

“Oil Hits \$119 Per Barrel!”

“Oil, gold, platinum... all have hit record highs recently. Our *GEA* investment approach has had spectacular success.

“This month: a look at why oil is still exploding upward, and a sobering reason why gold might soar to multiples of its current price!”



James DiGeorgia, Editor

- **Despite Record Prices, Our Oil Supply Is In Trouble**
- **Brazil’s Oil Find: Not Very Impressive After All**
- **US Govt Officials Warn of Coming Terrorist Attacks**

Just four years ago, oil was in the \$30s. People thought I was crazy when I said it was going to \$100 or higher. Now crude has hit \$119 per barrel, and shows no signs of slowing down.

In this issue, I’ll discuss what’s going on in oil. Then we’ll discuss a separate subject that has connections to oil: the growing threat of international terrorism.

We’ll start with...

Grim News from the World’s Biggest Oil Producers

Saudi Arabia and Russia are responsible for almost one-fourth of the entire world’s oil petroleum produc-

tion. And both are reporting serious problems with their oil industries.

Next year, if all goes well, the Saudis will complete work on a long-awaited oil project. The gargantuan Khurais deposit is half the size of Connecticut, and will be the biggest field to come online in almost thirty years. It’s expected to add 1.2 million barrels per day to global production.

So why is this bad news? Because this is a complex, difficult field. Although it contains a lot of crude, the oil is evenly distributed throughout a layer of deep rock, with very little natural pressure.

In order to extract the oil, the Saudis have been forced to drill complicated horizontal wells, where the drill bit goes down and then sideways into the field. They’ve also had to bore 125 water-injection wells: deep holes around the periphery of the field, where seawater can be pumped in under pressure to force the oil out of the central extraction wells.

Given a choice, the Saudis would not have developed this field. It’s been tremendously expensive, costing \$15 billion so far. It’s also an enormous technical challenge—one that might fail catastrophically. For example, the injection wells will force 2.4 million barrels of seawater into the field each day. If the water

isn't filtered properly, it could clog the pores of the oil-bearing rock, which would make the field useless. Or, if an injection well is drilled too close to an underground fracture in the rock layer, the water could spread throughout the layer over time and kill the field.

So why invest so much money into a field that might only last a few years? Because they have no other choices.

Their only other undeveloped deposit worth mentioning is the Manifa field. This deposit has even worse

problems than Khurais does—it contains a heavy, sludge-like crude that is contaminated with hydrogen sulfide.

Global oil demand is currently 87 mbpd (million barrels per day). According to estimates by the International Energy Agency, it will soar to 99 mbpd in just the next seven years—12 mbpd more than current production. Plus, production from existing wells falls every year, as the fields age. This will make the global shortfall even greater.

Energy analysts have looked to Saudi Arabia, the world's biggest producer and the only one with any spare capacity, to fill this gap. But the Khurais field shows the Saudis can't do it.

This risky and expensive project is their best prospect, and it won't close any of the world's supply gap. At best, it will only compensate for about one-quarter of the annual decline in production from aging fields.

So the situation in Saudi Arabia is terrible news for world energy markets. But it's not as bad as the news from Russia, because...

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Russian Oil Production Is Now Declining Instead of Growing

Last quarter, Russian oil production fell by 1 percent year-on-year. This comes from a combination of bad weather, tight electrical supplies, and output declines in aging Siberian fields.

One percent doesn't sound like much. But Russia has been one of the few bright spots in the petroleum industry. Its production has grown from 6 mbpd in 1996 to 10 mbpd today.

The world needs almost 6 mbpd of new production each year in order to satisfy increasing demand and replace declines in older fields. We just saw the Saudis can't supply it. Now we're learning the Russians can't do it either.

Think about this. *Oil is at all-time record highs*, tripling in price in just four years. In a normal commodity market, this would increase production. But despite record prices, the Saudis are struggling to replace declines in their output, while the Russians aren't even able to maintain existing levels of production.

This proves what I've been warning about for the last four years in *GEA*. Our oil shortage isn't some temporary blip in the markets. It's being caused by real, fundamental forces in the physical world. We've burned through the oil that was cheap and easy to extract. There's still plenty of oil left, but none of it is cheap or easy to obtain.

Which brings up another recent announcement...

Brazil's Big Oil Discovery: Not So Impressive After All

Brazil's state-run oil firm Petrobras has announced a huge offshore discovery: a field containing up to 33 billion BOE (barrels of oil equivalent). This would indeed be a great find... except for three important problems.

First of all, the "BOE" is a big warning flag. Oil companies like to announce discoveries as BOE instead of barrels of oil. This allows them to inflate the size of their discoveries, because it includes natural gas along with the oil. The gas is calculated to be the energy-equivalent of so many barrels of oil, and lumped into the find with the liquid crude.

But gas and oil are *not* equivalent. We need liquid crude in order to make gasoline, diesel, motor oil, fuel oil, and so on. Yes, it's nice to find natural gas, but it's completely irrelevant to our oil shortage. And lately, almost all big BOE finds have been disappointing once we figure out how much liquid crude is there.

So the Petrobras discovery sounds impressive, but probably won't be very helpful once the details become known. That's the first problem.

The second problem is that this discovery was made in a very difficult location. The energy was discovered under 6,500 feet of water... beneath an additional 9,800 feet of rock below the water... and under an additional 6,500 feet of salt beneath the rock. Even if the deposit does contain a lot of oil, extracting it will pose an enormous technical challenge.

And that brings us to the third problem. Even if there is a lot of oil there, and Petrobras somehow figures out how to extract it, this field won't come online for years. We might not see full production for a decade or more.

Long-term, this field might help our energy shortage slightly. Short-term, it's absolutely useless to us.

And that brings us to the main subject of this month's issue. Here in *GEA*, I've been publishing the new chapters from my upcoming book, *The New Bull Market in Gold: \$2,500 Gold and the Many Ways to Profit From It*.

In previous chapters, I discussed many financial reasons why gold will hit several thousand dollars per ounce. However, gold's bullish forces are not limited to purely monetary and market considerations.

Gold is not only a financial asset, it's also a safe haven for investors in troubled times. And even setting aside the various meltdowns that have been hitting US markets lately, these are troubled times indeed.

This month, we'll discuss something that's uncomfortable to think about. Nevertheless, it must be considered when planning for your future.

The Rise of International Terrorism

Terrorism is nothing new, of course. It's been around in various forms for millennia.

However, the last couple of decades have seen a

huge surge in terrorist activities—not only in the number of events, but in their scope and impact.

The most shocking were obviously the events of September 2001. Unfortunately, the US is still threatened by further attacks. In fact, the danger might even be greater today than it was before 9/11.

Even if We Capture Osama bin Laden, More Terrorist Attacks on America Are Coming

The US has been hunting for al-Qaeda's leader since 2001. So far, we've been unable to catch him (although we've come close a few times). Unfortunately, even if we do manage to finally take him out, we might not accomplish all that much.

For example, Hamid Mir is a Pakistani journalist who has spent eight years researching al-Qaeda. He's traveled extensively through the remote mountains of Pakistan and Afghanistan, along with trips to Iran, Iraq, Syria, Sudan, Uzbekistan, and Russia. He has met with dozens of people: not only many al-Qaeda operatives, but also top political officials from various countries.

Most importantly, he's also had unprecedented access to Osama himself. He has spoken to bin Laden face-to-face on three separate occasions, including a two-hour interview a few months *after* 9/11. Since the attacks, Mir is the only journalist to whom bin Laden has spoken.

Mir probably knows more about al-Qaeda than anybody in the West. And he says even if we capture Osama, the terrorism will continue. In an interview with a Pakistani publication, Mir said this about bin Laden:

"He has a lot of money invested all over the world. From 1997 to 2001, he trained 8,000 people. Five thousand of these are spread throughout the world. Most are in Europe and America. Their assignments were given to them a long time ago. Even if Osama is killed they will carry out their tasks."

Mir also discovered that al-Qaeda originally sent 42 highly-trained operatives to America. Of these, 19 carried out the 9/11 attacks. This means there are still 23 'sleeping' in the US, waiting for the next big attack.

And this all took place before the US invaded Iraq. Intelligence officials report that radical Islamic groups have flourished as a result of the Iraq war—the terrorists claim the Iraqi campaign is part of a broader American war against Islam, and have recruited countless thousands of additional 'freedom fighters' to their cause. Not only that, they've used the Iraqi war as a training ground for new terrorists.

As I write this, our soldiers are still battling the radicals in the cities of Iraq. But eventually the war will be over, and those newly-minted terrorists will be sent to attack the US in other places.

Some of those battles will be on American soil. Others will be elsewhere. Let's discuss the second possibility first.

Crippling the US Economy Through Attacks in Other Countries

In public statements, bin Laden has downplayed his religious motivations. Although he has declared a *jihad* against America, he claims his primary motive is not to kill infidels. Instead, he wants to cripple America, so we will stop 'perpetrating atrocities' against Muslims around the world. (Among other things, he apparently blames us for the Russian attacks against Muslim terrorists in Chechnya, and the dispute between Pakistan and India over the province of Kashmir.)

In other words, Osama wants to do more than just kill people. He's also very interested in destroying the US economy.

And what is our most obvious economic vulnerability? Oil!

Al-Qaeda has been very open about its plans. After an attack on a Saudi oil facility, the terrorists issued a *fatwa* that declared, "Targeting of oil interests is legitimate economic *jihad*... Oil is the basis of modern industry and the backbone of industries in infidel countries."

Also, a couple of years ago, the prominent al-Qaeda leader Abdulaziz al-Enezi wrote a manifesto about petroleum. The document instructed terrorists to attack US oil supplies around the world, especially in Iraq and Saudi Arabia, because these were "all in the hands of infidels." (Note that bin Laden does not consider Saudi Arabia to be a Muslim country—more on this later.)

As al-Enezi explained, "It is permissible to target oil interests held by infidels... including American and Western oil tankers... Targeting oil pipelines is of huge benefit in spiting the enemies... pipelines may well be the frontline in a long-term war of attrition on oil and its interests."

However, he said al-Qaeda should avoid attacking oil wells. Why? Because "the wells will be needed when the Muslim nation is victorious and retakes its possessions and would be very costly to repair."

The terrorists have obeyed his instructions. For example, despite the progress in the Iraq war, the country's oil production has still not recovered to its pre-war levels, thanks to guerrilla attacks on pipelines and so on.

So far, it appears al-Qaeda's primary activities have remained in Iraq. As I mentioned, they're using it as a training ground. But there have been some small previews of what we can expect elsewhere once the Iraq war is over.

The terrorists are particularly interested in the petroleum industry in Saudi Arabia. For example, a

multiple suicide-bombing attack at the huge Abqaiq facility was only halted when the guards opened fire on the vehicles, causing them to explode before they reached their targets.

Abqaiq is the largest refining plant in the world. It processes 6.8 million barrels per day. US intelligence analysts have calculated that even a modestly successful attack here could cripple Saudi output, knocking out five million barrels of production for up to two months. This is equivalent to one-quarter the entire US consumption of oil each day.

Obviously, al-Qaeda understands its importance. And this small-scale attack appeared to be a test—a dry run for a larger-scale assault.

Another troubling incident occurred in Khobar, where four al-Qaeda gunmen attacked oil targets. They killed 16 people and took dozens of hostages. After a 25-hour siege, Saudi police opened fire. Over twenty people died in the shootout.

But here's the strange thing. One of the terrorists was wounded and captured. The other three escaped... through streets *swarming* with police and elite commando units. They just walked right on through, and got away.

This reveals the dirty little secret of the Saudis. Although al-Qaeda and the Saudi royal family have declared war on each other, the average Saudi citizen sympathizes with the terrorists. There are excellent reasons for this.

The Saudis ascribe to Wahhabism, a radical form of Islam. Decades ago, the corrupt royal government was nearly overthrown by Wahhabi guerrillas, so a bargain was struck. The government would allow the radical clerics to teach their poisonous message in the mosques and schools, even giving them funding to do so. In return, the royal princes would be left alone to practice their famously decadent lifestyles.

Now the royals are harvesting the bitter fruit from that pact. The clerics have had undisputed control of Saudi society for over a generation. In their sermons, murderous rants against the West are commonplace. Meanwhile, the *madrassahs* (religious schools) teach that Allah will turn all Christians and Jews into pigs.

The *mutaween* (religious police) roam the streets, beating women who show too much ankle below their burqas. In one famous incident, 15 schoolgirls died and another 50 were injured when the *mutaween* prevented them from fleeing their burning schoolbuilding—because the girls weren't wearing their headscarves.

The Saudi government is pro-Western. After all, we buy their oil. We pay for the lavish palaces and private jets of the princes, so they like us.

But Saudi society overall is rabidly Wahhabi, hating America and Israel, and working actively for our destruction.

A few days after 9/11, while bodies were still being pulled from the wreckage of the World Trade Center,

a poll showed that 95 percent of educated Saudis support Osama bin Laden.

And of course, of the 19 hijackers on that day, 15 of them were Saudis.

The US government is worried about the Saudi oil industry. One study revealed the infrastructure is extremely vulnerable to an al-Qaeda attack. Half the country's reserves (12.5 percent of all the oil in the world) are found in just 8 fields. And hundreds of miles of pipes stretch across the uninhabited desert.

Plus, much of the country's oil flows through chokepoints. I already mentioned the enormous facility at Abqaiq, but there are other big targets as well.

For example, the Ju'aymah terminal has a metering platform more than 6 miles offshore, with 4 underwater pipelines feeding it. About 4.3 million barrels of oil per day are transferred to tankers here. An attack at Ju'aymah could cut production in half for up to three months. All that would be necessary is a speedboat full of explosives and a crewman who wanted to go meet Allah.

Summary: al-Qaeda has announced a desire to cripple the Saudi oil industry, and has made some small-scale attacks, apparently testing the Saudi defenses. The infrastructure overall is horribly vulnerable to determined attackers. And the average Saudi citizen sympathizes with the terrorists, to the point of helping them in some cases.

As the British *Economist* newsmagazine has reported, "By any measure, Saudi Arabia is in an unprecedented crisis. Terrorists bent on overthrowing the established order are plainly entrenched and fanatically determined."

And the outlook elsewhere is not much better. Even if somehow the Saudi government manages to keep its oil flowing, other oil producers might not. That's because...

Other Oil Targets Are Vulnerable Too

General Charles Wald recently retired from the US military. He's now devoting his time to publicizing the terrorist threat to American oil supplies around the world.

Until recently, he was deputy commander of US forces in Europe, Central Asia, and Africa. As such, he was responsible for areas of the world (the Caspian Sea and western Africa) with the biggest potential oil production outside the Middle East. So he toured these regions in order to evaluate their vulnerability to attack.

General Wald was shocked at what he found. In the Caspian Sea, both the offshore production rigs and the onshore processing facilities are almost completely unprotected. Since the American military doesn't have a large presence in the Sea, he tried to convince Kazakhstan and Azerbaijan to build a 'Caspian Guard'

to protect their oil supplies from terrorist attack. They ignored him.

In addition, he learned the Caspian oil is transported by pipeline to the Mediterranean. This pipeline goes for 1,100 miles through the mountains and valleys of Azerbaijan, Georgia, and Turkey. He also learned that for much of this route, the pipeline is unguarded and vulnerable to sabotage—and these regions are full of various guerrilla groups. One break in the pipe anywhere along its length would cut off energy to Western Europe, and global energy prices would explode upward.

General Wald then went to western Africa, where the tiny island nation of São Tomé and Príncipe sits atop huge energy reserves. He had optimistically hoped to arrange a joint security arrangement with the country's leaders. Instead, he found the nation's 'coast guard' had no oceangoing vessels, and its 'army' was so poor that its chefs cooked over open fires. Instead of forging joint defense agreements, General Wald had to send troops to help rebuild a school and do other humanitarian work.

As I mentioned, General Wald is now raising the alarm about the vulnerability of our oil supplies. He correctly understands that a few well-placed terrorist attacks could cripple the entire US economy. Sadly, our government is ignoring him.

And he's only warning about attacks elsewhere in the world. But there are also...

The Coming Terrorist Attacks on America

Further attacks on America are inevitable. In fact, several have already been tried.

A year or so after 9/11, the FBI arrested a terrorist named Abdullah al-Mujahir in Chicago. He was part of a plan to make and explode a 'dirty bomb' (made of conventional explosives mixed with radioactive materials).

In early 2003, al-Qaeda prepared a poison gas attack on the New York City subway system. Apparently, the attack was all set up and ready to go, but bin Laden's deputy Ayman al-Zawahiri called it off a few days before it was scheduled to occur. (We don't know why.)

Since the 9/11 events, US government officials have foiled at least ten different al-Qaeda attacks inside American borders. Two were targeting cities on the East and West coasts using hijacked airplanes. (These attacks were planned *after* 9/11. Why is Osama still confident he can penetrate US airport security? What does he know that we don't?)

Plus, there have been numerous reports of Middle Eastern men making apparent "dry runs" for taking over or destroying US airliners. Once in the air, they congregate in the galleys, ignoring orders to sit down.

They pass packages to each other, and then carry them into the lavatories, as if they were trying to assemble something from the pieces. There have even been reports of men starting to rush the cockpit, then suddenly sitting back down—as if trying to flush out the air marshals. It sounds like they're probing our air security. Not only that, it seems they want to accustom the aircrews to these threatening activities, to delay their reactions when a real attack occurs.

**Latest prices as GEA goes to press—
April 28, 2008**

Comex spot silver contract:	\$	17.10
Comex spot gold contract:	\$	895.00
Nymex spot platinum:	\$	1,975.00
Nymex spot palladium:	\$	440.00
Nymex Light Sweet Crude Oil:	\$	118.00

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According to government reports, al-Qaeda has plotted attacks against these specific targets:

- the IMF and World Bank in Washington, D.C.
- the New York Stock Exchange and Citigroup in Manhattan
- the Prudential Building in New Jersey
- and the White House and Capitol Hill.

In addition, Michael Scheuer (the former CIA agent who spent years hunting down Osama bin Laden), said attacks against our oil infrastructure are likely. Potential targets include facilities in Houston (gas refineries, oil import facilities, and pipelines), along with the trans-Alaska pipeline.

Also, broader attacks have been predicted by a Department of Homeland Security conference held at the University of California. A panel of terrorism experts examined several scenarios, including multiple attacks on the nation's largest ports. An attack on Los Angeles and Long Beach alone would cost \$23 billion *per month* afterwards.

In what form would these attacks occur? That's the truly frightening part of our whole situation. There are multiple methods for al-Qaeda attacks, but the ones that keep planners in Washington awake at night are biological and nuclear attacks.

Biological Attacks on America

As American soldiers have captured al-Qaeda hideouts in Afghanistan, we've discovered the terrorists have an active bioweapons research program, with at least one experienced biologist working for them.

This isn't a surprise; it just confirms what we already suspected. Do you remember how the 9/11 terrorists considered using crop-dusting planes? Presumably, they wouldn't have bothered unless they had access to biological WMDs (weapons of mass destruction) of some sort.

We know for sure al-Qaeda has been working with anthrax and ricin (which is twice as deadly as cobra venom). We don't know if they have anything more exotic, but it seems likely.

To understand why, we need to look back two decades to the former Soviet Union. The USSR had an agency called Biopreparat—a research lab for biological weapons. Its 30,000 scientists pioneered some frightening new techniques.

For example, they spliced mammalian DNA into bacteria that cause mild pneumonia. This DNA caused the bacteria to grow fragments of myelin (proteins that sheathe our nerve cells). When animals became infected with this new disease, their immune systems produced antibodies that destroyed the myelin on the bacteria—along with the animals' own myelin. Although the animals recovered quickly from the pneumonia, they died soon afterward from massive brain damage. Basically, the animals' bodies were provoked into killing them-

selves through rapid multiple sclerosis.

Among other things, Biopreparat learned how to kill people using common diseases that aren't even dangerous under normal circumstances. But the USSR is gone today. So why should we care about this?

Because some of the Biopreparat researchers are now working for the government of Iran—a known sponsor of international terrorism. What bioweapon secrets have these scientists shared with their new masters? And which bioweapons have been passed along to al-Qaeda and other active terrorist groups?

Plus, the fanaticism of al-Qaeda's terrorists has introduced a whole new dimension to biological warfare. In the past, delivering a bioweapon successfully was always a technological challenge. Today, with terrorists willing to commit suicide for their cause, a whole new range of possibilities has opened up.

Analysts in Washington are worried that terrorists might deliberately infect themselves with deadly diseases, especially tularemia or the new strain of multi-drug-resistant tuberculosis. Both diseases are wildly virulent, requiring less than 10 bacteria to infect a new victim. Both are extremely difficult to treat. And both kill a large percentage (about half) of the victims who become infected.

Because these diseases are so contagious, one sick individual traveling by plane or train will infect almost all of his fellow passengers. One day we could wake up and discover al-Qaeda has transported 50 infected terrorists into America and Europe, who have already infected thousands. These victims would then infect others before they died, creating a mass plague. The terrorists could literally transform themselves into weapons of mass destruction.

Unimaginable? Well, a few years ago, nobody would have believed that a few Middle Eastern men could hijack 747s and fly them into buildings. We can't afford to underestimate al-Qaeda's capabilities.

Especially when it comes to the true nightmare scenario.

Nuclear Attacks Against America

Al-Qaeda has been planning nuclear attacks against the US for some time. Fortunately, these probably would not include full-scale nuclear weapons. Although al-Qaeda has reportedly obtained three Soviet 'suitcase' nukes, and has sent them into Europe and America (two for use against Paris and London, and one against Los Angeles), it's doubtful they would be able to set these off. The old Soviet nukes had security devices which would make them difficult to trigger.

The real danger here is one or more 'dirty bombs': conventional explosives mixed with radiological material. When a dirty bomb detonates, it spreads a poisonous radioactive cloud over a large area.

We know al-Qaeda has been working with these bombs. In fact, they tested one in the Kunar region of Afghanistan in 2000. That's why the chief of the International Atomic Energy Agency has warned that we're in "a race against time" before terrorists set off dirty bombs in Western cities. He said this threat is "real" and "imminent."

Ever since the fall of the USSR, nuclear scientists have been available for hire. Quite cheaply, in fact. Meanwhile, atomic-energy equipment is widely available on the black market. For example, Abdul Qadeer Khan, the father of the Pakistani nuclear bomb, has sold uranium-enrichment technology to Iran, Libya, and North Korea.

Apparently, the terrorists acquired the necessary knowledge years ago. The *London Times* has reported on an al-Qaeda manual, available over the Internet, which contains detailed instructions for making radiological bombs, along with bombs to spread biological agents. It has nine lessons under the heading *The Nuclear Bomb of Jihad and the Way to Enrich Uranium*.

The manual is dedicated to "the commander of the jihad fighters, Sheikh Osama bin Laden, for the purpose of jihad for the sake of Allah." It appeared on a forum called al-Firdaws ("Paradise"), and reportedly received almost 60,000 hits in just the first few months of being posted.

Dirty bombs can be easily assembled using common explosives. The hard part is getting the radiological material, but reportedly, al-Qaeda has already done this. According to Hamid Mir, al-Qaeda was planning for at least six dirty bomb attacks in America as early as 1999.

After his eight-year investigation, Mir believes "many kilos" of enriched uranium have already been smuggled into the US from Mexico. Other analysts agree. In fact, ever since 9/11, there has been a huge surge in Middle Eastern men penetrating the border.

The US Border Patrol catches only about one in every five people that infiltrate the US from Mexico. Not only that, according to recent reports, they have been "experiencing a tremendous increase in OTMs (Other Than Mexicans)... About one in every 10 that we catch is from a country like Yemen or Egypt."

One newspaper article described the capture of a group of 100 Iranians and 10 Egyptians. Another in the *Tombstone Tumbleweed* reported 53 Middle Eastern men from Iran and Syria who were captured trying to infiltrate.

Our southern border is porous, and radicals have probably smuggled WMDs (or the material to build them) into our country already. But you might be wondering...

If Osama bin Laden Really Has These Weapons, Why Hasn't He Used Them?

If bin Laden really has radiological, biological, and chemical WMDs—which the evidence indicates is true—why hasn't he used them against us?

It seems that he wants to do so, but has been restrained by public opinion. Osama has been castigated by moderate Muslims for killing innocents (especially women and children) in the World Trade Center attack.

He has tried to justify the attack in two ways. First of all, most of the victims were Americans. Because Americans pay taxes to their government and elect their leaders, he said that “the entire America is responsible for the atrocities perpetrated against Muslims.”

As for any Muslims that inadvertently were killed in the attacks, “The Islamic Shariat says Muslims should not live in the land of the infidel for long.”

Despite Osama's excuses, other Muslims have still criticized his actions. Therefore, he is holding back—for now. He seems to be waiting for an incident in the Middle East—an American action that can be interpreted as an attack on Muslims. Then he will “retort with chemical and nuclear weapons.” (The war in Iraq hasn't qualified for this, because most of the violence there has been Muslim against Muslim.)

Until such an incident occurs—an American attack on Iran, for example—al-Qaeda will restrict itself to strangling the American economy with attacks on oil (both inside and outside the US). However, if something happens that bin Laden can use to justify a WMD attack, then...

The nightmare scenario will occur.

By now, you might be shaking your head at all this. The implications are too frightening to contemplate. But don't take my word for it: listen to the experts, many of whom are in our own government.

“I rate the probability of terror groups using WMD as very high. It's simply a question of time.”

Henry Crumpton, former head of counter-terrorism at the US State Department.

“They want something bigger than 9/11. They want a catastrophic attack.”

Frances Townsend, former Homeland Security Advisor to President Bush

“The likelihood of a nuclear attack in an American city is steadily increasing, and the consequences will be overwhelming.”

From a report by the Center for Mass Destruction Defense at the University of Georgia, which recently concluded a three-year study on nuclear terrorism.

“While the probability of a nuclear weapon going off

one day in a US city cannot be calculated, it is almost surely larger than it was five years ago.”

Ashton B. Carter, co-director of the Preventive Defense Project at Harvard University

“It's inevitable. I think it's wishful to think that it won't happen by 20 years.”

Cham E. Dallas, director of the Institute for Health Management and Mass Destruction Defense at the University of Georgia.

“All the warnings we have today indicate that a major strike—something more horrible than anything we've seen before—is all but inevitable.”

Yosseff Bodesky, former director of the US Congressional Task Force on Terrorism and Unconventional Warfare.

Protect Yourself!

Nothing in this discussion is comfortable to think about. But when realistic threats loom, you owe it to yourself and your family to plan for the worst.

I'm not telling you how to profit from terrorism. Osama and his band of murderers should be lined up and shot, and I'm not telling you how to profiteer from their activities. But I do believe we're all obligated to prepare as best we can. Financial prudence is not the same as profiteering.

The first thing you should do is make sure you have enough cash on hand to pay all your expenses for a week or two. The al-Qaeda leadership apparently favors attacks on financial centers—according to reports, Osama believed that a successful assault on the World Trade Center would bring down the American economy. His next large-scale attack will probably come against some other financial or banking target, which might disrupt our payments clearing system. Make sure you have enough physical cash on hand to last until it all gets straightened out.

Second, I believe gold will be the best financial asset you could own during such a time. Stocks and bonds will get pounded, and other assets don't look attractive either. Historically, investors always flee to gold during chaotic times. And the times ahead might be very turbulent.

Lastly, the war against terrorism has implications for gold even if no large-scale attacks occur. Al-Qaeda's war against the Saudi government promises to keep oil prices high for the foreseeable future, which will support gold. And the American military actions in Afghanistan and Iraq, while keeping al-Qaeda busy and distracting the terrorists from attacking America, are tremendously expensive. As more and more dollars are printed to finance the war, gold will soar higher and higher.

We all hope the nightmare scenarios never occur. Meanwhile, gold is the best way to protect yourself against them.