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Economic Espionage as an Instrument of “Financial Warfare”

By Lars Schall

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Introduction

Folker Hellmeyer, chief analyst of the Landesbank of Bremen, has some essential questions and suggestions vis-à-vis the current NSA & Co. revelations. He says: “I wish heartily for the United States a return to the values of the U.S. Constitution and respect towards third parties.”

The following article is a compilation of recent Forex Reports, that Folker Hellmeyer writes every weekday on behalf of the Landesbank of Bremen. The translation from German into English for LarsSchall.com was personally authorized by Mr. Hellmeyer.

Folker Hellmeyer, born 1961 in Hamburg, is a banking professional who started his career as foreign exchange trader with Deutsche Bank in Hamburg (1984 – 1987) and London (1988 – 1989). From 1990 to 1995, he worked as an OTC broker in the interbank foreign exchange market at Bierbaum & Co. GmbH & Co. OHG. In 1995, he went to Landesbank Hessen-Thüringen GZ (Helaba) in Frankfurt as a senior analyst. Since April 2002, he has been the chief analyst at Bremer Landesbank, where he is responsible for the Foreign Exchange and Money Market Sales department.

In his book “Endlich Klartext” (“At last, clear text”), published in 2008 by Finanzbuch Verlag in Munich, Hellmeyer takes a look behind the scenes of our financial system. His critical analysis provides the reader with entertaining and informative insight into the U.S. financial

system and its political background. The functions of the free market, the policy of the central and commercial banks and the role of rating agencies are critically examined and reviewed.

To what extent can one still believe economic data from the United States? How can one look beyond the veil of political correctness? What is the aim of the Plunge Protection Team? These are some of his questions. Hellmeyer is one of a very few senior bankers in Germany who doesn't grow tired of reminding the public: "First the free market dies, then democracy dies."

Lars Schall

The issue of cyber war against the euro zone and Germany, which is a form of "economic and financial war," remains unchanged and increasingly at the forefront and superimposes rightly all other economic issues. Thus, we can't get out of doing an evaluation.

We emphasize that the time for naivety and political correctness has expired on these facts.

The fig leaf "defense against terrorism" may apply for telephone, Google, Twitter, or private SMS.

The new situation is that politics was the target of spying.

The factual situation of economic espionage is already known to the cyber-commissioner of the federal government and therefore to the federal government. Cyber war is a facet of economic and financial war. A war is about power, the transaction medium of power is money.

We ask questions:

- Was there access to positioning data (and stops for positions) of European banks (chance of market manipulation with full insurance)?
- What does the information gathering mean for the crisis management in the deficit crisis in the euro zone (aggressive speculation from NY against the euro zone)?
- Was there knowledge of M & A plans and other relevant business goals and equivalent biddings? What does this mean for the competitiveness of U.S. investment banks in relation to non-US, investment banks and potential speculative positioning (insider information gathering) without consequences?
- Were our research results, patents or methods therefore known to the U.S.?
- How likely is the non-disclosure of such information in the context of cooperation / conformity in the "Working Group on Financial Markets," in which the U.S. banking aristocracy is working closely together with the U.S. Treasury, the central bank and the regulators (USA Corp.)?

A thought experiment is helpful for a sober evaluation:

Imagine if we [in Germany] had spied on the U.S. in the same way the U.S. and UK spy on the euro zone.

Could you imagine that the U.S. would be "happy" about the offer of a quiet diplomatic solution after the attack to gain advantage without further consequences, or would this then have very different consequences?

How significant is the financial and economic damage in the euro zone resulting from [US] political and economic espionage?

Will we give this subject, that is closely related to the requirement for politics to avert damage to the German people, adequate attention?

The necessary measures from this outrageous constellation point in the direction of the recommendations of the Federation of the medium-sized IT Industry (keyword: “Internet Airbus”), since we can no longer rely on the U.S. infrastructure in the internet. That would be by the way a large program of growth for the euro area within the fields of infrastructure, software and hardware.

Because of national interest of the U.S., companies based in the United States may be forced to support intelligence operations of the United States.

What does that really mean for Deutsche Telekom and other on-site German and European companies that deal with sensitive data?

Emancipation from dependence in the IT sector is essential if there is to be a “level playing field” and if we want to live in the euro zone for the coming generations in self-determination and freedom.

We always campaigned time and again for the euro zone against the background of the achieved successes and the anticipated reform.

This attack on our political and economic integrity emphasizes the need for a common continental European commencement, the basic premise of cohesion of the euro zone.

Smallness is fatal in such disputes. The fate of small countries, that were in the crosshairs of U.S. interests or still are, provides sufficient example.

The political response by the federal government to the U.S. spying against people, politics and the economy is very subdued. Unquestionably, a cool head is adequate to avoid unnecessary escalation that could be emotionally satisfying, but would be objectively counterproductive.

One should not sacrifice the economic upturn, that is increasingly measurable in the data, in a cheap way by arrogance and emotion, despite the significant problem with the U.S.

However, this spying is about the elementary basics of the continental European society and its future viability.

This applies both to our political integrity as well to the protection of our capital stock, upon which the prosperity of Germany and the euro zone lasts. Undue interference must be prevented in the future by any means. Trust is basically good. Trust has been broken, however, massively by the U.S. and the UK.

Germany is a “junior partner” which is defined as an attack target of the United States. If Germany as the heavyweight of the euro zone is defined in such a way, then the euro zone is defined that way, too.

This sheds once again a special light on the reactions from the U.S. (banks, rating agencies, media) during the crisis and from the point of view of information gathering. We recall that regularly positive political developments in the euro zone market were counteracted by

immediate unexpected downgrades by rating agencies. We don't want to elaborate today on the role of some professors in this.

This scandal against this background requires not only political action. It requires the establishment of an independent infrastructure, because trust can be restored verbally. The emphasis is on verbally! In the future control is better – i.e. independence from U.S. and UK structures. Who does not walk this path political and structural (infrastructure, software and hardware), is acting at least grossly negligent. This program would be a sustainable growth driver for continental Europe. Yes, the path would be expensive at first. But that was also the case with Airbus, wasn't it?

The current scandal has enormous importance. Either the world is evolving towards a "level playing field" or subordination is on the agenda, in which the determining power would act on a very one-sided dominance.

Mr. Snowden is becoming lonely. The willingness to help this individual, that supplied valuable and pioneering insights for continental Europe and the world in connection to securing the political and economic integrity and sovereignty, is unincisive.

The political pressure from the U.S. towards the rest of the world in all of this is "respectable". Sometimes one has the impression that European politics reluctantly shows appropriate responses to the biggest scandal of the last 60 years that was caused by the public knowledge given by Mr. Snowden.

We have previously discussed at this point the issue of "national interest" in the United States (e.g. exemption of banks from financial reporting requirements because of national interest). The topic "Working Group on Financial Markets," and in this the context the conformity of the financial sector (banking aristocracy), the Treasury, the central bank and the supervisory authorities, is still not in the focus of the media and the markets. We are surprised...

This constellation allows in connection with the possible exemptions from accounting obligations massive intervention in financial markets, which may be quite suitable to force destabilizing effects in third countries (e.g. commodity-producing countries). The topic of economic and financial war comes to mind here. We refer to an article from the reputable internet magazine Politico from 09/04/2009 under the heading "Pentagon prepares for economic warfare" (link: <http://www.politico.com/news/stories/0409/21053.html>).

The actuality is thereby also given. Cyclical commodity markets (in some areas – such as platinum, copper – in production deficits), with the exception of oil (which price is necessary for the production of U.S. shale oil?), are under massive selling pressure, although economic data surprises in a latent positive way...

It is historically unique that precious metals are under dramatic selling pressure in the futures markets, while the physical market is tight and the stock of physical precious metals in the deposits of the exchanges drains massively, while U.S. banks in the current battle festival have for the first time in 12 years established long positions in the gold futures market.

The phrase "because of national interest" is used in the U.S. at least since G.W. Bush inflationary, and U.S. law and the U.S. Constitution are bypassed or even overridden. Thus, the arbitrariness of the rule of law is finally exposed. Constitutionality is the basis of democracy. Does this raise questions about the "democratic constitution" of the United States?

Even China withdraws now from international sea cargo shipping with Iran due to pressure from the U.S. and the national legislation of the United States. One could get the impression that U.S. national jurisprudence dominates globally.

Does this raise questions about sovereignty?

The issue of subordination comes to mind. Subordination to a U.S. regime,

- that withholds itself from any international jurisprudence (The Hague, Hamburg),
- that demonstrable spreads falsehoods in front of the United Nations in order to wage a war of aggression (Iraq),
- that allowed methods of torture under the exclusion of the rule of law,
- that makes the differences in legal status between Americans and foreigners a subject of discussion (discrimination).

We are talking about a government that downplays the political espionage against continental Europe and thereby hides the economic espionage from the discussion.

A regime that does not only let the NSA act as a foreign intelligence service, but a variety of services abroad in various forms, whose tasks and action circles are not even discussed.

We also talk of US-based NGOs, that are looking for freedom and democracy deficits all over the world and are not allowed to get active in the United States despite dramatic inconsistencies (the last U.S. presidential elections) ... "Food for thought!"

I emphasize at this point that it's not about to put the case for anti-Americanism. Companions know that I supported the role and also the policy of the U.S. extensively until the end of the '90s. This is about sober criticism.

Since 1997 – 2004, the U.S. was changed from an income-driven economy into an economy, whose economic performance is determined by political control of asset prices.

The purpose of the principle of the free market is in substantial parts connected to this (established under Clinton, Rubin, Summers, Greenspan). This is a core cause of all crises that we currently encounter. Unfortunately, many professors hide this elementary theme since 1997.

It is indispensable for a democrat to address deficits that arise to the liberal order, self-determination and humanism, especially if the activities of the United States are compromising these values at our place.

Even more so a responsible citizen is demanded to protect our constitution and constitutional order. This allows no tolerance concerning the current activities of the U.S.

I wish heartily for the United States a return to the values of the U.S. Constitution and respect towards third parties.