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## Speculators take heat for oil and food costs

### U.S. Congress wants to crack down, but experts fear damage to markets

By Diana B. Henriques

In Washington, financial speculators have a fat target on their backs. They are being blamed for high gasoline prices, soaring grocery bills and volatile commodity markets, and lawmakers are lashing out at market regulators for not cracking down on them more vigorously.

You study it, but you don't act against this incredible increase in speculation," Senator Carl Levin complained to a senior official of the Commodity Futures Trading Commission at a recent Senate hearing. "Unless the CFTC is going to act against speculation, we don't have a cop on the beat."

Just this week, Senator Joe Lieberman, the Connecticut independent, said he was working on a proposal to ban large institutional investors from the commodity markets entirely. The same day, the administration of President George W. Bush approved another Senate proposal for the creation of a federal interagency task force to investigate commodity speculation. At least four public hearings have explored the topic in just the past two months, and Lieberman has scheduled another session on June 24.

This escalating rhetoric against

### EU protests U.S. subsidies

Picking a fresh trade fight with the United States, the EU is accusing U.S. producers of bloodshed of benefitting from subsidies that are a threat to producers in Europe. *Page 14*

speculators is starting to worry people with years of knowledge about how commodity markets work. Because without speculators, they note, these markets simply do not work at all.

Speculators, people willing to risk their capital in search of high profits, are so central to healthy commodity markets, they say, that the broad-brush restrictions now being considered could inadvertently damage a market that is already under pressure from rising global demand for food and fuel.

Even in Washington, there is widespread agreement that no single factor is responsible for rising food and energy prices. The hungry, high-growth economies of India and China are fundamentally affecting worldwide demand, while uncooperative weather and government policies on trade and ethanol, are among the many factors affecting supply.

And commodities, priced in dollars, tend to rise in price as the dollar weakens, making commodities a haven for investors fearful of future inflation.

But beneath all these external factors is the simple see-saw of the market: For every person trying to buy oil at \$30 a barrel, there must be another person willing to sell at that price — and, odds are, one of them will be a speculator, taking a risk in hopes of profiting from the next big price move.

But with tempers rising along with food and fuel prices, some market scholars are concerned that speculation, the legal pursuit of market profits, is becoming a synonym for manipulation.

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## High court rebuffs White House

### Terror suspects at Guantánamo win access to civilian courts

By David Stout

**WASHINGTON:** Foreign terrorism suspects held at the Guantánamo Bay naval base in Cuba have constitutional rights to challenge their detention there in U.S. courts, the Supreme Court ruled Thursday in a historic decision on the balance between personal liberties and national security.

"The laws and Constitution are designed to survive, and remain in force, in extraordinary times," Justice Anthony Kennedy wrote for the majority in the 5-4 decision.

The ruling came in the latest battle between the executive branch, Congress and the courts over how to cope with dangers to the country in the post-Sept. 11 world. Although there have been enough rulings addressing that issue to confuse all but the most diligent scholars, the latest decision may be studied for years to come.

In a harsh rebuke of the Bush administration, the justices rejected the administration's argument that the individual protections provided by the Detainees Treatment Act of 2005 and the Military Commissions Act of 2006 were more than adequate.

"The costs of delay can no longer be borne by those who are held in custody," Kennedy wrote, assuming the pivotal role that some court-watchers had foreseen.

The issues that were weighed in the Thursday ruling went to the very heart of the separation-of-powers foundation



President George W. Bush and General Rolando Mosca Moschini of the Italian Army after Bush's arrival in Rome on Thursday. *Sam Loeb/Agence France-Press*

### Image of U.S. improving, study says

According to a new worldwide survey by the Pew Global Attitudes Project whose results were released Thursday, the image of the United States has improved slightly in many countries over the past year. On the other hand, the

### Great expectations

Respondents who say the next U.S. president will change U.S. foreign policy:

FOR THE BETTER	58%
NOT THAT MUCH BETTER	29%
FOR THE WORSE	13%

France

# EU protests U.S. aid for biodiesel

By James Kanter

**BRUSSELS:** Picking a new trade fight with the United States, the European Union on Thursday accused U.S. producers of biodiesel of benefiting from subsidies that threaten to put European producers out of business.

Biofuels are bitterly contested because of allegations that they raise food prices and do little to fight global warming.

But they are also a big business, with sales of about €8 billion, or \$12.3 billion, annually in Europe. EU trade officials say European producers are at risk because of a tax credit that is granted to American exporters.

The commission said it would begin a formal anti-dumping investigation on Friday that could lead to the imposition of punitive tariffs.

The commission "will leave no stone unturned in this investigation and will act in accordance with its findings," said Peter Power, a spokesman for Peter Mandelson, the EU trade commissioner.

The EU said the suspect subsidies consisted of federal excise and income tax credits along with a federal program of grants for increases in production.

The EU said it also was concerned by various subsidies from state governments. Initial findings are expected by mid-March.

Europe makes large amounts of biodiesel from plant oils like canola and sunflowers. But the Continent, where diesel-powered cars and trucks are widespread, is also a net importer of diesel, including biodiesel made from crops like soy in the United States.

To be sure, both the EU and the United States generously subsidize their biodiesel industries.

But European producers complain that U.S. producers benefit twice — from subsidies by the U.S. government to produce the biodiesel, and then again from subsidies granted by individual European governments when it sold in Europe.

"The result is that American producers are selling at a lower price than we can buy raw materials," said Raffaello Garofalo, the secretary general of the European Biodiesel Board, whose complaint to Mandelson in April led to the investigation. "It's as if they are selling bread cheaper than we can buy flour."

According to the EU, imports of biodiesel from the United States have increased to about a million tons in 2007 from 7,000 tons in 2005.

A spokeswoman for the National Biodiesel Board, which represents the biodiesel industry in the United States, declined to comment.

The commission said its investigation was not linked with broader EU policies in the area of biofuels. Even so, those policies are a potential boon for biodiesel producers.

Under current proposals, the EU would dramatically raise the amount of biofuels blended into diesel and gasoline as part of the bloc's efforts to fight climate change and bolster energy security.

Those ambitions have prompted a separate battle over the environmental credentials of biofuels, which are among the most controversial forms of renewable energy because many take up farmland that otherwise would be used to grow food at a time when food prices have shot up.