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THE TRUMPET WEEKLY

SEPTEMBER 26, 2014

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## Germany's Identity Crisis

BY BRAD MACDONALD

GERMANY ANNOUNCED September 1 that it had decided to supply \$90.4 million worth of weapons and munitions to Kurdish forces fighting Islamic State terrorists in Iraq. While most of the world breathed a sigh of relief and wondered what took Berlin so long, two groups of people were far less pleased about Berlin's decision. The first, obviously, was the Islamic State.

The second was the large majority of the German public. An August 15 poll by Germany's Forsa Institute showed that nearly two thirds (63 percent) of the German public *opposes* the decision by its leaders to provide military aid to Iraqi Kurds (a people routinely beheaded, hung and murdered by Islamic State terrorists).

The divergence between Germany's leaders and the German public on the issue of arming the Iraqi Kurds is significant. It is evidence that Germany is currently experiencing a major identity crisis. Significant changes on the world scene—the Islamic State, Russia's aggression against Ukraine, Libya, America's contraction, Europe's debt crisis, etc., etc.—are forcing German leaders and people to reevaluate some fundamental questions: *Who is Germany? What is Germany's role in Europe? What is Germany's role in the world in the 21st century?*

We must pay close attention as the Germans answer these questions. Their answers will impact us all.

see **CRISIS** page 12



Members of the Bundeswehr prepare the first shipment of non-lethal military hardware destined for Kurdish Peshmerga troops in northern Iraq on September 4.

# Al Qaeda Attempts to Seize Pakistani Frigate

Daryle Hochstetler | September 24

ON SEPTEMBER 6, militants attempted to capture a Pakistani naval ship docked in the Arabian Sea, the PNS Zulfikar. Al Qaeda's newly formed South Asia wing claimed responsibility for the attack, saying it planned to use the hijacked ship to attack United States Navy vessels in the area.

According to a Pakistani security official, rogue military personnel planned to take over the ship then join other al Qaeda members who would make up the crew. Once close to American ships, they planned to attack the unsuspecting vessels. However, the rogue officers were discovered and killed before they could carry out their plan.

The goal of al Qaeda's South Asia wing, created in early September, is to convert non-believers in the area. Evidently, it is having success in Pakistan. This attempted attack shows how imbedded al Qaeda is becoming in Pakistan—even among the officer class. How did the infiltrators sneak on board the Pakistani vessel? They didn't. According to a Pakistani security official, "The rogue officers were in uniform and had their service cards displayed. They simply walked on board."

What would stop other al Qaeda recruits from walking into another division of the military, such as the air force, to get their hands on other



Pakistani Navy cadets

sophisticated equipment? What if they seized something more lethal? What if al Qaeda recruits in the Pakistani military seized nuclear weapons?

As *Trumpet* writer Jeremiah Jacques recently noted,

**"Pakistan also has the nuclear bomb and could be taken over by radical Islam, with plenty of help from Iran. That means it could become a proxy of the Iranian mullahs. This would be the worst possible disaster!"**

—Gerald Flurry, *Trumpet*, January 2008

Pakistan is incredibly unstable. "The unrest has unnerved the country where power is often transferred by military coups instead of elections," he wrote, in reference to demonstrations against Prime Minister Nawaz Sharif in mid-August. There is great concern in the international community regarding the nuclear power

of Pakistan. How easily could al Qaeda initiate a coup within the Pakistani military, giving it access to nuclear weapons?

## U.S. Warned Iran Before Bombing IS

MAIL ONLINE | September 24

THE U.S. told Iran of its plans to strike [Islamic State] militants inside Syria in order to reassure them that Syrian President Bashar Assad would not be targeted, a senior Iranian official has claimed.

The communication, confirmed in part by a senior U.S. State Department official, appears to signal a cooling in hostilities between the U.S. and Iran for the first time since a 1979 hostage crisis prompted Washington to sever ties with Tehran. ...

"Iran was concerned about Assad's position and his government being weakened in case of any action against [the Islamic State] in Syria

and brought this issue up in meetings with Americans," the senior Iranian official said, speaking on condition of anonymity. ...

The Iranian official said Iran was informed separately in advance of the airstrikes launched by Washington and Arab allies against Islamic State positions in Syria for the first time.

Asked about the assurance that Syrian government forces would not be targeted, the senior U.S. State Department official told Reuters: "We communicated our intentions, but not specific timing or targets, to the Iranians. As we've said, we won't be coordinating military action with Iran. And of course we won't be sharing intelligence with Iran either."

The public communication has included some mixed signals. ...

## Islamic State Brings Together Persian Gulf

WASHINGTON POST | September 23

THE FOUR Persian Gulf nations whose warplanes flew in concert with U.S. jets over Syria this week have spent the past few years acting with far less harmony, driven by divergent approaches to address the growth of Islamist political movements in the Arab world.

The differences among the countries have grown so stark and acrimonious that earlier this year, Saudi Arabia, the United Arab Emirates and Bahrain withdrew their ambassadors from Qatar, which has funded Islamists across the region to the consternation of the other three nations. In the months that followed, they have continued to wage a proxy war of sorts

# Iran May Work With the U.S. Against Islamic State

Anthony Chibarirwe | September 24

AS THE Iran-P5+1 nuclear talks continue in New York, Iran may employ the latest lever that emerged in its negotiations tool kit: the Islamic State.

An Iranian official who spoke with Reuters Sunday on condition of anonymity said his country is ready to work with the United States to fight Islamic State militants if the West shows flexibility in the ongoing nuclear negotiations.

Military cooperation between Iran and the United States has been a complicated and controversial issue that neither side has been willing to entertain, much less publicize. Observers have had to fine-tune their analytical dials amid an array of mixed signals from both sides.

Iran has indirectly cooperated with the U.S. by supporting Shia and Kurdish Peshmerga militants in their fight against the Islamic State. Earlier this month, Iran's Ayatollah Khamenei reportedly authorized Gen. Qasem Soleimani, commander of Iran's elite Quds Force, to work with the U.S. against the terrorists in Iraq. Iran later denied that report and has since been much more critical of the U.S.

Last week, Khamenei clarified that Iran would not cooperate with the United States against the Islamic State, saying America's "hands were dirty and intentions murky."

Iranian President Hassan Rouhani derided U.S. strategy as "ridiculous."

As far back as June, U.S. Secretary of State John Kerry spoke of the possibility of working with Iran. He said the U.S. was "open to discussions" with Iran and that it "would not rule out anything." But Kerry responded to questions raised by Sen. Marco Rubio at a Senate Foreign Relations Committee hearing on September 17 by insisting that he "never said anything about coordinating" with Iran or Syria. But, he said, "If we are failing and failing miserably, who knows what choice they might make" in an effort to "take on [the Islamic State]." Two days later, Secretary Kerry said at a United Nations Security Council meeting on Iraq that "there is a role for nearly every country in the world to play, including Iran."

The murkiness surrounding United States-Iran cooperation shows just how much leverage Iran can wield in nuclear negotiations when it comes to fighting the Islamic State.

Indecisive action on Iraq, Syria and Iran is haunting America and empowering some of the nation's fiercest enemies. We can expect these effects to continue getting worse, as our *Trumpet Daily* program "[America Urges Mortal Enemy to Save Iraq](#)" explains.

in Egypt and Libya, where the U.A.E. recently conducted airstrikes against rebels backed by Qatar.

Qatar's neighbors accused it of bankrolling terrorists. Qataris accused their neighbors of supporting strongmen who subvert the will of the people.

But with the Islamic State waving its black flag at the gates of Baghdad, Persian Gulf nations have decided to set aside their differences. ...

The airstrikes in Syria were an unprecedented act of Arab military cooperation that involved Saudi Arabia bombing fellow Sunni Muslims, the launching of U.S. F-22 Raptor warplanes—employed in combat for the first time—from a base in the U.A.E., and the Royal Bahrain Air Force flying its inaugural combat missions.

"This was—and we hope will continue to be—a remarkable act of partnership among our allies in the gulf," said a senior U.S. military official. ...

The Islamic State "represents a real and present danger" to the four countries and to Jordan, which also joined in the military operation, said Theodore Karasik, the director of research at the Institute for Near East and Gulf Military Analysis in Dubai,

the U.A.E.'s largest city. That threat, he said, has been deemed by the countries "to be greater than what was happening among them." ...

## Karzai: U.S. Has Not Wanted Peace

FOX NEWS | September 24

OUTGOING AFGHANISTAN President Hamid Karzai took one final swipe at the U.S. Tuesday, telling a gathering of Afghan government employees that the 13-year American-led military action had failed to bring peace to his country.

"We don't have peace because the Americans didn't want peace," said Karzai, who will officially give way to President-elect Ashraf Ghani Ahmadzai when the latter is sworn in Monday. "If America and Pakistan really want it, peace will come to Afghanistan," Karzai added, referring to his country's eastern neighbor as well as the U.S. "The war in Afghanistan is to the benefit of foreigners. But Afghans on both sides are the sacrificial lambs and victims of this war."

Karzai also thanked a number of countries for their efforts in Afghanistan—India, Japan, China, Iran, Turkey, Saudi Arabia, South Korea and Germany—without thanking the U.S.

Karzai's words were met with a furious response by the American ambassador to Afghanistan, James Cunningham, who called the comments "ungracious and ungrateful." ...

Karzai's spokesman Aimal Faizi told the *Washington Post* that while the president appreciates the efforts of U.S. troops and taxpayers to rebuild the war torn country, he also believes that the U.S. did not do enough to confront Pakistan-backed militants in the country and that Washington and Islamabad "sabotaged" efforts to reach a peace deal with the Taliban. ...

The United States has spent more than \$100 billion on aid in Afghanistan since 2001 to train and equip the country's security forces, to pave crumbling dirt roads, to upgrade hospitals, and to build schools. More than 2,200 U.S. forces have died in Afghanistan operations since 2001. Nearly 20,000 have been wounded. ...

Related: "[Spent in Vain](#)"

## Does Pope Francis Believe in the Rapture?

Damian Thompson, SPECTATOR BLOG | September 20

YESTERDAY POPE Francis preached one of the most extraordinary sermons ever delivered by a pope, one that demonstrates the laziness of those commentators who think he is a typical Latin American liberal. It put center stage a teaching of the Church that I've never heard discussed in a Catholic homily: the *physical* resurrection of all saved Christians at the apocalypse.

The pope told the early-morning congregation in his hostel that Catholics are afraid to contemplate the doctrine—of overwhelming importance to the early Christians—that their bodies (however physically destroyed on Earth) will rise from the dead: "... Perhaps we are not so much afraid of the apocalypse of the evil one, of the antichrist who must come first—perhaps we are not so afraid [of him]. Perhaps we are not so afraid of the voice of the archangel or the sound of his trumpet .... Fear of our resurrection, however, we have: we shall all be transformed. That transformation shall be the end of our Christian journey." ...

The rapture is a Protestant concept, formulated by fundamentalists who devised a complicated timetable of the end times known as premillennial dispensationalism. I'm not really suggesting that Pope Francis subscribes to it. But, as his sermon yesterday shows, he believes in the literal truth of St. Paul's declaration that "if the dead are not raised, then Christ has not been raised" (1 Corinthians 15:16). And also, he believes that "the dead in Christ

will raise first; then we who are alive, who are left, shall be caught up together with them in the clouds to meet the Lord in the air ...." That is from Paul's first letter to the Thessalonians (4:16-17) which is thought to be *the oldest surviving Christian document*, predating the Gospels. ...

The truth is, though, that Catholics rarely ponder these prophecies. The institutional church has sidelined the apocalypse, the subject that preoccupied the first Christians more than any other.

Francis is therefore saying something that should make his flock very uncomfortable: "Oh, you expect us to believe *that?*" Liberal Catholics who think they can materialize the Kingdom of Heaven by establishing "justice and peace" on Earth will be puzzled, even dismayed, by such literalism ....

What an unusual pope he is: Not only does he mention the devil with unnerving frequency, but he also views the evil one in the context of the Bible's detailed (if baffling) narrative of the end times. He reminds us that orthodox Christianity is far stranger than one would gather by attending the average mass, at which congregations mumble the words "the resurrection of the dead" without imagining themselves clothed in celestial garments before the Lamb. Seen in this light, Francis—despite his distaste for fancy vestments and old rite ceremonial—has proved his traditionalist credentials by reviving the oldest Christian tradition of all.

## Germany Exports Arms, Hypocrisy

REUTERS | September 22

WHO IS the world's No. 3 arms exporter, after the United States and Russia? Surprise. It is Germany, a country bound by law to supply only allies and peaceable folks like (neutral) Switzerland or Sweden. Off limits are "areas of tension"—bad neighborhoods that actually need the stuff.

Yet somehow, Israel and Saudi Arabia, both living in the world's powder keg, are among Germany's best customers. So are Algeria, Qatar and the United Arab Emirates. ...

But never, ever has Germany delivered to nonstate forces. This month marks a profound break with that tradition. Germany has agreed to send weapons to the Kurdish Workers' Party,

or PKK, a military and political group in northern Iraq, with the bulk of more sophisticated arms going to the Peshmerga forces. Not exactly buddies, these two outfits are fighting the Islamic State.

The Kurdish Workers' Party is due to receive 8,000 G3 assault rifles—almost museum pieces—that were issued to the German armed forces in 1959. The Peshmerga forces get more recent hardware: 8,000 G36, the current rifle of the German Army. Plus 30 anti-tank systems with 500 missiles. Add in a few tens of shoulder-held anti-tank rockets, 40 machine guns and 10,000 hand grenades. The package is worth about \$90 million. ...

Consider the modest arms deliveries as a *substitute* for intervention—a time-honored tradition of nations that would rather not march and fight. Germany has flown along over Serbia during the Bosnia wars, and it has

dispatched ground troops to Afghanistan. But compared to the fierce German onslaughts in World War I and II, today's Germany is as aggressive as a pussycat. ...

Yet the Germans could theoretically join the British and French on bombing missions against Islamic State fighters. Right now, that is a no-no, so arms deliveries are acting as a nice substitute. ...

As the most recent murder of a British aid worker shows, Islamic State is unlikely to end this horror soon. It is part of the plan. Assume, for example, a German is slaughtered on YouTube. Though the German public is now strongly anti-involvement, they may recoil in righteous anger. Such grisly events turn moods and long-held convictions.

If so, German bombs might follow the surplus weapons into Iraq.

# Pope Believes World War III Has Begun

Athena Yenko, INTERNATIONAL BUSINESS TIMES | September 22

THE POPE believes that World War III had already begun. But unlike World War I and World War II that happened all at once, the current war is happening in stages—this he said during a private meeting with a congregation of Jewish leaders headed by Ronald S. Lauder on September 17 at [the] pope's house in Santa Marta.

Speaking during the World Jewish Congress press conference, Lauder had quoted the pope to highlight the significant point of discussion that came out of the meeting. He said that the pope compared the current attacks against Christians to the plight suffered by the Jews in the past. Lauder said that they were “in absolute agreement” in condemning the rampant and savage killing of Christians in the Middle East.

“He said, first it was your turn, and now it is our turn. In other words, first Jews suffered savage attacks that were met with the world's silence and now it is Christians who are being annihilated and the world is silent,” Lauder expounded.

Lauder, on the other hand, is personally shocked at how people and countries around the world seemed not to be petrified about the extensive killing of Christians in Iraq

and Syria. [W]hile there had been a “tremendous” attention [on] Israel as it shielded itself against thousands of missiles fired at it by the terrorists, ... how come that there was “not a word for the thousands of Christians in Iraq, Syria and the Middle East”? He underlined that Israel is the only safe country in the Middle East for Christians. In Israel, Christians can populate. The world “does not have the luxury of remaining silent,” he reiterated.

Lauder, a businessman and a philanthropist and the son of cosmetics giant Estee Lauder, [has] been calling the world's attention on the oppression of Christians. ... “The Middle East and parts of central Africa are losing entire Christian communities that have lived in peace for centuries,” he wrote in a recent op-ed published in the *New York Times*.

The pope had first spoken of World War III during a centenary celebration of World War I at the Redipuglia cemetery in Italy. At that time, he described the war as a “piecemeal.” From his homily, it was obvious that he is not strange to the pain suffered during war. His grandfather had fought during the Austro-Hungarian empire in 1917-1918. ...

## Germany's UKIP Threatens Eurozone

Ambrose Evans-Pritchard, TELEGRAPH | September 23

THE STUNNING rise of Germany's anti-euro party threatens to paralyze efforts to hold the eurozone together and may undermine any quantitative easing by the European Central Bank (ECB), Standard & Poor's has warned.

Alternative für Deutschland (AfD) has swept through Germany like a tornado, winning 12.6 percent of the vote in Brandenburg and 10.6 percent in Thuringia a week ago. ...

The rating agency said AfD's sudden surge has become a credit headache for the whole eurozone, forcing Chancellor Angela Merkel to take a tougher line in European politics and risking an entirely new phase of the crisis. “Until recently, no openly Euroskeptic party in Germany has been able to galvanize opponents of European ‘bailouts.’ But this comfortable position now appears to have come to an end,” it said.

The report warned that AfD has upset the chemistry of German politics,

implying even greater resistance to any loosening of EMU [Economic and Monetary Union] fiscal rules. ...

There has long been anger in Germany over the direction of EMU politics, with a near universal feeling that German taxpayers are being milked to prop up southern Europe, but dissidents were, until now, scattered. “AfD appears to enjoy a disciplined leadership, and is a well-funded party appealing to conservatives more broadly, beyond its europhobe core,” it said. “This shift in the partisan landscape could have implications for euro area policies by diminishing the German government's room for maneuver. We will monitor any signs of Germany hardening its stance.”

Ms. Merkel has a threat akin to UKIP on her right flank, and can no longer pivot in the center ground of German politics. AfD has almost destroyed the center-right Free Democrats (FDP), and is also eating into the far-left of the Linke party.

The new movement calls for an “orderly breakup” of monetary union, either by dividing the euro into smaller blocs or by returning to national currencies. ... Unlike UKIP, the

movement wants Germany to stay in a “strong EU.”

Party leader Bernd Lucke is a professor of economics at Hamburg University. His right-hand man is Hans-Olaf Henkel, former head of Germany's industry federation. Attempts to discredit the party as a right-wing fringe group have failed.

Professor Lucke had a taste of his new power in the European Parliament this week, questioning the ECB's Mario Draghi directly on monetary policy. ...

The report warned that any sign of hardening attitudes in German politics could “diminish the confidence of financial investors in the robustness of multilateral support” for EMU crisis states, leading to a rise in bond spreads. This, in turn, would shift the focus back on to Club Med debt dynamics, arguably worse than ever. ...

The political climate in the eurozone's two core states is now extraordinary. A [deutsche mark] party is running at 10 percent in the latest polls in Germany, while the Front National's Marine Le Pen is in the lead in France on 26 percent with calls for a return to the franc. One more shock would test EMU cohesion to its limits.

## ■ Germany deploys troops to fight Ebola

Germany agreed on September 19 to deploy as many as 100 soldiers to Senegal as part of a combined French-German mission to deliver desperately needed supplies to combat the Ebola virus. The troops will man a base in Dakar, from which two German Transall military transport planes will fly supplies to the surrounding areas. France will also provide planes. Germany hopes to use its military's logistics to collect aid from its neighbors

and transport them to afflicted areas. The German armed forces will also set up a treatment center in Liberia, and the French will build one in Guinea. Each will contain 50 beds. Germany is notoriously reluctant to deploy its armed forces. Two thirds of Germans, for example, oppose arming Iraq's Kurds. But here is an opportunity to use the German Army in an unambiguously good way. There's no evidence that Germany's motivations are anything other than as stated. There is a crisis: Over 2,600 people have died in the worst outbreak of

the Ebola virus on record. And the German Army can help. This is proof that the German Army can be a force for good. What better way to persuade deployment-suspicious Germans that there are times to call in the military? As an event on its own, this use of the German military is a positive development. But it is also part of the trend where German leaders are trying to persuade the public to support a greater use of the military. For more on this trend, and its consequences, read our article "[Germany's Identity Crisis.](#)"

## ASIA

### China's Refusal to Grant Full Democracy

DAILY MAIL | September 22

**T**HOUSANDS OF students converged on a university campus in Hong Kong today, launching a week-long boycott of classes in protest against Beijing's decision to rule out fully democratic elections in the former British colony.

Students from more than 20 universities and colleges streamed into the grounds of picturesque, bay-side Chinese University of Hong Kong, where they were greeted by banners that said: "The boycott must happen. Disobey and grasp your destiny."

Some sat in a circle playing guitars, while others folded leaflets urging students to boycott classes in a protest which coincides with a trip to Beijing by some of Hong Kong's most powerful business tycoons, who are expected to talk about government policies with Chinese leader Xi Jinping. ...

Beijing decided in August to rule out open nominations for candidates under proposed guidelines for the first-ever elections to choose the city's top leader, which have been promised for 2017.

The National People's Congress, China's legislature, instead insists that candidates be vetted by an elite committee that is similar to the body of

mostly pro-Beijing elites that has until now selected the city's leaders. Democracy groups reject such screening for loyalty to Beijing and demand elections that offer a genuine choice. ...

**"China's 'one country, two systems' principle for ruling Hong Kong is becoming more of a 'one country, our system.' ... Continue to watch as China strengthens its grip over Hong Kong, consolidating its power in East Asia."**

—Trumpet, May 2004

Related: "[Hong Kong Hang-Ups](#)"

### The PetroYuan Cometh

ZEROHEDGE | September 21

**S**INCE CHINA fired its first "official" shot across the Petrodollar bow a year ago, there has been an increasing groundswell of de-dollarization across the world's energy trade (despite Washington's exclamations of "isolated" non-dollar transactors). The rise of the PetroYuan has not been far from our headlines in the last year, with China increasingly leveraging its rise as an economic power and as the most important incremental market for hydrocarbon exporters, in the Persian Gulf and the former Soviet Union,

to circumscribe dollar dominance in global energy—with potentially profound ramifications for America's strategic position. And now, as AP reports, for the first time in history, China has docked a Navy Destroyer in the southern Iranian port of Bandar Abbas—right across the Strait of Hormuz from "U.S. stronghold-for-now" Bahrain and U.A.E. ...

AP reports ...: "Adm. Hossein Azad, naval base chief in the southern port of Bandar Abbas, said the four-day visit that began Saturday saw the two navies sharing expertise in the field of marine rescue. 'On the last day of their visit while leaving Iran, the Chinese warships will stage a joint drill in line with mutual collaboration, and exchange of marine and technical information, particularly in the field of aid and rescue,' said Azad.

"The report said the destroyer was accompanied by a logistics ship, and that both were on their way to the Gulf of Aden as a part of an international mission to combat piracy." ...

The move is also seen [as] part of efforts by Iran to strike a balance among foreign navies present in the area near the strategic Strait of Hormuz, the passageway at the mouth of the Persian Gulf through which a fifth of the world's oil is shipped.

U.S. Navy's 5th Fleet is based in nearby Bahrain, on the southern coast of the Gulf. ...

# Russia CB Buys More Gold

**MINEWEB** | September 22

**W**HILE WE will probably have to wait another few days until the IMF [International Monetary Fund] publishes its latest statistics for the global picture, the Russian central bank has announced that it has added another 9.3 tons of gold to its official gold reserves. This is as tensions now seem to be diminishing in Ukraine which could, if the latest agreement holds, lead to Western sanctions against Russia being gradually withdrawn.

Russian gold reserves now stand at 1,113.5 tons, the world's fifth-largest national holding, thus climbing even further above China's "official" 1,054 tons. However few out there seem to believe that China doesn't have more gold than it announces to the IMF, but is holding considerable amounts in some other government controlled accounts. Overall, Russia has just about doubled its gold reserves since the 2007-2008 financial crisis and its central bank has been a net buyer almost every month since. The figures suggest that that the monthly increases have primarily come from the central bank taking in a significant proportion of the country's domestic gold output which averaged around 20 tons a month in 2013; last year Russia was the world's third-largest producer of gold and this year could surpass Australia and move into the No. 2 position behind China. ...

In parallel with its pursuit of gold, Russia continues to build its bilateral financial and trade relationships with China. At the beginning of this month Russia's President Putin and Chinese Vice Premier Zhang Gaoli officially launched the construction of the first part of Russia's

Gazprom's Power of Siberia pipeline—which will deliver 4 trillion cubic meters of gas to China over 30 years. ... [T]he pipeline schedule calls for first natural gas deliveries in 2019.

When completed, at an estimated cost of some \$70 billion, it will have been, according to the Russian and Chinese officials, the world's largest construction project with the pipeline running for just under 4,000 kilometers (2,486 miles), plus associated infrastructure, and supply gas to China's populous northeastern region, as well as Russia's Far East. China is due to start pipeline construction at its end next year. ...

Russia, like China, perhaps somewhat belatedly, has come to see its gold holdings as a significant positive in any new world financial order that may develop over the next decade. American financial policy has dominated world trade for almost a century but there are powerful economic forces out there—notably involving various countries, including China and Russia, building trade ties in their own domestic currencies and thus starting to bypass the dollar. Energy trade is particularly significant in this respect, as the U.S. dominance in setting the terms of world trade has been very much down to the virtually total dominance of the dollar in global oil and gas transactions.

Historically, the country with the most gold has been able to dominate global trade—barbarous relic or no—and while the West may see this coming to an end there is an enormous, and ever wealthier, part of the world's population which still believes in gold as the key global monetary asset. China and Russia are both strong believers in gold and the potential negotiating position it enables. At some stage soon, the validity of their belief is going to be put to the test.

History and logic caution that current practices are not set in stone. With the rise of the "PetroYuan," movement towards a less dollar-centric currency regime in international energy markets—with potentially serious implications for the dollar's broader standing—is already underway.

As China has emerged as a major player on the global energy scene, it has also embarked on an extended campaign to internationalize its currency. A rising share of China's external trade is being denominated and settled in renminbi [the official currency of China]; issuance of renminbi-denominated financial instruments is growing. ... The People's Bank of China (PBOC) now has swap arrangements with over 30 other central banks—meaning that *renminbi* already effectively functions as a reserve currency.

Chinese policymakers appreciate the "advantages of incumbency" the

dollar enjoys; their aim is not for *renminbi* to replace dollars, but to position the *yuan* alongside the greenback as a transactional and reserve currency. Besides economic benefits (e.g., lowering Chinese businesses' foreign exchange costs), Beijing wants—for strategic reasons—to slow further growth of its enormous dollar reserves. China has watched America's increasing propensity to cut off countries from the U.S. financial system as a foreign policy tool, and worries about Washington trying to leverage it this way; *renminbi* internationalization can mitigate such vulnerability. More broadly, Beijing understands the importance of dollar dominance to American power; by chipping away at it, China can contain excessive U.S. unilateralism. ...

And as America is increasingly viewed as a hegemon in relative decline, China is seen as the preeminent rising power. Even for Gulf Arab states long

reliant on Washington as their ultimate security guarantor, this makes closer ties to Beijing an imperative strategic hedge. For Russia, deteriorating relations with the United States impel deeper cooperation with China, against what both Moscow and Beijing consider a declining, yet still dangerously flailing and over-reactive, America. ...

## China Is 'Interested' in the Fight Against ISIS

**BUSINESS INSIDER** | September 22

**T**HE ISLAMIC State is flush with cash, territorially ambitious, and eager for recognition.

But is [the Islamic State] a threat to China? ... Would China be willing to lend its support to an international coalition against this growing threat to world security? ...

# The China Story No One's Talking About

Byron King, DAILY RECKONING | September 23

THERE'S BREAKING news about China and cyberwarfare (aka "the fifth domain of war").

The news concerns serious hacking by China's "3PLA" group—the 100,000-strong computer army that's mostly responsible for what is referred to as "Chinese military signals intelligence."

The latest targets of Chinese hacking include contractors who perform critical work for a major U.S. military command.

Looking ahead, I foresee significant new levels of funding for a small number of U.S. companies that know how to fight in this kind of dark room. ...

In a recent drive through New York City, my taxi driver—and I, to be sure—benefited from what's called the "Internet of Things." That is, a network in which many things are connected and communicating with many other things.

Indeed, we're well on the way to a world in which "everything" is connected to "everything else," in a fashion ... it's relatively easy for a trained hacker to infiltrate networks of most civilian companies.

New York has bought into the "Smart City" concept .... All manner of cameras and sensors feed traffic data into an array of software. The software, in turn, supports open and restricted apps that assist people—taxi drivers, delivery trucks, public transit, cops, firefighters and more—in navigating to and fro.

Broadly speaking, the Internet of Things is a network that should make life and work easier. Then again, that same network may also be our downfall.

Indeed, there's worrisome news. Two weeks ago, the Senate Armed Services Committee (SASC) released a report about Chinese military computer hackers. Over a one-year period, SASC identified 20 successful breaches against data systems of companies that perform critical work for the U.S. Transportation Command (TRANSCOM).

In essence, TRANSCOM moves troops and equipment

for the U.S. Department of Defense (DOD), as well as other government agencies, plus allies and partners.

To perform these movements, TRANSCOM relies, in large part, on an extensive network of companies. Specifically, TRANSCOM uses passenger and cargo airlines, ship operators, railways and trucking companies.

The SASC report does not specify hacked companies. However, per *Bloomberg News*, the list may include FedEx, Evergreen Holdings., A.P. Moeller-Maersk A/S, United Parcel Service and Neptune Orient Lines. All of these firms have global operations, tied together by extensive computer systems, other hardware and vast amounts of software.

In other words, moving military people and cargo these days is kind of like taking a fast, efficient, data-assisted taxi ride from lower Manhattan to LaGuardia, but on a larger scale.

Pretty much all DOD computer networks are heavily fortified nowadays; it's tough for outsiders to get in without triggering alarms. On the other hand, it's relatively easy for a trained hacker to infiltrate networks of most civilian companies.

In fact, TRANSCOM has acknowledged that the structure of its communication system with outside vendors make these kind of non-military, non-hardened channels more vulnerable to cyberattack.

The recent SASC report noted at least 20 successful intrusions on behalf of the Chinese government. ... Hackers compromised "multiple systems" within merchant ships, as well—which could include remote engine controls, plus environment and navigation systems. ...

As U.S. contractors get hacked, it's becoming crystal clear that the Chinese military is highly proficient and professional in its approach to cyberintrusion. ... All in all, it's a very "Sun Tzu"-oriented approach to deception, and to defeating enemies without having to engage in raw battle, if you are a student of the ancient strategist. ...

The Communist Party has long insisted on refusing to "interfere with the internal affairs" of sovereign states, a policy pointedly directed at other powers to stay out of China's domestic matters. But Beijing's status—as the world's second-biggest economy, with an increasingly powerful military—is bringing with it the uncomfortable realization that such a simplistic stance is getting tougher to maintain.

China now has its own overseas interests to protect ....

In fact, as a gathering of scholars at an international conference in Stockholm recently concluded, China has been a main beneficiary of Russia's

aggression, securing a 30-year gas deal (long in the pipeline), oil and arms exports, energy exports and regional solidarity with its erstwhile foe—all while (or by) doing nothing.

The Islamic State may be a different matter, however. The terrorist group is already seeding unlikely alliances against it, such as Syria's President Assad, Iran and the [U.S.]. [The Islamic State] has included China among a list of avowed enemies and, reportedly, a Chinese national fighting for [the Islamic State] has already been captured by Iraqi forces, a fact that MoFA says they are "verifying," while police in Indonesia say they have arrested

four Chinese men accused of traveling there "with the intent of connecting with a local [Islamic State] chief." ...

## Asia's New Co-op Organization

BUSINESS KOREA | September 19

KOREA, CHINA, Russia and Mongolia have agreed to form an international organization for economic cooperation within the region of Northeast Asia. ...

The Ministry of Strategy and Finance announced on September 18

that participating countries of the Greater Tumen Initiative (GTI) agreed to transform GTI into an international organization to initiate economic cooperation in Northeast Asia by 2016. ...

These four countries agreed to develop transportation in land and sea routes, facilitate the trading among Northeast Asian countries, solve the power transmission problems and analyze the business feasibility of coal extracted synthetic natural gas supply through a joint statement.

On this day, an inaugural assembly of Northeast Asian Export-Import Banks Council, in which export-import banks of four countries participated, was held to adopt a basic agreement on cooperation among the banks for joint project explorations and supportive loans.

## India's Mars Mission 'Pride of Asia'

INDIA TODAY | September 24

CHINA, ON Wednesday, hailed India's successful Mars orbiter mission—the first such success by an Asian country—as the “pride of India” and

the “pride of Asia,” and said it was interested in working together with the Indian Space Research Organization on future projects.

“We congratulate India on the Mars satellite for entering orbit successfully,” Foreign Ministry spokesperson Hua Chunying said.

“This is the pride of India and the pride of Asia, and is a landmark progress in humankind's exploration of outer space so we congratulate India on that,” Ms. Hua said. ...

China has invested billions in its space program, and plans to launch a space station by 2020. In December, China carried out a landmark “soft landing” on the moon—the first by any nation since the United States and erstwhile Soviet Union.

## Russia Will Add 80 New Warships

REUTERS | September 23

RUSSIA WILL increase its Black Sea fleet with more than 80 new warships by 2020 and will complete a second naval base for the fleet near the city of Novorossiysk by 2016, its

commander said on Tuesday.

In comments made to President Vladimir Putin as he visited the port city, Vice Adm. Alexander Vitko said a second Black Sea base was needed in addition to the main base on the Crimean Peninsula annexed from Ukraine because of NATO expansion. “Eighty ships and other vessels are expected to arrive (in Novorossiysk) before 2020. The Black Sea Fleet will have 206 ships and vessels by 2020,” Vitko told Putin. ...

Russia plans to spend 21 trillion rubles (US\$545 billion) by the end of the decade on refurbishing Russia's armed forces. Some of those funds will be used to improve the defense infrastructure of Crimea.

**“Under President Putin's reign, nuclear-armed Russia is transforming its military machine into a modern, technological, 21st-century force. ... This world has a lot of authoritarian rulers. But Vladimir Putin is one we need to keep a particularly close eye on.”**  
—Gerald Flurry, *Trumpet*, February 2014

**Related: “Vladimir Putin Is the Prophesied Prince of Russia.”**

## ANGLO-AMERICA

### Babson's Warning

Jeff Thomas, INTERNATIONAL MAN | September 21

“A CRASH IS coming, and it may be terrific. ... The vicious circle will get in full swing and the result will be a serious business depression. There may be a stampede for selling which will exceed anything that the stock exchange has ever witnessed. Wise are those investors who now get out of debt.”

The above words could easily have been stated by me or another of the (very) few others who currently predict the coming of crashes in the markets.

But they were not. The statements above were made by investor Roger Babson at a speech at the Annual Business Conference in Massachusetts

on Sept. 5, 1929.

Mr. Babson's prediction was not a sudden one. In fact, he had been making the same prediction for the previous two years, although he, in September of 1929, felt the crash was much closer.

News of his speech reached Wall Street by mid-afternoon, causing the market to retreat about 3 percent. The sudden decline was named the “Babson Break.”

The reaction from business insiders was immediate. Rather than respond by saying, “Thanks for the warning—we'll proceed cautiously,” Wall Street vilified him. The *Chicago Tribune* published numerous rebuffs from a host of economists and Wall Street leaders.

Even Mr. Babson's patriotism was

taken into question for making so rash a projection. Noted economist Prof. Irving Fisher stated emphatically, “There may be a recession in stock prices, but not anything in the nature of a crash.” He and many others repeatedly soothed investors, advising them that a resumption in the boom was imminent. Financier Bernard Baruch famously cabled Winston Churchill, “Financial storm definitely passed.” Even President Herbert Hoover assured Americans that the market was sound.

But, 55 days after Mr. Babson's speech, on Oct. 29, 1929, the market suddenly went into a free-fall, dropping 12 percent in its first day.

Today, most people have the general impression that on Black Friday, the



**GERALD FLURRY**

## Believing God's Promise to David

God promised King David that his dynasty would continue—not for a century, not for a millennium, but for eternity.



market crashed and almost immediately, there were breadlines. Not so. In the Great Depression, as in any depression, the market collapsed in stages. The market did not reach its bottom of 89 percent losses until July of 1932.

Along the way, thousands of banks and lending institutions went belly-up. Thirteen million jobs disappeared.

And of course, the political leaders of the day did their bit. They implemented knee-jerk “solutions” that actually worsened the situation. Restrictive tariffs, gold confiscation, and a more dominant government were employed, just as they will be this time around.

So, as the market tumbled, we would imagine that Babson came to be praised by Wall Street for his insight, but in fact, the opposite occurred. Having accused him of being utterly incorrect in September, they later accused him of having *caused* the depression. ...

So what do we take away from this? First, we can be certain that as the present-day house of cards begins to shake, there will be no warnings from Wall Street. In fact, quite the opposite. Their bread gets buttered by buyers. They will be adamant (and even, in many cases, truly believe) that the sky is the limit and investors should buy, buy, buy, as

there are fortunes to be made by doing so. And investors, watching the rise, will fall all over each other, just as in 1929, buying with both hands.

This time around, the crash and its byproducts will be more extreme than in 1929, as the bubble itself is more extreme. And Wall Street can count on television and a media that has a vested interest in keeping the charade going as long as possible. It will also be more extreme, as the governments of much of the world are now broke and can only worsen their respective economies through the customary “solutions” that governments always employ—tariffs, confiscations, greater government control, etc.

Finally, the aftermath will be more extreme, as—unlike in 1929, when most people actually believed in the government—this time around, there will be dramatic unrest.

Just as in 1929, those who are declaring that “the emperor has no clothes” are few in number, and their viewpoint is most certainly not put forth in the conventional media. For this reason, it’s understandable that the great majority of people invariably ignore the Babsons of the world as Chicken Littles and blithely charge toward the cliff like lemmings.

Those who do think independently and become convinced that history is repeating itself are focusing their attention on finding a way out of being a casualty in the train wreck that’s coming. This is difficult to do, as invariably, the closer the event becomes, the more difficult it is to swim against the tide. For this reason, even many who conclude that the end is near often fail to act to save themselves and their families. ...

## U.S.: 1 in 10 Adults Not Proficient in English

**THE NATIONAL REVIEW** | September 24

**T**HE NUMBER of working-age adults in the United States with limited proficiency in English has more than doubled since 1980, according to a new Brookings Institution study. ...

“English proficiency is a strong predictor of economic standing among immigrants, regardless of the amount of education they have attained, and it is associated with the greater academic and economic success of the workers’ children,” the study found.

The *Wall Street Journal* reports that the rise comes out to nearly one in 10 adults who lack sufficient English skills, 2½ times more than three decades ago. Two thirds of those lacking proficiency are Spanish speakers.

In large cities, the numbers are even higher. For example, in Los Angeles and Miami, the *Journal* reports almost 25 percent of adults lack proficient English. The study also finds that cities such as Indianapolis have witnessed a near 100 percent increase in limited-English speakers since 2000.

## Americans Doubt Colorblind Justice

**WASHINGTON POST** | September 23

**T**ODAY FEWER than 4-in-10 (38 percent) of Americans say that blacks receive equal treatment under the criminal justice system. That’s a 10 percentage point drop from one year ago, when the public was evenly



## The Desires of Your Heart

THE TRUMPET DAILY | September 23

STEPHEN FLURRY

God is a Father who wants to give His children everything!



divided on the question.

This finding comes from the Public Religion Research Institute's (PRRI) latest American Values Survey. It finds growing skepticism among every demographic group over the way the criminal justice system treats minorities. More than 6-in-10 young adults now say that blacks don't receive equal treatment over the law, a number that has skyrocketed nearly 50 percent in the past year. Whites, Republicans and older Americans are less likely to see racial disparities in the justice system, but they are still significantly more likely to say the system treats minorities unequally than they were a year ago.

"Americans are increasingly doubtful that the criminal justice system is colorblind," said Daniel Cox, PRRI's Research Director. ...

## The Ponzi Economy

John P. Hussman, HUSSMAN FUNDS | September 22

IN THE decade and a half since the late-1990s, the U.S. economy has undergone a fundamental shift. The signs of this shift can be observed at the foundation of our standard

of living, as both accumulation of productive capital and participation in the labor force have buckled. What obscures this fundamental deterioration is that activity at the surface still appears quite stable. It's important to understand why this is so.

The *standard of living* of a country is measured by the amount of output that individuals are able to *consume* as a result of their work. The *productivity* of a country is measured by the amount that individuals are able to *produce* as a result of their work. Over time, growth in the standard of living is chained to and limited by growth in productivity. Productivity, in turn, rests on two factors: a productive capital base, and an active pool of productive domestic labor. The *accumulation of productive factors* is what drives long-term growth.

When the most persistent, most aggressive, and most sizeable actions of policymakers are those that discourage saving, promote debt-financed consumption, and encourage the diversion of scarce savings to yield-seeking financial speculation rather than productive investment, the backbone that supports a rising standard of living is broken.

With respect to the U.S. capital

base, real gross domestic investment has crawled at an annual growth rate of just 1.4 percent since 1999, compared to 4.9 percent real annual growth in the preceding half-century. During that same 15-year period, the U.S. labor force participation rate has collapsed from a record high to the lowest level since the 1970s, wages and salaries have plunged to a record low share of GDP, and real median household income has *contracted* by a cumulative 9 percent.

But there are wrinkles in this story, which make present conditions feel better than this deterioration would suggest. A country can insulate itself from its own deteriorating productivity, for a time, if continued consumption is financed by the accumulation of debt (and its partner, the printing of money).

The U.S. has gone from the largest creditor nation in the world to its largest debtor by shifting from accumulation to dissaving. ...

Alongside the deterioration in the U.S. capital base and labor market has been an increasing and perpetual reliance on various forms of "stimulus" through government deficit spending and monetary intervention. What's essential to understand is that these forms of "stimulus" are not just additional symptoms of this economic shift. They have become the *causes* and the *guardians* of it. Suppressed interest rates have encouraged a continuous diversion of scarce savings toward what is effectively debt-financed gambling. Meanwhile, cheaply financed deficit spending anesthetizes the consequences of deteriorating productive factors, allowing the U.S., for a time, to feast on the geese that could lay its golden eggs. ...

The central point is this. The U.S. economy has shifted course from one of productive capital accumulation to a reliance on continuous expansion of debt in excess of the economic ability to repay it. Call this the Ponzi Economy. ...

If you wonder why the economy feels "fine" despite the persistent thinning of the U.S. capital base and the hollowing out of its middle class, it's because we are covering the shortfall at every turn with the endless issuance of cheap debt that *needs* to be rolled forward forever. ...

## CRISIS from page 1

The question of Germany's modern identity and purpose, and its place in Europe and the world, came about because of World War II. Tasked with rebuilding their nation, the leaders of West Germany first had to define the character and nature of the new German nation. Naturally, the supreme ambition—especially for America and the nations of Western Europe that were influential in defining postwar Germany—was to prevent Germany from causing future regional or world wars. As a result of this defining goal, postwar Germany was designed to prohibit militarism and limit its ability to participate in, let alone assertively lead, foreign conflicts.



**BRAD MACDONALD**

The problem Germany faces today is that it is caught between two worlds. The first is the 20th century, post-World War II world. Here, Germany is an economically strong but non-military state, and a country among equals in the European Union. On the international scene, Germany is stable and strong, but placid and content playing backup. Like Robin is to Batman, 20th-century Germany is a sidekick to America, the leader and defender of the free world, and the nation responsible for carrying the bulk of the burden. This is the world most Germans live in.

The other world is the 21st-century world, or what might accurately be called *reality*. Here, Batman is in rapid decline, the forces of evil are rising, and Germany and Europe's national interests are in jeopardy. This world is dangerous, unstable and increasingly unpredictable. Germany, already a bona fide economic powerhouse, is constantly being asked to contribute more, to be more assertive and aggressive politically and financially, but also *militarily*. This is the world that most of Germany's *leaders* dwell in.

The challenge German Chancellor Angela Merkel and Co. face is obvious: They must lead the German public into the 21st-century world.

Although the postwar remorse diminishes with each new generation of Germans, an enormous segment of the German public still carries significant postwar guilt, and a resulting aversion to German assertiveness and militancy. This is important to recognize. In many respects, modern Germany was built to avoid militarism and war. Take Germany's constitution. It still is filled with all sorts of laws and stipulations crafted to limit the size, capability and operation of Germany's military. The same goes for Germany's postwar education system and media. These two institutions were infused with strong pacifist tendencies to suppress nationalist feelings and emotions.

Today Chancellor Merkel and Germany's leaders find themselves in an increasingly tough position. On one side, major crises are destabilizing the world and threatening Germany's and Europe's interests. These crises are compounded by the fact that America's presence is shrinking, creating a leadership vacuum that many want Germany to fill. On the other side, a significant chunk of the German public lives in the 20th-century world. There,

deep reluctance of German involvement in foreign crises remains, especially in a military capacity.

These are the increasingly dangerous waters that Germany's leaders must navigate.

Whether it's Ukraine, the Islamic State or Europe's political and financial crises, the moment is fast approaching when Germany will be required to finally act. The challenge Germany's leaders face today is explaining this to their people (those who elect them) and showing them that Germany no longer has the option of doing little or nothing. Germany's leaders must somehow rewire the psyche of the German people and help them see that in order for Germany to survive—for the economy to remain stable, for Germany and Europe to remain safe, for energy supplies to remain secure—it must get involved in meaningful ways politically, financially and even militarily.

For Germany's leaders, this is a tough and risky task. But events increasingly vindicate their message. Consider the dramatic change that would take place if the threats suddenly become more personal. What if a radical Islamist terrorist exploded a bomb in Berlin or Munich? What if Putin turns off the gas this winter and Germans' energy bills spike? What if Europe's financial crisis grows worse (which many expect to happen) and begins to *really* affect the average German? What if Germany's large Muslim population becomes angry and violent? Any one of these things would undoubtedly help many Germans shake their pacifist tendencies and get behind stronger, more aggressive policies.

The *only* way Germans can go on living in the 20th-century world is if the regional and global threats against them significantly diminish and the world returns to the way it was. There is no sign of this happening any time soon. If anything, Germany's domestic and global environment will continue to change, and in ways that will impair and hurt Germany unless it acts. The danger and instability of the 21st-century world will only intensify, and so will the pressure on Germany to be more aggressive and assertive.

Germany *is* experiencing an identity crisis. The Germans are being forced to realize that meekness and passivity are ill-advised and dangerous in a world that is increasingly unstable, violent and falling into anarchy. Many of Germany's leaders already recognize this reality and want to respond. For now, however, their ability to forge Germany into an assertive, aggressive and dominant world power is being limited by the reticence and caution of the German public. But this is changing.

Moreover, as the crises intensify and begin to impact the Germans more personally, their attitudes will change more rapidly and dramatically.

We need to keep an eye on Germany as it comes through this identity crisis. It is producing a new German nation: a nation far more active and aggressive than what we are accustomed to seeing; a nation that is an aggressive political and military powerhouse; a German nation the world hasn't seen since World War II—a German nation that historically has been a threat to regional and world peace.

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