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BERNANKE ADMITS HE'S CLUELESS ON ECONOMY'S SOFT PATCH

June 22, 2011 Forbes.com reported: "In his second post-FOMC press conference, Fed Chairman Ben Bernanke touched on every topic, admitting that the recovery was weaker than expected and that beyond temporary factors like supply chain disruptions in Japan and high energy prices, he was at a loss as to what was causing the soft patch.

In a Q&A session with reporters, Bernanke said a disorderly default in Greece would have significant effects on the U.S. economy, while adding that the Fed still had several tools at its disposal to pump up the economy.

If the central bank actually does have more in its tool kit, they will be deployed in a weakening economy. Just before Bernanke spoke the Fed issued its revised forecast, dulling growth estimates for 2011 and now calling for the GDP to expand between 2.7% and 2.9%.

Bernanke's statements rattled the markets, which had remained virtually flat for most of the day."...With markets at a crossroads, amid a cooling economic recovery and a dangerous Greek crisis threatening the euro and the global economy, reporters grilled Bernanke and asked many of the right questions.

Brutally honest, Bernanke admitted that he had no clue what was actually causing the current fragility in the U.S. economic recovery. While the FOMC statement assigned blame outside of the U.S., pointing at Japan along with rising food and oil prices,"..."



CHINA WARNS VIETNAM OF POSSIBLE MILITARY RESPONSE IN SOUTH CHINA SEA

June 21, 2011 The Voice of America reported: "China's state-controlled media are warning Vietnam that Beijing will 'take whatever measures necessary,' including military action, to protect its interests in the South China Sea.

The Global Times newspaper, in an editorial Tuesday, issued Beijing's sternest public warning yet to Vietnam as regional tensions rise over conflicting maritime claims to territories thought to be rich in oil and natural gas deposits. The newspaper said that failure to reach a peaceful solution to the disputed claims, which center on the Spratly island chain, will prompt Beijing to use maritime police and naval forces, if necessary, to protect Chinese claims.

The editorial comes as the Hong Kong Commercial Daily newspaper reports that Beijing has moved up the start date for sea trials of a new aircraft carrier to July 1 because of the rising tensions. The report says the carrier, a refurbished Russian vessel, will not be officially launched until October 2012. The Chinese military has not confirmed the sea trials.

In Washington, U.S. Senator John McCain said the United States must help Southeast Asian nations boost their maritime forces to counter China's 'unsubstantiated' claims in the South China Sea."..."

UKRAINE SECRETLY RAMPS UP TIES WITH NATO: REPORT

June 21, 2011 SpaceWar.com reported: "Ukraine is ramping up cooperation with NATO, dealing a blow to Moscow's hopes that its neighbour would align itself closer to Russia under President Viktor Yanukovich, a report said Tuesday. The Kommersant Ukraine daily, citing a secret document on Ukraine's programme with NATO for 2011, said Yanukovich sought closer ties with the bloc even more earnestly than his openly pro-Western predecessor Viktor Yushchenko.

The dramatic turnabout in Kiev's foreign policy comes despite Ukraine last year cementing in law its non-aligned status and amid disappointment over terms and conditions of rapprochement with the Kremlin, it said.

The confidential document approved earlier this year includes a schedule of 64 bilateral events, said the newspaper, adding that the two sides were set to discuss such sensitive issues as Ukraine's energy security, missile defence, and the future of Russia's Black Sea fleet based in Crimea."...

Asked about the report while on a visit to Strasbourg, Yanukovich said Tuesday that Ukraine remained a neutral country.

"Our position remains unchanged: we have been and remain a non-aligned country, just as is dictated by our law," Yanukovich said in comments released by his office. He added that Ukraine "has not and does not plan" to take any part in the new NATO missile defence shield for Europe, which Russia fears is aimed at its own defences.

Yanukovich has worked hard to improve relations between Moscow and Kiev since defeating the leaders of the pro-Western Orange Revolution in presidential elections last year. Soon afterward he signed a landmark deal with Russian President Dmitry Medvedev to keep Russia's Black Sea Fleet based in Crimea at least until 2042 in exchange for a 30 percent discount on Russian gas exports to its neighbour.

But over the past months Kiev has grown disillusioned with the prospects of closer ties with Moscow which it says has tried to strong-arm Ukraine into joining the Russian-led customs union and threatened it with sanctions, the newspaper said.

"Moscow wants us to be in its orbit and pay for that too," a high-ranking source in the Ukrainian government told Kommersant. "It's not us who are pulling away from Russia. It is pushing us away."

Earlier this month Russia protested the arrival of a US Navy cruiser equipped with a ballistic missile defence system in the Black Sea to take part in naval exercises with Ukraine, saying it was a threat to its national security."..."

NETANYAHU: ISRAEL NEEDS TO SEPARATE FROM THE PALESTINIANS

June 21, 2011 Haaretz reports: "Prime Minister Benjamin Netanyahu surprised many of the participants in the weekly cabinet meeting Sunday when he embarked on a monologue praising the idea of parting from the Palestinians and in relinquishing portions of the West Bank. Netanyahu said the number of Palestinians and Jews between the Jordan River and the sea 'is irrelevant' and that it's more important to 'preserve a solid Jewish majority inside the State of Israel.'

The PM made these statements during a discussion on a report by the Jewish People Policy Institute on demographic changes among Jews and Palestinians in Israel and the West Bank.

Members of the institute presented the demographic data of Prof. Sergio Della Pergola, which show that, in a number of years, the demographic trends will result in a Palestinian majority between the Jordan River and the Mediterranean Sea.

Ministers Limor Livnat and Uzi Landau were surprised by the data and asked that the data of other experts be presented - for example, the data of Yoram Ettinger, who is affiliated with the right. The right argue that the demographic threat to the State of Israel is not so serious.

The prime minister cut short the discussion and surprised those present with previously unspoken sentiments about the future Israeli presence in the West Bank.

'The debate over how many Jews and how many Palestinians will be between the Jordan and the sea is irrelevant,' Netanyahu said. 'It does not matter to me whether there are half a million more Palestinians or less because I have no wish to annex them into Israel. I want to separate from them so that they will not be Israeli citizens. I am interested that there be a solid Jewish majority inside the State of Israel. Inside its borders, as these will be defined,' Netanyahu explained..."

GREEK DEBT CRISIS: STRAW SAYS EUROZONE 'WILL COLLAPSE'

June 20, 2011 BBC News reported: "Jack Straw has predicted the collapse of the Eurozone and urged the UK to consider the 'alternatives' as the Greek debt crisis worsens. The Labour MP and former foreign secretary said the euro was facing a 'slow death' and the 17-member Eurozone 'cannot last' in its current form. He was speaking as MPs discussed the prospect of a fresh bailout for Greece.

Treasury Minister Mark Hoban said it was in the UK's interest to 'ensure the continuing stability' of the Eurozone. However, he insisted the UK would not be participating directly in any bailout and UK exposure to the Greek economy was 'relatively small'.

The countries which use the single currency have said Greece must agree further austerity measures before receiving £10bn, raising the prospect of the country defaulting on its debts should it be unable to do this..."

Greece won the consent of a team of EU-IMF inspectors for its new five-year austerity plan after committing to an additional round of tax rises and spending cuts, both Reuters and Dow Jones reported Thursday..."

The apparent agreement comes just days after Greece's parliament backed Prime Minister George Papandreou's new cabinet in a midnight vote of confidence, a crucial hurdle towards approving the austerity package and restarting the flow of bailout funds that are staving off default. The Greek parliament still must approve the set of unpopular spending cuts and tax increases by July 3 to obtain a 12 billion euro slice of emergency aid. Without help, the Greek government has said it will be unable to pay its debts by mid-July.

Analysts said that if Greece is unable to get the next portion of the loan, default is likely and could cause a domino effect in other areas of the euro zone..."

'HEZBOLLAH PREPARING FOR WAR AGAINST ISRAEL TO PROTECT SYRIA'S ASSAD'

June 23, 2011 Haaretz reported: "Lebanon's Hezbollah militant group is preparing for a possible war with Israel to relieve perceived Western pressure to topple Syrian President Bashar Assad, its guardian ally, sources close to the movement say.

The radical Shi'ite group, which has a powerful militia armed by Damascus and Iran, is watching the unrest in neighboring Syria with alarm and is determined to prevent the West from exploiting popular protests to bring down Assad.

Hezbollah supported pro-democracy movements that toppled Western-backed leaders in Tunisia and Egypt, but officials say it will not stand idly by as international pressure mounts on Assad to yield to protesters. It is committed to do whatever it takes politically to help deflect what it sees as a foreign campaign against Damascus, but it is also readying for a possible war with Israel if Assad is weakened.

'Hezbollah will never intervene in Syria. This is an internal issue for President Bashar to tackle. But when it sees the West gearing up to bring him down, it will not just watch,' a Lebanese official close to the group's thinking told Reuters.

'This is a battle for existence for the group and it is time to return the favor (of Syria's support). It will do that by fending off some of the international pressure,' he added..."

