 bonds it held in the fund for shares in three iShares fixed-income ETFs also offered by BlackRock, Ascension Investment executives said.

The internal group at the center of many of these cross-selling efforts at BlackRock is known as the strategic partner program and helps manage relationships between the firm and big clients. The program includes about 100 of the firm's biggest clients including sovereign-wealth funds and pension funds, the people said.

BlackRock has a centralized database that keeps track of the business BlackRock does with those firms and conversations its executives have had with them.

Under Pressure

Global asset-management revenue, year-over-year growth



Source: Casey Quirk, a Deloitte Consulting LLP practice
THE WALL STREET JOURNAL.

ANDREW BURTON/GETTY IMAGES

BlackRock is currently relying on this internal network as it seeks new clients for its Financial Markets Advisory unit, which thrived in the depths of the financial crisis but generated less revenue as markets returned to health.

During the financial crisis, this unit helped the Federal Reserve manage assets that had been owned by Bear Stearns and American International Group, two firms that symbolized the fallout from the financial crisis. Later, during the European debt crisis, the unit advised Greece's central bank on the banking sector and the European Central Bank on stress testing the institutions it oversees.

More recently, BlackRock tried to refocus the business on regulatory and other consulting work, particularly bank-balance-sheet consulting, according to the people familiar with the matter.

Yet the advisory unit fell short of a \$160 million revenue goal last year, posting revenue of \$118 million, the people said. This year, as BlackRock ramps up its cross-selling efforts, it is aiming to generate \$130 million.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

WSJ.com/Heard

Email: heard@wsj.com

Market Dismisses Korea—for Now

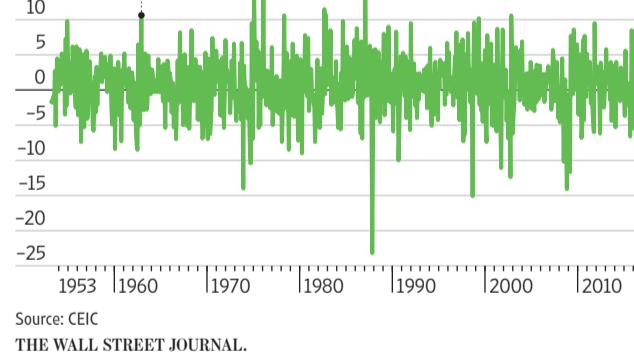
North Korea conducted its sixth and largest nuclear test just a week after firing a ballistic missile over Japan. Once again, though, markets shrugged: Although Korea's benchmark Kospi index fell nearly 2% in early trade Monday, it clawed back much of that, ending 1.2% lower. The Japanese yen had gained 0.7% by late afternoon.

The tepid reaction from stocks and currencies says little about how dangerous the situation on the Korean Peninsula has actually become: Markets are supposed to predict the future, but are notoriously bad at pricing risk of the political variety.

Of course, that's partly because there is no meaningful way to hedge against catastrophic risk, such as a nuclear war. Markets will therefore likely continue to focus on improving economic fundamentals in Asia and the West, unless a shooting war breaks out. The Kospi, like most major markets, is up

Blind Faith

Dow Jones Industrial Average, monthly change



Source: CEIC

THE WALL STREET JOURNAL.

sharply year to date: 15%.

The standoff over North Korea's nuclear provocations bears a more-than-passing resemblance to the Cuban missile crisis of 1962, the last time a nuclear-armed superpower client state and the U.S. faced off.

North Korea isn't Cuba and China isn't the Soviet Union—the most obvious difference being that North Ko-

rea acquired its nuclear deterrent against the wishes of China, rather than with its explicit aid. But it's still useful to examine that precedent. What didn't happen was a drastic market fall: The Dow fell less than 1% during the last week of October, when the crisis was at its height.

What did happen was a relief rally afterward: The

Dow gained more than 10% in November 1962—its best one-month performance since the end of World War II—a figure that wouldn't be matched until 1975.

Small missteps on either side could have led to a very different outcome. When real negative geopolitical action—as opposed to rhetoric and posturing—hits home, markets react very badly indeed. Witness the first oil shock following the Yom Kippur War: The Dow fell 14% in November 1973, at that point its worst one-month performance of the postwar era, following the announcement and successful implementation of the Arab oil embargo. That misery wouldn't be matched again until 1987, when the Dow ended down 23% for the month in October following Black Monday.

Markets aren't reacting to North Korea because the alternatives are too terrible to contemplate. That is cold comfort indeed.

—Nathaniel Taplin

OVERHEARD

Can the bursting of the cryptocurrency bubble be far away? You know a market frenzy has turned surreal when **Paris Hilton** joins in: The celebrity most famous for being famous took to Twitter Monday to back a new currency called Lydian.

But just hours later, Chinese regulators put a damper on the fun, issuing a ban on so-called initial coin offerings. ICOs work like IPOs, except that instead of an equity stake in a company, investors walk away with virtual coins they can use in the future to buy the company's products or services.

Regulators' ogre move sent bitcoin sliding 5% to \$4,404, which one can only hope is a sign of people being jolted into considering whether the ICO craze makes sense.

It might seem like enough that the cryptocurrencies it has given us this year include the likes of the Useless Ethereum Token.

The Clock Is Ticking For the ECB

There is only so long a difficult conversation can be avoided.

The European Central Bank has been emphasizing persistence and patience on its monetary policy. But with the path of the ECB's bond-purchase program set only until the end of December, the pressure to lay out plans for 2018 is building.

The stumbling block for the ECB is the euro, which has risen steeply. That is likely to dent the ECB's new inflation forecasts, making communication about policy trickier. Many other developments, however, point toward a eurozone that no longer needs the ECB to hold the accelerator to the floor.

Growth remains robust, and financial conditions have stayed loose despite the stronger euro.

Still, the account of the ECB's July meeting showed the sensitivity of markets to the slightest shift in communication. Even silence can move markets these days, however. ECB President Mario Draghi steered clear of talking about monetary policy in his speech at Jackson Hole in August, but the euro rose, topping \$1.20.

Patience on policy also bears risks. While the euro's rise has drawn attention, other markets have been calmer. The 10-year German government-bond yield, at 0.38%, is well off its highs for the year—which looks odd in the face of stronger growth. There could yet be a tantrum to come for bonds, and an ECB that appears too cautious now could store up trouble for the future.

The ECB might play for time in September, but that will put the focus on October: The lull in bond markets can't last. —Richard Barley

Indigestion in China's Economy Spells Trouble for Coal

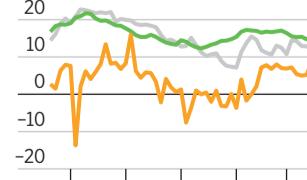
China pumps out machinery, cellphones and smog, but it runs on coal. It is by far the largest burner of the stuff so, when Chinese factories slow down, it is usually time to sell your coal stocks.

A sharp economic reversal in China this year remains unlikely, but July data was weak. That is bad news for coal firms everywhere, and especially for China's state-owned behemoths like **Yanzhou Coal**, struggling with debt burdens and fickle regulators. Yanzhou is roughly half-owned by the Shandong government and its holding companies, but most of the big shareholders in Hong Kong are Western institutions, according to FactSet.

The coal-price rebound

China's Upper Limit

Change from a year earlier



*For nonfinancial firms and households

†Property and infrastructure, 3-month moving average. Source: CEIC

THE WALL STREET JOURNAL.

fueled by Chinese stimulus this year has pushed Yanzhou's stock up around 40% year to date and its first-half sales up 82% from a year

earlier, but the firm hasn't used the breathing space to pay off much of its borrowings. Debt clocked in at 156% of equity in June.

Instead, Yanzhou is pursuing expensive acquisitions in Australia through its subsidiary Yancoal, which recently agreed to buy Rio Tinto's Hunter Valley coal assets for \$2.69 billion. Yancoal is issuing \$2.5 billion in new equity to finance the deal over the objections of minority shareholders, with Yanzhou itself on the hook for up to \$1 billion. Yanzhou also plans to boost capital expenditures by about 20% in 2017.

None of this would matter much if China's economy was poised for above-trend growth. Unfortunately, it is

increasingly clear that isn't the case. Chinese policy makers are tightening credit gradually ahead of an important Communist Party meeting this fall, and that is starting to affect investment and industrial output.

Chinese real-estate investment, the biggest driver of global materials demand, including coal, grew at its slowest pace in over a year in July, and infrastructure investment also ticked lower. Industrial output weakened across the board.

Two other bearish factors for coal and electricity demand are about to kick in. First, it has started raining again in southwest China. Dry weather this spring pushed hydropower utilization

down the most since 2012 and coal power plants' run rates higher. That dynamic is moving into reverse as hydropower ramps up.

Furthermore, plans to shutter more energy-intensive steel and aluminum plants this winter during the peak pollution season—on top of steel capacity cuts already enacted—could deal another blow to power demand.

Things are looking brighter for coal following the price crash of 2015 but things are just about as good as they can be right now. Next year will be tougher.

Investors should take the opportunity to dig out their cash while the digging is good. —Nathaniel Taplin