

STORM WARNINGS

Volume 6, Issue 4 – January, 2018
The Perfect Storm Report Card for 2017

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2017 was a watershed year with respect to the growth and development of the Perfect Storm. While there were noteworthy improvements in some unexpected areas, troubling geopolitical events have changed the trajectory of the storm in ominous ways. In this issue, our publisher, R. Michael Conley, will share his thoughts on these geo-political events, their ripple effects on all areas of the building storm, and the prognosis for 2018 and beyond.

WTS: For new subscribers, can you briefly describe the perfect storm, the forces driving it, and why you think it's a threat?

Conley: We use the *perfect storm* metaphor to describe the development of tectonic-sized forces on a collision course and the catastrophic outcome likely to erupt once critical mass is achieved and triggered. The major storm components – with various subsets within – include geopolitical, economic, environmental, energy and behavioral forces that are supercharged by aggressive feedback loops and exponential growth.

We regularly monitor and report on these building forces within a systemic framework that tracks events, connects the dots, and plots out the looming storm's trajectory. In 2017, a tsunami of geopolitical events sharpened the storm's advance with adverse ripple effects on all other storm elements mentioned.

WTS: Before explaining why you're focusing on the geopolitical forces in particular, can you comment on your worldview as a context for your concerns?

Conley: Sure. I think we're entering into a new type of cold war without even knowing it. Unlike the first cold war, which was heavily focused on ideology, this one will be fought over control of such things as global markets, scarce resources, currency systems, seaways, and international levers of power in combo with a toxic mix of regional conflicts, religious extremism, nuclear proliferation and asymmetric threats – as in cyber warfare.

In this new calculus, conventional military superiority alone – in which the United States is second to none – will not guarantee success. Further, China's emergence as a superpower and Russia's reemergence on the global scene have changed the equation; often



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.

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WTS Guide: A free “how-to” Guide for beginners.

Info & Resources: Books, articles information & resources:

weatheringthestorm.net

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.

as counterforces to the United States. In what could become a formidable Eurasian power alliance, our faltering ties with Turkey and Pakistan could be one of the earlier by-products of this new dynamic.

The old cold war playbook is obsolete. The notion of “going it alone,” seeking zero-sum game solutions of “I win-you lose” with no middle ground, or framing complex geopolitical challenges as singular, unrelated transactions devoid of nuances is unworkable. The margins of error are small, and risks of miscalculations and unintended consequences are high. The need for strong alliances, leverageable partnerships, and greater predictability has never been more important. It’s a new world and, like it or not, the relative balance of power in it is shifting.

WTS: Given these geopolitical dynamics, what specifically happened in 2017 to trigger your alarm?

Conley: The list is long, but the real game-changer has been the dramatic shift in the foreign policy of the United States. It has been an unnerving and destabilizing experience for our allies and adversaries alike. As a major global player, reversing positions, exciting, or threatening to exit pre-established agreements, like we have, leaves a power vacuum that befuddles allies and opens the door for other nations, like China and Russia, to fill.

Think about it: We’ve pulled out of the Paris Accords and the Transpacific Partnership (TPP) agreement; disavowed the Iranian nuke deal; confused allies over our commitment to NATO; threatened to bail on NAFTA without a new agreement; and

shocked the world by recognizing Jerusalem as the capital of Israel. Stunned, the world is starting to regroup and factoring in a more diminished American role in their planning; the backlash could get ugly.

WTS: What are some of the repercussions of our recent foreign policy moves?

Conley: There are many. First, countries will be gun-shy about cutting future deals with the United States if they perceive us to be an unpredictable and untrustworthy partner. Foreign leaders who have put everything on the line – including their own personal careers – to consummate an international agreement will remember how they got torpedoed the next time we call on them for help. (See: “*Geopolitical Polarization*”)

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Second, it will be more difficult to build international coalitions to deal with mega-threats like cyberwarfare, North Korean nukes, (See: "*North Korea: The Real Threat*") and global terrorism without strong partners. In a zero-sum game world, our "America First" policy may look more like an "*Others Last*" policy to the "others" we are dealing with.

Third, strategic consistency is important. For example, requesting China to hardnose North Korea while accusing them, at the same time, of currency manipulation and unfair trade practices is clearly a strategic disconnect. It's also difficult to see how the signatory nations on the Iranian Nuclear Treaty will agree to any new sanctions on Iran if we unilaterally pull out of the treaty; chalk one up for the Iranian hard-liners.

The recent denunciation of the United States in the U.N. over our recognizing Jerusalem as the capital of Israel has vaporized any credibility we might have had as a disinterested third-party mediator in the Israeli-Palestinian conflict. And, if we want a future voice on global trade in the Pacific Rim, scratching the TPP Treaty was not the best move we could have made. The moving parts are all interconnected – not singular transactions – and there could be serious consequences stemming from these strategic policy inconsistencies. Actions invite reactions.

WTS: With regard to NAFTA, the TPP, and other treaties, what economic fallout do you see?

Conley: Look, it's a global economy and the United States is a major exporter of products and services – just ask our agricultural and defense industries. When we tinker with or threaten to disrupt multinational trade agreements that were so painstakingly negotiated, we risk an unraveling that may not be to our advantage. Slapping tariffs or restrictions on foreign imports invites retaliation, and an escalation into a trade or currency war wouldn't be good for anyone.

The more effective way to beat foreign competition is to improve the productivity of our workforce and the quality and competitiveness of the goods we're exporting. We do this by improving our overall educational system, upgrading worker skillsets, investing in technologies and innovations, and by our marketing prowess. In short, we do it the old-fashioned way; out-hustling our foreign competitors and not relying on renegotiated treaties to get the job done.

WTS: Shifting geopolitical gears, what are your thoughts on our exiting the Paris Accord?

Conley: It's incomprehensible; an egregious decision that has rebranded the United States a world "*pariah*" almost overnight. In a spectacular display of global unity to address climate change, the United States became the only nation not to sign on to the Accords. A stunned world was furious. In effect, we ceded our leadership to others, like China, and came out looking like the spoiled brat of the planet.

Despite the Administration's position, corporate America, state and local governments, and a solid

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cadre of grassroots organizations throughout America declared their commitment to the Paris Accords. Sadly, their remarkable efforts will be hampered by a lack of federal support; or worse, an outright effort to gut the EPA and dismantle promising new clean energy and environmental initiatives now underway in favor of legacy fuel systems like coal.

The world counted on our leadership to provide leverage, technological expertise, foreign aid, as well as our own national commitment to reduce greenhouse gas emissions. We took the low road, and the ripple effects will be profound with respect to the world's ability to address climate change and in our international standing. (See: "[*Climate Change: What Next?*](#)")

WTS: Geopolitically, how does the "energy" component factor into all of this?

Conley: This could be a bright spot for the world. With the advent of new technologies, the imperatives of climate change, and a receptive new marketplace, we are seeing an "energy renaissance" in the making. New renewable energy systems, the growth of electric cars, the transition to cleaner and more sustainable energy systems, and the decline of coal are but a few of the drivers behind this energy renaissance.

To be sure, we will continue to rely on gasoline/diesel powered cars for a time to come, and there will also be periods of oil shortages and rising oil prices in the future, but the transition could come faster than we think. Nations like France, Great Britain, China and others – as a partial result of the Paris Accords – have instituted plans to phase out the production of gasoline/diesel powered cars by 2040 or earlier. It will hasten the migration to electric-powered cars, and infrastructures to support them.

Base-load fuels for electricity production are also shifting away from coal to natural gas, nukes and renewables. Our electrical generation from coal dropped dramatically over the last few years; coal mining jobs have fallen from 90,000 in 2012 to about 52,000 now. Coal could soon become the bumpy whip of the energy arena, and foreign oil producers could also be in for a rocky ride in 2018; all part of the energy renaissance.

WTS: What other dangers do you see for the United States as a result of its geopolitical policies?

Conley: On energy, we're really missing the boat. The renewable energy market is booming, and countries like China have been quick to act. Ironically, it's a market absolutely made for us with our technological, innovative and marketing prowess, but it will be hindered by our new "pariah" status and a lack of federal support in crucial areas. There's no limit to the job creation and economic opportunities it could open up, and we should be staking out a global position that's second-to-none – not dragging our feet or pushing for the rebirth of the coal industry.

On climate change, it's not inconceivable that the signers of the Paris Accords might some day slap an "emissions" tariff on our products for non-compliance or create other restrictive barriers that

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impede our ability to compete. The old axiom that “if you don’t have a seat at the table, you might be part of the meal” is certainly true in this case.

The common thread is obvious: There are consequences for not being a global player. Any immediate advantages accrued from a go-it-alone, “*America First*” policy could easily be wiped out with a stroke of the pen. Live by the sword, die by the sword.

WTS: This leads to the last force in your Perfect Storm equation; “*behaviors and expectations.*” How will the geopolitical shifts impact Americans and maybe even the American Dream?

Conley: Surveys taken in recent years suggest a growing belief that the American Dream has become less accessible to an increasing number of Americans. Income inequality is one of the driving reasons for this. While our economic growth has steadily increased over the years, the net worth and wages of middle Americans remained stagnant. In many respects, their relative household share in the “dream” is now disproportionately lower than it once was, and their ability to regain that share will be challenging.

While the United States is a wealthy country by any standard, our long-term debt and unfunded entitlement liabilities will take an increasing toll on the economy. If we fail to retain our market share of global trade, or if our relative financial position – vis-à-vis China or others – is weakened, or if the dollar loses its status as the primo world reserve currency, or if a trade war weakens our position, our economy and the American Dream will suffer accordingly.

The point is simple: We live in a global economy and breathe the common air of a global atmospheric system. We can’t detach without serious consequences. We’re part of this global system and not the only player that counts. In relative terms we’re not, quite frankly, the global powerhouse we once were. We need others and they need us and if, in our hubris, we even think we can ignore this simple fact and go it alone because the rest of the world is “unfair” to us, we are in for some brutal surprises. (See: “*An Attitude of Gratitude*”).

WTS: In closing, is it your conclusion that the geopolitical events of 2017 hastened our move toward the perfect storm?

Conley: I’m afraid it is. Since WWII, the United States has painstakingly built its brand as a responsible and predictable global player. Through carefully nurtured global relationships and steady performance, we have helped stabilize a turbulent world. Now, in less than a year, we’ve shaken the world to the bone by burning bridges and building walls; relinquishing, in the process, our global leadership on many fronts and creating destabilizing new power vacuums.

As for 2018, nations will be busy recalibrating their respective global strategies based on these new dynamics. Whether or not we’re able to restore trust and repair relationships in a timely manner is

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an open question. With the North Korean crisis, cyber warfare, and other looming threats, we may find it all coming to a head sooner rather than later.

One thing seems certain: This is the only planet we've got, and we're running out of time. Let's forget the zero-sum game mindset of "*I win-you lose*," because we'll all lose if we don't find more collaborative ways of working together to make things better.

Mike Conley

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