

# Kingdom Report

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## End of Empire: Strategic Analysis

There is a very important decision for America coming that will deeply affect the world. Donald Trump could be facing his King Josiah moment. There is much speculation by political commentators that the decision to bomb Iran is close....

With the longest "Blood Moon" eclipse this century on Friday night and Mars at it's closest to earth in a very long time...it seems an auspicious time for thoughts of war or peace. Not that the last series of "Blood Moons" several years ago produced much except for lots of book sales on again..."the end times".

But what occupies my thoughts is a very important decision that President Trump must make that will determine if we have a smooth transfer to a new economic world power order from West to East...or if the so-called American "Deep State" will choose war instead of economic rivalry to maintain American pre-eminence in the world.

As I said in last week's blog I fully believe and am thankful for the role America played since WW 2 to bring about a world of peace and prosperity so that nations can prosper and the gospel can go out to all the world.

But I also believe that there is a new multi-polar world power structure that now must emerge. For America's peace and prosperity I believe that world "hegemony" is no longer sustainable. America's prosperity now for the last 40 years has been dependent upon the fact of the supremacy and power of the dollar as the indispensable world trading currency. Before that America's prosperity was based on its unrivalled productive capacity, natural resources and a talented and entrepreneurial ethos.

I want to give you an analysis below of how the American dollar empire sustains the American financial and security state now. It explains why America must always be in deficit to the world to provide the world with dollars to pay \$237 trillion dollars of international debt denominated in dollars. It is why America must have close to a 1000 military bases and military posts in 131 countries...so that when nations like Gaddafi's Libya or Saddam Hussein's of Iraq and now Iran decide that they want not dollars for their oil but either gold or Euro's...they feel the full brunt of military power.

Here is the analysis of empire dollar dynamics....then I will tell you what Trump's king Josiah disaster can be.....

Over the past couple of months, Donald Trump has sought to change America's security commitments (most notably NATO) and trade agreements (most notably NAFTA) to better serve his view of American interests. Looking at these arrangements in isolation while imagining the U.S. to be a country like any other, it would appear that the U.S., by shouldering more than its share of NATO's costs and tolerating decades of trade deficits, has been getting a raw deal.

However, American military leadership depends upon global dollar dominance which in turn demands persistent trade deficits. These are the three essential aspects of America's global empire. If you remove one, you threaten the survival of the other two and the continued existence of the American empire itself.

The American empire is the first truly global empire, and like the British empire based on indirect economic rather than direct military power. However, it nonetheless resembles every empire the earth has ever known in its basic structure.

Empires such as the Roman Empire which often, at least in the beginning, improve the lives of their subjects.

First, imperial armies both keep the peace internally and defend against foreign invasion.

Second, conquered nations are compelled to accept and use the empire's money....i.e you cannot buy or sell unless you have the "mark of the beast".

Third, peace and stability and the use of a common currency cause trade to flourish.

Finally, this increase in trade and economic activity in general permits the empire to collect the taxes and tribute payments necessary to pay for the imperial armies upon which the empire's security depends.

Comparing the current American empire to earlier empires, we can see that the first three features of empire are present.

First, American military power is deployed worldwide.

Second, the U.S. dollar is the world's money. As noted economics commentator Jim Rickards put it recently in his article "The U.S Dollar: A Victim Of Its Own Success," the dollar is used for about 60% of global foreign currency reserves, 80% of global payments and almost 100% of global oil transactions.

Third, since the end of WW 2 global trade and global prosperity have expanded enormously under the protection of American arms and under the guidance of dollar-based American-led international economic institutions such as the World Trade Organization and International Monetary Fund.

However, while the Romans could finance their armies by levying taxes on the growing trade of their empire, the U.S. is not able to do so as it does not actually govern the nations it dominates. However, the worldwide use of the U.S. dollar does allow America to gather the wealth needed to fund its military in a manner reminiscent of the tribute payments commonly paid by nations dominated by the ancient Near Eastern empires of the Assyrians, Babylonians and Persians.

As other nations need U.S. dollars to buy oil and other imports, they also need to hold U.S. dollars as foreign currency reserves. The simplest way to acquire dollars is to sell

goods and services to the U.S. while accepting dollars (which will never be used to purchase American goods) in payment. Looking at the flow of goods and services, we can easily detect a pattern of tributary states sending treasure to the imperial power. Oil from the Middle East, electronics and apparel from East Asia, minerals from Africa, tropical fruits from Latin America and automobiles and automobile parts from Canada, Mexico and the E.U. all flow into the U.S. from around the world in exchange for dollars which will henceforth be used only outside the U.S. **The U.S. is the only country in the world able to write cheques (issue dollars) which will never be cashed (used to purchase American goods and services).**

Looked at as a whole, the system works. The U.S. provides security and a common currency to the world and in return the world, made prosperous by American protection and financial integration, provides the U.S. with goods and services.

However, when looked at as national accounts these flows of goods and services are identified as trade deficits. To Trump and many of his supporters, these persistent trade deficits have caused the de-industrialization of America and the elimination of millions of American manufacturing jobs. To bring these jobs back, Trump is determined to renegotiate America's trade deals to try to bring America's trade accounts back into balance.

As an imperial power and as the issuer of the world's reserve currency, though, America can never have a balanced trade account. This dilemma was first noted by the Belgian economist Robert Triffin in the 1960s. If America's trade account was in balance, foreigners would not be able to access the additional dollars needed to purchase imports from one another and to hold as reserves. Without reliable access to dollars, global trade would become very difficult as 80% of global payments are made in dollars. Were global trade to collapse, so too would global prosperity. ***Finally, without the tribute payments represented by its persistent trade deficits, how could America continue to fund its military commitments?***

Fundamentally, Trump seemingly wants to jettison some aspects of American empire while holding on to others, but the problem is that empire is a package deal. It is simply not possible for the U.S. to eliminate its trade deficits without also giving up the benefits which flow to the U.S. (and to the rest of the world) from the dollar's acceptance as the world's reserve currency.

Meanwhile, other countries are busy constructing alternatives to the U.S. dollar for international payments and reserves.

Most notably, the Chinese are busy giving their currency, the Yuan, a greater international presence. According to Jim Rickards' recent article, they appear to be working with the Russians, the Iranians and other countries to create a system where trade is conducted and balances are recorded using some form of distributed ledger technology (Blockchain), with any net balances settled in gold (the original global reserve currency) at the end of each quarter.

Alternatively, the International Monetary Fund is also working to create a crypto-currency version of their existing reserve currency (called the 'Special Drawing

Right' or SDR) which could similarly be used to denominate, record and settle international trade.

Whichever trade settlement system ends up being adopted, the writing appears to be on the wall for the U.S. dollar as the world's reserve currency. When foreign dollar holders begin seeing dollars becoming either unavailable or less useful for trade, they will not want to hold them as reserves. If they begin to dump them to buy gold or SDRs, the dollar's value will collapse against other currencies. If, as a consequence, foreigners become unwilling to accept payment in dollars that are fast losing their value, the American government will no longer be able to afford a global military presence.

South Africa like all other countries is compelled to hold international dollar reserves at the New York Fed in either gold or American government securities in order to be part of the international dollar trading system. Our current foreign reserve assets are about \$53 billion. In Rands at current exchange rate it amounts to over R700 billion. If we decide to liquidate those assets as Russia has liquidated its entire \$100 billion in us US Treasuries in the last month we could pay off the entire Eskom debt of R368 billion, pay off all of Transnet's R50 billion in debts, nationalize Iskor (Arcelor-Mittal) and recapitalize our steel industry with new modern steel plants, invest in new smelters for upgrading our manganese and chrome into ferro-manganese and ferro-chrome and with our nickel and cheap iron ore and steel become the world's cheapest source of stainless steel while having low cost rail transport and low cost electricity with no more debt burdens to service. And still have hundreds of billions left over for other major infrastructure products.

And so could most other countries who also had to build dollar reserves by selling more into the world than what they imported to get hold of dollars to invest in America. In effect we made a \$53 billion investment into America to be able to be part of the American world financial system.

This week the leaders of the BRICS nations of Russia, Brazil, China and India met here in Johannesburg for the BRICS summit under South African leadership for the first time. All of them are determined to set up an alternate world trading system outside of the dollar. China is already to doing currency swaps in Yuan to many nations to trade in local currencies. How soon until there is an international exodus out of the dollar as nations sell their dollar securities to pay dollar debts?

President Trump is under the impression that if he can get rid of most of the military overhead of being the world's policeman America can compete with other nations in economic rivalry without the need to print up dollars. The American "Deep State" thinks he is naive and therefore dangerous. They are determined to get him into another war. This time with Iran. Trump's spiritual advisors are telling him this is good, it is God's plan for America's prosperity to protect Israel; the powerful Israeli lobby in America of which his son-in-law is a member is also urging him on, as are the Republican Party (who need a war to distract the whole "Russia meddling" issue) so do the Democrats who started most of America's wars.

But you need to read the story of King Josiah in the Old Testament. His testimony at his death is found in 2 Kings 23:25-30 "And like him there was no king before in

Israel that turned to the Lord with all his heart...." Josiah pulled down idols, high places, rebellion against the Lord and created the biggest revival in the history of Israel. And then he did something stupid....he got involved in a war with Egypt that was none of his business...and he died at a young age in that battle against Pharaoh Necho. He thought since the Lord was with him he could be victorious in every battle. Except the Lord never told him to attack Egypt.

If Donald trump follows his instincts and withdraws America from entangling foreign alliances and make peace with old adversaries but compete economically he can turn America into a wonderful prosperous place. The transition from war economy to peace economy will be difficult. Letting go of empire and world dollar debts will be difficult but it can be done. The American people can compete against anybody in the world economy.

But if he chooses war against a nation that the Lord has not given him permission to attack...because the solution to militant Islam is the gospel of Jesus Christ plus prosperity....then I predict world economic tragedy that will hasten the demise of the dollar and severe world depression.

A lot depends upon what happens in the months to come...pray for the man so that we can have peace to pursue God's Kingdom agenda in peace.