

BRITISH AND OBAMA WAGE FINANCIAL WARFARE

Economic Assault on Russia Raises Threat of World War

by Rachel Douglas

Dec. 29—Representatives of the City of London and Wall Street, which are more bankrupt than ever and stand to lose their power forever, if the United States and Europe join with the BRICS and opt for a future of real economic development, closed out 2014 with manic outbursts about overthrowing Russian President Vladimir Putin. On Dec. 16, Lyndon LaRouche blasted these British circles, and President Barack Obama, for bringing the world to the brink of general war, by economic warfare against Russia with the political and strategic goal of regime-change. “These are not economic measures,” LaRouche said of recent months’ oil-price pressure and trade sanctions against Russia, “These are acts of war and will be seen as such in Moscow.”

Russian officials already leave no doubt, that they see the year-end attacks on the ruble as part of a regime-change drive that will not be tolerated. Former Prime Minister Mikhail Fradkov, current head of the Foreign Intelligence Service (SVR), so warned on Dec. 5, ten days before the Black Monday (Dec. 15) crash of the Russian currency by 12% in one day. Asked by Bloomberg about Western intentions to oust Putin, Fradkov said, “Such a desire has been noticed, it’s a small secret. No one wants to see a strong and independent Russia.” He attributed the more than 30% drop in oil prices partly to U.S. actions, adding that foreign investment funds were “taking part in ruble speculation via intermediaries.” Foreign Minister Sergei Lavrov, questioned by France 24 TV in a Dec. 16 interview as to whether sanc-

tions were “a way of trying to create a regime-change in Russia,” was succinct and to the point: “I have very serious reasons to believe that this is the case.”

Lavrov’s “serious reasons” surely include the overt statements of top American and British officials. Obama has boasted of his intention to outplay Putin in a high-stakes geopolitical game. “Putin does not have good cards,” the U.S. President told the White House Export Council on Dec. 11, “and he has not played them as well as the Western press seems to give him credit for. Putin will succeed if he creates a rift in the trans-Atlantic relationship, if we see Europe divided from the United States. That would be a strategic victory for him and I intend on preventing that.” (Obama was alluding to alarm in Europe at the ever-escalating U.S.-NATO confrontation with Russia.) British Chancellor of the Exchequer George Osborne, addressing the Economic Club of New York in mid-December, gloated that the fall of oil prices “puts a lot more pressure on Vladimir Putin. People had been asking whether sanctions are working, [and] can Putin ride this out. . . . I don’t think that looks so clear now. The Russian budget is heavily dependent on high oil prices. He might be exposed by this.”

Washington sources confirm that Saudi Arabia is prepared to continue to over-produce, creating an estimated 1.5- to 2-million-barrel-a-day oil glut, relative to current global requirements, and thus to keep prices low until many rivals in the oil and natural gas markets are bankrupted.

The media chimed in, focusing less on the prospects for serious unrest against the popular Russian President, than on a fresh-baked scenario for “Putin to be replaced in a palace coup,” as *Time* magazine fantasized on Dec. 15. “Will Russian Ruble Collapse Trigger a Military Coup against Vladimir Putin?” (*International Business Times*, Dec. 16). “Russia: Why Oil Crash Could Threaten Vladimir Putin with a Palace Coup” (*The Guardian*, Dec. 17). “Putin Could Be Finished” (*The Hill*, Dec. 13).

A journalist for Reuters, which has a long and intimate history with British Intelligence, brought the ominous coup scenario to Putin’s own year-end press conference on Dec. 18, demanding, “To what extent are you confident that your inner circle unconditionally supports you? Do you see any risk of a government coup or even a palace coup? You have stated on a number of occasions what you would do in case of an ‘orange revolution’ or, God forbid, a ‘red revolution.’ But do you have a plan in the event of treachery in your inner circle or a palace coup?”

The coordinated “coup” publicity smacked of a cover story for an assassination attempt. Putin handled the press-conference challenge in his own way, with jokes. But readers who may have swallowed the story of an authoritarian Russian leader who invaded Ukraine, threatened other neighboring countries, and thus brought the West’s sanctions down on his country, would do well to take it seriously, in light of the following matters. First, what the Russian military *is* doing



Russian leaders are making clear that they view the financial warfare against their country as a threat that could lead to general war, and they are upping their military capabilities accordingly. Left: President Putin visits the anti-submarine ship Vice Admiral Kulakov; below: the Alexander Nevsky, a Borey-class submarine, is assembled at the Sevmash shipyard.

now (as opposed to coup-plotting), in response to the West’s growing pressure against Russia; that is the subject of the next section of this article. Second, the coup that really did take place in 2014—in Ukraine. That was the one where the U.S. State Department, and British and EU officials, backed the ouster of an elected President, by a violent, partially NATO-trained paramilitary force espousing a neo-Nazi ideology, as documented in two *EIR* dossiers of the past year.¹

Putin summarized the view from Moscow of the es-

1. “Western Powers Back Neo-Nazi Coup in Ukraine,” *EIR*, Feb. 7, 2014; “British Imperial Project in Ukraine: Violent Coup, Fascist Axioms, Neo-Nazis,” *EIR*, May 16, 2014.

calating confrontation Dec. 4. in his annual Presidential Address to the Federal Assembly: “The sanctions are not just a knee-jerk reaction on behalf of the United States or its allies to our position regarding the events and the coup in Ukraine, or even the so-called Crimean Spring. I’m sure that if these events had never happened, . . . they would have come up with some other excuse to try to contain Russia’s growing capabilities, affect our country in some way, or even exploit it for their own purposes.”

Global Strategic Threats

On Dec. 26, Putin signed a new edition of Russia’s military doctrine. Its core is unchanged from the document adopted in 1999:² The doctrine states that the Russian military remains a defensive tool, to be used only as a last resort, and that the purpose of its nuclear forces is to deter potential enemies from attacking Russia, while leaving open the possibility of using them to protect itself from a military attack, either nuclear or conventional, that threatens the country’s existence.

This latest periodic update to the doctrine identifies NATO’s overall build-up and its eastward expansion as the main external threat to Russia. The U.S./NATO effort to construct a global missile defense system, and the U.S. implementation of its Prompt Global Strike doctrine (including the use of high-precision, non-nuclear weapons), are termed global strategic threats, as senior Russian officers have continuously emphasized in recent years.³ The document’s strategic overview also cites the emergence of new security threats in northern Africa, Syria, Iraq, and Afghanistan, the lack of effective international cooperation against terrorism and the drug trade, and the increased use of private military companies, especially in areas adjacent to Russian borders.

On the domestic front, the revised military doctrine treats regime-change schemes as a form of irregular warfare.⁴ It cites threats from “actions aimed at violent

change of the constitutional order of the Russian Federation, destabilization of the political and social situation in the country, and disorganization of the functioning of government agencies, and key state, military, and information infrastructure,” as well as from “actions by terrorist organizations and individuals, aimed to undermine the sovereignty and violate the unity and territorial integrity of the RF”; “informational” encouragement for Russian youth to reject the traditions of patriotic defense of their homeland; and the provocation of ethnic and social tension.

The revised military doctrine also underscores the military-strategic dimension of the BRICS developments in 2014, citing Russia’s cooperation with such organizations as the Shanghai Cooperation Organization (SCO) and the BRICS as important for international security. Deputy Minister of Defense Anatoli Antonov, in his Dec. 24 year-end press conference, said, “We have been using the regional platforms of the Asia-Pacific Region for advancing ideas on creating a new architecture of security and cooperation. Our opinion is being listened to.”

Antonov elaborated on the current strategic dangers. “Under the slogan of a Russian threat,” he charged, “NATO is building its military potential in the Baltic States, Poland, Bulgaria, and Romania.” The state news agency Itar-TASS cited Antonov on NATO’s build-up of the number of tanks in Europe and the “more than doubled” number of flights by NATO tactical aircraft along Russian borders in 2014. Russian media played up Antonov’s complaint that NATO is training flight crews to handle planes carrying nuclear weapons. “Of particular concern,” he was quoted on the Ministry of Defense website, “is the ongoing training of flight crews from non-nuclear NATO members, on nuclear-capable aircraft, and the inclusion of additional countries, such as Poland, in this process.”

Having suspended military cooperation with Russia, Antonov said, NATO was trying to turn Ukraine into a “forward line of confrontation with Russia.” On Dec. 23, the Ukrainian Parliament had voted to repeal the country’s non-aligned status, thereby ratifying the Kiev regime’s quest for membership in NATO.

Major advances in Russian strategic military systems were also showcased, as the year drew to a close. On Dec. 26, the Defense Ministry announced the successful test-firing of a road-mobile RS-24 Yars (NATO designation SS-27 mod 2) heavy intercontinental ballistic missile (ICBM) from Plesetsk in northwest

2. Rachel Douglas, “Russian ‘Doctrine’: The Posture of a Big Military Power, Under Attack,” *EIR*, Oct. 29, 1999.

3. Carl Osgood, “Russians Reiterate Warning: NATO Faces Preemptive Strike,” *EIR*, May 11, 2012; Carl Osgood, Rachel Douglas, “U.S. Moves Toward Nuclear First Strike Capability,” *EIR*, March 15, 2013.

4. Tony Papert, “Moscow Conference Identifies ‘Color Revolutions’ as War,” *EIR*, June 13, 2014, reported on the similar discussion by senior Russian military figures, at the May 23 Third Moscow Conference on International Security. The nature of color revolutions as an irregular-warfare instrument of regime-change was the subject of the lead article in the Russian Defense Ministry journal *Voyennaya Mysl (Military Thought)* of September 2014.

Russia, with the dummy warheads striking their targets in the Kura test range on Kamchatka Peninsula in the Far East. Also announced by military sources, through Russian wire services, was progress on developing the rail-mobile Barguzin ICBM system, also for Yars-class missiles; its trains will carry six missiles each, with a strategic missile division consisting of five such trains. Commander of the Strategic Missile Forces Gen. Sergei Karakayev announced that a missile called the RS-26 Rubezh, which has been described as a Yars-based smaller ICBM or an IRBM, and as being expressly designed for use against the European BMD program, will go into service in 2016.

Deputy Prime Minister Dmitri Rogozin attended the Dec. 26 keel-laying of the sixth Borey-class ballistic missile submarine, at the Sevmaash shipyard in Severodvinsk. He hailed the shipbuilders' contribution "to the defense capability of our country at a crucial moment, when there are attempts to stop us, weaken us with outside pressure and sanctions, and blackmail us, just when Russia is reacquiring its historic image and restoring its territorial integrity, pride and sovereignty." Three Borey-class subs, capable of carrying 16 Bulava submarine-launched ballistic missiles (SLBMs) with multiple warheads, are already in service with the Northern Fleet of the Russian Navy, while a total of three more are now under construction. Construction of the seventh and eighth Borey-class subs will begin in 2015, along with three Yasen-class attack submarines.

Putin took stock of these programs at a Dec. 20 meeting of the Defense Ministry Board, where he said: "Russia will always act consistently to protect its interests and sovereignty and will strive to strengthen international stability and to support equal security for all countries and peoples. At the same time, the situation in the world around us is not becoming any simpler. You all know about the USA's plans to build a missile defense system. NATO has stepped up its activity too, including in Europe, especially in Eastern Europe." Reviewing the requirements of Russia's military doctrine, Putin emphasized the development of strategic weapons, saying, "We must develop all components of our strategic nuclear forces, which play a very important part in maintaining global balance and essentially rule out the possibility of a large-scale attack against Russia. In 2015, the strategic nuclear forces will receive more than 50 intercontinental ballistic missiles."

Financial Warfare

As if oblivious to Russia's status as a nuclear superpower with a formidable array of BRICS and other allies, U.S. Council of Economic Advisors head Jason Furman on Dec. 17 smirked about the ruble's plunge: "I would be extremely concerned if I were President Putin's economic advisor. They are between a rock and a hard place." The Administration had just announced that Obama would sign the Ukraine Freedom Support Act, which authorizes increased sanctions against Russia and lethal military aid for Ukraine.

The Russian currency's Black Monday drop brought its losses to nearly 50% during 2014, closing in the vicinity of 80 rubles to the euro and 65 to the dollar; the ruble had been at around 30 to the dollar for several years, until mid-2014. The immediate factors were low oil prices, the speculators cited by Fradkov, and, as Putin confirmed in his Dec. 18 press conference, "our own companies" selling rubles for dollars. These latter operations are driven in part by the tight-money policy of Russia's Finance Ministry and Central Bank (CBR), a legacy of the monetarist takeover of the country in the 1990s. With borrowing rates inside Russia remaining high, even after the 2008 crisis, state-owned and privatized Russian corporations continued to borrow abroad, at lower rates and in foreign currency, to a total of over \$600 billion. Cut off by the sanctions from the ability to roll over these loans, Russian firms sell rubles to obtain foreign currency for debt payments.

The ruble sank to even greater depths on Dec. 16, but rebounded in the days that followed. Putin reported that he had phoned some major CEOs, known as Russia's "oligarchs" from the 1990s privatization process, urging them not to dump the ruble. On Dec. 19, he held a meeting with three dozen of these top "business community" figures. Little of their discussion was made public, but Russian financial press reports indicated, and Central Bank announcements confirm, that the large companies are being offered preferential interest rates and protection from margin calls on (domestic) loans collateralized by the now-devalued shares of their companies, while the CBR also moves to bail out the Russian banks holding such loans.⁵

The CBR's main move was a drastic interest-rate increase: a hike of its benchmark rate by 6.5 percentage points to 17%, announced after midnight on Dec. 16. Despite promises of subsidized exceptions for qualified

5. John Helmer, "[Dances with Bears](#)" blog post, Dec. 23, 2014.

projects, an outcry against the Central Bank followed, from smaller businesses and even from within the government. “In effect, this means a ban on lending,” one Moscow economist put it. Speakers at a Dec. 9 session of the Moscow Economic Forum pointed out that the CBR’s high-rates policy, even before the Dec. 16 rate hike, undercut Putin’s own call for measures to boost Russian small and medium-sized businesses so they can produce for “import substitution,” in the face of the sanctions and the plunging ruble. Rogozin wrote on his Facebook page, Dec. 17, that the 17% rate would be an insurmountable obstacle to industrial development, adding, “I have long demanded that the Ministry of Finance and the Bank of Russia should establish special rules for financing industries under state defense contract programs.”

Capital and Exchange Controls?

The most promising responses to the currency warfare against Russia came at the level of the BRICS. A series of articles in official Chinese newspapers, bolstered by statements from the Foreign Ministry, said that China stands ready to help. “We believe that Russia is capable of surmounting the current temporary difficulty,” said Foreign Ministry spokesman Qin Gang on Dec. 18, citing the capabilities of the SCO to “safeguard regional security and stability, but also [as] an important platform for all members to pursue common development.” Currency and credit swaps arrangements, formalized by Russia and China in October to finance trade in their national currencies, are going into operation and “are not affected by the depreciation of the ruble,” Qin said. Emphasizing real-economy cooperation above all, he noted that China’s Silk Road Fund will soon be operational and will consider projects in Russia, inclusively.

In Russia itself, there is discussion of more robust ways to defend and advance the national economy, pointing in the direction of what LaRouche, in his Dec. 16 remarks, proposed for counteracting the British-Obama financial provocations. First, LaRouche said, Russia should, without delay, impose capital controls, exchange controls, and other protective measures against the assault of currency speculators. This could be called the “Mahathir solution,” after the measures adopted by Malaysia’s Prime Minister in 1997.

LaRouche emphasized that Russia and the world need a Hamiltonian credit system to defeat the power of the City of London-Wall Street oligarchy. “If Russia does not take these measures immediately, we are

headed into a profoundly dangerous international crisis. If the Russians take the proper action now, the British and Wall Street are dealt a tremendous defeat and the BRICS process moves a giant step forward.” Beyond such potential actions by Russia, LaRouche added, “now it is time for the United States to take its historical and rightful place within a new global system of cooperation among sovereign nations for great projects financed through Hamiltonian credit. That means dumping Obama, Bush, Wall Street, and London—and getting on with a future worthy of mankind.”

These words, in Russian translation, appeared Dec. 25 in the weekly newspaper *Zavtra*, under the headline, “...And Exchange Controls: Lyndon LaRouche Advises Russia What To Do.” *Zavtra* noted that LaRouche had cited both Putin and Lavrov on the purpose of the sanctions being “regime change” in Russia, and had warned that this project was fraught with the danger of nuclear world war. The write-up identified LaRouche as “one of the few politicians in the West today who is publicly calling to reject the logic of confrontation and shift to one of cooperation among the main centers of the modern world—the USA, China, and Russia—for the good of all mankind.”

Attention had already turned to the possibility of capital and exchange controls, at the Dec. 9 Moscow Economic Forum meeting. “Japanese Advise Putin To Make Some Arrests” and “Kotegawa: Don’t Raise Rates, Jail Speculators,” were headlines in Russian media coverage. The event, titled “What Is the Central Bank for Russia: Friend or Foe?,” had as foreign guest speaker Daisuke Kotegawa, director of research at the Canon Institute for Global Studies and former Japanese Treasury official and IMF executive director for Japan. Academician Sergei Glazyev, an advisor to Putin, keynoted the meeting, which was attended by several State Duma committee officers; Glazyev gave a scathing follow-on to his recent article, “U.S. Sanctions and the Bank of Russia: A Double Blow Against the National Economy.”

Glazyev argues that the Central Bank’s declared battle against inflation is strangling the already credit-starved Russian economy. He calls for capital controls and the denomination of foreign trade in rubles, as well as earmarked Central Bank lending for productive investment—an idea repeated by Putin in his Presidential Address. According to Glazyev, “The Central Bank has a simple tool for stopping the speculation: Impose regulations on foreign-currency positions. This was done in 1998. The banks were simply forbidden to have more

foreign currency in their accounts at the end of the day, than at the start.”

Kotegawa, whose presentation was published in full by vestifinance.ru, contrasted the experience of Thailand during the 1997-98 currency crisis, with that of Japan. “The special guest cited an instructive story,” reported agronews.ru. “In 1998, the Bank of Thailand raised its key rate to 25% and kept it there for 18 months, resulting in the destruction of the nation’s industry as a whole.” In Japan, however, Kotegawa reported, derivatives positions were wound up over a weekend, and speculators went to prison. In reply to a question about what the mission of the Central Bank of Japan is, Kotegawa replied, “The development of the country’s industry.” Commented agronews.ru, “That says it all.”

International finance publications, from *Forbes* to the London *Economist*, worry aloud that Putin may yet be “inspired by Malaysia” and impose capital controls. Bloomberg on Dec. 16 quoted an op-ed by Sergei Markov, an influential think-tanker who worked in Putin’s 2012 Presidential campaign, in the business newspaper *Vzglyad*: “Since the reasons for the ruble’s fall are political, the response should be political, too. For example, a law that would ban Russian companies from

repaying debts to Western counterparties if the ruble has dropped more than 50% in the last year. That will immediately lower the pressure on the ruble; many countries have done this. Malaysia is one example. It’s in great economic shape now.”

Ruslan Grinberg, the director of the Russian Academy of Science’s Institute of Economics, told Channel One Russia television Dec. 17 that “standard methods won’t work,” but rather Russia should “revert to mandatory conversion of foreign-currency earnings to rubles; raise bank reserve requirements for engaging in forex ops; and possibly introduce licensing for permission to export foreign currency.” Several members of parliament have echoed Kotegawa, calling for the investigation and jailing of speculators.

The bankrupt trans-Atlantic financiers, however, threaten to escalate. “This is only the beginning; everyone is bracing for what comes after New Year’s,” the *Financial Times* of London quoted an unnamed Moscow financial-sector executive on Dec. 26. In particular, the *Financial Times* projected renewed attacks on the ruble if oil prices fall again, and pointed to a the S&P rating agency’s placement of Russia’s sovereign debt on a watch list for possible downgrading in January.

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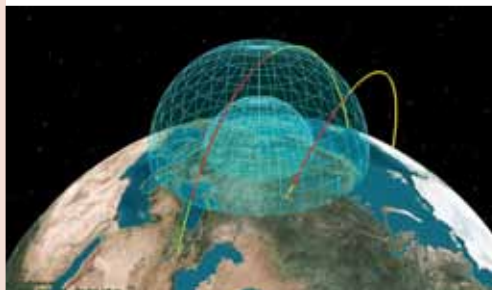
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