

# Precious Metals

## Geostrategic Trends & Update for 2009

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As I predicted in my book, mainstream economists, financial analysts, and average Americans now realize that our nation is facing what David Walker, former Comptroller of the Currency at the GAO, warned about in his interview on CBS 60 Minutes on July 8, 2007 about a financial crisis and eventual collapse.

This warning is similar to Steven S. Roach, chief economist at Morgan Stanley, who suggests that we only have a 10% chance of avoiding "economic Armageddon" due to economic distortions and structural imbalances in the U.S. The Fed policy of reducing interest rates to near zero with sixteen consecutive interest rate reductions beginning in 2001 has now caused the current financial/economic crisis that we are experiencing in 2008/2009.

At the same time that the Fed is trying orchestrate a "soft landing" for the economy and has been forced to reduce interest rates to near zero. After every boom there is a bust. All the while, the Fed is monetizing the national debt at an alarming rate through "quantitative easing." How can investors and fixed assets keep pace with this steady erosion, fraud and hidden taxation? How long will foreigners keep underwriting our debt-based economy and hold on to our U.S. securities and currency reserves? The U.S. is built on a financial house of cards and our foreign creditors know it.

According to the London Herald Tribune, among the forty-seven major central banks of the world the Red Chinese hold a disproportionately large amount of foreign currency reserves – nearly \$2 trillion. Of this amount, fully one-half is in U.S. dollars and the Chinese are beginning to diversify out of the U.S. dollar and U.S. securities. This is a trend that we will begin to see more and also hear more about in the coming months. In his book, *The Coming China Wars*, Peter Navarro points out the inevitable confrontation with the U.S. and China's willingness to commit economic warfare. This will certainly happen if Taiwan declares independence from Red China and involves the U.S. in defending this tiny island (as indicated below). Although there is a virtual news blackout on this tense geopolitical development we can expect that it will become newsworthy in the months ahead. Pentagon and intelligence think tanks are very much concerned about the coming China wars and China's growing military power.

Recent reports indicate that crude oil demand in China is expected to rise to 7.6 million barrels per day (compared to 26 million BPD in the U.S.). This represents a 10% increase from 2008, and China's energy needs will only continue to grow as this agrarian society moves into its thirtieth year of economic reforms that began in 1978. As I have documented in my book (chapters four to six), China has a strategic alliance with Russia and Central Asian countries including Iran known as the Shanghai Cooperation Organization (see SCO logo above). The SCO is the NATO of the Far East and a deliberate counterweight to U.S. hegemony in the region. The fact that China is commercially allied with Iran is rather disconcerting, not to mention Russia in the region. Rogue OPEC nations like Iran, Venezuela, and Indonesia could help lead the move towards the petroeuro instead of the petrodollar, and China could very well join in this critical effort as documented in William R. Clark's book *Petrodollar Warfare*. Recent statements from OPEC/GCC nations are already pointing to an emerging petroeuro exchange system. Removing the strict U.S. dollar peg for crude oil contracts on the New York-London commodity exchanges will collapse the U.S. dollar and lead to a hyperinflationary depression in America as the dollar is rejected on world markets as I wrote about in my special report on petrodollar warfare (see home page).

It is rather noteworthy that EU bonds have now surpassed U.S. bonds in international bond markets for the very first time. Measured in U.S. dollars, the capitalization of European bonds now total \$4.836 trillion compared to \$3.892 trillion in American securities. Why is this significant? This is clear evidence that world markets are beginning to favor the Euro and EU assets and this can lead to a wholesale rejection of the collapsing U.S. dollar as the world's reserve currency. California-based Pacific Investment Management Company (PIMCO) is the largest U.S. bond fund in the U.S., but very few people know that it is owned by Allianz.AG in Germany. The EU is poised to corner the bond market and soon the European Central Bank (ECB) in Frankfurt will be the most powerful central bank in the world. America's financial reckoning day is drawing near with each passing month and Americans need to wake up before it is too late.

As I have mentioned elsewhere on this Web site, Nikolai Kondratieff (1892-1938) demonstrated that Western capitalist societies experience long-term cycles of boom followed by bust. These grand supercycles generally run about sixty years and the present supercycle began in 1949. This period from 2009 to 2010 is a very critical period for economic and geopolitical tensions that are beginning to rise to the surface. Contrarian investors need to watch their investments closely in the months ahead and hedge themselves in hard assets, tangibles, foreign currency and other defensive strategies. The following information is from my latest special report entitled *America's Financial Reckoning Day* and a *Geostrategic Outlook for the Future*. To order this report you can go to

www.chuckcoppes.com.

## Geostrategic Trends in a Global Network

As we look into our near future I will provide you with a brief analysis of some significant trends to be aware of and I will conclude with some suggestions for your own contingency planning. Gerald Celente is the director of the Trends Research Institute and he is a legendary forecaster. In his latest predictions he is also forewarning of America's financial reckoning day and a hyperinflationary depression that will be followed by widespread violence, food riots, job marches, tax rebellion and the possible breakup of the U.S. as states join in secession ([www.trendsresearch.com](http://www.trendsresearch.com)). Celente says that revolution and riots could start happening sometime in 2009-2010 and mercenary troops will be used to incarcerate people. Already there have been riots and protests in Iceland, Greece, France, Britain, Ireland, Spain, Latvia, Bulgaria, Russia and elsewhere. For 2009, the World Future Society has predicted food and water scarcity in the world along with commodity shortages and renewed tensions between the U.S. and Russia with their ally China ([www.wfs.org](http://www.wfs.org)). This is similar to the Global Trends 2025 report from the National Intelligence Council that sees conflicts arising over food, energy and particularly water as documented in the new book, *Water: The Final Resource* (2008).

This government report also sees the U.S. dollar's role being diminished with both Russia and China asserting the need for a "multipolar" world and the threat of a new "Cold War." Considered an "arc of instability," the Middle East will see a nuclear arms race if Iran acquires nuclear weapons, and there could be a proliferation after the 1991 Strategic Arms Reduction Treaty between the U.S. and Russia expires in December 2009. Andrew Krepinevich, director of the Center for Strategic and Budgetary Assessments (a government think tank), is a military futurist and he proposes several geopolitical threats in his new book *Seven Deadly Scenarios*. He mentions a global pandemic forcing a Mexican invasion (the DoD is also predicting financial collapse in Mexico) and an early withdraw from Iraq will result in chaos in the region. He, along with the DoD, is predicting the collapse of the Pakistani government and nuclear weapons falling into rogue states that can be used against U.S. cities. He also sees a cyberattack against the U.S. and according to NSA intelligence China already has the capability to shut down our Pacific naval fleet. Finally, in another scenario, Islamic fundamentalists shut down the Persian Gulf and the Strait of Malacca forcing an oil shock, and China, sensing America's internal strife and nuked cites, launches an all-out attack against Taiwan to reclaim it as their 23rd province. China has threatened to force reunification with Taiwan across the 100-mile Taiwan Strait since 1949 when Chiang Kai-shek and his anti-Communist forces fled the mainland.

In 1979, the U.S. established diplomatic relations with mainland China and also passed the Taiwan Relations Act, which pledges U.S. support for Taiwan and allows the sale of defensive arms. Since the 1990s, China has increased its military spending and currently has 1,500 Dong Feng II ballistic missiles aimed at Taiwan, and the DoD estimates that the PRC will have five Hans-class submarines equipped with JL-2 long-range nuclear missiles operational by 2010. In 2005, the PRC passed an anti-secession law that gives them a legal basis to attack Taiwan. Soon after, General Zhu Chenghu, dean of China's National Defense University, declared, "If the Americans draw their missiles, I think we will have to respond with nuclear weapons." Since then U.S. naval ships have been harassed and denied port calls by the Chinese. In late 2008, the U.S. announced a \$6.5 billion arms package to Taiwan and Maj. Gen. Qian Lihua ordered the U.S. to "cancel its plans" and China has now "suspended all military exchanges with the Pentagon" (*The Washington Times*, 11/20/08). With things getting tense, the Pentagon sponsored a first-of-its-kind war game at Ft. Meade, Maryland in March 2009 that simulated economic warfare and concluded that China would be a decisive winner if they were to dump their U.S. financial assets. Will China do this? In 1956, during the Suez Canal crisis the U.S. ordered Britain to withdraw forces and threatened to dump Sterling bond holdings that would have devalued their currency – in three weeks the Brits conceded and the prime minister resigned. Yes, China has this geostrategic advantage and they know it (AFRD, pp. 159-169). Interestingly, China's army literature describes their 600 merchant ships operated by COSCO as zhanjian, or "warships." U.S. trade with China has always been strategic as noted by our military futurists. As Chairman Deng Xiaoping once confided, "we must hide our capacities and bide our time."

China and Russia are both being affected by the economic downturn, but their rigid centrally-planned infrastructures are better prepared to control disarmed populations. Russian scholar Igor Panarin is dean of the Russian Foreign Ministry and a former KGB analyst who is predicting that America will descend into civil war in 2009 and will break up into six separate states by 2010. An expert on U.S.-Russian relations, Panarin refers to U.S. foreign debt (bonds) as "a pyramid scheme" that will lead to a financial collapse and says that mass immigration has contributed to our decline, which some see as a deliberate plot (America's Engineered Decline). Panarin concludes that both Russia and China will emerge stronger and check U.S. hegemony in Central Asia, a geostrategic trend that concerns the U.S. intelligence community. In 2001, the Shanghai Cooperation Organization was formed with China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan as a direct answer to a corrupted and pro-western OPEC cartel. Western analysts see this Sino-Russian alliance as a new Warsaw Pact, or geopolitical counterweight to U.S. oil interests around the Caspian Sea. This is a subject that Zbig Brzezinski wrote about in *The Grand Chessboard*, and a more recent account by war correspondent Lutz Kleveman in his book *The New Great Game: Blood and Oil in Central Asia*. Kleveman points out that the "war on terror" was a pretext for sending troops to Iraq (to secure oil) and troops to Afghanistan to rid the Taliban, who were preventing the CentGas pipeline project with Chevron-Unocal and Halliburton (Dick Cheney's old company).

In 2005, the U.S. applied for observer status to the SCO and was flatly denied. In that same year, the U.S. was asked to remove its airbase in Uzbekistan and Russia has influenced Kyrgyzstan to remove more airbases in February 2009. Current SCO observers include India, Pakistan and Iran with Venezuela seeking to join ([www.sectesco.org](http://www.sectesco.org)). Iran and Venezuela are rogue members of OPEC, and both have joint oil ventures with China. In 2004, Iran announced plans to open an oil bourse as a trading platform to price crude oil in euros instead of dollars in an effort to strike at the U.S. dollar pillar to collapse the military pillar (the CIA refers to this as attacking your foe's 'center of gravity'). In 2008, Iran opened this oil market for trading and the Obama administration is currently drawing up plans for an attack against Iran (Iraq tried switching to euros in 2000). The Israeli government under Benjamin Netanyahu is also requesting flight codes from the U.S. to fly over Iraq to strike at Iranian nuclear facilities. Washington has criticized Russia for helping Iran to develop their nuclear plants and supplying TOR-M1 anti-aircraft missile systems. The fact that China-Russia-Iran has formed a hostile troika to U.S. interests in the region is a geopolitical paradigm that could be a tipping point for China to initiate economic warfare. The SCO favors a "petroeuro" pricing structure and some members of OPEC are also indicating the same. According to the BIS, the oil cartel is shifting more of their currency reserves into the euro. In early 2009, the Gulf Cooperation Council (GCC) formerly announced that they will break their dollar pegs in favor of a new single currency called the "khaleeji," which means Gulf in Arabic. The GCC has pegged their currencies to the dollar since 1981 and cites America's "inappropriate monetary policies" by the Fed as a main reason for their decision. The new currency was planned for 2010, but Saudi Arabia wants it by fall 2009.

This is a major development in the Middle East and it demonstrates how the current economic crisis is producing a macroeconomic paradigm in the world. The declining role of the U.S. dollar, as predicted by futurists, forecasters, foreign analysts and government think tanks, is heightening the need for a more reliable reserve currency as proposed by the G-20 meetings. The current proposal of an SDR comprised of the dollar, euro, yen and pound could eventually result in the euro being the strong anchor as the dollar finally gives way to a revalued dollar/americo in the NAU. According to the McKinsey Global Institute the EU has officially over-taken the US as the world's largest economy (\$18.4 trillion GDP). As T. R. Reid noted in his 2004 book *The United States of Europe*, "the success of Europe's common currency could bring America's financial house of cards tumbling down." Currently there are 16 Eurozone member nations but some are failing to meet the 1997 Stability and Growth Pact and have more than 60% debt to GDP or 3% inflation (the U.S. has a 100-200% debt ratio!). According to Paul Donovan, a British economist at UBS, the economic crisis will likely cause a breakup of the Eurozone and favor "the strongest economies over the weaker ones," perhaps resulting in 10 core nations. In late 2008, British politicians were musing, "If we had the euro, we would have been better off." What the EU desperately needs is "political union" and the goal is to adopt the Lisbon Treaty by late 2009, and this will also create a new President of the EU. "We are building a new world superpower," says Tony Blair, "The European Union is about the projection of collective power" (AFRD, pp. 148-158). PM Gordon Brown adds that today's challenges are merely the "birth pangs of a new global order." Why are these important issues? The globalists are building a New World Order and the Bible predicts that Europe will rise in world power with exactly 10 nations and a world leader, and this is a major geostrategic trend to be watching. I write more about this in my book (AFRD, pp. 198-219), and you are also encouraged to subscribe to [www.geostrategictrends.com](http://www.geostrategictrends.com).

Famed currency analyst Dr. Franz Pick once said, "The fate of the nation, and the fate of the currency are one and the same." America is in deep trouble and people are beginning to wake up. Just as the government has a color-coded national threat advisory our economic threat advisory is a code red, and it is time to seriously make some preparations for hard times. "A prudent man sees evil and hides himself, the naïve proceed and pay the penalty" (Pro. 27:12). Freeze-

dried food storage and fresh water is highly recommended and you can contact people at [www.alpineairefoods.com](http://www.alpineairefoods.com), [www.freedryguy.com](http://www.freedryguy.com), [www.nitro-pak.com](http://www.nitro-pak.com), [www.efoodsdirect.com](http://www.efoodsdirect.com) and [www.freshwatersystems.com](http://www.freshwatersystems.com). The largest supplier of garden seeds is [www.burpee.com](http://www.burpee.com), or 1-800-888-1447 for a catalog. For survival gear contact Emergency Essentials at [www.beprepared.com](http://www.beprepared.com), or call 1-800-999-1863 for a catalog. A good source for lighting, stoves and home goods is [www.lehmans.com](http://www.lehmans.com), or 1-888-438-5346.

Thomas Jefferson said, "When the people fear their government there is tyranny; when the government fears the people there is liberty." Immediately following the election of Obama, gun and ammo sales rose 49%, and it is getting nearly impossible to find certain ammo. Why is this? In addition to people fearing their government, the Feds want to restrict private gun sales (HR45), ban so-called assault weapons (HR1022), and add a new 500% federal excise tax on firearms ([www.gunowners.org](http://www.gunowners.org)). Our 2nd Amendment rights are in grave danger and history proves that gun registration usually precedes confiscation, as it did in the USSR (1929), China (1935), and Germany (1938). In this current environment and the potential for financial meltdown, riots and martial law you are urged to get armed and buy ammo (try [www.ammoman.com](http://www.ammoman.com), [www.georgia-arms.com](http://www.georgia-arms.com)). In 2001, Argentina defaulted to the IMF and suffered massive bank runs and a collapse of the social order. For a sobering first-hand account please read "Lessons from Argentina," by searching this title at [www.google.com](http://www.google.com). If you are concerned about living in large urban centers I suggest Joel Skousen's book Strategic Relocation or go to [www.joelskousen.com](http://www.joelskousen.com), and for group retreats and property check out [www.suvivalrealty.com](http://www.suvivalrealty.com).

In my book I have a final chapter that deals with precious metals, tangible assets, paper investments and cash (AFRD, p. 285-318). Gold and silver have been in a bull market since 2001, and this trend will continue as our financial crisis deepens. Despite heavy demand for metals, spot indexes have been curtailed by bankers to help inspire confidence in their markets. As I noted earlier (p. 6), Bear Stearns had a huge short silver position in March 2008 and J.P. Morgan Chase helped cover this commitment on COMEX. By July 2008, Countrywide, IndyMac, Fannie and Freddie Mac all imploded and J.P. Morgan along with Goldman Sachs moved to short the gold and silver markets by holding 6,199 silver contracts and 7,787 gold contracts. By August 2008, this figure was increased to 33,805 silver contracts (5-fold) and 86,398 gold contracts (11-fold) – this was 88% more silver and 46% more gold than COMEX had in their vaults – talk about blatant manipulation! During the final quarter of 2008, bankers conspired to sell enough OTC gold/silver derivatives to take gold from \$975 to \$725 and silver dropped from \$19 to \$9 an oz., such is the desperation of Wall Street. According to silver analyst Ted Butler, this kind of manipulation should convince contrarian and smart investors "to acquire even more metals" ([www.butlerresearch.com](http://www.butlerresearch.com)). For my clients, I recommend they place 30-50% of their liquid assets into metals with an equal amount in pure gold and silver bullion, and I can also assist clients with retirement accounts to rollover into a Precious Metals IRA and they can do this at Sterling Trust Company ([www.sterlingtrustcompany.com](http://www.sterlingtrustcompany.com)). For sophisticated or high net-worth clients I recommend depository accounts for low premiums and safekeeping. As someone once said, "don't wait to buy precious metals, buy precious metals and wait. As Warren Buffet likes to say, "it wasn't raining when Noah built the ark." For some wise counsel you should listen to [www.financialsense.com](http://www.financialsense.com) each weekend and go to [www.moneyandmarkets.com](http://www.moneyandmarkets.com) and sign up for their daily alerts. You can also educate yourself by going to websites that I have mentioned in this special report and books like Thomas Wood's timely treatise Meltdown ([www.mises.org](http://www.mises.org)). A resource that I highly recommend is The New American magazine and you can receive a free copy by calling 1-800-727-8783. For a signed copy of my book or reports go to [www.chuckcoppes.com](http://www.chuckcoppes.com), or call 1-208-712-0170 (PST).

Abe Lincoln said, "America will never be destroyed from the outside. If we falter and lose our freedoms, it will be because we destroyed ourselves." We seem to be at that place in history. For those who trust in Providence this is not cause to be fearful. "Heaven is My throne, and the earth is My footstool," says the Lord. "But to this one I will look, to him who is humble and contrite of spirit, and who trembles at My word" (Is. 66:1-2). He has never promised a smooth flight in this life, just a safe landing. I pray that you will look to Him and trust in His word. "God is our refuge and strength, a very present help in trouble. Therefore we will not fear" (Ps. 46:1).

