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ISRAEL ISSUES NEW WARNING ON IRANIAN NUCLEAR ARMS

December 17, 2008 The Associated Press reported: "Israeli Defense Minister Ehud Barak is warning that if Iran acquires a nuclear weapon, it could try to attack the United States. Barak said the world should press Iran to stop it from building nuclear weapons.

He spoke at a conference of the Institute for National Security Studies at Tel Aviv University. He said, "If it built even a primitive nuclear weapon like the type that destroyed Hiroshima, Iran would not hesitate to load it on a ship, arm it with a detonator operated by GPS and sail it into a vital port on the east coast of North America."

Indicating the possibility of a military strike, Barak said, "We recommend to the world not to take any option off the table, and we mean what we say."

RUSSIAN WARSHIPS CAUSING NO RIPPLES IN PENTAGON

December 16, 2008 The AP reported: "Russian warships have been plying the waters off Venezuela and Panama in recent weeks and are now heading for Cuba, but U.S. officials are not so much wringing their hands as yawning.

Asked about a Russian warship transiting the Panama Canal earlier this month, Secretary of State Condoleezza Rice — who saw the ship while crossing the canal last week — told the Associated Press: "I guess they're on R&R. It's fine."

The Pentagon, while puzzled by the Russians' actions, also is taking a ho-hum attitude. The U.S. military commander for the region, Adm. James Stavridis, head of the U.S. Southern Command, said that from his vantage point, there is no reason to be concerned about the Russian naval activity.



"They pose no military threat to the U.S.," Stavridis said in an e-mail to the AP on Tuesday. It was the first such passage by a Russian or Soviet warship since World War II.

There is no suggestion of a military confrontation, but the Russian moves are notable in part because they appear to reflect an effort by Moscow to flex some muscle in America's backyard in response to Washington's support for the former Soviet republic of Georgia and elsewhere on the Russian periphery. That includes U.S. missile defense bases to be erected in Poland and the Czech Republic.

The Russians were unhappy with a U.S. decision to send a state-of-the-art warship into the Black Sea as part of an American humanitarian aid mission for Georgia in the aftermath of last August's war with Russia. The Russians also are angry about the Bush administration's push to add Georgia and the former Soviet republic of Ukraine as members of the NATO military alliance."..."

EUROPEAN PARLIAMENT APPROVES OPENING OF DEFENCE MARKET

December 16, 2008 The EU Observer reported: "The EU moved one step closer to a single market in the area of defence on Tuesday (16 December), with the European Parliament approving a commission proposal aimed at harmonising and simplifying national rules in this area.

"Today's approval brings us a decisive step forward towards setting up a true European defence equipment market," Guenter Verheugen, EU commissioner responsible for enterprise and industry and one of the initiators of this directive said after the vote.

The current Nice treaty provides that internal market rules are not applied to the defence market, allowing member states to exclude defence contracts from EU procurement rules.

Moreover, 27 national licensing procedures make transfers of defence material between countries difficult, as they differ in terms of requirements. The licensing rules also apply to the export of defence related products such as spare parts or even army boots.

Applying heterogeneous and disproportionate national licensing systems is hampering the security of supply between member states and costs businesses over €400 million a year, a commission statement reads.

The proposal drafted by German green MEP Heide Ruhle and endorsed by the plenum on Tuesday provides a European system of licences which will be uniform and applicable throughout the 27 member states. Licences will nonetheless be granted at the national level, with governments still free to impose sanctions if the contractor fails to respect the licensing conditions.

The parliament also added some extra provisions to guarantee the security of transfers, notably with respect to the final recipients of products or components, in order to ensure that arms do not reach conflict zones.

The market fragmentation was also a problem identified in the recently reviewed EU security strategy, endorsed by heads of states and governments at their 11-12 December meeting.

"Restructuring of the European defence technological and industrial base, in particular around centres of European excellence, avoiding duplication, in order to ensure its soundness and its competitiveness, is a strategic and economic necessity. In this connection, the European

Council calls for early finalisation of the Directives on intra-Community transfer of defence goods and on defence procurement," the summit conclusions read."..."

DOLLAR NO LONGER HAVEN AFTER FED MOVES RATE NEAR ZERO

December 17, 2008 Bloomberg.com reported: "The world's biggest currency-trading firms say the dollar's appeal as a haven amid the financial crisis all but evaporated.

The U.S. currency slid to a 13-year low against the yen today and had its biggest one-day decline versus the euro after the Federal Reserve reduced its target interest rate yesterday to a range of zero to 0.25 percent, the lowest among the world's biggest economies. CMC Markets said today the currency's prospects appear "ominous." State Street Global markets said the dollar's outlook has been "undermined."

"The dollar has been under heavy downward pressure," said Robert Minikin, a senior currency strategist in London at Standard Chartered Bank Plc. "This move is very well-justified and has a long way to run." Standard Chartered is preparing to cut its dollar forecasts, Minikin said.

Yesterday's rate cut brings the Fed's target to below the Bank of Japan's for the first time since January 1993. U.S. policy makers repeated plans to buy agency debt and mortgage-backed securities and said they will study buying Treasuries, a policy known as quantitative easing.

The dollar fell to 87.14 yen, the lowest since July 1995, before trading at 87.45 yen as of 3:51 p.m. in New York, from 89.05 yesterday. It depreciated to \$1.4437 per euro from \$1.4002 and traded at \$1.4366, the weakest since Sept. 30.

The dollar is likely to decline "longer term," analysts including New York-based Ashraf Laidi at CMC Markets wrote in a report. "Prospects ahead appear particularly ominous for the world's reserve currency once global economic stability starts to build up."

The Fed's debt purchases will cause the dollar to weaken to \$1.4860 per euro, analysts led by Robert Sinche, New York-based head of global currency strategy at Bank of America Corp., wrote in a report yesterday. The Fed reduced the scarcity of dollars and investors slowed the deleveraging process, which drove the currency to a 2 1/2-year high against the euro in October, Sinche said.

"Those temporary supports for the dollar appear to have eroded," Sinche wrote. "Aggressive quantitative easing by the Fed should add to U.S. dollar supply globally and undermine the value of the dollar."

State Street Global Markets, a unit of the world's largest money manager for institutions, said the Fed's move is "perilous" for the dollar as investors accumulated an "extreme" long position on the currency, or bets it will climb.

"This implies a significant potential for a dollar unwind if the real money community attempts to chase price," Hong Kong-based strategist Dwyfor Evans wrote today in a report. The shift toward quantitative easing "has undermined the U.S. dollar significantly over recent weeks."..."

IRAN FORMS SPY NETWORK IN GCC STATES

December 17, 2008 The Middle East Newsline reported: "Iran has established espionage networks in all six Gulf Arab states. An Iranian defector and former ambassador said Iran's Islamic Revolutionary Guards Corps has formed sleeper and operational cells in Gulf Cooperation Council states. The former ambassador, Adil Assadi, said some of the cells, consisting of Iranian laborers and foreign Shi'ite nationals, were formed soon after the Islamic revolution in Teheran in 1979.

"Iran has an undercover presence in the six GCC countries," Assadi, who defected in 2001 and now lives in Sweden, said. "They used to send them through a third country with a recommendation to the immigration authorities not to stamp their passports on entering and leaving the country."..."

OUTSIDE VIEW: IS AHMADINEJAD IN TROUBLE?

December 17, 2008 SpaceWar.com reported: "Iranian President Mahmoud Ahmadinejad may lose the June 2009 presidential election. And a more pragmatic figure, one willing to engage the United States and the international community on Iran's nuclear program, may assume power. But no one, especially in the United States, should count on a dramatic change in Iran's policies, even if Ahmadinejad loses. Ahmadinejad has been routinely and harshly criticized by many of his countrymen for his performance of the past three years, especially his handling of the economy. Inflation hovers around 30 percent (officially), unemployment continues to climb, and rolling blackouts and energy shortages make everyday life more difficult throughout the country.

The Iranian Parliament's recent impeachment of Interior Minister Ali Kordan for forging a Ph.D. from Oxford University dealt another blow to Ahmadinejad's prestige and his prospects for re-election in 2009."...They may hope that Ahmadinejad's defeat in the presidential election could lead to a softer approach on issues ranging from the economy to U.S.-Iranian relations."..."



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