

EIR Daily Alert Service

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EDITORIAL

They're Telling You Another Crash Is Coming: *Not* How To Solve It

Dec. 11 (EIRNS)—The warnings are getting louder. The biggest Wall Street and London-centered banks have “prepared” another financial breakdown for us. The biggest bubble melting down this time may be unpayable corporate debt, but the economic devastation will be the same, or

worse. *Unless* the leaders of the major world economic powers come up with a solution first—a new credit and currency system which generates credit for productive economic growth while letting London-Wall Street speculations go down.

That is our job. The Schiller Institute’s President Helga Zepp-LaRouche has spelled this out again, in preparation for its mid-February U.S. national conference for a new institution of FDR’s Bretton Woods credit and money system.

There is a countdown underway, she said, to whether the spreading rejection of the “neo-liberal paradigm”—what used to be called “the Washington Consensus,” but no more!—will see the victory of the new paradigm the Schiller Institute fights for, and which means a new international system of economic development.

Those escalating signs of another financial meltdown coming are the timer of that countdown. The leaders of at least America, China, Russia, and India must agree on that New Bretton Woods system of productive credit, before their economies can be taken down even deeper than in 2009, by another crash.

Helga LaRouche emphasized the stunning example of France’s President Macron—until yesterday the shining star of neo-liberal austerity, ecology, and geopolitical hostility—having had to abandon his neo-liberal agenda within four weeks of protests supported by the vast majority of French citizens. Germany’s imperious *Die Welt* cried, “Macron’s Buckling Before Yellow Vests Pleases Just Italy”—meaning, rejecting economic austerity. This unraveling of the EU system shows, Helga LaRouche said, that the worldwide pattern of protests against the neo-liberal paradigm is continuing, and will not stop.

It may even undo the anti-progress, anti-nuclear, anti-human “Climate Accord.” As Helga LaRouche’s French colleague Jacques Cheminade reported the remark of one protester in France, “These Paris elites are always talking about the end of the world. Our problem is to make it to the end of the month!”

These unexpected, sweeping changes are occurring in less than the time since the U.S. midterm election. Now, Helga LaRouche asked the big question: Can we get America on board the new paradigm? Will it lead as it must in a new system of credit for technological progress, productivity, new economic infrastructure?

Will it accept China's accomplishment in the Belt and Road Initiative, and join in cooperation? Shortly China will create a new surprise, landing spacecraft on the far side of the Moon, something no other nation has attempted. If you can't beat them there, join them.

The United States is decisive, but the swift changes elsewhere affect it, and President Donald Trump has publicly embraced the rejection of austerity, first in Italy, now in France. He has to be moved, by Americans, to lead in bringing in a new paradigm.

For that purpose, the Schiller Institute's mobilization to its mid-February national conference for a New Bretton Woods, is the key.

COLLAPSING WESTERN FINANCIAL SYSTEM

Former Fed Chair Yellen and Fed Governor Brainard Sharpen Warnings of Debt Crisis

Dec. 11 (EIRNS)—Former Federal Reserve Chair Janet Yellen has warned for the second time in a week of potentially serious trouble in the now-huge mass of debt of U.S. non-financial corporations, much of it unpayable, and implicitly about corporate leveraged loans and junk bonds elsewhere as well. This Yellen warning was sharper than the last, and was headlined in CNBC-TV's lead story this morning, "Yellen Warns of Another Financial Crisis: 'Gigantic Holes in the System.'"

Interviewed before an audience at City University of New York Dec. 10 by economist Paul Krugman, Yellen said, "Corporate indebtedness is now quite high and I think it's a danger that if there's something else that causes a downturn, that high levels of corporate leverage could prolong the downturn and lead to lots of bankruptcies in the non-financial corporate

sector. I think a lot of the underwriting of that debt is weak. I think investors hold it in packages like the subprime packages ... the same thing has happened [as before the 2008 crash]. It's called CLOs, or collateralized loan obligations.”

Yellen said that non-financial corporate loan debt is double what it was in 2007, up to \$9.1 trillion vs. \$4.9 trillion. She said regulators' powers to address debt panics have been reduced and “are not great in the United States.... So I do worry that we could have another financial crisis.”

Speaking at Peterson Institute Dec. 7, current Federal Reserve Governor Lael Brainard made the same warning on the corporate debt bubble. She proposed that the Fed now trigger the “capital buffer,” an authority given it by Dodd-Frank which would make the largest 20 banks raise their total capital ratio substantially with a special “crisis capital buffer.”

Brainard had already called for it in April. Now at Peterson, according to Bloomberg report, she said strains are growing in the corporate leveraged loan market, with “deteriorating underwriting standards” and money-market mutual funds, which have borrowed from the major banks, own too much corporate debt.

The current capital level of the biggest banks' averages about 5%, less than the 6% of their total assets which were *wiped out* in the 2007-08 crash. But there is no telling that the extra capital buffer Brainard is asking the Fed to order, would not be washing away as well in the crash now threatening.

THE NEW GLOBAL ECONOMIC ORDER

Portuguese Media Play Up Schiller Institute New Silk Road Report To Promote Port of Sines' Role

Dec. 11 (EIRNS)—The Schiller Institute's identification of the key role Portugal's Sines port must play in the Belt and Road Initiative, as presented in the Institute's Special Report, “The New Silk Road Becomes the World Land-Bridge: A Shared Future for Humanity, Vol. 2” received a new round

of coverage in Portugal in the aftermath of Chinese President Xi Jinping's Dec. 4-5 visit to that country. Portugal signed a Memorandum of Understanding joining the Belt and Road during that visit, and the port of Sines was on the agenda.

Portugal's leading business and economic journal, *O Jornal Económico*, kicked off the new coverage with a Dec. 7 story titled "Sines Port Named as a 'Critical Point' for 'Silk Road' Success." Like the coverage in Macau's government site Macauhub and in *Revista Cargo* on the Schiller Institute report prior to Xi's visit, *O Jornal's* story was taken from material circulated in Portugal by a Schiller Institute delegation which visited the country in mid-November, to present its New Silk Road report.

"The Schiller Institute updated its 2014 study on the impact of the Chinese 'New Silk Road' and considers the [Sines] port in Alentejo a crucial link for the success of this global initiative," *O Jornal Económico* wrote. The port is considered crucial by "leading world specialists of the sector ... in particular for its special geostrategic, privileged position of linking the continents of Africa and the Americas, North and South," stating that the subject of the port was certainly on the table during President Xi's visit last week.

Like Macauhub and *Revista Cargo*, *O Jornal* reported that the Schiller Institute is led by Helga and Lyndon LaRouche, and quoted the Schiller Institute's evaluation that "the Iberian Peninsula is, in fact, the natural geographical interface of the Silk Road Economic Belt, which now extends from the Pacific to the Atlantic through the landmass of Eurasia, with the Maritime Silk Road, which will extend to the West, across the Atlantic, to Ibero-America, the Caribbean and the United States, as well as south towards Africa."

O Jornal Económico's full article was available only to paid subscribers, but it was quickly published in full on the websites of the Association of Portuguese Ports, of the Association of Portuguese-Speaking Ports (APLOP, representing the ports of Portuguese-speaking countries in Africa and Brazil, as well), among others.

Italian Finance Minister Dubs Belt and Road as ‘Driver’ for Italy’s—and the World’s—Economy

Dec. 11 (EIRNS)—Speaking at the first “Asia-Europe Leaders’ Cooperation Dialogue” conference in Rome Dec. 5, Italian Finance Minister Giovanni Tria gave an excellent speech on what the Belt and Road Initiative is and what the opportunities for Italy are. This was the first such event organized by the Boao Forum for Asia and Studio Ambrosetti, which have set up a joint platform. Tria’s speech was posted to the site of the Italian Economy Ministry.

“Italy must be actively involved in the process (of BRI) integration not only to realize all possible advantages of participating in major infrastructural projects, but also in the longer term to maintain a strategic position in the trade routes of the BRI,” Tria said. “The BRI is a train that Italy must not miss. Italian companies’ participation in projects, including those in collaboration with Chinese companies in third country markets, are particularly important.”

China Daily noted: “For Tria, Italy’s BRI engagement vision is clear and structured on the three levels of direct infrastructural engagement, geographical connection and growing exports to emerging markets along the BRI trade routes.

“Firstly, he encouraged Italian companies in the sectors of consulting, feasibility studies, design, engineering, logistics, machinery, construction, monitoring and IT, security, financial and insurance services to actively seek deals on BRI infrastructure projects.

“Secondly, he said Italy should strengthen its ports facilities and efficiency so they could leverage on Italy’s geographical location between Asia, Europe and Africa to handle more trade flowing between these regions.

“Thirdly, Italian companies, particularly in the sectors of agriculture and food, sustainable technologies, pharmaceuticals, tourism and design sectors, should consider the growing consumption power of new BRI markets’ and the allied opportunity to strengthen exports....

“Between 1977-1979, as a young student at the Sapienza University of Rome, Tria went to Beijing to complete an economic research project, and stayed to gain work experience with a publisher in Beijing. Recollecting his first impressions of China, he said: ‘It was an important country, with a very old culture, which needed to develop its economy....

“Looking back, he said it was China’s long-term policy vision that played a key role in fuelling its economic miracle. ‘It is possible for China to set a strategy, and implement that strategy, that long term vision and consistency is crucial.’

Port Interests the World Over Are Following the Belt and Road

Dec. 11 (EIRNS)—Greece’s *Hellenic Shipping News* yesterday published two exciting reports on developments around the Belt and Road: the first on growing economic activity in China’s Guangxi Zhuang Autonomous Region and the Southeast Asian countries with which it is now trading through the Belt and Road; the second on Portugal’s as “important junctions of the Belt and Road.” For its part, Portugal’s *Revista Cargo*, which speaks for the logistics and ports sector in that country, ran a report on the new, China-Europe multi-modal (sea and rail) transportation route which Russian Railways’ RZD Logistics subsidiary is preparing to launch in the first quarter of next year, connecting China to St. Petersburg’s Bronka port, and then on to the ports of Northern and Western Europe.

The economic transformation around the Guangxi nexus on the International Land-Sea Trade Corridor is exemplary. “A total of 697 freight trains carrying 35,060 containers were launched in the first three quarters of this year. Now, there are regular cargo ship services from Beibu Gulf to Hong Kong and Singapore. Products from countries along the Belt and Road routes, such as fruit and rice, have entered the Chinese market via the rail-sea route,” *Hellenic Shipping News* reports. To cite one example given: A Vietnamese company which five years ago used to trade no more than 500 kg of nuts a day, now trades five *tons* of nuts per day.

Hellenic Shipping News’ report on Portuguese-Chinese cooperation on what is dubbed the blue economy (marine research, ocean development and

protections, port logistics, etc.), includes the news that the director of the University of Lisbon's Center for Marine Technology and Ocean Engineering in Portugal is leading a research team on the safety performance of a new dual-use ship China has just developed capable of operating on both river and sea. The sea-river 1,100 TEU container vessel means cargo does not have to change vessels at ports, which means, for example, that the cost of shipping containers from central China's Wuhan to Shanghai can be cut by 30%.

SCIENCE AND INFRASTRUCTURE

Chang'e-4 Is Closing In on the Moon, Aims To Make First Far Side Landing

Dec. 11 (EIRNS)—China's Chang'e-4 spacecraft carried out a trajectory maneuver correction two days ago, and another is scheduled for tomorrow, Andrew Jones reports for the GBTimes site. The corrections set the spacecraft on target for the landing site. Communications to track the spacecraft's progress through deep space are carried out through ground stations in China and also in Namibia and Argentina. The Southern Hemisphere ground stations are needed when the spacecraft is not visible from China. This is why NASA has a large ground station complex in Australia.

Once the lander is on the far side, communication will be via the relay satellite that was launched in May. Jones expects insertion of Chang'e-4 into lunar orbit tomorrow, and landing to take place once the landing site is at the start of the two-week lunar day, at the end of this month.

U.S. Department of Energy Study Considers Supporting Modular Reactors

Dec. 11 (EIRNS)—The U.S. Department of Energy (DOE) has finally produced a study cautiously promoting the provision of subsidies (production tax credits or PTCs) for small modular nuclear reactors (SMRs), in order to bring online this technology which is critical for economic development worldwide.

The October 2018 report, “Examination of Federal Financial Assistance in the Renewable Energy Market: Implications and Opportunities for Commercial Deployment of Small Modular Reactors,” constitutes a recommendation to Secretary of Energy Rick Perry. The report, prepared under contract and financing by DOE by authors from Kutak Rock LLP and Scully Capital Services, is posted on the Department of Energy website.

Noting that between 2005 to 2015 some \$51.2 billion was provided in production tax credits and direct development subsidies to wind and solar “renewables,” DOE’s study estimates that \$10 billion in such subsidies over the next six years could get 6 GW of SMR capacity, or 15 SMR projects online, rated at about 400 MW each. These projects would consist in combinations of smaller modular reactor units.

The subsidies, it says, would be aimed to reduce the end-user cost/kwh: To achieve equivalent reductions the government investment in subsidies for SMR would be only about 0.34 cents, whereas the investment for solar/wind subsidies would be approximately 1.08 cents/kwh. The SMRs would require less subsidization because of their very long service life and their estimated 90%-plus online ratio (portion of the time the reactor is feeding power to the grid once commissioned).

U.S. POLITICAL AND ECONOMIC

Senate Nearly Ready To Vote To Stop Arms Sales to Saudi Arabia, Seeks End to Yemen War

Dec. 11 (EIRNS)—There could very well be a floor vote in the U.S. Senate this week, invoking Congress’s war powers to stop the sale of U.S. weapons to the Saudis and otherwise stop U.S. support for the war in Yemen.

“We have three different efforts underway, all of which have a lot of momentum,” Senate Foreign Relations Committee Chairman Bob Corker (R-TN) told *Defense News*. “I think it’s really good to have all this happening at the same time. I think it sends a really strong signal.” The

resolution that will be debated this week is expected to have the 51 votes needed to advance to the floor and it may even be opened to related amendments, which, Sen. Richard Durbin of Illinois, the 2nd ranking member of the Democratic caucus, said could mean that “we could finally have the most serious foreign policy debate we’ve had in the Senate in two years, maybe six.”

The current momentum of the effort is attributed to CIA Director Gina Haspel’s briefing to a group of Senators, last week, in which she presented the CIA’s evidence of Saudi Crown Prince Mohammed bin Salman’s role in the Khashoggi murder. But Sen. Chris Murphy (D-CT), one of the resolutions’ co-sponsors, said that this is not the primary reason. “The most important thing is to stop the slaughter of civilians inside Yemen,” Murphy said. “I’m upset about Khashoggi, but I’m much more upset about the fact that this administration has allowed thousands of kids to die inside of Yemen. We need to end that war.”

Chinese Foreign Minister Exhorts U.S. To Abandon Zero-Sum Mindset, for Good of the World

Dec. 11 (EIRNS)—In opening the 2018 Symposium on International Development and China’s Diplomacy in Beijing today, Chinese State Councillor and Foreign Minister Wang Yi reiterated, once again, that “the most important lesson that we have learned from the ups and downs of the China-U.S. relations over the past 40 years is that cooperation leads to win-win results while conflict ends up with a loss for both sides.”

“If China and the U.S. cooperate, it will benefit both countries and the world. If China and the U.S. confront one another, there will be no winner and the whole world will suffer. The U.S. should get rid of zero-sum game thinking, take a more positive view of China’s development, and expand the space and prospects for mutual benefit. It’s not necessary to create new opponents artificially, and also avoid the realization of self-prophecy,” CGTN television network quoted from his speech.

Wang acknowledged that there will inevitably be differences between two major countries with different social systems, culture, history and

development levels, which will not be solved overnight. But, “with increased bilateral exchanges and highly converging interests, China and the United States cannot be completely ‘decoupled’ and isolated from each other,” Xinhua reported.

He also referenced the “constructive discussions over economic and trade frictions” in Buenos Aires that “helped steer the two sides back on the track of settling disputes through dialogue and consultation.”

At the same time, in a clear reference to the Justice Department-instigated Canadian arrest of Huawei CFO Meng Wanzhou, the Chinese Foreign Minister warned that “with any bullying behavior that infringes on the legitimate rights and interests of Chinese citizens, China will never sit idly by and will spare no effort to safeguard the legitimate rights of Chinese citizens and the justice of the world.”

STRATEGIC WAR DANGER

Poroshenko Signs Termination of Ukraine-Russia Friendship Treaty

Dec. 11 (EIRNS)—Ukrainian President Petro Poroshenko signed off on the termination, yesterday, of the 1997 Treaty of Friendship between Ukraine and Russia, to take effect on April 1, 2019. Judging from the statements Poroshenko made, the Kiev regime appears to be intent on cutting off entirely Ukraine’s long, complex relationship with Russia in favor of colonialism by the European Union and NATO. “We must regard the non-prolongation of our Agreement with Russia not as an episode but as part of our strategy towards the final breakup with our colonial past and re-orientation towards Europe,” he said, according to Interfax Ukraine. “The other components of this strategy are as follows: a visa-free regime, an agreement on the association with the EU, the Tomos [a Church decree] on the creation of an independent autocephalous Church in Ukraine, the discontinuance of our membership of the CIS [Commonwealth of Independent States], the mentioning of our aspirations to join the EU and NATO in the Ukrainian Constitution, the creation of a professional

Ukrainian army, the support of the Ukrainian language, our own history, and the strengthening of our national identity.”

TASS reports that Poroshenko has also ordered a complete inventory of agreements between Kiev and Moscow, apparently with the aim of eventually terminating all of them. “We will continue to assess the utility of those agreements,” Poroshenko said. He also instructed the government to take immediate steps to establish an inter-agency coordination body “to work on a comprehensive claim concerning the damage caused by Russia’s military aggression.”

Alexei Chesnakov, Director of the Russian Center for Current Policy, told TASS that by terminating the friendship treaty, the Kiev regime has, in effect, ended all agreements between the two countries signed on the basis of that treaty, including the agreement on the Sea of Azov as the internal sea of two countries. “The matter is that the 1997 Treaty on Friendship, which is being terminated by Ukraine, is the basis of the entire system of treaties and agreements between Moscow and Kiev, and this termination destroys that system,” Chesnakov stressed. “If there is no Treaty on Friendship, there will be no Agreement on the Sea of Azov and the Kerch Strait. That’s the legal and political logic and cause-and-effect link,” he said. “Ukraine is thus stripping itself of the right to freedom of navigation in that region.”