



## DEVIL'S ADVOCATE by John Risley

### Dangers are out there

**T**wice in recent weeks, I have heard the global geo-political environment described as having gone from being unstable to dangerous. Such descriptions have not come from people who are largely removed from close and personal contact with such matters. Quite the opposite, hence my own barometer-rising anxiety.

For the first time since the end of WWII, the United States, under Obama, has managed to offend all its allies. The country and the office of the President has lost the respect, or at least the level of respect, it once enjoyed. Washington has no global strategy nor does it have effective dialogue with either Beijing or Moscow. Democracies around the world are fiscally challenged and military budgets are at post-war lows as a percentage of GDP. The threat of cyber warfare and its consequences are not understood by the public at large. Mr. Putin's aggressive posturing has earned him huge approval ratings domestically despite economic growth being at the lowest levels since his coming to power. The situation in the Middle East is spiraling out of control. China is growing its military clout and territorial ambitions in more aggressive ways than ever before.

And that's just for a start. Are you paying attention yet?

Every recent U.S. president has had a direct and discreet line of communication with their Russian counterpart. The value of this was particularly apparent in the Reagan/Gorbachev détente, the mutual respect they developed for one another and the significant nuclear weapons reduction treaties they signed. Because Obama has not developed any such link with Putin, the Crimea annexation quickly developed into something which could have had a much better ending, one that didn't leave Putin in a corner and Russia the subject of economic sanctions hated by both Russia and Europe. Washington's lack of appreciation for the history of Ukraine and Putin's aggressive maneuvering has unleashed a situation which may now be well

beyond his control. Economic activity has been severely constrained in eastern Ukraine, instability and ethnic passions now reign supreme and there is no easy or obvious path to stability. Think of this: Russia is the only country in the world which could destroy America in about 40 minutes (admittedly at the cost of the reciprocal destruction of Russia). All the aggressive military exercises in the Baltics, in European airspace and rearmament activity could well lead to a miscalculation by a military emboldened by nationalist passions. Wouldn't it make sense for the leaders of both countries to have a bit of a relationship?

The problems in the Middle East are almost as difficult to describe as they are to solve. It begins with totally artificial national borders and develops into western naivety as to how political institutions

might develop post-removal of a dictator, through to huge economic imbalances. The Iranian threat will not recede with an agreement, assuming one is reached, around its nuclear ambitions. Iran possesses the most lethal cyber-attack capability, perhaps in the world. Arguably, such capacity is more dangerous than the nuclear threat because it can be unleashed with devastating consequences (on western financial institutions, for instance) without prompting an equal or obvious deterring threat. At the same time as Iran is at the negotiating table professing good faith in its "peaceful" nuclear program, it is unleashing terrorist-driven havoc in Iraq, Syria and Yemen. Some three million Iraqis are now displaced. Over 25 per cent of the population of Jordan are refugees. Saudi Arabia fears being boxed in by Shia regimes on all sides. Iran has the military capability today to shut down 40 per cent of the world's oil movement. Any hint that Iran might succeed with its weapons' grade enrichment activity will prompt a rapid escalation of nuclear capability in the region with Turkey, Saudi Arabia (already rumored to have a deal with Pakistan), Egypt and the UAE all wanting similar capabilities. No one country, nor group of countries, has the power to design and implement a solution which will reduce these tensions.

Not only has America lost the ability to engage meaningfully across global hot-spots, it has lost the political will to do so. The Iraq and Afghan experiences were incredibly expensive financially and emotionally.

So, what to do? Be aware, stay informed, understand the hot spots around the world that could boil over at any time. Think about the consequences, on your business, on financial markets and your investments. Make decisions and act on them. Sorry I can't be more helpful, or hopeful.

History would suggest that when the world needs real leadership, it appears. Well, we could use it, so let's pray history will repeat itself.

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#### FEEDBACK

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