

**Crystal Ball 2012
24, 2011**

Imad F. Abdullah, Dec

The Crystal Ball 2012 is the 12th annual greetings, whimsical and satirical, with featherweight and some weight, reflections and projections on the past, present, and the future

2011: what a year it has been, and what a global village we live in. So near yet so far, so fascinating yet so tangled up with nuclear power plants meltdowns, natural disasters, super floods, revolutions, regime changes, and countries split apart.

Japan had to deal with the ultimate nightmare as the world watched in horror the blow-out of a nuclear reactor building. Incredible as it may seem, the brave Japanese went inside to take care of business, facing their unknown fate and whether they will become irradiating radioactive elements themselves. The masses were evacuated far away from the deadly glow haunted by the shadows of the nuclear of two generations ago.

It has been almost a year now and it is getting under control, but not after the outcry by advocates of alternative energies continues over the whole concept of nuclear energy and the transportation of its waste and how it is eternally stored, and whether it is headed long term out of control.

Predicting natural forces that cause such events and when and how has been elusive, but scientists think it may be possible forecast the volcanoes and tsunamis, especially around the ring of fire at the perimeter of the Pacific Ocean circling the Americas and Asia. At the ring of fire, they suggest that a change in the curvature of the earth crust occurs when magnetic forces and solar activity intensify on the northern side of our galaxy. When both converge, the curve changes and the joints dislocate, the hot lava blows out as ferocious volcanoes and the shift of the massive tectonic plates causes earthquakes, the undersea engine for ravaging tsunamis.

On other fronts, political world events were in a race all year, and we're barely catching our breath towards the end of the year as few have found their way to the end of the race. In Iraq the coalition government is still in place yet so fragile, as the country picks up the development pace and remains on edge with dissenting leading strongmen and periodic explosions by suicidal madmen. US fighting forces just left Iraq after 9 years, and the military hardware is still looking to park itself close enough to the next crisis. Getting it to Afghanistan is a costly proposition but may be a wise choice.

Looking at Afghanistan, one can follow on the maps a connecting continuous corridor starting at the northeast corner of Afghanistan where it joins China and running practically straight through Pakistan, Iran, Iraq and then Syria to reach the Mediterranean. Breaking the line with military presence in Afghanistan was deemed a strategic option for the US as it tries to secure energy from the nearby largest world sources for the black gold, a costly stretch for the US to the opposite end of the globe.

Though temperature in the Arab World is hot most of the time, the Arab Spring tempered rulers and toppled governments. People governing themselves proved to be a tough business, and once blood is in the streets it creates a one-way street. For Libya's Qaddafi the street was a dead end, where at its end he met death and his dynasty's end.

It all started from Tunisia, where a human torch lit up the skies and ushered in the Arab Spring: in desperation and anger, a Tunisian burned himself in protest after authorities took away his last effort to feed his family decently. Tunisia erupted and has since been inching toward normalcy. The Domino effect moved to Egypt, Libya, Yemen, Bahrain and Syria. In Egypt, and though the Pharos set the bar quite high, today's Egyptians lived up to the legacy and sent President Mubarak to the gallows. For now the military continues to run the show and the public is still in limbo on whether they plan to let go. With opposition led by splintered factions and groups following the euphoric revolution, it does not create a monolithic front and the power to remove all the old regime point men, much less the military and establishment henchmen.

Libya's revolution proved very expensive in human cost and overall destruction, and the country is trying to reign in chaos and collect arms from the rebels, and to account for what may have disappeared or sold on the black market. Qaddafi's arsenal was stout and advanced, dream type weapons for outlaws worldwide. Add to the mix the strong showing of fundamentalism, and it will be some time before stabilization re-stitches the tribal divide.

At the south entrance to the Red Sea, NATO warships and the pirates from Africa are still in a game of cat-and-mouse on how to maximize their own share of commerce. Pirates are not making the headlines anymore but can be found in the back pages of the news. At that bottleneck, Yemen is there, real strategic, has been and will always be. No wonder they originated languages and religions and much of the history of old of the Arab world. The revolution remains a work in progress, women leading the charge much of the time demanding accountability of the regime for decades of alleged crimes.

In Morocco, the King wisely ceded some power and called for elections, giving the people ample changes to have more democracy. Jordan experienced some tension, the King there moving rapidly to absorb it and respond to public demands. Jordan is not in control of its future, and sits sandwiched between friend and foe, uncertain which is which while waiting for clouds to clear up and for prosperity to flow.

In Syria, an uprising has been going on for nine months, and so far the government seems still in control with very little split within the military, a catalyst which was banked on for toppling the regime. Referred to by various networks as a revolution, the timing is similar to events before in Iraq's invasion in 2003 when Saddam Hussein had already negotiated oil contracts with Russia, France and Germany. Syria's gas contracts were negotiated with Russia and China and the West was left out. Same in Libya, the Italian energy powerhouse ENI and Russia had secured vast privileges from Qaddafi to pump the highly refined oil.

Syria is at the super powers crossroads, and at the intersection of global interests and a land gateway to the region and its energy resources. It's a high stakes conflict, East and West. For one side a change to a friendlier regime was deemed possible while for the other keeping the status quo was more plausible. For now it seems at a standstill, but for Turkey it may already be overtime.

Turkey had more projects in Syria than has any other country with a positive balance of over one billion dollars. Though significant, it pales when compared to Turkey's export market to the United Arab Emirates of over eight billion dollars. Turkey's Prime Minister Erdogan took a stand against Syria calling for sanctions, only later to face the reality that much of Turkey's trade to the rest of the Arab World passes through Syria. He may be on thin ice with the Turkish public come election time as his aggressive stance against the Syrian regime is hurting Turkey's private business interests, and the street is not happy about a tense situation with unforeseen consequences at best.

To understand more about the region, we may need to revisit a music symphony by one of Italy's most famous composers of the early 1900's, Giuseppe Verdi. Named Nabucco, it recounts the story of Nebuchadnezzar, the king of Babylon who uprooted many Jews and brought them to his empire some 2500 years ago. The political plot thickens when Nabucco becomes the name of the proposed pipeline to carry gas from Azerbaijan all the way to Europe via Turkey in order to reduce the total gas reliance of Europe on Gazprom, the giant Russian oil company. In due course the newly found gas in the Mediterranean across the coasts of Israel, Lebanon, Syria and Cyprus is to connect Nabucco. The pipeline would have bypassed Greece in favor of Turkey to receive the transportation royalties, a carrot to get Prime Minister Erdogan on board to advocate change in Syria. So far Verdi's Nabucco is alive and well, let's all hope it all ends well.

As a world class scramble is underway by superpowers and various countries to participate in the East Mediterranean gas, Brazil sent a frigate to the region, and Russia which lost of much of its influence in former European and Arab countries also sent navy ships to the Syrian coast. Together with China, their veto is controlling the outcome from the UN. In lieu of the Axis versus the Allies during the last two world wars, and with Brazil, Russia, India and China as main players this time, could it be the BRICS versus the Allies in an upcoming Third World War?

Many are voicing threats of a strike against nuclear installations in Iran. Though such an action has been flaunted numerous times, there are unfathomed consequences of what may happen with a nuclear cloud moving over the continent, and the potential destabilization of oil with the closure of the Strait of Hormuz or the flaming of the Gulf region oil facilities. If all else fails, the nuclear club may consider future co-existence with a nuclear Iran in the hope that in time a friendly government will become in charge.

Dormant for almost what seemed like eternity, the Arab league awakened recently and joined the fray, shuttling politicians across Arab capitals and international centers of world power. Another change is on the scene, the Palestinian Authority was voted in as a member of the UNESCO against the wishes of the US and Israel. Bolstered with much unrest around it, Israel enjoys a relative peace while it populates lands around Jerusalem with new settlements under the Biblical.

What gets not talked about is the impact of a Middle East peace on the surrounding countries. Can Israel survive its internal political, ethnic and religious divisions and splintered parties without a continuous external threat? What happens if Israel implodes and who will look after the nuclear arsenal and will some be sold to eager buyers? Can the Palestinians continue to have Hamas and the PLO in two separate entities in a dispute? Could this be a smart approach to prevent total capitulation, and to maintain options on how to form the new nation? Could Hezbollah in Lebanon be very keen on keeping Lebanon whole as an act of self-preservation to forestall Israeli raids if Lebanon is split into religious reservations? The verdict is still out as we conclude this year and the Crystal Ball must go out before the end of the year.

A closure of sorts took place earlier this year as Osama Bin Laden was finally taken out in a sophisticated operation that was years in the making. In a strange twist of fate, a US military plane carrying navy seals went down in Afghanistan not too long thereafter, leading many to try and connect the dots in such a remote region and sort the disaster.

Through it all, the future shows signs that are positive and optimistic for the relatively liquid Middle East while much of Europe is in a fix with high debt and much unrest, and which brings us back full circle to Greece, hovering and teetering on the edge of the precipice. European Stock

markets shuddered every time Greece offered sovereign bonds for sale, and the rates kept climbing. A default by Greece will drag the Euro down and shatter the Euro Club peace. The debt of Greece, Portugal, Spain and Italy is overshadowing all the good news and Europe could implode on itself under the huge sovereign debt blues.

Forward again, the world is moving into spheres of influence. There was a time when it was much easier to have a world with 2 to 3 empires and with fewer countries, as the rulers controlled all the land and assets. Today Australia is more connected by trade to the Far East than to its original European heritage. With globalization a number of large countries disintegrated, including Yugoslavia, the Soviet Union, and Sudan which split itself into two. The future is in flux for large countries with a multitude of ethnicities and languages, such as India and China. There are undercurrents to have more of the small and less of the large as the latter may pose an existential threat to others. At the other extreme, new virtual nations are formed with no territory and with multiple nationalities, and their lands are Four Seasons and other star studded hotels. The super rich may not need a country as they jet set from country to country.

In any case, holding a large country together is becoming a real challenge for the rulers, and democracy is facing the test of proving its worth long term. Democracy in small countries falls back to religious sects as they become the political parties, and divisions run along ethnic and religious lines. Real democracy requires large countries in order to dilute religion into more important aspects such as the economy and jobs. In poorer countries Democracy takes a back seat to survival, as Maslow's famous Hierarchy of Needs remains stronger than ethics and sticking to good deeds. In advanced democracies candidates solicit campaign funds, but in poor ones they are part of the rich class and dole out funds and privileges to woo the votes from the underprivileged class.

A democracy of sorts is taking roots in China as the size gets too large for centralized governing and power needs to be transferred to the local authorities for most matters. A real fear is haunting the financial markets as to where the economy of China is headed, and for some outside powers a long term policy is to have a splintered China or many Chinas. The Dalai Llama gets ample support so far in hopes of a separate Tibet run from the palaces of the historic capital, Lhasa. Some reports on China suggest a very high inflation rate while their private sector share of GDP is below par. The economy may be on the verge of a recession, government spending on infrastructure and new cities is way up, and overall taxes are among the highest in the world. Some suggest China may be in a deep hole with billions in interest payments.

The US Economy is facing its own problems with the national debt: the billion made a reverse split and became a trillion, and the numbers range from 4 to 14 to 114 trillion in unfunded liabilities. Congress will not set a committee to find where the trillions were spent as many politicians accept the national debt increase versus the potential social unrest if there is no money flowing to the people.

According to some, the U.S. has the second highest corporate tax rate in the world, leaving us to ponder which country is first. The rate along with high labor costs forced many companies to go overseas, whether to Southeast Asia or South America, and as capital is all over the board, it is more reason for the US to have a strong military to protect investments abroad. The US has done well recycling petrodollars since oil producing countries buy back in return oil equipment,

military hardware and planes, feeding production and employment. As transcontinental travelers on Qatar Airways and Emirates bypass Europe's airports on their way to the Middle East and Southeast Asia, Europe is missing out in on the lucrative transatlantic travel.

Being small and rich, some petro countries end up with a low citizen population versus high foreign workers. With globalization, how long will this imbalance continue future as nationhood becomes unrelated to language, ethnic make-up or religion? Can capitalism become the common bond and will it succeed at building pluralistic states?

The price of oil has been reasonably steady for much of the year even with the revolution in Libya and troubles in Bahrain. Crude in tankers used as floating storage has been consumed and there is no glut in sight. We may have gotten used the price of barrel around \$100 give or take, but any jolt can have drastic results. Louisiana is always on alert as to when they may need to open the flood gates to the spillway built in 1954 to release the waters of the mighty Mississippi river, and as luck would have it, the Colonial Oil Pipeline which feeds 12 states is located in the same flood plain, and is always at risk of damage or possibly floating altogether, sending both oil and its price skywards.

A new gold coin was minted in Perth, Australia, over one ton of pure stuff worth over 50 million dollars before gold collapsed towards the end of this year due to a rally in the dollar. Gold demand has seasons based on the annual celebrations in some countries where gold is used for jewelry. In China, gold for jewelry exceeds demand for bullion and so it is with India, to a point where global demand for jewelry is over 50% of industrial demand, and nearly 2/3 of the demand from central banks. Keep an eye on the size of ear rings and necklaces to gauge the direction and take stock.

Inflation continues to simmer unnoticed and hidden from the daily news. It is easier on the public this way, less stress about the future. Which brings us to stocks: how to handle the bull going bare, when the bear already gobbled up the feedstock to buy stocks with no reserves to spare?

To figure it out, buy, sell or hold, the Lunar Calendar is getting more religiously followed, not by the faithful and believers but by Wall Street gurus who figured out the strange relationship between market tops on the charts and the full moon, and market bottoms at the start of a new moon. The Lord may have sent the signal long ago with the lunar orbit, suggesting the markets flux with the low and high tides, maybe sublime signals for trading charts. For more clues on leading edge indicators on market direction check companies which make locomotives parts and freight cars, the shipping index and large office furniture makers. As large companies and government hire after downsizing in a recession, they need new furniture and cubicle stations.

The Crystal Ball offers another hint on a real and sensitive indicator that can guide the way, though it may be hard for ladies to closely check its accuracy. For astute men aficionados, the method to measure economic activity is to track the sale of men's underwear starting with one's self: constant in normal times, the sales drop in recessions as men get tight about spending for underwear.

Back in the US, the "Occupy Wall Street" movement is asking for a share of the dream. They turned Wall Street into a fort sheltering Wall Street insiders, by now hedging with bailout Futures against a full assault on the Street. The movement raises questions about the future of parks and large squares of our cities in terms of security as crowds converge on them in times of dissent and could paralyze daily life. At the

University of Houston and following the demonstrations in the late sixties against the Vietnam War in the large field adjacent to the University Center, the square was dug-up, a large underground of facilities was built, and the square became a series of pathways between various structures. Could this be the future of our squares and parks? Will parks become peripheral suburban locations where demonstrators could camp for days and weeks without being noticed? Do we build future parks as forts?

Calling for change just as President Obama proclaimed when he was a candidate, Republicans want a total administration change. Since about midyear, the talk of the media pundits is about republican presidential hopefuls ahead of US presidential elections next year. The roster includes a wide range of ideologues, it is too late for new entrants, and the debates are consuming the candidates: confrontations, scandals, immigration and border security, pensions and the budget, jobs, deficits and taxes. Candidates have become unpaid actors filling the print media and TV time at a fraction of the normal cost of regular programs.

Last year the Crystal Ball predicted that Governor Perry of Texas has powerful credentials to enter the presidential race. This year he did though late, and was playing catch up with other candidates who had been already drilled and more seasoned. Though the 3rd one that Perry could not remember haunted him for a while, his credentials as Governor for 11 years of a State the size of France remains formidable and he has a rich war chest to keep the fight. It is a long campaign till the summer of 2012 and the Republican convention.

Taxing the rich is always a provocative topic and the stuff of much debate. Many of the rich receive capital gains and unearned income in lieu of regular income and are taxed differently altogether. The Crystal Ball cautions against more income tax as it becomes detrimental to purchasing power by a 10 to 20 multiplier effect, because it reduces the leverage of the individual when making large purchases. A person with a \$150,000 income can get a mortgage on a home for 500,000 but an additional tax of 5% or \$7,500 reduces his ability to purchase by \$100,000 to \$200,000 depending on the rate of interest. This applies to all brackets, and the lower the income, the higher the effect is on purchasing ability because of credit sensitivity. Though some consider it a small tax increment, the downward leverage aspect with the multiplier is drastic and it will take the longer to move the inventory of foreclosed homes.

Jobs, jobs and more jobs are the answer but it will take a long time before we can come close to full employment again. Advanced manufacturing requires less people, and the coveted 4.5% unemployment rate is now a dream as entrants to the labor force from graduations, immigration and the previously unemployed appear beyond the present capacity of the system with all the national debt which compounds larger every day.

The publishing empire of Rupert Murdoch came under fire this year, with allegations that sensational stories were obtained by tapping phones of the rich and famous, and the notorious. The empire rarely publishes on its own story, and we're beginning to forget the whole story.

Global warming is staring its arch enemy global cooling face to face: which way out, up or down. Debate continues with both sides hardening their positions on Green. Ice cores take us back some 700,000 years to check temperature. More CO₂ in the atmosphere may be the cause of faster growth of plants as they feed on carbon, and records show that CO₂ was much higher

during the dinosaurs' era, fueling speculation on whether humans will become taller and larger with more global warming in our future.

Saving energy and sustaining earth is our responsibility. In lieu of cutting trees, maybe we can do the logging in rivers underwater and pull out already submerged trees whether due to dams or simply the natural cycle. Solar could still be viable given the right technology, and plenty of sun. As the oil era recedes, will future wars be about areas with uninterrupted year-round sun or continuous steady 24 hours a day winds?

One more energy saving tip, growing marijuana indoors to hide from sky eyes consumes 1% of electricity. Moving the plants outdoors saves much energy and gives an environmental leg to legalization advocates in their drug liberation quest.

Particle Colliders are making news, with CERN's large Hadron collider near Geneva putting on display extraterrestrial speed. Another rival, the Fermi National Accelerator Laboratory, claims to have found a Higgs boson, the missing link in subatomic science. Another unfathomed particle, the neutrino, should be so abundant in space but is so hard to detect. According to some, a beam of neutrinos could be used to penetrate stellar space and communicate with aliens, if they are out there. Scientists are also convinced there is dark matter so stay on the lookout, science can still surprise.

The String Theory continues to gain momentum as a likely explanation of the universe, how it started, and whether there are several universes out there or a multiverse as it is referred to. The problem that haunts this theory relates to the need mathematically for 10 spatial dimensions, some say 11, in lieu of the known three. Doubters have a hard time visualizing such dimensions, especially when some are at the nano level. Since Time is sometimes referred to as the 4th dimension, The Crystal Ball can suggest a few more dimensions such as sound, color, vision and the sixth sense.

As part of this universe, we are galactic subjects riding the space waves round and round, and subjected to the same magnetic forces that affect birds and other animals and make them react ahead of nature's acts. How do these solar and other extra-terrestrial cycles affect us as humans and can we revive the evolutionary bird ancestry within our minds to get the same sense of direction and upcoming dangers?

From the not so far outer space, the Moon with its elliptical orbit is a magnet for enchantment and night lovers: is it an innocent bystander, or is it compounding the effects of the magnetic system when it reacts to different cosmic radiations? Some scientists have correlated this activity and believe it can give signals on upcoming seismic activity and earthquakes.

Whenever talk is about space, it is befitting to look at Religion. Nothing is sacred anymore, not even that most secret ritual of the Roman Catholic faith, the confessional box: confessions can now be done by touching the screen of the iPad once you download the new divine wonder: I-Confess App.

Every year we check on rare metals, since their stocks soar sometimes, almost always when we're sidelined, much to our regret and chagrin. With the growing demand for hybrid and electric vehicles, demand for rare earths intensifies, especially as current battery power for cars is short on long distance and costs are on the increase to develop enough energy storage versus the miles to travel.

Enter thermoelectric generation, a new and promising energy, if only the right rare metal is produced and in enough quantities. Last year we reviewed Coltan, difficult to mine as it is present in areas of Africa where Gorillas reside. As luck would have it, our desired rare metal this year is produced near wild bears in cold mines of Norway. Known as Skutterudite, it is an arsenic mineral of the Cobalt family, and with the right technology, it can convert heat into kilowatt power. It is near a scramble now as auto makers are in a race not to be left out, and to be first in getting their thermo cars out.

Individual stars are rarer, and this year we lost a superstar of our times, and maybe of all times, Apple's founder Steve Jobs. With creativity, determination, willpower and incredible vision, Steve Jobs created the Mac, the Graphical Interface, the Mouse, and Airport Extreme to connect through to internet. Beyond iPod and the I-Phone, Jobs succeeded at maximizing Apple as a company and assembled the right management to create huge profits and advance science. One of the best companies in the world, the brand is everywhere and global and his legacy is bound to be generational

In the world of Smoke, the black market for cigars from Cuba is thriving and well, as the tasty smoke is distributed illegally worldwide since the Cuban government nationalized that industry in 1959. Though the price is premium, it is low in relation to the desired high and the ultimate satisfaction of cracking the crackdown.

This year we had significant travels to many faraway destinations, Our world is a fascinating place, and people are a lot closer to each other than they think. As Singapore Air stops in Moscow, I had a chance to tour Red Square, the Kremlin, and several neighborhoods and museums, well stocked with masterpieces by Monet and Chagall and many famous artists brought back to Moscow during the dominance years. Memories came back of a time when we grew up surrounded by Capitalism, Communism, Socialism, and Maoism, all vying for our attention in turbulent times.

From Moscow to Singapore, flying above Afghanistan at night is an eerie feeling. There are long stretches of total darkness over the mountain chains, and as the plane passes between the lights of Kabul and Kandahar, one is reminded that there is war simmering down there, and one wonders what are the chances a rogue missile may hit the plane. A serene feeling takes over once the plane is over the Indian Ocean, although flying over any water at night carries its own sense of surrendering to one's own fate.

The Marina Bay hotel complex in Singapore with the large penthouse infinity pool is a masterpiece on its own, overlooking the modern downtown and one of the busiest ports in the world where hundreds of ships pass by daily. Driving on the left there needs getting used to. It is an old tradition mainly to keep the horse whip away from the sidewalk as most people are right handed and allows one to carry a sword or weapon on the side of a potential oncoming threat. France's emperor Napoleon is credited with the change as he was left handed.

A Kuala Lumpur visit was a must to pay homage to the PETRONAS Towers, incredible buildings with a superb multilevel mall stretching out, a real feast to the eyes from every angle.

Lightening protection for such metallic buildings is a real feat as repeated lightening striking the two buildings at night give the locals an awesome eye feast.

There is a gigantic Times Square in Kuala Lumpur, the Berjaya Times Square, world class twin towers 48 stories each, more than 1,000 retail shops and 1200 luxury hotel suites, a powerful shopping magnet in sheer size of space. The city's monorail stops in front high up on level 4 and shopping is in two ten story atriums connected by a disneyesque play land where the train rides up several floors and then comes tumbling down in the huge air-conditioned space, the largest indoor theme park in Asia. When heat and humidity are coupled with capital and foresight, they can really change urban concepts with forward vision and progressive insight.

Sydney is a shining metropolis rich with the contributions of its diverse and enterprising communities. The Opera House is so grand, a great world heritage site. Public transport is excellent and efficient and becomes an unforgettable journey since the four dollars fare for the shortest bus trip sticks to your memory. Istanbul was my first time and it is simply phenomenal. I got to see the mosques and buildings I studied at Architecture School and heard about all my life: Topkapi, Hagia Sofia, The Blue Mosque, and the Sulaimaniyeh Mosque which tops all. Just like other empires throughout the times, the Ottomans brought back precious artifacts from faraway lands, including Prophet Mohammad's clothes and swords on display in a special museum section of Topkapi. For past time, it is bargaining at the grand indoor bazaar.

Worldwide population is on the increase and tourists are multiplying everywhere creating long lines and bottlenecks at all significant world sites. The future is also challenging Architecture as millions live in unacceptable conditions. How to build an affordable livable house at a fraction of today's costs to allow equity build up for many to pull out of poverty? Can we build a neighborhood with these homes? Will they be fixed or on wheels, or floating structures in rivers and lakes? Indeed one of the great future challenges of society.

Life is a high stakes game and we get to play. Enjoy the game including the highs and the lows as risk and reward change over time. We cannot live back in time when the future itself cannot catch up with the speed of our advancing times. Reflecting on our lives and looking forward is a challenging task that forces one to reach within for outlook and understanding of the world and life altogether. Accidents of History are not predictable but with vision, perseverance and style, and observations and astute analysis, we may achieve successful forecasting. Let each of us do visioning and review from our own point of view, read the signals of our Crystal ball and do right to set the example and benefit those around us with the right clues.

Happy Holidays, and until next year
24, 2011

Imad F. Abdullah, December

