

## EIR Daily Alert Service

P.O. BOX 17390, WASHINGTON, DC 20041-0390

- LaRouche Says, U.S. and China Must Cooperate—In Space, Fusion Power, Great Development Projects
- U.S. Negotiators React to China’s White Paper on Trade War
- Did Bolton ‘Fix’ Intelligence on Russian Nuclear Testing, in Order To Deep-Six Test Ban Treaty?
- U.S. House Finally Passes Disaster Aid Bill, Now Ready for Trump To Sign
- China’s Direct Exports to U.S. Are Down, While Its Indirect Exports Are Up
- Fed Starts To Panic in Effort To Avoid Panic ‘About Trade’
- Sri Lanka *Daily Mirror* Reflects the Truth About the ‘China Debt Trap’ Lie
- Russia Blocks Proposed UN Security Council Statement on Idlib
- One-Third of Adult Russians Would Try Out To Be Cosmonauts
- Italy’s Prime Minister Conte Delivers Anti-Lega Ultimatum

## EDITORIAL

### **LaRouche Says, U.S. and China Must Cooperate—In Space, Fusion Power, Great Development Projects**

June 4 (EIRNS)—What seems to be the biggest economic and strategic issue in the world today, was clearly stated by Lyndon LaRouche some 22 years ago in a crucial public presentation. LaRouche said then, on May 10, 1997: The United States and China are the two nations whose relationship

matters most for the future of humanity in the 21st century; they must cooperate to advance economic development worldwide.

This afternoon, days before a memorial to LaRouche's life and work to be held in New York City, his wife, Schiller Institute President Helga Zepp-LaRouche, re-emphasized that fact. She said that between that LaRouche Memorial day June 8, and the G20 meeting in Osaka on June 28-29—where President Donald Trump is likely to meet with Chinese President Xi Jinping as well as Russian President Vladimir Putin and Indian Prime Minister Narendra Modi—many, many leading figures must come out strongly for a policy of cooperation in development between the United States and China. Those four powers, in fact, can cooperate in a new international system of credit for great infrastructure projects and economic development of the developing sector. But the America-China relationship, which Zepp-LaRouche said was now “up in the air,” is the one which must be righted.

The “alternative” is to believe propaganda, and join the party which wants superpower confrontations, even war, instead of development. Not two years ago, millions of Americans knew President Donald Trump wanted a good, cooperative relationship with China, and supported him 100% on it. Millions more knew, directly or indirectly, what rapid economic and scientific progress China has made, how many millions it has taken out of poverty. Two years later, many of those millions believe war propaganda so crazy, that they think Chinese companies make subway cars to spy on them.

Three years ago, millions of Americans respected Russia's President for helping bring President Barack Obama back from the brink war in Syria—which Americans overwhelmingly opposed. The war party, led by British and U.S. intelligence agencies attacking President Trump, blasted out anti-Russia propaganda for three years. That has now been exposed as an attempted coup against President Trump by the British Empire and its war party. Whether the President demanded satisfaction in the U.K., by asking

pointed questions about the figures who pushed for his overthrow, is “up in the air” as of this point.

Lyndon LaRouche also often remarked that some people are inner-directed, and act on their own knowledge and convictions, while there are many who are other-directed, and try to say what they think they should be overheard saying by others. This kind of propaganda works that way. The U.S. Secretary of State told a major Swiss newspaper that if you have a Chinese-made cell phone, all your information goes straight to the head of the Chinese Communist Party!

Who chooses—all of a sudden—to believe such things, can forget new infrastructure projects in the United States, or fair prices for farm crops, or reviving a manned Moon program and then to Mars, or breaking through to fusion energy. The war party has no such interests.

What the American Presidency will be—regarding cooperation or confrontation with the other leading scientific and economic powers—as of that G20 meeting of heads of state and government in three weeks, is also up in the air. It’s up to us.

## U.S. POLITICAL AND ECONOMIC

### U.S. Negotiators React to China’s White Paper on Trade War

June 4 (EIRNS)—Responding to the release of the White Paper “China’s Position on the China-U.S. Economic and Trade Consultations,” by China’s State Council, the U.S. Trade Representative (USTR) and the Department of Treasury issued a joint statement on June 3 declaring America’s “disappointment.” They said that the White Paper showed that China chose “to pursue a blame game misrepresenting the nature and history of trade negotiations between the two countries.”

The statement continued: “President Trump is committed to taking action to address the unfair trade practices that China has engaged in for decades, which have contributed to persistent and unsustainable trade

deficits, almost \$420 billion last year, and have caused severe harm to American workers, farmers, ranchers, and businesses.”

The USTR emphasized that “insistence on detailed and enforceable commitments from the Chinese in no way constitutes a threat to Chinese sovereignty.”

The Hong Kong daily *South China Morning Post* runs an analysis, “Why Beijing Isn’t Playing Blame Game with Its White Paper on Trade War,” citing experts asserting that the White Paper was part of China’s bid for a return to the negotiations, not an effort to assign blame on why they failed before. Chinese analysts who spoke with *SCMP* before the U.S. response was released, told the daily that Beijing was not pointing fingers, it was telling the U.S. it would not “give ground on matters of principle,” but that it was willing to commit to “credible suggestions.”

Ding Shuang, chief China economist at Standard Chartered Bank said, “While China recognizes the difficulty with bilateral relations even with a trade deal reached, it is still willing to do whatever is possible to delay a potential conflict between the two countries.”

In a June 2 article, *SCMP*’s headline gives its assessment: “China Says U.S. ‘Solely To Blame’ for Collapse of Trade Talks, But Door Remains Open for Negotiation.”

Mei Xinyun, a research fellow affiliated with the Commerce Ministry, said China wanted to break the ice with the U.S. before the June 28-29 G20 summit in Osaka, Japan. The White Paper could help restart the trade talks by making Beijing’s policy clear and reducing chances of miscalculation. Mei said it is hoped that President Xi Jinping and President Donald Trump would agree to some kind of deal “just like the ceasefire they announced in Buenos Aires last year” at the December G20—after which *SCMP* inserts, “if the leaders meet.”

## Did Bolton 'Fix' Intelligence on Russian Nuclear Testing, in Order To Deep-Six Test Ban Treaty?

June 4 (EIRNS)—On May 29, Lt. Gen. Robert Ashley, Jr., director of the Defense Intelligence Agency, claimed that Russia could be violating the Comprehensive Test Ban Treaty with low-yield nuclear tests at its facility on the Novaya Zemlya archipelago on the Arctic. However, Ashley failed to present any evidence of such nuclear testing by Russia or anyone else. Michael Krepon, a co-founder of the Stimson Institute in Washington, states in a *Forbes* column, yesterday, that the head of the CTBT Organization, established to monitor very low yield explosions, including in the Arctic region of which General Ashley spoke, has said that his organization's network of more than 300 sophisticated sensors has detected no suspicious readings.

Krepon argues, in fact, that Ashley's accusations could have less to do with Russia than with a drive by the Trump Administration to abandon yet another international arms control agreement. "As a result of General Ashley's statement, it's now open season against the CTBT for those who want to trash another treaty," Krepon writes. He states that critics of the treaty have already called on Trump to "unsign" the treaty. The United States signed it in 1997, but at the time the Republican-controlled Senate refused to ratify it. "By 'unsigning' the CTBT, Trump would tell the world that the United States is no longer bound to respect the Treaty's obligation not to test nuclear weapons," Krepon reports.

Krepon raises the question of National Security Adviser John Bolton's possible involvement in the DIA assessment, given his long history of opposing arms control agreements and his record of " 'fixing' intelligence" in order to fit policy objectives. "Bolton is on record opposing U.S. ratification and entry into force of the CTBT. Is he once again 'fixing the facts' to suit his policy preferences? Is the Defense Intelligence Agency once again guilty of reaching conclusions beyond available evidence, and misrepresenting the evidence it has? Or is there strong evidence of Russian violations of the CTBT's prohibition on testing?" Krepon asks. "We

deserve answers to these questions before opening the floodgates to resumed nuclear testing.”

## **U.S. House Finally Passes Disaster Aid Bill, Now Ready for Trump To Sign**

June 4 (EIRNS)—The U.S. House yesterday passed a long-delayed disaster aid bill by an overwhelming margin of 354-58. Passed by the Senate in May, the bill now goes to President Donald Trump for his expected signature.

The legislation did not go forward for months while the President and Democrats fought over aid to Puerto Rico, which will receive \$900 million in the bill passed.

While the bill was held up, other disasters occurred, such as Mississippi-Missouri River flooding in the Midwest, which had to be included. The bill now funds many federal programs that provide aid and money to rebuild to local communities, assist farmers, service members, and others.

Sen. Richard Shelby (R-AL) expressed worry that the difficulty in addressing these obvious disasters does not augur well for resolving a government shutdown date of Sept. 30, and the need to raise the federal borrowing limit or face default at that time.

The bill covers perhaps the broadest array of disasters ever addressed at one time: \$2.4 billion for community development grants to address disasters since 2017; \$3 billion for the Agriculture Department to cover producers' losses from them, and \$720 million for the Forest Service to repay money spent to fight last year's wildfires, the *Washington Post* reported. The bill also extends the National Flood Insurance Program through Sept. 30. The President agreed to \$600 million for Puerto Rico's food stamp program and \$300 million for a block grant, but insisted on the inclusion of language demanding good financial stewardship of the money to Puerto Rico.

The White House attempted to include \$4.5 billion for the U.S. Mexico border spending, but no agreement was reached.

## China's Direct Exports to U.S. Are Down, While Its Indirect Exports Are Up

June 4 (EIRNS)—A June 1 article in *Nikkei Asian Review*, “Chinese Goods Navigate Alternate Trade Routes to U.S. Shores,” reporting an analysis of trade in China’s major export products for the U.S. market during the first quarter of 2019, shows the relative futility of “punitive” tariffs directed at a single “adversary” country, as opposed to broad protective tariffs to allow certain home industries to develop, as in the original policy of Alexander Hamilton. While some nations may be granted reciprocal exemptions to a broad protective tariff—as was particularly practiced under President William McKinley’s administration—trying to force down exports from a single country as a means of compulsion, simply makes other countries unwitting targets.

*Nikkei* said that it analyzed first-quarter data from the U.S. International Trade Commission and the International Trade Centre, and found that China’s most important export products are continuing to go to United States, but through Vietnam, Taiwan and Mexico. Their categories were the top five Chinese exports to the U.S.: 1) machinery and parts 2) electrical equipment and parts 3) furniture 4) toys 5) automobiles and parts. Of these, only toys have not been subject to new 25% American tariffs. These are very big export categories, and their direct exports to U.S. dropped 15% in first quarter relative to the same quarter in 2018.

But Chinese exports of the same products rose by 20% to Vietnam, 23% to Taiwan and 14% to Mexico. Vietnam’s exports of these products to the United States rose by 58%; Taiwan’s by about 31%; and Mexico’s by about 7%. Overall, these three countries’ exports of these products would have “offset” about \$8.8 billion of the \$12.2 billion drop in direct exports from China to the United States.

*Nikkei* concluded, “These developments come as companies with production bases in China are increasingly suspending or reducing direct exports to the U.S., while sending materials and parts to other Asian countries and to Mexico, where they are made into finished products and

then shipped to the U.S.” They name both U.S. and other multinational companies, and Chinese companies.

U.S. agricultural exports to China are effectively indirect—they take place through food-products multinationals which can be considered “third countries”—and this may explain why the ups and downs of such exports over the past six months have seemed unrelated to the tariffs imposed by China.

## COLLAPSING WESTERN FINANCIAL SYSTEM

### Fed Starts To Panic in Effort To Avoid Panic ‘About Trade’

June 4 (EIRNS)—Three senior Federal Reserve officials on June 3-4 came forward with promises “to the markets” which seemed to point to a return to quantitative easing (QE) programs, including imminent, multiple discount rate cuts in the second half of 2019. While financial media are all blaming this on President Donald Trump’s tariffs and sanctions of the past month destabilizing financial markets, in fact the interest rates on long-term U.S. Treasury securities have been dropping steadily for six months, suddenly reversing a two-year rise. This is one of several clear recession signs.

On Monday, St. Louis Fed President James Bullard said “rate cuts may be warranted soon.” On Tuesday Federal Reserve System Chairman Jerome Powell, speaking at a Fed conference in Chicago, said the Fed was ready “to help sustain the recovery with whatever is necessary.” Powell said, clearly referring to a return to QE, “Perhaps it is time to retire the term ‘unconventional’ when referring to tools that were used in the crisis. We know that tools like these are likely to be needed in some form in the future.” Fed Vice-Chair Richard Clarida, at the same conference, gave an interview promising at least one early rate cut to CNBC, which reported “financial markets anticipate at least two interest rate cuts before the end of the year.” Only last December, the Fed was still *raising* rates.

U.S. factory orders, announced today, are up just 1.0% in the past year; industrial production is up only 0.8% in the same period; the so-called global average of industrial purchasing managers' indices (i.e., surveys) is at zero growth. This is not to consider the farm economy; JPMorgan analyst Ann Duignan sent a note to investors on May 13, in the words of *Drovers* Greg Henderson, that “the fundamentals of [U.S.] agriculture are ‘rapidly deteriorating,’ ” and this is plain for all Americans to see.

But the Federal Reserve's readiness to head back toward zero rates is extraordinary considering that in May the Fed itself made a report, and Powell a statement on it, about the growing danger of high-risk corporate debt, which it warned is at levels, relative to GDP, higher than immediately before the 2008 crash. An article in *Forbes* June 3 showed that the volume of leveraged loans in the U.S. economy has nearly tripled since 2007, while that of junk bonds (still the larger amount) has more than doubled. Between them, they are \$4.5 trillion of \$14 trillion U.S. non-financial corporate debt, with additional corporate debt steadily falling into these “junk debt” categories.

It is this bubble that the Federal Reserve is most concerned to “sustain” by now heading back toward QE.

## THE NEW GLOBAL ECONOMIC ORDER

### **Sri Lanka *Daily Mirror* Reflects the Truth About the ‘China Debt Trap’ Lie**

June 4 (EIRNS)—The *Daily Mirror* of Sri Lanka refuted the lie that the Colombo government is unable to repay its loans to China, by pointing out that its debt to China was less than what it owes to commercial banks, other nations, and multilateral institutions, such as the Asian Development Bank and Japan.

In its June 3 editorial, “China-Lanka Relations, Its Debt Burden, and China's BRI,” the editors begin by describing the Indian Ocean island-nation's long relations to China, dating from at least 400 A.D. More importantly, Sri Lanka, only freed from the British Empire in 1948,

established relations with the People’s Republic of China in 1950 and cosponsored the P.R.C. membership in the United Nations. In 1952, during a Sri Lanka famine, China hastened to purchase Sri Lanka rubber, paying higher than market prices, in exchange for Chinese rice at below market prices. Accompanying this depiction of the two nations’ true friendship, is a global map of the Belt and Road Initiative (BRI), which clearly shows Sri Lanka’s crucial role in both the Silk Road Economic Belt and Maritime Silk Road.

With that, and more as background, the editorial goes on to explain that according to Central Bank figures, the country’s full foreign debt burden in 2018 was \$55 billion: 14% of that is owed to the ADB; 12% to Japan; 11% to the World Bank; and 10.6% to China. The country’s foreign debt accounts for 77% of GDP. It will have to pay \$17 billion worth of debt between 2019 and 2022, mainly to commercial banks and to traditional multilateral donors. With currency reserves of \$9.1 billion and a poor balance of payments record, the country has a general debt problem, in which China is only one, and far from the largest, of the country’s creditors, as opposed to Japan, the largest single nation creditor. It also reports that some of the loans China has made were used to pay other debt obligations, not those of China.

If Sri Lanka is in a debt trap, it is with the ADB, Japan, the World Bank and other foreign creditors. It certainly is not a China debt trap.

## STRATEGIC WAR DANGER

### **Russia Blocks Proposed UN Security Council Statement on Idlib**

June 4 (EIRNS)—Russia yesterday blocked a UN Security Council statement proposed by Kuwait, Germany, and Belgium that would have condemned the Syrian-Russian military operation in Idlib. According to AFP, the proposed text would have expressed “grave concern over the intensifying hostilities in northwestern Syria,” including attacks on hospitals, clinics and schools. It warned of “a potential humanitarian catastrophe in the event of a full-scale military operation in northwestern

Syria.” The proposed measure would have called on the parties to return to the ceasefire arrangement agreed by Russian President Vladimir Putin and Turkish President Recep Tayyip Erdogan last September in Sochi.

A Russian diplomatic source told TASS that the draft statement “was unbalanced and lacked the mention of terrorists acting in the region.”

“We do not agree that the situation in the North-West can be viewed separately from situation in other regions. Besides, the document under consideration absolutely ignored the fact that Idlib was controlled by terrorist group ‘Hayat Tahrir al-Sham,’ ” the statement posted to the Russian Federation’s Permanent UN Mission website said.

“We regret that our colleagues in the Security Council preferred to stick to the biased approach towards what is going on in Syria. The so-called humanitarian ‘troika’ showed no worries when the illegal coalition that is deployed in Syria was razing Hajin and Baghouz down to the ground. The ‘liberated’ Raqqa is still lying in ruins,” the statement concluded.

## SCIENCE AND INFRASTRUCTURE

### One-Third of Adult Russians Would Try Out To Be Cosmonauts

June 4 (EIRNS)—More than one-third (38%, actually) of Russians surveyed think they could try out for a cosmonaut crew if they met the requirements, TASS reported yesterday, and 18% said they would definitely participate.

“Even adults still dream of travelling to space,” says the report from the Russian Public Opinion Research Center, TASS reported. “More than one-third (38%) would like to try out to become cosmonauts of the Russian Federation if they lived up to the age, health and professional skills requirements. Among men aged under 30, 58% [said they would like to participate], in particular 26% of them said they would definitely participate,” the survey report said.

According to the survey, 56% of the respondents said they would suggest to their children that they should participate in a contest to become

an astronaut, or would discuss this option with their families. But only 8% of those surveyed said that their children do, or have dreamt, of becoming cosmonauts. An overwhelming majority of those polled (74%) think that the profession of cosmonaut will be sought-after in Russia. As many as 13% of respondents had dreamt of becoming cosmonauts in their childhood, and one in five said friends or acquaintances wanted to go into space. Of today's youth (18-29), 16% more dreamt of space than the generation over 60 years old (7%) according to the poll.

The poll was conducted on May 31 among 1,600 respondents, TASS reported.

One might ask, can the U.S. compete with that enthusiasm?

## OTHER

### **Italy's Prime Minister Conte Delivers Anti-Lega Ultimatum**

June 4 (EIRNS)—Italian Prime Minister Giuseppe Conte launched a public ultimatum (or pre-ultimatum) to government partners Five Star Movement (M5S) and Lega, which many see as having been suggested by State President Sergio Mattarella as part of a pre-emptive move to sabotage the Lega's ambition to steer the Italian government, after its good results in the European Parliament elections.

Conte gave a press conference June 3 at 18.30, saying that either the Lega and M5S bury the hatchet after the election campaign and stick to their government contract, or he will resign as Prime Minister. Conte is not a member of either party. He made several references to Lega chairman Matteo Salvini, without naming him, chastising the behavior of government officials who speak on matters outside their jurisdiction—for instance, speaking out about the deficit while Conte and Finance Minister Giovanni Tria are negotiating with Brussels. Conte made it clear that, until European Treaties are changed, Italy must stick to the Stability Pact deficit rules.

Apparently, Conte's ultimatum had little effect. Soon after Conte's press conference, the government held a meeting that lasted less than an hour. No

decision was made over a disagreement between the Lega and the M5S on changing rules for public works. Current rules for government tenders, drafted by previous government, have produced a bureaucratic monster that prevents rapid procedures. As a result, urgent infrastructure can wait for months and years to be built, even if money, projects, and everything else is available. The M5S is pushing a reform of those rules which itself would take more than a year to be implemented. Meanwhile, Italy's entire construction sector could go bankrupt. The Lega has presented an amendment that suspends current rules for two years, allowing all projects to start immediately.