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What's News

Business & Finance

China is ordering bitcoin exchanges to shut down, in a blow to the trading hubs that pushed the virtual currency to record highs. **A1**

◆ Private-equity executives are selling stakes in their firms, prompted by demand from some of the world's largest fund managers. **A1**

◆ Online lenders are evaluating ways to confirm borrowers' identities in the wake of the Equifax data breach. **B1**

◆ U.S. chicken companies are seeking government approval to raise processing-line speeds as demand for poultry grows. **WSJ.com**

◆ Teva named pharmaceutical-industry veteran Karen Schultz as CEO of the Israeli generic-drug company. **B1**

◆ Google filed an appeal of the EU's record \$2.91 billion antitrust fine for allegedly abusing the power of its dominant search engine. **B3**

◆ BP's pipeline subsidiary, BP Midstream Partners, plans an IPO of up to \$100 million on the NYSE. **B3**

◆ Standard Chartered was called to a meeting by U.K. regulators over claims of misconduct at an Indonesian power-plant builder. **B5**

◆ Tokyo is selling another chunk of Japan Post in an IPO that is expected to raise more than \$10 billion. **B5**

World-Wide

◆ Millions of Floridians were without power a day after Hurricane Irma battered the state, but early reports suggested damage may be less than first feared. **A1, A6**

◆ The hurricane killed at least 10 people as it slammed into Cuba over the weekend, official media reported. **A3**

◆ The U.N. Security Council was set to vote on a sanctions resolution on North Korea after the U.S. eased terms of the measure. **A5**

◆ A trial in Turkey reopened in the government's case against an opposition newspaper's journalists and executives. **A4**

◆ Saudi Arabia detained two clerics who failed to publicly declare support for the monarchy's hard-line stance toward Qatar. **A4**

◆ Islamic State militants attacked Egyptian police forces in the Sinai Peninsula, killing at least 18 people. **A4**

◆ The U.S. will deploy a drone to the Philippines to aid in the battle with Islamic State-linked militants. **A4**

◆ Hundreds gathered in lower Manhattan to mark the 16th anniversary of the Sept. 11 terrorist attacks. **A7**

◆ Pope Francis concluded a trip to Colombia with a call to end what he called modern forms of slavery. **A3**

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A couple leave their home in Bonita Springs, Fla., the morning after Hurricane Irma swept through the area and on up the peninsula.

Millions Lack Power After Storm

Irma leaves 65% of Florida in the dark, though damage isn't as bad as feared

MIAMI—Millions in Florida were without power Monday, a day after Hurricane Irma landed in the state with whipping winds, drenching rains and coastal flooding, and as state officials and residents began to assess the storm's damage.

By Arian Campo-Flores, Leslie Scism and Jon Kamp

Early reports suggested Florida may have dodged the worst fears of catastrophic events from the powerful hurricane. Still, a White House official said the Florida Keys,

where Irma made landfall, may not be ready to welcome back evacuees for weeks, and the storm unleashed major flooding nearly 500 miles to the north in Jacksonville.

By midday Monday, Irma had weakened to a tropical storm as it moved over Georgia, but not before dumping a huge amount of rain into the St. Johns River, triggering serious flooding in Jacksonville, Florida's most populous city.

The city is dealing with an "unprecedented surge," Mayor Lenny Curry said. He warned of the midday high tide and said high waters there could last a week. "This is serious risk if you're in those low-lying neighborhoods," he said.

The National Weather Service said early Monday in a tweet that the headwaters of the Santa Fe River had exceeded a flooding record set in

1964 during Hurricane Dora. The surge also caused flooding to break Dora's record in downtown Jacksonville, the weather service said.

From a statewide perspective, the power grid sustained a massive and potentially long-lasting hit: About 65% of Florida was without power—or more than 6.5 million customers—by midday Monday. Cleanup crews were beginning to remove downed trees from roads while law-enforcement authorities escorted utility trucks to get the lights back on.

"People could be out of power for weeks," said Eric Silagy, chief executive of Florida Power & Light Co., the state's

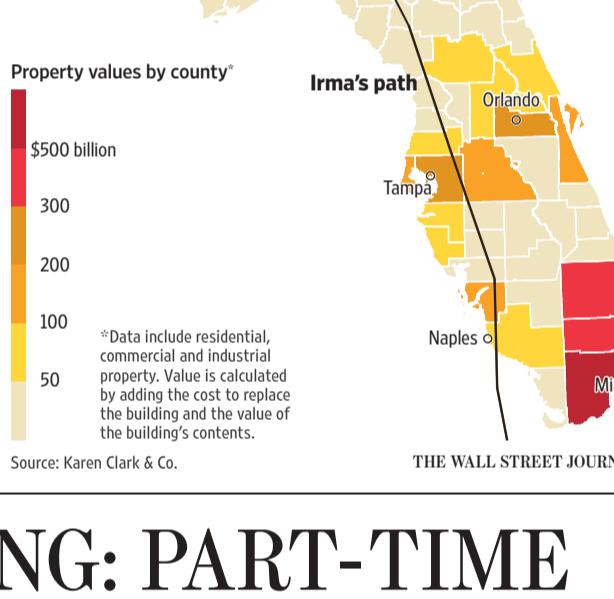
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Westward Track

By moving west, Hurricane Irma has likely avoided some of the largest insurance damage forecasts made last week. **B1**



THE WALL STREET JOURNAL.

China Clamps Down On Bitcoin Trading

By CHAO DENG

BEIJING—Chinese authorities are ordering domestic bitcoin exchanges to shut down, delivering a heavy blow to once-thriving trading hubs that helped popularize the virtual currency, pushing it to recent record highs.

China's central bank, working with other regulators, has drafted instructions banning Chinese platforms from providing virtual-currency trading services, according to people familiar with the matter. Regulators told at least one of the exchanges that the decision to shutter them has been made, one of the people said, while another said the unwinding may take several months.

Beijing isn't banning people

from investing in virtual currencies, and China hosts some of the world's largest bitcoin miners—the operations that generate the cryptocurrency. Ending commercial trading in all virtual currencies is likely to further diminish use of bitcoin in a large and once-promising market, and sends a signal to regulators elsewhere weighing how to bring order to virtual currencies in their own markets, analysts said.

While China has in the past accounted for as much as 90% of trading activity, Chinese exchanges BTCC, Huobi, OKCoin and others represented more than 20% of global volumes in the past 30 days, according to the database Bitcoin.org.

The price of one bitcoin

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After Multiple Invasions, the U.S. Is Getting Tired Of Liberating Atropia

* * *

Planners of war games find that invading fake nations creates real-world problems

By JAMES MARSON
AND JULIAN E. BARNES

The U.S. Army always knew defending Atropia would be a slog.

But officers didn't expect allies to abandon the authoritarian regime. And they didn't think war weariness would be set the troops so quickly.

"Candidly," says Lt. Col. Joe Buccino of the 82nd Airborne Division, a veteran of multiple Atropia actions, "having liberated that place four times in 15 months, it is about time we let the Atropians provide security for themselves."

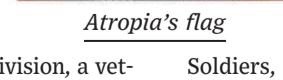
Atropia's problem, it seems,

is reality. It keeps interfering with an elaborately constructed military-training scenario.

The U.S. Army's training command in 2012 developed a rich back story for various ersatz countries in its war games. The fictional country of Atropia, according to the playbook, is a pro-western dictatorship. The Army ordered its training centers adopt the scenario.

Soldiers, like Col. Buccino, soon tired of rerunning the same old script. Bigger problems with Atropia arose when some European U.S. allies balked at the idea of propping up faux dictators—even if the scenario.

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Atropia's flag

SEEKING: PART-TIME WORKERS IN BAD JOBS

In tight labor market, companies see the underemployed as big talent pool

By JENNIFER LEVITZ

RICHMOND, Va.—Pressed for workers, a New Jersey-based software company went hunting for a U.S. city with a surplus of talented employees stuck in dead-end jobs.

Brian Brown, chief operating officer at AvePoint, Inc., struck gold in Richmond. Despite the city's low unemployment rate, the company had no trouble filling 70 jobs there, some at 20% below what it paid in New Jersey. New hires, meanwhile, got more interesting work and healthy raises.

Irvine, Calif.-based mortgage lender Network Capital Funding Corp. opened an office in Miami to scoop up an attractive subset of college graduates—those who settled for tolerable jobs in exchange for living in a city they loved.

"They were not in real careers," said Tri Nguyen, Network Capital chief executive. He now plans a similar expansion in Philadelphia.

Americans have traditionally moved to find jobs. But with a growing reluctance by workers to relocate, some companies have decided to move closer to potential hires. Firms are expanding to cities with a bounty of underemployed, retrieving men and women from freelance gigs, manual labor and part-time jobs with duties that, one worker said, required only a heartbeat to perform.

With the national jobless rate near a 16-year low, these pockets of underemployment are a wellspring for companies that recognize most new hires already have jobs but can be poached with better pay and room for advancement. That's preferable to com-

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Catalans Rally for Right to Break Free

SECESSION DRIVE: People demonstrated in favor of Catalan independence from Spain on the region's national day, but their leaders face waning support for carrying out a referendum. **A3**

It's a Gold Rush in Private Equity

By SIMON CLARK
AND WILLIAM LOUCH

Record demand for private equity is prompting industry executives to take unusual action—selling all or part of their firms.

Some of the world's largest publicly traded fund managers are snapping them up. Private-equity firms are us-

ing money from the stake sales to hire more staff, create new kinds of funds and settle the often thorny question of how to buy out retiring founders.

Such sales are sometimes interpreted as signals the private-equity market is peaking. Why would such savvy dealmakers sell at any time other than the top, the thinking goes.

Blackstone Group LP, the

world's largest private-equity firm, sold shares to the public as the stock market peaked in 2007. The shares subsequently slumped, taking six years to bounce back.

The rise in stake sales comes as private-equity firms are paying higher prices than ever for companies and raising record-breaking funds. Private-

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WORLD NEWS

Why Trump Is Free to Show Independence



CAPITAL JOURNAL

By Gerald F. Seib

A few weeks after Donald Trump won the presidential election last year, The Wall Street Journal/NBC News poll asked Trump voters why they went for the man who had just shocked the world.

Four in 10 Trump voters said a primary reason was that he would change business

as usual in Washington. By contrast, only one in 10 said they picked Mr. Trump because they thought he would pursue traditional Republican policies.

Those two numbers explain why now-President Trump probably is on safe ground in his sudden pivot to wooing Democratic leaders in Congress, while openly scorning those of his own Republican Party.

A large share of Trump voters picked him because they thought he would rattle the status quo—and by that they meant the status quo of both parties. Mr. Trump wasn't a true ideological conservative, and his supporters knew that.

He was barely a Republican, and his supporters also knew that. In the first mo-



From left, Donald Trump with Senate Majority Leader Mitch McConnell and Democratic leaders Chuck Schumer and Nancy Pelosi last week.

ment of the first Republican primary debate, after all, Mr. Trump alone among the candidates refused to say he'd support the eventual GOP nominee or forswear running as an independent if he didn't get the nomination.

In sum, Mr. Trump ran as a virtual independent. He used the Republican Party apparatus when he had to, particularly when he rented it as a substitute campaign infrastructure. But the party's congressional leaders had no love for him, and he none for them. After he won, he stood on the steps of the Capitol on Inauguration Day and delivered an angry address that attacked the entire Washington power

structure arrayed around him, without regard to party.

Given all that, it's actually surprising it took Mr. Trump this long to really break with his own party and to exercise an option that was always available to him: the option of trying to govern as he ran, which was as an independent in pursuit of working-class Democratic support.

Indeed, one of the great what-ifs of the current political era is this one: What if Mr. Trump had decided to adopt this tack at the very beginning of his administration? Bolstered by the support of those populist and working-class Democratic voters, he could have opened

his presidency by moving out on three issues where he had the chance to win the support of some lawmakers in both parties: a plan to rebuild America's infrastructure, establishment of a new trade regime and a tax cut focused on the middle class. On the first two, he had at least the tacit backing of Senate Democratic leader Chuck Schumer.

But that isn't what happened. Instead, Mr. Trump opened his presidency with two issues guaranteed to drive away Democrats: a ban on travel to the U.S. by residents of seven Muslim-majority countries he said were terrorist hotbeds, and an attempt to repeal the crown jewel of recent Democratic

domestic policies, the Affordable Care Act.

He also accepted Republican congressional leaders' assurances that they would produce a new health plan and a tax cut in short order, opening the way for the bipartisan favorite of infrastructure spending by year's end. The effort failed, Mr. Trump was embarrassed and infuriated, and that helped spur his decision to turn to Democrats to strike a deal on hurricane relief and short-term budget problems.

At this point, if Mr. Trump really wants to operate as a political independent, and attract the support of politically independent Americans to bolster the effort, picking

a fight with Republican leaders probably will only help him. In recent Journal/NBC News polling, the share of independents who had a negative view of the GOP outstripped those with a positive view by a hefty 31 percentage points.

Still, the limits to bipartisanship are real and significant. Disdain for Mr. Trump among rank-and-file Democrats will put a ceiling on how far Mr. Schumer or any other party leader can go in cooperating with him. Just 8% of Democrats say they approve of the job the president is doing, the latest Journal/NBC poll found. That's half the share of Republicans who approved of Democrat Barack Obama's performance at this stage of his presidency and one-seventh the share of Democrats who approved of Republican George H.W. Bush at this point.

That means Democrats probably have license to cooperate with Mr. Trump on raising the debt ceiling, funding government and improving infrastructure, and on some trade matters. But the party base figures to rise up against the kind of large-scale tax cut and defense-spending increases Mr. Trump envisions and revolt if he doesn't agree to extend legal status for "Dreamers," immigrants brought to the U.S. as young children.

So cooperation with Democrats has distinct boundaries. But nobody should be surprised Mr. Trump is choosing to test those boundaries at this point.

STAKES

Continued from Page One
equity firms delivered double-digit returns in 12 of the past 14 years and only lost money once in that time, according to Prequin Ltd. data.

This makes them attractive targets for asset managers seeking more profitable alternatives to offering cheap and popular passive investments such as exchange-traded funds.

BlackRock Inc., Neuberger Berman Group, Schroders PLC and Aberdeen Standard Investments are all buying. Private-equity funds charge an annual fee of 1.5% and keep 20% of the profits from asset sales. An ETF typically charges a 0.26% fee.

"Is it a bubble? My answer is no," said Alan Cauberghe, head of private assets at Schroders, one of the U.K.'s biggest fund managers, which bought Zurich-based private-equity investment firm Adveq Management earlier this year. "Private equity gives us the opportunity to create longstanding relationships with clients as opposed to clients who buy an ETF today and sell it back tomorrow."

Traditional fund managers debated how to respond to the popularity of passive investments at a London conference on Sept. 5. Jupiter Fund Management PLC Vice Chairman Edward Bonham Carter cautioned private equity is becoming "a crowded space," though he acknowledged its appeal.

"It is a high fee model," he said. "Managers can make four, five, six times the amount they can make as a more conventional active fund manager."

A bubble in private equity isn't inevitable because firms have plenty of room to grow, according to Jim Strang, an executive at Hamilton Lane, a major investor in private equity. "Private equity, despite how much it has grown, is still tiny," he said. "If you think about the scale of the industry in the context of the global public investment market it's a very small part."

Some see parallels to the heady fundraising period before the 2008 financial crisis.

Private-equity assets have more than doubled in the last decade to \$1.75 trillion at the end of 2016. But that is still equivalent to less than 3% of the \$71.5 trillion of publicly traded shares.

The proceeds of Adveq's sale to Schroders went to its founders. Other private-equity firms have sold stakes to raise money to hire staff to create funds in new asset classes, ranging from private debt to infrastructure and real estate.

Creating new funds enables private-equity firms to put more money to work, said Michael Rees, who co-founded

Dyal Capital Partners in 2011 specifically to buy shares in private-equity firms and hedge funds. Dyal, a unit of New York-based Neuberger Berman, raised \$5.3 billion for its third fund earlier this year.

"Investors want more private equity, so private-equity firms want to offer bigger funds and different strategies," Mr. Rees said in an interview. "To do that, they need more capital and so they come to firms like us."

Dyal has snapped up stakes in top-performing private-equity firms Vista Equity Partners and Silver Lake as well as buyout giant TPG Capital's special situations arm, TPG Sixth Street, in the last 18 months.

Aberdeen Standard is raising \$1 billion for its first fund to buy stakes in private-equity firms. Credit Suisse Group AG is raising a new fund to buy stakes, as is Petershill, a unit of Goldman Sachs Group Inc.

"Many firms seek to launch new products and strategies," said Aberdeen Standard executive Ajay Chitkara. "Strategic capital can help managers achieve these objectives."

Mark McCombe, who oversees private equity at BlackRock, the world's biggest asset manager, told a conference in London earlier this year the investible universe is increasing significantly as more investors expand into private assets including infrastructure. In June, BlackRock completed its acquisition of First Reserve Energy Infrastructure Funds.

As investors scramble to gain access to the asset class, the best-performing firms are taking advantage by significantly increasing fund sizes and, in some cases, not setting a limit—known as a hard cap—on the amounts they can raise.

Apollo Capital Management LP this year raised \$24.6 billion for the world's biggest buyout fund. CVC Capital Partners raised €16 billion (\$19 billion) for Europe's biggest.

The sheer scale of funds available to private-equity firms is unsettling some investors, who see parallels to the heady fundraising period before the 2008 crisis. Private-equity firms raised a record \$233 billion in the first half of 2017, according to Prequin.

Prices for U.S. and European leveraged buyouts were at or near record highs above 10 times earnings in the first half of 2017, according to Fitch Ratings. A recent survey found 86% of investors identified pricing as their main worry for the industry in 2017, according to Prequin.

"It is feeling very, very frothy," Rhonda Ryan, a managing director at investment adviser Pavilion Alternatives Group, said in an interview.

...pushing up prices in the U.S....

U.S. leveraged buyouts

12 to 1 ratio to earnings*

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WORLD NEWS

Catalans Rally as Secession Vote Nears

As Barcelona and Madrid face off over Oct. 1 vote, polls take the region's pulse

By JEANNETTE NEUMANN

TARRAGONA, Spain—Hundreds of thousands of Catalans raised pro-independence flags and chanted during the region's annual celebration of its history on Monday in Barcelona, but their leaders face waning support for Catalonia's secession from Spain.

Concerns about derailing Spain's robust economic recovery, fatigue over the yearslong independence campaign and the messiness of Britain's exit from the European Union have taken some wind out of the sails of the secession movement, polls suggest, in what may be the latest example of ebbing anti-establishment sentiment in the EU.

Last week, Catalonia's parliament decreed a referendum to secede from Spain to be held on Oct. 1. The government of Prime Minister Mariano Rajoy has branded the vote illegal, saying it violates Spain's constitution and vowing to block it.

In the case of a "yes" vote, Catalonia would declare independence 48 hours later, under the bill's provisions, and the region's political leadership promise to persist with the vote.

With that date looming, this year's annual celebration of Catalonia's history and culture was billed by organizers and authorities as a show of strength for the referendum. Supporters on Monday showcased the regional tradition of building human towers, or castells, and chanted "We will vote."

But it isn't clear the fervor on show was a true reflection of sentiment in the region. As in previous years, there were widely disparate estimates of



Hundreds of thousands massed in Barcelona to mark Catalonia's National Day on Monday. Independence fervor has appeared to wane since the financial crisis.

turnout on the day. Barcelona's municipal police said around one million people took part in Monday's rally, about a 10% increase from their estimate last year. Local representatives of the central government in Madrid, on the other hand, said there were around 350,000 participants, a decline from 2016.

Next month's planned ballot is the fruit of a fervor for independence that peaked during Spain's deep economic crisis, the severity of which aggravated many Catalans' historic frustrations with Madrid.

Tensions also grew after the conservative Popular Party—avowed opponents of Catalan independence—won a majority in parliamentary elections in 2011 and implemented austere measures unpopular with

many in Catalonia.

Now Spain is on track to record its third year of 3%-plus growth. Catalonia, which accounts for one-fifth of Spain's economic output and is powered by construction, tourism and chemical and pharmaceutical manufacturing, is growing even faster. Unemployment among the region's 7.5 million inhabitants is several percentage points below the national rate of 17%.

"When things begin to improve a bit, people begin to think, 'I'm a bit better. I've got more to lose, so I'm not going to take as many risks,'" said Jordi Argelaguet, head of Catalonia's polling agency. Its surveys show support for an independent Catalonia has fallen to 35% in June from a peak of 49% in autumn 2013.

Rubén Sánchez López, who opened a souvenir shop about a month ago near Tarragona's Roman ruins, was initially intrigued by separatists' claims that Catalonia would be better off outside Spain. But he became disenchanted as he felt more crucial economic concerns were being ignored, and would now prefer that Catalan leaders focus on matters like Spain's high youth unemployment rate.

If Catalonia secedes, "we'd be the same or even worse off," the 23-year-old said. "So why do it?"

Pro-EU sentiment in Catalonia and the confusion sown by Brexit have also damped enthusiasm for secession. Catalonia's leaders say the region would seek EU membership as an independent state, but op-

position from Madrid, other member states to such a move would make it highly unlikely.

The waning of independence fever in Catalonia parallels the course of secessionist sentiment in areas such as Scotland and northern Italy. At the same time, nationalist and populist parties in France, Germany and the Netherlands have fared worse than expected in recent elections.

Independence fatigue is also setting in among some Catalans. Three years ago, the Catalan government held a non-binding and informal vote on self-government. The "yes" vote won, but turnout was low. Months of fanfare paved the way for the ballot.

"Politically, it's hard to keep people constantly activated," said Kiko Llaneras, a pollster

with Spanish think tank Politikon.

Nonetheless, pro-independence sentiment could surge again if Madrid succeeds in blocking the vote. Half of Catalans want the chance to vote on full autonomy, regardless of what Madrid says. If the Oct. referendum is held, polls suggest a pro-independence outcome, since many opposed to secession have said they won't participate.

Meanwhile, pollsters estimate that around one-quarter to one-third Catalans are hardcore independence supporters.

"Even a booming economy I don't think is going to bring those people back within the fold," said Andrew Dowling, a specialist on Catalan and Spanish history at Cardiff University.

Pope Urges End to Modern Slavery

By JOHN OTIS

CARTAGENA, Colombia—Speaking at a cobblestone plaza in this port city where African slaves were once sold, Pope Francis wrapped up a five-day trip to Colombia by declaring that the postwar period this country is entering must include an end to what he called modern forms of slavery.

Although this walled colonial city is a glitzy international tourist destination, Pope Francis focused on its dark history and current woes, such as slums teeming with people uprooted by a long guerrilla war and child prostitution rings catering to foreigners. Many of those suffering here are Afro-Colombians, and in his last hours in Colombia the pontiff centered his message on them.

"Here in Colombia and in the world, millions of people are still being sold as slaves," Pope Francis declared. "They either beg for some expressions of humanity, moments of tenderness, or they flee by sea or land because they have lost everything, primarily their dignity and their rights."

The pontiff delivered his message before thousands standing in the midday sun outside San Pedro Claver Church, named for a Spanish Jesuit priest who in the 1600s defied church superiors by ministering to victims of the trans-Atlantic slave trade and insisting that they, like Europeans, were also children of God. The descendants of many of those slaves founded communities that today are considered rich in culture but vulnerable to political violence.

"Due to the language difference, (Claver) often ministered to these slaves simply through evangelizing gestures," Pope Francis said. "He knew that the language of charity and mercy was understood by all. Indeed, charity helps us to know the truth and truth calls for acts of kindness. Whenever he felt revulsion towards the slaves, he kissed their wounds."

Pope Francis, 80, spoke with a noticeably bruised cheek and eyebrow, the result of a small



Pope Francis greeted children during a visit to San Pedro Claver Church in Cartagena, Colombia.

cut sustained when he bumped into the window of his "Pope-mobile" when it braked sharply as he was waving to well-wishers during a procession through Cartagena.

"I got bashed," he later joked to reporters. The Vatican said ice was applied, and the pontiff was fine.

Another surprise was a brief message for Venezuela. The pope bowed his head and prayed for a peaceful solution to what he called a "grave crisis" in that oil-rich country, where more than 120 people were killed in antigovernment protests that ended last month.

"I appeal for the rejection of all violence in political life and for a solution to the current grave crisis, which affects everyone, particularly the poorest and most disadvantaged of society," Pope Francis said. The Vatican tried to jump-start negotiations last year between Venezuela's socialist government and opposition leaders, who accuse President Nicolás Maduro of stifling democracy.

Throughout his trip, which took him to the metropolis of Bogotá, as well as prosperous Medellín and the cattle city of Villavicencio, Pope Francis

urged Colombians to fully embrace peace now that their government and Marxist guerrillas are implementing the complex points of a peace accord that was signed last year. But on every stop, he also insisted that a peaceful society requires social justice and invited the faithful to reach out to the less fortunate.

Pontiff delivers his message to thousands on visit to Colombia city of Cartagena.

"If Colombia wants a stable and lasting peace," the pope said, "it must urgently take a step in this direction, which is that of the common good, of equity, of justice, of respect for human nature and its demands."

On Sunday, Pope Francis skipped Cartagena's former monasteries, converted into five-star hotels, to visit San Francisco, a rough, working-class barrio plagued by street gangs.

There, he blessed the cor-

nerstones of two charitable foundations that work with the homeless and child prostitutes.

"That's why we like this pope. He doesn't go to the rich parts of town. He comes here," said Emilia Pajaro, 47, who grew up in the neighborhood. An Afro-Colombian who teaches elementary school, Ms. Pajaro said Cartagena has "a cruel history" but that most residents and city officials ignore it.

While waiting for a glimpse of the pope, university student Julio César Dávila stood next to a bronze statue depicting Claver consoling an African slave in leg chains. "Francis is here to remind us that we still have a lot of problems to address," Mr. Dávila said, "like sex slavery, human rights violations and corruption."

Whether the pope's vision will convince Colombians is unclear.

Juan Camilo Díaz, a spokesman for the Colombian Catholic Bishops Conference who helped organize the papal trip, said Pope Francis' goal was "to plant a seed."

Now, he says, "it's up to us Colombians to go forward and make it bear fruit."

Hurricane Irma Takes Heavy Toll on Cuba

By DUDLEY ALTHAUS

Hurricane Irma killed at least 10 people as it slammed into Cuba and scraped across its north coast over the weekend, the communist island's official media reported on Monday.

In Havana, waves as high as 27 feet breached the sea wall and flooded the capital's crumbling colonial center and the upscale neighborhood of Vedado. Buildings collapsed, trees and power lines fell and roofs flew away in the 155-mile-an-hour winds, damaging areas popular with foreign visitors just before the start of the important winter tourism season.

Seven of those killed were in Havana, Granma, the official outlet, reported. Two victims were hit by falling debris after a balcony collapsed onto the bus they were riding, the newspaper reported. Another victim was killed by a downed electricity post.

"This storm caused severe damage to the country, which...we still haven't been able to quantify," President Raúl Castro said on Monday in a statement published in Granma. "A preliminary look shows impacts in housing, the electricity system and agriculture."

Irma was a Category 5 hurricane when it punched into the island on Saturday. It had already wreaked havoc across the northern Caribbean, killing at least 22 people and leaving parts of St. Martin and nearby islands in the U.S. and British Virgin Islands unrecognizable.



Hurricane Irma flooded the streets of the Cuban capital, Havana.

WORLD NEWS

Turkish Trial Targets Newspaper

BY NOUR MALAS
AND ERDEM AYDIN

ISTANBUL—Witnesses took the stand in the reopening of a trial of journalists and executives from one of the last remaining opposition papers in Turkey, a high-profile case that has become a barometer of the government's resolve to prosecute its critics despite international condemnation.

The 17 journalists and executives from Cumhuriyet, Turkey's oldest running newspaper and a consistent critic of Turkish governments over the decades, went on trial in July for allegedly supporting or aiding terrorist groups. An 18th defendant, an accountant for the newspaper, was recently added to those on trial. The defendants face between 7½ and 43 years of imprisonment if convicted on charges including aiding a terrorist organization.

Much of the evidence cited in the indictment involves communication the journalists have had with a broad range of people who the government says may have been involved in an attempted military coup last year or whom it calls terrorists. Two other people not currently linked to the newspaper are being tried in the same case.

The journalists on trial have broadly argued, either in testimony or through their lawyers, relatives and friends, that the allegedly incriminating communications simply showed they were doing their jobs.

International monitors ob-



Protesters held copies of Cumhuriyet before Monday's reopening of the trial of the paper's employees.

serving the trial have called the charges absurd and baseless. The government's case "relies on weak evidence cherry-picked to support a predetermined theory," a group of international observers, including Reporters Without Borders, said in a joint statement following the first hearing in July. "Viewed in light of events in Turkey in recent years, it is difficult to dismiss arguments that this case

is another politically motivated effort to criminalize journalism."

The U.S. and some European governments have criticized as disproportionate President Recep Tayyip Erdogan's response to the 2016 coup attempt, including a state of emergency under which thousands of public officials and activists have been jailed. At home, Mr. Erdogan's critics say the long pretrial

detention that columnists and reporters from Cumhuriyet faced was a way to further intimidate the media.

Government representatives say the trial is following the due course of law, referring further questions to the judiciary.

"The whole goal of the case...is a desire to stop Cumhuriyet from being a critical voice," said Turhan Gunay, the newspaper's book-supple-

ment editor, in a recent interview after his release from detention. Mr. Gunay, 72 years old, was one of seven defendants released in an interim ruling in July, when the trial first opened.

Four of the newspaper's most prominent faces remain in jail, including its editor in chief, Murat Sabuncu, and investigative reporter Ahmet Sik, who delivered a speech critical of the government at his opening testimony in July. The paper's chief executive, Akin Atalay, and columnist Kadri Gursel are also still imprisoned, along with Emre Iper, the accountant.

The remaining defendants are being tried without detention or in absentia.

Witnesses called by the prosecutor on Monday include a former Cumhuriyet editor in chief, and former board members of the Cumhuriyet Foundation, a foundation that owns the newspaper.

Relatives of the defendants, lawyers, other journalists and international monitors packed the courtroom on Monday in Silivri, on the outskirts of Istanbul.

The July hearing, held in a smaller courtroom, was swarmed by hundreds of people over the course of three days and often went on late into the night.

Turkey is the largest jailer of journalists in the world, with at least 81 journalists in prison at the end of last year, according to the Committee to Protect Journalists, an advocacy group.

Riyadh Detains Clerics Over Qatar

BY MARGHERITA STANCANI

Saudi authorities have detained two prominent clerics who came under fire for failing to publicly declare their support for the monarchy's hard-line stance toward Qatar in the Gulf crisis.

Security officers took one of the clerics, Salman al-Odah, into custody over the weekend and cited his failure to come out in support of the Saudi stance on Qatar as the reason for his detention, according to human-rights activists.

Mr. Odah, a former radical Islamist who in the past at times opposed the Saudi government, is popular in Saudi Arabia. He has more than 14 million Twitter followers, and many of them are speaking out on the social-media platform against his detention.

"He one of the most powerful people in Saudi Arabia. Nobody thought the government could arrest him," Yahya Assiri, a Saudi human-rights activist based in London, said Monday.

Saudi officials didn't immediately respond to requests for comment on Monday.

Saudi Arabia, the United Arab Emirates, Bahrain and Egypt broke diplomatic ties with Qatar in June over its ties with Islamist groups such as the Muslim Brotherhood and its alleged links to terrorist groups such as al Qaeda—a claim Doha rejects.

Salman al-Odah and Awad al-Qarni are popular with an older Saudi generation.

The U.S. facilitated a phone conversation Friday between the Saudi Crown Prince Mohammed bin Salman and Qatar's leader, Sheikh Tamim bin Hamad Al-Thani. But hopes for a resolution were dashed after Saudi Arabia accused Qatar of distorting the content of the conversation and said it had suspended contact with Qatar.

Despite the endorsement of new U.S. President Donald Trump, who has lauded Mr. Sisi's counterterrorism efforts, the failure to eradicate the Sinai militancy is piling pressure on the Egyptian leader ahead of a presidential race scheduled to be held next year.

Islamist State accuses Copts of supporting the coup led by Mr. Sisi against Islamist President Mohammed Morsi, the Muslim Brotherhood official who was Egypt's first democratically elected president. Since coming under attack in January, thousands of Christians have fled their homes in Sinai.

Since coming to power, Mr. Sisi has staged a sweeping crackdown on his political opponents, including many members of the Muslim Brotherhood.

"Oh Lord, draw their hearts together toward what is best for their people," he tweeted on Saturday.

He was detained Saturday night at his home in Riyadh by officers who mentioned his tweet, said Mr. Assiri, who said he was briefed on the incident by a person who is close to Mr. Odah.

Authorities also detained cleric Awad al-Qarni in the southern city of Abha over the weekend after he tweeted in support of better relations with Qatar, rights activists said Monday.

While the Twitter messages may explain the timing of the arrests, the causes likely go deeper, say analysts.

"Oudah and Qarni are two of the most popular clerics of the older generation in Saudi Arabia, and they have been troublesome before," said Theodore Karasik, a senior adviser at Gulf States Analytics, a Washington, D.C., think tank. "This shows that Mohammed bin Salman is moving in a new direction that will rely more on a younger generation of clerics who are more attuned to the new requirements."

The monarchy historically has regarded its alliance with the kingdom's religious establishment as an important source of legitimacy. But as Saudi rulers press ahead with economic overhauls, their priorities are changing.

Under the leadership of Crown Prince Mohammed bin Salman, Riyadh is pushing to open up the economy and liberalize the kingdom's ultraconservative society. It has also embraced a more-aggressive foreign policy, which is reflected in the nation's break with Qatar.

Islamic State Militants Attack Police in Sinai

BY DAHLIA KHOLAIF

CAIRO—Islamic State militants armed with guns and a vehicle bomb attacked Egyptian police forces in the Sinai Peninsula, killing at least 18 civilians and policemen, the interior ministry said, the deadliest assault in months in the restive region.

The roadside bomb blew up after intercepting a group of police vehicles west of the city of Al Arish, an interior ministry statement said, and an ensuing gunbattle erupted between security forces and the militants. The hourslong clash left three militants dead, according to state newspaper Al-Ahram. Ambulances had difficulty reaching the injured as the clash wore on, the paper said.

Five people were wounded, an interior ministry spokesperson said. He didn't say how many of the dead were police.

Islamic State claimed Mon-

day's assault through its official Amaq news agency, saying its fighters had ambushed the outskirts of Al Arish, a hotbed of activity for Egypt's growing insurgency.

It marks the bloodiest day in Sinai—home of a militancy led by Islamic State's powerful Egyptian affiliate—since July 7, when 23 soldiers were killed and wounded in attacks orchestrated by the group.

The resurgent violence came the same day as Egypt's army chief of staff, Lt. Gen. Mahmoud Hegazy, met in the capital, Cairo, with Lt. Gen. Joseph Votel, commander of the U.S. Central Command.

It also underscores Islamic State's fallback on guerrilla-style warfare, including suicide bombings, as it suffers crippling battlefield losses in its Syrian and Iraqi strongholds. All but defeated in Iraq, it now faces an assault from U.S.-backed Syrian forces on its de facto capital, Raqqa.



A police officer secured a Coptic church in Tanta in April.

Egypt has for several years battled its increasingly ferocious Islamic State-led homegrown insurgency, which regularly targets military and government installations in Sinai, killing thousands of police and security forces.

The extremists have in re-

cent months also begun carrying out a campaign of violence against Egypt's Coptic Christian minority, targeting civilians and houses of worship across the country.

The violence has sharpened criticism among Egyptians of President Abdel Fattah Al Sisi,

the former army chief who swept to power in a 2013 coup promising to serve as a regional bulwark against terror.

Despite the endorsement of new U.S. President Donald Trump, who has lauded Mr. Sisi's counterterrorism efforts, the failure to eradicate the Sinai militancy is piling pressure on the Egyptian leader ahead of a presidential race scheduled to be held next year.

Islamist State accuses Copts of supporting the coup led by Mr. Sisi against Islamist President Mohammed Morsi, the Muslim Brotherhood official who was Egypt's first democratically elected president. Since coming under attack in January, thousands of Christians have fled their homes in Sinai.

Since coming to power, Mr. Sisi has staged a sweeping crackdown on his political opponents, including many members of the Muslim Brotherhood.

BY JAKE MAXWELL WATTS

The U.S. will deploy one of its most advanced surveillance drones to the southern Philippines, joining other powers in escalating foreign involvement alongside the government's beleaguered forces as a battle with Islamic State-linked militants grinds into a fourth month.

The Gray Eagle Unmanned Aircraft System, an upgraded version of the well-known Predator, will provide surveillance support to the Philippine military, the U.S. Embassy said on Monday. The drone is capable of carrying cameras with infrared capability, radar and missiles and can remain airborne for 25 hours.

The military is struggling to clear an estimated few dozen militants dug in positions in the southern city of Marawi, which hundreds of fighters invaded and occupied on May 23 in a dramatic attempt to launch a caliphate, or Islamic state, in a predominantly Muslim part of the southern Philippines.

The ill-equipped military, inexperienced in modern urban warfare, is fearful of inflaming religious tensions if it levels the mosques where the militants have holed up. The military also said it is trying to free an unknown number of hostages. After vowed to launch a final battle two weeks ago, the army was stymied by improvised explosive devices scattered throughout the crumbling neighborhoods once occupied by militants.

A key battle took place late last month over a bridge pro-



viding access to the area where the militants are holding out. At least 16 soldiers and 59 militants died in the past two weeks.

For months, military snipers have been trading fire with insurgents hiding in high-rise buildings, in mosques, and in the rubble of houses. The military has been taking back territory house by house, engaged in close-quarter combat as it pushes the militants into an even smaller area.

The prolonged fighting has

concerned other countries that Islamic State could gain a new foothold in Southeast Asia after losing its Middle East强holds, said Richard Heydarian, assistant professor of political science at De La Salle University. If other nations don't come to Manila's aid, he said, "the situation is going to get out of control."

No foreign troops are currently involved in direct combat operations in the Philippines, but several are increasing support. Washington

has provided more than \$295 million in military assistance to the Philippines over the past three years, including the recent donation of two small manned surveillance aircraft. Australia on Friday said it was in discussions with the Philippines to bolster a troop presence it maintains there to provide training and tactical advice. Australia has already deployed two maritime patrol and surveillance aircraft. Singapore, too, has offered the use of a transport aircraft and a

detachment of unmanned aerial vehicles for surveillance.

The Philippine military on Monday said its operations in Marawi "remain relentless." Spokesman Brig. Gen. Restituto Padilla Jr. told a press conference the military wouldn't negotiate with terrorists.

Gen. Padilla said the militants remain in control of an area of only about 250 square meters, but it includes "among the biggest and thickest buildings. That is what is becoming a challenge for us now."

The military said more than 650 militants have been killed in the fighting, while 145 soldiers and 45 civilians have also died. Some analysts said they doubt the figures, noting difficulties in distinguishing between militants and civilians.

As much as 90% of the city—formerly with a population of 200,000—has been destroyed, much of it by airstrikes by government forces. Thousands of people remain displaced.

President Rodrigo Duterte's government has sought to accelerate a long-stalled peace process with larger, older rebel groups in the southern island of Mindanao, parts of which have been strongholds of Muslim and nationalist resistance in the predominantly Roman Catholic country for decades.

He has advocated for decentralizing power now concentrated in Manila.

"I will tell you now, straight,

that there will be no peace in Mindanao for the longest time," Mr. Duterte told a business conference on Saturday.

WORLD NEWS

U.N. Readies Sanctions on North Korea

U.S. eases conditions in resolution to gain the endorsement of China and Russia

BY FARNAZ FASSIHI

UNITED NATIONS—U.S. officials eased the terms of a sanctions resolution against North Korea in a bid to gain the support of China and Russia as the United Nations Security Council prepared to vote on the measure.

The U.S., which drafted the initial resolution while pledging the harshest possible sanctions yet, rolled back its insistence on a complete oil embargo and asset and travel freezes targeting North Korea's leader Kim Jong Un, according to diplomats and a draft of the final version of the resolution seen by The Wall Street Journal.

The new resolution would impose an embargo on all textile trade and require inspections and monitoring of North Korea's sea vessels by member states, but it doesn't provide for the use of military force to gain access to the ships.

A proposed ban on North Korean foreign workers, a source of an estimated \$1 billion in annual revenue to the regime, also was reworded to allow countries to employ North Korean nationals if deemed vital for humanitarian reasons. It also wouldn't apply to workers who hold contracts taking effect before the adoption of the resolution.

As well, proposals to comprehensively target all oil and refined petroleum, seen by the U.S. and allies as the final resort for pressuring Pyongyang



Kim Jong Un attended a celebration for scientists and engineers who had contributed to North Korea's claimed hydrogen-bomb test this month.

KCNA/REUTERS

economically, are being relaxed in the new sanctions measure. The resolution would ban all condensates and natural-gas liquids, but imposes a cap of 2 million barrels a year on refined petroleum products while capping allowable oil exports at current levels.

China and Russia, both veto-holding powers on the 15-member Security Council, had voiced opposition to harsher measures and threatened to block the vote if the ban on oil remained, diplomats said. China is reluctant to pressure

the North Korean regime to the brink of collapse, fearing instability at its border, a flow of refugees and a possible American military presence. Russia and China have both said they favor direct talks and not sanctions.

Security Council diplomats said they expected the resolution to pass unanimously late Monday and that even the compromises made on the resolution still imposed tough economic measures on North Korea. Sweden's Ambassador Olof Skoog told reporters, "I

think everyone should be able to live with the resolution as it stands."

After a week of intense negotiations, a unanimous Security Council vote against North Korea was viewed as politically more important than a strong U.S. stand that risked division, diplomats said.

"Any perception of weakness on the side of the Security Council would only encourage the regime to continue its provocations and objectively create the risk of an increasingly extreme situation," said

France's Ambassador François Delattre.

North Korea conducted its sixth nuclear-weapons test earlier this month and asserted that it had acquired the capacity to mount a hydrogen bomb on an intercontinental ballistic missile. U.S. Ambassador Nikki Haley warned that Pyongyang was "begging for war" and spearheaded a fast-paced diplomatic response by pushing for U.N. action with a one-week timetable.

North Korea issued a statement on its official KCNA news

agency on Monday warning that if the "illegal and unlawful" sanctions resolution passed, Pyongyang would inflict "the greatest pain and suffering" on the U.S.

"In case the U.S. eventually does rig up the illegal and unlawful 'resolution' on harsher sanctions, the DPRK [North Korea] shall make absolutely sure that the U.S. pays due price," the spokesman of the country's Foreign Ministry said in a statement.

—Jonathan Cheng in Seoul contributed to this article.

India's Vigilante Cow Protectors

Court urges crackdown on Hindus who confront suspected Muslim bovine smugglers

BY NIHARIKA MANDHANA

PANIPAT, India—Across this northern town, clusters of young men embarked on patrols one recent night, some along a highway, others in shadowy alleys and on rooftops. Their mission: to rescue cows they suspect are being transported for slaughter.

Much of India bans killing the animal, which is revered by hundreds of millions of Hindus. The vigilantes, sometimes working with police, nab men they believe are cow smugglers, a job that sometimes involves high-speed car chases and even deadly shootouts.

"We are a 100% committed to saving cows from being mutilated and killed," said Rinku Arya, a 36-year-old father of three who spends most nights scouring streets.

The activities of such groups, with thousands of members, have come under increased scrutiny at a time of heightened sectarianism and polarized debate in India over cows. Last week, India's Supreme Court instructed state governments to appoint special police officers and step up highway patrols to restrain them, in response to a petition seeking stronger action against vigilantes.

Prime Minister Narendra Modi's party, which has roots in Hindu nationalism, has made cow-protection a priority—part of a broader electoral strategy that relies on harnessing religious votes and promising economic development. It tightened anti-slaughter laws in numerous states and stirred the issue during election campaigns.

Hindu groups that form the backbone of support for Mr.



Accused of theft and slaughter of cattle, five men, their faces covered, are detained in New Delhi.

Modi say their ire is directed against Muslims who kill cows, either unlawfully or by supplying them to the handful of states where slaughter is permitted. They cast cow slaughter as a symbol of Muslims' longstanding hostility toward Hindus. Islam, practiced by 14% of Indians, doesn't prohibit beef-eating.

Many Muslims say in this charged environment, even rumors or suspicions involving cows are being used as pretexts to target their community. Mob attacks on Muslims, including killings, have made headlines. Mr. Modi has condemned the violence.

Vigilantes say they help enforce the law, not break it.

On a poorly lit highway one recent night, as vehicles slowed at toll booths, a dozen members of the Gau Raksha Dal, or Cow Protection Group, leapt onto trucks, peered in, banged the sides to unearth hidden ani-

mals and searched for leaks of cow urine. Suspicious vehicles were encircled and pulled over for questioning.

They were joined by two constables from a recently created cow-protection police unit who watched as the vigilantes sprinted, shouted and interrogated. "We'll intervene if they find something," one policeman said.

Such "joint operations" are ideal, Mr. Arya said, but the police aren't always reliable partners, leaving the group to sometimes act alone.

Their primary targets are criminals involved in the illegal cow trade, the men said.

"Cows are broken down and each part sold for a hefty sum—it makes my blood boil," said 21-year-old Vikram Arya, who isn't related to Rinku Arya and who uses the reverential term "cow mother" when referring to the animal. Other groups act on information

about alleged beef-eating.

Seasoned cow smugglers fire pistols and hurl rocks when confronted, police and vigilantes said. Five men from the cow-protection group have died in the past decade, the first Mr. Arya said. Its members sign releases that the group isn't responsible for such outcomes.

Mr. Arya said he and his associates use weapons, including guns, for self-defense. Other vigilantes said they sometimes thrash their foes to send a message.

The group relies on a vast network of informers: watchmen, storekeepers, villagers and tollbooth operators.

When Mr. Arya receives a tip—men spotted feeding drug-laced food to stray cows or animal horns seen bobbing atop vehicles—he mobilizes his men using phone calls and WhatsApp. "We have boys who are available 24 hours a day," he said.

WORLD WATCH

CANADA

Housing Starts Rise Beyond Expectations

Housing starts rose in August, hitting the second-highest one-month level this year, with no signs of an immediate slowdown as population growth and robust economic activity fuel demand.

Starts rose 0.6% to a seasonally adjusted annual rate of 223,232 units in August, Canada Mortgage and Housing Corp. said Monday. The result beat

market expectations for housing starts to hit 215,000 in August, according to economists at Royal Bank of Canada.

August marked the eighth straight month Canadian housing starts exceeded 200,000.

The housing agency said demand for new homes remained strong, consistent with consumer confidence that reached its highest level in 10 years.

CMHC's August report said urban housing starts rose 0.8% to 207,524 units. Multiunit urban starts rose 2.7% to 145,618.

—Paul Vieira

MEXICO

Industrial Output Tumbled in July

Industrial production fell more than expected in July as declines in oil, electricity generation and construction were greater than anticipated, outweighing gains in manufacturing.

Industrial output fell 1% on a seasonally adjusted basis from June, and was 1.5% below July 2016 levels, the national statistics agency said Monday.

Output had been expected to

fall 0.2% from a year before, according to the median estimate of economists polled by The Wall Street Journal.

Manufacturing activity, led by production of cars, auto parts and electronic equipment, remained the bright spot, rising 0.3% from June. In annual terms, it expanded a healthy 2.7%.

The oil industry continued to lag. Oil and gas production declined 0.6% from June, and was 8.9% lower than the previous year. Electricity generation unexpectedly fell 0.5% in July.

—Juan Montes



Lee Ming-che in February, before Chinese authorities arrested him.

EPA/SHUTTERSTOCK

U.S. NEWS



Above, a trailer home near Naples, Fla., that was damaged by Irma. Although the hurricane has weakened to a tropical storm, flooding concerns remained in northern Florida.

IRMA

Continued from Page One
largest investor-owned utility. He noted customers were still getting knocked offline in the north as the utility made repairs in the south.

Irma made landfall Sunday morning as a Category 4 storm, before hitting Marco Island as it headed north toward Tampa Bay and slowly degrading along the way. It was the second Category 4 hurricane of the season to hit the U.S., after Hurricane Harvey hammered the Texas coast last month, flooding Houston and causing at least 50 deaths.

Unlike Harvey, which lingered for days while producing historic rainfall, Irma swept through, climbing up much of Florida's Gulf Coast in about a day. While there were pre-storm worries that Irma could be the worst natural disaster on record, quick post-storm assessments suggested losses would be far below early fears, in part because the

state dodged wider-spread flooding to some of its most vulnerable areas.

"We can count our blessings," said Bill Barnett, mayor of Naples, a city of about 22,000 on the state's southwest coast, which he said dodged major flooding. The city was blacked out, but buildings and houses appeared to be largely intact, the mayor said.

In Valrico, to the east of Tampa, 56-year-old Dianne Fisher felt fortunate a large oak tree had fallen into a roadway rather than her house after snapping at the trunk. Aside from a missing shutter and downed power lines, she said none of her worst Irma fears were realized. "Thank goodness it weakened before the eye came up across our area," she said.

And in Miami on Monday, the Brickell financial district in downtown was drying out under a warm sun, a day after its streets coursed with more than 3 feet of floodwaters that poured in from Biscayne Bay. The waters receded, leaving pavement caked with mud and

small pools of water.

Residents who stayed in the neighborhood for Irma began to venture out. Samir Sabbag, a 38-year-old doctor, said he rode it out with a group of friends in a 14th-floor unit of a tower at the edge of Biscayne Bay.

He said the storm triggered powerful whirlwinds in the narrow canyons between high-

Early post-storm assessments pegged losses at being far below initial fears.

rises. In the unit where Mr. Sabbag was staying, one of the windows cracked during the storm. "That really scared us," he said.

One auto accident in Florida was blamed on Irma, which killed at least 34 people in the Caribbean, according to the Associated Press.

AIR Worldwide estimated private-sector insured losses of

\$20 billion to \$40 billion from Irma, well below the more than \$100 billion forecast by some firms on Friday. While rain is expected to total as much as 20 inches in some places, "Irma's forward motion should prevent the kind of accumulations and resulting flooding seen two weeks ago in Texas" from Harvey, AIR analysts said.

The estimate includes wind and storm-surge damage to residential, commercial and industrial properties, automobiles, and some other coverages, but excludes federal flood-insurance flood losses. It also excludes losses to inland marine, marine cargo and hull and pleasure boats, among some other things.

Wells Fargo Securities said private-sector insured Irma damage is now estimated in the \$40 billion range or less and will likely fall short of Hurricane Katrina's \$50 billion of losses in 2005.

"While this storm was not the big hit to Miami that models had called for most of last week, this will still be a significant loss for the insurance in-

dustry," the firm said.

Florida officials had been preparing for the worst hurricane damage since Andrew killed 61 in the U.S. in 1992 and caused nearly \$48 billion in economic damage in 2017 dollars, according to the National Oceanic and Atmospheric Administration—the costliest storm in U.S. history until Katrina.

Miami International Airport suffered "significant water damage," the airport's CEO said on Twitter. There are no passenger flights scheduled there Monday.

The Florida Keys, in Monroe County, were hit with up to a foot of rain and a 10-foot storm surge, according to the National Weather Service. U.S. Route 1, the county's only highway, was flooded. Communication to the area was spotty, and friends and family members posted frantic messages on Facebook, saying they hadn't been able to reach their loved ones since midmorning.

—Cameron McWhirter, Scott Calvert and Khadeeja Saifdar contributed to this article.

Irma Cuts Power to Millions In Florida

BY ERIN AILWORTH

Roughly 65% of utility customers in Florida, or 6.5 million, were without power Monday as Irma continued to pass over the northern part of the state as a tropical storm, the state's disaster agency said.

Customers of Florida Power & Light Co., a unit of NextEra Energy Inc. and the state's largest investor-owned utility, were the most affected by outages. As of Monday morning, roughly 4.4 million of the company's nearly 5 million customers were without power, according to a company outage map.

Eric Silagy, chief executive of FPL, said Irma had caused more than 5 million outages so far—a number he called unprecedented for the company—and the company was expecting more power losses as Irma moved farther north. He continued to warn that many could be without power for weeks.

"You need to understand particularly if there's structural damage it absolutely could be weeks if we have to rebuild parts of the system," said Mr. Silagy, who estimated that the FPL outages affected about 9 million people. "It's not over. We still have customers in north Florida that are losing power because of the storm."

At Gulf Power, a Southern Co. unit that serves just over 455,000 in northwest Florida, spokesman Rick DelaHaya said Monday that the brunt of Irma was just starting to arrive in that region.

"It's supposed to get really bad here in the next couple of hours, and after that we'll make a decision of where we need to get on the road," he said. "With any storm like this, there are going to be some outages."

In the parts of Florida where the weather had started to clear, utilities had crews out to assess the damage wrought by the storm, which hit the state as a hurricane.

Building Boom Put Millions in Path

BY LAURA KUSISTO AND NICOLE FRIEDMAN

Hurricane Irma's turn up the west coast of Florida imperiled a region that has undergone major development in recent decades, from wealthy enclaves such as Naples to middle-class subdivisions in Tampa Bay and nearby Pinellas County.

Like many cities in Florida, parts of Tampa are built on filled-in marshland. Many homes, apartment buildings and even a major trauma center are close to sea level.

A 2015 report by catastrophe modeling firm Karen Clark & Co. found that Tampa is the most vulnerable city in the U.S. to storm-surge flooding. The ranking was based on losses to residential, commercial and industrial property by a once-in-100-years hurricane. It estimated such a storm would cause \$175 billion of damage to Tampa.

The hurricanes that hit New Orleans and Houston showed the enormous risk of building homes in low-lying areas.

Florida real-estate developers ramped up construction over the past five years as the state rebounded from the housing crash, propelled in part by an aging U.S. population seeking warmer climates.

Tampa posted a 25% increase in new building permits for single-family homes during the first seven months of this year, compared with the same period a year earlier, according to U.S. Census data compiled by the National Association of Home Builders. That was one of the largest increases in construction activity in the U.S.

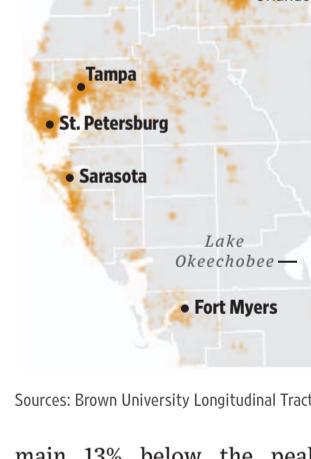
Home prices have shot up 10% in Tampa over the past year, according to real-estate data firm Zillow, faster than in pricier locales such as Naples and Miami, and in the rest of the nation overall. They re-

Major Growth

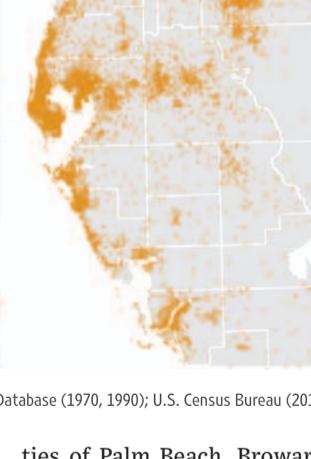
Central Florida's west coast has undergone rapid development in low-lying areas that are vulnerable to storms.

Population: Each dot (•) = 500 people

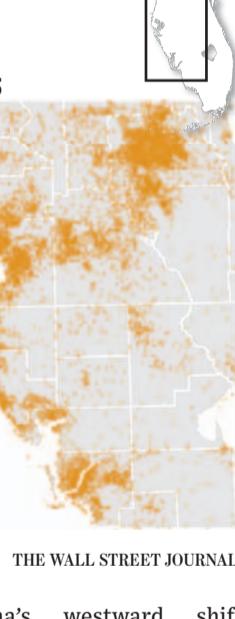
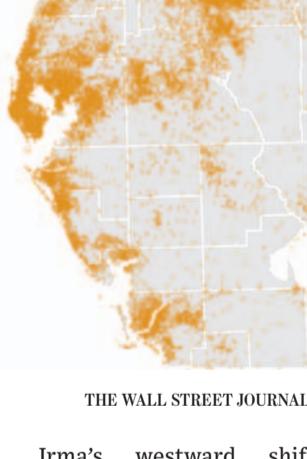
1970



1990



2015



main 13% below the peak touched during the housing boom a decade ago, better than Miami's 17% deficit.

Tampa's population has increased 12% since 2010, according to U.S. Census data.

Roughly 50% of the population lives on ground less than 10 feet above sea level, according to the Karen Clark report.

"You have this gigantic exposed area that is very low-lying and pretty crowded, pretty dense," said Mark Hafen, assistant director of the School of Public Affairs at the University of South Florida, who lives in Tampa.

The westerly shift of Irma, which weakened to a Category 2 hurricane on Sunday and a tropical storm on Monday, might have spared Florida bigger property losses.

Florida's west coast up to Tampa has property valued at about \$1 trillion, as determined by replacement cost rather than market value, according to catastrophe modeling firm AIR Worldwide. In comparison, the eastern coun-

ties of Palm Beach, Broward and Miami-Dade have property worth about \$1.5 trillion, according to AIR.

Last week, catastrophe modelers said a major hurricane directly hitting Miami could cause more than \$100 billion in insured losses. While the insured losses could still reach the tens of billions, the worst-case scenarios likely have been avoided, said Karen Clark, chief executive of the modeling company bearing her name.

The total value of residential property in Hillsborough County, which includes Tampa, is some \$111 billion, according to Zillow, much less than Miami-Dade county's roughly \$382 billion.

Building codes across the state were strengthened in the wake of Hurricane Andrew, which battered south Florida in 1992. Resiliency experts predicted this storm will offer a test of whether they have been made strong enough—and, they hope, confirm that they are needed.

Irma's westward shift means that most of the damage from the hurricane could come from a storm surge rather than high winds. That means less of the economic damage will be covered by insurance.

Storm surges cause flooding, which isn't covered under standard homeowners insurance policies.

Maria Ilcheva, a senior researcher at the Metropolitan Center at Florida International University, said her surveys revealed that a declining number of homeowners in Tampa have been purchasing flood insurance over the past five years largely because the area hasn't been hit by a major hurricane in most people's lifetimes.

Within flood zones, most homeowners are required to buy flood insurance, which is usually provided by the federal government's National Flood Insurance Program.

St. Martin Labors To Contain Chaos

BY MATTHEW DALTON

ST. MARTIN—Two days after Hurricane Irma knocked out communications across this sun-soaked island, rumors spread that inmates at a prison had escaped with firearms and were roaming the countryside.

Unsure if the reports were true, authorities rushed to set up checkpoints and then established contact with the prison.

The reports were alarming, said Annick Girardin, the French minister for the country's overseas territories. "We were able to verify that it wasn't true."

The hurricane has left residents of this island in the dark, cut off from almost all communication and gripped with fear over the disintegration of law and order. Looting has been widespread, residents say, while French police and soldiers have had little presence on the ground. Armed neighborhood groups have stepped in.

"The state has been very, very weak," said Tristan Kelaïdites, an 18-year-old baker.



Two men view the rubble of their restaurant on St. Martin.

French authorities on Sunday said they were moving swiftly to restore order and services on this storm-battered island, facing rising public discontent over the government's response to the hurricane's devastation.

Residents here awoke to their fourth day without electricity, running water or phone service—but spared additional damage after Hurricane Jose veered north of St. Martin on Saturday night. Now they are pondering whether to stay, given that much of the island's basic infrastructure has been damaged.

Garbage and debris remained piled up on the street. Long lines formed at gas stations. People piled into the few undamaged houses, seeking to get inside before near complete darkness descended on the island.

Irma cut across St. Martin starting Wednesday night, damaging 95% of the island's structures, according to some estimates. Residents said they saw little presence of French police or soldiers on the streets to maintain order or provide essential supplies.

U.S. WATCH

CALIFORNIA

Lawmakers Spar Over Housing Fix

As the California Legislature enters its final week of this year's session, lawmakers are battling over a series of bills designed to ease the state's housing shortage, which is driving up prices and pushing low- and middle-income residents out of cities from Oakland to Los Angeles.

Democrats, who control all branches of government in California, are hoping to bring the package of bills to a vote this week. The legislation would ease regulation and allow for a \$4 billion bond issue to pay for low-income housing development and home loans for veterans.

The sticking point, according to multiple officials in Sacramento, is another part of the package that would add a \$75 fee onto some real-estate transactions to create a permanent source of funding for low-income housing. Republicans have said the fee amounts to a tax increase that would do little to ease the housing shortage. Some Democrats have also balked.

While Democrats hold two-thirds majorities in both houses of the Legislature, they haven't yet locked up enough votes to pass the housing package.

—*Ian Lovett*

TEXAS

Eight People Dead In Plano Shooting

Eight people were dead, including a suspected gunman, after a shooting Sunday night at a home in the Texas city of Plano, police said.

According to a police spokesman, an officer was responding to reports of gunshots at a residence around 8 p.m. local time when he heard gunfire coming from inside the home. As he entered the home, the officer confronted the alleged gunman, and shot and killed him, the spokesman said.

Police searching the home found seven other dead adults and two more people who had been wounded. The conditions of the two wounded individuals weren't known. Police didn't have a motive for the shooting.

—*Dan Frosch*



A New York police officer reflected during ceremonies on the 16th anniversary of the 9/11 attacks.

Sept. 11 Victims Recalled At the Twin Towers Site

BY THOMAS MACMILLAN AND ZOLAN KANNO-YOUNGS

NEW YORK—Hundreds of people gathered Monday morning in lower Manhattan where the Twin Towers once stood, to commemorate the 16th anniversary of the deadly terrorist attacks of Sept. 11, 2001.

The annual event, organized by the National September 11 Memorial and Museum, began at 8:40 a.m. with the singing of the national anthem and the reading of the names of those killed in the 2001 and the 1993 attacks on the World Trade Center. The ceremony also calls for six moments of silence, marking significant events of the tragic morning 16 years ago.

Family members of victims, along with first responders, public officials and more were in attendance. The names of the nearly 3,000 fallen were read by victim's relatives.

A crowd of mourners gathered around a stage near the memorial reflecting pools that sit in the footprints of the towers, many holding photographs of their relatives. Outside the ceremony on Greenwich Street, four firefighters stood in formation, saluting

an American flag. Actor Aneesa Folds sang the national anthem.

Margie Miller, 67 years old, of Baldwin, N.Y., said her husband, Joel, worked at Marsh & McLennan on the 97th floor of Tower 1. In the 16 years since he died, she has kept in contact with other families who lost loved ones, often going out to dinner and attending others' memorials. "This is my community," Ms. Miller said. "This is where I worked, this is what he loved to do. These are the people I've gotten to know."

She said she married Joel Miller later in life and would often stare at him and say, "I cannot believe that this worked and how happy we were."

Among the elected officials present were Sen. Chuck Schumer (D., N.Y.), Rep. Peter King (R., N.Y.), New Jersey Gov. Chris Christie, New York City Mayor Bill de Blasio and New York Gov. Andrew Cuomo, who ordered flags statewide to be flown at half-staff on Monday. New York Police Commissioner James O'Neill, Fire Commissioner Daniel Nigro and former Mayor Michael Bloomberg also were in attendance on Monday.

At 8:40 a.m., police officers

in formation carried a large American flag to the stage as dozens more stood and saluted. At 8:46 a.m., a police officer rang a bell to mark the first moment of silence, signaling when the first plane hit the North Tower.

Other moments of silence marked the plane striking the South Tower, the instant when Flight 77 hit the Pentagon, the moment when the South Tower fell, the crash of Flight 93 near Shanksville, Pa., and finally, at 10:28 a.m., the collapse of the North Tower.

Eleni Kousoulis, 47, of New Jersey, said she was planning a surprise birthday party for her 29-year-old sister Danielle when she was killed on the 104th floor of the North Tower.

"We're one of the families that never got anything back from Danielle," Ms. Kousoulis said of her sister's remains. "To us, ground zero is like a final resting place."

Monday's events came amid ongoing changes at ground zero. Plans for a multimillion-dollar performance space nearby were unveiled last fall, and a new Greek Orthodox church is set to open next year, replacing the one that was crushed on Sept. 11, 2001.

U.S. NEWS

Trump's Bipartisanship Faces Test

BY ELI STOKOLS

As Congress returns to work this week without some members whose states were hit by Hurricane Irma, a leading question is whether last week's burst of bipartisanship will prove to be durable.

President Donald Trump, who made a deal with Democrats on disaster relief and the debt limit, returned Sunday to the White House after monitoring Hurricane Irma from Camp David. He told reporters he planned to head to Florida "very soon" to assess the storm's damage.

U.S. House lawmakers canceled Monday votes to accommodate colleagues affected by the storm.

When Congress picks up its agenda again, Senate Armed Services Committee Chairman John McCain (R., Ariz.), who is managing the National Defense Authorization Act, aims to authorize \$640 billion in military spending. That would break the \$549 billion spending cap for fiscal 2018 imposed by a 2011 law, and be in addition to \$60 billion in authorized spending that doesn't count toward the caps.

Republicans hold 52 seats in the Senate, and 60 votes are needed to advance the bill. Mr. Trump, who met with his cabinet Saturday, campaigned on a more robust military budget but has largely stayed on the sidelines of the congressional battle.

The stage could be set for fights over the response to North Korea's nuclear program, the military strategy in Afghanistan and a possible new round of military-base closures. All those issues could be covered in amendments to the defense bill.

In an interview with CNN's Jake Tapper Sunday, Mr. McCain blasted the president's debt-limit deal last week with Democrats, which he said was "devastating to national defense" in that it freezes last year's funding levels in place.

One of the several hundred



President Donald Trump listens Monday during a ceremony marking the terrorist attacks of Sept. 11, 2001, at the Pentagon.

amendments to the defense-authorization bill that could reach the Senate floor this week, according to a GOP Senate aide, is a measure from Sen. Tom Cotton, (R., Ark.) to remove the automatic spending curbs, known as the sequester, that took effect in 2013 and affect both military and nonmilitary spending.

"If we continue on this road, we've lost our advantage over our potential adversaries, not to mention putting the lives of these brave men and women at risk because we're not giving them the training, the equipment and the capabilities they need," Mr. McCain said Sunday.

On the House side, lawmakers aim to finish work on an appropriations bill that will be the basis for negotiations for

funding the government beyond Dec. 8, when the three-month agreement that Mr. Trump reached with Democrats expires.

That bill could be a vehicle to advance legislation to protect "Dreamers," the younger undocumented immigrants brought to the U.S. illegally by their parents.

Important to the agenda's advancement will be whether Mr. Trump continues to work with Democrats.

The president was pleased with the media coverage of his reach across the aisle, administration officials said, when he negotiated a relief package for Hurricane Harvey and Hurricane Irma that was tied to a three-month increase to the federal debt ceiling.

Mr. Trump's decision to ac-

cept the proposal by Senate Minority Leader Chuck Schumer (D., N.Y.) and House Minority Leader Nancy Pelosi (D., Calif.) grew largely out of frustration with GOP leaders, who have yet to significantly advance his priorities—and with lawmakers who, in some cases, had criticized him, White House officials said.

But Mr. Trump is under no illusion they are his allies and he recognizes they would undercut him given the chance, White House aides said.

Democrats are looking to use the new rapport to press their leverage on big-ticket items that require 60 Senate votes. "If it's depending on Democratic votes, it increases our leverage," Mrs. Pelosi said last week. "It gives us a possibility for passing the Dream

Act on that bill."

The fates of some 690,000 undocumented immigrants are now up in the air following the administration's decision last week to rescind President Barack Obama's Deferred Action for Childhood Arrivals program, which has spared them from the threat of deportation, in six months.

Congress also faces reauthorizing a children's health-insurance program that expires at the end of the month.

Some lawmakers are also pressing to take steps to shore up the Affordable Care Act's individual insurance market, though such a move could face resistance from conservatives and Mr. Trump.

—*Siobhan Hughes, Kristina Peterson and Peter Nicholas contributed to this article.*

ART & ANTIQUES FAIR
BERKELEY SQUARE
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IN DEPTH

JOBS

Continued from Page One
peting for higher-priced workers at home.

Mark Williams, the chairman of the board for the Site Selectors Guild, a trade association for firms that help companies scout new locations, said a supply of underemployed workers has joined transportation access and the cost of doing business as factors in deciding where to open plants and offices.

Mutual benefit

The matchups pay off for all sides. Companies find qualified workers and keep a lid on labor costs. Employees find better jobs without the financial and emotional cost of relocating, said Sam Schulhofer-Wohl, a senior economist and research adviser with the Federal Reserve Bank of Chicago.

And new employers often return experienced people to full-time work, said Nicholas Bloom, an economics professor at Stanford University, yielding better paychecks and more opportunities for advancement.

Having a deep pool of underemployed people helped Thornton, Colo., where unemployment is below 3%, recently land a new Amazon.com Inc. sorting center slated to hire 1,500 full-time employees, according to a local official. An Amazon spokeswoman said the local workforce is "definitely important" in expansion decisions. (The company last week announced plans to seek a location for a second headquarters. Amazon declined to comment beyond its written materials, which don't mention underemployment as a factor.)

Some job categories that employ largely part-time workers have grown faster than other types of employment. The number of people working at bars and restaurants has risen nearly 25% since the end of the recession in June 2009, while private-sector employment was up about 15%.

Additionally, the number of people working in temporary help was up 73% over the same period, in part because many businesses shifted some in their workforces to temporary positions to limit the cost of full-time benefits.

One measure of underemployment is the share of workers in part-time jobs who would prefer to work full time. That makes up some 5.3 million U.S. workers, or about 3.2% of the civilian workforce, federal data from August show. That proportion of underemployed is down from a high of nearly 6% in 2010 but above the 2.8% average in the decade preceding the recession.

In Tulsa, Okla., prospective employers usually cut to the chase and ask for estimates of the city's underemployed, the so-called hidden-labor market, said Brien Thorstenberg, the senior vice president of economic development for the Tulsa Regional Chamber of Commerce.

Tulsa based its talent-pool estimates on worker surveys distributed through local technical and community colleges that gathered information

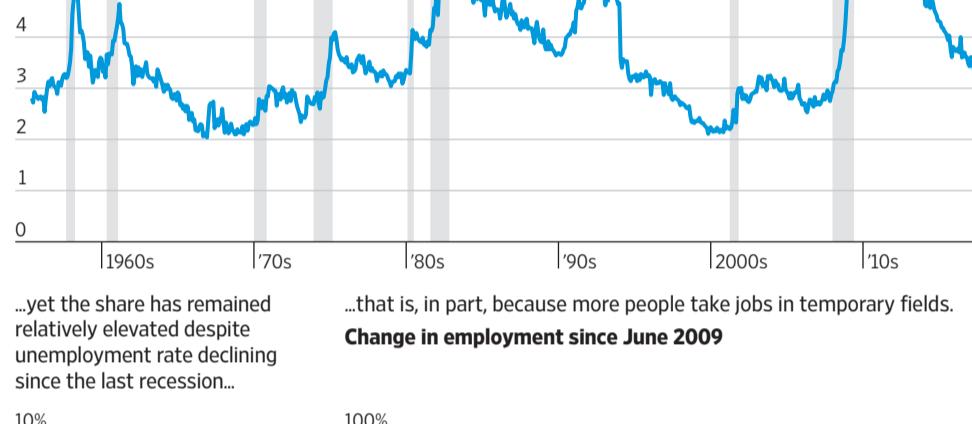


JULIA RENDLEMAN FOR THE WALL STREET JOURNAL

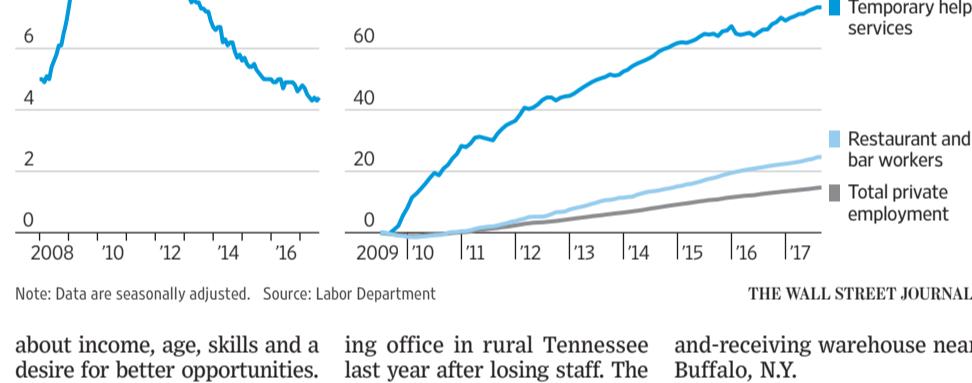
Brian Brown, chief operating officer of AvePoint, which opened an office in Richmond.

Part-time Paychecks

During every recession, the percentage of people working part-time for economic reasons spikes...



...yet the share has remained relatively elevated despite unemployment rate declining since the last recession...



Note: Data are seasonally adjusted. Source: Labor Department

about income, age, skills and a desire for better opportunities.

The chamber in June released a survey showing a 13.5% underemployment rate, compared with an unemployment rate of between 4% and 5%. The analysis revealed a sizable group of people who have been working for three to five years but aren't using the full range of skills from their technical training.

"When it's a tight labor market, it's nice to know," Mr. Thorstenberg said.

Untapped talent

Paula Harvey, vice president of human resources and safety for Schulte Building Systems Inc., a manufacturer of metal buildings based in Hockley, Texas, faced a problem common in an economy at or near full employment.

Schulte, which employs 600, closed a small engineer-

ing office in rural Tennessee last year after losing staff. The company could have offered higher pay, Ms. Harvey said, but it made more sense to hire a team of engineers in Louisiana who had been laid off from a similar company.

The hires didn't save money—the Louisiana workers had more experience—but the company quickly landed a battle-tested team, Ms. Harvey said.

The company is now considering plans to expand to either Ohio or Indiana, states that have lost manufacturing jobs, Ms. Harvey said. Pay there would likely be lower than in the Houston area but still attractive, she said. "There may be folks living in that area who are underemployed or misemployed who would be excited to work for us."

Last fall, Toronto-based Lynch Fluid Controls Inc. opened its first U.S. shipping-

and-receiving warehouse near Buffalo, N.Y.

After assessing several cities, Lynch chose the western New York area, which has suffered a loss of industrial employers over past decades. Unemployment has shrunk but more than

132,000 people, many in prime working years, are underemployed, according to research commissioned by Invest Buffalo Niagara, a regional economic-development group.

"They may be in jobs, but they may be jobs they don't like or don't have the opportunity for advancement," said Ernie Lynch, the president of Lynch, which makes components for hydraulic and motion-control systems.

Mr. Lynch hired a Buffalo recruiter who found one of the company's first hires in her own backyard. That was landscaper Tracy Himmelback, 49 years old. He had spent the previous three years tending

lawns and working at a restaurant after leaving a manufacturing supervisory job where staff reductions made him worry about workplace safety, Mr. Himmelback said.

A big payday

To make ends meet, Mr. Himmelback, a married father of two, took few days off. But the irregular hours, pay dips during winter and the feeling he wasn't using his full abilities weighed on his health, family life and psyche, he said: "You're just a working peon, so to speak."

He had lived in North Tonawanda, N.Y., all his life and said he "never thought of moving. All my family is here."

Now, Mr. Himmelback is a full-time assistant manager at Lynch's new warehouse, just minutes from his home. His pay rose to about \$45,000 a year, up from \$30,000, with more benefits and fewer hours. Mr. Himmelback said he can afford to let his 11-year-old son play on a travel baseball team, and a regular schedule gives him a chance to coach.

The arrangement also works well for Lynch, which saves on time and shipping costs by having a warehouse closer to the Canadian company's U.S. customers.

Network Capital Funding, the mortgage banking and finance firm in the Southern California city of Irvine, had found it increasingly difficult persuading recruits to relocate. Many millennials aren't "willing to take that risk," said Mr. Nguyen, the chief executive.

Network Capital had a few employees working remotely in Miami, where they reported an oversupply of underemployed. The company opened its Miami office in June 2015 with three people. It now has 50 employees, including college graduates who escaped jobs as waiter, filing clerk and shoe salesman.

Kerissa Nelson joined in February, more than a year after she earned a degree in criminal justice. Ms. Nelson, age 25, had been working part time as a "brand ambassador," hawking vodka at a beach bar, one time, and helping fans play videogames at a baseball festival. The job sometimes required her to wear embarrassing get-ups, she said, and it paid about \$1,000 a month.

"I wanted something that matched the time and energy I spent obtaining my degree," Ms. Nelson said. Her job at Network Capital more than tripled her income, she said, and carried an opportunity for raises.

Company salaries are about 15% to 30% less in Miami, Mr. Nguyen said. His mortgage bankers, who rely largely on commissions, are paid the same, he said: "The big difference is that people in California are happy with it, and the people in Florida are ecstatic because it goes a lot farther."

New Jersey's AvePoint, which develops and sells software to help corporations manage and protect data, first considered expanding to Virginia in 2015. It faced stiff competition for qualified workers from other technology firms in its home market of Jersey City, N.J., across the Hudson River

from New York City.

With help from a consultant, AvePoint reviewed some 20 locales. The firm searched for a midsize city with a highly educated population, Mr. Brown said, and where people took jobs "that were less than their level of education just to stay."

Richmond fit the bill. The city of about 223,000 has cobblestone streets and a popular dining scene. There is white-water rafting and kayaking on the James River, which runs through Richmond, the state capital and home to several universities, including Virginia Commonwealth University.

The city's unemployment was 4% in July, but underemployment was about 12% in the second quarter of 2017, according to the state's economic development authority.

By opening a Richmond office, AvePoint was eligible to receive as much as \$450,000 in state incentives, Mr. Brown said, but that wasn't a deciding reason. AvePoint committed to a \$2.1 million capital investment and 100 jobs.

The underemployed are the new target audience for firms in a tight labor market.

The company could have raised wages in New Jersey, Mr. Brown said, but that was hard to justify when it could find untapped talent elsewhere. AvePoint pays about 20% less in Richmond than in Jersey City. Account specialists, a sales job that pays commission, for instance, earn a starting base salary of \$40,000 in Richmond and \$50,000 in Jersey City; commissions are the same.

Waffle Wednesdays

Mr. Brown said his Richmond employees end up with more buying power because of the lower cost of living. Median housing values in Richmond, for instance, were nearly 40% lower than in Jersey City from 2011 to 2015, according to the Census.

AvePoint has found its Richmond crew notably productive, Mr. Brown said, maybe because workers are happy to have found a good job without the headache of moving to another city. The new industrial-chic office in Richmond has a lively staff that breaks for arcade games, yoga and Waffle Wednesdays.

Hunter Willis, 33, an account technical specialist, left his job at a call center and doubled his income. Mr. Willis, a college graduate, said he had been "significantly underemployed" before getting hired by AvePoint. He didn't want to move to a bigger city, he said, fearing "two hours a day in traffic."

AvePoint's success has prompted the company to turn Richmond into its operational headquarters, Mr. Brown said. The company plans to have 200 employees there by the end of 2018.

—Eric Morath contributed to this article.

WAR

Continued from Page One
blood on their hands was only stage paint.

The U.S., its NATO allies, Russia and other militaries around the world use fictional scenarios to make their military drills more sophisticated. They require soldiers to understand the political environment and motivations of the people they are trying to protect, and defeat.

In North Carolina, where war games often involve the People's Republic of Pineland, locals who live near Fort Bragg sometimes serve as amateur actors in military drills. Some play good guys to be protected. Others play bad guys. "I mock-assassinated the mayor of this bad guy-held town," says an Army Green Beret who was struck by how war games can intersect with local life. "It was really the real mayor."

The flag of Pineland, a nation spun from whole cloth, can be purchased online for \$22 (U.S. dollars only).

Because the role playing can disrupt North Carolina communities, after the military exercise is complete, Army Special Forces sweep through the countryside, doing

community service, repainting firehouses, rebuilding fences and tending to animals.

In Belarus, a war-game country created by Russia is being brought to life by none other than Belarus's beleaguered political opposition.

Russian and Belarusian military planners invented the country of "Veishnoriya" for their Zapad war game, which starts Thursday. On maps of the exercise, the fictional country lies in the northwestern part of Belarus. Locals are embracing it.

Internet users created the virtual accoutrements of a real nation: a foreign ministry, passports, an anthem, a currency, and a flag. And they're ready to defend their made-up turf.

"Veishnoriya will stand firm!" the unreal ministry wrote on its Twitter account, before offering "enemy soldiers" stew, honey, bread and lard to lay down their weapons. In some cases, war games spark anxiety and conspiracy theories. Russia in 2008 used military exercises to obscure its invasion of Georgia. Russia repeated the feint in 2014 to intervene in eastern Ukraine. Moscow then helped carve out new autonomous regions inside Georgia and Ukraine—regions that most of the rest of the world views as fakes.

Russia said it acted in 2008 to protect civilians and denies sending its army into eastern Ukraine.

In Texas two years ago, fears of something similar proved exaggerated. Jade Helm, a U.S. special operations forces exercise, drew national attention when the governor

Neighboring Limaria, a made-up country, coincides with Armenia. The fake country of Kermalia is roughly equivalent to Turkey. In 2014, Turkey's top general wrote to the head of U.S. European Command complaining that a historically Turkish town was inside the boundary of Limaria, not Kermalia.

"They weren't fooled by the fake names," said a U.S. official. "It caused a diplomatic kerfuffle."

Turkish officials didn't comment on the episode.

The U.S. training center in Hohenfels, Germany, now bases its war-games on a country called "Germany." The alternate reality includes a fictional "Great Fatherland Party" that resembles France's National Front and the like-minded Al-

ternative for Germany.

"We don't make stuff up," says James Derleth, the senior interagency training adviser at the Joint Multinational Readiness Center in Hohenfels. "We take the stuff and change the name so it doesn't create umbrage to real politicians or political parties."

NATO allows its partners and members to take the Skolkov scenario and adapt it, but says it's not responsible for any alterations. "We sell it as a boiled egg," said German Lt. Col Michael Derkens of NATO's Joint Warfare Centre. "You get it and we cannot unboil it for you."

Russia's fictional adversary Veishnoriya replicates an aspiration of sorts for some Belarusians. Its portion of the former Soviet republic is the region most opposed to Belarusian strongman leader, Alexander Lukashenko, once dubbed "Europe's last dictator" by the U.S. State Department.

"Veishnoriya is a country without Lukashenko, without Russian troops, a country that is friendly with its Western neighbors," the not-quite-country's "foreign ministry" tweeted last month.

Alexander Feduta, an opposition political analyst, composed an irony-laden anthem for the fake country that riffs on themes including Belarus's struggle to find foreign loans.

Aliaksandr Arsiouau, 28, a journalist who created Veishnoriya's blue-and-white flag, says the fictional land is like a dream come almost true.

"People want to imagine being in a different country," he says. "Then the government came up with one for us."



U.S. ARMY/EUROPE PUBLIC AFFAIRS

Atropia's borders roughly coincide with Azerbaijan.

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LIFE & ARTS

YOUR HEALTH | By Sumathi Reddy

HPV Vaccine a Tough Sell for Some Parents

New research from the CDC finds 43% get the full set of shots, while over 80% get Tdap and meningitis vaccines at the same age

A RECENT REPORT on HPV vaccinations in teenagers found that only 43% are completing the vaccination series required to prevent several types of cancer. More than 80% get other vaccines recommended at the same age.

Preventive steps against human papillomavirus, which is transmitted sexually, are recommended for boys and girls at age 11 or 12. The Centers for Disease Control and Prevention recommends that children under 15 get two doses at least six months apart. The organization suggests those who get their first dose at 15 or older get three doses over the course of six months. The virus can cause various types of cancer, including cervical, throat and anal cancers.

Getting the full series is "an area where we can definitely see improvement," says Shannon Stokley, associate director for science for the immunization services division at CDC, and one of the authors on the report. "We're excited that people are coming in and starting the series. But now we need to work on getting them back in so they're getting all the doses to complete the series."

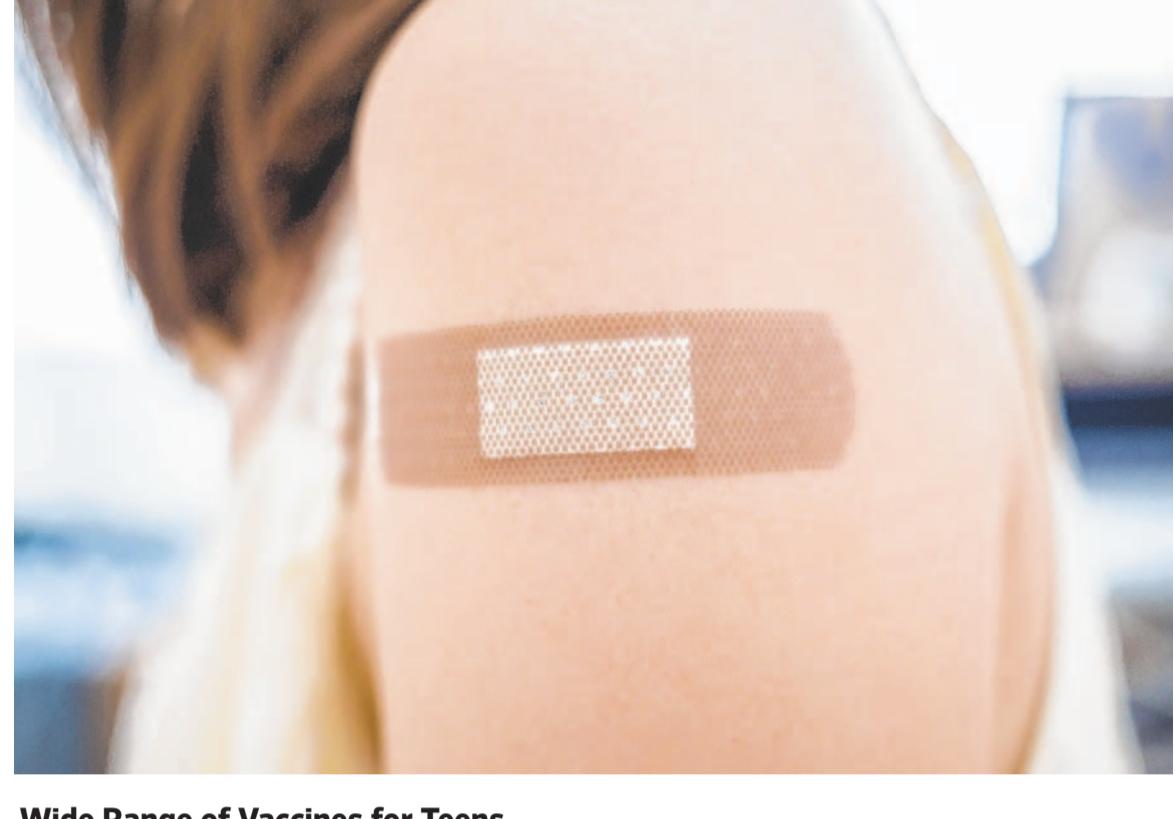
She says researchers are unsure how much protection getting just the first dose of the vaccine provides.

HPV vaccine usage has likely been hurt by antivaccine sentiments that have spread in recent years. It also carries a stigma from being associated with a sexually transmitted infection, causing some critics to say it might encourage sexual behavior in teens or isn't a worry for children who aren't yet sexually active.

But major medical associations support the vaccine, which they say helps prevent cancer. H. Cody Meissner, chief of the division of pediatric infectious disease at Floating Hospital for Children at Tufts Medical Center in Boston, says studies have demonstrated that children who are vaccinated at younger ages produce more antibodies to the virus.

The HPV vaccine can be administered to children as young as age 9. Some health-care providers advocate beginning the vaccine series at 9 rather than 11 or 12, says Dr. Meissner, who is also a member of the American Academy of Pediatrics' committee on infectious diseases.

HPV causes more than 30,000 cases of cancer every year. The HPV vaccine protects against about 90% of those cancers. More than 70% of the U.S. population will experience at least one HPV



Despite efforts to get more doctors and parents on board with vaccinating children against HPV, experts say more work is needed.

The Tdap vaccine—which protects against tetanus, diphtheria and pertussis, or whooping cough—is also recommended at a similar age, and 88% of teens got that in 2016, according to the report. Also, 82% of teens got the vaccine that protects against meningitis.

Doctors should administer the HPV vaccine at the same time as the Tdap and meningococcal vaccines, Dr. Meissner says, but that's clearly not happening. "There are lots of missed opportunities," he says.

Experts hope the rates of full HPV vaccination increase soon. The CDC changed its recommendation in 2016 to two doses of the HPV vaccine from three doses for those who begin the series before age 15.

One new finding from the survey was that teens living in rural areas were much less likely to receive the vaccine than those in urban and large metropolitan areas.

Dr. Stokley says researchers were pleased to see that the percentage of teenagers receiving the first dose of the HPV vaccine went up 4 percentage points last year, to 60%.

Additionally, the gap between boys and girls getting the vaccine has narrowed to 9 percentage points. Fewer boys receive the vaccine because the recommendation for them to get it was made in 2011, five years after the recommendation for girls.

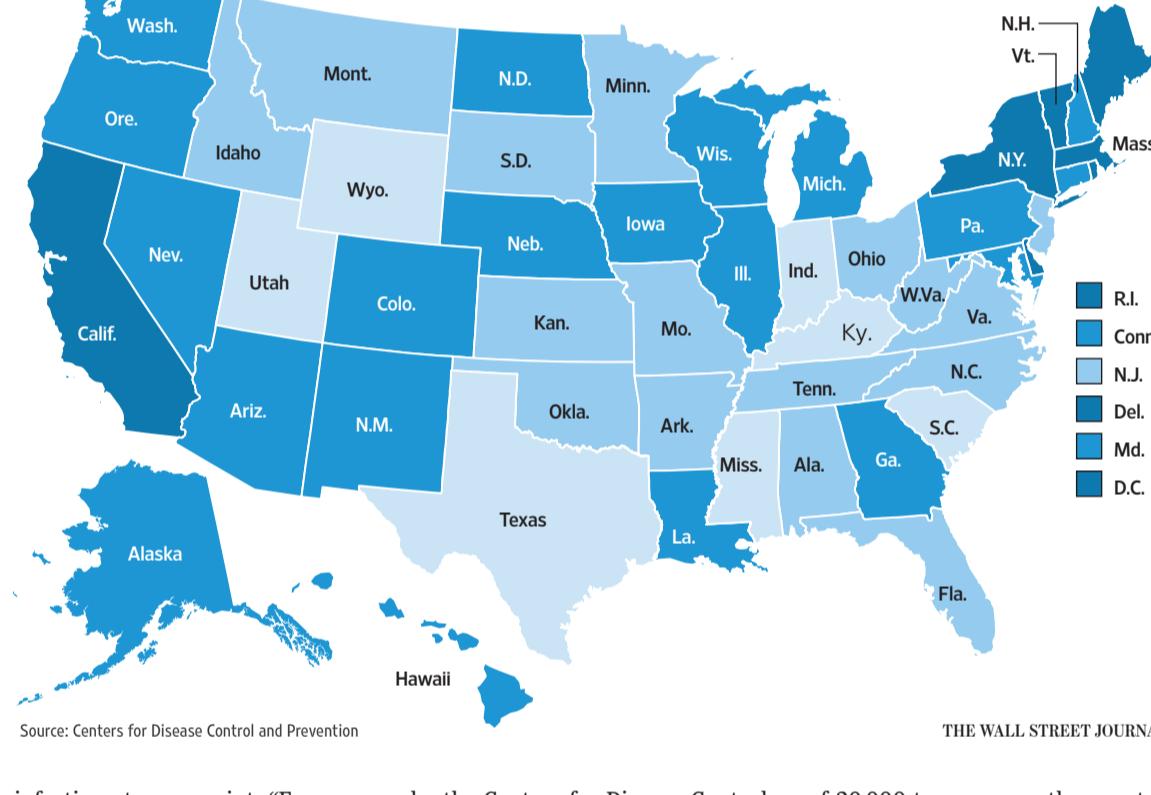
Jennifer Young Pierce, an associate professor of gynecology-oncology at the Medical University of South Carolina, says she was disappointed to see that her state ranked last in the country for the percentage of teenage girls who completed the HPV vaccination series, with only 30.8% completing it.

Dr. Pierce is co-founder and co-chair of the group Cervical Cancer-Free South Carolina, which is hosting a statewide conference in January to bring awareness to the issue and develop ways to improve HPV vaccination rates. She has also been involved in regional town halls and training sessions for doctors to preach the importance of HPV vaccination.

"There's still this perception that cervical cancer is not that bad and HPV-related disease is easily treatable, which is frankly not true," she says.

Wide Range of Vaccines for Teens

Percentage of adolescent boys and girls who have received one or more doses of HPV vaccine



ISTOCK

THE WALL STREET JOURNAL.

infection at some point. "For a parent to decide not to vaccinate his or her child is very, very disturbing," Dr. Meissner says.

The annual survey, administered

by the Centers for Disease Control and Prevention, was published in August in its Morbidity and Mortality Weekly report. The telephone survey included the parents

of 20,000 teens across the country. They were interviewed and their children's vaccination data was confirmed with health-care providers.

LIFE & STYLE

WHY WE CAN'T STOP SHARING BREATH MINTS

BY JILLIAN BERMAN

For makers of breath-freshening mints and gum, there is no such thing as over-sharing. From big candy companies to small artisanal confectioners, the makers of mints are tinkering with product design, packaging, and marketing, all to encourage us to share.

A mint is "a social currency," said Jeff Wurtzel, a marketing brand director for Mars Wrigley Confectionery, which makes Wrigley's gum, Life Savers, Altoids and other breath-freshening treats. "You connect with someone else by offering something small."

U.S. retail sales for mints have grown by 26%, between 2012 and 2017, to \$1.5 billion, according to data from Euromonitor International, a research firm headquartered in London. A growing appetite for spicy food and continuous snacking are helping create more opportunities for breath fresheners, said Jared Koerten, a lead analyst at Euromonitor. Companies are rolling out packaging and products, spurring growth in the category, industry representatives say.

Wrigley's recent marketing campaigns for Extra gum revolve around the idea that sharing something as small as a mint or piece of gum can help facilitate a connection, Mr. Wurtzel said. This year, the company plans to launch Extra Chewy Mints, which will come in a plastic package with an opening designed for easy sharing.

Originally, many mints were eaten to aid digestion. But it didn't take long for sharing to become integral to the product, according to Beth Kimmerle, a food consultant and the author of "Candy: The Sweet History." Beginning in the late 1800s, mints were sold in decorative tins to encourage hosts to offer them to friends after meals. "Everybody went in for one," Ms. Kimmerle said.

Makers of mints embrace the notion of breath fresheners fueling friendly interactions

Makers of mints embrace the notion of breath fresheners fueling friendly interactions. In the early 1900s, Altoids were packaged in a tin to keep the mints fresh, according to Mr. Wurtzel. But the container turned out to have unexpected sociable benefits. "It's literally in your hand and it's an extension of you when you open it," Mr. Wurtzel said of the Altoids tin.

Mints can play a communal role in offices and restaurants. At the Minneapolis location of Industrious Office, a co-working space, the community manager, Marie Adrian, keeps a bowl of individually wrapped mint Life Savers on her desk. The mints have become a post-lunch routine for many peo-



ple, creating a natural "touch-point" with the space's members, Ms. Adrian said.

"When you're taking a mint, it might be for yourself, but you're probably also considering other people," she said.

Simply Gum, a small confectionery company in Manhattan which promises to use all natural ingredients, launched Mints by Simply Gum this year in part through marketing on social media. The

company asked fans to tag friends with the hashtag #compliment and awarded some free mints.

"We're all about creating a fun moment for people," said Adeena Cohen, the director of marketing and business development at Simply Gum.

A few years ago, a Tic Tac ad campaign portrayed offering the mints as a "social spark," according to Todd Midura, the vice president of marketing of Tic Tac North

America. The clear package lets anyone nearby see them and the opening at the top makes it easy to shake a few into someone's palm.

All that sharing doesn't just spark sociability. It means more business for Tic Tac and other mint makers. "If you've got people sharing, it adds more occasions," Mr. Midura said. "Before you pass around that pack and it's empty."

OPINION

REVIEW & OUTLOOK

Trump's Hurricane Rebuilding Job

President Trump knows the construction industry and can talk in great detail about laying concrete. So the urgent need for more construction workers following Hurricanes Harvey and Irma ought to get his attention.

Even before the hurricanes, construction firms around the U.S. reported trouble finding enough workers. The U.S. Bureau of Labor Statistics reported 225,000 construction job openings in June, up 30% in the past year and 125% since 2012. According to a survey this month by the Associated General Contractors of America, 86% of firms nationwide anticipate hiring workers in the next year.

The worker shortage is especially acute in fast-growing metro areas in the South such as Atlanta, Houston and Miami. In Texas, 69% of contractors said they struggled to fill positions. About 60% of contractors in the South are having trouble finding carpenters and concrete workers while half need more day laborers.

Older construction workers have left the workforce since the last housing boom. About a third moved to higher-paying industries such as energy and manufacturing. Fewer young men are pursuing the trades or a vocational education, and some can't pass a drug test.

Big Labor and the restrictionist right say employers simply need to increase wages. But in Texas 57% of contractors reported increasing base pay while a quarter offered bonuses—and they're still struggling to recruit workers.

Between 2013 and 2016, the base pay for a day laborer increased 30% in Houston. Carpenters there earn about \$25 an hour, 55% more than three years ago. Large contractors with government contracts can perhaps pay more.

'It Is Chilling to Hear . . . '

Our editorial Monday on the spectacle of U.S. Senate Democrats questioning the Catholic faith of Notre Dame law professor and judicial nominee Amy Barrett struck a nerve. Many readers are stunned that politicians would suggest that having "orthodox" religious views could disqualify someone from the American judiciary.

Also concerned is John Jenkins, President of the University of Notre Dame. Fr. Jenkins is no conservative but he can spot an attack on religious belief, and on Saturday he wrote to Sen. Dianne Feinstein, the ranking Democrat on the Senate Judiciary Committee who led the assault on Ms. Barrett. Here is the letter in full:

Dear Senator Feinstein:

Considering your questioning of my colleague Amy Coney Barrett during the judicial confirmation hearing of September 6, I write to express my confidence in her competence and character, and deep concern at your line of questioning.

Professor Barrett has been a member of our faculty since 2002, and is a graduate of our law school. Her experience as a clerk for Judge Laurence Silberman of the U.S. Court of Appeals and Supreme Court Justice Antonin Scalia is of the highest order. So, too, is her scholarship in the areas of federal courts, constitutional law and statutory interpretation. I am not a legal scholar, but I have heard no one seriously challenge her impeccable legal credentials.

The Difference China Makes

China's rise at the expense of U.S. influence is having political consequences throughout Asia. Witness the crackdown in Cambodia on opposition leader Kem Sokha, who was arrested by more than 100 police officers on Sept. 2. Now charged with treason, he is being held in a remote prison on the Vietnamese border. On Monday Prime Minister Hun Sen threatened to ban Mr. Sokha's Cambodian National Rescue Party if it doesn't renounce him.

Mr. Sokha is accused of conspiring with the U.S. to create a "color revolution" in Cambodia. The charge against him is based on a four-year-old video, available on YouTube, in which he discusses advice from U.S.-government sponsored academics on democratic campaigning. He could face 30 years in prison.

The arrest is part of a wider crackdown. In recent weeks, the government expelled the Washington-funded National Democratic Institute, withdrew the licenses of radio stations rebroadcasting Voice of America and Radio Free Asia content, and closed down an American-owned newspaper, the Cambodia Daily, for alleged tax violations.

The timing of the crackdown is no surprise. Cambodians will choose a National Assembly next July, and Hun Sen typically begins a legal assault on the opposition a year before an election.

What's new is the severity of the charges against Mr. Sokha and the anti-American emphasis. The Cambodian government depends on aid from the U.S. and other Western nations for more than 30% of its budget. The U.S. and European Union also grant Cambodian products preferential tariff treatment, and the U.S. is the largest buyer of Cambodian exports. While Hun Sen has fulminated against foreigners in the past, he would try to maintain democratic appearances to preserve good relations with Western donors.

But small firms then get out-competed for workers.

A construction labor shortage will add costs and time to the recovery.

Housing remodels are now taking longer because contractors and construction workers are busy on public works, which are costing taxpayers more. The hurricanes have exacerbated the shortage. Harvey destroyed about 30,000 homes in the Houston area. The National Association of Home Builders estimates that up to 20,000 workers will be needed to rebuild homes after Harvey—and many more to repair businesses, schools and infrastructure. Some rebuilding jobs simply won't get done if labor costs rise to make them unprofitable.

After Hurricane Katrina in 2005, much of the clean-up and rebuilding was done by immigrants, many illegal. That saved money and sped up the recovery. Undocumented workers make up 29% of construction workers in Louisiana, 23% Texas and 15% in Florida, according to the Pew Research Center.

All employers must complete an employment eligibility verification form, and those who hire undocumented workers risk losing workers in immigration raids. But the U.S. Department of Homeland Security is now demanding that federal contractors use E-Verify to check whether workers are legal, and this deters some workers who could help.

The Bush Administration temporarily waived worker-ID requirements after Katrina, and Mr. Trump should do the same. Congress also ought to authorize more guest-worker visas for construction as part of the Irma relief bill, and any undocumented worker who assists with rebuilding should receive one. Consider this a down payment on solving the economy's larger labor shortage.

Notre Dame's president has some pointed words for Senate Democrats.

Your concern, as you expressed it, is that "dogma lives loudly in [Professor Barrett], and that is a concern when you come to big issues

that large numbers of people have fought for years in this country." I am one in whose heart "dogma lives loudly," as it has for centuries in the lives of many Americans, some of whom have given their lives in service to this nation. Indeed, it lived loudly in the hearts of those who founded our nation as one where citizens could practice their faith freely and without apology.

Professor Barrett has made it clear that she would "follow unflinchingly" all legal precedent and, in rare cases in which her conscience would not allow her to do so, she would recuse herself. I can assure you that she is a person of integrity who acts in accord with the principles she articulates.

It is chilling to hear from a United States Senator that this might now disqualify someone from service as a federal judge. I ask you and your colleagues to respect those in whom "dogma lives loudly"—which is a condition we call faith. For the attempt to live such faith while one upholds the law should command respect, not evoke concern.

Respectfully,
Rev. John I. Jenkins, C.S.C.
President

As U.S. influence ebbs, Cambodia cracks down on opponents.

One change is Hun Sen's growing friendship with China. Since 2002, China has granted Cambodia roughly \$3 billion in low-interest loans, and it has become the country's largest source of investment. Development aid increased in recent years as Cambodia backed Beijing's territorial claims in the South China Sea. Beijing last week declared support for Hun Sen's "effort to uphold national security and stability."

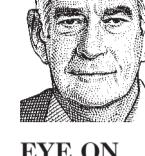
Another shift is under way domestically. Cambodians are increasingly angry about government land grabs, illegal logging and other forms of corruption. In the 2013 general election, the opposition won nearly 45% of the popular vote. In June's local elections, it won control over 30% of the townships. Violence and harassment against government critics seem to deepen the backlash against the ruling Cambodian People's Party.

The two trends may cause Hun Sen to change his playbook ahead of the next election. In the past he halted his attacks on the opposition before the campaign, which is when the world pays attention to Cambodia. Poll observers would endorse the election as tolerably fair, and Western aid would continue.

This time Hun Sen has another option. With Beijing's backing, he can throw his rivals in prison, rig the polls and ride out losses of Western aid. Casting the U.S. as the opposition's puppet-master would distract public anger and intimidate critics.

Such a strategy may not be Hun Sen's first choice, but he is testing the waters. A strong and united response from Western donors may deter him from convicting Mr. Sokha and banning the opposition. But China's growing support for the region's authoritarians will continue to undermine progress toward democracy.

The Election Putin Doesn't Need to Hack



Berlin

Even as Germany's Defense Minister Ursula von der Leyen deplores the mighty contingent of Russian forces amassing at the edges of Eastern Europe's democracies, Chancellor Angela Merkel says she's ready in principle to lift the European Union's sanctions against Russia for its seizure of Crimea and clandestine troop presence in Ukraine.

Ms. von der Leyen asserted last week that there will be "more than 100,000" Russian troops engaging in war games on the EU's doorstep beginning Thursday. A more recent estimate is 140,000 troops, in contrast to the 12,700 that Moscow acknowledges. This is essentially, Ms. von der Leyen says, "a demonstration of capabilities and power."

Yet a day later, according to Reuters, in an apparent response to Vladimir Putin's heavily conditioned call for a United Nations peace-keeping unit to enter Ukraine, Mrs. Merkel said that the sanctions could disappear once there were "peaceful relationships" in eastern Ukraine.

The contrast is unique. A German defense minister, out of loyalty to her troops and partners in NATO, insists on the maneuvers' magnitude, both political and military. Her chancellor, meanwhile, plays No Drama Merkel and sings the same why-can't-we-all-just-get-along number she always uses to swivel away from any discussion of an eventual German obligation to the use of force.

Here is a chancellor who has never addressed these Russian war games, which, not accidentally, will run until Sept. 20, well into the final campaign week of the German national election on Sept. 24.

Mrs. Merkel talks about abandoning sanctions even though the Russian maneuvers will likely bring nuclear-capable Iskander-M missiles to Kaliningrad, the westernmost Russian enclave between Lithuania and Poland, putting Mrs. Merkel's home election district of Stralsund well within the Iskanders' target range.

For election-campaign interference and general intimidation, 140,000 men in battle dress will make hacking and cyberspace fiddling look almost gentlemanly. John Kornblum, a former U.S. ambassador to Germany, put it bluntly in a conversation last week: "The Russians know they can push the Germans anything they want."

So how does Mrs. Merkel, who is so often depicted as Mr. Putin's opponent, wind up looking pushed? And, so far at least, like someone for whom getting re-elected appears to be worth a compromise with reality?

The chancellor reads the polls, which since the Obama years have tracked Germans' refusal to recognize Russia as a menace. Pew Research last month asked respondents in and outside Europe which nation's "power and influence" posed the greatest threat to them. The Germans answered the U.S.

Donald Trump is surely a factor. But the Britons, Dutch, French, Italians and Swedes, digesting the same rhetoric, replied that Russia was the big problem.

Going back to 2015, German and American polling consistently shows Germans offering no majority support for sanctions against Russia and opposing German soldiers fighting to defend Poland and the Baltic states "if they are attacked by Russia."

All this German disengagement without so much as a peep from or proposal by the chancellor for a Bundestag debate on the Russian threat—one the West could lose if German legislators followed the appeasing trend-line of German poll responses.

Germans will go to the polls without a serious debate on Russia policy, and voters seem to like it that way.

For the Russians, it's an immense windfall, a perceived German crack in the West. This feeds the Moscow line that Western dominance, as Russia's Foreign Minister Sergei Lavrov says, is coming to an end. Accelerating that end is now the basis of Moscow's strategy.

So, do the Russians win the German election?

No, Mrs. Merkel does, but the campaign is taking place without a single prominent pro-Western voice to be heard.

The makeup of the new parliament is expected to contain four parties showing obvious complaisance for Russia—the center-left Social Democrats, the free-market Free Democrats and the two parties of the hard/extremist right and left.

The Greens aren't in favor of rewarding Russian bullying and aggression. As for the chancellor's center-right Christian Democrats, their election manifesto no longer uses the word "friend" to describe America.

The most likely government to emerge is the worst possible option: a renewed grand coalition with the Social Democrats. Last month, Sigmar Gabriel—the vice chancellor, private St. Petersburg dinner companion of Mr. Putin and Gerhard Schröder, and lift-the-sanctions-now, pro-Russian foreign minister—viliified Mrs. Merkel with the ridiculous accusation that she is "subjugated to the American president." Mr. Gabriel has now become, according to last week's polls, Germany's most-liked politician.

In the outside world, notions of the chancellor's wisdom, reliability and goodness still abound. Toomas Hendrik Ilves, a former president of Estonia, wrote last week, "It is now up to Germany and Angela Merkel to decide if Vladimir Putin is to be challenged in a serious enough way for him to stop disrupting Western democracy."

That's a fair admonition. On current evidence, the likelihood of its realization is zero to nil.

I Guess We're All McCarthyites Now

By Philip Terzian

I'm indebted to Luis Gutiérrez, the bumptious congressman from Illinois's Fourth District, for confirming what I long resisted acknowledging: America's political discourse has been painfully coarsened.

My epiphany came last week, when Mr. Gutiérrez reacted angrily after Donald Trump put on notice the Deferred Action for Childhood Arrivals program. Mr. Gutiérrez had met in July with John Kelly, the retired Marine general who was then secretary of homeland security, and who seems to have offered soothing words on the subject. But then Mr. Kelly became President Trump's chief of staff—and, presumably, signed off on ending DACA.

"General Kelly is a hypocrite who is a disgrace to the uniform he used to wear," Mr. Gutiérrez declared last week. "He has no honor and should be drummed out of the White House, along with the other white supremacists and those enabling the president's actions by 'just following orders.'"

Mr. Gutiérrez is no stranger to boasting, but what surprised me here was that his words passed largely unnoticed. A general in government service who is a "disgrace to the uniform?" Where have we heard that before?

In the early 1950s, an Army dentist named Irving Peress refused to complete forms asking about his political background. When Sen. Joseph McCarthy learned in 1954 that Peress had been recommended for honorable discharge, he subpoenaed the dentist to appear before his investigatory committee, where the dentist was alternately defiant and evasive.

McCarthy then summoned the commanding officer at the base where Peress worked to explain why the dentist—who McCarthy believed was a communist—had been promoted and discharged.

But that was then. Reasonable people will differ about the merits of DACA, as well as Mr. Kelly's choice to join the Trump administration. Mr. Gutiérrez is entitled to his opinion, including the Nazi allusion to "just following orders."

Yet reaction to the insult proved mildly predictable: Some retorted that Mr. Gutiérrez never served in the armed forces—a criticism leveled, with equal validity, at Abraham Lincoln and Franklin D. Roosevelt—while others pointed out that Mr. Kelly's elder son had been killed in action in Afghanistan.

Civic life has lost something when an angry congressman is emboldened to declare an honorable officer a "disgrace to the uniform." In 1954 such aspersions were regarded as abhorrent. Now they're just noise in a busy news cycle.

Mr. Terzian is a senior editor of the *Weekly Standard*.

OPINION

Finding America's Lost 3% Growth

By Phil Gramm
And Michael Solon

Growth deniers are declaring that America's economy has lost its ability to grow at 3% above inflation. If that's the case, maybe we should go back to where we lost 3% growth and retrace our steps until we find it. For only with 3% or higher growth does America experience measurable progress in poverty reduction, strong job creation and income growth. If 3% growth is irretrievably lost, so is the American Dream.

If the country can't grow like it once did, then the American Dream really is irretrievably lost.

Did America actually experience 3% real growth to start with? Yes. In the postwar era, the U.S. averaged 3.4% annual growth from 1948 through 2008. We averaged 3% growth for half of the George W. Bush presidency (2003-06). From 2009-12, the Obama administration, the Congressional Budget Office and the Federal Reserve all thought they saw 3% growth just around the corner. If the possibility of 3% growth is gone forever, it hasn't been gone very long.

America enjoyed 3% growth for so long it's practically become our national birthright. Census data show that real economic growth averaged 3.7% from 1890-1948. British economist Angus Maddison estimates that the U.S. averaged 4.2% real growth from 1820-89.

Based on all available data, America has enjoyed an average real growth rate of more than 3% since

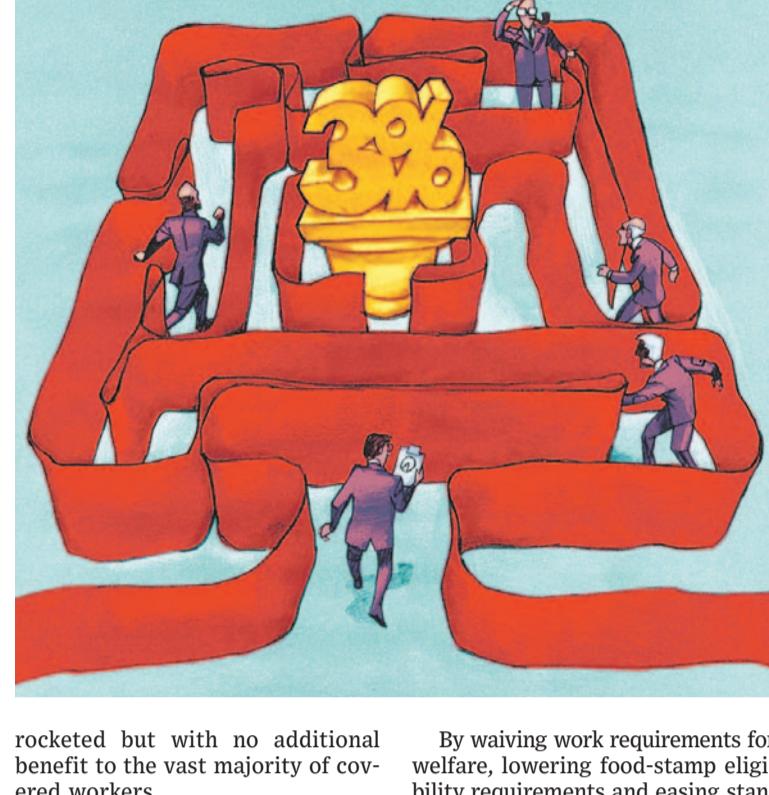
the founding of the nation, despite the Civil War, two world wars, the Great Depression and at least 32 recessions and financial panics. If 3% growth has now slipped from our grasp, we certainly had it for a long time before we lost it.

So poor was our economic performance during the Obama presidency, with its 1.47% economic growth, that now many Americans believe 3% growth is gone forever. The CBO has slashed its 10-year growth forecast to a measly 1.8% a year. If we never see 3% growth again, our grandchildren may point to 2009 and say, "That was when the American economy ran out of gas."

While Obama apologists like to claim that labor-productivity and labor-supply factors preclude 3% growth, most of the growth constraints we face today are directly attributable to Mr. Obama's policies. The Bureau of Labor Statistics reports that labor-productivity growth since 2010 has plummeted to less than one-quarter of the average for the previous 20, 30 or 40 years.

Productivity fell during the current recovery, not during the recession. With high marginal tax rates, especially on investment income, new investment during the Obama era managed only to offset depreciation, so the value of the capital stock per worker, the engine of the American colossus, stopped expanding and contributed nothing to growth.

A tidal wave of new rules and regulations across health care, financial services, energy and manufacturing forced companies to spend billions on new capital and labor that served government and not consumers. Banks hired compliance officers rather than loan officers. Energy companies spent billions on environmental compliance costs, and none of it produced energy more cheaply or abundantly. Health-insurance premiums sky-



DAVID KLEIN

rocketed but with no additional benefit to the vast majority of covered workers.

In a world of higher costs, productivity plummeted. Productivity measures the production of things the market values that flow from the employment of labor and capital. Try listing the Obama-era regulatory requirements that generated the employment of labor and capital in ways that actually produced something you buy.

True, America is aging. In 2006, when the labor force participation rate was 66.2%, the BLS predicted that demographic changes would push it down to 65.5% by 2016. Under Mr. Obama's policies, it actually fell further, to 62.8%, and the number of working-age Americans not in the labor market spiked to 55 million.

By waiving work requirements for welfare, lowering food-stamp eligibility requirements and easing standards for disability payments, Mr. Obama's policies disincentivized work. Disability rolls have expanded 18.6% during the current recovery, compared with a 16% decline during the Reagan recovery.

The CBO estimates ObamaCare alone will reduce work hours by 2% and eliminate 2.5 million jobs by 2024. At the current 1% growth in the civilian population above the age of 16, a mere reversion to the pre-Obama labor-force participation rates would supply more than enough workers to generate a 3% growth rate.

Even baby-boomer retirement is driven in part by public policy. When Social Security paid its first check in 1940, average life expectancy was 64

years and benefits started at 65. Today early retirement is available at 62. Life expectancy is now projected to be 79 years. People are healthier, morbidity rates have fallen dramatically and the retirement age can and should be raised.

Bad policies—not bad luck or a loss of God's favor—have driven down labor productivity and the labor supply. We can change those policies.

If reversing Mr. Obama's policies simply eliminated half the gap between the projected 1.8% growth rate and the average growth rates during the Reagan and Clinton recoveries, it would deliver 3% real growth generating nearly \$3.5 trillion in new federal revenues over the next 10 years.

That's not as much as the \$4.3 trillion in revenues lost by Mr. Obama's slow growth, but it's more than Mr. Trump promises to bring back by reversing his predecessor's policies.

America without 3% growth isn't America. Since 1960, the American economy has experienced 30 years with growth of 3% or more. Seventy-nine percent of all jobs created since 1960 were created during those years. The poverty rate fell by 72% and real median household income rose by \$20,519.

In the 26 years when the economy had less than 3% growth, just 21% of all post-1960 jobs were created, the poverty rate rose by 37% and household income fell by \$12,004.

With 3% growth, the American dream is achievable and virtually anybody willing to work hard can live it. Let 3% growth die and a lot of what we love most about our country will die with it.

Mr. Gramm, a former chairman of the Senate Banking Committee, is a visiting scholar at the American Enterprise Institute. Mr. Solon is a partner of US Policy Metrics.

The Hard Right and Hard Left Pose Different Dangers

By Alan M. Dershowitz

The extreme right—neo-Nazis, the Ku Klux Klan and other assorted racists and anti-Semites—and the extreme left—anti-American and anti-Israel zealots, intolerant censors, violent anarchists such as Antifa, and other assorted radicals—both pose a danger in the U.S. and abroad.

Which group poses a greater threat? The question resists a quantitative answer, because much may depend on time and place. It may also be in the eye of the beholder: For many on the center left, the greater danger is posed by the hard right, and vice versa. Yet the most important reason for this lack of a definitive quantitative answer is that they pose qualitatively different dangers.

History has set limits on how far to the extremes of the hard right reasonable right-wingers are prepared to go. Following the horrors of the Holocaust and Southern lynchings, no one claiming the mantle of conservative is willing to be associated with Nazi anti-Semitism or the KKK. Neo-Nazi and Klan speakers are not invited to university campuses.

The hard left lacks comparable limits. Despite what Stalin, Mao, the Castros, Pol Pot, Hugo Chávez and North Korea's Kims have done in the name of communism, there are still those on the left—including some university professors and students—who don't shrink from declaring themselves communists, or even Stalinists or Maoists. Their numbers aren't high, but the mere fact that it is acceptable on campuses, even if not praiseworthy, to be identified with hard-left mass murderers, but not hard-right mass murderers, is telling.

The ultimate goals of the hard right are different, and far less commendable, than those of the hard left. The hard-right utopia might be a fascist society modeled on the Italy or Germany of the 1930s, or the segregationist post-Reconstruction American South.

The hard-left utopia would be a socialist or communist state-regulated economy aiming for economic and racial equality. The means for achieving these important goals might be similar to those of the hard right. Hitler, Stalin and Mao all killed millions of innocent people in an effort to achieve their goals.

For the vast majority of reasonable people, including centrist conservatives, the hard-right utopia would be a dystopia to be avoided at all costs. The hard-left utopia would be somewhat more acceptable to many on the center left, so long as it was achieved nonviolently.

By affirming benign goals, Antifa and its comrades make intolerance and even violence seductive.

The danger posed by the extreme left is directly related to its more benign goals, which seduce some people, including university students and faculty. Believing that noble ends justify ignoble means, they are willing to accept the antidemocratic, intolerant and sometimes violent censorship policies and actions of Antifa and its radical cohorts.

For that reason, the most extreme leftist zealots are welcomed today on many campuses to express their radical views. That isn't true of the most extreme neo-Nazi or

KKK zealots, such as David Duke and Richard Spencer.

Former White House aide Steve Bannon recently told "60 Minutes" that "the neo-Nazis and neo-Confederates and the Klan, who by the way are absolutely awful—there's no room in American politics for that."

In contrast, prominent American leftists, such as Noam Chomsky and even Bernie Sanders, supported the candidacy of British hard-left extremist Jeremy Corbyn, despite his flirtation with anti-Semitism.

The hard right is dangerous largely for what it has done in the past. For those who believe that past is prologue, the danger persists. It also persists for those who look to Europe for hints of what may be in store for America: Neofascism is on the rise in Austria, Hungary, Greece, Lithuania, Slovakia and even France.

Some of this rise may be attributable to regional issues, such as the mass migration of Muslims from Syria and other parts of the Middle East. But some may also be a function of growing nationalism and nostalgia for the "glory" days of Europe—or, as evidenced in our last election, of America.

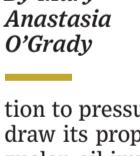
The danger posed by the extreme hard left is more about the future. Leaders of tomorrow are being educated today on campus. The tolerance for censorship and even violence to suppress dissenting voices may be a foretaste of things to come.

The growing influence of "intersectionality"—which creates alliances among "oppressed" groups—has led to a strange acceptance by much of the extreme left of the far-from-progressive goals and violent means of radical Islamic terrorist groups that are sexist, homophobic, anti-Semitic and anti-Western. This combination of hard-left secular views and extreme Islamic theological views is toxic.

We must recognize the different dangers posed by different extremist groups that preach and practice violence, if we are to combat them effectively in the marketplace of ideas, and perhaps more importantly, on the campuses and streets.

Mr. Dershowitz is a professor emeritus at Harvard Law School and author of "Trumped up! How Criminalizing Politics is Dangerous to Democracy" (CreateSpace, 2017).

A Costly Vacancy at the U.S. State Department



Venezuelan dictator Nicolás Maduro announced in May that he planned to draft a new constitution and shut down the opposition-controlled National Assembly. His opponents in Washington and South Florida lobbied the Trump administration to pressure the regime to withdraw its proposal by banning Venezuelan oil imports.

The White House instead issued sanctions against 13 high-ranking

regime officials in late July. On July 30, Maduro went ahead with the rigged elections for his handpicked "constituent assembly," and then closed down the legitimate legislature de facto, putting the finishing touches on his Castro-style one-party state.

American hawks and Venezuelan experts say that the outcome would have been different if the Trump administration had leaned harder on the regime. And that the White House would have done so if not for the influence of the U.S. State Department's under secretary of state for political affairs, Thomas Shannon

Jr., a career diplomat they accuse of being soft on Caracas.

This narrative is unfortunate, and not only because it may be unfair to Mr. Shannon. It is far from certain how the regime would have responded to an oil-import ban.

Some pro-democracy advocates in Venezuela warned that it would starve the nation. More important,

the blame-Shannon line ignores Mr.

Trump's obligation to exercise leadership consistent with the promises

he made as a candidate.

Nearly eight months past Mr. Trump's inauguration, there is no assistant secretary for the Western hemisphere. U.S. Secretary of State Rex Tillerson is said to rely heavily on Mr. Shannon's regional expertise. A career civil servant, Mr. Shannon was often called on to execute President Obama's "engagement" strategy toward thuggish regimes.

Absent new direction from the top, it is no surprise that he and his cohorts at State still defend the Obama policies that Mr. Trump promised to reverse.

Those policies fed chaos in Latin America. Venezuela is now a province of Cuba and a strategic ally of Russia. Iran has built networks throughout the region. The Revolutionary Armed Forces of Colombia—a drug-trafficking terrorist group and Cuban partner—has been legalized.

Mr. Shannon has a record as an able diplomat. In June 2015, in the role of State Department "counselor," he met in Haiti with the then-president of the Venezuelan National Assembly, Diosdado Cabello, a Maduro

ally. At the time, Mr. Cabello was being investigated by the Justice Department for cocaine smuggling.

At his October 2015 nomination hearing for his present job, Mr. Shannon defended that meeting. He said it

In Venezuela and elsewhere, Trump's diplomatic agenda is suffering.

was an effort to get a commitment from the Maduro regime to hold legislative elections that year and to "save the life of Leopoldo López, who at the time was in the fourth week of hunger strike."

Mr. Shannon prevailed on both counts: The government set a Dec. 6 date for the elections and Mr. López ended his strike. The opposition won a majority that year.

Nevertheless Mr. Shannon's detractors cite photos from Port-au-Prince of him grinning alongside Mr. Cabello and Venezuelan Foreign Minister Delcy Rodríguez. Suspicion about Mr. Shannon was reinforced in 2016 when he traveled more than once to Caracas to "dialogue" with the dictatorship about the right of Venezuelans to hold a constitutionally mandated presidential recall referendum.

Mr. Shannon used those talks to stall and consolidate power. The vote was never held.

There is no evidence that Mr. Shannon, who was once George W.

Bush's lead for Latin America on the National Security Council, harbors sympathy for *chavismo*. Rather, he seems to suffer from too much faith in diplomacy as a cure for evil.

It is a common State Department malady, which becomes more pronounced with diplomatic victories—and Mr. Shannon has had his share. In the 2009 political crisis in Honduras he got deposed president Manuel Zelaya, a Chávez ally, to agree to respect the forthcoming presidential election.

As U.S. ambassador to Brazil in 2010 he warned attorney general Eric Holder about rampant corruption in "all three branches of government" in Brasília. He turned out to be spot on.

Yet having implemented Mr. Obama's policies—perhaps too enthusiastically—Mr. Shannon may be having trouble adapting to the priorities of the new administration. This goes well beyond any debate over blocking Venezuelan oil imports.

State is rumored to have resisted the latest ban on Venezuela's use of the U.S. financial system. There has been no effort to check Cuba's role in Venezuelan repression. Little has been done about corrupt *chavista* oligarchs living in the U.S. and Europe, who facilitate transactions for regime officials living the high life in Caracas while the nation goes hungry.

The Trump administration must make a clean break with the Obama appeasement policies. That means the president needs to direct State to implement fully a new strategy that stands up to despots.

Write to O'Grady@wsj.com.

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Executive Chairman, News Corp
Gerard Baker
Editor in Chief

Matthew J. Murray
Deputy Editor in Chief

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WALL STREET JOURNAL MANAGEMENT:

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Joseph B. Vincent, Operations;

Larry L. Hoffman, Production

EDITORIAL AND CORPORATE HEADQUARTERS:

1211 Avenue of the Americas, New York, N.Y., 10036

Telephone 1-800-DOWJONES

DOW JONES
News Corp

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LIFE & ARTS

ART REVIEW

When Chinese Landscape Came Into Its Own

A 1,000-year journey that begins at the birth of realism and the landscape tradition's genesis as an independent subject

BY MELIK KAYLAN

New York

THROUGHOUT the past century, as parts of the globe erupted in chaos, American institutions helped save humankind's common heritage. They systematically acquired cultural treasures endangered in their own countries—doing so in coherent genres and thereby preserving entire traditions of art. A luminous instance of just such an achievement is the Metropolitan Museum's historic collection of Chinese landscapes, considered to be one of the greatest world-wide. Often kept from the hands of Maoist mobs, these objects could tell adventure stories of brave individuals who smuggled them out to the West over the decades. The museum's exhibition "Streams and Mountains Without End: Landscape Traditions of China" tells us another story just as crucial: that of the transcendent beauty of the 1,000-year-old living art form so worth saving. And not least for the Chinese themselves—on the day of my visit tourists from China packed the galleries, as they do much of the time.

The curator, Joseph Scheier-Dolberg, says he organized the show along thematic rather than chronological lines to educate the viewer in the genre's traditions and experiments, its evolution over the centuries, its symbols and inside jokes—in short, to teach us how to understand more deeply what we are viewing. He divided the whole into nine sections, with rooms dedicated to "Streams and Mountains," "Magical Landscapes," "Landscape of Reclusion," "Riverscape" and the like. The objects in the show will change and rotate periodically, but at the outset it features 40 paintings and numerous objects, such as sculptures, textiles, ce-



ramics and woodblock prints, largely from the Met's collection plus some on private loan. Outside the first room, "Majestic Landscape," we see a claim by an early intellectual of the genre that artists can now reproduce nature so precisely that you need not leave your house. This inscription, from the end of the first millennium, introduces the birth of realism and, roughly speaking, the landscape tradition's genesis as a recognized practice.

Inside we first see two handscrolls from the Ming period (most of the show's paintings are on scrolls). One, by an unknown 15th-century painter, depicts the four seasons horizontally from right to left on silk, and immediately we are immersed in the exquisite visual language of mists and mountains and bodies of water with all the ethereal sensitivity of a refined eye divining nature's forces. The other, a vertical scroll by the renowned 16th-century landscapist Wen Boren, illustrates a contrasting principle, that of the scholar-artist-poet using nature as a vehicle to reflect in-



ternal states, an early kind of expressionism. Here the brushstrokes—the ink's texture even—become the painter's object of focus, with close reference to art-

ists of past centuries whose works he owned.

This polarity of the realist and the expressionist runs broadly through the genre and the show itself. Hence in the next section, dedicated to "Poetic Landscape," we see a haunting depiction of a tree-form by Tang Di from 1323 of the Yuan (Mongol) dynasty, one dedicated to a poem from the eighth century. Nearby a landscape by Sima Huai, also Yuan era, rendered in gossamer minimalism floating in white space, refers to two lines from a different poet. Both artists practiced at a time when Chinese gentry-intellectuals alienated from Mongol rule sought refuge in the literati life far from court, consoled in exile by their predecessors and the melancholy mood-echoes in nature. The predicament recurred down the centuries through the Ming and Manchu dynasties and sustained the tradition even into Maoist-era exile abroad.

Chief among the show's delights are horizontal scrolls so long that a room-length display case doesn't quite suffice. One such is from 1770, a Tintin-like vi-

'The Four Seasons' (15th century) by an unknown Ming dynasty artist, left, and Tang Di's 'Landscape After a Poem by Wang Wei' (1323), below.

sual chronicle of the emperor visiting river communities, inspecting infrastructure. At one end he is depicted standing on a dam apparently quizzing local officials, while at the other the locals sweep the streets in readiness, because he hasn't arrived there yet. A recent acquisition, a long scroll from 2016 by the living artist Hao Liang, is an absolute masterpiece, worthy of its place in a show full of immortals. The scroll tracks from right to left, in the styles of landscapes from the eighth century (that of obscure Taoist monks) to today, gradually gaining color as in a movie. The present features a Ferris wheel whose pods have detached, and we suddenly notice that they've appeared in past scenes. Landscape art, once the purview of emperor and aristocrat, is now available to all.

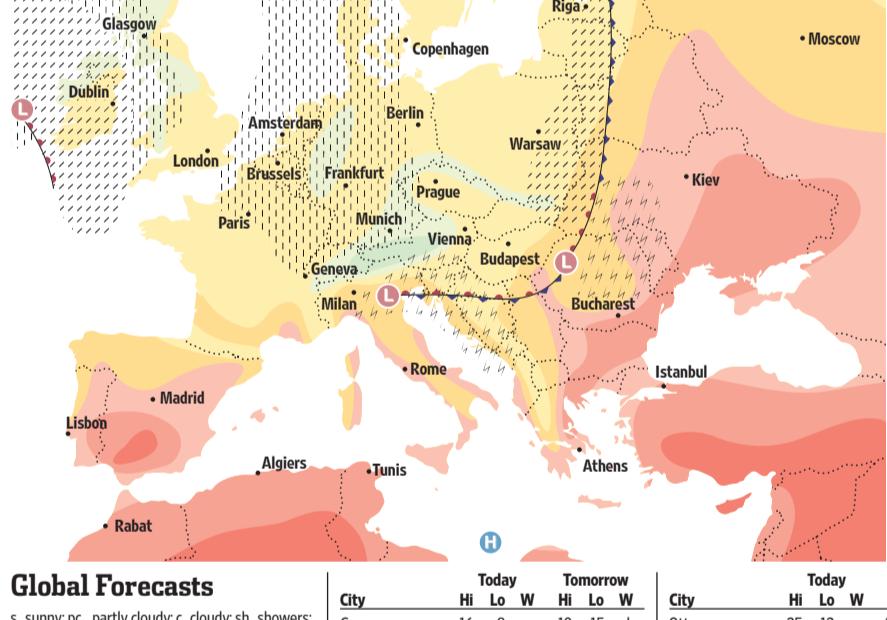
The curator brings us up to date with a smallish "Landscape of Abstraction" room where we see how modernist and contemporary Chinese artists have innovated with geometric, minimalist and spatter techniques. But perhaps the most poignant comes near the end, a radiant cubist-inspired celestial landscape from 1986 by renowned collector C.C. Wang, the last of the old literati. He salvaged so many ancient masterpieces under the Communist Revolution's shadow, ultimately settling in New York and bringing them to the Met.

Streams and Mountains Without End: Landscape Traditions of China

The Met Fifth Avenue, through Jan. 6, 2019

Mr. Kaylan writes about culture and the arts for the Journal.

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	17	12	sh	18	10	sh
Anchorage	13	11	c	13	10	r
Athens	31	23	s	32	23	s
Atlanta	21	15	r	25	18	pc
Baghdad	46	26	s	45	25	s
Baltimore	23	17	pc	25	18	pc
Bangkok	35	24	t	34	26	t
Beijing	30	18	s	30	19	pc
Berlin	18	10	sh	18	11	sh
Bogota	20	8	r	20	8	r
Boise	32	17	pc	28	13	pc
Boston	28	17	s	27	17	s
Brussels	18	12	sh	17	11	sh
Buenos Aires	17	8	s	18	10	pc
Cairo	38	24	s	37	24	s
Calgary	19	5	r	10	4	r
Caracas	31	25	pc	32	26	pc
Charlotte	26	16	r	28	18	pc
Chicago	25	16	pc	22	15	c
Dallas	30	20	s	34	22	s
Denver	32	16	pc	31	15	pc
Detroit	25	15	pc	24	16	c
Dubai	41	32	s	41	31	s
Dublin	15	8	r	14	8	sh
Edinburgh	15	8	sh	14	7	sh
Frankfurt	18	12	sh	19	11	sh

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Geneva	16	8	p	19	15	sh
Hanoi	32	25	c	32	25	pc
Havana	30	22	t	31	23	s
Hong Kong	34	27	s	32	26	s
Honolulu	30	23	r	31	24	sh
Houston	31	19	s	33	22	pc
Istanbul	30	22	s	29	21	s
Jakarta	33	24	pc	33	24	s
Johannesburg	30	12	pc	28	13	s
Kansas City	27	13	s	28	14	pc
Las Vegas	37	25	pc	34	21	pc
Lima	19	16	c	19	15	pc
London	18	12	r	17	9	t
Los Angeles	29	19	p	28	19	s
Madrid	27	14	s	30	15	s
Manila	29	26	t	31	26	t
Melbourne	17	11	r	15	6	sh
Mexico City	23	10	p	21	13	pc
Miami	33	25	pc	33	25	pc
Milan	26	12	pc	24	14	pc
Minneapolis	29	16	s	28	16	s
Monterrey	34	19	s	37	20	s
Montreal	24	13	s	25	14	s
Moscow	24	15	pc	24	12	sh
Mumbai	32	27	sh	32	27	sh
Tel Aviv	20	15	r	18	15	r
New Delhi	37	27	s	36	26	s
New Orleans	28	19	s	31	21	s
New York City	27	18	pc	24	18	pc
Omaha	31	15	s	30	16	s
Orlando	31	22	pc	32	23	pc
Zurich	17	12	sh	19	11	sh

The WSJ Daily Crossword | Edited by Mike Shenk



SUPER DUPERS | By David Poole

- | Across | Down |
|--|---|
| 1 Flexible blackjack cards | 37 Wood that's resistant to splitting |
| 5 Gala | 38 "Dancing With the Stars" judge Goodman |
| 10 Bonkers | 40 "My Fair Lady" lady |
| 14 "C U L8R," e.g. | 41 Cabinet department that oversees the National Park Service |
| 15 Extra charge | 44 McShane of "American Gods" |
| 16 Way off | 46 Household hints columnist |
| 17 Lion's place | 48 Stonewashed pants |
| 18 Lion's warnings | 50 Kitten comment |
| 19 "McMillan & Wife" org. | 51 Encouraging cheer |
| 20 Superhero whose power is putting together IKEA furniture? | 52 Letter carrier in "Game of Thrones" |
| 21 Abbr. on a business letter | 53 "Get lost!" |
| 24 Parlor piece | 55 Spur |
| 25 Miniature racer | 56 Like Bob Dylan's singing |
| 27 Pacifies | 57 Oft-stolen garden figurine |
| 30 Spooky-sounding lake | 60 More than dislike |
| 34 Hotel employee | 61 Top draft classification |
| 39 Bachelor's last words | 63 "Here's a thought..." |
| 40 Latvia's northern neighbor | |
| 42 Encouraging cheer | |
| 43 Pesto herb | |
| 45 Abbr. on a business letter | |
| 46 Song for the masses | |
| 47 Hotel employee | |
| 49 What tapping on the table might mean | |
| 50 Single | |
| 51 Some busts | |
| 52 Sniggler's activity | |
| 53 Sleazy newspaper | |
| 54 Superhero whose power is keeping ships from drifting? | |
| 55 Laziness | |
| 56 Budget's sister company | |
| 57 Red Lobster freebie | |
| 58 Single | |
| 59 Bachelor's last words | |
| 60 Latvia's northern neighbor | |
| 61 Modern Persian facto | |
| 62 Gown designer Wang | |
| 63 "San (Silicon Valley city) | |
| 64 Baseball feature | |
| 65 Facto | |
| 66 Gown designer Wang | |
| 67 San (Silicon Valley city) | |
| 68 Single | |
| 69 Dirty campaign tactic | |
| 70 Fanning of "The Beguiled" | |

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

- | Across | Down |
|---|---|
| 31 Brandenburg Concertos composer | 1 Bearer of the heavens |
| 34 Refrain syllables | 2 Stop |
| 36 Frederic's love in "The Pirates of Penzance" | 3 Live and breathe |
| 39 Bachelor's last words | 4 Pre-race ritual |
| 40 Latvia's northern neighbor | 5 Pressing needs? |
| 42 Encouraging cheer | 6 Revered figure |
| 43 Pesto herb | 7 Brisbane greeting |
| 45 Abbr. on a business letter | 8 Baylor buildings |
| 46 Song for the masses | 9 Reduced |
| 47 Hotel employee | 10 Cruces, New Mexico |
| 49 What tapping on the table might mean | 11 Superhero whose power is getting a Microsoft suite to run? |
| 50 Single | 12 "It's a Wonderful Life" director |
| 51 Some busts | |

BUSINESS & FINANCE

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Yen vs. Dollar 109.1440 ▲ 1.21%

Hang Seng 27955.13 ▲ 1.04%

Gold 1348.70 ▲ 0.20%

WTI crude 48.19 ▲ 1.50%

10-Year JGB yield -0.002%

10-Year Treasury yield 2.119%

Online Lenders Reassess Systems

After Equifax hack, firms built for speedy loans seek to ensure borrower identification

By TELIS DEMOS

The goal of digital lending in recent years has been to make credit decisions quickly and cheaply. The **Equifax** Inc. data breach could force some lenders to hit the brakes.

Lenders and data providers said that in the wake of the breach announced by Equifax last week, they are evaluating procedures for confirming a potential borrower's identity. Equifax, like other credit-reporting companies, played a big role in helping these firms verify borrowers' iden-

tities, selling them access to a database that could quickly match up a person's identifying information.

Unlike traditional banks, which may lend to people who walk into branch, or to customers they know through checking accounts or other products, newer online lenders take applications from unknown people, entirely online.

To compete with banks, firms such as **LendingClub** Corp. and **Kabbage** Inc. often promise near-instant approval for online personal or small-business loans, and make it easy to submit applications online or even through a mobile app. Some firms, like Quicken Loans Inc.'s Rocket Mortgage, even offer the same for home loans.

To offer such speedy access,

one measure used by many lenders is to check customers' submitted Social Security numbers and other personal information against databases owned by Equifax and peers

is low because such databases are well established and don't involve sophisticated analysis, and are effective in catching more blatant fraud attempts.

Now, however, those checks could become less effective in weeding out someone putting in a loan application with a false identity. The Equifax breach compromised personal identification data for potentially 143 million Americans—exposing names, dates of birth, addresses and Social Security numbers. In some cases, drivers' license data may have also been exposed.

"Most banks and many financial technology companies rely on drivers' license validation or Social Security validation," said Zach Perret, chief executive of Plaid Technologies Inc., which connects com-

panies to bank data for transacting and verification. "It will be hard to rely on them to verify identities going forward."

The complexity for these lenders is that updating procedures can be difficult, expensive and time-consuming. Tools such as verifying images of a driver's license or using a phone's thumbprint reader can cost as much as \$10 per application, lenders say. Firms also have added steps such as making small deposits in a borrower's bank account, and verifying them, before making a loan.

LendingClub and **Kabbage** said they have previously incorporated tools beyond credit bureaus into their verification methods. Quicken Loans declined to comment.

Irma Spares Cat-Risk Investors

By LESLIE SCISM AND ANUPREETA DAS

Tumbling damage estimates for Hurricane Irma mean investors in catastrophe bonds will likely avoid the significant losses they might have absorbed had earlier, more aggressive estimates borne out.

"Cat bonds" are essentially a vehicle for insurance companies to transfer some of their financial risk to the global capital markets. Wall Street and other middlemen help insurers sell these bonds to sophisticated investors with the understanding that they could lose some or all of their principal to help pay claims.

These high-yielding bonds have surged in popularity in recent years among investors including pension funds, endowments and wealthy families. The rally has also come during a long stretch of few hurricanes hitting the U.S.

So the past couple of weeks have tested investor appetite as North America suffered three of its worst natural disasters in a decade. Private-sector insurers face as much as about \$60 billion in costs across Hurricane Irma, which landed in Florida Sunday, Hurricane Harvey with historic flooding in Houston, and an 8.1-magnitude earthquake in Mexico, according to some risk-modeling firms' estimates.

But these events appear likely to affect only a few, if any, of the outstanding \$26 billion in cat bonds.

The spate of catastrophes "may cause some investors to rethink their positions in the market" and expect a higher rate of return, said Gary Martucci, a director at Standard & Poor's Global Ratings. But "these bonds are generally two to three times oversubscribed, so even if a few investors walk, there's still sufficient capital available to buy the risk that is being offered in the market."

Hurricane Irma made landfall in the Florida Keys early Sunday, then moved up the state's west coast. Even at the upper end of Monday's projections of roughly \$40 billion of damage, the storm is well below the \$130 billion mark that put cat-bond investors on edge last week as Irma barreled across the Caribbean and seemed destined to strike Miami.

Mr. Martucci said he doesn't expect any of the cat bonds rated by S&P, representing a slice of those outstanding, to be drawn down based on the current \$40 billion upper-end damage estimate.

Many insurance executives and cat-bond promoters are gathered in Monte Carlo for one of the biggest annual industry confabs. As the conference

Please see BONDS page B2

Solving Nigeria's Telecom Maze

Mobile operators face rich opportunities but must navigate shifting rules, network issues



Only 45% of people in Nigeria have an active cellphone, making the country one of the biggest potential growth markets in the world.

By ALEXANDRA WEXLER

LAGOS, Nigeria—The prospects for mobile-phone growth in Nigeria are among the most promising for telecom operators globally, but also the most challenging.

Some 45% of the 192 million people in Africa's most populous nation have an active cellphone, according to Groupe Speciale Mobile Association, making the country one of the biggest potential growth markets in the world for mobile operators.

In Europe, 84% of people have an active cellphone, while in Japan, subscriber penetration is 95%.

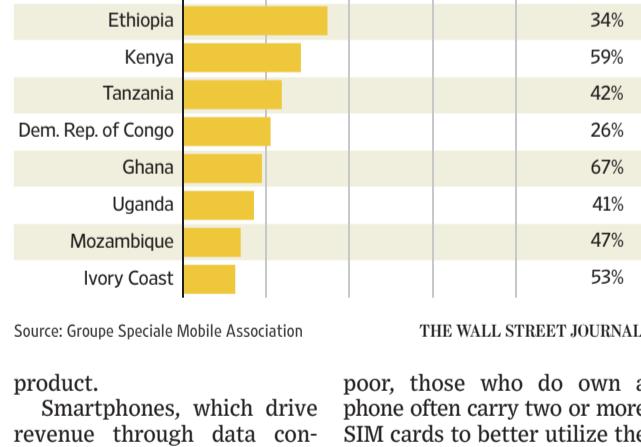
By 2020, Nigeria is expected to add some 27 million mobile-phone users—the fourth-biggest increase of any country in the world and more than any other African nation.

Last year, Nigeria's telecom sector contributed 6.05 trillion naira (\$16.84 billion), or 8.9% of the country's gross domestic

Getting Connected

Nigeria offers telecom firms the potential for massive growth.

Number of subscribers in 2016, by country



Source: Groupe Speciale Mobile Association

THE WALL STREET JOURNAL.

product.

Smartphones, which drive revenue through data consumption, are still too expensive for many Nigerians. And because network coverage is so

poor, those who do own a phone often carry two or more SIM cards to better utilize the pockets of coverage in their cities and take advantage of different networks' promo-

tional deals.

"I switch my SIMs a dozen times a day at least," said Destiny Tolu, a driver in Nigeria's capital, Abuja, as he flipped his Samsung handset in his palm. "We all get frustrated with the network, but everyone knows how to sidestep it."

This allows mobile operators to nab the same customers on multiple networks, potentially doubling or tripling Nigeria's market size. The GSMA says there are 152 million active SIM cards in Nigeria, nearly double the number of individual subscribers.

But companies seeking to profit from the rough-and-tumble Nigerian telecom sector have to navigate shifting regulations, billion-dollar fines from a cash-strapped government, wild swings in the local currency and foreign-exchange shortages, as well as the absence of a reliable national power grid. The challenges

Please see TELECOM page B2

Teva Finally Finds a New CEO

By RORY JONES

The world's biggest seller of generic drugs sought out for months an experienced chief to help the company navigate a series of daunting challenges, from falling medicine prices to heavy debt.

Teva Pharmaceutical Industries Ltd. ended that search on Monday by appointing Karin Schultz, a nearly 30-year pharmaceutical industry veteran, as its new chief executive, a position without a permanent holder since February.

Mr. Schultz honed his skills at **Novo Nordisk** A/S, one of Denmark's biggest firms, before taking the helm in early 2015 at **H. Lundbeck** A/S. There a successful restructuring put the Danish company on track to post record earnings.

That know-how will be key in turning around Teva, which

recently shuffled its board, as it sheds assets and tries to cope with new competitors. Its shares have been under pressure for months as concerns mounted about its future.

"This is a critical time in Teva's history," Chairman Sol Barer said in an interview. "We had to make sure we got the right person."

Teva had searched since February for a new chief executive to fill the shoes left by Eli Hurwitz, who is credited with turning the firm from a small-time pharmaceutical firm into a global generics-drugs seller and a household Israeli name. Mr. Hurwitz was chief executive for more than 25 years and involved in Teva until his death in 2011.

Since then, the firm has churned through a series of chief executives who struggled to manage global expansion

and implement changes amid scrutiny over operations by Israeli lawmakers and other local stakeholders. Boardroom squabbles over whether the chief should be Israeli also hampered the company's performance in the eyes of many investors.

Like Teva, Novo Nordisk became a global leader working out of a small country with a similar-sized population to Israel and with a reputation for innovation. Mr. Schultz, 56 years old, joined Novo Nordisk in 1989 before becoming chief operating officer in 2002 and serving as president as well from 2014 to 2015.

Novo Nordisk pioneered the development of insulin for diabetes but recently has struggled to encourage doctors, health-plan managers and insurers to pay for its newest version of the drug. Teva is

similarly facing competition for its groundbreaking multiple sclerosis drug Copaxone.

Mr. Schultz joins an executive board at Teva that in recent years has fought over

whether the firm should focus on generics drugs or take advantage of Israel's focus on research and development and invest in specialty medicines.

Please see TEVA page B2



Karin Schultz, Teva's newly appointed leader, has been credited with returning Denmark's H. Lundbeck to profitability.

whether the firm should focus on generics drugs or take advantage of Israel's focus on research and development and invest in specialty medicines.

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STREET

Continued from the prior page
early in the expansion are right to invest, but as more capital is deployed it can drive down prices and destroy the very opportunity shareholders hoped to exploit.

Other times CEOs just fritter the money away, as in the dot-com bubble. If you exercise little control over management and actively encourage them to spend money as quickly as possible, you shouldn't be surprised if much of it is wasted.

The rise—and rise—of Amazon has come as the patterns of the past seem to have been suspended. Since the start of 2009, the run-away success of big tech stocks and big dividend payers has helped companies with the most and least investment do well, while middling companies underperformed. Calculations by Goldman Sachs's chief U.S. equity strategist David Kostin suggest shareholders have shifted again in the past 18 months, rewarding capital spending with bigger share-price gains than for dividends and share buybacks. If it continues, CEOs will get the message and corporate investment will pick up.

Amazon shareholders might argue that the company won't fall victim to misplaced capital spending because it is exploiting disruptive technology, investing in growth and spending heavily on R&D.

If the past is any indication, these offer up only a glimmer of a hope. History offers plenty of examples of disruptive technologies leading to investment booms, but those caught up in the spending spree usually lose out horribly. The British "railway mania" of the 1840s

is a classic example: Money poured in from excited shareholders, railroad companies found ways to spend it and were rewarded with ever-higher share prices, until investors discovered just how much of the capital had been wasted. The winners were the broader economy and those who entered early or sold out in time. But much capital had to be written down as profits were competed away or overestimated.

Investing in growth is more plausible. Academics have shown that higher R&D spending on average is followed by better stock performance than for companies with lower R&D spending.

For this to justify further increases in Amazon's stock price means assuming investors are once again underestimating the future profits from its R&D spending. Given how hard it is even to work out how much the company is spending on R&D—it is lumped in with "technology and content," where \$5.5 billion was spent in total in the second quarter—it is impossible to come up with a firm view of how well it is spent, or what profits might result. The share price might well be underestimating future products, but might equally be extrapolating the past successes of the web-hosting division or the voice-controlled Echo device to unknown future products.

Amazon expects to hire another 50,000 staff earning on average more than \$100,000 a year at its second HQ over a decade and a half, adding \$5 billion a year of pay to the more than \$5 billion capital cost of "HQ2."

Amazon shareholders betting on it bucking history have to hope that by the time HQ2 is completed, the company has both grown enough to justify its vast scale and found a way to profit from all of its capital and R&D spending.

Investment Trumps Hunt for Yield

Shares in companies spending a lot on capital projects and R&D have been rising faster recently than those with fat dividends and share buybacks.

Total return since 2014*



*Sector-neutral equal-weight basket of 50 S&P 500 stocks

Source: Goldman Sachs

BUSINESS & FINANCE

From Annie's to Baby Food

BY ANNIE GASPARRO

The former chief executive of organic food brand Annie's Homestead is heading into the crowded baby-food business.

John Foraker is taking on the top role at a two-year-old startup Once Upon a Farm, which is partnering with actress Jennifer Garner to help market the brand.

Baby food has become boring, Mr. Foraker said, because conventional brands are continuing to struggle with a lack of innovation.

Baby-food sales, by volume, have declined an average of 4% a year for the past four years, according to market-research firm Euromonitor. Brands, especially the longtime industry leader Gerber, which is owned by Nestlé SA, have lost market share to new ones with organic ingredients that are sold in the increasingly popular pouches.

Organic varieties' sales dollars have risen 25% in the past two years, accounting for about \$415.4 million of the \$1.75 billion in sales of baby food in the U.S., according to Nielsen data. More parents also are making baby food at



John Foraker, Jennifer Garner, Cassandra Curtis and Ari Raz

home, according to market-research firm Euromonitor International.

Mr. Foraker, who left Annie's last month, a few years after selling the company to packaged-food giant General Mills Inc., is an investor in Once Upon a Farm, along with Ms. Garner. He said he plans to expand the company's refrigerated, organic baby food to more stores and add new products that he hopes will steal shoppers from mainstream stores.

The company, founded in 2015 by Cassandra Curtis and

Ari Raz, has less than \$1 million in annual sales so far and is going up against Gerber and other big brands like Campbell Soup Co.'s Plum Organics and Beech-Nut baby food, as well as many other startups.

The competition in the sector makes it hard to get shelf space and meetings with major retailers, said Mr. Foraker. Once Upon a Farm also requires refrigerated baby-food cases, which don't exist in most stores.

Mr. Foraker was the chief of Annie's for 18 years, help-

ing to make Annie's mac-and-cheese, bunny-shaped graham crackers and other ubiquitous products. He orchestrated a sale of the company to General Mills for \$820 million in 2014.

Ms. Garner, who has starred in movies such as "Pearl Harbor" and "13 Going on 30," has three children. She follows other celebrities to lead consumer brands, like Jessica Alba's Honest Co., and Oprah Winfrey's recent joint venture with Kraft Heinz Co. for O, That's Good! soups and other meals.

Ms. Garner said she planned to grow some ingredients for the baby food such as kale and blueberries on her family's farm in Oklahoma.

"As moms, we are all starting to expect to have something that's non-GMO and organic, and we're starting to expect that not to cost an arm and a leg," she said.

The technical side of the food business will be new to her.

"I get to learn a whole new industry and be part of a conversation that I never thought I'd be a part of," she said. "Watch for pictures of me on a tractor."

TEVA

Continued from the prior page
like Copaxone.

The new Teva chief, only the second non-Israeli to lead the firm, understands the "cultural framework" of working for a pharmaceutical firm that, like Novo Nordisk, is also considered a national champion, Mr. Barer said.

Mr. Schultz, who is Danish, will review the firm's operations before articulating a new strategy as soon as possible, Mr. Barer said. The new CEO would relocate to Israel and be based out of Teva's Petah Tikva headquarters in a "sign of his commitment" to the firm, the chairman said.

"It sounds just what the doctor ordered," said Phillip Frost, chief executive of Miami-based health-care firm Opko Health Inc. and former chairman of Teva, of Mr. Shultz's appointment. "He has turnaround experience...He has credibility with investors."

Teva didn't give a date for when Mr. Schultz will join the

company.

Teva's share price rallied on news of Mr. Schultz's appointment, rising nearly 17% in Tel Aviv trading. AstraZeneca PLC shares rose 2.1% in London. There had been plenty of speculation about who might take the reins at Teva, with AstraZeneca PLC CEO Pascal Soriot cited at one stage as a contender by local media.

In August, Teva lost about a quarter of its market value in one day on mounting concerns about the future of the company after it cut its full-year outlook and slashed its dividend, blaming the rapid deterioration of the U.S. generic-drug business. Teva took a \$6.1 billion write-down on that unit and posted a quarterly net loss of \$6.04 billion.

This won't be the first time an outsider has accepted the challenge of restructuring Teva. In 2012, Teva hired Jeremy Levin from Bristol-Myers Squibb Co. to take the helm, but he was forced out the next year during a dispute with the board over the company's direction.

His Israeli replacement,

Erez Vigodman, left the company in February for undisclosed reasons amid a steep fall in the firm's share price and after a buyout binge that was criticized by investors. His acquisition last year of Allergan PLC's generics unit—Teva's biggest-ever deal—left the company with debt of roughly \$35 billion. It is attempting to pay down those borrowings with asset sales, but has so far found few takers for its businesses.

To address investor concerns that its board lacked international pharmaceutical experience, Teva in June nominated four new directors, and Mr. Schultz's appointment furthers that effort.

At H. Lundbeck, Mr. Schultz was credited with launching a turnaround, including job cuts and the restructuring of its business, which last year returned the firm to full-year profit. H. Lundbeck shares on Monday fell 14% following news of Mr. Schultz's departure.

"Overall, we believe adding a highly creditable CEO with significant industry and turn-

TELECOM

Continued from page B1
have hamstrung the market as operators labor under regulatory burdens.

Segun Ogunsanya, chief executive of Airtel Nigeria, a subsidiary of Indian telecom giant Bharti Airtel Ltd., which has 34 million subscribers in Nigeria, says the growth opportunities are massive, though suppressed by the country's heavy-handed regulation and fines.

"It's killing the industry," Mr. Ogunsanya said. "If you extract so much money from this sector you make it impossible for [additional] investment."

Airtel's Africa unit turned a pretax profit for the first time during the year ended March 31.

Nigeria is one of 15 markets where Airtel operates on the continent. The company said a 54% depreciation in Nigeria's naira currency against the U.S. dollar hit its overall earnings last year.

Last month, the Nigerian Communications Commission, the country's telecom regulator, blocked one of the sector's biggest players, Nigeria's privately owned Globacom Ltd., from proceeding with a planned free-data-day promotion. Glo Nigeria, which has 37 million subscribers and a partnership with British telecom giant Vodafone Group PLC, had planned to offer subscribers 200 megabytes of free data on Aug. 11 to encourage data usage. However, the NCC said the promotion went beyond what was allowed under its regulations.

The most concerning move for investors was the \$5.2 billion fine the NCC slapped on South African operator MTN Group Ltd. after it missed a deadline to deactivate more than 5 million unregistered SIM cards under regulations intended to combat terrorism.

In June 2016, the fine was reduced by 330 billion naira (\$1.7

billion at the time, now \$917.9 million due to a drastic weakening of the naira), payable over three years, following lengthy negotiations.

MTN Nigeria declined to comment. MTN Executive Chairman Phuthuma Nhleko said in December 2015 that a company restructuring would "enable MTN to continue to realize its strategy and vision, while also ensuring we achieve high governance standards and robust risk mitigation."

Nigeria is MTN's largest market, and its operations there accounted for 28% of the company's revenue, which was 64.39 billion South African rand (\$4.99 billion) in the six months ended June 30. MTN plans to list its local unit on the Nigerian Stock Exchange in 2018.

Many Nigerian consumers can't afford to buy a smartphone.

Tony Ojibo, the director of public affairs at the NCC, denied that the telecom regulator was overzealous. "We are only ensuring that everyone that operates in this market plays according to the rules," he said. "We have to make sure that service providers have return on their investment and also make sure that consumers... have value for money, so in trying to maintain that delicate balance, there are times where the regulator and the operators are in not in agreement."

It's not only regulations that confront companies. Limited foreign-currency availability and access to capital are also challenges. One of Nigeria's largest players with 18 million subscribers, United Arab Emirates-owned **Emirates Telecommunications Corp.**, which

trades as Etisalat, pulled out of its Nigerian operations in July after failed talks with local lenders to renegotiate a \$1.2 billion loan. In 2016, Etisalat's Nigerian operations generated earnings of 33 billion naira before interest, taxes, depreciation and amortization. Etisalat Nigeria now operates under the name 9mobile after a forced rebranding.

The experiences of mobile operators in Nigeria are symptomatic—though extreme—of encounters with regulators across the continent.

South African operators MTN and Vodacom Ltd., which are active throughout the continent, say their respective earnings were hit after other governments, including Uganda, Cameroon, Democratic Republic of Congo and Mozambique, ordered the disconnection of unregistered SIM cards from their networks, following the earlier move by Nigeria's regulator.

Affordability remains an impediment to telecom growth in Nigeria: Many consumers can't afford to buy a smartphone.

"Handsets, it's 50% of the problem," said Ibrahim Dikko, vice president of regulatory and corporate affairs at 9mobile. He said the company was working with smartphone makers to offer sub-\$100 smartphones to customers. Mr. Dikko added that the other 50% is improving broadband coverage, particularly in rural areas.

Despite the challenges, the opportunity is rich: The telecom industry has been a rare bright spot for the country's oil-dependent economy, which fell into recession last year as prices plummeted below \$50 a barrel. With the economy forecast to return to positive growth this year, mobile operators are chipping away at the market's structural flaws. Total capital expenditure in Nigeria's telecom sector is estimated to rise 14% to \$1.6 billion, according to the GSMA.

BONDS

Continued from the prior page
ence began over the weekend, attendees said they were getting frequent updates on the storm's trajectory from various sources, and using smartphones to stay on top of the U.S. National Hurricane Center's forecasts of Irma's strength.

Which cat bonds might suffer, and how much will have to be paid out, will become clearer in coming days as the industry tallies up actual losses.

"There is a mountain of alternative capital on the sidelines that will be available to be deployed if the insured loss from Irma results in significantly higher expected returns for cat bonds," Tony Ursano, president of TigerRisk Partners LLC, a risk and capital adviser to insurers and reinsurers, said from the conference.

In simplest

BUSINESS NEWS

Google Appeals Europe's Antitrust Fine

Company is accused of discriminating against rival websites in shopping searches

BY SAM SCHECHNER
AND NATALIA DROZDIAK

Alphabet Inc.'s Google on Monday filed an appeal of the European Union's record €2.42 billion (\$2.91 billion) antitrust fine against the company for allegedly abusing the power of its dominant search engine, setting up a legal battle that could set the tone for a series of cases and probes against the company.

The appeal comes shortly before the deadline under EU law to file an appeal against the decision, which was issued by the European Commission,

the bloc's executive body, in late June. The EU accused Google of discriminating against rival comparison shopping sites in search rankings and, along with the fine, ordered the technology giant to revamp its search results in Europe.

A Google spokesman confirmed that the company had filed an appeal but declined to discuss the legal rationale the company had offered to overturn the ruling.

Google had previously said it disagrees with the decision and had indicated it would consider appealing.

"The commission will defend its decision in court," a European Commission spokesman said in response.

Google's decision to appeal comes after the commission suffered a blow last week at

the European Union's highest court, an unusual development for the regulator. Judges at the European Court of Justice effectively dismissed some arguments on which the commission had rested its antitrust case when it fined Intel Corp. €1.06 billion in 2009 for abusing its dominance.

Google's appeal, however, won't stop the company from having to pay its fine or comply with other elements of the June ruling, which could—if upheld—have far-reaching impacts on Google's increasingly sprawling business.

In the ruling, the European Union ordered Google to treat equally its competitors' offerings and the company's own shopping service—a precedent that could be repeated against other parts of Google's business, such as maps and travel

search.

In late August, Google made moves to comply with the EU's decision, sketching out to the antitrust authority how it plans to overhaul its shopping

The EU in June ordered Google to treat its competitors' offerings equally.

search results by a late September deadline.

The changes would have to apply for users in all European countries where Google offers its shopping service.

The company faces penalties of as much as 5% of average daily global revenue for

each day it doesn't comply.

At issue in the case are Google's shopping ads, which often appear atop search results when a user searches for a product, such as "gas grill." The EU says that those ads, which appear before other search results, illegally disadvantage other comparison shopping services, whose results appear lower down.

While Google's appeal isn't public, the company has outlined its areas of disagreement with the EU's arguments since the bloc first filed charges in 2015. The company says consumers benefit from its ads, and argues that the EU erred in not considering Amazon.com Inc. and eBay Inc. among the competitors for shopping searches. Google says that active competition from those companies is

largely to blame for the plight of some shopping-comparison sites, rather than Google's search results.

In addition to an appeal, Google could file for an injunction, or so-called interim measures, to pause the order to change its behavior, pending the outcome of the appeal. But a spokeswoman for the European Union's Court of Justice on Monday said Google hadn't filed for such an injunction.

Companies typically apply for interim measures at the same time as they lodge their appeal.

The EU has also filed formal charges against Google for other parts of its business, including alleged abuse of its Android operating system for mobile phones.

Google has denied the charges.

BP Files For IPO of Pipeline Network

BY SARAH KENT

LONDON—**BP PLC** is moving forward with plans to float some of its vast network of U.S. pipelines in a move that would spin out cash from the company's infrastructure assets across America.

In a filing with the SEC on Monday, the company's subsidiary BP Midstream Partners LP said it was planning an initial offering on the New York Stock Exchange of as much as \$100 million. BP had flagged in July that it was considering such a spinoff and said in a news release Monday it expected the IPO to take place in the fourth quarter.

The new entity will be structured as a master limited partnership, or MLP, a tax-advantaged entity that has gained popularity among pipeline operators and other capital-intensive companies.

Though MLPs suffered in the oil-price downturn as investors worried about the safety of their steady dividends—another characteristic of the MLP structure—they have proved a beneficial way for big energy companies to manage their midstream assets. When Royal Dutch Shell PLC floated its MLP in 2014 it raised nearly \$1 billion. Shell Midstream Partners LP has a current market valuation of \$4.9 billion.

BP Midstream Partners is expected to have a smaller valuation, said James Milligan, global resource strategist at Olivetree Securities. Its initial assets include pipelines for crude oil, refined products and natural gas.

The move comes as BP re-evaluates its portfolio in the wake of a significant slump in oil prices three years ago and as it seeks to raise cash to pay for continuing costs related to the Deepwater Horizon blowout in the Gulf of Mexico in 2010.

The company wants to raise as much as \$5.5 billion with various divestments this year, but also has been making acquisitions as it looks to grow elsewhere.



A partially covered Ferrari on Monday before the opening of the Frankfurt Motor Show, where the Italian sports-car maker will unveil its Portofino model.

Ferrari Races to Win Pole Position in Sales

BY ERIC SYLVERS

MILAN—In the world of elite sports-car manufacturing, it is an article of faith that victory on the racetrack translates into sales in the showroom. "Win on Sunday, sell on Monday," goes the old saw.

So for Italian sports-car maker **Ferrari NV**, the end of a decadeslong losing streak on Formula One racetracks is a great relief, more so as it comes just when the company—the biggest spender on Formula One racing—is stretching its brand by removing a longstanding ceiling on the number of cars it sells and expanding into other products.

All that provides a backdrop for Tuesday's unveiling of the Portofino model at Germany's Frankfurt auto show. Like its predecessors, Ferrari's newest road car will benefit from technology developed for the racetrack.

That technology, which includes new metal alloys for the frame, engine and bodies, and steering wheels decked out with all the controls including the gear shifter, trickles down from the handful of race cars made annually to limited-edition road models costing more

than \$1 million. It then makes its way into higher-volume Ferraris like the Portofino, which is expected to start at about \$225,000.

After failing to win a Formula One racing title for almost a decade and closing out the 2016 season without a single victory, Ferrari's Sebastian Vettel has won four of this year's 13 races and is close on the tail of Mercedes's Lewis Hamilton with seven races to go, including the U.S. Grand Prix on Oct. 22 in Austin.

Ferrari is expected to battle Mercedes for the win in the next Formula One stop in Singapore this weekend.

Ferrari Chief Executive Sergio Marchionne, who also is CEO of Fiat Chrysler Automobiles NV, has called winning in Formula One "nonnegotiable," reflecting the belief that victory on the racetrack is critical in luring weekend enthusiasts to shell out huge amounts for the road cars.

Ferrari's financial success over the past 15 years has "been achieved on the back of Formula One," the CEO said in March, adding that the company couldn't afford many more losing seasons without suffering financially.

But there is little empirical evidence that winning races translates into increased sales. AllianceBernstein, a wealth manager, argues Ferrari doesn't need Formula One.

"There can't be a soul on earth who doesn't know that Ferrari makes fast red cars, with excellent technology and that it has a motor sport heritage," AllianceBernstein wrote in a report last month, adding that Lamborghini, Porsche and other high-end brands have no trouble selling cars despite being absent from Formula One for many years.

Mr. Marchionne, who personally owns more than 10 Ferraris and follows most races from inside the paddock, berates his team when it loses. The CEO's impatience with losing stems in part from the huge investment Ferrari is believed to sink into Formula One racing each year, which some outsiders estimate at hundreds of millions of dollars.

Defying hopes that after its 2015 stock-market listing Ferrari would begin disclosing how much it spends, and loses, on racing, the company still reveals virtually nothing. However, in late July, Mr. Marchionne dropped a hint, telling an-

alysts the company has lost money on its Formula One team every year for close to a decade.

The bonuses Ferrari has paid out to teams during winning seasons can compound the losses over time, he said, a price the CEO is willing to pay given "the huge repercussions on the quality of the brand" when they win."

Investment bank Jefferies estimates Ferrari's racing team generated €420 million (\$502 million) in revenue last year while booking an operating loss of €100 million. AllianceBernstein, says Ferrari mostly racks up losses, though "may break even or even squeak a profit" in a good year.

Ferrari generates racing revenue through sponsorships—including all those ads plastered on the race cars—and payouts from the company that organizes the races. Ferrari's quarterly revenue breakdown includes a line titled

"sponsorship, commercial and brand" that includes Formula One, but is also thought to encompass licensing and other items.

The Mercedes racing team, winner of the past three seasons and the current leader, is

more forthcoming, disclosing that the team lost £22.3 million (\$29.4 million) in 2015. The loss narrowed to about £5 million last year and Mercedes expects the racing team to break even soon.

While Ferrari doesn't reveal its estimates for the financial and promotional benefits it derives from Formula One, Mercedes said that in 2016 it got the equivalent of \$3 billion in advertising value from the team.

Ferrari's recent return to its winning ways and the positive aura that produces is especially important as Mr. Marchionne stretches the brand.

For years, the company limited its sales to no more than 7,000 cars annually to stoke demand. Now, Mr. Marchionne plans to raise that limit to 10,000 in the coming years, while also moving Ferrari into new areas such as home furnishings and technology products.

Ferrari's stock has risen by more than 50% since the team won the first race of the Formula One season in March and has more than doubled since its IPO on the back of investor enthusiasm for the company's expansion plans.

BP Midstream Partners LP has a current market valuation of \$4.9 billion.

BP Midstream Partners is expected to have a smaller valuation, said James Milligan, global resource strategist at Olivetree Securities. Its initial assets include pipelines for crude oil, refined products and natural gas.

The move comes as BP re-evaluates its portfolio in the wake of a significant slump in oil prices three years ago and as it seeks to raise cash to pay for continuing costs related to the Deepwater Horizon blowout in the Gulf of Mexico in 2010.

The company wants to raise as much as \$5.5 billion with various divestments this year, but also has been making acquisitions as it looks to grow elsewhere.

BUSINESS WATCH

ORIGIN ENERGY

Accord to Increase Stake in Gas Project

Origin Energy Ltd. is bolstering the portfolio of conventional oil-and-gas operations it plans to spin off this year with a 190 million Australian dollars (US\$153 million) deal to increase the company's stake in the Otway natural-gas project in southeastern Australia.

Origin Energy said the agreement would allow its Lattice Energy unit to buy the 27.7% stake in Otway owned by privately held **Benaris International** Pty. Ltd., giving Lattice 95% control of the joint venture and 100% of exploration activities. The remaining 5% of the venture is owned by **Tyota Tusho** Corp. of Japan.

The move would simplify the ownership structure of the gas project in Victoria state as Ori-

gin Energy prepares for the sale of Lattice.

—Rob M. Stewart

Board Resignations Prompt a Review

ComScore Inc. said Monday that most of its board members will resign and it would complete a strategic review of the business amid pressure from shareholders over the media-analytics company's management and lack of transparency on finances.

ComScore, which has been dogged by accounting problems that led to it being delisted from the Nasdaq Composite Index in May, named a new finance chief Monday, but it also delayed the time frame on getting current on overdue financial disclosures because of the task's complexity.



stockholders," said Gian Fulgoni, ComScore's co-founder and chief executive, in prepared remarks.

—Ezequiel Minaya

CHINA AUTO SALES

Rally Is Extended With August Gains

China's car market sustained its recent run of growth in August, continuing to expand after a weak start to the year prompted by a rise in the country's auto-sales tax.

Total vehicle sales rose 5.3% compared with August 2016 to 2.19 million, the government-backed China Association of Automobile Manufacturers said Monday. That is consistent with the 6.2% expansion recorded in July and June's 4.5% growth.

Even so, the manufacturers' association struck a bearish tone, warning for the first time that the Chinese auto sector

would likely fall short of the 5% growth forecast for 2017 that the group made in January, saying the increasing maturity of the Chinese market all but rules out anything beyond single-digit growth. "The 5% target set at the start of the year now looks like being a very idealistic goal," said Shi Jianhua, the association's deputy secretary general, adding that "growth of about 4% is still possible."

The Chinese auto market grew 4.3% in the first eight months of the year—a jarring slowdown for a market that grew nearly 14% last year, buoyed by strong passenger-car sales, which were up 16%.

This year, passenger-car sales have slowed the sector's expansion. They rose just 2.2% in the January-to-August period, although August sales of 1.88 million, up 4.1%, beat this year's monthly average.

—Trefor Moss

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E-TENDER NOTICE NO.22 FOR 2017-18**

The Public Works Department, Government of Maharashtra, represented by the Executive Engineer, Public Works Division, Miraj (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 project (the "Project") on 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.	State	Dist.	Pack-ages No.	Project	Project Length in (km)	Project Cost	Earnest Money / Bid Security	Duration Of the Project	Cost of Tender Fee Document
1)	Maharashtra	Sangli	PN-08	PN - 08 Improvements to SH-143t Viziori-Ningao-Pilve-Itaki-Dighanchi-Atpadi-Shetfale-Kole-Ghatnadrav-Kavathermankhal-Elanki-Miraj-Arjunwad-Narsobachiwadi-Herwad to state Border Road, SH - 153, Km 41/100 to 81/900 & Km 96/100 to 195/600, Dist. Sangli on Hybrid Annuity Basis	125.44 km	₹ 321.91 Crore	₹ 3.25 Crore	548 Days	₹ 35,000/- Online Payment through NEFT/ RTGS

E-Tender Time Table

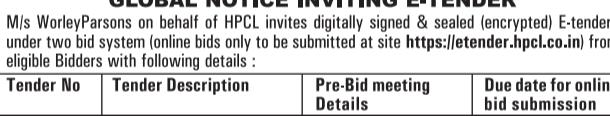
Sr. No.	Event Description	Date
1)	Invitation of RFP (NIT) (Download period of online tender)	Dt.28/08/2017 at 10.00 Hrs. to Dt.11/10/2017 at 18.00 Hrs.
2.A	Last date for receiving queries for pre-bid -1	12/09/2017 upto 11.00 Hrs.
2.B	Pre - Bid meeting No.1	Online or in the office of the Chief Engineer, P.W. Region, Pune Dt. 12/09/2017 up to 11.00 Hrs.
2.C	Authority response to queries for Pre-Bid Meeting 1 latest by.	18/09/2017
3.A	Last date for receiving queries for pre-bid - 2	26/09/2017 upto 11.00 Hrs.
3.B	Pre-Bid Meeting 2	Online or in the office of the Chief Engineer, P. W. Region, Pune Dt. 26/09/2017 up to 11.00 Hrs.
3.C	Authority response to queries for Pre-Bid Meeting 2 latest by.	29/09/2017
4	Bid due Date (Submit Hash to create online tender by bidder) (Technical and financial Bid Last Date and time)	Dt.12/10/2017 till 18.00 Hrs.
5	Physical submission of Bid Security / POA etc. (as per clause 2.11.2 of RFP)	Till 11.00 Hrs. on 16/10/2017 in the office of Superintending Engineer, P.W. Circle, Kolhapur, 416003.
6	Opening of Technical Bids. (If possible)	(at 11.30 on 16/10/2017) Office of Superintending Engineer, P.W. Circle, Kolhapur, 416003.
7	Opening of Financial Bids. (If possible)	(at 11.30 on 07.11.2017) Office of Superintending Engineer, P.W. Circle, Kolhapur, 416003.

Note:-
 1. The payment towards the cost of Tender forms will be done online only through RTGS / NEFT. It should be noted that one should complete these activities at least one day in advance.
 2. All eligible / interested Bidders who want to participate in tendering process should compulsorily get enrolled on e-tendering portal "<http://mahatenders.in>"
 3. Contact on numbers given below for difficulties in online submission of tenders:-(NIC-Toll Free Ph.No.1800 3070223/7878107985-86)
 4. Bid submitted through any other mode shall not be entertained. However, Bid Security, proof of online payment of cost of bid document, Power of Attorney and joint bidding agreement etc. as specified in Clause 2.11.2 of the RFP shall be submitted physically by the Bidder on or before Dt.16/10/2017 upto 11.00 hours.
 5. Other terms and Conditions are detailed in online e-tender form. Right to reject any or all online bids of work, without assigning any reasons thereof, is reserved with department.
 6. Short Tender Notice is displayed on P.W.D. website www.mahapwd.com.

(D.S.Jadhav)

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Tender No	Tender Description	Pre-Bid meeting Details	Due date for online bid submission
17000035-HD-11994	Supply Of Mainline Centrifugal Pumps for VVSP Capacity Augmentation Project	14.09.2017 from 11:00 hrs at Mumbai upto 15:00 hrs IST	21.09.2017 upto 15:00 hrs IST

The complete tender document including EMD, Bid Qualification Criteria (BQC) etc. can also be viewed at our web site www.hindustanpetroleum.com under tender section: link "Tenders & Contracts". All further revisions, clarifications, corrigenda, addenda, time extensions etc., to above tender will be hosted on above HPCL websites only. Bidders should regularly visit these websites to keep themselves updated.

Sr Manager - Procurement

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TECHNOLOGY

WSJ.com/Tech

PERSONAL TECHNOLOGY | By Geoffrey A. Fowler**Best Androids Raise the Bar**

Want to annoy Apple fanatics? Remind them how many magical iPhone capabilities arrived first on Android. Big screens? Fingerprint scanners? Mobile payments? Water resistance? None of it invented in Cupertino.

Ahead of Apple's wildly hyped 10th-anniversary iPhone launch on Tuesday, three more Android phones have been pushing the boundaries of what smartphones look like and how we use them: Samsung's Galaxy Note 8, the Essential Phone and the OnePlus 5.

Screens are taking over. By nipping and tucking around the glass, designers have made screens longer, with more usable area. And the best screens make images look more lifelike and colorful with a tech called OLED.

Using the Note 8, which arrives Sept. 15, is the closest I've come to manipulating a sci-fi movie communicator-gizmo—6.3 inches of screen, nearly without edges. It's a big part of what makes the Note 8 the best big-screen phone money can buy.

The \$700 Essential phone, from a startup founded by Android's creator, wraps a 5.7-inch screen in a slim belt of titanium. It's the handsomest phone I've seen in years though it disappoints in other areas.

These designs are changing how we operate the phone. With no space on the front for a home button and fingerprint reader, unlocking has to happen elsewhere. Essential moved the fingerprint sensor to the back. Samsung did, too, but you can also unlock the Note 8 with facial recognition or an iris scan—when they work.

Cameras are the other big news. Now the best phones have two lenses on the back, using the extra eye for closer-in zoom shots and even depth



From left: Essential Phone, Samsung Galaxy Note 8 and OnePlus 5—three new Android smartphones that Apple has to beat.

perception. Dual cameras are no longer a bank-breaking feature.

Of course, it isn't about getting features first: What matters is who does it best.

If you're looking for an Android phone to buy now, or you're just keeping score, here's what I like—and don't—about the leading contenders.

Galaxy Note 8

This giant phone can chew gum and hula hoop at the same time.

Likes: If you're abandoning your laptop for a smartphone, stop here first. The Note 8's screen, about as big as an XL Hershey bar, is a no-longer-crazy way for road warriors to rock Gmail and spreadsheets simultaneously. With the included stylus, which tucks inside the screen, scribbling notes is almost as easy as using paper.

The Note 8 stuffs in pretty much every feature somebody might want from a phone in 2017: virtual-reality capability, widely accepted mobile payments, wireless charging, an animated GIF maker—it can even become a desktop computer with a \$150 dock. And like other recent Samsung phones, it's water-resistant and allows you to add your own memory card for storage.

The Note 8 camera not only joins the multilens trend but

jumps to its forefront. In my tests, the Note 8 often outperformed the iPhone 7 Plus at focusing quickly and snapping low-light situations, though I still prefer many shots from Google's Pixel. Zoomed-in shots from the 2X telephoto lens were clear thanks to optical image stabilization. The "live focus" mode that uses depth data to artfully blur portraits had some hiccups, but no more than the iPhone 7 Plus's similar "portrait mode."

Dislikes: All that screen gobbls up battery, which lasted a ho-hum eight hours in my stress test. The fingerprint reader is poorly placed, while the facial recognition isn't fast or reliable enough. Bixby, Samsung's Siri competitor, still feels underdeveloped, though Google's Assistant is also available.

I find the Note 8 too much phone to carry comfortably. A more slender alternative is Samsung's Galaxy S8, though photo buffs would miss the dual cameras.

Essential Phone

This attractive new model is better off in front of the camera than behind it.

Likes: The Essential has the first phone design in a while that can actually turn heads. The screen comes so close to the edge, there's a notch cut out for the front-facing camera. The ceramic back cover

feels luxe and promises to last longer than other phones' scratch-prone finishes. The software is just as clean: basic Android, no bloatware. And the battery lasted a decent nine hours in my stress test.

Essential has an interesting approach to accessories: They can snap on and draw power from the phone. But so far, there's only one, a 360-degree camera—and modular-phone efforts by LG and Motorola haven't caught on.

Dislikes: The Essential Phone doesn't actually cover the essentials. There's no headphone jack (it includes an adapter, but no headphones) and it isn't water-resistant.

The biggest problem is the camera: It's slow and struggles in low-light settings. Another disappointment: The second lens on the back is for black-and-white shots, not zoom.

OnePlus 5

It's a remarkable value, but it looks like last year's phone.

Likes: The OnePlus 5 is slim and lightweight yet packs in performance: smooth-running software, bright OLED screen and a battery that lasted a solid 9.5 hours in my tests. The dual camera also wowed, though Samsung and Apple beat it with their fancy-blur portrait mode.

What's most incredible, though, is the price: \$480, sold through the OnePlus website without the typical carrier hoopla, contracts and bloatware. In a year when premium phones aim to break the \$1,000 ceiling, the OnePlus 5 is a welcome option.

Dislikes: The thick-bordered screen looks like phones we've seen before. (Upside: There's still space for a fingerprint reader on the front.) The screen also isn't as high-resolution as the Note 8's, nor does the phone have tricks like face unlocking or wireless charging. If you want to double the default 64GB storage, the price rises to \$539.

U.S. Wireless Competition Revives

BY RYAN KNUTSON

Competition has officially returned to the U.S. wireless sector.

For the first time since 2009, the Federal Communications Commission has concluded there is "effective competition" in the wireless market.

The U.S. agency is required by law to conduct an economic analysis of the sector. Starting in 2010, after years of major consolidation among wireless carriers, the FCC declined to say whether it believed the industry was competitive.

While the FCC had stopped short of declaring the industry noncompetitive, many industry observers still took it to mean the agency thought the na-

tional's largest carriers, AT&T Inc. and Verizon Communications Inc., were too powerful. In 2011, the government blocked AT&T's attempted buyout of T-Mobile US Inc.

Since then, T-Mobile and Sprint Corp. have been resurgent, stealing subscribers and transforming the industry by doing away with two-year contracts and bringing back unlimited data plans. AT&T and Verizon have lost customers and wireless prices have fallen by the largest margins on record, according to government data.

The FCC's finding, which comes days before carriers are expected to duke it out with promotions for Apple Inc.'s latest iPhone, could have antitrust implications.

If the wireless market is

competitive, regulators may believe competition could withstand another large merger. The nation's smaller players, Sprint and T-Mobile, have been in talks about combining, people familiar with the matter have said.

A finding of effective competition certainly helps rhetorically for those trying to consolidate or trying to deregulate," Harold Feld, a senior vice president at Public Knowledge, a consumer group.

FINANCE & MARKETS

Tokyo to Sell More of Japan Post

First offering since company's 2015 IPO to fetch government more than \$10 billion

By KOSAKU NARIOKA

TOKYO—The Japanese government is likely to raise more than \$10 billion by selling another chunk of **Japan Post Holdings Co.**, which has struggled in its first two years as a public company.

The offering, announced Monday, would be the biggest in Japan so far this year and the second-largest in the world, trailing only Italian lender **UniCredit SpA's** \$14 billion offering in February, according to Dealogic.

Japan's Ministry of Finance said it would offer as much as 22% of shares outstanding in Japan Post at a price to be determined near the end of September. At the current price the proceeds would amount to as much as ¥1.3 trillion (\$12 billion).

In addition, the ministry plans to sell a stake of a few percentage points when Japan Post buys back its own shares under a previously announced plan.



The planned offering for the company, which includes a postal unit, would cut Tokyo's stake to 56%.

Insurance, which were also listed on the Tokyo Stock Exchange in 2015.

The financial units have also faced challenges, including negative rates on many Japanese government bonds, traditionally a staple of their portfolios. To compensate, they have recruited private-sector talent and made riskier investments.

The planned share sales are likely to cut the government's stake in Japan Post to about 56% from 80% currently, counting shares held by the company itself—"treasury shares"—as part of the total outstanding. Ultimately, the government has said it plans to reduce its stake to as little as one-third.

The two financial units are supposed to be fully privatized, although no date has been set.

In June, Japan Post Holdings Chief Executive Masatoshi Nagato said the company would be ready to sell additional stakes in its banking and insurance units once the government sold more of the holding company.

"So long as there is capacity in the market, we'll be ready any time after that," Mr. Nagato said.

Bank Is Called in Bribery Probe

The U.K. financial regulator has summoned **Standard Chartered PLC** officials to a meeting this week over a whistleblower's claims of misconduct at an Indonesian power plant builder owned by the bank, people familiar with the matter said.

By Ben Otto in Jakarta
And Margot Patrick in London

The meeting, set by the Financial Conduct Authority, adds to the international scrutiny of the London-based bank related to **Maxpower Group Pte. Ltd.** at a time when the U.K. is strengthening provisions for whistleblowers.

The Bank of England is also in contact with the FCA about the Maxpower whistleblower's allegations, documents seen by The Wall Street Journal show.

The Journal reported last year that an internal audit and a separate probe at Maxpower by a law firm found evidence of possible bribery and other misconduct to win and maintain contracts. Standard Chartered reported the findings to the U.S. Justice Department and other authorities. The department began an investigation into the allegations as well as whether Standard Chartered took adequate steps to prevent or stop the alleged misconduct, people with knowledge of the matter said.

Maxpower specializes in setting up gas turbines for electricity production, primarily in Indonesia and often in remote locations of the archipelago nation. Standard Chartered holds a majority stake in the company through investments by its private equity unit. The head of the unit, Nainesh Jaisingh, is one of two remaining members of Maxpower's board.

The whistleblower at Maxpower has alleged that company executives paid bribes to win business and that Standard Chartered's representatives on the board failed in their oversight. The employee, who has been negotiating an agreement to separate from Maxpower, alleges facing intimidation and retaliatory measures from executives of both companies, documents reviewed by the Journal show.

The whistleblower also has alleged that Standard Chartered executives on Maxpower's board were aware of potentially fraudulent accounting and compliance failings and didn't act.

Two of the three Standard Chartered executives who sat on the board of Maxpower during the period in question—around 2012 to 2015, according to the probe by a law firm—left the firm last year.

Standard Chartered declined to comment on the FCA's summon for a meeting and Maxpower didn't respond to a request for comment.

Austria Considers 100-Year Bond Sale

By EMESE BARTHA

Austria may be about to go ultralong as it weighs selling a 100-year bond that would be the first such deal to be sold into public markets in the eurozone.

Eurozone countries and companies have been able to raise cash for increasingly lengthy periods as the European Central Bank's stimulus measures push down bond yields and lower borrowing costs across the euro area. Faced with a growing stock of low and negative-yielding debt, investors have been forced into longer-dated bonds that offer the prospect of positive returns.

Late last year, Austria sold a €2 billion (\$2.2 billion), 70-year bond at a yield of 1.53%, while Ireland and Belgium have both sold privately placed bonds that don't come due for a century.

On Monday, the banks hired for the sale of a coming five-year bond for Austria said that they are looking at the possibility of a 100-year euro tranche, subject to investor feedback.

"The potential for a 100-year deal is a sign that the market for very long issuance is not closed yet," said Antoine Bouvet, vice president for rates strategy at Mizuho International PLC.

A vast bond-buying program and negative interest rates have pushed down yields across the eurozone. While investors believe that the ECB is now looking to unwind that stimulus, they believe that the pace of that tightening may be slower than assumed earlier this year.

Longer-dated bonds tend to be popular with investors such as local pension funds and insurance companies, which buy them to match their liabilities. Because bonds which have longer maturities carry more risk, they typically pay investors a higher return, which has made these securities more popular when yields are low across fixed-income markets.

While 20-year to 50-year government bonds have mushroomed in the eurozone in recent years, centurylong bonds remain very rare.

Ireland and Belgium each sold €100 million in 100-year bonds in 2016 in private placements. Outside the eurozone, Argentina and Mexico have issued 100-year bonds.

With no comparably long publicly issued sovereign bond available in the eurozone, Austria's own, 2086-dated bond might be the pricing reference, Mr. Bouvet said. The 2086-dated bond is trading at a yield of 1.82%, according to Tradeweb.

Robo Adviser Seeks Older Clients

By ANNE TERGESEN

Robo advisory services, which use algorithms to automate investment management, are popular with millennials for their low costs. But the latest competitor is taking a different tack: a higher-priced service aimed at older investors.

United Income—which launched Monday with backing from **Morningstar Inc.** and **eBay Inc.** founder Pierre Omidyar—has a "core focus on people ages 50 to 70 who are approaching retirement or are already retired," says Chief Executive Matt Fellowes, whose resume includes a stint as Morningstar's chief innovation officer. "Eighty percent of investable assets are held by people 50 and over."

While most robo advisory services help investors figure out how much to save for goals such as buying a home and retirement, United Income also aims to assist retirees with turning their assets into a steady stream of income in retirement.

The Washington, D.C., startup offers advice on when to claim Social Security, which Medicare plans to buy and how to manage withdrawals from brokerage accounts, tax-deferred retirement accounts, and tax-free Roth retirement-savings accounts to minimize taxes. The service also can automate the required minimum distributions the Internal Revenue Service requires people age 70½ and older to take annually from their IRAs and 401(k)s.

The company developed many of its services with a team that includes former offi-



Morningstar Inc. is a backer of newly launched United Income.

cials at government agencies, including the Centers for Medicare and Medicaid Services and the Social Security Administration, who have knowledge of the rules governing programs for older Americans, says Mr. Fellowes.

Like most robo-advisory services, United Income allows clients to choose to work with a human adviser—via phone, email or videoconferencing—for an extra fee.

Investors who don't want to pay can still get free financial plans and advice on when to claim Social Security.

For 0.50% of the client's account balance a year, United Income offers an automated web-based service that provides continuing financial planning, a monthly retirement paycheck, and services including tax-loss harvesting, a strategy of selling investments that have gone down in price to book losses that may offset taxable gains on other holdings.

For 0.80%, investors can get unlimited access to a financial planner and a concierge ad-

visor who can handle tasks, including consolidating retirement accounts and enrolling clients in Social Security and Medicare. Concierges are also trained to help clients figure out how they want to spend their time and can identify specific opportunities for volunteer work, travel and second careers, says Mr. Fellowes.

They can also assist in end-of-life planning by making referrals to in-home care and hospice services.

United Income's advisory fees are generally higher than the 0.3% to 0.5% that is typical of many established robo-type services. The firm discounts its fees for investors with accounts valued at \$500,000 or more. (There is no minimum investment required to get a financial plan; for investment management services, the minimum is \$10,000.)

Like most rivals, United Income invests clients' money in low-cost exchange-traded funds from companies including **Vanguard Group**, BlackRock Inc., and Charles Schwab Corp. (Those ETFs add 0.10%

to 0.25% to the advisory fees investors pay.)

When designing portfolios, the company includes the value of a clients' Social Security as a bondlike holding. As a result, United Income's algorithm typically recommends that clients invest a higher portion of their investible wealth in stocks than is the case for advisory services that don't take Social Security's guaranteed income into account, says Mr. Fellowes.

The firm also generally recommends that clients invest the money they need to cover essential expenses, such as food, shelter and health care, more conservatively than money set aside for luxuries or inheritances.

United Income is jumping into the field at a time when it is becoming crowded and dominated by large financial companies with established brands, including Vanguard, which manages more than \$83 billion in its Personal Advisor Services, and Schwab, which manages close to \$20 billion in its Intelligent Portfolios.

Still, United Income is targeting an older segment of the broader market. Vanguard says 85% of its clients are over age 50 and roughly half are over 65. Industry pioneer **Betterment LLC** of New York says more than 30% of its assets are held by clients who are over 50.

United Income has more than \$200 million in assets under management from clients it signed on while testing its service. The company employs 20 people, including four financial advisers, and has raised \$5.8 million, including \$2 million from Morningstar.

Goldman Sachs's Staffing Chief Is Leaving After Nine Years

By LIZ HOFFMAN

Edith Cooper, **Goldman Sachs Group Inc.**'s head of human resources and one of the highest-ranking black women on Wall Street, is leaving the firm at the end of the year, according to an internal memo.

In her nine years overseeing Goldman's workforce, Ms. Cooper managed huge changes in recruiting and compensation as Goldman sought to refine its sharper edges and grappled with the fallout of the financial crisis.

Her next step isn't clear, though many associates expect it to be in academia—she has been an advocate for diversity in higher education and campus recruiting—or in Silicon Valley, where several highly-touted startups are hoping for a cultural reboot.

She will remain a senior director at Goldman after Jan. 1, according to the memo, which signals she isn't heading to a competitor.

Ms. Cooper once planned a career in fashion, imagining a boutique on Madison Ave., but instead joined Bankers Trust in 1986 out of business school. Ten years and three children later, she came to Goldman in securities sales and rose quickly, becoming a managing director in 1998 and partner two years after that. Like many of Goldman's current top executives, she comes from its J. Aron commodities trading arm.

In her current role, which she has held since 2008, Ms. Cooper has overseen a revamp in how Goldman recruits and manages its 34,000 employees.

The firm recently began accepting video submissions from college applicants, hoping that by reaching beyond elite, majority-white schools it can recruit a more diverse group of junior bankers. It has also done away with end-of-year numerical scorings in favor of more constant, qualitative feedback.

Ms. Cooper has spoken

about her experiences as a black woman in finance, not all of them positive. "I've been questioned about whether I really went to Harvard (I did) or how I got in (I applied)," she wrote last year in an essay for LinkedIn. "I've been asked to serve the coffee at a client meeting (despite being there to 'run' the meeting)."

She will remain through the end of the year, long enough to oversee the promotion of a new class of managing directors, a biannual Goldman tradition.



Edith Cooper oversaw huge changes in recruiting and pay.

Ms. Cooper will be succeeded by Dane Holmes, Goldman's head of investor relations since 2007 and head of Goldman's internal talent-de-

velopment academy, known as Pine Street.

His role will be filled by Heather Miner, a longtime investor-relations executive.

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GRAHAM MORRISON/BLOOMBERG NEWS

MARKETS DIGEST

Nikkei 225 Index**19545.77** ▲ 270.95, or 1.41%

High, low, open and close for each trading day of the past three months.

Year-to-date
52-wk high/low
All-time high

20230.41 16251.54
38915.87 12/29/89

STOXX 600 Index**379.43** ▲ 3.92, or 1.04%

High, low, open and close for each trading day of the past three months.

Bars measure the point change from session's open

June July Aug. Sept.

19000 19250 19500 19750 20000 20250 20500

Session high
Session open
Close
Session low
Open

65-day moving average

June July Aug. Sept.

365 370 375 380 385 390 395

65-day moving average

2350 2400 2450 2500

S&P 500 Index

Data as of 4 p.m. New York time

Last 23.82 24.86

P/E estimate 18.83 18.52

Dividend yield 2.00 2.12

All-time high: 2480.91, 08/07/17

2488.11 ▲ 26.68, or 1.08%

High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 23.82 24.86
P/E estimate 18.83 18.52
Dividend yield 2.00 2.12
All-time high: 2480.91, 08/07/17

Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

International Stock Indexes

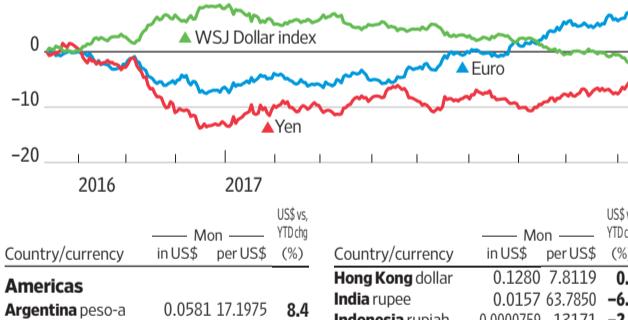
Data as of 4 p.m. New York time

Region/Country	Index	Close	Net Chg	% chg	52-Week Range	Low	Close	High	YTD % chg
World	The Global Dow	2877.26	25.46	0.89	2386.93	2881.15	2881.15	13.8	
	MSCI EAFE	1959.65	6.09	0.31	1614.17	1955.39	1955.39	14.2	
	MSCI EM USD	1098.04	6.87	0.63	838.96	1098.69	1098.69	38.3	
Americas	DJ Americas	600.38	6.29	1.06	503.44	600.72	600.72	11.1	
Brazil	Sao Paulo Bovespa	74403.05	1324.20	1.81	56459.11	74635.56	74635.56	23.5	
Canada	S&P/TSX Comp	15043.51	58.19	0.39	14319.11	15943.09	15943.09	-1.6	
Mexico	IPC All-Share	50350.65	266.85	0.53	43998.98	51772.37	51772.37	10.3	
Chile	Santiago IPSA	3912.23	44.28	1.14	3120.87	3945.90	3945.90	21.4	
U.S.	DJIA	22057.37	259.58	1.19	17883.56	22179.11	22179.11	11.6	
	Nasdaq Composite	6432.26	72.07	1.13	5034.41	6460.84	6460.84	19.5	
	S&P 500	2488.11	26.68	1.08	2083.79	2490.87	2490.87	11.1	
	CBOE Volatility	10.81	-1.31	-10.81	8.84	23.01	23.01	-23.0	
EMEA	Stoxx Europe 600	379.43	3.92	1.04	328.80	396.45	396.45	5.0	
	Stoxx Europe 50	3089.67	31.22	1.02	2720.66	3279.71	3279.71	2.6	
Austria	ATX	3260.54	30.21	0.94	2311.88	3285.00	3285.00	24.5	
Belgium	Bel-20	3977.54	39.30	1.00	3384.68	4055.96	4055.96	10.3	
France	CAC 40	5176.71	63.22	1.24	4310.88	5442.10	5442.10	6.5	
Germany	DAX	12475.24	171.26	1.39	10174.92	12951.54	12951.54	8.7	
Greece	ATG	806.06	3.34	0.42	548.72	859.78	859.78	25.2	
Hungary	BUX	37895.85	299.10	0.80	27466.59	38142.22	38142.22	18.4	
Israel	Tel Aviv	1404.03	19.16	1.38	1346.71	1490.23	1490.23	-4.5	
Italy	FTSE MIB	22134.11	357.45	1.64	15923.11	22134.11	22134.11	15.1	
Netherlands	AEX	523.96	5.14	0.99	436.28	537.84	537.84	8.4	
Poland	WIG	64876.56	570.03	0.89	46321.24	65611.21	65611.21	25.4	
Russia	RTS Index	1126.74	7.13	0.64	953.12	1196.99	1196.99	-2.2	
Spain	IBEX 35	10322.60	193.00	1.91	8512.40	11184.40	11184.40	10.4	
Sweden	SX All Share	563.57	6.33	1.14	489.12	598.42	598.42	5.4	
Switzerland	Swiss Market	8982.23	70.18	0.79	7585.56	9198.45	9198.45	9.3	
South Africa	Johannesburg All Share	56008.77	284.10	0.51	48935.90	56896.89	56896.89	10.6	
Turkey	BIST 100	109458.01	1006.31	0.93	71792.96	110503.75	110503.75	40.1	
U.K.	FTSE 100	7413.59	35.99	0.49	6654.48	7598.99	7598.99	3.8	
Asia-Pacific									
Australia	S&P/ASX 200	5713.10	40.50	0.71	5156.60	5956.50	5956.50	0.8	
China	Shanghai Composite	3376.42	11.18	0.33	2980.43	3385.39	3385.39	8.8	
Hong Kong	Hang Seng	27955.13	286.66	1.04	21574.76	28046.11	28046.11	27.1	
India	S&P BSE Sensex	31882.16	194.64	0.61	25765.14	32575.17	32575.17	19.7	
Japan	Nikkei Stock Avg	19545.77	270.95	1.41	16251.54	20230.41	20230.41	2.3	
Singapore	Straits Times	3228.51	-0.05	-0.002	2787.27	3354.71	3354.71	12.1	
South Korea	Kospi	2359.08	15.36	0.66	1958.38	2451.53	2451.53	16.4	
Taiwan	Weighted	10572.16	-37.79	-0.36	8902.30	10617.84	10617.84	14.3	

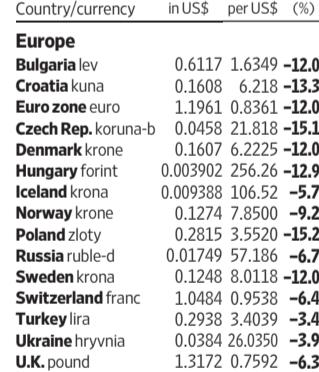
Source: SIX Financial Information/WSJ Market Data Group

Currencies

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



London close on Sept. 11



FINANCE & MARKETS

Swaziland Braces for End to Sugar High

EU's deregulation of sugar market could crowd Africa's largest exporter of sweetener

BY ALEXANDRA WEXLER

SIPHOFANENI, Swaziland—When the European Union deregulates its sugar market at the end of September, some of the biggest losers will be in the lush hills of this tiny, landlocked nation.

More than 8,000 miles from Brussels, Swaziland's sugar farmers for over a decade have benefited from the EU's tight grip on domestic production of the sweetener. Caps on annual production in European countries helped keep prices artificially high and created a market for imports, especially from poor countries that are freed from tariffs. Currently, more than half of the EU's raw sugar comes from Africa.

"It was so easy," said Oswald Magwenzzi, managing director of Ubombo Sugar Ltd.,

one of three sugar mills in Swaziland. "People used to always say in the sugar industry, sell 50% [regionally] and 50% to the EU and go fishing. It was lucrative."

But with EU production limits set to fall away on Sept. 30, governments and sugar associations expect farmers from France to Poland to boost production and cut their costs. That would largely crowd out producers such as Swaziland, one of the world's few remaining absolute monarchies. The U.S. Department of Agriculture forecasts that in the year after the caps are removed, EU sugar production will be 30% higher than it was in the 2015-16 season.

About three-quarters the size of New Hampshire and with a population of just 1.3 million, Swaziland has been punching far above its weight in the African sugar market. It is the continent's largest sugar exporter and depends on the sweetener for three-quarters of agricultural output and 35% of manufacturing output. The



Sugarcane fields being harvested near Siphoaneni, Swaziland.

industry is also the largest employer in the private sector.

"The whole economy is dependent on sugar," said Phil Mnisi, chief executive of the Swaziland Sugar Association, an organization that oversees production, processing and marketing of sugar.

A nation with an average life expectancy of 59 years, an HIV infection rate of 29% among people ages 15 to 49

and an average annual income of \$2,830, Swaziland can't afford to let its sugar industry sour.

Compounding the threat to Swaziland's sugar farmers is that the country has been struggling to assert itself outside the EU.

More than 100 countries, from Cuba to India to Russia, produce sugar from sugarcane and sugar beet. Many of them

are able to undercut the prices demanded by Swazi farmers, who receive no subsidies from their government, in markets such as West Africa and the Middle East.

The EU says it is helping poor countries adapt to the new rules. Since 2006 it has given €1.2 billion (\$1.4 billion) to farmers in 18 countries to either refocus their sugar industries or diversify away from the sweetener.

Swaziland received more than €112 million of the EU funds.

The aim, according to the Swaziland Sugar Association, was to increase the amount of sugar it sold to regional markets such as Kenya, as prices dropped in the EU ahead of the deregulation. Ubombo, majority-owned by **Illovo Sugar** Ltd., Africa's biggest sugar company and a subsidiary of **Associated British Foods** PLC, once received €650 for each ton of sugar it sent to the EU. Recently, it got €420 a ton.

The diversification strategy

has had some success. Since the EU officially announced its deregulation plans in 2013, the association has reduced its dependency on the EU, with the 28-country bloc now accounting for 20% of exports, from 50% a few years ago. But the shift has squeezed profits—just as the country tries to recover from a drought that severely reduced output.

Swaziland's sugar farmers, many of whom work just a few acres of land, are trying to adjust to the new environment. Phumzile Ngcamphalala is the vice president of a collective of 30 local farmers that switched from growing cotton to sugarcane in 2010. With the help of a grant from the EU, they installed a new irrigation system that allowed them to plant the less labor-intensive crop.

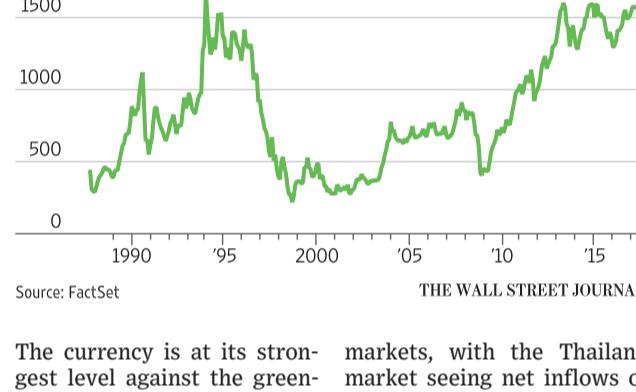
Now, Ms. Ngcamphalala and other members of the collective worry that the better lives they have made for themselves through sugar farming could be threatened. "We may want to grow other crops," she says.

Thai Stocks Go Higher Despite Political Uncertainty

BY ESE ERHERIENE

Thai High

Thailand's SET stock index



The currency is at its strongest level against the greenback since mid-2015.

Bonds have also kept pace with gains in other emerging

markets, with the Thailand market seeing net inflows of \$5.7 billion this year. In contrast, Malaysia and Indonesia, which have smaller bond mar-

kets, have seen foreign inflows of \$4.3 billion and \$8.7 billion, respectively.

"Anyone that has traded Thailand for any length of time is all but immune to political risk," said Andrew Bresler, deputy head of sales trading for Asia-Pacific at Saxo.

The country, ruled by a military junta since then-Prime Minister Yingluck Shinawatra's government was ousted in 2014, is known for its frequent coups. Elections scheduled for next year are another flashpoint for investors.

That political premium, in addition to poor corporate earnings, may have colored start-of-year underperformance for Thai stocks. Through Aug. 11, the SET index rose just 1.2% this year.

But it has closed higher in 16 of the past 19 sessions, including the past seven coming into Monday, to climb a cumulative 4.8%.

Market participants say improving fundamentals could lead to sustained gains for Thai stocks, which collectively have a market capitalization that is slightly less than the markets in Indonesia and Malaysia but more than double that in the Philippines.

Economic data have also been robust of late, stoking confidence in the country, noted Prakash Sakpal, an Asia economist at ING.

Gross domestic product rose a stronger-than-expected 3.7% in the second quarter, the Thai government's economic-planning arm said in late August.

It now sees GDP rising as much as 4% this year.

Thai banks' price-to-book ratio is also one of the lowest in Asia at 1.25, said Société Générale.

But after the essentially flat earnings expected for this year, 14% growth is projected for 2018.

Despite the recent stock rally, which has the SET 6.7% below 1994's record closing high, the market's price-to-earnings ratio is the lowest since 2013 at 15.4.

Thailand was among investors' top picks last year, and the SET rose 20% then, but net stock buying—purchases minus sales—by foreigners has slowed notably in 2017 to the least in Asia at \$60 million, according to Société Générale data.

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MARKETS

Hurricanes Gore Oil Bulls

More of the fuel is likely to wind up in storage as demand takes a hit

By STEPHANIE YANG

The havoc wreaked by major summer storms stands to deepen a global crude-supply glut that has depressed oil prices for more than three years.

By paralyzing giant swaths of the southern U.S. ranging from Texas to South Carolina for days at a time, hurricanes Harvey and Irma will dent energy demand from consumers and refiners even as drilling continues and crude in storage is abundant.

The effect, analysts say, will be to push millions more barrels of crude oil into oil caverns and floating tankers at a time when storage is already in heavy use. That will undermine efforts by producers such as the Organization of the Petroleum Exporting Countries to rebalance the market by cutting output.

U.S. crude prices haven't exceeded \$50 for more than a trading day since May, and futures for October delivery fell 3.3% Friday to \$47.48 a barrel. They traded at more than double that level in 2014. On Monday, crude settled up 1.2%, to \$48.07.

While regional economic activity will gradually recover after the storms and rebuilding efforts will help to push demand higher, the disruptions are nearly certain to intensify the downward pressure on U.S. prices.

The sheer size of Harvey and Irma, two of the largest storms to hit the U.S. in recent years, likely will drive significant declines in consumption, said Thomas Pugh, a commodities economist at Capital Economics. "That's obviously not particularly useful for the global rebalancing effort."

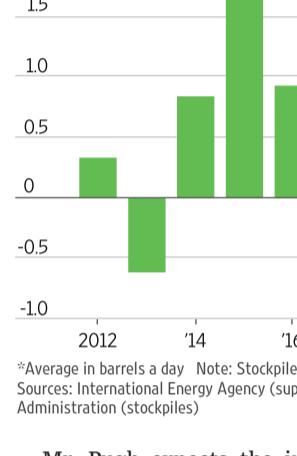


Ample amounts of crude are already stockpiled in the U.S.

Global Glut

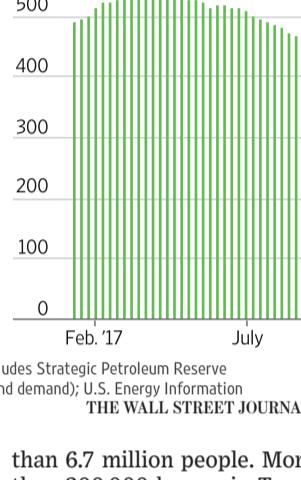
Major summer storms in the U.S. are increasing stockpiles of oil and widening the spread between supply and demand.

Global supply minus demand



*Average in barrels a day Note: Stockpiles excludes Strategic Petroleum Reserve Sources: International Energy Agency (supply and demand); U.S. Energy Information Administration (stockpiles)

U.S. stockpiles, weekly data



THE WALL STREET JOURNAL.

Mr. Pugh expects the impact from the two storms to exceed that of Hurricane Katrina in 2005, which drove total U.S. oil demand down 2% from a year earlier in the three months that followed.

The scale of the storms points to an outsize impact on the oil market. Hurricane Harvey is expected to be one of the costliest storms in U.S. history, dumping torrents of rain on the Greater Houston metropolitan area of more

than 6.7 million people. More than 300,000 homes in Texas were damaged or destroyed by the floods.

Even more is potentially at stake in Irma, which hit Sunday in large sections of Florida, a state with more than 20 million people. Data provider CoreLogic Inc. estimated that 12 million properties in Florida could be damaged by winds or the storm surge. Beyond Florida, the governors of Georgia, South Carolina and

North Carolina declared states of emergency last week.

The energy industry has already taken a significant hit. U.S. crude prices fell after Harvey hit the eastern coast of Texas and forced the shutdown of more than 20% of U.S. refining capacity.

Crude prices began recovering last week as refiners near the Gulf Coast planned restarts, easing demand concerns. Gasoline prices remain elevated, reflecting refinery outages and the vulnerability of the U.S. gasoline-distribution system to storms that hit the Southeast.

Goldman Sachs Group Inc. analysts estimate that U.S. crude inventories will climb by 40 million barrels in the month following Harvey, which would push stockpiles to nearly 500 million barrels.

Crude inventories declined through July and August, which oil bulls took as a sign that the market was beginning to move back into balance.

But a buildup of 40 million barrels would negate most of those inventory reductions. On Thursday, the U.S. Energy Information Administration reported that 4.6 million barrels of crude oil were added to storage in the week ended Sept. 1. Days of supply covered by inventories rose for the first time in two months to 27.5 that week, below the peak this year of 34.2 days, according to the EIA.

Some analysts are skeptical that hurricane season will have a long-term impact on the oil market. If refiners restart more quickly than anticipated, it could mitigate another wave of U.S. supply.

"It's definitely not good news in the short term," said Ed Morse, global head of commodities research at Citigroup Inc. But "in the end, it's probably the case that supply and demand are balancing themselves out."

—Amrit Ramkumar contributed to this article.

Dow Passes 22000 As Fears Recede

By MARINA FORCE AND CORRIE DRIEBUSCH

The Dow Jones Industrial Average climbed back above 22000 for the first time in nearly a month as investors' fears eased about North Korea and Hurricane Irma.

Stocks rose broadly and haven assets retreated, a reversal

from last week

MONDAY'S MARKETS when major U.S. stock indexes, the dollar and Treasury yields

fell as investors worried about worst-case scenarios from summer storms and threats from North Korea.

The Dow industrials rose 259.58 points, or 1.2%, to 22057.37. The S&P 500 and the Nasdaq Composite jumped 1.1%.

The last time the blue-chip index closed above 22000 was Aug. 16 and it hadn't posted a 1% gain since April.

In Europe, the Stoxx Europe 600 rose 1% to 379.43, boosted by gains in bank, insurance and technology shares—sectors that tend to gain when investors feel confident enough to take on more risk.

Some analysts had expected North Korea to conduct a weapons test on Saturday, coinciding with the country's founding day, as it did last year to mark the celebration.

The absence of news from Pyongyang supported stocks and the dollar, while weighing on haven assets, analysts say.

"That North Korea didn't do anything, on a weekend they knew our country was going to be in flux because of hurricanes, is the primary reason we're seeing this big rally," said JJ Kinahan, chief market strategist at TD Ameritrade. "The market has gone back up to where we were in early August before these North Korea fears."

Government-bond prices

declined, pushing up yields. The yield on the 10-year U.S. Treasury note rose to 2.125% in late trading, according to Tradeweb, compared with 2.058% Friday.

Many analysts don't expect this relative calm to last, however, and bond yields could decrease if North Korea tensions rise once again.

Meanwhile, concerns about Hurricane Irma's impact on the U.S. economy also diminished. A reduction in the storm's strength and a shift in its forecast course—there was no direct hit on Miami—meant insured damage estimates were likely to be less than originally anticipated by some analysts.

Reinsurance companies, which tumbled last week as they were expected to bear the financial brunt of Hurricane Irma's damage, jumped on Monday. Shares of Everest Re Group, which dropped more than 10% last week, rose 4.7%. Chubb rose 3.8% and XL Group climbed 5.3%. The KBW Nasdaq Insurance index rose 1.8%, nearly wiping out its 1.9% drop last week.

The WSJ Dollar Index, which measures the U.S. dollar against a basket of other currencies, rose 0.7%, after sinking to its lowest level in more than two years on Friday. The euro fell 0.6% to \$1.1961.

Gold, another traditional haven for money managers, fell 1.1% to settle at \$1,331.00 a troy ounce. The yen and the Swiss franc, which traditionally rise when markets are volatile, both fell against the U.S. dollar.

The weaker yen boosted Japanese blue-chip stocks. Japan's Nikkei Stock Average rose 1.4%, after setting fresh four-month lows on Friday and logging its worst week in seven months.

South Korea's Kospi and Australia's S&P/ASX 200 both rose 0.7% each.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

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Email: heard@wsj.com

Storm Takes Mercy on Insurers

Hurricane Irma has left a trail of destruction across Florida, but it could have been much worse on the ground.

For insurers, investors and consumers, the news is also good. The industry has avoided extreme losses, and insurance rates are unlikely to rise significantly.

Estimates of total potential losses are already coming down as Irma has lessened in strength and passed up the west coast, avoiding a direct hit on Miami.

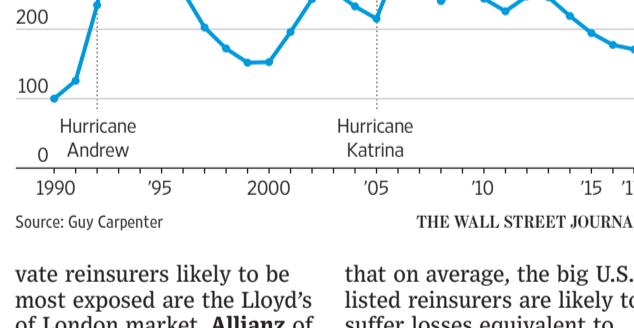
AIR Worldwide, a catastrophe-modeling firm, has cut its estimate of losses to a range of \$20 billion to \$40 billion, down from its earlier forecast of up to \$65 billion.

This will still be painful for the smaller Florida-focused primary insurers such as **Heritage Insurance Holdings** and **Citizens Property**, as well as for their reinsurers.

Aside from the Florida Hurricane Catastrophe Fund, a state-backed reinsurer that takes the biggest share of hurricane exposure, the pri-

Short Reinsurance Memories

Guy Carpenter Global Property Catastrophe Reinsurance Rate-on-Line Index



Source: Guy Carpenter

that on average, the big U.S.-listed reinsurers are likely to suffer losses equivalent to less than 70% of expected 2017 earnings.

There is still plenty of reason for caution around these numbers. Steve Moss of RMS, another catastrophe modeling firm, said the sheer size of the storm meant that there had been flooding from seawater on both sides of the Florida peninsula, spreading the damage. But fortunately,

Baker Hughes. Business has been tough and remains so for the industry. Earnings expectations have fallen this year for Baker Hughes and its rivals.

Over the past three years, a period encompassing the oil bear market, the aborted merger with rival Halliburton and its merger with GE, legacy shareholders of Baker Hughes have a minus 21% total shareholder return.

Now, though, Baker Hughes is effectively a brand-new company run by a man who has never held that role. Chief Executive Lorenzo Simonelli and his team have been handed fresh incentives to meet financial goals—

he added, the position of the storm meant the strongest winds around Tampa blew westward so that seawater wasn't being pushed directly into the city from the bay.

The market for catastrophe bonds, an alternative form of reinsurance sold in capital markets, will be affected. However, it currently seems that there might be no total defaults, although again it will be a while before that can be confirmed.

The scale of losses, even when combined with the costs of Hurricane Harvey last month, are small enough that they are unlikely to mean a big loss of capital from the industry.

Analysts have forecast that around \$100 billion of catastrophic damages would be needed to trigger an increase in reinsurance rates.

There are still two months to go of the hurricane season and more large storms could appear. But a fundamental reordering of the insurance landscape now seems remote.

—Aaron Back and Paul J. Davies

OVERHEARD

Bankers in continental Europe are outdressing their rivals in the U.K. and U.S. That is the not-so-shocking takeaway from a poll of financial professionals on their work dress codes by Emolument, a London-based salary-benchmarking site.

In Italy and France, 42% and 24% of financial professionals, respectively, said they are required to wear a jacket and tie, or high heels, even away from client meetings. The results for the U.K. and the U.S. were 17% and 10%, respectively.

Climate likely plays a role, with 94% of professionals going jacketless in sweltering Singapore.

Among individual banks in the survey, BNP Paribas appears to be most formal, with 37% of bankers donning ties and jackets outside client meetings, and 20% saying that the bank imposes limits on their color selections.

Barclays is most laid back, with just 14% going formal when not with clients, and none facing color restrictions.

Prada Pricey Even After Stock Drop

Prada's handbags aren't the ones to buy this year. Neither are its shares, which look expensive even after Monday's 12% plunge.

The iconic Milanese fashion label released poor first-half results after its Hong Kong-listed shares stopped trading Friday. Profits fell by more than one-fifth for the six-month period through July, compared with a year earlier, mainly due to lower sales in an industry that finds it hard to trim costs.

This has little to do with the wider market, which has roared back to health this year. Instead, Prada has been outsold by Louis Vuitton and Gucci. Prada's constant-currency sales were down 5.7%. For the half through June LVMH, which owns Louis Vuitton, reported 14% constant-currency growth in its fashion and leather goods business, while comparable sales at Gucci were up an astonishing 43%, according to its parent group Kering.

Big fashion brands tend to go through cycles of saturation and reinvention. Sales at Prada could bounce back in the end, and if they do, the company has huge scope to improve its operating margin, which at 11.4% is low by industry standards.

But the latest numbers make it hard to see this happening soon enough to justify the high share price. This sits at 20 times consensus earnings estimates, according to FactSet, but more downgrades are likely to come; using Bernstein's already-reduced forecast for the current year the multiple is 26 times, a premium to peers.

Quality matters in luxury, but in the case of Prada's stock, you don't get what you pay for.

—Stephen Wilmot

An Undervalued New Player Arises in the Energy Industry



SERGEI KARPUKHIN/REUTERS
Lorenzo Simonelli

As the name suggests, the new company is the result of an unusually structured merger between **General Electric's** energy business and oil-services company

something that often spurs results when new public companies are created. Besides the synergies and cost savings, Baker Hughes is the only big player in the industry with net cash on the balance sheet. It has business lines, mostly courtesy of the legacy GE oil-and-gas business, that are less sensitive than most peers to petroleum prices remaining in the doldrums.

With GE owning 62.5% of the operating company and having signed a five year standstill agreement on buying the rest, a bid for the 37.5% rump is out of the question. But GE has a new CEO and an activist share-

holder looking to shake things up. The awkward status quo could change in two years, or even sooner with approval from a conflicts committee, which could include a tax-free spinoff.

That perceived overhang is a temporary weight on the share price but, on enterprise value to forecast 2018 earnings before interest, taxes, depreciation and amortization, Baker Hughes trades at about a 15% discount to the average of five industry peers. If it can exceed muted expectations once it begins reporting consolidated results, that gap should narrow.

—Spencer Jakab