

STORM WARNINGS

Volume 7, Issue 1- May, 2018
The Shifting American Brand



R. Michael Conley
Founder

"We are heading into a perfect storm and don't see it coming," according to R. Michael Conley, Founder of Weathering the Storm, LLC and this website.

The WTS mission is to "Awaken, engage and help others to weather the storm."

The WTS website provides the following on a regular basis:

Storm Warnings: An in-depth quarterly newsletter.

News Flash: Frequent postings on topical perfect storm issues.

Best Practices: Featuring leaders in sustainability practices.

The Shifting American Brand

Geopolitical headwinds are accelerating our journey toward the perfect storm, and America's shifting brand – a personification of its actions, culture and values – is contributing to this undesirable trajectory. Upcoming decisions on trade, tariffs, and Iran are likely to fan the flames. In this issue, our publisher, R. Michael Conley, will share his views on our American "brand" in transition and how it is impacting the geopolitical landscape.

WTS: To give this a little context, can you explain what you mean by "brand" in this interview?

Conley: I'll use the word "brand" here to describe a composite set of attitudes, values, actions, and our modus operandi – particularly with respect to our foreign policy and the troubling new persona we are projecting on the global stage. In this context, a shifting "brand" really refers to a shift in our policies, traditions, and actions.

WTS: With that explanation, how would you historically describe the American brand?

Conley: Throughout our history, the United States has been a beacon for the downtrodden; a land of opportunity and home of the "American Dream." You know, work hard, play by the rules, and get ahead. We trusted in our democratic institutions and the rule of law, and we stood ready to help others achieve these goals. That may sound hokey, but I think it's true.

Our country, and brand, gained traction in World War II as the "arsenal of democracy" that defeated the axis powers and then led the way in their reconstruction. We championed democracy and free markets, and the world looked to us for leadership. Our military, economic, technological, and industrial might dwarfed all other nations. (See: *An Attitude of Gratitude*)

In this milieu, our military forces helped maintain order, and our "Dollar" anchored the world's currency reserve and *petrodollar* transactional system (See: *Our Dirty Little Secret*). As a major provider of foreign aid and lead player in negotiating and mediating trade and partnership agreements, we were a "constant" in a changing world – a trustworthy partner the world could count on. With the fall of the USSR and end of the cold war in 1991, we

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About the Founder:

Mike Conley is the Founder of Weathering the Storm, LLC and Chairman & CEO of the Conley Family Foundation. As a former Fortune 500 business executive, author, lecturer, and public policy activist, Conley has written and spoken on topics related to the perfect storm. He graduated from the University of Minnesota, after serving in the U.S. Navy, and later completed a post-grad program at Stanford University. He is active on several boards and advisory groups.

became the only game in town. But, times were changing, and we were not always changing with it. We even picked up a few bad habits along the way.

WTS: Let’s pursue that point: How were things changing and how did it impact our brand

Conley: Well, for one thing, our addiction to debt worsened. Our cherished position as holder of the world’s reserve currency – in which the central banks of the world kept large inventories of our *dollars* on hand to cover foreign transactions – enabled us to finance growing deficits by merely “printing” or borrowing money as needed. We spent money we didn’t have for things we didn’t make – as though we could borrow our way into endless prosperity – and covered it all up with our fiscal and monetary policies on steroids. It tarnished our brand as a steward of the world’s currency reserve system, and it will come back to haunt us.

The global balance of power also started to shift in the new millennium. The overwhelming comparative power we once enjoyed was weakened by the growth of terrorism and new asymmetric threats – like cyber warfare – to our conventional military power. The speed at which China became a superpower and Russia reentered the global scene as a power broker was astonishing, and both now seem to be working toward what could become a formidable “*Eurasian*” alliance in a new Cold War.

WTS: How are these power shifts impacting our brand and vice versa?

Conley: There are at least three distinct areas of action now reshaping our brand and widening our disconnects with the rest of the world: 1) We are over-fixating on military power to the exclusion of other options, 2) We are sending out mixed signals on where we stand on key global issues – to the great consternation of our allies, and 3) Our runaway debt has rapidly become one of our greatest national security risks. All three areas are interconnected and represent a significant change in our brand and the world’s perception of us. Consider this:

First, power today involves far more than military superiority alone. Other components like economic strength, industrial and technological might, diplomatic clout, resources, trade alliances, and leverageable partnerships are all part of the greater picture. Within this milieu, there are “*hard*” power components – like military strength and economic sanctions – that have a coercive value, and there are “*soft*” power forces like diplomacy, trade alliances, foreign aid, cultural exchanges and

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so forth that co-opt and *attract* partners and allies.

General James Mattis once suggested to Congress that if they chopped the “soft” dollar budget for diplomacy, they had better increase his budget for ammo. He recognized the new nature of power and how it required a blend of both hard and soft power approaches. Our current over-fixation on hard power and what looks like a dismantling of our State Department, UN support, and foreign aid is troubling. Our defense budget, now larger than the next eight highest national defense budgets *combined*, is scheduled to increase about 13% this year. By contrast, a cut in the State Department’s budget by almost 30% is under consideration.

As we learned in the Iraqi and Afghanistan Wars, it takes more than military power to “win the peace.” Future threats of an asymmetric, cyber, and space-age nature will require a collective response from our allies. We’ll need friends and allies; we can’t do it alone.

WTS: Aren’t you downplaying the military component? For example, would Kim Jong-un ever have come to the bargaining table without the steady application of “hard” power?

Conley: Probably not, but I’ve never suggested we take hard power off the table. Sometimes, it’s the only viable choice we have, but it should only be used as a last resort and not in the opening salvo. I’m delighted there is movement on the part of North Korea, and I give the White House its share of credit for getting this far, but I don’t think we’re at a point where we can take victory laps or think about Nobel Peace prizes. (See: “[North Korea; The Real Threat](#)”).

Historically, this isn’t our first rodeo with North Korea. Past agreements with North Korea all started with high hopes and ended with North Korea bailing out when the terms no longer fit their fancy. I wouldn’t set our expectations too high, and I wouldn’t judge any deal a success or failure until we see how it plays out over time. When we consider that North Korea went to unbelievable lengths to develop a nuclear capability with a weapons delivery system, do we really believe Kim Jong-un will discard his status as a nuclear power without an extraordinary set of concessions being demanded in return?

WTS: Okay, let’s move on: What about the second disconnect; brand inconsistency?

Conley: In our current geopolitical setting, the need for predictability and consistency has never been greater. As of late, we have moved in the opposite direction – often against our traditional positions and allies – and it has left everyone in a quandary as to what to expect from the United States. Some of the more noteworthy shifts include; 1) pulling out of the Paris Accord, 2) exiting the Trans Pacific Partnership (TPP) Agreement, 3) threatening to pull out of NAFTA, 4) unilaterally pledging to move our embassy to Jerusalem, 5) threatening to pull out of the Iranian nuclear treaty, 6) wavering on our commitment to NATO, 7) instituting tariffs and threatening a global trade war, and 8) building walls and not bridges to other nations. That’s a lot to quickly absorb and calls into question the changing nature of America’s brand.

The foreign policies of the United States and China offer a stark contrast in their respective

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approaches. The United States has opted for an “*America First*” policy whereby trade agreements, foreign aid, and the use of tariffs are all on the table for nations that fail to renegotiate the “unfair” deals they made with us in good faith. China, by contrast, has adopted what they call their “*One Belt – One Road*” (OBOR) policy. In it, China is investing heavily in the infrastructures of other countries which will, in the end, promote trade with China; their version, I guess, of our Marshall Plan. Is there any question as to which approach will play out more favorably over time in our global economy?

Our sharp and sudden reversal on so many past agreements – brand inconsistencies – makes one wonder if any country will want to negotiate with the United States in the future. You can bet that North Korea will carefully monitor our position on the Iranian nuclear agreement and whether or not we’ll honor this important multilateral agreement. You can also expect a retaliatory backlash from nations that resent our financial bullying and threatened new tariff and trade restrictions the United States appears ready to impose on the world.

WTS: Can you say more about the third disconnect you mentioned; our ballooning national debt and how it relates to our national security?

Conley: This threat is more insidious and incremental than the others, and it’s a graver risk than we might think. Former Chairman of the Joint Chiefs, Admiral Mike Mullen, and other national security leaders have identified our bulging debt as our greatest long-term national security risk. It gets at how our rising debt will hinder future economic development, jeopardize the dollar’s future petrodollar and currency reserve positions, and shift money away from future military and diplomatic efforts. By 2022, our government is projected to spend almost as much on interest payments to service our massive debt as it will spend on the *basic* military budget; an economic reality that will get progressively worse.

Looking ahead, one might think our hard choices would revolve around; a) raising taxes, b) spending cuts, and/or c) printing and borrowing more money, but the recent tax bill did almost the opposite on the first two counts by cutting taxes and increasing spending. Priming the pump on an overheated economy – as we have – was about the last thing we needed to do. Sadly, we’re now likely to incur a deficit this year of over a trillion dollars, despite a booming economy. Wow! More borrowing and the specter of inflation: Way to go, Washington!

WTS: Are there other factors pertaining to our brand that are alarming you?

Conley: The list is long but let me just say that *brands* of any kind need to be nurtured and developed; consistent in good times and bad, and reflective of the core values of the branding organization. In this interconnected world, a move in one direction will trigger responses in many other areas. As such, our tendency to look at issues as singular transactions – disconnected from the greater whole – will produce disjointed responses that will chew up whatever brand we have left. In a world that craves stability, particularly from its premier super power, the United States, the consequences could be unimaginable.

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WTS: If you could wave a magic wand that would reset our brand and get us back on the right track, what would you recommend?

Conley: For openers, we need to face reality as it is, not as we want it to be. We're not the only game in town, and a hubris that suggests we have the ability – or right – to impose a “my way or the highway” approach on others, is unwarranted and unworkable. With that as an operating premise, we need to consider the following:

- 1) Develop a comprehensive foreign policy that aligns the moving parts and speaks with one voice for greater brand consistency and predictability.
- 2) Understand the complexities of power and the need to employ both hard and soft power solutions to attract, build, and leverage relationships.
- 3) Recalibrate old zero-sum transactional approaches of “I win, you lose” to win-win scenarios for everyone and accept that there are no “perfect” deals for anyone; it's about give and take.
- 4) Recognize our fiduciary responsibility as a global superpower to manage our debt, protect the Dollar as the world's reserve currency, encourage global trade and free markets, and engage in global threats such as climate change as a part of the solution and not the problem.
- 5) Embrace the importance of free trade, open diplomacy, cultural exchanges, alliances and relationships, tolerance, and brand consistency, and recognize that in our interconnected world, complex global challenges can be better addressed by building bridges and not walls.

WTS: Thank you for sharing your thoughts. Do you have any closing comments?

Conley: It's difficult to be a critic of this country that I love, but I take refuge in Winston Churchill's observation that you can always count on America to do the right thing after it has tried everything else first. He seemed to suggest that though we muddle through challenging times, there is a consistency in our values and worldview that gets us back on track. Let's hope Sir Winston was right when he said we would eventually end up doing the right thing; that is my fondest hope and why I keep publishing these articles.

Mike Conley

For more information, please visit our website at www.WeatheringtheStorm.net