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U.S. MILITARY REPORT WARNS 'SUDDEN COLLAPSE' OF MEXICO IS POSSIBLE

January 13, 2009 The El Paso Times reported: "Mexico is one of two countries that "bear consideration for a rapid and sudden collapse," according to a report by the U.S. Joint Forces Command on worldwide security threats.

The command's "Joint Operating Environment (JOE 2008)" report, which contains projections of global threats and potential next wars, puts Pakistan on the same level as Mexico. "In terms of worse-case scenarios for the Joint Force and indeed the world, two large and important states bear consideration for a rapid and sudden collapse: Pakistan and Mexico.



"The Mexican possibility may seem less likely, but the government, its politicians, police and judicial infrastructure are all under sustained assault and press by criminal gangs and drug cartels. How that internal conflict turns out over the next several years will have a major impact on the stability of the Mexican state. Any descent by Mexico into chaos would demand an American response based on the serious implications for homeland security alone."

The U.S. Joint Forces Command, based in Norfolk, Va., is one of the Defense Departments combat commands that includes members of the different military service branches, active and reserves, as well as civilian and contract employees. One of its key roles is to help transform the U.S. military's capabilities.

In the foreword, Marine Gen. J.N. Mattis, the USJFC commander, said "Predictions about the future are always risky ... Regardless, if we do not try to forecast the future, there is no doubt that we will be caught off guard as we strive to protect this experiment in democracy that we call America."

The report is one in a series focusing on Mexico's internal security problems, mostly stemming from drug violence and drug corruption. In recent weeks, the Department of Homeland Security and former U.S. drug czar Barry McCaffrey issued similar alerts about Mexico.

Despite such reports, El Pasoan Veronica Callaghan, a border business leader, said she keeps running into people in the region who "are in denial about what is happening in Mexico."

Last week, Mexican President Felipe Calderon instructed his embassy and consular officials to promote a positive image of Mexico.

The U.S. military report, which also analyzed economic situations in other countries, also noted that China has increased its influence in places where oil fields are present."..."

EUROPE BAFFLED BY BROKEN GAS PROMISES

January 13, 2009 The Financial Times reported: "The bitter gas dispute between Russia and Ukraine descended into near-chaos on Tuesday, leaving European Union diplomats baffled as promises to restart supplies fully were broken and Moscow suggested that the US had meddled in the affair.

In a potentially alarming twist on Tuesday night, Gazprom, the Russian gas company, said it was unable to meet its legal commitments to supply European countries with gas because Ukraine was allegedly blocking the flow across its territory.

Russia and Ukraine both defied terms of a contract agreed last weekend with the EU to allow an EU-backed monitoring mission to observe gas transit, leaving people in 18 countries across the continent with supply disruptions.

José Manuel Barroso, European Commission president, expressed "disappointment at both the level of gas flowing and our concerns about the access of our monitors", in a telephone conversation with Vladimir Putin, the Russian prime minister.

Russia began the day by feeding small volumes of gas into a pipeline across Ukraine to the Balkans, but Ukraine refused to transit the supplies, citing technical reasons.

Alexander Medvedev, the deputy chief executive of Gazprom, said: "We believed the door for Russian gas was open, but again it has been blocked by the Ukrainians."

He accused the US of encouraging Ukrainian action: "It looks like . . . they are dancing to music being orchestrated not in Kiev but outside the country."

Oleh Dubyna, president of Naftogaz, Ukraine's state gas company, said it was technically impossible to pump gas to the Balkans via the route proposed by Gazprom without cutting off supplies to eastern Ukraine. "We did not open the valve because there is no capability," said Mr Dubyna."...

On Tuesday night, Mr Medvedev said Gazprom had declared "force majeure" on its gas exports to Europe and warned it would unleash its "entire legal arsenal" against Ukraine."..."

CHAVEZ REOPENS OIL BIDS TO WEST AS PRICES PLUNGE

January 15, 2009 The International Herald Tribune reported: "President Hugo Chávez, buffeted by falling oil prices that threaten to

damage his efforts to establish a Socialist-inspired state, is quietly courting Western oil companies once again.

Until recently, Chávez had pushed foreign oil companies here into a corner by nationalizing their oil fields, raiding their offices with tax authorities and imposing a series of royalties increases.

But faced with the plunge in prices and a decline in domestic production, senior officials here have begun soliciting bids from some of the largest Western oil companies in recent weeks — including Chevron, Royal Dutch/Shell and Total of France — promising them access to some of the world's largest petroleum reserves, according to energy executives and industry consultants here.

Their willingness to even consider investing in Venezuela reflects the scarcity of projects open to foreign companies in other top oil nations, particularly in the Middle East.

But the shift also shows how the global financial crisis is hampering Chávez's ideological agenda and demanding his pragmatic side. At stake are no less than Venezuela's economic stability and the sustainability of his rule. With oil prices so low, the longstanding problems plaguing *Petróleos de Venezuela*, the national oil company that helps keep the country afloat, have become much harder to ignore.

Embracing the Western companies may be the only way to shore up *Petróleos de Venezuela* and the raft of social welfare programs, like health care and higher education for the poor, that have been made possible by oil proceeds and have helped bolster his popular support.”...”

CHINA BECOMES THIRD LARGEST ECONOMY

January 14, 2009 The Financial Times reported: “China overtook Germany to become the world’s third-largest economy in 2007 after the Chinese authorities revised upwards the figures for growth during that year. China’s National Bureau of Statistics said on Wednesday that the economy expanded by 13 per cent in 2007, a sharp increase from the 11.9 per cent growth rate the authorities had previously stated.

With only the US and Japan larger than China, the new figures highlight the rapid transformation that the Chinese economy has undergone during the past 30 years since Mao-era controls were eased, although it is experiencing the toughest period in a decade as a result of the global financial crisis.

The fresh data will reinforce the case to give China and other large emerging economies a bigger role in global financial decision-making, even though China has been hesitant about taking on new responsibilities.

“It is symbolically significant that China is now bigger than Germany and it will not be too long before its economy overtakes [that of] Japan,” said Mark Williams at Capital Economics in London.

Many economists reckon that Chinese growth in 2009 will fall well short of the 8 per cent government officials are forecasting. It has slowed sharply in recent months. However, given the steep declines forecast for many developed economies, China will remain one of the main contributors to global growth.

In the medium-term, economists say that there is plenty of scope for China to maintain relatively high growth rates. Urbanisation and technology catch-up have decades to run. But the outlook is complicated by a rapidly ageing population and costs of damage to the environment.

Goldman Sachs forecasts that the Chinese economy will overtake that of the US by about 2040. The Economist Intelligence Unit forecasts in terms of purchasing power parity – which adjusts for price differences between countries to reflect actual buying power of local incomes – China will outstrip the US by 2017.”...”



VENEZUELA LAWMAKERS APPROVE UNLIMITED RE-ELECTION BILL

January 15, 2009 AFP reported: “The Venezuelan National Assembly overwhelmingly approved President Hugo Chavez's proposed constitutional amendment to allow for unlimited re-election of the president and all other elected officials. The amendment will now be submitted to a referendum, possibly February 15, when it could conceivably founder as a similar measure did in late 2007.

Chavez, who first sought unlimited re-election only for the president but recently asked it be extended to all elected officials in the country, has already said he plans run in the 2012 presidential election if he is allowed.

Chavez, first elected president in 1998, was re-elected in 2006 for a term that ends in February 2013. Venezuela's constitution was changed in late 1999, allowing Chavez to run for an additional re-election. Stacked with Chavez followers, the National Assembly passed the amendment by a show of hands, with only seven opposition members voting against it.

The measure, which is to be submitted to referendum within 30 days after its approval, will now go before the National Election Board, which on Friday is expected to announce a date for the plebiscite. Meanwhile, Chavez has manned an all-out campaign to convince Venezuelans his brand of socialism is what the country needs and can only be carried out fully if he remains in power.”