

Egypt: Unrest or Revolution?

I'm sitting here on Saturday, January 29th, I'm just glued to the television watching the events unfolding in Egypt. I wanted to write a newsletter this month about my "spectacular" fishing trip in Puerto Vallarta a few weeks ago but world events are putting that on hold. As I write this, the government in Tunisia has already failed, there is reported anarchy in some areas of Cairo, the police have disappeared, prisoners are walking out of their cells, and President Mubarak has fired his entire cabinet. It appears to me that Mubarak will not be able to survive this revolution against his reign of 30 years. Other protests are starting to occur around the world. Wow! I cannot imagine living in a country where that is happening - God Bless the USA and every other country where freedom and democracy ring!

Only time will tell what comes of all of this, but it reminds me of 22 years ago when I was glued to the television watching people walk around and climb over the Berlin wall when communism fell, granted, the events in Egypt pale in comparison to the fall of communism. Just a few days before the Berlin wall fell, the people would have been shot on sight. Then suddenly everything was open and it changed the world forever. Both of these events occurred without a concurrent war or intervention from outside countries, but the way the change occurred was significantly different. It appears that the internet and social media played a noteworthy role in this revolt.

It will take me a week to get this newsletter approved by our compliance people and posted on our website, and, by then, perhaps this uprising will be over and turn out to be nothing...but I don't think so. It appears to me that Egyptians will likely see a change they haven't had for over 30 years with a new government emerging. While Egypt is a significant country on its own, the bigger question in my mind is how far this new movement will spread and what the world might look like when it is over. More on that a little later, but for now, the way this revolution has occurred just blows my mind...with Facebook and Twitter!!!???

Overthrowing a government with social media? As far as I can tell the movement started in Tunisia with people rioting and communicating through social media like Facebook and Twitter to rally each day for more civil rights. With instant messaging, the movement spread like wildfire and the government couldn't stop it because of the instant communication between the citizens. In Tunisia, the government leaders just left, they fled the country and left the people to do whatever they could. Almost immediately, many citizens in Egypt recognized what happened and, again, through social media and text messaging, organized and coordinated rallies (and riots) each day to try to force openness and change in their non-democratic governments. In less than a week, the use of internet and social media appears to have accomplished what world powers and military forces are un-able to do!

I have to guess that every other government leader throughout the world, right now, is about as nervous as a turkey on Thanksgiving Day! If this can happen in Egypt, a country ruled for over 30 years by a dictator with strong military power, it can happen anywhere! I think about other countries where the current leadership is un-popular with the majority of the people and is mostly “self appointed” – countries like Belarus, Venezuela and several Middle Eastern countries.

If you look back throughout history at any dictatorial or military type of government, I think the military forces generally total less than 5 percent of the total population. Those dictators ruled by fear of retaliation from the government, but if everyone in the country had rallied against them at once, I think the sheer number of people would have triumphed over the military. If the Jewish people of Nazi Germany had been able to rally everyone at once, I think that even the Nazi army would have been overwhelmed. But the Jewish people didn't have the means to communicate to the entire population at once, so they couldn't organize quickly enough to overcome the military force that would converge on them. I think these events in Egypt just changed that forever! Imagine what would happen if all the 1.3 billion people in China decided to revolt at one time, or the 28 million people in Venezuela tweeted to organize against Hugo Chavez! I think it could even occur in a democratic country. Luckily that will never happen in the USA because we have more differing opinions than we do people!

What does all this mean for the markets and your investments? I wish I knew the answer, and although caution is the word for now, I'm very optimistic! During my 17 years as a Financial Advisor, I've found that major world events usually lead to lots of fear, sometimes a short-term selloff, followed by strong and broad market rallies (think of both Iraq wars and the 9/11 attacks). In hindsight those selloffs were great buying opportunities. I'm not just talking about stocks, but bonds as well. Why does that happen? I think it's because things tend to change for the better or, in the worst case, they stay the same.

I think this is an exciting and nervous time for the world. Is it possible that the internet and social media will be able to support a widespread change against dictators and a move towards democracy? Can they help implement changes where military forces and diplomacy have failed? Time will tell but I think we're in for positive changes!

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