

From Chaos...Order?

With all the chaos in the world, it's hard to believe that order can be restored. Globalization was supposed to cushion the effects of economic and political shocks and smooth the transition from imbalance to balance. However the vast, historic shifts that we are witnessing today cannot be expected to be smooth and uneventful, but rather, may be marked by violent fits and jerks along the way. In this ever-changing global landscape, maybe all we can hope for is a semblance of order within the chaos of change.

Political upheaval, demographic expansion, and the reshuffling of the world economic order are driving the rapid transformation of our planet and of our lives. We've said goodbye to the uncomplicated, steady growth of the second half of the last century in which Americans enjoyed the supply side benefits of global integration through a strong dollar, cheap resources and low labor costs. Now, for the first time, Americans don't want to lead the world out of recession nor be the world's policeman. The previously insatiable US consumer is not the one spending the world out of recession, but rather, we are seeing export driven growth from beyond our borders fueling our economy. It's not easy for us to recognize, moreover enjoy, the benefits of this foreign demand because it portends a new world order.

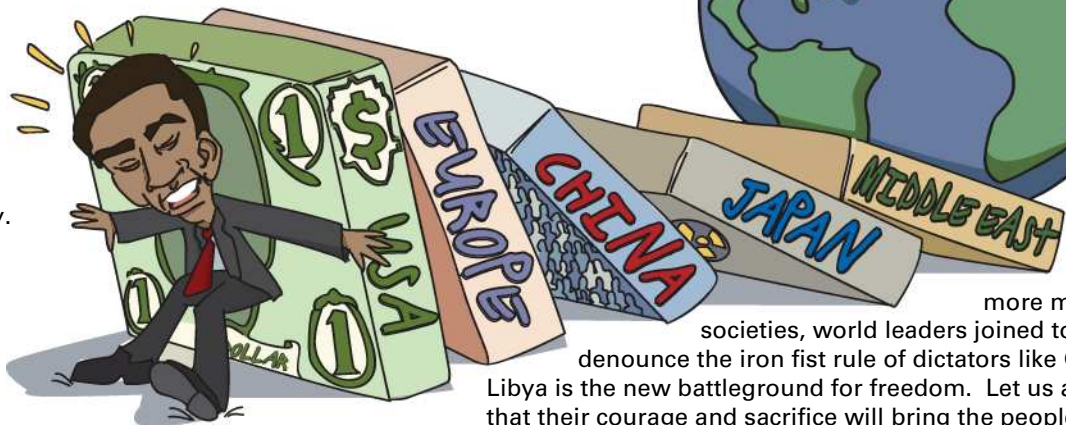
For many years now America has been the only superpower both militarily and financially. We've long been the global order's creator, military enforcer, and economic safe haven during times of stress for the entire world. America can no longer shoulder these burdens. The rest of the world has grown demographically and economically too heavy for any one country to exert the global dominance the US has exerted in the past. However, our ingenuity, technology and especially our communication innovation may be more powerful and influence the new world order even more than money and arms. The international impact of American television, movies, news and music will be reshaped and redistributed by pervasive internet and social networking content available to all.

The world is at an inflection point and is evolving much faster than expected into this new world order. America's position as *king of the hill* is secure, but China's predicted rise to claim the second spot past Japan was unexpectedly topped by Brazil rocketing to rank fifth, with reported GDP gains of 7.5%, moving past Britain and France six years earlier than anticipated. This rapid, epic evolution of the

emerging economies will create expansive new markets as a few billion people eager to ascend to their newly formed middle classes will become the consumers of the future. This opportunity is already playing out for global business. More cars are sold in China than here at home. Many US multi-national corporations reap over half their revenues abroad. This interdependent growth will benefit all. Protectionism is the danger.

The Middle East is the current hotspot of global reformation. The protests began with a spark but quickly the political turmoil spread like wildfire to eleven separate nations. The political unrest and upheaval could be attributed to higher food prices, unemployment, the unemployed younger population, or more hopefully fledgling civil societies finally rising up against tyrannical autocrats.

To protect the world's primary energy source, stability has always been America's goal in the Middle East. But now that we see instability could lead the way to more stable,



more modern societies, world leaders joined together to denounce the iron fist rule of dictators like Gaddafi. Libya is the new battleground for freedom. Let us all hope that their courage and sacrifice will bring the people of the Middle East historic changes similar to those in Eastern Europe with the fall of the Berlin Wall. Now is the time for world leadership to ensure liberty.

The Middle East's riots and revolts, skyrocketing oil prices, Japan's earthquakes, tsunamis and nuclear emergency and Europe's sovereign debt crisis would have normally shaken our economic systems and sent the markets reeling. But your statement reflects surprisingly calm, even strong, stock and bond markets which mask the global turbulence of this disaster-riddled first quarter. Can world integration really add stability in this chaotic age? Only time will tell.