

## EIR Daily Alert Service

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

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## EDITORIAL

### **Bank Failures! As the Trans-Atlantic Financial System Ruptures, Will the World Choose a New Paradigm?**

March 13, 2023 (EIRNS)—Following the failure of Silicon Valley Bank and Signature Bank, the unlimited insurance of deposits held at those

institutions, in apparent violation of U.S. law, signals a policy orientation towards a bailout of the entire banking system.

The gravest error, the most dangerous of moral hazards, would lie in refusing to treat these bank failures as the tip of the iceberg in a national, and in fact, trans-Atlantic financial implosion, requiring not piecemeal solutions, or indeed financial solutions of any kind, but demand rather the recreation of the economy on a commitment to increasing physical wealth through the application of science, technology, and infrastructure to improving the productive powers of labor.

Last week's shocking news that China had successfully mediated a resumption of diplomatic relations, and agreement to a package of security agreements, between Southwest Asian rivals Saudi Arabia and Iran, points the way forward, shining light on a new path toward indivisible security based on development as the name for peace. U.S.-U.K.-NATO imperialists were dismayed, and much of the Global South happy, to witness the emergence of another nation, China, at a higher level on the world diplomatic stage.

How does the evolving world strategic and economic architecture change the potential for a rethinking, on a nearly global basis, of the failed economic practices that have brought the U.S. and trans-Atlantic economies to a state of absolute bankruptcy, in which deadly hyperinflation were the only way to attempt to maintain financial values?

Should Congress address, promptly, the collapse of a financial era? Yes. But could success come purely from the United States? What role would international bodies such as the G20 play in insisting, for the sake of the world, that the rot of the system be addressed?

Think seriously on this question, act on it, and stay tuned for a fuller statement from Helga Zepp-LaRouche and the LaRouche movement on March 14.

- Watch [Harley's Updates](#) with Harley Schlanger on Tuesday March 14, 2023: Every weekday morning on The LaRouche Organization, Schlanger will give you the strategic briefing you need to start your day.

## U.S. POLITICAL & ECONOMIC

### The Federal Reserve Tries To 'Fix' What It's Destroying

March 13, 2023 (EIRNS)—The Ghost of Financial Collapse Past has knocked again. The sin of Wall Street and the City of London after the 2008 crash—refusing LaRouche's Glass-Steagall and New Bretton Woods, insisting on floating exchange rates, subsidizing through the central banks all forms of financial speculation—has come back to haunt them again as it did in September 2019, and will again soon. Three U.S.-based banks “worth” \$400 billion in assets have failed in four days; another, First Republic Bank in California, is teetering; and again Credit Suisse is making the Tower of Pisa look perpendicular by comparison. Trans-Atlantic interbank lending is again “under stress” on Monday according to a worried wire from Reuters, and credit default swaps on banks' bonds are getting more expensive.

While the U.S. Treasury and the Federal Deposit Insurance Corp. took one action on the afternoon of Sunday, March 12 which is plainly against U.S. law (see separate report), the Federal Reserve took another which attempts, yet again, to fix with money-printing liquidity, what the Fed destroys with its interest rate policies.

That was, to quote the Fed's Sunday evening announcement “a Bank Term Funding Program (BTFP), offering loans of up to one year in length to banks, savings associations, credit unions, and other eligible depository institutions pledging U.S. Treasuries, agency debt and mortgage-backed securities, and other qualifying assets as collateral.” Of note, “These assets will be valued at par,” not at their reduced market value in an environment of sharply increased interest rates. “The BTFP will be an additional source of liquidity against high-quality securities, eliminating an institution's need to quickly sell those securities in times of stress.”

This fund for liquidity loans will have “up to \$25 billion from the Exchange Stabilization Fund [from the Treasury] as a backstop for the BTFP.”

U.S. banks are estimated to have taken a \$700-\$800 billion hit to their capital in “unrealized losses” from rapid rate hikes by the Fed; Silicon Valley Bank had about \$16 billion of those losses when it failed, because it tried to sell some of the Treasury and other securities involved, and the losses were “realized.” The \$25 billion “backstop” from the Treasury is laughable.

Such Federal Reserve liquidity loans, when the Fed did the same thing in September-October 2019, escalated from a few billion in loans overnight, to more than \$100 billion each night, loaned to banks for up to 90 days. The illiquid financial institutions taking the loans were not disclosed by the Fed then, but the banks knew who they were, and still would not lend to them. The same will happen with banks that go to the Fed window for “BTFP” liquidity loans, signaling that they need to sell off devalued assets.

The *Wall Street Journal*'s March 12 editorial, signed by the Editorial Board, commented: “This is a de facto bailout of the banking system, even as regulators and Biden officials have been telling us that the economy is great and there was nothing to worry about. The unpleasant truth—which Washington will never admit—is that SVB’s failure is the bill coming due for years of monetary and regulatory mistakes.”

And from China’s *Global Times*: “ ‘SVB’s bankruptcy shows that the U.S.’ monetary policy is a total failure. The U.S. Fed’s faster-than-expected tightening created turmoil in the global financial system and eventually harmed its own banking system,’ Li Yong, deputy chairman of the Expert Committee of the China Association of International Trade, told the *Global Times* on Sunday.”

## **Unlimited Insurance of Deposits, Crypto Included, Is Illegal**

March 13, 2023 (EIRNS)—As in wars, so in financial and currency matters: Congressional authority and statutes are ignored by U.S. executive actions.

There is no basis in the Federal Deposit Insurance Act, as amended up to Feb. 9, 2023, for this action announced by the [Federal Reserve, Treasury and FDIC](#) on March 12:

“After receiving a recommendation from the boards of the FDIC and the Federal Reserve, and consulting with the President, Secretary Yellen approved actions enabling the FDIC to complete its resolution of Silicon Valley Bank, Santa Clara, California, in a manner that fully protects all depositors. Depositors will have access to all of their money starting Monday, March 13.... We are also announcing a similar systemic risk exception for Signature Bank, New York, New York, which was closed today by its state chartering authority. All depositors of this institution will be made whole.”

Section 11 of the [Federal Deposit Insurance Act](#) includes the following: “The net amount due to any depositor at an insured depository institution shall not exceed the standard maximum deposit insurance amount as determined in accordance with subparagraphs (C), (D), (E) and (F)....” Those paragraphs specify \$250,000 as that maximum, with minor additions only possible as inflation adjustments, and for retirement accounts. “Systemic risk exceptions” do not exist in this Act.

In effect, the Biden Administration is trying to bail out, not only the banking system, but the swooning “tech” sector served by Silicon Valley Bank, and the cryptocurrency scams serviced by Signature Bank. (Various cryptocurrencies spiked by 10-15% on markets Monday.)

## **Biden Heads for \$1 Trillion Military Budget**

March 13 (EIRNS)—President Joe Biden’s initial proposed military budget request for FY2024 is at \$886 billion, including \$842 billion for the Pentagon and \$24 billion for other programs funded under the Defense

Authorization. This proposed budget does *not* include the funding of what are called Overseas Contingency Operations—i.e., wars, occupations and various “anti-terror” deployments by U.S. forces. So a \$1 trillion military budget is definitely in sight for FY2024, even if Congress does not authorize more than the White House request as it has in the past two fiscal years.

To that must be added that annual interest payments on federal debt have already (in 2022) exceeded \$1 trillion.

### **Graham Fuller Analyzes What the U.S. Should Learn from China’s Diplomatic Role in Resolving Saudi-Iran Conflict**

March 13, 2023 (EIRNS)—Graham Fuller, a former CIA analyst and former vice-chair of the National Intelligence Council for the Near East and South Asia, posted an analysis today on the Chinese role in this week’s Iran-Saudi Arabia agreement, titled “[In Great Power Diplomacy, Is China Beating U.S. at Its Own Game?](#)” with the kicker, “Washington can learn something about not letting ideology get in the way of conflict resolution and economic development,” in *Responsible Statecraft*.

He looks at the implications of this huge shift in global dynamics: “China has just pulled off a paradigm shift by facilitating a diplomatic rapprochement between the two powerful but bitterly hostile states of Iran and Saudi Arabia. Time will tell, but the event not only shifts power relations in the Middle East but also signals a new phase in the growing diplomatic role of China. Perhaps even more important, it might hopefully spark new thinking on the ‘inevitability’ or ‘permanency’ of conflict in U.S. strategic thinking, especially at a time when Washington has steeply downgraded diplomacy in favor of exerting influence through military power and punitive sanctions, as well as a readiness to declare other states ‘out of line’ with U.S. ambitions and its notion of a ‘rules-based international order.’ ”

On the cause of this militarism, he notes that some claim that “it’s all just written into the human DNA—to covet, compete, fight, destroy, and kill. But of course these ‘deeper’ interpretations of the origins of conflict

can also be dangerous. It can lead to acceptance. Yet there is rarely anything predestined or predetermined about conflict or war. Human beings always have choice; leaders have agency.”

The Western political leadership and the media, Fuller writes, are not pleased with this shift in political relationships in the world, preferring adherence to the “America-driven NATO game plan to compel all other countries to acknowledge and support America’s perception of enemies.”

Fuller adds that while China talks to all countries, “the number of countries with which the U.S. cannot seriously engage grows ever larger: it will not talk with Cuba, Iran, or the important Palestinian political party Hamas. Nor will it engage the governments of Venezuela or Syria. This would appear to be a self-inflicted diplomatic wound that effectively limits our own diplomatic maneuverability. At a time when our relations with both Russia and China border on crisis, our secretary of state maintains virtually no personal contact with his counterparts in either country over long periods of time. Our top diplomats seem not to understand what the meaning or purpose of diplomacy is.” China, on the other hand “gains access through its ability to act without the ideological blinders with which Washington sees the world.”

He concludes, in his own emphasis: “These were once American ideals until the fall of the Soviet Union at which point Washington became inebriated with the idea of being the ‘world’s sole superpower.’ Since then, Washington has been obsessed with doing everything it can to maintain that status—even as the world changes. It has thus adopted what can only be described as a fundamentally *negative geopolitical vision*: do what it takes to block Chinese and Russian influence in the world in a desperate attempt to prove that we can still call the shots. By contrast, China, for all its faults, now seems to be finding fertile ground to play as a more pragmatic, non-ideological global diplomat.

“Should this not elicit a deep rethink in Washington?”

## NEW STRATEGIC & ECONOMIC ARCHITECTURE

### China's Diplomacy Opens New Era, Reports Indian Analyst

March 13, 2023 (EIRNS)—“The U.S.’s humiliating exclusion from the center stage of West Asian politics constitutes a ‘Suez moment’ for the superpower, comparable to the crisis experienced by the U.K. in 1956,” writes [M.K. Bhadrakumar](#) about the Iran-Saudi agreement announced in Beijing on March 10, on his blog Indian Punchline.

“The agreement announced on Friday in Beijing regarding the normalization of diplomatic relations between Saudi Arabia and Iran and the reopening of their embassies is a historic event,” he wrote the next day. “It goes way beyond an issue of Saudi-Iranian relations. China’s mediation signifies that we are witnessing a profound shift of tectonic plates in the geopolitics of the 21st century.”

The joint statement signed on Friday, March 10 says that it was reached “in response to the noble initiative of President Xi Jinping” and that Saudi Arabia and Iran express “appreciation and gratitude” for Xi Jinping and China’s efforts in “hosting and sponsoring the talks, and the efforts it placed towards its success.”

Bhadrakumar considers the notable U.S. absence from this major development to arise from such causes as “Biden’s own frequent insistence that the fate of humankind hinges on the outcome of a cosmic struggle between democracy and autocracy.”

Consider the timing:

The agreement was signed on the same day that Xi Jinping was elected to a third presidential term.

Just before the agreement was signed, the Saudi foreign minister was in Moscow for a working visit with Sergey Lavrov.

On March 6, President Putin had spoken with Iran’s President by phone.

“It is entirely conceivable that a backlash is about to begin as Russia, Iran and Saudi Arabia—three top oil/gas producing countries—start

accelerating their search for payment mechanisms bypassing the American dollar.”

### International Responses to Iranian-Saudi Agreement

March 13, 2023 (EIRNS)—“Mr. Xi’s diplomatic initiative shows that Beijing sees a central role for itself as a new power broker in the Middle East, a strategic region where the U.S. has been the most influential outside player for decades. No longer focused exclusively on energy and trade flows, China’s foray into the region’s politics signals a new chapter in competition between Beijing and Washington,” reports the *Wall Street Journal*.

Al-Monitor states that: “It’s hard to overstate the impact of resumed diplomatic ties between Iran and Saudi Arabia—and that it was China that made it happen. It’s a major step to de-escalate the most critical fault line between the Gulf’s largest and most powerful countries.”

“China’s role in facilitating the agreement was a surprise for many, since it had never played such a role in the region’s diplomacy,” acknowledges the *Hindustan Times*.

“This adds to a perception of Chinese power and influence around the world, and it contributes to a narrative of a shrinking U.S. global presence,” said Jon Alterman at the Center for Strategic and International Studies.

UN Secretary-General António Guterres issued a statement expressing “appreciation to the People’s Republic of China for hosting these recent talks and for promoting dialogue between the two countries.”

There is still much work to be done, assesses Fan Hongda, Professor at the Shanghai International Studies University: “It is one thing for China to host the talks, but it is another for China to help implement the signed agreement on time.... Frankly speaking, although Saudi Arabia and Iran have reached an agreement to normalize relations, the contradictions between the two countries are still clearly visible.”

The China Global South newsletter quotes a Weibo comment: “The king’s way is to make a thousand years of grudges die with a smile;

hegemony is [enforced] by making brothers and sisters turn against each other. We can see immediately which is good and which is bad.”

U.S. [Sen. Bill Hagerty](#) (R-TN), who has nothing to offer nationally or internationally, attacks the U.S. absence on this diplomatic stage: “The U.S. was once the indispensable nation but President Biden’s often incompetent management of int’l affairs is undoing that. Biden let Communist China become the Middle East’s new power broker.

“This is what American decline under Biden looks like”: over the photo of China’s top diplomat Wang Yi in between the Saudi and Iranian national security advisors, with the three shaking hands in peace.

Without something positive to offer, why would the U.S. continue to be an “indispensable” nation?

## COLLAPSING WESTERN SYSTEM

### Israeli Political Establishment Goes Berserk over Iran-Saudi Rapprochement

March 13, 2023 (EIRNS)—The March 9 announcement of the China-mediated agreement of Iran and Saudi Arabia to restore diplomatic relations has clearly thrown a monkey-wrench into Israeli Prime Minister Benjamin Netanyahu’s scheme to create an Israeli-Arab alliance against Iran. The normalization of Israeli relations with Saudi Arabia was to be the next objective in that scheme. Netanyahu himself was in Rome at the time, where he apparently refused to publicly comment on the Iran-Saudi rapprochement. Rather, he issued a statement claiming that there will be a “horrible nuclear war” if Iran is not contained.

“If Iran gets a nuclear weapon, this will be a problem all of us will face. It will change the world,” he said in an English-language interview with Washington-based Iran International that was also dubbed into Persian and broadcast in Iran, reported the *Jerusalem Post*. A nuclear Iran will cause “the criss-crossing of the Middle East with nuclear tripwires, as other regimes that understand the danger of a nuclear Iran will rush to arm

themselves,” Netanyahu said, using the platform to urge global action in response to Iran’s enrichment of uranium to 84%, which is close to 90% weapons grade, but spectacularly ignoring Israel’s own nuclear arsenal.

“Iran’s nuclear program has hit a danger zone,” he said, adding that Israeli actions had delayed them by a decade, but now the program is pushing forward. The international community must deliver a strong common message to Iran, Netanyahu demanded. “We should tell them that if they cross over a nuclear threshold, that is something that we cannot tolerate,” he said. “We have to tell them there is a line you cannot cross, and there is a price to be paid if you do.”

The Israeli opposition was equally hysterical, though perhaps was more engaged in political posturing against Netanyahu than fear mongering against Iran. “The agreement between Saudi Arabia and Iran reflects the complete and dangerous failure of the Israeli government’s foreign policy,” said former Prime Minister Yair Lapid. “This is what happens when one deals with legal insanity all day instead of doing one’s job against Iran and strengthening relations with the United States.”

Naftali Bennett, Lapid’s partner in the previous government, called news of the renewed Iran-Saudi agreement a “serious and dangerous development for Israel” and a “political victory for Iran.”

Benny Gantz, who served as defense minister under both Bennett and Lapid, criticized the prime minister, stating that “the enormous security challenges facing the country are increasing and the Prime Minister and his cabinet are busy with a coup d’état.” Gantz added that he believed the security of Israel and its citizens had been abandoned by Netanyahu.

Knesset Foreign Affairs and Defense Committee Chairman Yuli Edelstein said the agreement was “bad for Israel and the entire free world.”

## STRATEGIC SHOWDOWN

### Central Command Chief Follows Milley to Syria, Visits U.S. Troops

March 13, 2023 (EIRNS)—Last week, Gen. Michael “Eric” Kurilla, commander of U.S. Central Command, followed in the footsteps of Gen. Mark Milley, chairman of the Joint Chiefs of Staff, to eastern Syria. Given the vote that occurred in the U.S. House of Representatives at about the same time, the [Centcom statement](#) released on Twitter on March 11, could be seen as lobbying to keep the illegal U.S. troops deployed in Syria.

According to the Centcom statement, there are three aspects to the U.S. ostensible anti-ISIS campaign in Syria: The overall campaign against ISIS at large; the problem of the more than 10,000 ISIS fighters in detention; and the “potential next generation of ISIS,” that is, the children, along with their mothers, who are also held in detention camps throughout eastern Syria. While there, Kurilla “visited with the U.S. forces and Syrian Democratic Forces (SDF) in the daily fight against ISIS At Large,” the statement said. “He held discussions with leaders and analysts on the current threat posed by the group as well as progress to date. While the Coalition to Defeat ISIS has significantly degraded the group’s capability, ISIS retains the ability to inspire, direct, organize, and lead attacks in the region and abroad.”

Kurilla then visited the detention center in Hasakah, administered by the SDF, where some 5,000 ISIS fighters, mostly captured in the battle for Baghuz in 2019, are held, as well as two other detention centers holding mostly women and children. He described all of these camps as “ticking time bombs” containing not only an ISIS army in being, but also a future ISIS army.

“Alongside the SDF, we continue to put pressure on ISIS in Syria,” Kurilla concluded. “The fight against ISIS is a fight for security and stability of not only Syria and Iraq, but the entire region. We absolutely cannot allow a resurgence of ISIS.” In other words, Kurilla seems to be telling the U.S. Congress, you can’t U.S. troops out of Syria. Instead, Kurilla should acknowledge that there is no solution to the crisis without a

future-oriented development perspective for all of Southwest Asia. There is no military problem in Syria that wasn't created by the U.S. The emergence of ISIS in the first place was an outcome of the U.S. occupation of Iraq.

### **North Korea Fires Missiles as U.S.-South Korea Exercise Gets Underway**

March 13, 2023 (EIRNS)—North Korea fired two “strategic cruise missiles” from a submarine in waters off its east coast over the weekend, Yonhap reported this morning, citing North Korean state media. “The drill confirmed the reliability of the weapon system and examined the underwater-to-surface offensive operations of submarine units that constitute one of other major forces of the D.P.R.K. nuclear deterrent,” the KCNA said in an English-language report. “The drill ... verified the current operation posture of the nuclear war deterrence means in different spaces.”

The missile launch, which reportedly occurred on March 12, Sunday morning, came as the U.S. and South Korea launched their largest joint exercise in five years. The Freedom Shield exercise continues for 11 days without a weekend break to enable South Korea and U.S. troops to enhance their combat readiness and combined defense posture under real war conditions, reported the *Korea Herald*.

### **ASML To Expand Chinese Export Ban in Its Chip Wars**

March 13, 2023 (EIRNS)—This “chip war” against China continues. It's not just EUV (extreme ultraviolet) lithography machines that Dutch lithography giant ASML will refuse to sell to Chinese buyers. Bloomberg reports that three DUV (deep ultraviolet) models will also be added to the list of forbidden sales.

### **British Submarine-Related Exports to Taiwan Surge**

March 13, 2023 (EIRNS)—Reuters posted an exclusive this morning in which it reported that the licensing of [U.K. submarine-related exports](#) to Taiwan surged in 2022, compared to the previous six years. Citing publicly available but not previously reported export licensing data, Reuters says that the value of export licenses for the export of submarine-related

components and technology to Taiwan totaled a record £167 million during the first nine months of last year. That is more than the previous six years combined, says Reuters.

According to Reuters, China's Foreign Ministry released a statement in response to the Reuters data: "If this is true, it is a serious violation of the one-China principle, undermines China's sovereignty and security interests, and undermines peace and stability in the Taiwan Strait."

"China is highly concerned about this and firmly opposes it," said the written statement, which urged Britain to "refrain from providing military support to the Taiwan authorities."

A British government spokesperson said in a statement the U.K. has a long record of "granting licenses for exports of controlled goods to Taiwan, on a case-by-case basis, where those applications are consistent with the rules that regulate the exports of arms and dual-use products."

Two lawmakers with knowledge of the exports and two former officials said the approvals reflected Britain's increased willingness to support Taiwan. One of the lawmakers, who also spoke on the condition of anonymity, said authorizing the export licenses amounted to giving a "green light" to better equip Taiwan. Details of what equipment was exported, however, are not included in the licensing data. In fact, the London would rather keep information about its military exports to Taiwan under cover. "An announcement of the specific nature of these exports risks revealing sensitive information on Taiwan's defensive capabilities and some of the U.K. government's caution in discussing these exports is valid," said Tory MP Tobias Ellwood, chairman of the House of Commons Defense Committee.

A former British official said: "Every decision around Taiwan is made very deliberately and usually cautiously." Asked about the decision to approve the increase in export licenses, they answered: "You just don't do something like this without thinking through the implications very carefully."

TUESDAY, MARCH 14, 2023

## HISTORY & CULTURE

### **German Journalist Association Offers Award to Seymour Hersh**

March 13, 2023 (EIRNS)—The German branch of the European Journalist Association has offered Seymour Hersh its annual Media Award for a Life's Work to Seymour Hersh, honoring his outstanding record in uncovering the truth. The respective invitation to Hersh to come to Germany to receive this award had been sent to him on Feb. 17—a few days after his exposé on Nord Stream appeared on Feb. 8.