

The Briefing

A Newsletter of The Alabama World Affairs Council / Fall 2010

This Fall: Tom McInerney on the War on Radical Islam; Amb Barbalic on Bosnia; Dennis Lockhart on the Fed/Dollar

Tom McInerney, our opening speaker on September 28, is a retired U.S. Air Force lieutenant general and senior military analyst for Fox News. He retired from the service on July 1, 1994 after a brilliant career as a combat pilot, long-range planner, and commander. In his last assignment, he served as assistant vice chief of staff, Headquarters U.S. Air Force, Washington, D.C. and the director of the Defense Performance Review, reporting directly to the secretary of defense. He also served as deputy chairman of the Air Force Council and as the Air Force accreditation official for the Air Attache Corps.



SEPT 28

After retiring from the Air Force, McInerney was vice president of Command and Control for Loral Defense Systems-Eagan and in 1994 joined Loral, which was then Unisys Electronic Systems Division. From March 1996 to December 1999, he was chief executive officer and president of Business Executives for National Security (BENS), a national, nonpartisan organization of business and professional leaders, with headquarters in Washington, D.C. BENS works to engage the business community in securing America's future with a better, more efficient defense establishment.

In January 2000 he established his own consulting firm, GRIT (Government Reform Through Technology). Working with high-tech companies who do business with federal, state, city and local governments, GRIT helps them introduce advanced technology into the

public sector.

General McInerney's conservative and often controversial comments on television and radio have stirred both criticism and approval from various quarters.

McInerney graduated from the United States Military Academy in 1959 and earned a master's degree in international relations from George Washington University. He also attended the Armed Forces Staff College and the National War College.

Ambassador Ivan Barbalic, our speaker on

October 26, is one of the United Nations' youngest ambassadors, representing Bosnia-Herzegovena, a country of 3.5 million founded as a result of the breakup of the former Yugoslavia. The country declared its independence in the middle of the 1992-1995 war with Serbian forces, and a NATO bombing campaign, led by the United States in 1995 after the infamous Srebrenica Massacre, defeated the Serbs and insured independence.



OCT 26

Ambassador Barbalic, after graduation from the University of Bridgeport, Connecticut, in 1997, spent a year in New York as an intern with the Open Society Institute and the George Soros Foundations before going back to Sarajevo. There he worked for several years with the United Nations Development Program doing policy research. He received his master's degree from the University of Sarajevo and University of Bologna with a specialization in human rights.

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In 2005, Amb. Barbalic was a lecturer at the British Business School and a member of the Research Team at the Early Warning System of the UN Development Program as well as of the Bosnian-Herzegovinian negotiations for association with the European Union.

Barbalic is a musician, and his music and songs are part of the new culture of the region. "My country used to be war torn, but now institutions are functioning and the economy is healing.... It's far from perfect, but if you take into consideration what it was like," he said, "it can be considered a success. It's a lot different than what people would see in pictures during the war in the mid '90s."

Dennis P. Lockhart, who will speak to us on November 16, is president and CEO of the Federal Reserve



NOV 16

Bank of Atlanta, with supervision of banks in Alabama, Florida, and Georgia, and parts of Louisiana, Mississippi, and Tennessee. As head of the Atlanta Fed, Lockhart is one of America's overseers of monetary policy as part of the Federal Reserve's Open Market Committee (FOMC).

From 2003 to 2007, Lockhart served on the faculty of Georgetown University's School of Foreign Service. He also was an adjunct professor at Johns Hopkins University's School of Advanced International Studies. From 2001 to 2003, he was managing partner at the private equity firm Zephyr

Management, with activity in Africa and Latin America. Prior to joining Zephyr, Lockhart worked for 13 years as executive vice president of Heller International Group, with world-wide activities. In 2000, he chaired the U.S. Export-Import Bank.

Early in his career, Lockhardt worked with Citibank, first in Saudi Arabia, and then in Greece, and he was in Iran until 1978. From 1987 to 1988, he was head of Citibank's Latin American efforts to restructure Latin America's troubled sovereign debt.

Lockhart earned a B.A. from Stanford University in 1968 and an M.A. from the Johns Hopkins University School of Advanced International Studies in 1971. He served as a lieutenant in the U.S. Marine Corps Reserve from 1968 to 1974.

Three New Board Members

Since the last newsletter, the Board of Directors has undergone some significant changes. With the deaths of Jim Loeb and Gordon Welling, the Board lost two particularly effective and valuable members. In addition, Phil Murkett and Wayne Funk moved from Montgomery and resigned from the Board. We have been very fortunate to welcome three new members: **Mike Lockett**, long-time member and financial advisor with Stifel-Nicolaus; **Dr. Karen Stine**, Dean of the School of Sciences at Auburn Montgomery; and renowned businessman **John Panetti** (see Board member profile on next page).

FINANCES STABLE

Through some good fortune, some generous members, and perhaps even some good management, AWAC broke almost exactly even during the FY 2009-2010 year, with actually a slight surplus. This is all the more extraordinary in that for the first time in many years, the Alabama Humanities Foundation did not honor our grant request. The good fortune came in the form of reduced speaker expenses, and there were many generous members who gave well above the minimum dues level. Some 170 members gave at the \$100 level or above, of which 56 joined at or above the Ambassador level of \$250. AWAC is deeply grateful for the generosity of the members who gave well above the minimum required. That is what allows us to operate at our current level. Your management tried to contain the operational costs, and all in all, the results assured us that we could keep the level of dues in the coming year the same as last year.

**Our web site is maintained by
Prof. Jeremy Lewis at
Huntingdon College.**

awac.us

check us out!

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Board Member Profile

In late 1991, **John Panettiere**, whose business career had started in 1959 as a management trainee for Ford Motor Company and took off from there, was asked to visit with Winton M. (Red) Blount concerning the management of Blount International Corporation. At the time, John was chairman, president, and CEO of Grove Worldwide Corporation, the world's largest manufacturer of large mobile cranes and aerial work platforms. Blount International was a construction company with three much smaller manufacturing divisions in sporting goods, forestry harvesting equipment, and lawn and garden equipment. The stock was selling for \$4.65 per share.

John joined Blount International Corporation as president in May of 1992 and commenced the transformation from a construction company into a highly profitable diversified manufacturing company without a construction division. In a short period of time, he spun-off operations that were not in the long-range strategy for the company, and acquired eight strategic "Bolt On" companies that further enhanced the growth and profitability. Blount stock climbed from the low teens up to \$57.00 per share, then split three for two. Two years later the stock had risen again to \$58.00 and again split two for one.

The stock price adjusted for the splits had risen 1350% in eight years. That commanded the attention of Wall Street, and it was decided to sell the company in 1999. The company was sold to Lehman Brothers Corporation for \$1.2 billion. John stayed for

two years in order to facilitate a smooth transition and retired from active management of the company in 2002, but stayed for an additional period of time as a consultant. When John retired from Blount, he was the only other person to hold the title of chairman, president and CEO in the fifty-five year history of Blount. John Panettiere was privileged to manage three Fortune 500 companies during his 43-year active business career.

After his retirement from Blount, John and his wife Wanda Ann, nicknamed Wendy (they met on a blind date), who are approaching their golden wedding anniversary, decided to settle into a home on Lake Martin. John has continued his business associations, serving on the boards of three major industries. He has served since 1996 on the Board of Trustees of Westminster College located in Fulton,

Missouri. John is a graduate of Westminster, with a degree in history and political science and a minor in industrial management. Immediately after graduating from Westminster College (in the ROTC program) John joined the Army National Guard, and completed his obligation in 1965. All of their three sons, Andrew, Brian, and Christopher attended Westminster College. They have six grandchildren, all single! John is the past chairman of the Construction Industry Manufacturers Association (CIMA), now called AEM.

Since retiring, he and Wanda have made five safaris to Africa, enjoying hunting in Tanzania, Botswana, and South Africa. They love to spend time at their Alabama farm hunting and fishing. Their summers are spent at their second home in Northern Michigan, but Alabama is their home. That is our good fortune.



President Chick Cleveland, General Mike Hayden, Lee Sellers, Will Sellers, Vice President Bowen Ballard at program by former CIA Director General Mike Hayden, November 1, 2009 at Auburn Montgomery.

Executive Director's Corner: Dr. James Nathan

China: Will the Bubble Deflate?

Satchel Paige, the timeless Alabama-born pitcher, once opined that he never looked back, lest somebody be gaining on him. Now, the fear is that America is threatened with eclipse. The news that China has replaced Japan as the world's second largest economy has caused pundit anxiety about how long America's supremacy can last.

After more than a decade of work in China, I am hardly an expert. China is too hard, including the language!

But I think the worries are a stretch (the U.S. GDP is three times that of China), just as the scare mongering of two decades ago wildly overstated Japan's challenge.

China has the justly famed Great Wall. Just as real, if less noted, are the other barriers to continued Chinese growth, something I call the other Chinese walls.

First, there is China's demographics. China is in the last throes of a population expansion. The "one child per family" policy has been effective, sort of. China's population is now leveling off at 1.6 billion. But the vast disproportion of men to women is nothing less than a social calamity. The Chinese government is openly concerned about the consequences of large numbers of excess men for social stability and security. Some 40 million young men are entering marriage age without hope of finding wives, and the figure is rising. China's

traditional society — where old age is a family responsibility — is breaking.

Even more likely to impact growth is the depletion of China's natural resources. Much of China's wood is gone. A visitor to the golf courses just beyond Beijing's airport will see sand creeping to the perimeter of the city. The northern Gobi is spreading at the rate of 1,900 square miles annually. Elsewhere, in China's far west, it's worse.

Nearly 70 per cent of China's people have no water fit to drink. Rivers run black and sometimes spontaneously combust. Nearly all of China's aquifers are but a compound of industrial sludge and untreated human waste.

Beijing's water table is down 80 per cent and may run out in five years. It is already sinking so fast that new steel and concrete buttresses under the Beijing Airport may not long hold. Shanghai and Tianjin have fallen ten feet in fifteen years. Falling cities meet rising sea levels. Shanghai could be submerged by 2050.

Meanwhile, rainfalls have started to dramatically diminish. Chinese scientists, in their first national assessment, predicted that the Yangtze and Yellow rivers will first overflow as Tibet's glaciers melt; but, then, quite suddenly, they, too, will dry up.

Coal use may soon be the least of China's air-quality problems. By

2030, China is expected to have more cars than the United States to transport an urban population that is doubling to 700 or 800 million in the next decade. In consequence, great clouds of poisonous gunk envelop China. Each Spring, polluted Gobi sands rain in on Beijing, blow across the Korean peninsula and parts of Japan.

More than 80 percent of the East China Sea, one of the world's largest fisheries, is now rated unsuitable for fishing.

More than 190 million people get sick every year from contaminants of one kind or another. Cancer rates are expanding at rates in excess of ten percent a year.

Clearly, China's growth has come at the cost of Chinese health and the well being of China's neighbors. Erosion and floods — always the scourge of Asia — are ever more common.

China is working now, but it's running into a wall. Pollution related protests run at about 1000 a week, in a society where such gatherings are not legal and risk repression.

The result, at some point, is that China's walls, self-constructed, will hold down growth. Then, of course, the great Chinese bargain will come undone. What happens when China's 9.5% growth stops? Nobody fears that America will be undone by a double dip, however calamitous. For China, it's a different story.