



# THE GATHERING STORM

- Global Challenges and Hot Spots

- Session Four -

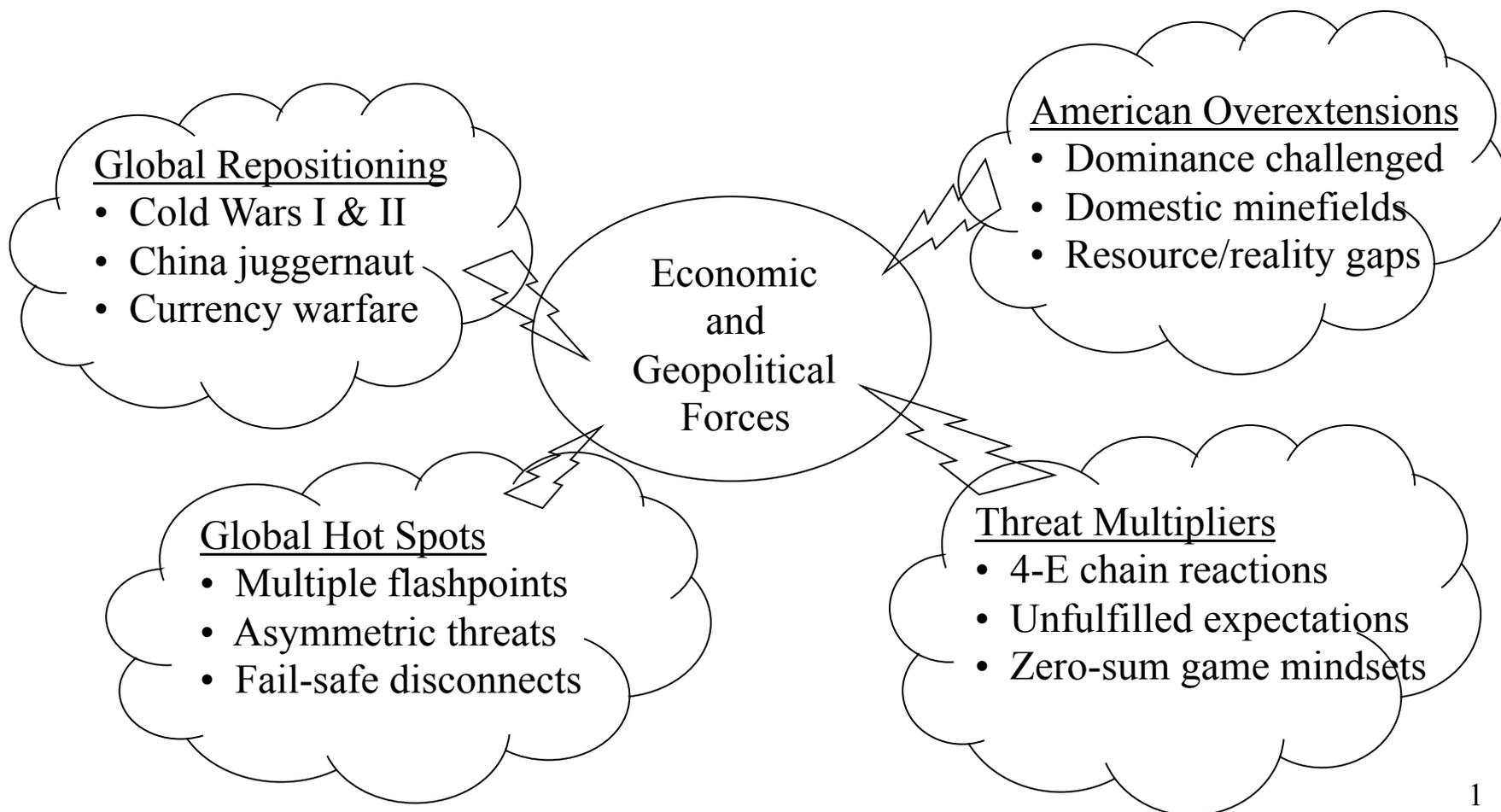
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# The Gathering Storm

## - Global Challenges and Hotspots -

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**Overview:** Within the context of the perfect storm, per se, there are several sub-set economic and geopolitical storms now in play:



# Cold war aftermath and repositioning . . .

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**Overview:** The cold war with the Soviet Union, ending in 1989, changed the global power dynamic; China is now filling the void. Is Cold War II imminent?

<u>Global Event</u>	<u>Time Frame</u>	<u>Key Issues</u>
1. Cold War I	1945 – 1989	Ideological and military dominance
2, Aftermath	2005 -	Markets, scarce resources and economic dominance

## Transitional Dynamics:

1. Globalization: The good, the bad, and the ugly . . .
2. Key players and alliances:
  - The United States and allies (OECD nations)
  - China and the Pacific Rim
  - Bric nations: Brazil, Russia, India and China
  - Israel and the Middle East
  - OPEC: The haves and have not's
  - Powerful fringe players – e.g., ISIS

# China Juggernaut: The world's newest superpower . . .

China is rapidly changing the global power equation:

1. Financial powerhouse and the world's "banker"
2. Size, scope and infrastructure built for growth
3. Disciplined five year plans and 'can-do' attitude inspired by *China Dream*
4. Economically focused foreign policy – geared to markets and resources
5. Military emergence and a robust space program
6. Alliances, global clout and U.N. veto power puts "teeth" in their policies
7. America's military shift to the Pacific Rim and what it might mean
8. Flashpoints in the China Seas and border areas
9. China's great challenge: "To sate the appetites of rising expectations."

# Currency Warfare: The dirty little secret . . .

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**Overview:** Two critical – and unappreciated – global power tools are 1) the **Reserve Currency** system and 2) the **Petro-Dollar** system.

## The Reserve Currency System:

1. What is it?
2. Why is it important? Historical significance.
3. Three benchmark historical dates:
  - 1944 – Bretton Woods Monetary Conference
  - 1971 – U.S. goes off the ‘gold standard’ to a *fiat*-backed currency
  - 1973 – Birth of Petro-Dollar system
4. The integrity of the “dollar” and why it’s so important

# Currency Warfare (continued) . . .

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**The Petro Dollar System**: A ‘bonanza’ for the U.S.; less good for others . . .

1. Mechanics of system:

- Oil transactions in dollars - along with many other commodities
- Worldwide, central banks hold our dollars to buy oil
- Petro-Dollar recycling: Back into the USA
- Allows USA to “print” money and “monetize” debt
- Exports inflation

2. Threats to Petro-Dollar System:

- Sloppy American fiscal and monetary policies on steroids
- Reserve currency and Petro-Dollar system - increasingly challenged

3. The nightmare of losing our currency reserve or Petro-Dollar status . . .

# America Hegemony is being overextended . . .

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**Overview:** While still dominant, the global balance of power equation is gradually shifting:

- 1.The relative balance of power: Then and now
- 2.American Hegemony – increasingly challenged
- 3.Domestic challenges – exacerbate the power shift
- 4.Growing gaps between expectations, resources and realities
- 5.Still powerful – but not the only “game in town”
- 6.Is it time to recalibrate expectations and re-think global positioning?

**NOTE:** American challenges will be covered in Session Five

# **Global Hotspots . . .**

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**Overview:** The geopolitical flashpoints are everywhere:

1. Global economies – red ink and “bubbles” ready to burst

2. The Middle East:

- Arab Spring II and aftermath
- Region-wide Shiite/Sunni conflicts and religious wars
- Israel, Iran and the “bomb”

3. Territorial Disputes:

- The EEZ time bomb
- China and the quest for resources: e.g., China Seas
- Russian repositioning

4. Power vacuums – who will fill them?

# Global Hotspots: Asymmetric threats . . .

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**Overview:** Asymmetric warfare is used to offset the superior *conventional* strength of an opponent through *unconventional* means. A few potential areas are:

- Terrorism and guerilla warfare
- Oil choke points and selective sabotage
- Currency warfare
- Cyber-warfare: e.g., U.S. power grid system
- EMPs and “dirty” bombs

# **Global Hotspots: Threat multipliers . . .**

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**Overview:** A number of “threat multipliers” will add volatility and lethality to existing threats:

1. The E<sup>4</sup> chain reaction:
  - Power of exponential forces: e.g., economic woes
  - Reinforcement of feedback loops: e.g., climate change
  - Technological threats: cyber espionage
  
2. Expectations: What forces are unleashed when expectations are not met?
  - Arab Spring I
  - Keep a close eye on Saudi Arabia and Egypt
  
3. Zero-sum game thinking: “I can only win by your losing”

## **In Summary . . .**

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1. The global power equation is changing.
2. Any number of catalysts could ignite a global conflagration - we are too interconnected to avoid it.
3. New weapons technology, asymmetric threats, and threat multipliers make this a more dangerous world.
4. Missteps, “mission creep” and unintended consequences complicate decision-making.
5. Wishful thinking and denial are not strategies. Face reality as it is, not as we want it to be.