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FORMER US FINANCE CHIEF SAYS EURO IS 'BREAKING DOWN'

August 24, 2011 The EU Observer reported: "Alan Greenspan, the former chairman of the US federal reserve, has said the eurozone is breaking apart due to variations between economies in the north and south of Europe. Speaking during a question-and-answer session at the Innovation Nation Forum in Washington on Tuesday (23 August), the 85-year-old economist said: "The euro is breaking down and the process of its breaking down is creating very considerable difficulties in the European banking system."

He added: "That stuff [eurozone country bonds held by banks] has always been thought of as the ideal collateral and now it's getting highly questionable."

Greenspan explained that northern countries, such as Germany and Finland, have a culture of budgetary discipline while southern nations, such as Greece, historically consume more than they produce and build up debt.

"The problem is that there is a growing cleavage in the economic and analytical and banking circles as to whether the euro, which is the crucial issue here, should be 17 countries with very significantly different cultures ... That cannot go on," he said. "The general feeling out there is of a lull before the storm."

Greenspan's remarks - widely reported by financial newswires - saw the euro dip against the dollar..."..."

EUROPE STUMBLES TOWARD A TIGHTER UNION

August 10, 2011 businessweek.com reported: "Starting in the 1950s, Europe's leaders edged closer. First came the European coal and steel cartel. Then the Common Market. Then the European Union, which now includes 27 states. Then the disappearance of many border controls inside the EU. Finally, the euro. Each step of the way the nations of Europe gave up a little more sovereignty, deferring to EU officials in Brussels on regulatory issues, honoring the rulings of the top EU court, and—with some exceptions such as Britain—yielding the power to set interest rates to the European Central Bank.

One thing no one surrendered: power over the national budget. Fiscal union, where a central authority has final say over each country's spending and taxing, was never a possibility. Politically at least, it was a move too far: To control the budget was to control the nation itself.

Now the idea is being debated like never before. The desperate rescue attempts launched in Europe in the last two years mark a step toward fiscal union, though Germany, the EU's most important member, still opposes it. That opposition means that true fiscal union "is really, really still a long way off," says Fabio Fois, an economist at Barclays Capital in London. Still, the Europeans seem to be headed in that direction.

Why? First, with the ECB buying Italian and Spanish bonds to stop the Greek contagion from spreading, the central bank and its president, Jean-Claude Trichet, are becoming de facto financial masters of the states they are rescuing: If Italy backslides on reforms, the ECB can stop buying its government securities and abandon it to the market wolves.

So far the ECB's buying binge has lowered yields on Spanish and Italian bonds by more than a point. "It's not perfect, but this is sustainable," says Steven Major, global head of fixed income research at HSBC. "The longer-term solution involves some kind of fiscal union, and we need time to get to that."...

The European Financial Stability Facility, which the EU set up last year to prevent the Greek crisis from spreading, should soon be doing the bond buying the ECB has launched. The EFSF is getting expanded powers from euro zone members to buy all euro region bonds so that it can aid member states before a full-blown bailout is needed. Acting through the fund, the EU can impose austerity measures on euro zone states that eventually need help. Such authority resembles the power that a finance ministry of Europe would have.

The other factor that brings fiscal union in Europe closer is the way the EFSF is financed. To raise money for its bailout efforts the fund must issue bonds guaranteed by all the member states of the euro zone."...

This funding method could be a prototype of how a European fiscal union would operate. In addition to member states issuing their own bonds backed by their separate governments, Eurobonds would be issued with the backing of all the member countries."...

Trichet, one of the architects of the Maastricht Treaty that established the euro, said in June that he favored a European finance ministry and veto powers for the EU over national budgets. "Would it be too bold, in the economic field, with a single market, a single currency, and a single central bank, to envisage a ministry of finance of the union?" he asked in a speech in Aachen, Germany."..."

AHMADINEJAD: IRAN IS DETERMINED TO ERADICATE ISRAEL

August 25, 2011 Haaretz reports: "Iranian President Mahmoud Ahmadinejad said that Iran was determined to eradicate Israel, ISNA news agency reported Thursday.

'Iran believes that whoever is for humanity should also be for eradicating the Zionist regime (Israel) as symbol of suppression and discrimination,' Ahmadinejad said in an interview with a Lebanese television network, carried by ISNA.



'Iran follows this issue (the eradication of Israel) with determination and decisiveness and will never ever withdraw from this standpoint and policy,' the Iranian president added in the interview with the Al-Manar network. The remarks by Ahmadinejad came one day before the annual anti-Israeli rallies named Qods (Jerusalem) Day, which are held nationwide in Iran on the last Friday of the fasting month of Ramadan. Ahmadinejad on Monday said that Iranians and Muslim nations worldwide should hold Qods rallies and show their willingness to dispose of this 'infectious tumor and this regime full of rascality.' ..."

PENTAGON REPORT: CHINA CLOSER TO MATCHING MODERN MILITARIES

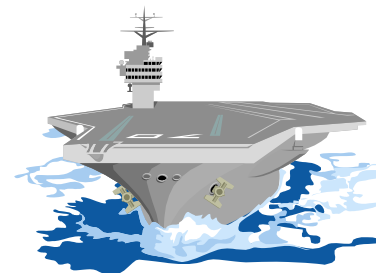
August 24, 2011 The Washington Times reported: "China's military buildup has made impressive gains that pushed the Communist Party-controlled People's Liberation Army closer to matching modern militaries, according to the Pentagon's annual report to Congress made public Wednesday.

"Militarily, China's sustained modernization program is paying visible dividends," the report said. "During 2010, China made strides toward fielding an operational anti-ship ballistic missile, continued work on its aircraft carrier program, and finalized the prototype of its first stealth aircraft."

While the report cautioned that the Chinese military continues to have gaps in key military capabilities and has large amounts of outdated hardware and a lack of operational experience, it concluded that the People's Liberation Army "is steadily closing the technological gap with modern armed forces."

By the end of this decade, China will be able to project military power and sustain a modest-sized force of naval and ground forces for smaller conflicts "far from China," an assessment not included in earlier Pentagon reports.

China recently began sea-trials of a refurbished Soviet-era aircraft carrier and is developing a unique anti-ship ballistic missile to target ships at sea, the report said. The report appeared to back away from statements made by Adm. Robert Willard, commander of U.S. forces in the Pacific, who said earlier this year, based on the anti-ship ballistic missile's extensive testing, had basically been deployed. The Pentagon report said China was "developing" the new missile, echoing a statement made in January by a senior Chinese general.



China also is continuing aggressive cyberintelligence gathering and targeted numerous computer systems around the world, the report said, noting the intrusions "appear to have originated within the PRC."

"These intrusions were focused on exfiltrating information," the report said, noting that the same skills can be used for "computer network attacks" in warfare."...China's military is continuing to use deception about its military but it is becoming tougher to hide its new weapons systems.

"Many of China's new military capabilities are difficult or impossible to hide," the report said. "Examples of such capabilities include advanced aircraft, long range missiles, and modern naval assets."...."

JERUSALEM POLICE RAISES ALERT LEVEL AFTER WARNINGS OF TERROR ATTACK

August 21, 2011 Haaretz reported: "Haaretz reports: "Israeli security forces raised their alert level in Jerusalem on Sunday, following warnings that a terror attack may occur in the city in the near future. Israel police raised its alert level and stationed additional security throughout Jerusalem. Moreover, police stationed road blocks and carried out security checks on cars in the northern part of the city..."

The warning of a possible terror attack in Jerusalem follows Thursday's deadly violence, when nine people were killed in southern Israel during a series of terror attacks whose perpetrators Israel believes entered viwa Sinai but originated in the Gaza Strip..."

EX-IAEA OFFICIAL WARNS OF 'DIRTY BOMB' NUCLEAR MATERIAL IN LIBYA

August 24, 2011 Haaretz reports: "A research center near Tripoli stocks uranium and other material that could be used to make a nuclear 'dirty bomb' and Libya's rebels will need to secure it, a former senior UN inspector said on Wednesday. Seeking to mend ties with the West, Libya's Muammar Gadhafi agreed in 2003 to abandon efforts to acquire nuclear, chemical and biological weapons - a move that brought him in from the cold and helped end decades of isolation.

Olli Heinonen, head of nuclear safeguards inspections worldwide for the UN atomic watchdog until mid-2010 and now at Harvard University, said Libya's uranium enrichment program was subsequently taken apart.

Sensitive material and documentation ranging from nuclear weapons design information to centrifuge components were also confiscated, Heinonen said in an online commentary. Libya's highly-enriched uranium, which was used to fuel the Tajoura research reactor on Tripoli's outskirts, took longer to remove but the last consignment of spent fuel was flown out of Libya in late 2009.

But 'nuclear security concerns still linger', said Heinonen, a former deputy director general of the Vienna-based International Atomic Energy Agency (IAEA)..."

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