

STORM WARNINGS

Volume 6, Issue 3 – October, 2017
Geopolitical Polarization



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.

Geopolitical Polarization

The perfect storm countdown has accelerated. As the storm forces gather, the greatest threat for triggering the storm now appears to be in the geopolitical arena. Recent polarizing policies and events are exacerbating the threat and need to be understood in the context of their longer-term implications. In this issue, our publisher, R. Michael Conley, expresses his concerns and suggests way in which we can still mitigate the sharper edges.

WTS: In your perfect storm model, you often refer to the collision of economic, geopolitical, environmental, energy, and behavioral forces that could trigger a perfect storm. Why are you now singling out the "geopolitical" arena as the preeminent threat?

Conley: It's the sheer size, scope, and volatility of this arena that concerns me most. With its formidable mix of political, economic and national security issues in play, the geopolitical arena has within it the critical mass needed to fuel a major storm.

In a globalized world with so many interconnected moving parts, the storm risks can quickly increase almost exponentially. A crisis in one area can trigger a chain reaction in another – as evidenced by the Great Recession in 2008. Recent shifts in the geopolitical arena are roiling the playing field. (See: "*Eight Megatrends that are Reshaping the World*")

The insertion of brinkmanship, rhetoric, uncertainty and unpredictability has toxified the situation. With a plethora of flashpoints and little margin for error, mixed signals and miscalculations could easily trigger a lethal blast of unintended consequences.

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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.

WTS: You mentioned a change in the playing field; can you comment on how the geopolitical dynamics have changed?

Conley: It depends on how far back you want to go, but let’s take 1991 as a starting point. It marked the collapse of the Soviet Union and end of the cold war. The United States was the world’s undisputed superpower in terms of economic, military, and technological might, and we held other global levers of power in terms of trade, foreign aid, our currency reserve status, and other institutional mechanisms.

Our “*relative*” power base began to ebb in the quarter century that followed. China had emerged as the world’s newest super power; Russia once again flexed its muscles; wars in the Middle East dragged on, and threats of nuclear proliferation from Iran and North Korea emerged. New asymmetric threats in the form of cyber-warfare and terrorism, and nationalistic uprisings complicated matters. Domestically, our polarized political system and debt-ridden balance sheets increasingly crimped the options we once had.

Make no mistake, we are still very powerful – particularly in military terms – but the relative balance of power in economic and other areas has shifted a notch as a result of these forces.

WTS: In light of the shifts in global power dynamics, should we be recalibrating our thinking on foreign policy and how we interact with other nations?

Conley: We should, indeed, because we’re entering into a new kind of “cold war.” Unlike the first one that was so heavily focused on ideology, this one is more oriented toward the control of markets, resources, networks, and alliances. It is reflective of the globalized economy and worldwide technological interconnectivity that exists today.

It now requires a greater emphasis on alliances, partnerships, trade arrangements, and collective efforts to resolve global problems – such as climate change. The idea that we can

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“go it alone” or dominate situations as had happened in the past are gone. We need the collective inputs and goodwill of other countries to fully leverage our own capabilities, and the zero-sum game thinking of yesteryear is over. That’s not necessarily a bad thing; just a fact.

WTS: You are obviously concerned with our new directions. What prompts your concerns at this time?

Conley: I’ve been watching with dismay the ease with which we seem to be pulling away from treaties and traditional allies. It’s a reminder that wars are easy to get into and hard to get out of; and that global treaties are difficult to consummate but easy to break. We seem a little too willing to take the “easy” road on both ends of this equation and that’s disturbing. The backlash possibilities are chilling.

Within a short period of time, the United States has announced its exiting of the Trans Pacific Partnership Treaty and Paris Accords; “decertified” the Iranian nuclear agreement; threatened to pull out of NAFTA, instituted tariffs, and kept European allies in suspense as to whether or not we would remain a committed NATO partner. We have criticized China for being an unfair trade partner and currency manipulator and then begged for their help with North Korea. Where’s the strategic continuity in any of this? What’s the end-game?

WTS: You mentioned that treaties are hard to consummate and easy to break. Can you say more about that?

Conley: Without arguing the merits of various treaties, let me comment on the process, per se, and what’s at stake: Negotiating a multilateral treaty entails a long and laborious effort. The national interests of the participants can be dramatically different and finding common ground is a daunting task. Juggling domestic interests against the broader goals of the treaty is a fine art, and leaders put their reputations on the line to garner support for the treaty. In this high-stake arena, optimal solutions require a “progress not perfection” mindset because no one gets everything they want – that’s the way deals work.

An underlying assumption in all this is that the participating nations will honor the terms of the final agreement. Nations may try to “game” the agreement to their own advantage, but so-called “trust but verify” clauses are usually there to assure compliance. With so much at stake, the repercussions from pulling out of a treaty are significant.

WTS: Can you say more about the repercussions you referenced?

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Conley: An old saying comes to mind: “Fool me once, shame on you; fool me twice, shame on me.” Simply put, it means who wants to make a deal with a country that can’t be trusted to honor their commitments?

Think about the implications: If, for example, the recent Iranian decertification action ends with the U.S. exiting the treaty, would North Korea or anyone else want to negotiate with us? And what about all of the other nations in that treaty that we left high and dry? For that matter, would 195 signatory nations in the Paris Accord risk unravelling the entire agreement to placate the United States? I don’t think so, but the backlash goes even deeper.

WTS: What other “backlash” ramifications do you see?

Conley: The backlashes from reneging on a deal are long, deep and wide. For example:

1) It drives a wedge in relationships with allies and adversaries alike, and it severely weakens the trust and credibility needed for future deals of any kind,

2) It invites retaliatory moves. For instance, the imposition of tariffs on imported products will surely invite tariffs on the products we export. That’s how trade wars start,

3) It isolates the reneging nation from other nations, and leaves that nation without a seat at the table on future negotiations. In the case of the United States, it means leaving behind a power vacuum that a country like China is more than happy to fill,

4) It creates a backlash against those who had bargained with the reneging nation. For example, the decertification process against the Iranian nuke treaty has emboldened the hardliners in Iran that were opposed to the treaty. Future presidential candidates in Mexico will win points for being anti-American if NAFTA fails, and the list goes on.

WTS: Can you say more about China’s willingness to fill the voids left by a more isolated America?

Conley: In our new geopolitical paradigm, China is the counter-superpower to the United States, and both countries are moving in different directions. As America retrenches, China is reaching out. For instance, at the Davos Conference this year, China’s President Xi Jinping assured a concerned audience that China would be out in front on globalization, free trade and climate change. Music to their ears.

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China's new "*Belt and Road*" initiative underlines its desire to take a larger international role by building China-centered trading networks. It calls for investing hundreds of billions of dollars in foreign infrastructures to bolster trade. In a sense, it's China's version of the *Marshall Plan*, and you can bet that global transactions associated with this initiative will be consummated in the Chinese "*Yuan*" and not the American "Dollar." Isolationism does little to bolster our dollar's cherished position as the world's reserve currency; losing it could be catastrophic.

WTS: Are there other implications from reneging on treaties or backing away from traditional allies?

Conley: I'm troubled by the manner in which such actions tarnish our brand as a nation of integrity – one that can be counted on – and how it isolates us from the rest of the world. Global problems require collaborative global solutions, and we're taking ourselves out of the ball game. Nations are already finding ways to work around the United States.

Climate change, for example, is a global problem. Instead of becoming part of the solution, we are now part of the problem. (See: "*Climate Change: What Next?*") The good things we are doing are obfuscated by the pariah status our disengagement from the Paris Accords has earned us. Cyber warfare, (See: "*The Cyber Blitzkrieg*") terrorism and other forms of asymmetric warfare are further examples of global challenges that require cooperative global solutions – and that's not easy to do when you've lost your seat at the table.

In an age of globalization, this need for global cooperation has never been greater. The world is a tinderbox of flashpoints, and our recent moves away from treaties, allies, and global institutions that provide stability are of great concern. When a superpower like the United States becomes unpredictable, the world gets nervous. A volatile and destabilized environment opens the door for miscalculations with unintended consequences. The North Korean situation is, perhaps, only a miscalculation away from becoming a catastrophe. (See: "*North Korea: The Real Threat*")

WTS: What suggestions would you offer to make it better?

Conley: First, we need to think strategically. Treaties and alliances should not be looked at as single transactions but rather as part of a broader strategic construct. Connect the dots and consider how the ripple effects of one move profoundly impact the big picture. A multilateral

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trade agreement, for example, is not a real estate transaction that can be exited without sharp repercussions from all of the other moving parts.

Second, as citizens, recognize that congress has a vital role to play and should be held accountable for how our treaty commitments play out. Congress will be asked to act on the White House's non-certification notice of the Iranian nuke agreement in the next 60 days. If we believe, like key members of the president's cabinet seem to agree, that staying in the treaty is in our best interests, let's be sure to let our elected representatives know.

Last, as concerned citizens of the world, we can keep the spirit of the Paris Accords alive by engaging in grass root efforts to reduce our carbon and ecological footprints and promote clean energy efforts. For more information on organizations that do some outstanding work in these areas, I would invite readers to visit the "Best Practices" section of our website for a list of names. I know they would be glad to hear from you.

Mike Conley

For more information on the perfect storm, please visit our website at:
www.WeatheringtheStorm.net