

INTERNATIONAL Herald Tribune

THE GLOBAL EDITION OF THE NEW YORK TIMES

TUESDAY, JUNE 10, 2008

iht.com

Go on, buck the trend,
dare to take your vacation

BUSINESS WITH REUTERS 12



By John Vinocur
Bush and Putin: Back to the old paradigm

PAGE TWO

Gao Xingjian: Composing
a narrative in Chinese ink

INTERNATIONAL LIFE 20

Obama goes after McCain's economics

Illinois Democrat fires his first salvo against Bush's 'failed' policies

By John M. Broder

RALEIGH, North Carolina: Senator Barack Obama, with the Democratic stage to himself for the first time, began a two-week assault Monday in a series of battleground states on Senator John McCain's economic policies.

In a speech here, Obama lashed out at McCain, the presumptive Republican nominee for president, for what the Illinois senator characterized as a dangerous ignorance of economic matters. He said electing him would mean four more years of what he called the failed economic programs of George W. Bush.

"His economic plan amounts to a full-throated endorsement of George Bush's policies," Obama said.

The pieces of the economic program Obama laid out on Monday — including a major economic stimulus package and tax relief for all but high earners — were not new, but the context assuredly was.

This is the first full week of the general election campaign and Obama and McCain are beginning what promises to be an aggressive fight over the economy and the war in Iraq. By announcing a two-week tour to stress economic issues, Obama chose the ground for the first battles in this war, showing aside issues where McCain has vastly more experience: Iraq and national security matters.

Obama spoke as global markets were still digesting the shock of a record surge Friday in oil prices and a plunge in stock prices. Bush said shortly before leaving Monday for Europe that he would speak to leaders there about high fuel prices and the strength of the dollar.

Obama also reached out to lower-income and lesser-educated Americans who rejected him in the Democratic primaries in favor of Senator Hillary Rodham Clinton. She formally conceded the race on Saturday and pledged her support for Obama.

In remarks prepared for delivery, Obama spoke of hard-pressed workers struggling to pay their bills and afford gasoline for their cars. He described a grim economic landscape marked by steep rises in joblessness, costs for health and education, and in home foreclosures.

He laid the blame squarely at the feet of Bush and his Republican enablers, including McCain.

"We did not arrive at the doorstep of our current economic crisis by some accident of history," Obama said. "This was not an inevitable part of the business cycle that was beyond our power to avoid. It was the logical conclusion of a tired and misguided philosophy that has dominated Washington for far too long."

Obama delivered the now-requisite praise for McCain's years of service in the military and in government. But the generosity quickly gave way to a harsh attack on McCain's economic theories and credentials.

CAMPAIGN, Continued on Page 7

Partisan differences extend to every area of U.S. policy. **Page 4**

A light on race attacks

Footage of two neo-Nazi killings that appeared on Russian ultranationalist Web sites in August showed the problem of race-related violence into the foreground of national discourse, if only for a short time. Months later, a man believes he has identified one of the victims: his missing son. **Page 2**

IN THIS ISSUE
No 38,957
Books 6
Culture & More 10
Opinion 8
Style 10
Business 11-16
with REUTERS 11-16

NEWSSTAND PRICES
France €2.50
Algeria...Din 175 Tunisia...€2.50
Andorra...€2.50 Antilles...€2.60
Cameron...CFA 2,200 Senegal...CFA 2,200
Gabon...CFA 2,200 Tunisia...Din 3,000
Ivory Coast...CFA 2,200 Lebanon...LP 4,000

For information on delivery, or to subscribe in France, call toll-free:

00 800 44 48 78 27

or email us at subs@iht.com



Robin Townsend/European Pressphoto Agency



Channi Anand/The Associated Press

Fuel prices start to bite worldwide

Spanish truckers, top, began a blockade Monday of their country's border with France to protest the cost of diesel. In Jammu, India, meanwhile, hundreds of government employees protested fuel price rises, causing chaos at train stations. **Page 3**

Rural U.S. feels the pinch amid a cruel combination of low wages and dependence on pickup trucks. **Page 11**

European airlines press fuel-price edge

By Caroline Brothers

PARIS: As U.S. airlines reel from soaring oil prices and a sinking domestic economy, most of their European rivals look much better placed to ride out the storm. The reasons range from their ability — unlike most of their U.S. competitors — to insure against escalating fuel costs, to the fact that a much larger proportion of their flights serve lucrative routes.

But the outlook is not the same for all European carriers. Among the strong players are Air France, which is reaping the benefits of its acquisition of KLM, and Lufthansa, which is doing the same with Swiss International Air Lines. The two acquiring airlines succeeded in increasing the number of passengers per plane — their "load factor" in aviation parlance — on the airlines they absorbed.

Significantly, analysts say, both those transformative deals took place after the 2001 terror attacks in the United States and amid the ensuing global downturn in air travel, while many U.S. airlines limped through that dark period under bankruptcy protection.

Most European airlines that were not part of the consolidation trend, like Alitalia, which today is surviving off Italian government support, are stuck in the same position as their U.S. counterparts: unable to protect themselves against soaring fuel costs by so-called hedging in the futures markets. Only airlines with strong balance sheets are able to hedge, as commodity traders and banks rarely take a chance on a weak counterparty.

Other airlines, like British Airways, which is profitable but highly geared towards trans-Atlantic travel, are moving quickly to limit risk and damage.

"We are looking at the cash contribution of every flight, on a flight-by-flight basis, not just routes," the British Airways chief executive, Willie Walsh, said last week. "We are going to take flights out where it makes no sense, with oil at \$130 a barrel, to continue them."

The airline industry's biggest lobbying group, the International Air Transport Association, or IATA, has said that every dollar increase in the price of oil costs a cumulative \$1.6 billion for airlines.

Crude oil prices, which have more than doubled over the past year, had their biggest gains ever Friday, with light sweet crude jumping nearly \$11 to a record high of \$138.54 a barrel on the New York Mercantile Exchange.

Meanwhile, analysts say that while no airline can avoid the oil-price shock,

AIRLINES, Continued on Page 12

ECB chief warns against oil shock

Suppliers, workers and consumers all must act 'properly'

By Carter Dougherty

PARIS: The president of the European Central Bank, Jean-Claude Trichet, on Monday called on oil producers and consumers to learn from past mistakes if Western economies were to avoid a repeat of the high inflation and unemployment that followed the first global oil shock in 1973.

That year is widely acknowledged as an economic watershed, a time when an OPEC oil embargo led to a spiral of higher prices, recession in Western economies and a wrenching contraction in the early 1980s that finally put an end to a decade of sharp inflation.

No one, whether Western consumers or oil suppliers, should want to repeat that history, Trichet said. "There is a joint interest in behaving as properly as possible," he said.

Trichet spoke at the Forum for New Diplomacy, a series of periodic discussions organized by the International Herald Tribune and the Paris-based Académie Diplomatique Internationale, on the occasion of the 10th anniversary of the ECB.

He did not specify what suppliers might do, but some countries, including the United States, have urged oil exporters to pump more crude to bring down prices.

The U.S. Treasury secretary, Henry Paulson Jr., on Monday welcomed a call by Saudi Arabia, a top global exporter, for a summit meeting of oil producing and consuming countries to discuss what the Saudis call an unjustified rise in oil prices.

Paulson said on CNBC television that record oil prices were "a problem" for the U.S. economy and repeated his view that the rise in oil prices was due mainly to increasing global demand, output that has not expanded and recent volatility in supplies, Reuters reported.

Despite rising energy and food prices, Trichet said it was vital for workers in Western countries to moderate wage increases, which economists regard as the best way to avoid an inflationary spiral.

Speaking less than a week after the ECB surprised financial markets with likely plans to raise interest rates in July, Trichet strongly emphasized the need to keep expectations of inflation under control. Such expectations influence future prices because they feed price-setting decisions in the present, and the ECB fears companies will anticipate greater inflation by raising both prices and wages.

"A very solid anchoring of inflation expectations is essential," he said.

In celebrating the euro's achievements over the past 10 years in recent days, Trichet has emphasized the ECB's determination to preserve its independence, guaranteed in the 1992 Maastricht Treaty that laid the ground rules for monetary union.

But some people who negotiated the treaty have cautioned that the relation-

ECB, Continued on Page 12



Richard Harbus for the IHT

Jean-Claude Trichet warned Monday against repeating mistakes of the 1970s.

Some feuds with EU will outlast Bush era

By Stephen Castle

BRUSSELS: When George W. Bush attended his first summit meeting with the European Union in Goteborg, Sweden, in 2001, all 15 leaders of the bloc turned up to meet a new American president, and his presence attracted the most violent demonstrations in recent Swedish history.

Seven years after that meeting, Bush's final EU-U.S. summit session will be a low-key event with only one European head of government in attendance: the prime minister of Slovenia, Janez Jansa, who holds the EU's rotating presidency. Including lunch, the meeting is scheduled to last less than four hours.

Since June 14, 2001, when the streets of Goteborg were filled with tear gas aimed at anti-globalization protesters, the trans-Atlantic relationship has undergone the shock of the Sept. 11, 2001, terror attacks; the trauma of the war in Iraq; and the impacts of the credit crunch and the plummeting dollar.

With the two U.S. presidential contenders now known, Europeans see the U.S. election this year as a chance to put the trans-Atlantic relationship on a sounder footing.

But the one-day meeting will also show that many areas of friction will remain, no matter who is elected to the White House.

"It will be easier to work with a new administration," said one EU official who deals with trans-Atlantic relations speaking on condition of anonymity, "but the best way not to lose your illusions is not to have too many to start with."

Charles Kupchan, senior fellow at the Council on Foreign Relations in the

SUMMIT, Continued on Page 7

ADVERTISEMENT

CHANEL
FINE JEWELRY

"L'AIR" RING IN 18K WHITE GOLD AND DIAMONDS

www.chanel.com

Whistle-blower is a target

Joseph Ripp, who as chief financial officer blew the whistle on illegal AOL business practices, is named in a lawsuit by the U.S. Securities and Exchange Commission over AOL accounting irregularities. His old colleagues at Time Warner said they were flabbergasted by the turn of events. **Page 13**

CURRENCIES New York

Monday, 2 p.m.		Previous
€1=	\$1.5626	\$1.5730
£1=	\$1.9712	\$1.9699
\$1=	¥106.260	¥105.330
\$1=	SF1.0291	SF1.0231

Full currency rates | **Page 16**

OIL New York, Monday, 2 p.m.

Light sweet crude	\$135.77	▼ \$2.37
-------------------	----------	----------

STOCK INDEXES Monday

The Dow 2 p.m.	12,237.08	▲ 0.22%
FTSE 100 close	5,877.60	▼ 0.49%
Nikkei 225 close	14,181.38	▼ 2.13%

Lehman posts big loss and will raise money

Lehman Brothers, in an indication of turbulence in the credit markets, said that it would raise up to \$6 billion in fresh capital and pre-announced results for its second quarter. It posted a loss of \$2.8 billion, far exceeding analysts' expectations that the firm would lose a few hundred million dollars. Investors were particularly concerned about the bank's leverage level considering its small equity base. **Page 11**

Long descent for air force

New leaders will have to tackle a mind-set of exceptionalism that placed the air force above the rest of the military exactly when cooperation was most necessary. **Page 6**

■ Impasse over U.S. government spy powers could result in a gap in anti-terrorism surveillance. **Page 4**

■ A Fed official says regulatory overhaul is needed in the U.S. and around the world. **Page 14**

Jobs unveiling the new iPhone Monday.

Next-generation iPhone

Steve Jobs, the chief executive of Apple, introduced the next generation iPhone in San Francisco on Monday. The third-generation device, which will sell for \$199 in the United States, will be available in more countries and will provide faster data service. **Page 11**