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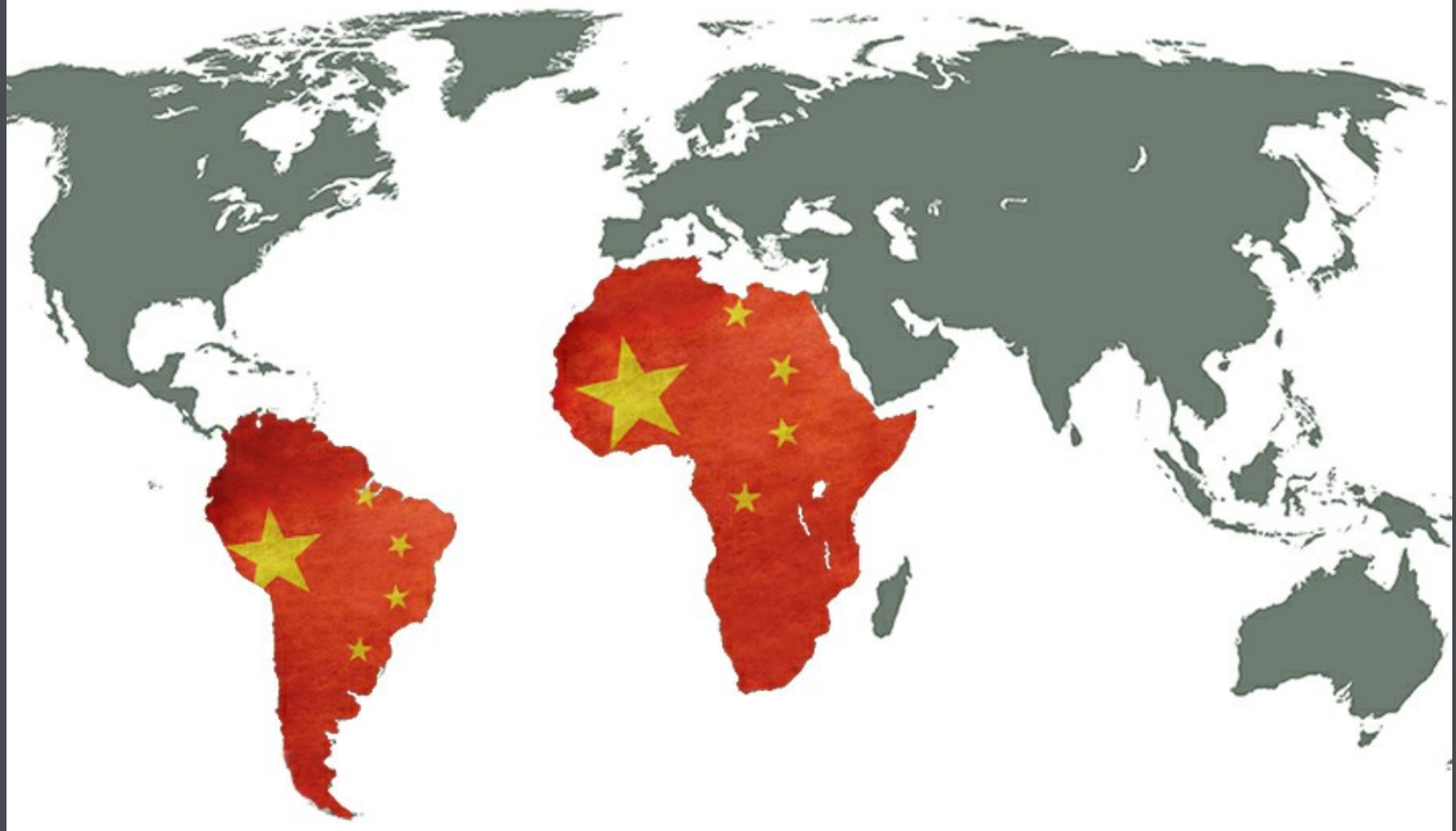
Geoeconomics

Klaus Solberg Søilen



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Dedicated to Jan Søilen

"Where is the wisdom we have lost in knowledge?

Where is the knowledge we have lost in information?"

– T.S. Eliot

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Acknowledgements

This book project began in the summer of 1998. I spent two weeks of that summer at Radi, a small village outside Siena, discussing the contents of the MS with a sociologist and fellow doctoral student from the Zentrum für Höhere Studien (ZHS) at the University of Leipzig, Andreas Westerwinter[1]. Our discussions were mostly about the value, if any, of the discipline of geopolitics and the limited usefulness of neoclassical economics and modern political science for trying to explain current economic events, in particular the emergence of China as an economic superpower. From a wider methodological perspective the aim was to look at which ideas about the study of Man and social life which had been neglected following the Second World War but might still be of value – in the first instance, for my doctoral thesis. Most of these ideas belong to what we should call evolutionary economics, or the "evolutionary approach", today.

A first draft deriving from these reflections was presented briefly to the ZHS at Wilhelm Ostwald's *Landsitz Haus Energie* in Großbothen the following year. The project of writing this book, however, made way for other priorities, particularly research for the course I was teaching on business intelligence. Eventually, though, I felt a strong obligation, encouraged not least by my students, to complete the book (which in MS form had been in use as a compendium for several years). I also wanted to offer the material to a larger audience, without compromising the book's theoretical content.

Over recent years I have received numerous constructive comments on these notes from hundreds of master's students and a handful of fellow teachers of different nationalities. I am deeply thankful to them. This has not only helped to improve successive annual versions of the compendium, but gave me an in-depth opportunity to learn how different cultures think about the issues presented here.

I should like to thank Prof. Russell Berman for giving me the opportunity to produce a first complete draft of the manuscript as a visiting scholar at Stanford University in 2009. Many thanks also to the staff at the Green Library, and to the Swedish Research Council, for co-financing my stay at Stanford.

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Chengdu, February 2012

1 Westerwinter, whose thesis was on Wilhelm Wundt, was a member of the Ambivalenzen der Okzidentalisierung (Ambivalences of Westernization) doctoral programme at Leipzig University.

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1 From geopolitics to geoeconomics

"Intelligence can't live with theory and can't live without it."
Richard K. Betts (2007: 53)

The idea with this book is to show how the study of intelligence can be an alternative approach for the study of economics when the aim is to understand the competitive advantage of nations. We shall describe the study of geoeconomics as a part of normative[2] intelligence analysis, written in the tradition of critical theory and based methodologically in the evolutionary sciences.

This introduction aims to show the relationships among the disciplines of economics, geoeconomics, evolutionary theory, evolutionary economics, strategy, intelligence studies, strategic intelligence, business intelligence, economic intelligence, critical theory, and the historical method.

What geoeconomics is and who the study is relevant for

Geoeconomics is the study of spatial, cultural, and strategic aspects of resources, with the aim of gaining a sustainable competitive advantage. It is a continuation of the logic of geopolitics, applied to the era of globalization. Consequently the study is most relevant in the context of larger strategic entities, such as nations and multinational enterprises, which constantly face global competitive issues. Geoeconomics is an alternative multidisciplinary direction for the study of economics.

The difference between the disciplines of geopolitics and geoeconomics

The discipline of geoeconomics is different from that of geopolitics in two fundamental ways. First, with respect to *topic*, it is not primarily concerned with political and military activities, but with economic activities. Secondly, with respect to *actors*, the activities are not undertaken chiefly by individuals representing the nation state, but by employees of private-sector organizations, whose loyalties are first and foremost to the owners of those organizations. Geoeconomics, like geopolitics, is studied first of all with the interests of the nation state in mind, or from the macro perspective. This makes it more complex than the study of geopolitics, where the State itself is the primary actor.

2 The term normative is used through this book in the sens normative science, that is "normative science is a type of information that is developed, presented, or interpreted based on an assumed, usually unstated, preference for a particular policy or class of policies" (from Wikipedia).

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The link to the study of strategy and intelligence studies[3]

Both geopolitics and geoeconomics are closely linked to the study of strategy, where we try to define an optimal plan for our organizational or institutional objectives. As in the study of strategy, there is a realization that good decisions depend on intelligence, or valuable information. For the modern enterprise it is not enough simply to conduct market research, traditionally carried out by a market research department or, frequently, out sourced. It must become an intelligence organization in its own right, gathering information systematically not only about markets and customers, but about the other micro factors: competitors, ' suppliers, and about the industry in general. And as if that were not enough, it must also gather information about the macro environment: about economic, legal, political, infrastructure, ecological, technical, cultural, and social factors. The reason for this is that international businesses and markets have become more interdependent. What happens to one company in one part of the world today can have an immediate effect on another company in another part of the world. The world's stock exchanges are a good example. With globalization come shorter business cycles and greater competition, dependence, and vulnerability. The transition from being a major international company to failure can often be quite brief. The only way for companies consistently to react quickly enough in this environment is to develop an intelligence capability. This is one of the major lessons of what is called the information age, which, we should bear in mind, has existed only for one generation – in other words it has only just started. In future, companies are going to rely on ever more advanced business intelligence systems.

Business intelligence

The importance of a good intelligence system has become increasingly apparent during the past few decades, basically for two reasons: the abundance of information now available due to new technologies (primarily the internet), and, as a consequence, the need to be able to distinguish between "need to know" and "nice to know". To cope with the information overload and the need for help in analysing it, companies are developing a growing range of new software under the heading of *business intelligence*. We find business intelligence solutions fast becoming the nerve centres of larger organizations whose very existence depends on their ability to change and adapt rapidly. Nation states which want to attract multinational enterprises and remain competitive in the future need to understand this new situation and develop their own systems for "economic intelligence", which is the State's perspective and policies on these issues.

How new technology leads to increased transparency

Other forms of technology used to disseminate information include a wide range of Web 2.0 technologies, which nowadays allow users freely to interact and collaborate with one another: pods, blogs, RSS feeds, social bookmarks, and social networks.

The very existence of all this information technology has far-reaching consequences. From another point of view, it has encouraged demands for more freedom among suppressed peoples all over the world, as witness a series of Arab revolutions in 2011. That is one development tending to make military solutions less attractive to nation states which seek to become more powerful, and this increases the relevance of geoeconomic considerations relative to those of geopolitics. We see this clearly when we look at how China is winning friends on the continent of Africa.

3 The English word "intelligence" is ambiguous between two very different senses, namely information-gathering (as in military intelligence), versus cleverness. Although the second sense is more common in everyday language, in this book the word occurs frequently and always in the former sense.

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Geoeconomics, and indeed the study of economics in general, matter less to smaller private-sector organizations whose individual activities do not possess national strategic significance. However, taken as a group, these companies have great geoeconomic importance to society. And larger private-sector organizations are even actively engaged in geoeconomic thinking; the larger they are, the more aware they become of the contribution they make to the economic strength of the society of which they are a part, whether at the level of the nation, the region, or their local community. Larger companies, or multinational enterprises (whose annual income often surpasses the GDP of many individual countries) use their position in order to negotiate with the State to obtain special favours, whether with respect to infrastructure investments, labour laws, tax laws, or the like. In consequence, they come close to achieving the same economic and political significance as many national organizations.

How the logic of geopolitics and geoeconomics moves in cycles

The logic of geoeconomics is a process which the nation state does not control in the Western world, since it is moved forward chiefly by private-sector economic initiatives on an international scale. In other parts of the world the State is more actively in charge of economic activities. Thus in China it is the Chinese government itself which is in the driving seat when Chinese companies move into new countries, i.e. in Africa. The United States on the other hand is close to what we should call a corporate state; but both China and the USA are run according to a geoeconomic logic, that is, the political and economic leadership in both countries are aware that a national competitive advantage can be achieved only through a wide range of freedoms conferred on private-sector actors. The amount of State control and intervention differs from country to country, but there is an understanding in all nation states that the State's representatives have a responsibility to govern in such a way that the nation remains competitive. Competitiveness might in future be replaced as an aim by sustainability, as populations come to realize or (most likely) are forced to realize that material growth is limited, and must be so for the planet to remain habitable; but that has not yet happened.

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For nation states, geopolitics was a much easier paradigm to manage. While geopolitics was in the ascendant, primarily in the nineteenth and twentieth centuries, competitive advantage was achieved largely through the State's own decisions and initiatives, chiefly and ultimately through waging war. At the turn of the 21st century, nation states are coming to realize that war is no longer a viable option for remaining in control. The best illustration of this is the wars conducted by the United States since the Second World War. These wars have mostly been failures, not just from a humanitarian perspective but economically too. Seeing this, the competitive nations of tomorrow are shifting their resources towards science, education, production, and trade (SEPT) – what we shall refer to as the "golden process" in geoeconomics. The logic is pretty straightforward: first you make scientific advances, then you teach those advances to others and incorporate the new knowledge into new products, which you go on to sell, preferably also abroad. With the newly-gained profits you reinvest in science. And so the process continues. Some countries get resources transferred back into science by encouraging private organizations to make donations to universities, in the way that is common in the USA. Others, including a majority of European and many Asian countries, use taxation to finance these investments. The reason why the US model works better in this respect (eighteen of the world's twenty leading research universities are American and private) is not because it is independent of the State, but because it is based on a meritocratic system. We shall discuss this issue further under the rubric "new class theory".

The history of geopolitics is closely connected with that of the nation state. The nation state rose with the age of Enlightenment and with industrialization. Before that, for instance during the Renaissance, our societies functioned more according to a geoeconomic logic. Local princelings and city-states ran their affairs much like companies today. This was true at an early period for Venice, but later also for Amsterdam and other cities. Traders were organized in guilds and put under strict meritocratic supervision. A society was in principle a harmonious organism governed by a concern for economic growth, at least until it was attacked by another State. The trick was to build a strong army, but never to use it unless you could be sure of victory. That strategy worked less well when the nation state became stronger, as illustrated particularly by the twentieth century with its two world wars. Now in the 21st century, with even more lethal weapons in existence, the disastrous consequences of war between powerful nations have become yet more obvious. This may prevent superpowers in the future from engaging in large-scale wars with one another. Unfortunately it seems they will have more than enough to do in terms of deterring and intervening in military conflicts within smaller nations, if only because television now makes human suffering more transparent and hence creates immediate public concern. As television shifts to the internet and 4G internet technologies spread, political pressures to intervene are likely to increase.

Both geoeconomics and geopolitics study power derived from the management of natural resources. Thus the end result for nation states is much the same in either case. Through the logic of these disciplines, nations become stronger or weaker economically and politically as a result of how these resources are managed. In the English-language literature we call this "the competitive advantage of nations". This was the very start of the study of economics, as propounded by Adam Smith in his 1776 book *The Wealth of Nations*. All nations are concerned with their competitive advantage. At the same time, no one nation or culture has managed to stay ahead consistently in this race. Instead we repeatedly see one nation taking over from another as leader of the competitive pack. The length of time for which given nations or cultures have been able to retain the lead has varied significantly, from more than a thousand years in some cases in the past (Egypt, China) to less than a hundred years in others (Portugal, the Netherlands, now perhaps even the USA). The tendency is for it to become ever more difficult to retain the leading position, thanks to a combination of more intense competition and greater individual freedom. How can we understand what makes some countries more competitive than others? That is the fundamental question which we are concerned with in this book, and which forms the starting point for the

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study of geoeconomics. Consequently we shall seek the answer in an approach which diverges from the assumptions of "classical" and "neoclassical" economics. This means that we shall find ourselves questioning the value of the discipline of economics as currently practised.

From classical economics to geoeconomics

In this section we shall show how the study of geoeconomics builds on a dynamic approach to the social sciences which can be traced back to the theory of evolution. Neoclassical economics is a static approach to the social sciences modelled on the study of physics, with the use of algebra and theories of equilibrium. That is an attempt to construct a purely scientific study of Man, avoiding values and moral issues as explanatory reasons for any outcome.

The approach taken by geoeconomics differs from that of classical economics. It bases itself on multi disciplinarity, global strategic thinking, and the tradition of critical theory. Unlike neoclassical thinking it is based not on the study of physics, but on biology.

There were many questions which inspired me to write this book. For instance: is there a correlation between classical economic theory (as standardly taught in business schools) and economic growth? If so, how is it that countries like Japan, Germany, and today China can enjoy superior economic growth without being home to any of the better-known business schools? If economic theory and economic science have been a great success over the past half-century, how is it that we continue to experience global financial crisis without, it seems, being able to draw important lessons from economics? More specifically, why it is that the country with most experts in this field, the United States, has had such large and fundamental economic problems over such a long period without being able to solve them? How is it that many of the banks which recruited graduates from what are generally acknowledged as the world's best business schools went bankrupt? Conversely, why is it that a country like China, with few well-known business schools, is doing so well economically? There seem to be a reverse correlation here. If so, what is the value of the study of neoclassical economics?

As a PhD student, especially after reading Joseph Schumpeter's last book, *history of Economic Analysis*,[4] I became convinced that the social sciences had parted company prematurely from evolutionary theory. Further more it seemed to me that the separation of the study of politics from that of economics in the late nineteenth century had done much to sunder both disciplines from the very reality they were trying to understand. I am surrounded by colleagues who in most cases have never set foot within any private-sector company, and yet count as experts on tiny facets of management, claiming that their contributions are significant for understanding and improving the performance of all sorts of industries and businesses in all kinds of cultures, including places which they have not even seen. Just where does this conviction come from that it is possible to arrive at new knowledge without practical business experience, and without consideration of the larger complexity of social life as a whole?[5]

4 Schumpeter (1954). The manuscript of this book was unfinished at Schumpeter's death, and the book was published posthumously, edited by his wife Elisabeth Boody Schumpeter. Others have continued where Schumpeter left off; these include R.R. Nelson and S.G. Winter (see Nelson and Winter 1982), G.M. Hodgson (see Hodgson et al. 1994), and U. Witt (Witt 2003), but also the "neo-Schumpeterian" school, for an overview of which see Hanusch et al. (2007).

5 Leo Frobenius (1933: 19) speaks of Tatsachenkunde (factual study) as Oberflächen wissen (surface knowledge), as opposed to Tiefenschau (deep insight).

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A short answer suggested here is that it is based on a misconception, namely that the laws of social life can be studied from behind a desk by uncovering narrowly-defined correlations in much the same way as progress is made in the natural sciences. But the problem is more complex than that. As both political science and economics have been required to operate value-neutrally – for instance by eliminating the dimension of power, so salient in the study of geopolitics –each of these disciplines has become less relevant. The discipline of economics has abandoned the notion of power and lost its feeling for Adam Smith's concept of competitive advantage of nations.

But it has not always been that way. During the latter half of the nineteenth century it looked as though economics was destined to be based on biology and evolutionary theory. This was before the Nazis rose to power in Germany and unleashed their hatred on the world. After the Second World War, that approach had no chance of survival. Victors and victims wanted a new social science, even though some of the most important evolutionary economists at the time, such as Thorstein Veblen, were Americans. We abandoned not only evolutionary theory, but also the historical method. If it was a reliable method (the thinking went), how could all this have happened? If we cannot learn from history, then history should not play such an important role in the future study of economics. These reactions were understandable, but they were irrational and immature.

When economics developed as an independent discipline it defined itself as the study of scarce resources – not seen from a collective perspective, but from the narrower perspective of the individual, in accordance with individualist philosophy as developed in the latter part of the twentieth century. The assumption was again wrong when taken to the extreme: that what is best for the individual is best for society too. For some, this assumption had the added virtue of conforming with the value system inherited from the Reformation, under which Christianity centred on the relationship between the individual and God. The assumption was that free, individual choice would lead to a competitive advantage for all organizations, even nations. When we observe the rise of China today, especially in the light of the current economic crisis, it seems clear that this assumption must be questioned. The competitive advantage of the Western world is no longer self-evident. Instead we must reinterpret how we compete with other nations.

The irrelevance of much current social science research has been exacerbated by the degree of specialization found nowadays in empirical papers in the scholarly journals. What we call "theory" in the study of economics today is all too often a long listing of empirical studies which only seldom apply directly to the problem at hand, and from which we tend to draw unduly broad conclusions. And when we avoid doing that, when we express ourselves more cautiously, we seem to say hardly anything of value at all – as you will often find if you watch economic experts interviewed on television. Their comments seem to consist mainly of jargon, common-sense truisms, and rhetorical tricks, largely aimed at reassuring shareholders and stakeholders. This has become a dilemma for development of a critical approach to economics and management, which by many critics are seen primarily as a kind of sophism. The rhetoric defends a system, a way of life, our existing institutions. A good example has been the reassuring discourses offered by European leaders about the current economic situation in Europe. Faced with this problem, the tradition of critical theory has taken on new relevance as the only established approach for criticizing modern social-science theory.

The problem with much existing criticism of neoclassical economics is that it stops too soon. It has been normal enough for a long while now to accept the less controversial kinds of criticism levelled in recent decades against standard economic theory, such as protests against the assumptions of rational choice theory; many people agree with those who say that

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collective decisions are often made with only weak elements of rationality. Much of this has become common sense, but it does not get us to the real paradigm shift that is needed in the discipline of economics.

The link to evolutionary theory

The association with evolutionary theory is more productive. The rationale is as follows: all living organisms are studied with the help of biology and evolutionary theory. Why should human life be different? We expect it to be more complicated, since humans can reflect on their own actions, but not fundamentally different. Evolutionary theory and the notion of change (progress, development, cycles) give the discipline of economics stronger predictive power than it has by using equilibrium theories. This should lead us to distrust the use of algebra for solving economic problems. Even logic and history are far better building blocks for the social sciences than most of mathematics, which should be seen primarily as just a more efficient language. For instance, if economists had remembered the history of what happened among the leaders of the Western world's central banks at the beginning of the twentieth century, rather than spending their time developing mathematical formulae like "Value at Risk" and the Black–Scholes formula for option pricing, then perhaps the collapse of the banking system might have been avoided. In that case, perhaps someone would have drawn a parallel with earlier financial crises and asked the right questions. But we had already abandoned the historical method, and with it we abandoned appreciation of economic history. It might seem odd to take a step back and advocate more history, but the question is whether there is more to be gained by leaving it behind. Consider the discipline of marketing as an example. Despite scientific paper numbering hundreds of thousands, there are very few self-critical historical articles in this field, and few observers even seem to find that strange. Likewise I argue too for a return to syllogisms, despite the fact that the tradition of formal logic is unfashionable, to say the least. Clear thinking requires no less.

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From one point of view we are all part of the same competitive system: individuals, organizations, and nation states. These entities are only different aspects of the same biological mechanism whereby Nature defines who is fit to survive and reproduce. Of course in a modern welfare state the implications are never as drastic as that, because we can choose to live a different life and rescue those who stumble (even though that just means that we are transferring responsibilities between citizens). The fundamental mechanism is the same, always present, always reminding us of what is required in order to survive and prosper. From the individual's point of view this struggle takes the form of competition, expressed in modern times primarily in the form of economic competition. In other words, we learn to compete today mainly through some form of economic performance (whether we work in the private or the public sector), rather than by fighting. Ultimately it is the sum of the activities of all individuals in a society that determines the competitiveness of a nation. In just the same way, and much as we may dislike it, it follows that in every nation there are those who contribute to the competitiveness of the State and those who live off it. It also follows that there are nations which systematically perform better than others. This we know from measures such as GDP, unemployment rates, fiscal deficits, borrowing levels, credit ratings, etc. In the short run, measured in years and sometimes decades, we see this from the rise and fall of firms. In the long run, measured in generations and centuries, we see it from the rise and fall of great nations and empires.

The cultural dimension

Success in international business is largely a matter of understanding and managing cultural differences. Neoclassical economics makes another wrong assumption here, with respect to what scientists call *validity*. It frequently assumes that an experiment done in one culture can be replicated with the same result in another culture. That is very often not so; in many cases the result will not even be valid outside one particular social group. Culture matters, not just for the competitive advantage of nations, but for the performance of all organizations.[6] Cultural differences are the number one reason why companies fail overseas (see e.g. Ricks 2006).The reasons we continue to make mistakes seem to be because our existing theories about cultures and "otherness" are misleading, and because we are forced to think within the bounds of what is politically correct. One example is our need to analyse situations according to the "us and them" dichotomy. Since we are separate individuals, there must by definition be an "us" and a "them". A number of academics object to this as a cause of aggression, even of nationalism and racism, as if we could choose to eliminate this perspective, to stand outside our human condition and at the same time act within it. Instead, theory is presented as an alternative reality.

Culture should rather be seen in the light of critical theory, as a continuous and inescapable struggle between values, if not necessarily taking the form of open conflict. It is true that we are moving towards a multicultural society, but the keys to understanding social behaviour are still very much rooted in the understanding of cultural differences, and that will not change for generations to come. Struggle, however, does not necessarily imply physical violence, and need not lead to wars. Conflict of interests is a part of human nature, and can be addressed through tolerance, dialogue, and negotiations. If we were to think in those terms then perhaps we could become somewhat happier too, less disillusioned by divergences from theoretical ideals. Unfortunately it seems that political ideology is a troublesome trait of the Western mind.

The link to *real political* thought

The larger objective of this book is to show what the tradition of geopolitics has to offer decision-makers, but also to suggest to the reader how to try to understand the complexity of social facts without being seduced into adopting sensationalist answers to world events – a danger which is always inherent in the study of geopolitics, and of which that discipline will never entirely be able to rid itself.

6 Fahey (1999: 444) describes culture as the heartbeat and lifeblood of an organization.

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The kind of thinking associated with the German term *Realpolitik* may serve as a useful tool for understanding the actions of other organizations and nations, though applied to one's own society it is a recipe for catastrophe.[7] To be human means to show empathy and to act in the interest of others. But to survive means to compete. Both ideals are necessary for a society to prosper. Furthermore, good, altruistic actions often create sympathy, which in turn can lead to economic prosperity. This is a lesson ignored by most of my fellow MBAs, doubtless because it was never explained properly.

For as long as they have existed, multinational enterprises and nation states have constructed models of their own positions in order to know what to do next. Whether we see these models as subjective pictures or as facts is very much a question of our own interests and perspective. Our own real reasons for acting are often hidden from others but also to some degree from ourselves, which we in the social sciences understand as a kind of failure of rationality. Social actions quickly become unduly complex, and there is always an element of randomness in our behaviour. In an organization there will often be only a few people who understand the true and complete motives underlying a decision (not that such understanding in itself is any guarantee that what individuals want to happen actually happens. There is always a great difference between knowing and acting). Contrary to what we frequently want to believe, major decisions are often the initiative of a few people. This is true even for very large democratic institutions like the European Union (cf. Möller 2008). Very often there are unforeseen actions by uninvited or unanticipated actors. In other words, chance tends to play a part in what actually happens. Moreover, the way we work in organizations is very much based on national and cultural values. Mix all this with the role of opinion, and you start to see some of the complexity of organizational behaviour and real-world decision making. What we gain for the purposes of model-building by simplifying this reality, we lose for the purposes of understanding. So, because social life is so complex, the discipline of economics leads us to miss too many potential insights.

As analysts we cannot disregard opinions just because they are politically incorrect, normative, or subjective. What matters is whether or not these opinions are actually being used for making decisions, by ourselves and by others. As decision-makers it is not our first concern to question the other party's motives. Rather, it is natural that they will often be different from and contrary to our own. We do right to assume that they are mostly selfish. Mankind talks a great deal about morality, but men are first moved to alter their actions by colliding with the boundaries defined by our laws (in the case of multinational enterprises) and by the limitations and potentials which are defined by the sum of our resources (in the case of nation states).[8] Morality is often an argument deployed in order to defend one's own rights and interests. These assumptions yield what we in the West think of as the *realpolitical* perspective, evaluations of interest by organizations based on self-interest. This real political perspective is the same for both geopolitics and geoeconomics. This does not have to be seen as pessimism, but can be understood as realism. It has also been called pragmatism.[9]It is largely a question of what to expect. As Sir Humphrey Appleby reminds us in the television series *Yes, Minister*, "A cynic is what an idealist calls a realist".

7 The term *Realpolitik* refers to politics based on realities and material needs rather than on morals or ideals. In German, the adjective from *Realpolitik* is *realpolitisch*; but this form would look queer in an English text and there is no tradition of using it in English. We shall use the form *realpolitical*, italicized as a reminder that it refers to the German concept.

8 This was the point of view of the Legalist school in ancient China, whose leading advocate was Han Fei Zi.

9 Some argue that the perspective of Realpolitik is distinct from that of Realism. It could also be argued that this distinction is an attempt to avoid the associations of the term Realpolitik with Germany in the Second World War. If so, the argument is itself political.

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The realist way of thinking is not typically European, even though we frequently like to imagine that it is so, citing Machiavelli or Hobbes. In China it goes back at least to the statesman Guan Zhong (d. 645 BC) who served Duke Huan of Qi (ruled 686–643 BC). In India it goes back to Kautilya and his book *Arthashastra*, about 300 BC. Among the better-known realist thinkers we find Sun Zi, whose dates are disputed (some say he lived in the third century, others as early as the fifth century BC). Later philosophers such as Han Fei Zi (ca 280–233 BC) represent a whole group of similar Chinese thinkers called the Realist or Legalist School (*fa jia*). This is the same tradition that we see develop independently and at a much later date with Machiavelli and the study of geopolitics.

The study of geopolitics probably includes the most interesting collection of *real political* contributions we have today. Unfortunately some of this "us and them material" is secret or restricted, as when it is contained in the archives of the many intelligence organizations around the world. Much is expressed orally as private opinions of individuals and decision-makers, or occurs as notes in the confidential files (competitive and competitor analysis) of private-sector corporations. In multinational enterprises *real political* information exists mostly as oral tradition. This is because its content is often considered politically incorrect. Written information that could damage any particular individual, company, or country is as a rule kept secret or hidden, at least for as long as it affects employees still alive. At the same time the different issues, national positions, and opinions that are kept hidden from us are often understood by the parties involved, if only because we learn to read between the lines. We already know what the other party thinks of us and our position, we can feel it and we see in their actions and behaviour what is otherwise hidden from us. When studying intelligence we are reminded that it is the examples that are covert or secret, not the methods. This is the very rationale and precondition for the existence of a discipline of intelligence. There are no secret or covert intelligence methods or analyses, only differences in information sets, competence, and training, and of course in intelligence budgets, which again determine the quantity of analysis carried out and the technical intelligence capabilities of each country or multinational enterprise.

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The perspective of this book

This book could have been written from the perspective of existing economic theories, or from the perspective of political science, but since my criticism of both disciplines is radical it was natural for me to set out from the issue of scientific method and the notion of the competitive advantage of nations: that is, very much from the foundations of the discipline of economics or political economy. We could say that the issue of competitive advantage is one of how to handle need-to-know information or intelligence. Information has always been at the heart of this issue. It is like the approach of Marco Polo more than seven hundred years ago. At that time, getting ahead was very much a question of gathering and acting on good intelligence, with observation and experience given priority over theories. When Marco Polo, his father, and his uncle entered a new city, they approached the question of competitive advantage in a systematic fashion which might surprise us today. Through a question-and-answer process and with the use of basic abilities of syllogism, they would rapidly identify what value was being produced in each village and city on their journeys. This is a tradition and an approach to the study of social life or behaviour which appeals to Asians today, as we jointly undertake the quest for a new common foundation for the study of Man. Any social-science paradigm for the 21st century which hopes to be accepted globally cannot ignore the Asian perspective. That implies that it will be necessary to reintroduce some of that social complexity back into the study of Man, to study the subject from a broader and more practical perspective.

Unlike in economics, most papers and books in the intelligence-studies field present findings of research on how to conduct analysis from a practical and instrumental perspective: a methodological project which could be said to have started with men like R.V. Jones in Britain in 1939,[10] Sherman Kent in the USA, and Stevan Dedijer in Sweden. This field deals with intelligence from an ideal point of view, assuming that valid and reliable information is available. As in standard academic research projects, it is largely a question of doing the necessary empirical work, finding the appropriate methods and analyses, and then using them to describe and explain. But (as the authors cited knew) the reality of intelligence-studies methodology is more complex than that. For instance, certain dimensions are systematically avoided. The most obvious example is neglect of the geopolitics tradition, but another is neglect of the value of speculation as a way of forming hypotheses, as has been practised in the study of futurology. There are methodological problems with the instrumental approach, as when it typically assumes that one can draw a clear distinction between what is intelligence and what is not. In reality, particularly when it comes to an organization's macro environment, this distinction is often far from clear. Instead, analysts have to do a lot of guessing, which leads to a strange process of illusions and counter-illusions, where one is often no longer sure what is true and what false. Not only can we not discard what may be false, but we may end up having to use it, not knowing whether it is valid, for lack of anything better. That gives us an answer which we know might be false, but which will probably be less false than any alternative guesses. This is the domain of *normative intelligence analysis*. Such problems may seem very distant from those studied in economics, but that is not in fact so. The methodology is common to all the social sciences.

These issues have traditionally been relevant chiefly for State intelligence organizations, but they are increasingly becoming a problem also for multinational enterprises, as their respective ways of gathering information about the world around them are becoming more alike. Multinational enterprises are also finding that their influence and impact on the affairs of the world continues to increase. This means that they, like nation states, have become increasingly concerned about macro factors of the environment. Above all, they have become more concerned about the correlation that exists between information gathering and competitive advantage.

10 See e.g. Clark (1975). Robert Clark himself has been heavily involved in continuing this style of research: e.g. Clark (2004).

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Multinational enterprises do not necessarily imply private ownership, only a market logic for running the organization. In many parts of the world, such as China, multinational enterprises are often run by the State, either overtly, or *de facto* via a hidden structure of ownership. That the State can be an effective owner of businesses is a puzzling idea to many Westerners who are used to the dichotomy of the Cold War, where "State-run" is the same as "ineffective" and "Communist". It is worth remembering, too, that China has not always been a good model for economic development. During the first ten years under Mao the country did reasonably well, but after 1958 it practically collapsed. History shows that people will not work for nothing for very long if they are given a say in the matter. Socialist ideals have not often survived into the next generation. Political ideals are seldom inherited. That was the fate of Eastern Europe and Russia, but also of China.[11] The "Great Leap Forward" and the Cultural Revolution did nothing to change this. Only with the reforms of Deng Xiaoping did the emphasis slowly shift again away from political ideology towards economic output.

A book is not complete without plenty of examples. The examples offered in this book, in the form of political and economic maxims, are gathered and selected from notes on my reading over the past two decades, some of which originally derived from lectures in geopolitics that I followed in France in the early 1990s. Fortunately they have retained much of their relevance. Each year I update some figures, data, and statistics where necessary. A major reason why there have been few changes overall is that we live in the same post-Cold War era. Thus the major issues, or *enjeux* as the French like to say, are much the same now as they were then.

Better-known authors of maxims like Kautilya, Sun Zi, Han Fei Zi, and Machiavelli all wrote with a particular prince in mind. The views presented here are not intended for any particular "prince" or Head of State, but apply to anyone occupied with the question of how to seek competitive advantage. As we shall see, building a competitive society is less about choosing a political ideology than about building virtues, about preserving a certain competitive *Geist* or spirit within a culture. The perspective taken here will necessarily be a Northern European or at least Western one, since I do not believe it is possible to step out of one's own shoes. That view is also consistent with the methodology underlying the ideas expressed. Thus the examples do not claim to be objective, only useful. They are the ideas of an "us" rooted in cultural relativism. This is also the realization that geoeconomics and geopolitics focus on being truly relevant. To teach only the methodology of the discipline without giving examples would have made for less interesting reading. Consequently much of the book consists of a collection of geoeconomic maxims.

This then is a book *within* geoeconomics, through the examples it uses, but it is first of all a book *about* geoeconomics, as a discipline. The focus is methodological, but it also describes the transition from geopolitics to geoeconomics. This means that it is both a descriptive book about normative methods of intelligence and a normative book, presenting a selection of normative examples.[12]

11 East Germany as a socialist republic made excellent cars during the first generation following the Second World War, and the Soviets were leaders in space technology.

12 The normative problem in intelligence studies is an old and familiar one. See e.g. Betts (2007: 20): "It is more accurate to say that we lack a normative theory of intelligence or a theory of how to make it succeed". Thus geoeconomics can be understood as a normative discipline within a discipline.

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The study of geopolitics is very much alive in all walks of life, whether private or public (business, State, police/military, even regional and local government), and it is a popular topic among managers in larger corporations, under headings such as "strategic intelligence". At the same time, what amounts to geopolitics can appear in different guises, since decision-makers are highly individualistic and prefer diverse forms of intelligence even from a methodological point of view. Some are more inclined to geopolitical and geoeconomic thinking than others, and many are sceptical about both, preferring the more instrumental approach of *competitive intelligence*, or simply the study of history or biographies. The methodological problem is too often presented as an either/or question, as a question of choosing sides or adhering to a specific school. What has been missing is an attempt to show how these two approaches to the social sciences are distinct, how they can co-exist, and how they can be integrated theoretically with the larger area of intelligence studies.

Can the study of economics dispense with the logic of geoeconomics? In this book I argue that it cannot. Without geoeconomics, economics as a study becomes less relevant at the macro level. This book is written for the author's colleagues, students, and intelligence professionals in the private and public sectors. If it should find readers among a broader circle of professions, the author would feel most honoured.

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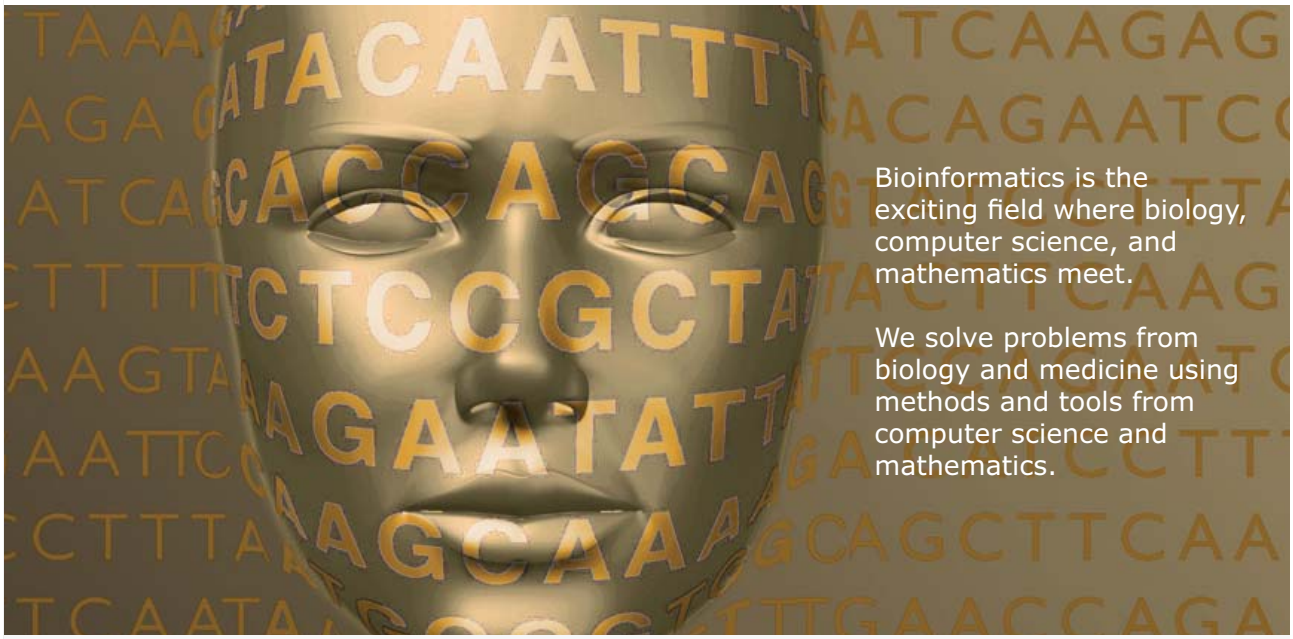

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2 The legacy of the discipline of geopolitics

The disciplines of geoeconomic and geopolitics are closely intertwined. The discipline of geopolitics has a burden full past and can only progress through self-critique: that is through criticism of the discipline itself. For instance, it must be made clear what in geopolitics is objective and what is normative. So far this criticism has come mostly from outside, from its opponents, whether they represent critical geopolitics, political geography, or mainstream political science.

The predictive power of the method, that of geography + history + power/interests + resources, is very great, probably as great as any imaginable for a methodology in the social science or the humanities. Unfortunately the "geo-" part, that is the maps, serve in much of the existing literature merely as a means of illustrating ideas, not of drawing conclusions.[13]How much history we decide to bring into the analysis, and what imperatives we infer from our conclusions, are always open questions. Then there is the whole issue of the history of the subject.

The term *geopolitik* was coined by the Swedish political scientist Rudolf Kjellén (1864–1922),[14] who was much influenced by the German political geographer Friedrich Ratzel (1844–1904).[15] Ratzel was appointed to the chair of geography at the University of Leipzig in 1886.[16] As we would expect, his own ideas did not appear out of thin air either, but were influenced by others, such as the Prussian geographer Carl Ritter (1779–1859), Alexander von Humboldt (the founder of modern geography), and the German historian Leopold von Ranke (1795–1886), one of the founders of the objective study of history (Henning 1931: 2). The initial scope of geopolitics included issues about the size, position, borders, natural resources, infrastructure, business structure, and population of countries (Maull 1936: 33). This is still very much the methodological core of geopolitics and geoeconomics today.

Kjellén, who was a well-known political scientist, was also an evolutionist: which for him meant that he saw the State as a living organism. That means that he looked for a broader biological explanation when trying to understand human behaviour. More precisely, he would complain about the narrow perspective chosen for the study of political science, claiming that it was frequently overlooking economic elements and problems related e.g. to international law.[17]Unfortunately for his legacy, in Germany the Nazis took a particular interest in his ideas, especially the notion of *Volk* as a racial conception of the state. At the time, this was not an extreme idea among conservative thinkers in the Western world, including Britain and the USA. It was difficult, then, to foresee its consequences.

13 See e.g. Victor et al. (2006). This book illustrates concepts from political science and history, but that does not make it a geopolitics book in the original sense of the term.

14 See e.g. Kjellén (1914).

15 Kjellén called Ratzel "the greatest opener-up and cultivater of the broad and to some extent still virgin soil of geopolitics" (Maull 1936: 21)

16 He gained much of his experience of the world through travelling internationally as a journalist.

17 See Tunander (2001: 456). In this article Tunander compares what he sees as a Swedish–German geopolitical tradition, built on the idea that "ethnicity, cultural identity and political ideas" are constantly changing, with an Anglo-Saxon geopolitics in which the state and identities of things are more fixed (op. cit.: 459).

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The biological track was developed further in the writings of Oswald Spengler (1880–1936), a man who was later seen as more a political philosopher than a historian. From a social scientist's perspective, the weakness in Spengler's work is his determinism, the assurance with which he promulgates future scenarios without maintaining a proper distance from the methodological problems that confront him. In other words he did not distinguish clearly enough between his method and his examples. If it was not for the fact that the Nazis banned him for his critique of their ideas of ethnic purity and the general vulgarity of their movement, he would have shared the fate of so many other German intellectuals who showed an interest in the evolutionary approach to human behaviour. He would probably have been demonized today, and would consequently be impossible to use as a reference. Another theorist who wrote extensively on political power, Carl Schmitt (1888–1985), was less fortunate. Because he took a stand with the Nazis and in favour of anti-Semitism, even his most excellent works, for instance *Die Diktatur* (1921) (on democracy versus dictatorship), or Nomos *der Erde* (1950) (where he lays out the relationship between territory and juridical legitimacy), have not been sufficient to resurrect his reputation as a worthwhile social theorist in the eyes of the academic establishment to this day. The American journal *Telos* has made valuable contributions towards his rehabilitation, and deserves credit accordingly.[18] Telos Press has also translated and published some of Schmitt's leading works.

Although Kjellén is credited with coining the term *geopolitik*, it was Karl Haushofer (1869–1946) who developed the scientific method for the study of geopolitics into something that one could call a rigorous science. Coming from a Bavarian aristocratic and conservative background, he served as an officer and as a military attaché in Tokyo. Following the First World War and the Versailles Treaty, he retired from the armed forces and devoted his time to geopolitical writing. After the Second World War, geopolitics and geopoliticians took much of the blame for German atrocities, and the discipline was outlawed.

Since the Second World War, a new academic phenomenon has arisen: scholars have appeared whose entire careers are founded on criticism of the study of geopolitics. This criticism became a subject in its own right, called *critical geopolitics*, the sole purpose of which is to deconstruct. It started with men like Ó Thuathail (e.g. 1996). Yves Lacoste said that the primary use of geopolitics was to wage war.[19]When some geopoliticians objected to this critique, beginning in the 1990s as the world of politics came out of the refrigerator, and continuing e.g. with Kaplan's "revenge of geography" (Kaplan 2009), these reactions were quickly labelled *neoclassical geopolitics* by those who disagreed with them (e.g. Megoran 2010). However, time tends to correct whatever fails to establish its worth. Consequently, today it is the study of geopolitics rather than the "counter-disciplines" which is set to prosper, in the world of policy making and political action at least, even though the counter-disciplines retain a dominant position within academia, in the world of theory.[20]

With the shift to geoeconomics the focus has turned away from military ideas towards economic phenomena. The purpose of the new study is to show how to gain and maintain a national competitive advantage by economic means. Warfare, after all, is no more than the ultimate means of achieving that same goal. If one chooses war, one had better be sure it will actually lead to an improved economic position. Military adventures, such as we have seen the US leading since the Second World

18 My friend and colleague Joseph W. Bendersky has been largely responsible for this.

19 The famous words from 1976 were "la géographie, ça sert d'abord à faire la guerre". Lacoste is professor of géopolitique at the University of Paris VIII.

20 The journal Political Geography has among the highest impact factors (namely rank 6) of any political science journal in the Web of Knowledge. The journal Geopolitics ranks much lower (at 28).

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War, have profited only the armed forces and the arms industry. They have impoverished that nation and disillusioned its citizens. Those who lost their lives in the field have come mainly from the disadvantaged classes in society, not from the broad middle class. In retrospect it is easy to see how the US military were tempted to start borrowing money to pay for these adventures. It was the only alternative left. The military establishment and the arms industry in the USA have worked in symbiosis ever since, putting forward their own politicians, with no real concern for the future of that country. The same logic has been visible in other Western countries too, but in Latin America, Africa, and Asia it has been associated only with military dictatorships. It has been suggested that geoeconomics unlike geopolitics has a stronger focus on social development, as it is more related to economic growth and the phenomenon of globalization (see e.g. Cowen and Smith, 2009).

There are good reasons to question the critique of geopolitics. Houweling and Amineh (2003: 316) see "critical geopolitics" as a reaction to the "failing study of International Relations starting with the wrong predictions about the end of the Cold War". Others see critical geopolitics as a left-wing reaction to what is perceived as a conservative, right-wing body of research, or as part of the general "deconstructionist" project of post modernism. Inflammatory statements by outspoken champions of geopolitics, men such as Henry Kissinger (see Kissinger 1994), General Pinochet,[21] Zbigniew Brzezinski (see Brzezinski 1997), Vladimir Zhirinovsky (1997), and Alexander Dugin have not raised the status of the subject within academia, indeed quite the reverse. The geopolitical form of discourse often provokes outright revolt. It fosters ideas based on self-interest; it says what it thinks; its substance takes no account of political correctness, which the literature on political science and international relations trains us to take for granted. Consequently this discourse offers the ivory tower of academe a range of easy targets.

21 Pinochet was professor of geopolitics at the Chilean War Academy before he became a dictator. He also wrote a textbook on the subject (Pinochet 1968).

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Other critics of geopolitics, for instance R. Muir (1997), M. I. Glassner (1996), J. Painter (1995), J. R. Short (1993), and J. P. Taylor (1993), have tried to create a less normative form of the subject with more emphasis on geography, called *political geography*. However, neither critical geopolitics nor political geography has attracted much interest among practising politicians and decision-makers, primarily because their ideas do not have sufficient significance for the world of policy-making. The discipline of geopolitics on the other hand continues to be appreciated by men of power, whether corporate or political leaders. In the end it is all about relevance. Top government decision-makers pay little attention to most reports they receive. From a glance at the summary they can often guess the rest. Much is common sense or well-worn rhetoric, better suited for explaining policies to the public than as a basis for making courageous decisions in the interests of the nation. What decision-makers really want is good syntheses and strategies. They seek a broader understanding of the situation they are in to serve as a general guide. They also need very specific reports, about the people they are meeting, their perceptions and expectations. These reports need to be "unvarnished responses" to specific questions, not highly-polished essays on general topics. (Cf. Blackwell et al. 2008: 156.)

Decision-makers, whether in the private or the public sector, commonly work with two types of document, serving two different purposes. On one hand they need to know what is really going on, what strategies are open to them. This is covered in the form of intelligence briefings and strategic summaries, for the most part kept out of sight of the public. On the other hand they need a story to tell the mass media, shareholders, or employees, which will make their decisions acceptable to the public. For each public appearance, for each major event covered by the mass media, there is a strategy, which is never mentioned and always denied. On the face of it this may seem to describe a paranoid society, but that is not necessarily fair. It could alternatively be argued that this very much how we function as humans in everyday life, even at home: thinking one thing, saying another, often with the interest of the greater good in mind. A good politician very much becomes a person who can persuade the public to believe that there is only one path to follow. Or you get puppet politicians, politicians whose ideas and actions are so tied to the interests of the economic elites that it does not matter what they think, they will simply do as they are advised. Reagan was such a president. Other politicians again see their decisions as necessary compromises. This has been the basis of Barack Obama's career. Obama is a pragmatist disguised as an idealist.

Mechanisms like these are not explained through the study of political geography, and consequently it does not help that that study is rigorously scientific. Most champions of political geography say that this subject, unlike geopolitics, is about facts – historical facts – and not about interpretations. For others, though, political geography is too narrowly focused on the geographical dimension to be of much value. It ignores the all-important power dimension, and never tackles the normative problem as an important aspect of the social sciences. Nor has it attempted to preserve any of the insights or the experience that have been accumulated in the study of geopolitics.

A major reason for the current revival of geopolitics has to do with the collapse of, or should we say at least frustration with, political ideologies, and the lack of progress made by the social sciences in general when it comes to understanding and describing aspects of power (Blackwell et al. 2008: 6). The survival or revival of academic geopolitics today is due to uninterrupted attention to the subject on the part of contemporary American realists and practising politicians throughout the Cold War, by men like Stephen Walt,[22] Christopher Layne (e.g. Layne 1993: 5–23), Zbigniew Brzezinski,[23] and, before

22 See Walt (1987), based on Walt's 1983 doctoral dissertation.

23 Brzezinski is of Polish origin. He was an adviser to President Carter between 1977 and 1981; he is now a professor at the University of Baltimore, attached to the Center for Strategic and International Studies, and again it seems an important adviser, now to President Obama.

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them, Henry Kissinger.[24] Kissinger is probably the best-known geopolitician of the twentieth century, and the term "infamous" nowadays fits him as aptly as "famous". He is both a theoretician and a practical policy maker, and has been condemned as a leading architect of wars and *coups d'ětat* in Vietnam and Cambodia, Chile, Central America, the Congo, and Angola. No other public official has initiated more covert operations since World War Two, and no adviser has lost more battles. In his defence one should bear in mind that he has been at the helm longer than any other decision-maker or adviser in modern American history, over a period when the USA was the world's undisputed superpower. Many mistakes were made, but there was also much to do. No other adviser is likely to gain the same degree of strategic influence in the near future.

If geopolitics is still overlooked as a subject at many universities today, that is not because of the ideas and actions of the Cold War strategists, but because of the associations and the memories we have of what geopolitical theories led to when adopted by the ideologists of Nazism, in Germany and elsewhere. We see geopolitics as partly responsible for the German attempt to acquire *Lebensraum* in the East, with all the human suffering that entailed.[25] It is the same phenomenon that makes anything which the Nazis used, or even touched, taboo in our society today: everything from the music of Wagner, to the swastika, to Nordic mythology. The mere fact of an author being German and writing about the Second World War continues to raise suspicion and disapproval in certain academic circles, which to some extent explains the noticeable absence of German scholars from the social sciences, dominated as they are now by English-speaking authors. (Others would argue that it has been quite advantageous to avoid the social sciences since the Second World War. It has led countries like Germany, Japan, but also Russia and now China to focus on natural sciences and technical education.)

Postwar Germanophobia and anti-German sentiment has led to the loss of vital notions in the study of human behaviour. We have become so used to seeing German soldiers from the Second World War portrayed as bad guys that we hardly question the one-sidedness of this any more. If we produced a film where the roles were reversed, that would lead to immediate scandal.[26] More serious is the suppression of vital notions in European intellectual life. For instance, the term *Volksgeist*, the idea that a people through their common values give rise as it were to a common soul, has been suppressed (Motturi 2007: 32).The origins of this term have nothing to do with Nazism. It was first introduced in the eighteenth century by Friedrich Carl von Savigny (1779–1861), and built on Montesquieu's and Voltaire's notion of *esprit*. If we remove the term from our vocabulary, we are reducing our ability to understand how it is that people belonging to different cultures think and act differently. It is the same logic that, a bit further down the line, leads many, especially on the left side of the political spectrum, to denounce all forms of nationalism, even the national flag, the national day, and any organization that preserves or honours them.[27]We have a problem if we can no longer have a rational discussion about any phenomena which happen to have caught the interest of someone in Adolf Hitler's Germany, and treat everything the Nazis used or were involved with as contaminated. The

24 In his 1994 book Diplomacy Kissinger defends his actions by drawing parallels with men like Richelieu and Bismarck. He argues that, although these were not popular figures, policies like theirs were ultimately best for the majority (of Americans). This is the Utilitarian view.

25 See for instance Ekkehart Starlitz (1935), whose Foreword began: "If the gaze of the German people is today more than ever directed towards the East, this is caused by the conviction that only thus can the ethnic and national status of Germany be secured, established, and deepened."

26 The Chinese now make Hollywood-style productions where Americans and other Westerners are the bad guys. This is to say the least refreshing.

27 Thus, many left-wing politicians in Sweden denounce Hembygdsrörelsen, the Swedish local heritage movement, for being too nationalistic. The organization works to preserve local and national traditions and folk culture and has about 450,000 members.

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strategy of defining the opposition by associating it with an ultimate evil has been used as a rhetorical weapon by left-wing politicians and social democrats for more than two generations now. According to this logic, "If you think so-and-so, then you are a Nazi". The logic is irrational, but it still works and is hard to argue against. But this irrational pattern of behaviour has severely held back the study of Man and hence the development of the social sciences.

At the beginning of the twentieth century, geopolitics was heavily entangled with racist ideology and racist research.[28]But this was not a specially German phenomenon: it was a Western one. Race biology was as well developed in Sweden and Britain as it was in Germany. The Institute for Race Biology in Sweden was only wound up over the years 1956–8.[29]More precisely, it was never actually closed; rather, its name was changed in 1959 to the "Institute for Medical Genetics", and it was made a unit of the University of Uppsala, where it still operates but with a different research programme. Now, we have pushed everything to the opposite extreme. Politically-correct social scientists have convinced ethnic minorities, like the Sami (Lapp) people of northern Scandinavia, that it is degrading to be measured in any way, as if measurement in itself were an expression of inferiority. Thus measurement in the social sciences becomes a symbol of abuse. This again has hindered the progress of all kinds of research, notably in the field of ethnology. However, science always finds a way to move forward in response to our needs. Currently, DNA research is turning out to be a more efficient scientific approach to studying the same facts of ethnic diversity. Indeed many social sciences are becoming redundant, replaced by new developments within the natural sciences. Thus neurology is taking over large parts of the problem-domains studied in the past by disciplines such as psychology, marketing, and sociology. An advantage of this development is that it allows us to dispense with political ideologies.

28 For instance, Richard Henning (1931: 338) remarked: "Any mixing of the races of men is unfavourable for the preservation of the species, for morality, culture, and above all for the concept and health of the State".

29 The institute received donations and support from leading artists and intellectuals, from the foundation of the painter Anders Zorn, and the author Selma Lagerlöf.

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What we must ask, in order to defend geoeconomics, is whether there are necessary links between Nazism, and the elements it borrowed in order to construct its ideology? The ideas of geopolitics, the music of Wagner and indeed Beethoven, the nudism movement (we remember the *Nacktkultur* of the interwar years), and the work of philosophers such as Nietzsche and Heidegger were all exploited by Nazi propaganda, but the content of these things is not Nazi or even Fascist. The Nazis had no monopoly on geopolitical thought. Mankind was devising geopolitical stratagems long before the Nazis came to power, indeed long before Germany existed as a State. Geopolitical thinking is found in Western civilization in the writings of Herodotus (484–24 BC), of Hippocrates of Kos (460–370 BC), and in Aristotle and Plato (Maull 1936: 1–12). In Asia its traces are even older. The discipline itself is not Fascist, only some of the ways it may be applied. We do not stop buying Volkswagen cars because the brand was promoted by Hitler. Hitler had not even been conceived when Wagner wrote his music, yet many people think that Wagner's music is Fascist. In the end all this is more to do with associations in our minds than with actual similarities. These ideas, even though understandable, are irrational. In the chapters that follow we shall look at a number of other irrational aspects of Western thought.

2.1 The seduction of maps

We come now to another pitfall in the study of geopolitics, the seduction of maps. Maps have always been used for political purposes, whether with good or bad intentions. Throughout modern history nation-states have deployed geographical arguments to make claims, just as the modern State uses statistics to support its policies. We can call this phenomenon the seduction of maps, or *Gaia's seduction*.

When lines are drawn on maps they become contracts supported by rules and laws. In some cases in the past the great powers did not even know what they were signing up to at the time, and only found out afterwards. For instance, the sharing out of the American continent between Spain and Portugal was based on a hypothetical meridian line drawn 370 leagues (about 1400 miles) west of the Cape Verde islands.[30] All the land to the west of the line was to go to Spain, and that to the east to Portugal. The Portuguese soon discovered that they had drawn the short straw, and pressed to shift the line westwards; and to an extent they achieved this, thanks to the limited surveying technology of the period, though Spain still came away from the draw with the most attractive prize. This episode was to shape the course of European history and policy for centuries, yet the details were largely a matter of chance.

Another example is the nineteenth-century colonial division of Africa by the great powers of Europe.[31] The colonial powers did not take into consideration the fact that African identity is based primarily on the tribal system. Tribal territories seldom coincided with colonial boundaries. Consequently inhabitants of African countries acquired no real feeling of national identity, and often see themselves even now as less responsible for compatriots who belong to other tribes. This explains most violent conflicts in Africa to this day. A political candidate will receive votes from people who belong to his tribe. Thus the largest tribes or those who are best at getting their members to vote usually win. Having won, they allocate the lion's share of resources to members of their own tribe, with obvious injustice for the rest of the population.

30 The treaty of Tordesill as was signed in 1494. The original idea about basing the agreement on a map came from Pope Alexander VI, and was implemented on 4 May 1493. The Pope's initial suggestion was to draw the line 100 leagues from the Cape Verde Islands; the Portuguese rejected this figure, but the logic of dividing the continent by a line on a map was retained.

31 The colonial powers involved were Belgium, Britain, France, Germany, Italy, Portugal, and Spain.

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This is the story of Zimbabwe, for instance. We sometimes think that political and social turmoil is an African trade mark, but that is not so. As Leo Frobenius (1933) reminds us, before the white man set foot in Africa most tribes there lived in peace; their societies were quite orderly by the standards of most European countries.

Up to only a hundred years ago, nations often dealt with one another using different maps. It was therefore an important advance when a decision was reached on what representation of the world to use as a standard. Before Max Eckert in 1906 defined a map projection which represented the world without distortion of areas or angles, even separate social and professional groups preferred and used different representations of the world to suit their own interests and activities. Seamen, for instance, typically preferred the projection of Gerhard Mercator, a Flemish geographer, mathematician, and cartographer, who developed his model in 1569. Mercator maps make the regions close to the poles appear very large relative to lower latitudes, which is more practical when sailing in those waters. There were others who challenged this map of Eckert's, criticizing his projection as unfair to the poorer nations, since it gave less prominence to countries near the equator. Thus Arno Peters, a German historian and cartographer, introduced a map in 1974 which was considered more politically correct, because areas of the same size in square miles are always shown as the same size on the map. The idea was to improve the way we display in two dimensions the three-dimensional reality of geographical space. This idea was noble, but the consistent equal-area principle implied distortion in other respects, so that the map is unusable in practice.

At another level, maps create basic problems about identity. When we point at a map and say "we are here", this means that others are elsewhere. If we say that those others possess territory *N*, it soon happens that some other group somewhere else raises the question whether they should not rather have *N*–1. The second group may think they ought rather to have *N*+1, and so a conflict begins.

Since we have physical bodies, we need a geographical location. Being human, we tend to think possessively: that is our nature. This attitude is reinforced by our insistence on private property. We are tied to the land, we own it, and that gives us our identity. It defines and represents our culture, ultimately it is part of who we are. Cultures without a clearly defined geographical territory or cultures that have forsaken their land of origin often run into trouble with the local population. Examples of this are found in the Jewish, Gypsy, and Chinese diasporas.

Much of this changed with industrialization, when large numbers of people started to move out of the countryside into the larger towns, and then moved between towns. This quickly created a more multicultural society. But we still tend to stick to people whose values we share. This is not even necessarily a cultural or ethnic divide, it is more often a social or economic divide. In the Greater Los Angeles area, for instance, cities and neighbourhoods are very much divided along socioeconomic lines. When people's income rises they often move to a "better" neighbourhood, regardless of their ethnic origin. Inhabitants of other neighbourhoods then become "the others", even if these neighbourhoods include the place we were living in earlier when we had less money. In all these cases the difference in geographical location becomes an important parameter determining our identity.

With globalization people are moving even further, changing places, working in one country and living in another, going on holiday in a third, and so forth. In the distant future entire civilizations or nations may have to move, whether because of global warming or because of the coming of the next ice age. For instance, it is calculated that less than 10,000 years from now, when the next ice age arrives, all Scandinavians will have to move south of Berlin which will then be the border of glaciation. This may sound radical, but it will not be an extraordinary incident in the history of *Homo sapiens*. Large-

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scale emigrations of this kind have occurred before. The Indo-Europeans have been in Europe for less than 20,000 years. The last group probably emigrated from the area corresponding to today's Ukraine no more than three to five thousand years ago. Going back even further, we Indo-Europeans were living in the Caucasus–Afghanistan–Kashmir area for a long time. When the animals we hunted, initially the reindeer, moved into newly ice-free areas to the north, we followed them. Because of these migratory paths, we who live in Northern Europe can trace not only our languages, but also our religious beliefs (the Nordic mythology), back to Sanskrit. Potentially it should also be possible to explain numerous traits related to our national and ethnic character by reference to DNA research tracing us back through the same migratory path.

Longer ago, perhaps some sixty to a hundred thousand years ago, we, *Homo sapiens*, once migrated out of Africa, at least according to the latest findings confirming the "out of Africa" theory of human origins. For all that time we have struggled for possession of territory, and for all that time there has been a need to draw maps, maps which must have begun with lines drawn in the sand or mud. The system of drawing lines to make maps has then become increasingly complex during our evolution. As we have developed as a species we have demanded more order in our surroundings: not only in our own garden and neighbourhood, but ultimately in our relations with other nation states. Maps provide that order, but they can also sharpen conflicts with others. A good example of that is the disputes we have had and continue to have about maritime boundaries in connexion with fishing rights and, more recently, rights to explore for oil under the sea. There is also a race to claim rights to use waterways around the North Pole as the ice slowly retreats, allowing new transport routes which will replace much of the trade going via Suez and Panama Canals today. Denmark has made a formal decision to train special forces for the defence of this territory. The citizens of Greenland are suddenly in a hurry to claim national independence from Denmark, now that they stand to become rich. At the same time, we could probably say there would be even more conflict if there were no maps at all.

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In a wider perspective, it is the continuation of the logic of private property: "I own this, you own that". Climate, people, and cultures may change, but there is always a need to draw "static" maps. We are at all times inclined, provoked, and indeed forced to produce a geographical representation of who we are. At the same time we must realize that all borders and political units are subject to continual change, however gradual. That they change does not mean that we can do without them. In much the same way, we need theories to help us function and understand the world in which we live. Competition and possession of land are the ultimate expressions of our struggle for prosperity. Theories that cannot respond to these needs will eventually be discarded, since we must always be pragmatic.

Earlier critics of geopolitics who pointed to its abuses, such as the sociologist Max Weber, saw it as an oracle for decision-makers, a right-wing body of literature defending national interests. It can also be seen as left-wing, as in the case of Stalin's great eastward expansion of the Soviet Union. Geopolitics has no political bias either to right or left; it is at the service of whoever is in power.

Others say that geopolitical literature nurtures prejudices, that the academics and intellectuals who produce it have their own political agenda, that its content misses too much of the social complexity it seeks to understand, that it is unduly focused on polemical aspects, and leads eventually to political determinism. Much of this is hard to deny, but the same can probably be said about most research. Anything can be misused. Other, better-known examples are physics (the atom bomb), biology (pesticides), engineering (weapons of all kinds), and economics (financial derivatives).

From an economist's point of view, maps allow new and better predictions about economic behaviour. Geographical representations of natural resources are an effective way of presenting indicators of power, for both private-and public-sector organizations. Just as with the invention of the alphabet or numerical notation, ultimately maps and other graphics are simply a better way of communicating ideas. While figures make analysis easier, and words are best for description and explanation, maps allow for a more immediate perspective and understanding of a phenomenon, a clearer presentation of facts, whether they are ideas or reality. In other words, we can often understand a phenomenon much more readily by looking at a map or a drawing than when it is explained to us using letters or numbers. Looking at a map, where different colours represent particular concepts, we immediately get the feeling that we know what the person is talking about. It is the same with pictures, from which maps can be said to derive. Maps should be seen as one more language, as yet another way of representing reality, ultimately as a more direct and quicker means of communicating ideas. In connexion with historical and political analyses they become a powerful tool for understanding the world of politics and business.

2.2 The seduction of history

Maps, or atlases,[32] are seductive objects once printed on paper or presented on a three-dimensional globe, especially when combined with the study of history in what we call a *historical atlas*. Many readers will no doubt recall the excitement of leafing through such a book as a child. Different features are given different colours, and we soon start to see patterns and look for more. Just through looking at the page for some country, if we know about its history we think we understand what is going to happen in the future. This temptation has existed for as long as Mankind has had good maps at his disposal. The logic is expressed in deterministic statements like Napoleon's *La politique d'un État est dans sa géographie*, "The politics of a nation is in its geography", meaning: just by looking at a map we can tell what a country's policy *must be*. Mankind has

32 According to Greek mythology, Atlas was originally known as a cunning god of "dangerous wisdom". Contrary to what is often depicted in sculptural representations, he held up not the earth, but the heavens. (Gaia was the goddess of the earth.)

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gone to war on such deterministic assumptions for as long as there have been maps, even when these were just scratches in the earth. Leaders have wearied themselves with contemplation of how powerful their ancestors *used to be*, how much land they have *lost*, forgetting or refusing to see that there may have been good reasons for the alteration of borders.

A just distribution of land and natural resources cannot be based solely on how things used to be. There are often good reasons to justify reallocation of resources. To take an recent example, when Germany was reunited, many West Germans insisted on their right to reclaim property in East Germany based on prewar ownership, disregarding the fact that East Germans had created lives for themselves at the place in question in the mean time. In the end these issues were resolved by law, but specifically by West German law, since West Germany had bought back its former territories and not *vice versa*. Large investments were made in East Germany to compensate, but these did not benefit everyone, and particularly not those who had been active members of the Communist party. Many people with party affiliations lost their jobs, at the universities and in the public sector. A whole generation of workers were humiliated, and many became bitter as a result.

Historical facts are frequently used as arguments for going to war or for defending unjust actions. Every smooth-tongued orator knows which historical references to select to support his own arguments and which ones to ignore, just as he knows which statistics to include and which to omit, or how to display a graph, for instance by showing a short or a specially favourable time interval.

The study of history is one of the more exact sciences relating to human life. The normative nature of the methodological problem lies not in the discipline itself, but in an individual's choice of certain historical facts, or, more frequently, in the omission of others, and in the interpretation of consequences when an analyst assumes that the future will be like the past. In other words, a critique of the historical method should be directed not so much to the study itself as to its use or misuse.

To take another example, relating to the history of Anglo-German relations, if we want to defend the Allied policy of retaliation at the end of the Second World War we might point out that the great cultural cities of Germany (notably Dresden) were bombed because of the cruelties committed by Nazi Germany, such as their bombings of London and Coventry in England earlier in the war. But whether or not retaliation can be defended is another question.

With respect to Franco-German relations, if we want to defend the German aggression against France we might argue that Nazism was the result of the dire social situation in Germany in the 1920's and 1930's, created by the Treaty of Versailles which Clémenceau forced on Germany (the Americans were very much against it, believing that it would turn the Germans into slaves of debt for generations). If we want to defend the Treaty of Versailles we might say that it was a response to the treaty which Bismarck imposed at that same place after the Franco-Prussian War in 1871; and so on. From one point of view we are dealing with chains of cause and effect; but from another point of view it is a matter of inclusion and exclusion (in other words, selection) of historical facts, and of our pre-selected perspective.

Chains of cause and effect in the social sciences are a tricky matter which in the end become a question of degrees of truth, which are always difficult to measure. They are seldom either–or issues. Instead we find ourselves having carefully to hedge our statements with words like "most", "some", "always", "seldom", etc. Use of numbers and quantifiable measures allows us to be more precise, but this is also riskier and potentially misleading. The more refined the measurement, the greater the chance of error. Thus we prefer e.g. a five-point Likert scale to percentages. Even then many will question how

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it is possible to say that a certain event is a four or a five, so that ultimately it is the reasoning behind the number that interests us, not the numbers in themselves.

Some problems are easier to solve than others. In the case of bombings of civilian targets in Germany by the British and other Allied forces at the end of the war, they can argue that Germany started the war, with the invasion of Poland, even though that does still not solve the moral question about retaliation.

In the Franco-German relationship we would have to go much further back in time to find the root cause, to the first major conflicts between these nations. In many cases we have to go so far back that any clear relationship of cause and effect will be meaningless. The example of Germany's borders is well-known. A map of Germany in 1919 will show that it then possessed the greater part of Poland and the city now called Kaliningrad, which used to be Königsberg, the home of Germany's greatest philosopher, Immanuel Kant. After the First World War Germany had to concede parts of this territory to Poland and Alsace–Lorraine to France. These "losses" fuelled Germany's ambition to regain "its'" territory. A feeling of injustice quickly built up. There are still many in Germany today who hold that the country has a right to reclaim the territories conceded after Yalta in August 1945 and Potsdam in July–August 1945 (namely Silesia, part of Pomerania, and East Prussia). This may seem fair if maps of the foundation of the German *Bund* and the Prussian-German Empire (1866–71), or maps of 1919 or 1939, are accepted as a reference point. The problem of course is who should decide what maps and historical starting point are to be used. If we chose a map reflecting the situation in the ninth or tenth centuries, we would find the German border following a line close to the course of the Elbe river, from Hamburg to Magdeburg and Halle. Lübeck became German only in the fourteenth century. If that map is taken as a reference point, then the German people have come out of the territorial struggle with their eastern neighbours pretty well today. We could even further back in time, of course, but then any comparison to an existing group of people becomes virtually unusable for a cause-and-effect type of argument. Thus, at one time Celtic tribes inhabited what later became German territories, and they were forced westward, eventually to Britanny and the British Isles. Today the descendants of these people are mostly found in Ireland, Wales, and Scotland. Should they make a claim on Germany today? Most of us would treat that idea as absurd. Not that the Celts have any intention of reclaiming Continental Europe; but it illustrates a problem with the use of historical arguments where there is a long history to consider. We all come ultimately from somewhere else, and our borders and conditions are changing continuously, making appeal to historical references often very problematic.

The historical method in science – often referred to in France as the *mémoire longue* – is often applied on the assumption that the future will be like the past. Most will agree that is true to some extent, history does sometimes repeat itself. But because it is true only to a certain extent, because there is always an important element of change in human behaviour, the historical method cannot be used as the only method. The question is instead how to identify, measure, and account for changes.

The consequences of assuming lack of change have been catastrophic for mankind throughout history. We only have to think of all the horrible surprises men have experienced in wars when the enemy adopted a novel weapon technology, for instance what the first knight must have thought when his armour was pierced by an arrow from an English longbow. He was supposed to be invulnerable. Not only did he discard his heavy armour in preparation for the next battle, but he had also to breed a whole new type of warhorse, making them faster and more agile. Or to take another example, relying solely on the historical method would imply that if we have fought wars with a neighbouring country a given number of times in the past, then we should expect to do so again in the future. This would mean for instance that Norway should be preparing for an attack by its friendly neighbour Sweden. From the perspective of the historical method – even based on

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statistical analysis – this makes perfect sense. The problem is that the method does not account for the changing relations between these countries over the past century, encouraged by new social and economic developments. If we suggested to the Norwegian military command today that they ought to prepare for an attack by Sweden, they would probably think us mad. Nevertheless the possibility cannot be ruled out completely, if only because these two countries share a common border and inhabit the same peninsula.

Taking another scenario from the same area of the world: the fact that the Vikings plundered, raped, and killed people living on the coasts of Western Europe a thousand years ago does not mean that the descendants of those people need to prepare for such attacks today.[33] On the contrary, one would hope that many would agree that the ethnic group which used to be seen as the most violent in all Europe in roughly the period from AD 700 to 1200, namely the Scandinavians (i.e. Vikings), are today one of the more peace-loving sets of people.[34] There are many reasons for this change. Broadly speaking we might say that it was the result of an abrupt change of values, with the shift from Nordic mythology to Christianity. For instance, the old Nordic belief was that a man should seek honour through the use of his sword, much as we see today in the more extreme, jihadist forms of Islam. If a Viking managed to die with his boots on, he was assured of a place at table with the gods in Valhalla. Among jihadists there is a similar promise which involves many virgins. Nordic mythology created a warrior culture that encountered no equals before the Seljuks moved into Turkey. But there are other, more important reasons why the British no longer fear the Scandinavians. For one thing, scandinavians have

33 The particular incident which is often taken as inaugurating the "age of the Vikings" was the attack on the Lindisfarne monastery in 793.

34 Norway not only awards the Nobel peace prize but has an ongoing involvement with numerous UN-led international peace initiatives. On the other hand Norway has also been actively participating in wars in Afghanistan and Libya.

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become more civilized through continuous improvements in fields such as law, education, infrastructure, and economic prosperity (all of which are inter-related). Cultural evolution thus seems to be the solution for many of our historical problems. It is important to bear this in mind when we pass judgement on cultures today.

Geopolitics has always been inclined towards the historical method, but it also takes the evolutionary perspective, which as we have seen is the foundation of its solution to the methodological problem. Historical method without the evolutionary perspective is a potentially dangerous tool, frequently leading us to the wrong conclusions. Unfortunately, coexistence between the evolutionary perspective and the social sciences ceased abruptly, and some would argue prematurely, after the Second World War. To some extent this shift away from evolutionary theory had begun much earlier, around the turn of the nineteenth century. During the nineteeth century the evolutionary perspective was a well established approach among scholars. One of the most important centres for this school of thought was the interdisciplinary group at the University of Leipzig, including the zoologist and geographer Friedrich Ratzel, the historian Karl Lamprecht, the economists Karl Bücherand Wilhelm Roscher, the philosopher and psychologist Wilhelm Wundt, and the chemist and Nobel prize-winner Wilhelm Ostwald.[35] These men were the first academic group to take the implications of Charles Darwin's discoveries seriously as applied to the study of Man. Then, following the Second World War, the direction of social science research was hastily altered, as the new academic establishment shifted to another and completely different scientific paradigm. The new social sciences sought to find a methodological home closer to the field of physics and the discipline of mathematics[36]. These latter disciplines were highly successful, so it was supposed that they would be good models for the study of Man as well. In any case, Darwin was never very popular among social thinkers in the USA (and still is not, outside the natural sciences). Apart from these considerations, the US required a distinctive scientific paradigm of its own, something that could reflect its new status as superpower.

The revolutions we are witnessing today within the biological sciences have brought Darwin and evolutionary thinking back to the heart of biology, medicine, and the study of living organisms in the natural sciences. In view of the shortage of meaningful results from the brave new social sciences, it has become increasingly difficult to continue in the present methodological direction without seriously questioning this lack of success. Why should the study of Man be any different from the study of any other living organisms, unless of course (as is always an option) we choose to study Man from the perspective of moral philosophy? To do that seems to present an obvious problem about deciding which (whose) morality to use. But if we look closer, we find that our existing social-science methodology is no different in that respect. At its core lies the same moral choice. The difference is that neoclassical economics tries to hide it, pretending to be value-neutral.

The evolutionary perspective and also the historical method seem to have been dropped too early at our universities and, more important, dropped for the wrong reasons. The multidisciplinary approach of cultural studies (*Kulturwissenschaft*) and the humanities or moral sciences (*Geisteswissenschaften*), as defined by David Hume and later by the German historian and philosopher Wilhelm Dilthey, still merit our attention. The demonizing of past German social-science research by an academic establishment dominated by English-speaking scholars (on which see e.g. Smith 1991) is likely to fade away as two postwar generations of scholars advance into senior positions at our universities.

35 See e.g. Ratzel (1885), Lamprecht (1900), Bücher (1901), Roscher (1854), Wundt (1911, 1915), Ostwald (1909).

36 Scepticism about mathematics as a methodology for the social sciences lasted into the 1960's in Britain and Europe, where the Keynesian tradition was still influential (Henry 1969).

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The main reason for that has less to do with the arguments against such demonization than because it conflicts with Asian values. The situation is likely to change as Asian, and particularly Chinese, leaders discover how Western social sciences deny them the right to preserve and defend their own values based on collective thinking. For the West it will become increasingly difficult to explain how our social sciences can be said not to be political. As an exercise, it is instructive to check the number of political-science articles about China on the ISI Web of Knowledge Social Science Citation Index which are negative about the Chinese government, and on what grounds.[37]

Despite these issues, evolutionary theory is not likely to be integrated with the social sciences until another generation or two has passed, at the earliest. The reasons are not primarily scientific, but political. That is the time needed for the passing of a ruling generation reflecting world views formed by the Cold War. It is also the time needed for China to surpass the US as the leading economy, and for an Asian scientific paradigm to take shape and impose itself on the world.

2.3 The seduction of current events

The seduction of current events can be as threatening as the seduction of history. Politicians and their foreign policies, particularly in the Western democracies, are frequently influenced by stories running in the mass media, which often ignore historical facts. One example is current Swedish military policies towards Russia. After the Cold War, the threat of a Russian invasion was perceived as less immediate, and there was a considerable down scaling of military presence on the eastern front. Then when Russia invaded South Ossetia this policy was seriously questioned, and politicians largely reverted to their former position. To a large extent that was the result of mass-media coverage of what happened in Georgia. Some would say that the risk of Russian aggression had been the same all along, that the Russian foreign-policy position had not changed that much – and more importantly that the Russian character and Russian values have been the same all along, so that no change of direction should have been expected. It was only the events in Georgia which seemed to show that their intentions had altered. Clear geopolitical analysis would have revealed this, and indeed it did; but politicians in democracies are continually forced to respond to moods on the part of the general public, even with respect to military defence.

The fact that we have identified a number of methodological pitfalls does not mean that we can always hope to avoid them. More important, the fact that our methodology can on occasion lead to false conclusions must not be allowed to lead to an intelligence culture that shuns speculation. An over-cautious approach to intelligence is potentially more dangerous than one that is too crude, simply because what can be known for certain is always only a fraction of what can be known. To draw a parallel from economics, very few economists come out with predictions of major changes or crises. Yet such things occur, indeed they occur repeatedly. But what is excused in the case of economics, because people forget or fail to keep economists responsible by defining their expectations, is less acceptable in the study of intelligence, because this often deals with life-or-death questions.

37 Out of 2881 articles a random sample of twenty articles all proved to make antagonistic comments about East–West relations, comprising one-sided criticism of Chinese policies without criticizing Western policies or making any attempt to offer historical explanations to account for differences.

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There is a fine balance to be drawn between drawing conclusions too readily from unreliable methods, and not reaching any conclusions at all because the methods are unreliable. Any methods will always be deficient in some respect when it comes to the study of Man, but they will improve – through discussion of methodological problems, and through application of more advanced technologies. What must be avoided at all cost is group-think. No social mechanism fosters group-think like the mass media. To make things worse, employees of an organization learn to think in the same way as one another, to the point where new ideas become a function of recruitment. Intellectual work of real value comes about when someone thinks differently. That means questioning conventional wisdom. There is no better way to steer away from conventional wisdom and current events than to become engaged with history and to read the writings of long-forgotten scholars.

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3 The renaissance of geopolitical thought

Geopolitics differs from the more empirically-focused social sciences in a number of ways. For one thing, apart from repeatable observations it also builds on a tradition of wisdom, anecdotal observations, and educated guesswork. It embraces not only economics, political science, history, and geography, but also the critical-theory tradition. The reason for the link with critical theory is the conviction that continuing critique of contemporary society is essential not only to understand the world we live in, but also to maintain it into the future.

A positivist methodology for the social sciences with a solid peer-reviewed system of journals is a fine path to follow once we have agreed how knowledge is to be built, once we are sure which route will give valuable results. This has been far from true for the social sciences since the Second World War. The current paradigm has instead been moulded by a conviction that ever-greater specialization and examination of small samples will yield new insights and social progress. In the journals, theory is regularly preferred to description of reality, and scholars compete with one another to introduce theories with new names, though the observations underlying the novel theories in most cases replicate findings which have been reported over and over again by earlier writers. Very rarely do scholars of the current American-led paradigm bother to read older books by, say, French or German authors. This is as much a question of the generation they belong to as of language skills and cultural ethnocentrism. In consequence, what passes for informed, smart, and up-to-date only looks that way. It has legitimacy because it is supported by an academic establishment (which, by the way, by no means includes all academics). Even in the English-speaking world, by no means all scholars support the current paradigm, just as by no means all economists are neoclassical economists. Many of the best critics of these ideas and schools are English-speaking academics. Furthermore what is being described is not a "conspiracy", in the sense that everyone affiliated to one paradigm is trying to do down everyone else; but it is a struggle for influence, power, and prestige.

The social sciences were sharply separated off from the humanities after the Second World War, because it was thought that they would be more successful at predicting future events if they followed a more scientifically-rigorous direction. The vanguard comprised economics and political science. It was thought that these two subjects would achieve far more as separate fields of study than they would if studied together, as they were in the late-nineteenth-century days of "political economy". And in some areas they have indeed been successful, as when studying various specialized systems, such as the accounting or legal systems of particular countries, or their governmental policies. The problem arises when we want to put things together, to produce syntheses, when we want to draw conclusions that can be useful in general situations or across cultural borders. The problem arises when we come to the macro structures, which are so important in the study of international economics/international business or international politics/international relations. By ignoring specifically political facts within writing about economics and *vice versa*, by overemphasizing theory rather than reality, and by systematically avoiding material belonging to the domain of the humanties (history, geography, languages), the modern development of these studies has made us less, not more, capable of predicting future events.

Geopolitics and geoeconomics do not accept that new understanding of social facts will come from ever-greater specialization, following the logic that started with the division of political economy into economics and political science. If you study political science while knowing little about economics or *viceversa*, the chances are that you will not understand

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much about macro factors. As an economist you might be an excellent accountant, but you will not know how new rules and regulations are implemented, and so will not be able to advise your clients. As a senior macro-economist in a bank you will know very little about the factors actually influencing your business. Endless television programmes feature these men repeating themselves in general terms, ultimately just to try to offer their customers reassurance. Most students of economics specialize strongly either in micro or in macro economics, to the point that if you are a micro economist you do not always know how the central bank system functions, or as a macro economist you cannot explain what derivatives are. This is a greater problem for macro economists than it is for micro economists. As an example, marketing specialists in a private-sector organization will not really know much about accountancy, but there are other colleagues to handle that and the organization will not be much worse off because of that deficiency. Both problems are mainly due to over specialization, but their effects are different.

Criticism of academic economics has mounted in recent years because of the current economic crisis. Many social scientists, including economists, have begun to question the fruitfulness of modern economics as a science. Despite the existence of a system of peer-reviewed journals and high-prestige academic prizes, the field has not made much progress towards developing a framework that helps decision-makers to predict future events. If economics should accept that this is not a possible or realistic goal, that would raise serious questions about the status of economics as a science comparable to the natural sciences, which we recall was very much the initial aim. It would not mean the end of economics as a discipline, but the subject would have to abandon its theoretical aspirations. It would instead have to be seen much more as a craft or art. In some ways that would be a relief. It would then be possible to shift attention from theory to the description of reality. Such description does happen within economics, under the heading of "case studies". But although case studies are certainly appreciated as "pedagogical contributions", they are not regarded as "scientific contributions": an academic economist cannot make a successful career from them alone.

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Management as a subject was started, by scholars like Peter Drucker, out of very much this same concern about a "lack of reality". Drucker was never much appreciated among diehard scientific economists from the high-prestige universities, but that did not matter. Practitioners loved him, just because he was relevant.

The current paradigm in academic economics involves a refusal to consider the tradition of critical theory; instead it systematically portrays economic activities in the form of a tribute to the free market economy, with the understanding that critique of society is best left to sociologists. This has been quite unfortunate for the credibility of the economic sciences, but also for our understanding of economic behaviour. Refusing to consider the critical-theory tradition also means that the discipline of economics cannot manage to change direction, now that it is confronted by a theoretical stalemate. That is, positivist, algebra-based neoclassical economics offers no possibility for the discipline to move beyond its own paradigm.

The stalemate in the field of economics has been demonstrated by the fact that our economic theories are failing to lead us out of economic crisis. This has become obvious by contrast with the Asian and especially Chinese economic miracle. According to our economic theories, the State is not supposed to succeed in business. Public companies are supposed to be more efficient than either private partnerships or State-controlled companies. Moreover, Western-style democracies are supposed to be economically superior to more totalitarian states. Liberalism and free-market economics are supposed to lead to a more competitive society. Fewer rules and regulations are supposed to lead to greater productivity, more prosperity, and a better life for all. Currencies are supposed to be stronger when they are allowed to flow freely. All these conclusions and the assumptions behind them must now be questioned. Economics is too important a subject to be reduced to a cheerleader function on behalf of misguided current business practices. On the other hand criticism needs to be more than Marxism or socialism, and deserves a better label than "Heterodox Traditions".[38]

The reason why empiricists are dominant in today's academic world goes back to the well-known *Methodenstreit* in the 1880s and 1890s, between the Austrian School of economists and the (German) Historical School. After the Second World War the Historical School received what amounted to a death sentence, as waves of German-speaking social scientists left their homelands, disillusioned by what many saw as the negative consequences of their own scientific methodology. The historical method allowed for too many value judgements, the feeling went. The social sciences should instead learn from the natural sciences, proposing hypotheses and testing them empirically using correctly calculated sample sizes to achieve an acceptable level of statistical significance. Now, after more than half a decade of experience with alternative social-science methods, the criticism of the historical method and historicism is less problematic than the lack of results from the alternative methods proposed by economists inspired by Karl Popper and the Austrian School, with its laissez-faire. Many American economists, led by Paul Krugman, have even acknowledged that Keynes's approach, with his long case-based papers and his method based on logical deductions supported by macroeconomic statistics, is superior to the neoclassical style.[39]A method that has achieved wonders in the natural sciences has been far less successful in the social sciences.

38 The New School's website on the History of Economic Thought classifies everything that is not "Neoclassical Economics" as "Alternative Schools", within which there are two subcategories, Keynesian and Heterodox, the latter being "characterized by departure from accepted beliefs or standards". See http://cepa.newschool.edu/het/.

39 See e.g. Keynes' 1919 article "The Economic Consequences of the Peace". Exaggerated attention to form, citations and references did not exist then. Instead we had plain language and clear thinking.

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It is not that there was any conspiracy to reject alternative methods or any ill will underlying the original project. Its creation was itself a natural consequence of the historical development in the latter part of the twentieth century, following the Second World War and the defeat of Germany. The new era needed new ideas, far removed from what were seen as harmful consequences of Continental European intellectualism. The new social-science project was intended to be a decisive counter-reaction to Hegelian idealism. Thus we can track a development from German-led thinking between the mid-1850s and the Second World War, to thinking led by English-speaking scholars down to the present. What we are seeing now, with financial crises in the Western world and the rise of China as a superpower, is the emergence of a new paradigm for economics. Winners have their own ideas which they will seek to impose on the world.

Does current economic theory have much relevance to business success? There is surely great discrepancy between theory and practice here too. How does it happen that countries which have traditionally shown little interest in the new social sciences, such as South Korea and Japan, but also Germany,[40]have performed so well economically? Could it be because applied developments in engineering and the natural sciences matter far more than the study of social sciences? Is it because most business practices can be learned on the job? Perhaps learning how to work rationally is all one needs, and maybe that is better learned by studying the natural sciences. What if a decent upbringing is more beneficial for business success than going to business school? The former chairman and chief executive of Asea Brown Boveri, Percy Barnevik, said recently that he only learned two per cent of what he needed to know as a leader at business school – and he went to one of the better ones. In other words we must ask: how much of our teaching in economics and management is ultimately political, and how much actually helps our organizations gain competitive advantage? To what extent is our business education geared to turning out obedient workers, and how far does it turn students into critical citizens, into what the humanist European tradition views as fully developed, responsible, and mature human beings? This question lies beyond the purview of present-day economics; but it does not fall outside the responsibility of our elites and of those who decide what we should study. Perhaps the social sciences are not all that well suited to educating critical individuals. Perhaps that task is better left wholly to the humanities. If so, then there are even stronger reasons to question the usefulness of current social-science methodologies.

The lack of a clear *real political* perspective in social science courses today is confusing our students. It is making them less prepared for the realities of business and public office. From a broader perspective, the Western approach to the social sciences has always been ideological. In this respect there is not so much difference between Marxism and *laissez-faire* capitalism. They are both powerful Western ideologies. We have an obligation to our students to tell them the *real political* truths about the world in which they will be working, and not to let them be duped by idealist fables spun off the great European revolutions. Whether we like it or not, the fact is that chance plays an important role in history. For example, Lenin's project of returning home and overthrowing the Tsar was largely financed by the German military command, and the so-called Russian Revolution was a confused *coup d'état* carried out by a handful of Bolsheviks and some naval seamen who had been persuaded more or less at the last minute to support the rebellion. After the initial *coup*, the whole undertaking rapidly turned into a tyranny. Another example spun out of the same ideology is the myth of Napoleon as an unselfish, self-sacrificing hero of the Revolution. Napoleon was no democrat but a clever opportunist, who used the ideals of the Revolution to enrich his family. All Western politicians since then have to some extent been Napoleon's children, playing a game of manipulation to win favour with the masses –a system and logic unmasked in the works of the great thinker Ortega y Gasset (e.g. 1930).

40 Try asking someone to name three German and three Japanese business schools. They exist, but they are not well known outside their own countries. They also consistently score low on international ranking lists. Yet their homelands remain major world economic players.

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We must question our claims to occupy the moral high ground. For instance, politicians (unwittingly in most cases, but systematically) manipulate the public when they claim that we are helping the developing world through overseas aid programmes. In reality our policies are more effectively designed to keep the poorer countries indebted, to control them and make them dependent, to justify our own protectionism and subsidies to our own voters while appearing to be doing good. Only secondarily does overseas aid achieve positive results for certain of the poor and needy in certain cases, as in the example of much-needed emergency relief. As Goulet and Hudson (1971: 78–87) remind us, funds provided as loans by States are often governed by tougher conditions than private-sector banks impose. Yet the former are called "aid", and the latter "investment". Furthermore, most of what we class as overseas aid comes back to our own companies and nationals in the form of salaries and profits and to pay for the administration of the programmes. Most of our political decision-makers know this is so, but the system is seldom questioned, because it works. In the public eye it creates an image of a moral high ground, which allows us to continue exploiting the poor. On these issues I have often found that my Asian and Chinese students have a much clearer understanding of reality and the political intrigues which take place on the world stage.

When the previous French president Jacques Chirac gave funds to his friend President Omar Bongo of Gabon, he saw part of that money returned as political contributions to his political party, the UMP. Bongo, who ruled his country from 1967 to his death in 2009, never distinguished between the country's money and his own; and the French public never seriously objected to this, mainly because they did not know, because the facts were hidden from them. Instead the French were led to think that they were doing good. It also follows that because we are morally superior we can to some extent do as we like, even if that means going to war and invading other countries.

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Very little overseas aid actually reaches the people who need it. It only looks that way, and we enjoy and enhance that appearance in a self-deceiving way, ultimately because it is part of the political fabric we believe in. Of course there are exceptions, but that is not the point. People in the West are just as prone to self-deception as people in other cultures, perhaps sometimes even more so. Uncovering these mechanisms is leading a whole generation of students, especially non-Westerners, to question the established social sciences which serve to legitimize the status quo. The fact that we are now slowly being overtaken by another civilization is serving as a catalyst, a triggering mechanism for questioning our understanding of the world and how to succeed in it. From this perspective we need more realism and less ideology, more description of reality and less theory. It is what is leading to a renaissance of geopolitical thought.

3.1 The Great Game

> We use four criteria when approaching acquisitions – financial value creation, client and product portfolio synergies, systems integration, and the fourth is "culture". We ask, "will the cultures mesh? Is there a good human fit in the way we do business?" We consider this very seriously because we know that a cultural clash would be devastating for our shared ethos.[41]
>
> Stephen Green, Chairman, HSBC Holdings plc

The multinational enterprise is the ultimate weapon in a globalized world. Not only nation states but also international institutions work in favour of the multinationals. The interests of multinationals are championed by finance ministers and central-bank directors. They in turn are able to put pressure on the IMF (traditionally run by an American), on the World Trade Organization, but also on the World Bank (traditionally headed by a European), to carry out their policies, even when these go against the well-being and prosperity of a particular country or against common-sense economic notions.[42] These supranational or international institutions have to a large extent become the political arms of (Western) multinationals.

Everything is politics, and politics is ultimately all about economics. Thus we are seeing a general shift towards crude economic interests among nation states, as they have become ever more dependent on the natural resources needed to run our modern industrial societies. We are seeing increased competition not only for oil, but for metals such as gold and copper, timber, especially hardwood, and in the near future, water. This already defines a new geography of conflict which will last at least for some time to come (Klare 2001: 213). It illustrates the shift from a logic of geopolitics to that of geoeconomics, and suggests new geographical arenas relevant for the competitive advantage of nations.

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41 "Stephen Green leads HSBC to the crossroads of the World", McKinsey News, 20 March 2006.

42 See Stiglitz (2002). The serious economic and financial crises in East Asia (South Korea, Indonesia, Thailand) at the end of the 1990s were largely due to faulty economic advice by the IMF, demanding that these countries set extremely high interest rates. That brought trade to a halt and caused numerous bankruptcies. IMF help essentially saved Western banks, not Asian industries. Thereafter and as a result, Asian confidence in the IMF and the USA was destroyed. Instead the Asians built up their own currency fund within the ASEAN+3, referred to as the Chiang Mai initiative, a regional financial reserve mechanism. Malaysia and China refused to accept the IMF regulations, a political decision which was to prove economically successful. The IMF made the same mistake with another country a few years later in 2002, demanding tighter budgets in Argentina as a response to recession. This advice contradicted most economic commonsense (Stiglitz argues), which is to stimulate economic growth at times of recession.

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Will the world in future always be more about economics than politics? Shall we see a shift back from geoeconomics to geopolitics, to political ideologies or religious crusades? How long will the "American Empire" survive? These questions are open for speculation, since we do not and cannot know anything about the far future. In his latest book Jacques Attali argues that we shall return to an era of politics. He believes that the US will be in clear cut decline by 2035, that the market will win out over democracy in 2050, but that world democracy will regain its position in 2060 in the form of a World State (Attali 2006: 19–23). Joseph Stiglitz (2006) hopes for a turn to the better through globalization, and he argues that this is happening already: for instance, 500 million Chinese are already being lifted out of poverty. Johan Galtung is bolder and sets the end of the American Empireat 2020.

In its extreme form this competitive situation is the quest for world dominance, often referred to as the *Great Game, with reference to Britain's aim to control Northern India, and through that the great passage between East and West and Russia and the Indian Ocean*. This "game" was long played by city-states and nation states, and only indirectly via private-sector companies. Today the scenario looks like a joint effort facilitated by nation states and multinationals alike, in which the former lay out the tracks and maintain them, and the latter run the trains.

The "game" was fought between the two main ideological blocs during the Cold War, and it is being fought today between the winner of the Cold War and any nation opposing its interests. This is much the same situation as Britain found itself in at the end of the nineteenth century, towards the end of colonialism, which coincided with the decline of the British Empire. Since the Second World War, US domination can be seen as an attempt to fill the gap left by the British Empire. It has been a continuation of the same dominance, merely under a different flag. As such the American Empire has been less successful than the British. For one thing, the USA has not been able to hold any area where it has intervened militarily, despite the fact that it has always aspired to do so. It has not been able to profit from its military operations, but instead and as a direct result the country has amassed a vast debt which it will probably never be able to repay. With the rhetoric of the Bush administrations (father and son), the world even began to feel that America represented a new Roman Empire. It was also an America which most people elsewhere saw as out of touch with the prevailing values of our times.

Now under Obama the objectives and the actions are the same, but accompanied by a less destructive rhetoric. So far this strategy has worked well: the Europeans have become more co-operative, the Arabs feel less threatened, and the Asians more reassured. In reality nothing fundamental has changed. Most Europeans seem convinced that Obama will achieve good things, to the point where he has been awarded the Nobel peace prize in advance, in the hope that he will do good in the future, despite the fact that he has stepped up US war efforts in Afghanistan and Pakistan and spent more money on arms that any other US president since the Second World War. But then it should also be remembered that Obama is a master rhetorician, probably the most skilled the White House has seen in more than a century. The Nobel peace committee has a long history of unfortunate decisions, awarding the prize to various individuals with blood on their hands: Yitzhak Rabin, Yasser Arafat, Menachem Begin, Henry Kissinger. According to Tariq Ali, Liu Xiaobo is far from what we should call a peace loving man. He still supports the American war against Vietnam and thinks it was unfortunate that the western powers did not succeed to colonize China. The committee now follows a logic whereby the prize is awarded to people they hope will do good. It is rather like giving a chemist a Nobel prize while he is still an undergraduate, in the expectation that he will come up with great results once he has started work as a researcher. The prize has become a political tool, more than a recognition of actual achievement. What will eventually bring the American Empire down is not its geopolitical adventurism since the Cold War, or the failure of fundamentalist Christian retro-utopian plans for world dominance, but its economic strategies. For one thing, the USA is financing its current wars with Asian IOUs. This would not have been a problem if the country was getting more back in return for its "investments", as a consequence of

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those wars, than what they cost; but that is not so. The British Empire lasted for more than two hundred years because the British were able to find goods which they could sell, even if that meant selling drugs (opium) produced in India to the Chinese. All the US has managed to get out of its military adventures is more arms orders. The country is slowly being brought down by its own military–industrial complex, a risk which several US presidents warned against. More fundamentally it is being brought down by its own economic policies: by its economic theories, such as the conviction that it does not matter how you acquire your money so long as you carry on consuming. The roots of this policy can be traced back to the development of the US financial industry, founded on a Federal Reserve modelled more as a private company with invested interest in the banking sector than as a State institution run for the benefit of consumers as the Fed and banks operate in close symbiosis. All this has been conceived, constructed, and defended by economic experts from the various leading universities, not out of any ill will, but out of self-interest and ideological conviction. It is a financial system which has been exported to and adopted by all the Western countries in one form or another. It is a financial system which profits from lending people money which they cannot pay back, yet refuses them the right to default. When the banks go bust it is those same people who have to bail them out by paying higher taxes, when they are already in debt. This seems to be the decisive factor which has led to US overstretch, and which now appears to be heralding its decline. Unfortunately it signals economic decline for much of the rest of the Western world too, and will lead indirectly to lower growth in Asia.

Man has always been occupied with the issue of competition; it seems to be part of human nature. We know that it is the nature of all other species as well, something we all have in common. Whether bee, whale, or human, competition is ultimately just the expression of our wish to survive and multiply. In other species this function is pre-programmed: part of their instincts. For us, human beings, it is expressed as individual and social choice, at any rate to some extent – less than we care to admit.

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This perspective – Man's free will – has been exaggerated within the social sciences from the first. We act very much in accordance with patterns defined by social, cultural, and genetic factors. Free will should be seen essentially as a goal, and hence as ideology. As propounded in the Western world, in its extreme form, free will is an illusion, and therefore a potentially dangerous notion, for it makes us less capable of understanding ourselves and the society we inhabit. Agreed, it strengthens our self-esteem, makes us believe we are in control, and gives our life the meaning which we yearn for it to have. There is such a thing as free will, but we are more pre-programmed than we would like to think. On the other hand, the notion of limited free will ought not to leave us feeling failures when we understand our limitations. But at the same time free will ought not to make us feel superior to the other animals and to the very Nature of which we are part. It would be better if we learned to think of ourselves as a part of Nature, as just another species with no greater right to survive than other living organisms that are needed to maintain a balance in the ecosystem. This biological perspective or insight has been largely denied to twentieth-century Man, occupied as we have been with our own superior qualities and rights. Unfortunately there are no "great games" that will lead us to grasp this in the era of geoeconomics. For this insight, we need to wait till politics gets the upper hand again. For the moment we are going in the wrong direction, and seem unable to do otherwise.

3.2 The conflict between Western and Asian values

Geoeconomics is gradually taking over from geopolitics. The shift was signposted by the onset of the process we know as globalization,[43] a generation old now but still in its infancy, in which governments and governmental institutions have been discovering that they are no longer unchallenged key actors and overseers of world events (cf. p. 99 of the contribution by Wilhelm Agrell in Sigurdsson and Tågerud 1992). The process is the result of the end of the Cold War, and marks a shift of focus from political ideologies to economic realities.

The logic of geoeconomics has traditionally come in two varieties. One is government-driven, as in large parts of Asia –not only China and Singapore, but also Japan. The other variety is driven by private-sector corporations, as in most of the Western world, especially the USA. Nowadays it is less of a West versus East contrast than it was, as more companies are being privatized in China and many companies in the West have come under government control, particularly in connexion with the recent banking crisis. To complicate the picture further, what looks like a privately-controlled organization is often State-controlled in reality, since many governments are active investors and owners. China is a good example here, but so is Norway.

The concept of geoeconomics is not a new thing in the world. It can be traced back to the Chinese "Seven Military Classics", including Sun Zi's *The Art of War*, and to old Chinese strategies of non-military conquest, as when Sun Zi says that the highest excellence is to subdue the enemy's army without fighting. Warfare is costly, in human lives, in resources, and in morale. It is not rational for a State to wreak destruction and cause human suffering. Rather, we want to control the competitor's resources, if possible to get him to work with us and for us. This he will not do if he is defeated or outraged. Our goals are more effectively achieved by setting our multinational enterprises to work, building economic strength and implementing economic control. This is what the Chinese are doing all over the world now, while the West is still locked in to the old geopolitical logic of military action, with roots stretching back to colonialism.

43 By globalization we mean the economic, social, technological, political and judicial developments that are leading to the sense we have of a smaller world and to increased contacts between people from different countries. It is not the phenomenon in itself that is new – international business has always been a part of trade – but the quantity and extent of these activities.

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Geoeconomics as a strategy carried out on a global scale did not begin with China but with Japan, as that country developed after the Second World War. However, the Japanese over stretched themselves in the 1980s. Since then they have been in more or less permanent recession. They are an insular civilization which has lost interest in going abroad and learning about other cultures. It is said that even Japanese diplomats now often prefer to stay at home. They never allowed foreign ownership of their land, but were forced to accept US military control as an aspect of their surrender at the end of the war. Hence the USA was always in a position to dictate terms in negotiations with the Japanese. In practice the USA never acknowledged Japanese sovereignty and always treated the Japanese as subordinates, and this explains why they systematically spied on the Japanese during trade negotiations (Solberg Søilen 2004). So long as Japan accepted this inferior position and was able to produce the goods the US needed and to lend them money, the relationship worked fine.

The new creditor, China, has no intention of reproducing such an unequal relationship. China knows that the USA is stronger, so the Chinese treat their greatest opponent as their best friend, while continually improving their own position, making the US an ever-larger debtor, ever more dependent on foreign loans. Only gradually will they assume the role of leading superpower. Discreetly but quite rapidly China is building up its military capabilities, initially in the South China Sea and around its coasts. By building a superior military force China will push the US back step by step, preferably without any military incidents. The strategy is well described in the seven classic military books of China. The USA now needs China more than China needs the USA: that is the bottom line. Time will take care of the rest.

Not long ago China objected to US operations in the Yellow Sea as a response to increased North Korean aggression, forcing the US and its ally South Korea to use the Sea of Japan for planned manoeuvres. Slowly US naval supremacy in Asia will be whittled away. Eventually China will want to settle the Taiwanese question. Meanwhile the USA will continue to borrow money from China and waste it on a military strategy which works against the country's competitive advantage and looks more and more like an irrational crusade. Obama would like to leave Afghanistan, but his generals are resisting, at least unless they can get something else, like a build-up in the Pacific Ocean or a war against Iran. The fact is that the USA got locked into the arms race during the Cold War, and is now incapable of changing strategy. There are too many vested interests at stake. The executive power is weak, and political will has become entangled with large economic interest groups – particularly the military–industrial complex and the health care industry, which between them account for about half the federal budget. When the US Army goes to war today it is primarily because there are strong financial interests that suggest it should, to keep the military machinery going, rather than because it makes sense from the perspective of national competitive advantage. What is rational for the Army and the military complex becomes irrational for the country; thus the nation declines.

Another way to describe this logic is to say that the USA, and to a large extent Europe too, are locked into the rationale of geopolitics, whereas China and the other BRICs (Brazil, Russia, and India) have shifted to the logic of geoeconomics. It is not because they are weaker that the Chinese have chosen this strategy (though it is true that China will not be able to threaten the US militarily for decades yet), but because they are able to see more clearly and think further ahead. Foresight is one of the grave weak points of a modern mass democracy. It is not that we are incapable of thinking ahead, but our politicians are not interested in implementing ideas whose outcomes will lie beyond the next election. Ideally this is the kind of longer-term insight we need social science to equip us with, so that we can prepare for the future; but the short-sighted logic of mass democracy extends even into academia, where it is setting the research agenda. Our social-

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science scholars are not so much a body of independent thinkers, but have rather become technocrats at the service of the political establishment.

We who live in the West ought to question the perceptions we have of ourselves and of others as they relate to existing ideologies. The much discussed and criticized "end of history" is often interpreted as the end of one kind of history (not the end of history as a whole, a misunderstanding which led to much undeserved criticism): namely, history as competition between the values of two ideologies which shaped the world agenda for almost a century until recently –communism and capitalism, authoritarian rule and liberal democracy. Many in the West seem to think that it was not the system of capitalism as an ideology that "won", but the ideals it supports: in particular democracy, liberty, and human rights.[44] Others, specially in Asia, see things differently; they believe it was not these ideals that gave us victory, but what the ideals had shown they could produce, namely modernization and a higher standard of living for a majority of the population. The free-market economy will only find the broad support it needs for legitimacy in a democracy for as long as it can convince the public that it can respect, defend, and maintain these ideals. But the ideals will also need to lead to a better life, defined by most people today as a higher standard of living. People want to feel they are better off. If they do not, the likelihood is that we will seek other political solutions, other ideals, which may or may not involve democracy.

44 The values of the Western world in the 21st century are an individualist version of the values of the French Revolution, with "brotherhood and equality" eliminated or transmuted into "respect for human life, equality between the sexes, the right to a fair trial", etc. (See the European Constitution).

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A political ideal, such as democracy, human rights, or greater liberty, does not necessarily lead to a higher standard of living. Our experience in the West, especially since the 1960s, has shown us that it may also lead to more bureaucracy, more government spending, a dependency culture, and eventually to lower productivity. With the current financial crises, many people in the Western world feel that they are now worse off than they were ten to fifteen years ago. Masses of new voters who have been brought up to be irresponsible, demanding their rights but forgetting their duties, are putting great strains on the welfare state, which is no longer able to function efficiently. In this respect China with its continuous growth is showing us a different way, one that we are not yet ready to embrace: a renewal of the meritocratic model in a more pragmatic framework. Klaus Schwab talks about leaving capitalism as a political model and build a society more based on competence. This, and not authoritarianism or dictatorship, is the essence of the Chinese model.

It is a traditional Chinese model: those who rule are chosen from among the best pupils, are those that are best educated, who obtain the best results in national exams. Education in China does not mean over specialization, but a broad and deep general education. It is similar to the ideal which the Germans call *Bildung*, which is commonly mistranslated as "education" in English. *Bildung* is the process of developing a person's *Geist*,[45]so that he becomes a balanced and sensitive human being. This kind of education is very different from what we offer our university students today in most parts of the Western world, where they acquire skills to fit specific job descriptions. Britain has for long been an exception, but its educated classes do not rule the private corporations, only parts of the bureaucratic sector. What has largely been lost in the West has prospered in the East. Go to the gardens of Suzhou and see for yourself: these properties belonged to the best educated, to civil servants, not to wealthy entrepreneurs or selfish businessmen. Or compare the education of leading Chinese political representatives today with those of our own national assemblies. Now tell me which society is more civilized. The China that is developing today represents not a new political model, but resurrection of the old one. Indeed it was the same while China was guided by Marxism–Leninism: Confucian ideals always existed alongside the foreign ideologies. Mao adapted Marx and Lenin to the Chinese model, he did not simply implement their recipe unchanged. And it is the same for the free-market economy of today's China. It is more likely to become Confucian than Western.

There are many problems with mass democracy as it has developed in the West today. For instance, our system encourages the individual as citizen to focus more on what he can demand from society than what he can bring to it. That is, it speaks more about rights than obligations. Furthermore it is full of vague ideals and terms which are poorly defined. The chief producers of these terms are the new social sciences. These have failed to grapple with the notion of values, or virtues. Thus our theories and research seldom help the individual to know how to behave in a given situation. We do not learn how to be "free", or "democratic". For that we need to learn about the virtues that can lead us to these ideals.

For a competitive advantage or for economic growth these values comprise: commitment, confidence, co-operativeness, courage, creativity, curiosity, encouragement, endurance, enthusiasm, excellence, flexibility, foresight, fortitude, honesty, imagination, industriousness, integrity, inventiveness, loyalty, obedience, optimism, patience, perseverance, prudence, purposefulness, respectfulness, responsibility, restraint, self-awareness, self-confidence, self-discipline, self-reliance, self-respect, sensitivity, service, sincerity, tactfulness, temperance, tenacity, trustworthiness, truthfulness, understanding, wisdom, and above all hard work. This has been true for all cultures in all times; but where do we learn this? Our social sciences today think they are too superior, too advanced, to deal with such unsophisticated ideas. Besides, they see them as "moral", hence subjective, and the social sciences do not do ethics. That is for the humanities, they say, it belongs to the

45 Neither "spirit" nor "mind" are fully satisfactory as English equivalents to Geist.

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study of moral philosophy, they deal with the normative sciences. That is all very well, but in that case we have to accept people beginning to question the value of the social sciences.

Identifying these qualities as values not only helps us as individuals to know what to do, but makes it easier to evaluate the properties of different cultures, organizations, and individuals. It makes misunderstandings in conversation less likely, and moves discussion away from political ideologies, which are emotionally charged and traditionally – especially in the West –couched to a great extent in vague terms, using a diffuse language which we have been led to think of as a mark of higher education. In this respect one could argue that Europe and the West were better off when they only had religion, before we became lost in our political ideologies. But then our religions are of course themselves ideological in nature. By focusing on values and virtues we could create a better democracy, or what is more important, a better society. Mass democracy no longer tends to foster these virtues, and it no longer guarantees a higher standard of living either. That is why most Chinese are content to live in what we in the West might call a semi-dictatorship, or a semi-democracy, depending on point of view. In the end the question is not so much about democracy versus lack of democracy as about what *kind* of democracy is best.

The Chinese political system has led to a higher standard of living for more people than what China could have achieved if it had conformed to a Western model and proclaimed itself a full democracy. Consider what happened to Russia after it allowed itself to be influenced by the IMF, the World Bank, and their experts. When things started to go seriously wrong in Russia, when average life expectancy and the birth rate both fell while unemployment and insecurity increased, these institutions told the country that it had to take the nasty medicine in order to get better. In reality things did not start to improve until Putin destroyed the structures built by the oligarchs and their supporters and reintroduced more authoritarian rule. Authoritarianism did not in itself solve the problems, but it helped oust the perpetrators. It was the same story for Malaysia in the 1990s. If conditions in Russia are now a bit too similar to the court of Ivan the Terrible, that is mainly because of the way Russians have learned to behave vis-à-vis their governors throughout their history. At least now they control their own destiny again, and the average citizen is starting to feel slightly better off.

Most Westerners today believe there are no real challenges to our modern liberal democracy, that democracy and free trade fit together like hand in glove. At the same time they see that the countries which are showing the way forward economically are ones we call "authoritarian regimes", "hybrid regimes", and "flawed democracies", such as China, Singapore, and Taiwan. This should make us question our perception of the world. The chief reason for their progress has nothing to do with the ideological label we put on them, but with the virtues demonstrated by their populations. We must start to ask ourselves about the quality of our own virtues. Is a more democratic society necessarily a more virtuous one? While we plan to retire early and prefer to stay at home and go out with friends, they go to work. While we are busy demanding our rights, they fulfill their duties. Ultimately, we are less willing to make an effort, while they take competition more seriously. This does not mean that it is impossible to combine democracy with meritocracy. Japan and South Korea demonstrate that this is possible, and so did much of Europe in the decades following the Second World War. Neither is it true that our societies are consistently becoming less meritocratic. Rather, meritocracy seems to move in cycles. The British Army in the Napoleonic wars was known for having too many useless officers. Most of them had risen to their positions because of their rank in civil society, not because of their martial capabilities.

While we in the West have broad discussions which often lead nowhere in particular, they in the East have focus and persistence. Some discussion is always good, even essential, but too much is inefficient and counterproductive. This is the reality of the European Union today. If we are still doing well economically in the West, this is because we had a strong

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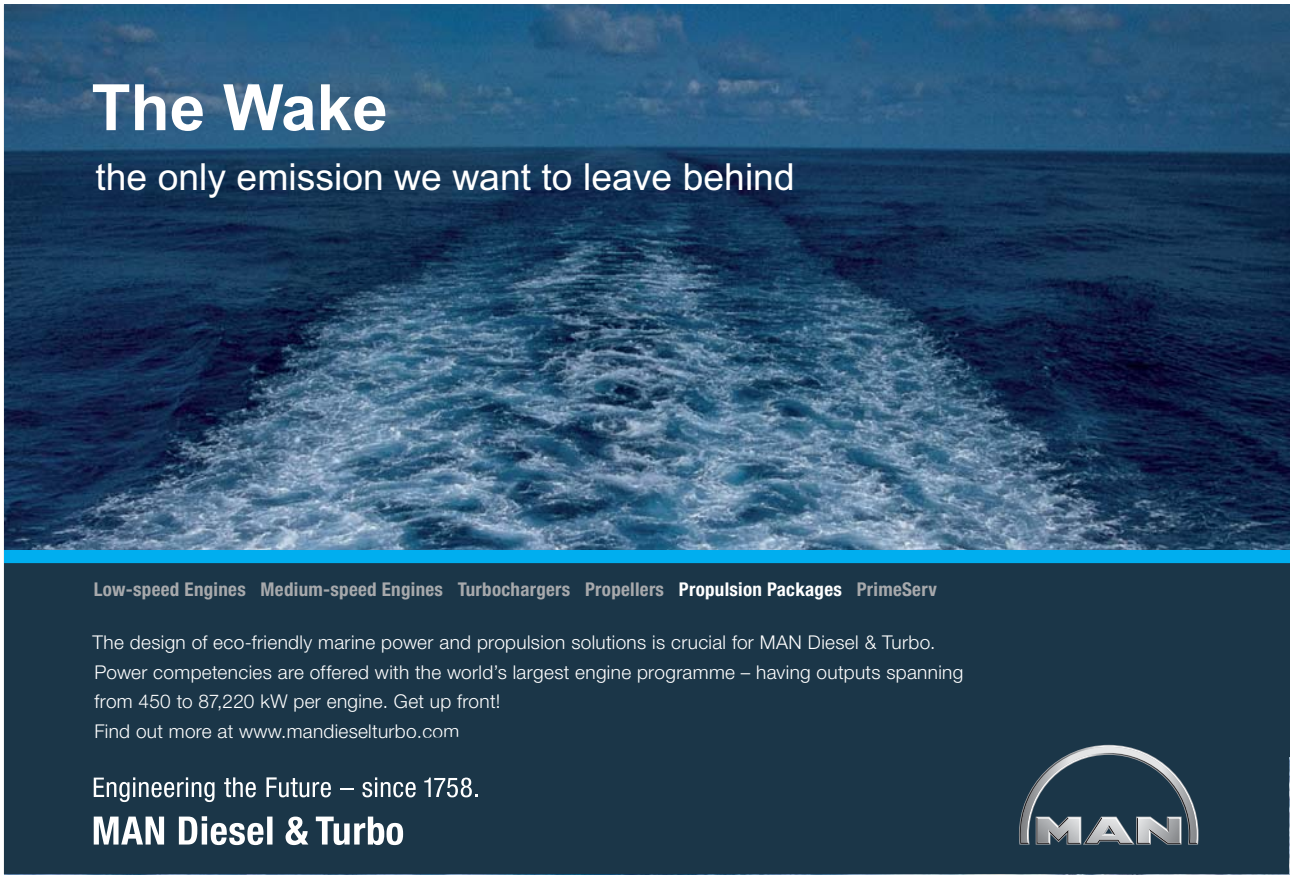
lead, and because our companies are powerful and function very much like the hybrid regimes mentioned above. It is not the fact that Asian societies or Western companies are command rather than free-market systems which causes them to succeed, but rather the degree to which this allows them to be shaped as meritocracies. While Western, and particularly European, democracies abandoned the meritocratic spirit which prevailed in our societies until the early 1970s, many non-democratic States went the other way and became more meritocratic, less oppressive. They are today becoming corporate States, in the sense, societies in which the interests of society and corporate interests coincide.

The current Chinese political system will probably prevail for another generation at least, perhaps even for generations to come. At the same time we may expect that the Chinese State will come into conflict with the interests of its growing middle-class population. To some extent this is already happening, first of all due to restrictions and censorship on the internet, blocking a great number of sites and most of the video material (The Great firewall of China). Although the motivation for these policies can be seen to be noble, preventing crime and the over-sexualization of society by avoiding immoral content, it is questionable whether or not this policy will be effective. E.g. it is also hindering Chinese in getting updated on new technologies, making them less able to compete for Internet jobs. All of this is likely to modify the political model, but China will then be more likely to develop into a semi-democracy than into a Western-style full democracy with a comprehensive social welfare system. More important, this transition is not bound to result in large-scale social conflict. There was none at the time of the major Chinese policy change between Hua Guofeng and Deng Xiaoping: it all happened without bloodshed. China's politics rather are shaping up to be the "revenge of the meritocratic model", even offering inspiration to the West as we are now forced to become more competitive. In many Chinese provinces and cities they are experimenting with locale direct democracy and the establishing of more elaborated welfare mechanisms to find their own balance. The consequences of the Chinese experiment will shape the politics of the future. They will decide how we reshape our own democratic model. Either that, or we shall decline.



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In line with the evolutionary doctrine of Hegel and his American pupil Francis Fukuyama, we can expect that the wealth now being created in China, a country containing about a quarter of world population, will trigger a redistribution of power within Chinese society, just as it did in twentieth-century Europe. It is questionable whether this redistribution will go as far in China as it did in the West. Experience in the Western world suggests that, as a sustainable economic and political model, redistribution needs to be based on performance to function successfully. Europe and the Western world will be forced to adopt a more strongly meritocratic model for their societies in order to compete with Asia in future. This means that we can expect the Western world to move more in the direction of Asian political models, and not *vice versa*. It could even be that Europe and the West will become more Confucian, in the sense more pragmatic, meritocratic and moral.

The real question is how far, and when, Europe and the West are going to take up the new competitive challenge posed by the BRICs, particularly China. If they do not, they will quickly lose ground. The toughest competition is still to come. China has already most of its modern infrastructure ready and its megacities will be fully developed and operational within less than a decade. To avoid being overtaken by Asia, Europe may have to alter its political model in a number of respects, including everything from shrinking the welfare state to reducing the level of tolerance for crime and raising the levels of social responsibility and accountability in our societies. Following the logic of evolutionary theory, as expressed in the competition between societies, in the 21st century it will be the winner which imposes its values on the rest of the world, where winning is defined by a nation's economic strength.

For the moment, and as a reaction to the momentum created by the apparent disappearance of all ideological challengers, the Western nation-state has given the market economy a free rein. The financial crises that hit the Western world in autumn 2008 did nothing to change that, despite the fact that they resulted directly from too much power placed in the hands of irresponsible bankers. For the moment we have no widely-accepted political solutions for our free-market problems. Having lost the ability to take the initiative, we are waiting, hoping to ride out the crisis. The truth is that we are waiting because the answer is too radical to contemplate within our existing political paradigm. We need to reconstruct the entire banking system, separating casino banking from retail banking. We need to free the average worker from the burdens of his heavy financial outgoings. This implies a revolution of a sort; but it does not have to be a bloody one.

It is wrong to suppose that the Chinese want to become more Western. They want to become modern, meaning they want to share the same lifestyle that we enjoy via a process of rising material prosperity. They also want the same individual freedom that we have. For as long as the Chinese government puts restrictions on individual freedom a large number of those Chinese who can afford it will seek their luck abroad. Thus China stands to lose much of its talent. This by itself will force the Chinese government to change its policies. The main thing that will lead to a better life is more trade, and no one has understood that better than the nations of Asia today. It is as if this lesson has been forgotten in the West, entangled as we are with the rhetoric of the current social sciences, which ultimately just shifts us ever further away from the competitive mind set. Many of the notions which make up a nation competitive seem almost to be too simple for the modern social scientist to engage in, ideas like increased trade, more savings and a better work ethics. For the past few decades Asia has been selling products to the Western world with money we have borrowed from them (just take a moment to reflect on that "business model"). What looks like an obvious recipe for disaster has met very little criticism. Few academics, in particular economists or political scientists, have warned against this development. Why not? The only reasonable explanation is because we academics ourselves are entangled in the same logic and profit from this same system, in the short run at least. A standard academic response to many commonsense views, such as the idea that the economic pattern just mentioned is perilous, would be "There haven't been any studies done on that, so far as I know, so I can't say". And it is true that everyday life is full of problems that have not been treated in scientific papers. The reason

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for that is that social situations are rarely identical; differences between them are sufficient to make most existing research inapplicable. These studies are too narrowly defined, so that we cannot use them to draw conclusions about what we see. We ignore the fact that we have gathered experience about the world through individual observations, and that we can use that experience with some critical thinking and a few syllogisms. Instead we have learned to tell ourselves that anecdotal experience is biased, subjective, unscientific.

Western governments do not typically sponsor studies that question governmental action. Our research policies are primarily shaped to support existing political ideas. The doctrine of political correctness takes care of the rest, inducing researchers to align their topics with directions that will enhance their careers and to contribute beautifully-written articles to approved academic journals, where approval depends largely on government policy. For a modern academic career, writing monographs or books counts for little. It is commonly regarded as a waste of time, because it diverts time from activities that carry more academic brownie points. Books are at best seen as a contribution to pedagogy. This scale of intellectual priorities would have been almost incomprehensible to Europeans before the Second World War. In those days, moreover, scholars kept up to date on academic contributions from Continental Europe, from French and German universities. That has all changed. Today the English-speaking academic world, in particular the American, has been set up as a standard, a measure for all serious achievements. If a paper does not consider recent English-language contributions then it is "not up to date on theory" and will not be published. The tradition of geopolitics and geoeconomics, like the tradition of critical theory, is different because its roots lie in the Continental European intellectual tradition, which favours critical discussions, based on the study of history and philosophy.

If we are experiencing a renaissance of geopolitical thinking today there are good reasons for this. There can be no understanding of international relations without a clear *real political* analysis of events. At the same time, there are social-science academics who are trying to bury the field of geopolitics.[46]Although the subject was considered pretty much taboo for decades after the Second World War, it has continued to exist and prosper (see e.g. Carlomagno 1997–8: 5–6). Geopolitical doctrines simply changed names. The Truman administrations talked about the Truman Containment Doctrine, and the Eisenhower and Kennedy administrations talked about the Domino Theory. Both were based on geopolitical doctrines. Foreign-affairs advisers to American presidents from Kissinger to Brzezinski have always had a strong interest in geopolitics. If geopolitics is in fashion today this is not because it has suddenly acquired a relevance it did not have before, but because it has now become acceptable for academics and practising politicians to discuss it.

The problem with earlier geopolitical theories, developed by men such as Friedrich Ratzel, Alfred Thayer Mahan (1840–1914),[47]Rudolf Kjellén, and Halford Mackinder (1861–1947),[48] was not their geographical analyses, but the political implications or "necessities" some people inferred from those analyses – and in particular, of course, the consequences which ensued when a certain Austrian painter entered politics and put some of these implications into practice. Many blame the German political system for that. Fascism and Nazism only became possible thanks to the modern democratic political model adopted by the Weimar Republic, between 1918 and 1933.

46 See for instance Fettweis (2003: 123): "great power-strategy à la MacKinder, Spykman, Mahan, and Brzezinski, is obsolete".

47 A naval officer, Mahan was one of the first American military strategists. He and Julian Corbett (1854–1922), professor at the naval war college, advocated the theory of naval superiority which corresponds to the current American military position, unchallenged in all oceans.

48 Mackinder is considered one of the founders of geopolitics. He was a geographer, and became a professor at Oxford in 1887. In 1895 he moved to the London School of Economics, which he headed over the years 1903 to 1908. See Mackinder (1919).

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The elites in Germany in general abhorred the Nazis, just as they were critical of mass rule; but they were forced to accept the Nazis' newly-won political legitimacy. In the end they also had to accept Nazi influence over the army, though the military elite set one condition, that the SA is kept out of military affairs. The army was composed of professionals who did not want Hitler's rascals among their ranks. In what has been called the Night of the Long Knives Hitler then decided to eliminate his old drinking buddies in the SA, who were aspiring to higher military positions. Unfortunately the army had no objections to Hitler's praetorian guard, the SS. If they had to take orders from the Nazis, the army thought, at least they would be left alone to manage the war themselves. Spurred on by German successes on the western front, Hitler began to imagine that he had special strategic abilities. His increasing meddling in military affairs soon became fatal for the German army on the eastern front. To make things worse, behind the regular army Hitler sent his new SS elites to implement his ideas about *Lebensraum*, territory where the German people could multiply in order to achieve a certain critical mass in Europe. This was a geopolitical doctrine straight from the textbook, but the textbooks did not condone massive use of violence – and did not warn about the consequences of failure. When the project failed, the Russians turned round and visited the same pain on the Germans as they had seen the SS inflict in the east. The consequences for German civilians, especially women, were devastating. The geopolitical idea of *Lebensraum* had turned into a tragedy for everyone.

One can view this episode in German history as a clash between meritocratic and democratic structures. Hitler would not have come to power if he could not get control of the army, and that could not have happened without the legitimacy provided by the modern democratic system. That does not mean that moving towards ever greater democracy is a wrong direction to take, but it does have consequences which can de stabilize a country and make it less competitive. We see the same rabble getting into politics by the backdoor all over Europe today, even in Norway (Fremskrittspartiet), Sweden (Sverigedemokraterna), and Denmark (Dansk Folkeparti). In consequence there are now a growing number of fascists and right-wing extremists in the European Parliament. The movement is already threatening to get a grip in Southern Italy, the Netherlands, Hungary, and along the Côte d'Azur. As always, fascism is appealing to the less educated classes. That should lead us to question the consequences of giving the vote to people who are so clearly unwilling to accept their social responsibilities, but regardless of education. For society to work properly there must be a balance between rights and duties. The lack of such a balance has made much of the Western world less competitive today. The workers' movements had the best of intentions and many good arguments when they demanded more rights at the beginning of the twentieth century, but demands for ever greater rights have subsequently spawned the overgrown, inefficient welfare state we see today, in which part of the population sets out to outwit the social-insurance system and other State institutions intended to help all citizens. The economic consequences of these abuses have in turn led to growing support for right-wing mobs.

For decades after the Second World War it was unthinkable to discuss geopolitics in Europe. In France it was otherwise. The subject prospered there more than anywhere else during the Cold War period. Early translations of German geopoliticians such as Ratzel and Haushofer helped to foster growing interest in geopolitical and geoeconomic matters.[49] This paved the way for a number of French intellectuals to contribute to geopolitics, for instance Gérard Chaliand, who pioneered the use of atlases to display political and economic ideas in the 1970s and 1980s (see Chaliand and Rageau

49 Haushofer's Zeitschrift für Geopolitik started in 1923, ceased publication in 1944, but reappeared in West Germany in 1951 as a conservative journal of international affairs. It survived until 1968. Karl Haushofer (1869–1946) was much influenced by Ratzel, Mackinder, and Kjellén; see Haushofer (1924).

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1983, 1997, Chaliand 1990). He also received attention in the USA. The New Right, led by Alain de Benoist, was heavily influenced by geopolitical thinking when he defined his political agenda in the 1960s and 1970s and when he founded the journal *Nouvelle Droite*. Yves Lacoste gave his journal *Hérodot*, launched in 1983, the subtitle *Revue de Géographie et de Géopolitique*. Lacoste is considered a father of modern geopolitics. France never felt itself to blame for what the study of Geopolitics had led to, so there was no pressure to taboo it. There were plenty of criticism against the study from the French left, but France always had its heroic military tradition to preserve, much inspired by the visions and actions of de Gaulle. France has also always felt independent of Anglo Saxon thinking, even opposed to it. In recent decades France has also been openly opposed to its economic interests and what has been felt as interventions. As a consequence the new economic competition, whether coming from the US or from China, has been christened "economic war" (cf. Coulomb 2003), a metaphor which is still unthinkable in Germany.

Over the past decade, and especially since 9-11 and the start of the new confrontation with the Islamic world, geopolitical ideas have returned to the fore. Two generations traumatized by the Second World War are passing away. At the same time the problematic aspects of the subject are not resolved. Their lessons must not be forgotten.

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4 Elements of geoeconomics

The historical method has been largely discredited since the Second World War. Part of the reason is that people have been learning less history since then, so the phenomenon becomes a self-fulfilling prophecy, a downward spiral. The disciplines of history and geography have been systematically neglected, in the USA and indeed in the West more generally, right up to university level. If we knew more history, this would strengthen our ability to draw historical parallels, and thus to make more accurate predictions about future events. Instead it is often wrongly assumed that we know as much as there is to know about history. The field of economics suffers greatly as a consequence.

This neglect of history has led to another dangerous common assumption, namely that an analyst or a scholar can know what is going to happen simply by looking for the appropriate parallel among current events – that to be "well read in history" is not relevant, because the world has changed. A further dangerous assumption is that knowledge of geography has become less important because of Man's conquest of his environment via development of new technology, such as Google Earth. We may know where to find something, but that does not mean we know when to look for it, or even what to look for. It just means that if we are given the correct question then we can often find the right answer, much more quickly than before. Often, the difficult thing is to ask the right questions, and to spot possibilities and parallels when important topics emerge.

Yet another dangerous assumption is that, if the facts are clear, then decision-makers will know what to do with them. Thus the whole intelligence function is conceived as a question of subscribing to the right sources (journals, magazines, internet services): simply knowing where to look. This is also what is easiest to do technically, which helps explain why so many companies come to think this way. Furthermore, it is what is easiest to sell. But what we find will only make sense if we know what context to place our intelligence in and how to analyse it.

When we aim to study the world around us we need to start from the parameters that are given to us as constraints, as it were: the recorded social behaviour we have in common and which is specific to a particular time (history), and the space we move around in, where all social behaviour must find its place (geography); but also the sum of Man's possible behaviours (literature), and the limits to the ways in which he can understand the world (philosophy). When studying human social behaviour we also need to make some basic assumptions regarding human nature. The first is that all people have interests and follow them (rational choice theory). Another is that these interests are mostly (but not entirely) selfish. When interests collide, there is a problem of persuasion. When one interest prevails over another, we have a power relationship. Analyses of power without the moral dimension are what is understood by *Realpolitik*, which lies at the core of geopolitics. Geopolitics then is the combined study of history, geography, and *Realpolitik*. The methodological strength of this study is that its building blocks are constructed from the things that are most certain in Man's nature and in his environment.

That is what is likely ultimately to give us the best predictions. But our current social-science paradigm is defined very much in opposition to this methodology. For economists and political scientists, this has often devastating consequences, as when they are asked for their opinions on current affairs. Either they juggle a few economic variables, or they choose the safe path of common-sense notions. Most economists, most of the time, just repeat what they have read – what people

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they trust have said. Independent, critical thinking is often lacking. All the expertise may be there, but no-one seems capable of "joining the dots", making syntheses, because no-one has learned how to do it –since experts by definition have restricted frames of reference and are victims of their own narrow reading. We are all "specialists", which often ultimately becomes an excuse for failing to take responsibility for the larger picture.

4.1 The doctrine of the Nareland

The idea that holding the Middle East – the *Heartland*, "the greatest natural fortress on earth"[50]– is the key to controlling the civilized world was once the core idea in geopolitical thinking. It was the central plank in the geopolitics of Sir Halford Mackinder, the basis of the Truman Doctrine, the Eisenhower Doctrine, and the Carter Doctrine. With Nicholas Spykman geopolitical attention shifted towards the *Rimland*: dominating the coastal areas of Eurasia.

With the shift from geopolitics to geoeconomics the focus is no longer the Heartland or the Rimland, or any coherent geographical region, but the set of all geographical locations containing economically-important natural resources, what we shall call the *Nareland* (Natural Resource Lands). This new logic of dispersed geographical locations marks the shift from geopolitics to geoeconomics. We find support for this theory today in US involvement in the Middle East and in China's growing involvement in agricultural production and oil extraction on the African continent. China's mission here, as everywhere else in the developing world, is twofold: to show the poor people of the world that China is the new alternative to the Soviet Union, and to secure China's supply of raw materials. It is a policy of "hearts and wallets", and it has been a great success. Only two decades ago Africa was largely a matter of struggle between French and Anglo-American interests. That was a geopolitical logic. The outcome of that has been poverty, corruption, and political elitism. China has now captured most of Africa economically, though not yet culturally. For Africans the most important feature of a product is price. Today there are few markets where Western companies are able to compete against their Chinese counterparts.

For the Chinese it makes sense to focus on Africa: (i) they have the contacts, from the Communist era, (ii) competition elsewhere is tough, and (iii) the Chinese do not jib at working with the natives under rough conditions. Although oil represents China's largest interest in Africa (Angola – a quarter of Angolan oil production goes to China, Equatorial Guinea, Nigeria, and Gabon), they are investing in other sectors also, and they are there to sell. In most these countries they take on projects that we in the West consider ourselves too good for, projects that are deemed too messy or not profitable enough. When we have gone to Africa it has too often been to play the political game, to line the pockets of corrupt leaders or to administer relief funds; not to build, not to create long-term wealth. It is an old irresponsible habit from the colonial period which continued through the Cold War.

No other resource is so highly prized today as oil, and nowhere can it be had more plentifully than in the Middle East. The more we extract and use, the greater the demand becomes for what is left. Based on our current consumption of oil and on estimates of remaining reserves, it is possible that every drop will have been consumed by 2040 (Klare 2001: 42). This has set the first new geoeconomic agenda for the world's resources since the Cold War. Until we have a substitute form of energy, countries like the USA have demonstrated that they are willing to risk lives for access to other countries' oil reserves. This strategy did not begin with President Bush junior: it goes back to Jimmy Carter's administration and its dealings in the Persian Gulf. US involvement in the Middle East goes back to the last days of colonialism, when Arab

50 "Who rules East Europe commands the Heartland. Who rules the Heartland commands the World-Island. Who rules the World-Island commands the World" (Mackinder 1919: 150).

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leaders made it explicit that they were fed up with the British and were looking for a new partner. The Americans seemed ideal: they did not want to own territory or meddle in local politics, but cared only for the profits. This mutual relationship worked fine until the 9-11 attack. Then it became clear that the Saudis, the USA's closest partner, were giving house room to their greatest enemies, people influenced by Islamic extremism. Instead of declaring war on the extremists' homeland, the US attacked an old enemy from the Gulf War. Political pressure demanded they attack someone, but economic interest demanded it should not be Saudi Arabia. The dilemma was too great to resolve in any other way.

The "scramble for oil" is just one in a series of races taking place in the Nareland. The next competition may be for clean water. There is also a race on for the most precious remaining minerals, as in much of sub-Saharan Africa.

It was President Clinton who built up the US capacity to intervene militarily in the Middle East, not Bush senior or Bush junior. The 9-11 episode simply gave the Bush administration an excuse to speed up the process by using more aggressive military tactics. For the first time in decades the USA, Russia, and China are now openly supporting military operations for control of the world's oil resources.

In trying to control the world's oil the US is attempting what Alexander the Great succeeded in doing, and Napoleon and Hitler failed to achieve: to control the Middle East. For Alexander the motive was immortality, for Hitler it was ideology, for Napoleon and Bush it was greed. Obama's perspective is more pragmatic. He seems convinced that it is the only option left for the survival of the American superpower. Napoleon justified himself by saying that he was bringing the French Revolution to other countries, Bush by saying that he was freeing the Iraqis from a tyrant. Obama wants us to believe he is building world democracy. All are, of course, excuses. Each story is adapted to its own time, to what people are prepared to believe. The interests have not changed.

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Obama's job is to save the American economy, which means protecting the interests of the rich. He has not set out to remodel the country, because that is not a realistic project (but then nor, it now seems, is saving the economy). The USA has become a corporate state, run directly in the interest of its multinationals, only indirectly for its citizens. Evidence for this is seen in everything from the American approach to health care to its system of lobbying, overriding any possibility of a democratic process. (I try hard to explain to my students the difference between corruption and lobbying, but what is the difference really? One activity is illegal and the other legal, but what difference is there in substance?) Obama may want to change the system, but the interests supporting it are too overwhelming and the president is tied hand and foot. He is expected to create jobs and to make the economy flourish. Any deviation from that agenda will be treated as a failure, by the voters not least. The lesson learned by the Republican Party may be that, next time, they need to find a candidate everyone can like. They are having great difficulty with this in the run-up to the 2012 presidential election. They can hardly afford to use any of their political insiders, if they want to win. So it will have to be an outsider who is a communicator, a figure such as Ronald Reagan once was.

Only a cool-headed analysis of interests can reveal a State's power structure and policy motives. We must see through the State's rhetoric about a good society and good deeds. Individuals find the opportunity to do good, but this seldom applies to States. Good deeds areal ways encouraged, but their importance and consequences for a nation are systematically exaggerated. Even good deeds are mostly driven by selfish interests, such as when the super-rich engage in philanthropy. These men are still making investments, only not in machinery or new businesses, but in their own future reputations. Most of them have made their fortunes by being unusually ruthless, or creating monopolies and cartels of one form or another. Later, when they have all the material possessions they could possibly want, everything that money can buy, they start to think about what people will say about them after they are gone. They are still investing, but in their own immortality. Of course there are exceptions, but these exceptions do not disprove the way the world works in general. It is the same with nation states. They do good too, but that is at best a secondary phenomenon. More than anything else it is important to appear to be doing good, to occupy the moral high ground. The "international community" stands for that high ground among nations, founded on the values defined by the victors of the Second World War. Given that those are the accepted values, the English-speaking countries and their allies can win any political discussion. That is why countries like Japan, Germany, Russia, India, and now China often prefer to remain outside international political discussions, to position themselves as alternatives. At another level it is the reason for the creation of the Goethe Institute in Germany and the Confucius Institute in China: to show the world that there are other values, other ways of thinking about society.

The organizations themselves, the State and the multinational enterprise, will continue to claim positive consequences for their activities. It makes good publicity, and good publicity means more public support and increased profits. We are at a point where the actions of organizations look moral because morals are good for business (window dressing). An immoral image has the opposite consequence: it creates negative publicity and damages the reputation of the organization, whether that is a nation state, such as Zimbabwe or North Korea, or a private-sector company like the oil companies, which are now busy telling us how much they care about the environment and people in general ("don't mention the oil"). Attempts will always be made to conceal the true interests and to appear to be doing good. What has changed in today's world is that the truth emerges more often than once did – not through the traditional mass media, which have always been controlled by special interests and have therefore largely been self-censored, but through private individuals using new technology (primarily the Internet, easily-portable tape recorders, and miniature web cams). Thus the logic of doing bad things or being a bad organization has become more transparent. This in turn has expanded the public relations, public manipulation, and corporate-identity consulting industries, which are increasingly being operated and administered

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via the Internet, often nowadays engaging directly with individual voters and consumers. The aim of these PR efforts is to reverse people's perception of reality. Just think about it for a second: a PR company has no obligation towards the truth or the common good, but often finds itself in opposition to it. It is a perception-manipulating mechanism, the true modern equivalent of the ancient Sophists. We have become so duped by these activities that we have come to accept their existence as normal and acceptable.

Manipulation has become an easier task in some respects and a more difficult one in others. It has become easier because large national and international networks reach ever larger parts of the world's population (CNN, ABC, BBC and now CCTV, expanding faster than any network in history), but more difficult because new technology has given rise to new and alternative ways of communicating (Internet, e-mail, mobile phones, etc.). It has become more difficult also because the evolution of modern society, which is giving individuals more time off work, has been leading to increased concern for and interest in moral issues. Thus all organizations today, in both public and private sectors, are forced to take into account the moral consequences of their decisions and actions (child labour, labour laws, environmental pollution). A chief executive or manager never knows when he may be telephoned by a journalist to answer questions about decisions he has made; and if he fails to answer, whatever the excuse, he will be guilty in the public eye. If he takes the call, it will be the journalist choosing the questions, and the interview will be edited to support the journalist's side of the story and leave the interviewee looking like a fool or at best putting him in the wrong. That is easy enough to do if you have shot plenty of film footage or taken numerous photos. The outcome is all about the selection of material to present.

In reality these fights are never fair, to either side. Consequently both private- and public-sector organizations are putting increasing effort into training to handle various events and mishaps, as an aspect of their "external relations". From an instrumental point of view we could see this as a form of moral risk. As such it can be handled (modelled and calculated) like other kinds of risk. Companies nowadays systematically resolve similar problems through humble apologies (giving us the expression "to do a puddle"), denial, or diversification.[51]All communication with the company will be handled by an "information representative" or "communications representative"(since by now "PR" has become a dirty word).

To sum up: for a long time the world was locked into a struggle between political ideologies. The forces of geopolitical interests were checked by interests which overrode them: the winning of minds, the nuclear threat, and the survival of humanity. The "end of history" has, at least in this first phase, come to mean the return of geopolitical thinking, in its new shape as geoeconomics. If we think that we have seen hot competition between nation states in the past, that is nothing compared to what we can expect from the multinationals in the 21st century.

4.2 Normative intelligence analysis

This book is not about geopolitics in its own right, but as it relates to the field of economics. The book aims to tie together a number of disparate theoretical threads: the frequent lack of relevance in much of the established economics literature, the growing but fragmented body of intelligence studies (pursued in different ways in different countries), and the shift from geopolitics to geoeconomics with the onset of what we know as globalization. We shall mainly be concerned here with macro factors in our environment. That is rather different from the field of competitive intelligence, where the focus is mainly on micro factors. We are concerned first of all here with those macro factors about which we cannot be sure. This group of problems represents the largest challenge to the study from either a practical or a methodological perspective. We call this area, where guessing is often required, *normative intelligence analysis*.

51 For examples of the theory of Diversification of Moral Risk (DMR) see Jenster and Solberg Søilen (2009).

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How do we deal with behaviour that we cannot be certain about, which seems to demand some form or degree of speculation or guessing on our part?[52] Should we ignore the problem or defer it, as we do with similar problems in the social sciences when we encounter questions that cannot be examined empirically?[53] This would mean having to discard a large number of problems. In intelligence studies it is necessary to live with speculations, ultimately for the simple reason that they are used (by others and by ourselves) in making real decisions, and in some cases also because we want to mesh our interests with existing theories. This is not a problem that we shall ever overcome: information asymmetry is the natural state of the world, even today, when we have better and more information than ever before. Since we are forced to use normative intelligence, we know that some decisions will be appallingly wrong and there is little we can do about that.

We saw the consequences of poor intelligence when the USA invaded Iraq on the pretext that someone thought, or said they thought, that Saddam Hussein possessed weapons of mass destruction. That was probably in part a pretext, but it probably also played a role as a genuine motive, at least further down the chain of command. It could also be that it was a pure fabrication. But we shall assume here that it was not, that the idea was more like an error of rationality which followed from poor intelligence. By the time the intelligence was revealed as erroneous, among the higher military command and elsewhere, it had metamorphosed into something else: a new idea, a useful excuse for going to war. It also allowed the Bush administration to blame others, in this case the CIA, for its own subsequent actions. It is too simplistic to explain this as a mistake. It can instead be seen as a more or less rational decision, like any other important decision made in a large organization where facts are one thing but interests another. Decisions are often not actually made, but rather emerge over time, as the balance of all arguments and total press and television coverage comes to tip to one side. We must seek to model our analysis of the world to reflect more complex social situations.

The reality is that we make decisions using less than fully rational analyses of incomplete information, based on generalizations and a particular set of personal and cultural values. To complicate the picture even further, the real motives for many decisions made in the field of international politics are known only to a few people. For instance, continuing with the example above, few people within the CIA know any details about their "black operations" (assassinations), only that they are a reality. Quite often the head of the CIA has no idea what the President himself wants to do. This is said to have been so during Bill Clinton's presidency and under Donald Rumsfeld (George W. Bush). Clinton made it clear that he wanted no contact with the CIA, and Rumsfeld ignored the Agency, preferring to rely on military intelligence from the Pentagon. The Bush administration supposedly requested no strategic intelligence on Iraq from the CIA, even though plenty of such analysis existed (Betts 2007: 115). If we assume a perfect world, where our adversaries have symmetric information, idealistic motives, and high ideals, we will be wrong in our predictions about world events.

To be realistic we must assume not only self-interest and sharp conflicts of interest between organizations which appear to be co-operating, but we must also assume that a number of different subjective models of reality and erroneous conclusions are all present at the same time, all taken into consideration and leading to actual decisions. The analytic skills which this situation demands of us are closer to those associated with literature students rather than students of political science. In contrast with the methodology of most social sciences, intelligence professionals have come to accept that they have to

52 Agrell has published a book in Swedish (Agrell 2009) which treats this problem using examples from international politics.

53 In the social sciences we have a great deal of freedom to decide which problems we shall study. If a question cannot be examined empirically, it is often easier to choose a different problem than to have to use a less acceptable method.

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live with wide margins of error, in a working environment that resembles a room of revolving mirrors. The point is that this is a more realistic world view on which to base a study of human behaviour. It is also the reason why this book has a clear intelligence perspective. We are obliged to try to analyse the social complexity of the world we inhabit as best we can, so that at least we can know why we cannot know, but, more important, we can know how and in what respects we might improve our knowledge of human behaviour, ultimately in order to make better predictions. This all requires a more elaborated social-science methodology than has been presented so far.

4.3 A victory for historical materialism

It is not accurate to see the end of the Cold War as a victory for *laissez-faire* capitalism or for Western democracy. As shown above a market economy based on a private financial sector has just rendered the whole system close to bankrupt. It is not a success of Western mass democracy either. That system has rendered a number of Western States close to bankruptcy as well, developing a large welfare state that is no longer sustainable.

It is instead, and first of all, a victory of Materialism by which is here meant that increased wealth is the direct result of production and trade. Instead of production and trade the Western world has more or less voluntarily destroyed its factories and opted for an economy built on services and the service economy, more in line with the growing financial sector. This development has been encouraged by most economists. This has probably been our biggest strategic mistake as a professional group. Services are important for the economy, but should not be allowed to dominate. Those countries in the west which have held up a certain production capability are also those who have not failed, first of all Germany, Sweden and Switzerland[54].

54 A longer article on this issue will appear shortly by the author in European Business Review.

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Marx's historical materialism meant that change and improvement of society was brought forward by productive forces, such as tools, instruments, land, raw material, human knowledge and technology. Another way to explain this process of progress is to say that advances are made through man's work on nature. This seems to confirm the route chosen by modern day China. As such China can rightly argue that they are following a form of Marxism. Others have argued that it is difficult to see what is "historical" in Marx's materialism. Unfortunately the term materialism and economic materialism has come to mean the excessive desire to consume and acquire material goods in most peoples' minds. In this way the reference to "the material" alone has been deprived of its potential explanatory significance. For that reason we shall use the term "historical materialism" and "economic materialism" to describe the essence of the strategy that makes nations competitive today. Unfortunately, as has become apparent over the last twenty years, it might also result in irreparable damage to the environment and hence lead to the end of the human race, but this is not inevitable. We sometimes forget that our species has proved before that it can rise to a challenge. It may do so again.

In this age of economic materialism, when trade has become truly global, we see the nation state adapting to the perspective of the multinational enterprise, for it is now the multinational enterprise, not the nation state, which is taking on the role of locomotive of the future. To complicate things, this success of the organizational form exemplified by multinational enterprises and larger companies tells us nothing about who are best suited to run or own multinationals. The answer could well be the nation state. The success of this genre of organization derives from its meritocratic structure, with a professional management, a board, and clear incentives. It need not be a private-sector company.

Some see this development as irreversible. Others see it as a political choice for the present moment, a natural result of the time we are living in and the political, economic, and social conditions from which our current political trajectory has emerged. Whether the phenomenon is temporary or more permanent, it has inaugurated a new era, that of geoeconomics. (Cf. Lorot 1999: 5.)

The era of geoeconomics does not mean that all social processes are being steered by economic concerns, but many of them are. Moreover it means that economics and corporate interests have the upper hand. This contrasts starkly with the Cold War period, when the focus was on politics and political ideologies. Earlier still, economics and the free market had the upper hand at the beginning of the twentieth century, until the 1929 crash; but in those days economic relationships were more national than global, and regulatory bodies were weak. The year 1929 marked the first major economic downturn of modern times; we are now living through the second, again partly caused by *laissez-faire* politics, this time beginning in the 1980s. However, so far at least, the crisis has not been bad enough to change our minds about the direction of politics at large, or even bad enough to make us press for tougher financial laws and regulations to govern the world's financial markets more effectively. The main reason for that is that we still think the crisis will pass; but also, the owners of the world's financial system, who are largely banks and financial institutions in the USA and Britain, fear that tampering with existing rules will weaken their position. Legal initiatives have mostly been a national concern, as we have seen in Germany and France. It will take much greater disorder before we start seriously rethinking the entire economic system, or questioning the concept of progress through material production.

It is possible that the endless struggle to achieve ever-higher standards of living will change once Man sees the consequences of increased materialism, the damage it involves to everyone's livelihood and to living conditions on this planet. That will probably depend just on how bad things get. Ironically, that may also be when it is too late. The double irony of this is that we could probably more easily change direction under a system of authoritarian rule. One example pointing that way comes

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from recent statistics showing that China is planting more trees than any other nation in the world to counterbalance the loss of clean air caused by Brazil and sub-Saharan African countries, most of which are democracies (*Economist* 2010).

Private initiatives are on the world agenda. At the same time it is premature to assume that the nation state will be entirely replaced by private initiatives. We are not experiencing the death of the nation state. Some day we may actually experience its renaissance, but not yet, and probably not for another few generations.

4.3.1 The prevailing agenda: productivity and efficiency

There are no signs that our societies are altering their general plan, which is to strive to become ever more productive and to achieve ever greater efficiencies. On the contrary, we seem to flow with Nature, so to speak, following the clearest plan that Nature has set out for the evolution of our species and our societies. Thus *Homo economicus* as a player, and economics as a discipline, promise to retain their relevance for the foreseeable future. Is this a desirable prospect for mankind? Yes and no.

We may illustrate this idea with an analogy. Few creatures are known to be as productive and efficient as the ant. However, it is unlikely that mankind will ever become as hard-working as this tiny creature, nor is it likely that mostly of us will ever try. *Homo economicus* does not work for the sake of working or for the sake of building something in collaboration with others, but for the life that work offers: material wealth, ease, and happiness. Contributions to the common good are in the main subsidiary effects. *Homo economicus* cannot create great wealth without co-operating with others, without sharing the wealth; and society cannot do without him, as Joseph Schumpeter was the first to recognize when he described the importance of the entrepreneur. Instead, public management becomes a strategy by which economic agents have to be tricked into doing good.

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We do not really want to live the life of the ant. Man enjoys his inefficiencies, his irrational decisions, dreams, and mistakes; we appreciate them as a vital part of what it means to be human. In particular, and unlike the ant, we want to retain the right to make fun of it all. (Thus humour can be seen not only as an essential component of what it means to be truly human, but also as a self-deception mechanism by which Man is induced to accept his destiny, and without which life would be unbearable). On the other hand we seem doomed to continue to work to become ever more productive and efficient, because we are constantly being seduced into imposing ever higher demands on ourselves in terms of improving our standard of living. Once we have the house, we want the sailing boat, then the sports car, and so on. Our wants never seem to be exhausted (even though our needs remain fairly simple). And between these two ideals, that of following our wants or just our needs, lies our inconsistent productive path: on one side Man, on the other machine. This struggle or dilemma opens up an ocean of corresponding emotions to be delved into by politicians, artists, and philosophers. Just reflecting on the richness of this dichotomy makes you feel alive.

The analogy with the life of the ant is most suitable for private-sector employees. In most of the public sector, work is confined to fixed hours. At four o'clock the civil servant goes home and forgets all about work. He does not live for his work, but at bests fulfills his obligations conscientiously. At home he will have his hobbies, meet up with friends, and spend time with his family – in other words, do many of the things that *Homo economicus* hopes to be able to do one day, once he has accumulated enough money, only of course he will do them in bigger and better ways. Meanwhile restlessness becomes his habit and nature.

Both *Homo economicus* and the civil servant, whom we can call *Homo bureaucraticus*, are aware of the limits to their performance. We can only do so much, the day only has so many hours. Since we do not want to spend all our time working, the solution has been, on the one hand, to have people work faster, and on the other hand to apply new technologies and new management theories to make our existing time more productive.[55] Then there is the blessing of cumulative knowledge. We learn faster and more easily what others slowly learned before us. Thus we can continually make new contributions, achieve real progress. As a species we have come a long way, from listening to our grandparents' experience round the fireside, to searching for our own information on the Internet. It represents a gigantic leap forward in the evolution of knowledge.

The search for greater productivity and efficiency continues to drive our development, ideally without giving us too many health problems. We are already performing at the limit of what we can do without incurring severe symptoms of mental stress, stemming primarily from the pressure put on us to keep up with the rest, that is, with the competition, but also from our lack of clearly defined personal and moral ideals. Genetically we seem to be suited more to physical stress. After all, it is only a few generations since we were ploughing the fields with an ox or a horse. Then, we believed strongly in higher goals and aims, so work was more bearable. Today many of us have no clear purpose beyond our own self-interest. Our bodies consequently take more time to adjust to new work styles and new mental stresses. So-called multitasking is itself a dead end; people who do many things at once are seldom able to do any one thing well. Instead we risk becoming more phlegmatic, shallower. The genetic mutation needed to help us deal with this pressure might take thousands of years to arise, if it ever does.

55 Instead of heavier physical loads, which wear down our muscles, these days we take on heavier psychological loads. This is wearing down our nervous system and increasing the mental stress to which our organism is subjected.

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A more worrying problem is what will happen to the planet if growing numbers of individuals continue to strive to enrich themselves through the production of goods. We are 6.5 billion people on the planet now, up from only 2.5 billion in 1950. In the long run we shall need a more sustainable way of providing a good life for all. This is an idea which by now most political parties have caught up with, but few of them have good answers, primarily because we are locked into a system of continuous growth. The problem is that sustainability implies drastically limiting consumption, yet our values are based predominantly on material growth. If nothing changes, the history of our species promises to be quite short, relative to other species which have existed in the past but are now extinct. If so, Nature may come to regard the rational-decision variety of animal brain as a failed project. Again, we need to have faith in Man's ability to rise to a challenge. That implies a limited duration for the age of geoeconomics. At the same time we have to compete in the world as it exists, if for no other reason than to have a say in how we are governed. In this world there are no more powerful engines for the competitive advantage of nations than multinational enterprises. These multinationals do not have evil plans, they are not out to hurt the planet, and they almost automatically adapt to our needs and demands. So it is our demands that we must change.

4.3.2 The organization as a vehicle for competition

A number of factors have changed since we entered the era of globalization.[56] First, we have seen an increase in the free flow of labour and in the quantities of goods and services traded across borders. This has led to an increase in the size and power of the private-sector organization, to the point where it has now outgrown many nation states. The two organizational forms still depend upon each other, but the change is already a reality, in some countries more than in others.

To understand society we need to study how our organizations function as organisms. Our dominant social-science methodologies focus on individual choice and the individual's perspective. This frequently leads us to draw false conclusions, for instance about unemployment and social injustice. Has it become harder to find work today than it used to be? Has life become less tolerable? Perhaps so, if we make comparisons with certain special periods, such as times of war or crisis, or times of economic recession, like the decades following the Second World War when we needed to rebuild society, and also like today. But life has not become harder from a long-term perspective; certainly not since Adam Smith wrote *The Wealth of Nations*. Child labour and slavery did not raise many eyebrows at that time, nor did the unfavourable position of women, at work and at home.[57] Today we take many of these changes for granted. That is partly because our demands on society have changed so rapidly, in step with our standard of living.

It is true that many individuals and populations in the southern hemisphere are less well off today than they were fifty years ago. There are more people suffering, because the world population keeps growing exponentially. But more people are also better off.[58]Putting it differently, at no other time in the history of mankind have more people lived a

56 A CIA report, "NIC 2020", describes globalization as a "mega trend" which will change our world fundamentally over the next decade. The report predicts that the world economy will grow by eighty per cent and our salaries by fifty per cent between 2010 and 2020. The greatest benefits will accrue to those countries that can access and use new technology. See Adler (2005: 77–9).

57 Well into the nineteenth century, people in all European countries traded shares in slaves, as if they were just another commodity. Denmark–Norway was the first country to abolish this trade, in 1803.

58 In China three to four hundred million people have been lifted from poverty into the middle class over not much more than a decade.

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better life than today. Life has now become better in Africa, South America, and Asia, just like it did in Europe and Northern America.

For most of us living in the West or in Asia, the new competitiveness primarily affects the organization, not the individual. In these regions it is companies that are "dying", not people, not nowadays. The distinction is important. Globalization and free-trade initiatives have broken up many of the world's monopolies. Private-sector companies have replaced economic initiatives undertaken by nation states. This has been to everyone's advantage. For one thing, we no longer have to invade a country in order to profit from its resources, establishing colonies and depriving nations of self-rule. Trade has to a large degree replaced physical violence, raids and wars, as a means of creating wealth. That does not mean that the problem of exploitation has disappeared, nor that we have ceased engaging in wars, but the outcome of our conflicts is often – not always – less violent than in the past.

What we are seeing is not so much *individual competition*, as *organizational competition*. This is not the same thing: as individuals we can change jobs, or even countries if we need to. Most people who are laid off are able to find new jobs if they are willing to move, so long as the economy is not in crisis. Thus losing your job is not as serious as it used to be only a generation ago because we can find new jobs. The consequences are not so severe as they used to be, either, as we have developed a welfare system which will help unemployed until they find a new job. We have become more flexible, both more able and willing to change jobs. Now with the Internet we can work from almost anywhere, even on the move. This does not mean that we can avoid future financial crises followed by mass unemployment, but it does mean that we know such things will be temporary and we normally find a way out of the crisis sooner.

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We are turning into a society where it is normal to have many different employers over a lifetime, while our fathers and grandfathers often had only one and it was considered disgraceful to change jobs. We may also have several jobs simultaneously, and work flexible hours. Another point has to do with the efficiency with which the State now allows firms to start and to cease their activities, voluntarily or through bankruptcy. That is, the State's organizational structure for handling companies' ups and downs has become more effective.

Companies are not only selling internationally, they are also producing their goods overseas, finding themselves forced to do so because their competitors are doing it or threatening to do it. If firms do not move their production abroad their costs will increase and they will lose customers. This happens not because the firms want it, but because we as consumers are not willing to pay a higher price than we have to. It explains the success of companies like Walmart, IKEA, and Dell. Even though Walmart faces considerable criticism for its treatment of its employees and for its hard-nosed business strategies in both China and the USA, it continues to gain market share. The whole business of ecological production is facing the same dilemma; so is the petroleum industry. It is the consumer who chooses to move from gas to diesel, or to ethanol, or even better to electricity – not the producing companies. Companies do not have malevolent intentions, they simply adapt to consumers' choices.

That does not mean there are no moral dilemmas: there certainly are. There are and have been many firms which have known that their products are bad for health or for the environment, and yet have not ceased production. For example, car manufacturers who have decades of investment in fossil-fuel technology behind them and have built up a competitive advantage in their industry do not want to change unless they have to. They want to profit from the investments they have made in the old technology for as long as possible; but, the day consumers change their mind, that ceases to be an option. The problem, rather, lies with human behaviour. Consumers see ecological issues as important, but (so far at least) they have not been willing to pay higher prices or reduce consumption or their standard of living. The same consumers complain that farmers are mistreating pigs, but they continue to buy the same meat in the same supermarket only a week or two after the scandal has broken. Consumers are not always willing to pay more for their bacon in order to ensure that animals have enjoyed a good (or better) life. Instead we demand that others, firms or nations, make the changes for us. Thus, we would like China to pollute less. The Chinese reply, "Yes, we will do that, once we have the same living standard as you. We should not have to suffer or be hampered in our development because you have polluted the earth."

Companies like H&M and Nike are typical global companies in the sense that they produce their goods where they can do so most cheaply. In consequence their business ideas are often more about logistics than about product lines or production techniques. They represent the beginning of phase one in globalization, so to speak. Globalization progresses when smaller companies and individuals are able to do the same thing, exploiting the same logistic principles through e.g. trading via Internet auctions, using sites like Alibaba and eBay. This is the second phase of globalization, involving *micro-multinationals*. Larger companies still get the best prices, but globalization means that bigger is not necessarily better. Smaller companies are often more flexible, faster, and quicker to spot and exploit windows of opportunity. If the multinationals are still growing more numerous and more powerful, that is because sizeable capital is still required to engage in large-scale business, and smaller companies quickly grow larger or are acquired by larger companies. It is also because multinationals are coming to realize that they need to organize themselves as sets of smaller independent units in order to remain competitive, so that they can operate like micro-multinationals.

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Whether through the use of force or by engaging in commerce, the aim of the individual has always been the same: the production of wealth, primarily personal wealth. Kings and noblemen have always been concerned with questions of wealth. Nowadays this opportunity to build great wealth is open to ordinary people. Anyone with the means, the ruthlessness, and/or the entrepreneurial spirit needed can become rich in just a short time, as we saw happening in Russia after its privatization schemes were introduced, initiated by Mikhail Gorbachev and implemented by Boris Yeltsin. With globalization it no longer takes generations to become rich, sometimes just a few years are enough (consider Microsoft, Dell, Google, Facebook and Skype). The reason is that globalization yields economies of scale much faster than was possible in the past.

The centre stage has been taken over by the private-sector organization, the corporation. This means that power has been transferred from the public to the private sphere. It means that the nation state is ceding its power to individuals – less in some countries and more in others, for instance less in Sweden than in the USA; but the trend is clear, and it is global. The super-rich today constitute a new social class which has become largely independent of the States where they are citizens. This trend has been strong in certain countries, such as Russia and the former Soviet bloc, and in certain businesses (those where money is earned internationally without dependence on large-scale production facilities, e.g. the work of pop stars, athletes, and e-entrepreneurs). These individuals have to a considerable extent been encouraged to operate as they do by their own societies, in school and at university. Our modern democracies, supported by our new-style social sciences, have encouraged people to dispense with the values of their forefathers and with their national and cultural identities, to set themselves free from all attachments. People have been turned into individualists taught to amuse themselves, for whom responsibility is a lesser consideration. We have produced generations which have avoided becoming passionate about political or philosophical ideas, so that any form of social or collective thinking has been eradicated. These generations have been taught indirectly that they are only really allowed to show actual enthusiasm for things that change nothing, like cheering at a football match. These are values that go directly against the values dominant today in Asia, and especially in China, even though things have been deteriorating here too, especially along the more economically developed areas along the coastline in the east, far less in the western parts. Ethics is at the heart of Confucianism, as it is of Christianity. (Of course, the fact that people are members of these religions or faiths is no guarantee of unselfish actions.)

The shift towards a corporate-state system is a change with tremendous consequences, both positive and negative. It means less power for the general public, but it also means that wealth can be produced faster and in all corners of the world. In some cases it takes the form of exploitation, in others that of free trade. Much existing literature sees this as an either/or issue. So for instance many economists refuse to notice the exploitation of workers and land, and many sociologists refuse to notice the higher standard of living given to people by new uses of capital. The reality is an imperfect world, with some good and some bad.

It is a fact that more and more wealth is being placed in fewer hands. The reason is that our economic system is working more efficiently than ever; money yields interest, and that interest in turn is used to make new investments which can easily be diversified, globally, just by pressing a few buttons on a PC. The PC itself is becoming ever easier to carry around and connect. If you cannot do the economic, technical, and legal stuff yourself you can always hire someone else to do it for you. Thus about two-thirds of all American fortunes are inherited, and the number of millionaires is increasing. Some lose their money when there is a downturn on the stock exchanges, but there are only a few who manage to squander their entire fortune (often deceived by their advisers, as in the case of the unfortunate Mike Tyson). If the number of billionaires has been drastically reduced in Russia and other new economies during the current financial crisis, that is

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largely because they became accustomed to running excessively high risks in the financial markets. Others, who invested in real estate (globally), manufacturing, or raw materials have been more fortunate.

A company is not immoral, but amoral. It operates as a two-edged sword. On one hand it creates wealth, primarily for its owners, but also for its employees, allowing them to achieve an increased standard of living. On the other hand the organization exploits workers in other countries, by making them accept working conditions that are deemed unacceptable in its home country. The company has no human feelings of solidarity: it does not care about people if their performance does not affect the economic performance of the company. On the other hand it does not possess some evil plan to harm people, either. Considered as a legal "person" it is rational, and its actions are highly predictable.

Why, then, do we decide to make our living by joining a company? An individual knows he cannot achieve his goals single-handedly; his time and effort are insufficient. Instead he needs others to work for him, persuading them to work towards the same goals. This is done by offering salaries, recruiting people and placing them in the hierarchical structure we call a company, where each individual is paid proportionately to his or her contribution to the owner's wealth-creation. These wealth-building organizations are given legitimacy by national laws and international trade practices. This economic and political system – which we used to call "capitalism", but which many now prefer to call "the free-market economy"[59]–justifies its operation by referring to the risk it is taking in its business endeavour, assuming that all agents bear the same initial risk.[60]

It is said that Napoleon drew a distinction between risk and hazards. Risk occurs when you stand to lose a battle. Hazards occur when you could lose the entire war. As a parallel in the corporate world, "hazard" could be used for exposure that might lead to bankruptcy. But corporations, abetted by economic theory, have propagated the myth that risks can be diversified, as when we create portfolios of shares. That assumes that not all share prices will fall simultaneously; but occasionally they do.

Most of the success which the free-market system has had in convincing the masses of its intrinsic fairness lies elsewhere, in the nature of honest, hard work, in the competition between equals, and as an engine for wealth creation among a group of individuals who profit from its business endeavours. In reality this fairness of hard work is only partly true, as

59 "Capitalism" reflects the machinery of our societies, dominated by the banking and financial sector, better than "free-market economy", but after the failure of the Communist experiment the former term is difficult to reclaim, at least for the time being. The German economist Karl Marx's major work Das Kapital provides an excellent historical analysis for unprejudiced minds. Unfortunately it was a little political pamphlet he wrote together with Friedrich Engels, The Communist Manifesto, for which the postwar intellectual establishment have chosen to remember him. The term "free market" assumes free and fair competition. This is a questionable assumption today, when we see how States and governments are helping "their own companies" (another term which is causing some serious problems, since ownership today is seldom limited to people of just one nationality) to win contracts by passing laws favouring "national businesses", and supporting them in other ways by passing on useful information and acting as commercial liaisons between overseas governments and private-sector organizations.

60 Economic theory assumes that all men bear the same initial risk: that they all start from zero and always will start from zero. This fails to take into account the accumulation of wealth and the phenomenon of inheritance. The difference between corporate risk and individual risk in any business is substantial. A person who has millions risks little, compared to a person who has nothing but must borrow to invest.

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suggested above.[61]Most non-democratic countries run on a system of nepotism, quite at odds with any democratic or meritocratic logic. Even within more developed democracies, many people receive occasional gifts and bribes. Still, the doctrine of hard work is evidently true for sufficiently many for it to be accepted by a majority, for a large part of the world's workforce to be willing to accept the free-market model in one form or another.

Two important cogs in the machinery of our technological–industrial world are higher education and research, and private-sector companies and production. Experience, so far at least, has shown that both areas operate more effectively as private organizations. The Chinese experiment is rather confirming this. The Chinese model builds instead on public ownerships, which must be separated from how things are run. The market economy has an overwhelmingly positive effect on the sciences and on development of new technology. Thus it is no coincidence that among the twenty best-performing universities in the world, eighteen are American. These private institutions compete keenly to produce results that are useful to industry, so as in turn to make profits and improve the competitive standing of shareholders. But the institutions also function rather like clubs, enabling their alumni to prosper because they gain first-mover advantages and are supported by like-minded fellow alumni. Some of their money returns to their *alma mater*, further reinforcing its finances and its reputation irrespective of meritocratic considerations, so that more people with ambition try to get in. In this way these institutions have become probably some of the most efficient meritocratic mechanisms we have ever developed. This is the success story of universities like Harvard, Yale, Princeton, Stanford, and MIT. It is a now a proven winning strategy for countries all over the world, a recipe that Asian countries and regions are already learning how to apply. The China Europe International Business School (CEIBS) in Shanghai is a good example. So may also be the large number of new schools recently built all around China today, many which are privately run.

What is primarily driving the competitive advantage of nations are new technologies, not our political systems are built on social-science findings. It might on the contrary be argued that our competitive advantage has developed more or less despite the latter social systems. Perhaps these are better understood as a part of the general evolution of our societies as we have become more affluent.

The speed at which evolution affects private-sector companies is more dramatic than the evolution of nation states. Who does not remember the glory days of IBM? Unlike States, private-sector companies seldom foresee their decline, in large part because it happens so much quicker. Whereas nation states tend to go about their lives in a rather relaxed fashion, relying on their own stability, private-sector organizations are in constant turmoil, perpetually occupied with questions of prosperity and survival. The nature of their existence reminds one of those tribes back in prehistory which were under attack from all directions simultaneously. It is not enough to be competitive in one particular area, such as production, recruitment, or marketing: you need to compete on all fronts at once. If you fail in any area at any time, that may be the end of you. Metaphorically speaking this is what we call *fierce competition*. Thus we say that in economic "war" there is no ceasefire. A private-sector organization can by definition never find that safe haven enjoyed by so many nation states (except in the case of monopolies or oligopolies, which have made a deal with the State to be left alone). That is part of the bargain that private-sector companies make with the nation state: they volunteer to accept vulnerability, in exchange for promise of a life of luxury if they survive.

61 Thus, the average American worker has become poorer over recent years. Average salaries are increasing in the USA only because those who earn most are now earning even more. Cutting salaries is a strategy by which American industrialists are trying to regain competitive advantage.

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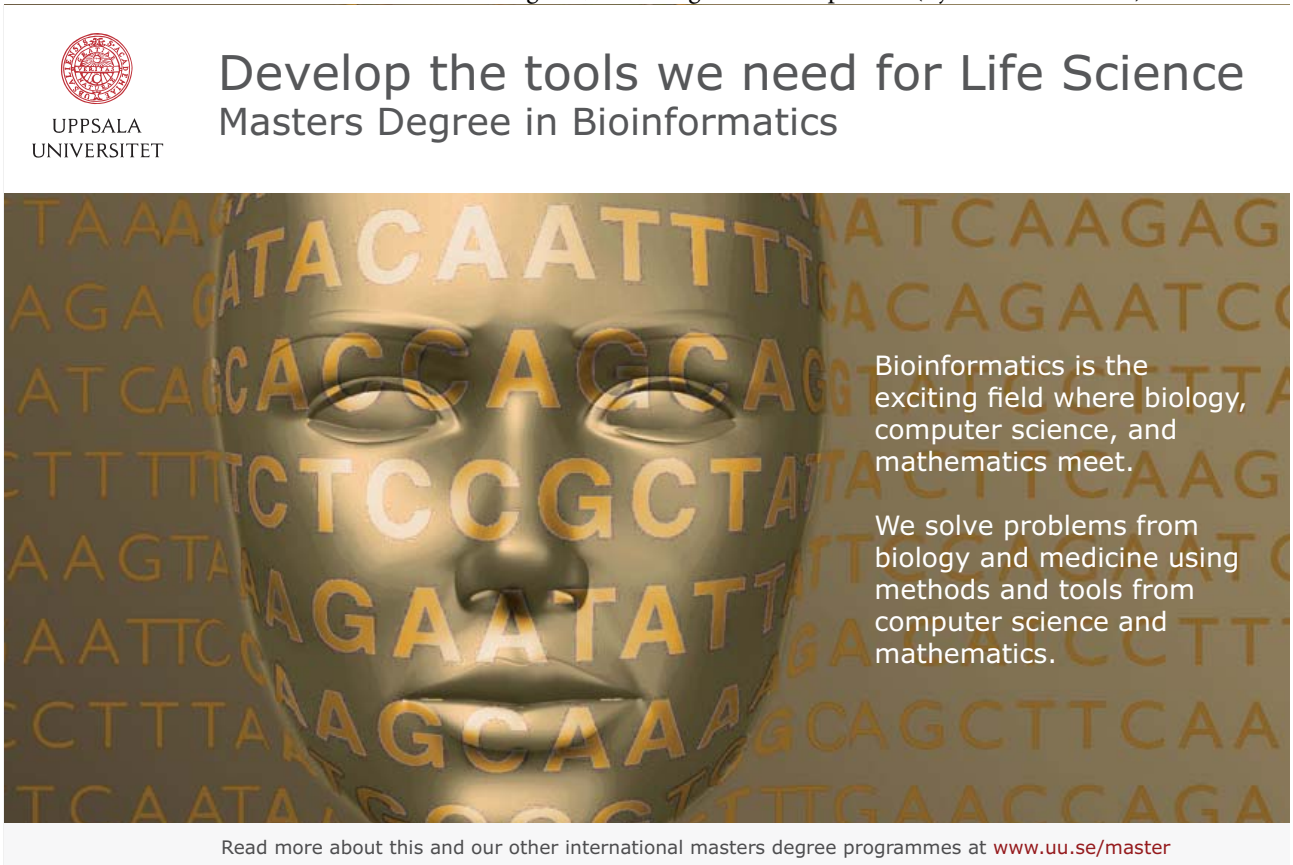
It is true that nation states evolve and may be absorbed by competitors, but in their case this takes much longer. Just as one-time States such as Hanover, Sardinia, Sicily, Nassau, Frankfurt am Main, Lucca, Parma, Modena, and Tuscany have all disappeared as sovereign entities, so smaller companies are absorbed by larger ones through the mechanisms of merger and acquisition (M&A). When States like Poland, Persia, and Korea were annexed or broken up at the beginning of the twentieth century, opinion was strongly divided as to whether or not this was "natural" and therefore acceptable. Commercial M&As are looked on much more favourably, as the process has come to be seen as an efficient way of managing resources. They have also been standardized and regulated by law. Furthermore we assume that employees will be able to find new jobs if necessary; so organizational rearrangements occur far more smoothly in the economic domain than in that of politics.

A private-sector organization is not expected to explain to the public why it is expanding. There are no general elections over such questions, no public debates. Nation states on the other hand have to offer excuses for their aggressive actions. For instance, when Britain took control of parts of Persia it was "not to be forgotten that it [Britain] was the land which brought them the idea of freedom", and when Japan conquered Korea, the Koreans (the argument went) "should be thankful to be ruled by such a great warrior nation".[62] In the private sector all this sort of thing is left to the forces of competition, dispensing with most of the moral rhetoric.

62 Early geopoliticians often portrayed these changes as natural, predictable, and fair, with little or no regard to individual suffering, as for instance when Kjellén describes Persia as old and weak: "It would not have given any surplus to the common assets of humanity". According to Kjellén, Persia lacked "a real raison d'être. [It had] committed a sin which could not be forgiven, the sin against development" (Kjellén 1914: 14–15).



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In the commercial sphere, unlike the sphere of nation states, this kind of activity is perfectly in order, or even encouraged. So we can talk about the growth and expansion of companies, but not of nation states, even though the consequences are much the same. The process still leads to acquisition and accumulation of wealth by particular groups, indeed even the people involved are very often the same. Those who sought their fortunes in the service of the nation state a century ago often come from the same families which are seeking their fortune in private-sector organizations today. They comprise ambitious risk-takers; often they form the better-qualified and more adventurous section of the population. Sometimes they are clever businessmen, at other times they are just toughs. It is this same group of personalities who have always contributed most to the strength of the nation state. Using private-sector organizations has been a much more intelligent and efficient means of achieving the same goals. That was the model for Dutch sea-power in the seventeenth century, which established the first true corporate state. It was the same model adopted by Britain in the eighteenth century, which was responsible for the foundation of their great empire.

When companies become market leaders and dominant players they use their position to take control of the market, setting industry standards and forcing out competitors. The example of Microsoft is well known, as is that of Standard Oil more than a century ago. The response, from companies found doing this, is standard: to re-establish public confidence you have to give back to the public part of what you gained, in the form of donations to charity and other good causes. You have hurt the common good, so you have to rebuild the contract by giving something back to the common good. In all these cases the companies only give back fractions of what they earned from their monopoly position, so that in hindsight we can say that it was often a good investment. Numerous American scholarships were financed by the Rockefeller Foundation after the Second World War, and the Gateses have launched a programme to fight AIDS in Africa.[63]The effects of both initiatives have been positive, but we ought not to forget how the money was generated in the first place. We should assume that the primary aim of such initiatives is to win public support. Purely altruistic actions are rare exceptions.

The multinationals are the planet's re-colonizers, carrying out a task to which the nation state is no longer equal. From the same perspective we could say that the nation state needed to create the multinational enterprise. The activities of multinationals are less visible and their intentions remain mostly hidden, even to most of their employees, who find that they are only small cogs in a large machine. It is ironic: the managers really have no intention of becoming colonists, but that is irrelevant to the outcome. A manager just wants to find a good job, earn a good living, live a good life. Meanwhile the organization grows in strength and expands its sphere of influence. Embassies, chambers of commerce, and elected representatives take care of the rest, so that everyone ultimately works for the competitive advantage of the nation.

As with companies, so with cultures. Each culture is like an organism, an organism which is always growing or declining. The result of this evolutionary process is devastating to certain cultures, groups of people, and nations. In Africa, for instance, the main problem is not exploitation by private-sector companies but our non-presence, or lack of long term commitment.[64] By subsidizing our own farmers we are denying to Africans today the best chance they have of competitive advantage, in agricultural production. We do not see the consequences of our export subsidies for farmers in countries like

63 At the same time Microsoft is locking young Africans into expensive software-licence agreements.

64 Over the past two decades we have seen two episodes of genocide, one in Rwanda in 1994 and one more recently in Darfur in Sudan. It is important to understand why nothing is being done about this. Possible humanitarian interventions are often suppressed for higher, national interests. The subsequent stream of reports about suffering plays an important role in easing our conscience, a mechanism comparable to confession in the Catholic Church.

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Ghana: how they are forced to leave their land and try to make a living as street sellers in the capital, how their families are ruined, how the elders back in the villages are forgotten. Thus poor countries are often threatened from two sides at the same time, by multinationals and by nation states working in an inexplicit form of collaboration for their national advantage.

Even where these external threats are lacking, there are plenty of internal ones: corruption, lack of national identity (since Western colonialists based the national boundaries on political and economic interests rather than on ethnic identities), and a climate unfavorable for developing a strong work ethic. In consequence Africa saw no real substantial economic growth for a decade, until just recently. Of the 700 million people living south of the Sahara, almost all have a problem of either chronic malnutrition or nutritional deficit, the only real exception being the inhabitants of South Africa. Ninety per cent of Nigerians lives on less than two US dollars a day, seventy per cent on less than one dollar.

When nation states succeeded in the past in conquering other countries by force, there was then always the problem of management. The inhabitants quickly turned against their conquerors. This was the story of the British Empire, to a certain extent of the Roman Empire, and of Alexander the Great's Hellenistic empire. The way that countries are run by private-sector companies today is a very different story. Employees of a company that is acquired by another company will often forget who the ultimate owner is. They do not really care that the majority owner is German or Dutch and sitting on a yacht somewhere in the Bahamas. Their loyalty and identity remains with the local company they are working for. Unlike under colonialism, the workers are also allowed to retain their national loyalties. Only the profit leaves the country, invisibly, wired to a Swiss bank account. Thus with the commercial company there is much less confrontation than there was when nation states were running things. But the economic consequences are very much the same.

Some things were easier under the logic of nation states. Most employees do not have feelings of pride in working for a particular company, as they might be proud to serve a nation. It does not stir the same high emotions. For most citizens, their national identity is unconditional and for life, whereas their identification with a company is tied up with financial remuneration and is limited. Companies are aware of this and would like to change the situation, but they cannot. It does not help for them to build strong corporate identities through what is called branding, to hoist rows of colourful flags outside their headquarters, or to send their employees to lavish company celebrations; they never really succeed in winning their employees' hearts, only their minds, and only for a limited time. Most high-end knowledge workers can see through the corporate loyalty agenda (one reason, of course, being that they are often the same people who created it in the first place and keep it going).

Managers are rather like the *condottieri* or mercenaries of Renaissance Italy. Our free-market system is made up of commercial organizations called companies. These companies comprise managers who will fight on one side one day and on a competitor's side the next day. The decision about which side they fight for is largely a question of money, as it was for the *condottieri*; and as in Renaissance Italy these *condottieri* often become princes and heads of state.[65]Loyalty to and identification with one's company, though always highly praised, is easily abandoned in favour of another company. Also, just like the *condottieri*, most businesspeople try to avoid hard work when possible. It is not the work itself that attracts them, but the rewards for working hard. It is possible to find managers who work for other motives too, for honour or for the good of society; but they are rare. As a group they are looking for money; the easier the better.

65 Examples are Berlusconi in Italy, the Bush family in the USA, and the Russian oligarchs before Putin.

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In private-sector companies, especially in the individualistic Western world, we are all individual agents seeking to promote our private self-interest. In Asia, particularly in Japan, that was different for a long while; but Japan too is now moving away from the honour-based model of the samurai, the old warrior class. One reason for that is that Japanese companies are less able now to guarantee secure jobs for life, which is another consequence of global competition and perhaps also of a change of mentality among the new generation. Those who grew up in comfort in the 1980s and 1990s are less willing to make great sacrifices at work. As the competitive advantage of Japanese firms has weakened, employees are slowly learning that companies are not like people. If they do not make money with you they will let you go, so the social contract is broken. Trust between companies and workers is hard to rebuild. Meanwhile Japan is losing ground to neighbours to its West, and principally to its old arch-rival, China.

Unlike a private-sector company, the nation state does not throw its people out when they are no longer useful, not even when they commit crimes. We can say that a modern welfare state operates on three levels. It prefers all citizens to earn their living, but if not then the State will provide social-security benefits. In between there is a layer of economic support, providing funds for anything from stay-at-home mothers to companies in trouble. For a company to receive State support it has to demonstrate that its collapse would entail negative consequences for society, for instance if workers in a rural area are unlikely to find new jobs. Otherwise the company is on its own. At the end it all depends the nature of the company, on how it has been designed as an organizational entity; it has limited liability, which means that the owners have limited responsibility. *It is a person-like creation without a person's responsibilities.* It is a money-making, wealth-creating machine: for better or worse, an organism adapted to its environment.

Globalization is just another word for achieving Man's age-old goal of creating more wealth by treating the entire planet as one big opportunity. Those who stand to profit are the same men and cultures as before. The only thing which has changed is the tool or the vehicle through which this happens. The company has now proved to be much more efficient than the nation state. A combination of State and company working together is even more efficient, defining a new formula for success in international business.

Table 4.1: A formula for collaborative success in international business

Private-Sector Organization	First they try to buy their resources
Nation State	If this does not work they send in their diplomats
	If that does not work they send in the intelligence people (the middlemen)
	If that does not work they send in the army
	What pickings are left they acquire by negotiation, without being so greedy as to leave the other side desperate (the mistake made by Napoleon and by the victors of the First World War)

Iraq is a good example here. American companies were thrown out of that country at the time of the Gulf War, during the administration of George Bush senior. All major oil contracts went to French and Russian companies. But the USA was becoming too dependent on Saudi oil. Iraq had the second largest oil reserves. If the USA could control Iraq, it could also ensure special contracts to control the supply of oil. However, events are often surprisingly unpredictable, thanks to the sheer complexity of

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social actions. The US army had no difficulty in defeating the Iraqi army, but it failed to create stability. For one thing the majority population are Shia Muslims, who are arch-rivals of the USA in that region. On the other hand the Americans could not trust the Sunnis, whose armies they had just defeated. By the time the oil fields were finally secured, the US had forfeited its special relationship with Iraqi leaders. Instead the contracts have now gone to the highest bidders, companies from other countries. The withdrawal of US troops from Iraq in December 2011 was acknowledgment of a *de facto* defeat.

If the US oil industry lost out, the same was not true for all American industries. The US military–industrial complex accounts for more jobs and profits than the oil industry, and it won, in the sense that it gained new orders, signed new contracts, and made higher profits. Also, some American officials and businessmen looted the country's resources.[66] Thus it was a financial win for some, but not for the country as a whole, and certainly not for Iraqi citizens. Unofficial figures talk about a million casualties.

American soldiers never had the will to win in Iraq. The Shias, supported by Iran, did have that will, as Hezbollah has in its war with Israel. Military strategy tells us that the strength of your competitor can be defined as a combination of three factors: his *material resources*, his *intellectual abilities*, and his willpower and *determination*. These three factors together will determine the competitive advantage of any (public- or private-sector) organization in any market. The Prussian general Karl von Clausewitz, who taught strategy at the military academy in Berlin and learned much by contemplating Napoleon's success and the failures of the Prussian army, defined the ability to win a war as a combination of total available resources with willpower, itself a function of the motive for going to war (Clausewitz 1832).

66 See Harriman (2005). According to Harriman, 8.8 billion American dollars had disappeared after the eight months that Bremer was in office, including $6bn left over from the UN Oil for Food Programme. This money, together with $10bn from resumed oil exports, was transferred to the New York Federal Reserve.

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Business education today neglects the factor of willpower, in favour of reckoning only with general intellectual abilities or formal competence, education, and training. At the same time many practising businesspeople, especially entrepreneurs, tell us that success is before anything else a matter of willpower, of not giving up. Percy Barnevik, former chairman and chief executive of ASEA Brown Boveri, said in a recent interview that ninety per cent of business success is the ability to see projects through, to be persistent. The thing is never to give up, to take the pressure. You also need to know where you want to go. If your focus is clear and your will is strong enough you will sooner or later find a way. Peter Drucker talks about "concentration", but by this he seems to mean the same thing. Thus an organization can be seen as the collective willpower of numerous individuals, all pulling in the same direction. That is also what produces the competitive advantage of a nation.

4.4 Competitive advantage of nations: theories and realities

Asia is occupied with "projects", Europe with politics and social problems.

For the last few decades most economists have described competition using algebraic equations, convinced of the applicability of methods derived from the natural sciences and which assume an ideal world. Those interested in the practical issues, who have approached the problems from the perspective and methods of experience and practical reasoning, have mostly been frowned on. The position of the academic establishment has been that if a piece of academic work cannot be modelled by the rules of the natural sciences, it is not worth attention. Anyone who does not publish an empirical data-set analysed using SPSS in one of the established peer-reviewed journals is not scientific.

Most of these journals are run by the same group of academics who started them, and they set the criteria for who may participate and how. Thus, once a journal is created, it functions rather like a private club. The only way to enter is to write papers that cite the names and contributions of those who have published there before and contain similar ideas, or follow a similar line of thought. Each journal is ranked according to an Impact Factor (IF), which is calculated by the number of references made to it. Thus, normally, the older a journal is, the higher its IF. The top researchers in this system are normally those who can assemble a large number of PhD students and colleagues to work on publications with them. Since one's English must be impeccable for a manuscript to be accepted, anyone whose mother tongue is not English is at a considerable disadvantage. A given topic or issue can be recycled or reused in numerous articles with only minor changes. To bump people's publication rate up further, three or more authors will collaborate and include one another's names on all their manuscripts, even though most of the work, or in some cases all of it, has been done by only one of them. That way each of the three gets three papers to his name even though he has only written one. The fact that a publication is cited in this system is then taken as an index of its usefulness and value.

Ultimately you manage to build up that 43-page CV which will yield a professorship and a tenure-track position at a high-prestige university. The question whether your scientific findings can be used to solve real-life problems is less important, and is never really raised. To spend time with practical business people is often seen as an activity which will hamper your career progress, because research takes longer that way.

Academics interested in the notion of competitive advantage have tended to operate more or less outside this system. One of the better-known "dissidents" among business academics is Michael Porter (see e.g. Porter 1980, 1985, 1990). Porter, once little-known but now an established and highly thought-of scholar, resurrected the ideas about competition introduced by Adam Smith's 1776 *Wealth of Nations*. (Not that Smith was the first to write about competition, but he did

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so more systematically than anyone had done earlier.) The issue of competition was at the heart of economic theory right from the start. By reviving the subject Porter not only brought economics back to its origins, but shifted attention away from Keynesian interventionism, the neoclassical school, and leading margin a list approaches to economics.

Porter's greatest methodological contribution is not as a macro economist like Smith, but lies in his micro perspective on the problem of competitive advantage: he considers nations as the sum of the performance of individual businesses and industries, and offers analyses of their interdependence. But although his work, using the concept of *economic space*, relies on the study of geography and on maps, he does not write in the geopolitical tradition. Instead he has created a niche of his own in economic theory, as an alternative economist in the management tradition. Consequently he is sometimes associated with Austrian scholars such as Joseph Schumpeter and his pupil Peter Drucker, who had altogether less interest in theory.

Porter's strength as an economist is that he has the courage to abandon the neoclassical and marginalist agenda, and bring the topic of business strategy closer to real life, elevating reality above theory. Even though he is a well-known management academic today, Porter is still often overlooked in surveys of economists, for instance in the extensive History of Economic Thought website compiled and updated by the New School in New York. He has never yet been a candidate for the economics Nobel Prize as far as we can tell from what has leaked out, because what he does simply is not counted as economics. Instead he continues to publish mainly in popular journals and magazines. His ideas are useful, but not abstract or mathematical enough for the academic establishment.

What, then, are some of the other differences between this management tradition and the geopolitical tradition? Porter does not enter into the issue of the intrinsic value-systems of different cultures, for instance when comparing the competitiveness of different nations by presenting contrasting industrial success stories such as those of Japan and Sweden (co-authored with the Swedish economist Örjan Sölvell). He is also reluctant to draw historical parallels. In that way his approach is more American. From a European perspective Porter's work might be criticized by saying that it is not enough to study these two countries' competitive advantage just by examining variables in a narrowly-defined business matrix. The number and nature of these countries' institutions and their investments in infrastructure are effects of the features we are trying to uncover, not their cause. The causes are ultimately the national and cultural characteristics of the respective populations, which again are the outcome of centuries of shared life among separate groups of individuals. But it is as if economists never dare venture into such matters, fearing perhaps that they will be trespassing into others' domains, into sociology or anthropology. In this example it is noteworthy that both the Japanese and the Swedes are alienated cultures, geographically isolated and relatively insecure vis-à-vis other cultures. Their response to prosperity has been to develop exports. These are aristocratic warrior cultures, with martial virtues well established among their elites, today mostly expressed in the protection of their MNEs. These characteristics have allowed them to develop into highly-organized and competitive industrial societies, maintained through strict hierarchical thinking. The leadership in both countries is dominated by older males, even though the idea of equality between the sexes is well developed, in Sweden at least.[67]

In more general terms we may say that a society's wealth is the sum of its members' individual economic performance moderated by the degree of modernity of the region's infrastructure. A nation is an organic rather than a static entity,

67 Sweden has the largest proportion of older male leaders in Europe. This may come as a surprise to some, since after all there are few countries where one encounters more talk about sexual equality. Sweden has also the highest percentage of youth unemployment in Europe. However, this has not led to protests, such as we see elsewhere in Europe.

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fragile, dependent; it has to be recreated every day. Competitiveness is about a long series of factors working together: schools, roads, infrastructure, etc. Only by understanding how to manage these mechanisms can we hope to prosper, as individuals, communities, regions, and States. This is not something that all nations will or can do. It is not something you implement after having read a textbook. That would be the main criticism of Porter's approach, as compared to that of geoeconomics. Porter does not delve into the notions of power, geography, or human virtues as elements of economic performance.

Peter Drucker (who died in 2005) is seen by many as Porter's predecessor. He too was an outsider with respect to the academic establishment, both literally (he worked at Claremont Graduate University) and in his theories. Even though he wrote 37 books – the first appeared when he was thirty, the last after his death – he hardly wrote any "scientific" journal papers at all, and only put his name to a handful of more popular articles (in *Fortune*, *Forbes*, and the *Harvard Business Review*). On Wikipedia he is described as a "writer [and] management consultant", as a management thinker, not a scientist. It makes one wonder what use scientific economists are. Drucker also became unpopular with many business leaders because he said what he thought about their companies. But he was probably the most influential professor of management of the twentieth century. In his analyses Drucker did not avoid questions of demographics, cultures, and the methodology of social science (see e.g. Drucker 1998: 18). He saw and understood better than most the rise of Japan as an economic superpower. Part of the reason for Japan's success lies in its culture.

In other words, "differences matter". In the world of real-life business it is hard to find a company which ignores cultural differences, or an employer who fails to distinguish clearly between the characters of his various individual employees. The term used is often "shared values", but we basically mean the same. Yet most university textbooks on Human Resource Management (HRM) today say little or nothing about the topic. Instead, HRM practices are often treated as a bureaucratic process, where the problem is how to develop and use standardized tables and forms which are distributed to employees and filled out at regular intervals. Having good staff is typically explained as the result of effective procedures and good choice of organization charts. This is very far from how the same phenomenon is studied in Asia, where trust and relationships are placed in the center. National, cultural, and personal differences are sidelined as less important factors in the HRM literature. If any personal characteristics are lacking or unsuitable, suitable education or training can fix that, or so it is supposed. This is the instrumental approach, which sees success as a matter of pressing the right buttons : anything can be achieved by anyone. It is an optimistic view, idealistic and naive. It leaves little if any room for factors such as upbringing, habits, and values relevant to the success of our organizations and nations. It is a system of thought which is suited to our modern welfare state and our democratic institutions, and which helps to make consulting companies profitable. The paradigm is more about political correctness than about performance or competition. And there is nothing wrong with that, so long as we are aware of the difference.

To take another example, China and India both claim to be economic superpowers in the making, and this claim is supported by the writings of a great many economists and management experts. Certain considerations also suggest that the claim might be correct: the two nations have larger populations than any other country, their land areas are huge, they are well endowed with natural resources, if not necessary as measured per capita, they have populations who are willing to study, excellent logistical possibilities, and so forth. Yet, so far, only one of them is succeeding, though both have the know-how, the theories, the labour, and the capital to succeed. Knowing how to do things is simply not enough, one also needs to be able to put one's knowledge into practice. This is where India has failed. India is a country where getting from the airport for the software city of Bangalore to a company in the city centre can be a real challenge, especially if

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you arrive in the daytime. When there are no potholes in the road there are cows hindering the traffic. Crossing state borders within India can be a true bureaucratic nightmare. It takes not only time, but frequent bribes. Thus, possessing the requirements is not enough for a country to succeed.

We might also look at what is being traded. Seventy per cent of Indian exports to China are raw materials, mostly iron ore. By contrast, India imports almost exclusively finished products from China, and an increasing proportion of these is high-tech goods. Also by contrast, Chinese cities of relatively minor current economic importance, such as Zhengzhou or Luoyang, have better-developed road systems than we find in many major European cities. Bribes still play an important role in China too, but they do not interfere with construction or transport. In any case, the incidence of bribery has been drastically reduced in China over just the past five years, in part because of stricter punishments and because the state has clearly shown that no one however rich are beyond the law. In India the government is still struggling to rise above local political and religious strife. This has a long series of negative consequences for the competitiveness of the country, especially for any efforts that require large-scale collaboration, including all large-scale infrastructure projects. Instead, Indian economic growth relies mainly on two factors: mastery of the English language, and the ability to deal with products and services over the Internet at a competitive price. India has highly able elites, but the country does not function as a unit. Thanks to its size, India has many successful companies. But at the same time we find that its IT companies have few domestic clients. All this is unlikely to change in the near future. On the contrary, we can expect to see China taking a large part of its IT (back-office) business away from India once the Chinese population have managed to improve their English-language skills. Presenting the potential success of the respective countries as if it were merely a function of their population size is too simplistic. This is another example of how the social sciences have failed through political bias. English-speaking writers are too quick to give the country which was previously under British rule credit for being an emerging economic superpower. An important economic actor yes and a major player, but not a superpower in the making.

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It is as though the social sciences were making it harder for us to formulate correct analyses about the world around us, not easier. A young person who spends a few years travelling will probably learn much more about the world than someone who has merely studied it on paper. A person who works in business for a year or two will probably learn more than one who goes to business school. Bright business students were often already bright when they entered these institutions. And it might also be argued that our social-science methodology is more political than scientific. Universities are supposed to foster free and critical thinking. Currently they seem also to be fostering political consensus.

That was no great problem while the Western world was experiencing real economic growth and social progress, when we could imagine that our science and our improved standard of living were related as cause and effect. But now we have come too far away from *real politic*al theorists such as Hobbes and Machiavelli. This has taken us away from the very world we are trying to understand. There is a parallel here with the study of the social sciences in the Soviet Union. A chief reason why Russia produced so many great natural scientists was that Russians realized that their social sciences were mostly Communist propaganda, so they chose not to study them. Hence anyone with a good mind and a keen interest in the truth studied natural science. We in the West now are rather like Soviet citizens who continued to believe in ideals derived from the French Revolution. (We think of our ideals as inherited from the democracy of the ancient Greeks, but that is questionable: apart from the fact that we do not have slavery, mass representative democracy as we know it would scarcely have been recognized as democracy by Athenians of the classical period.) Ideologies are fine, but should be recognized as such (Aslı and Aziz 2010). In this perspective, geopolitics and geoeconomics constitute important realist contributions to the task of rethinking the social sciences.

4.4.1 The differences between geopolitics and geoeconomics

Studies of geopolitics and of intelligence have a long history of coexistence, with mutual influence and inspiration. Members of the world's intelligence organizations, officers of the armed forces, politicians, and civil servants have always been keen readers of geopolitical writings. Recently, managers and executives of private-sector organizations have also become more interested in geopolitical ideas, as international business has expanded and managers' perspectives of the world have become truly global. At the same time it has become clear that this is not geopolitics in the old sense, but a new version. Hence we need to draw out the similarities and differences between geopolitics and geoeconomics.

The power dimension is common to both subjects, but the forms and the perspectives, the emphases, and the variables they choose to study and analyse are often different, as suggested in the table below:

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Table 4.2: Variables for Competitive Advantage

Variables	*Geopolitics*	*Geoeconomics*
Beliefs	values	objectives, goals, mission
Position	geographical location, size	business ideas; strategy
Resources	natural resources	financial strength, ownership
Weight	population size	number of employees, market shares, key success factors
Force	education; science	level of general competence, fit between competence and business
Structure	political stability; laws, organization	organizational structure and culture
Base	infrastructure	buildings, land, assets
Security	military	legal competence
Communication	languages	languages
Expansion	exportable pop-culture	exportable products and company culture

Despite the somewhat different perspective from the doctrine of *Realpolitik*, these two subjects ultimately operate in a sort of symbiosis. There will always be a strong political component in geoeconomics and a strong economic component in geopolitics. How we approach the *realpolitical* doctrine very much depends on our perspective, whether we are a private-sector organization or a nation state. A responsible company will tend also to view problems from the perspective of the nation state, and *vice versa*.

Some will argue that there is no real difference between geopolitics and geoeconomics, that in the end politics is all about economics, since it all comes down to resources which can be translated into quantities, expressed in some monetary form. But even if this is true in the last analysis, it is too simplistic. The fundamental differences have to do with (i) the users, managers versus public administrators, but also (ii) the circumstances of the respective studies, in terms of their different working environments. Decision-makers in private-sector organizations differ in a number of ways from their colleagues in the public sector:(a) they are more focused on financial goals, and (b) they pay less attention to political agendas and public opinion. The circumstances differ, first of all in terms of (a) competition, (b) regulations, and (c) internationalization. There is also (iii) a difference in the academic home associated with these studies : political science for geopolitics, and international business and management for geoeconomics. An expert on political affairs is seldom an expert on international business, if for no other reason than because such people move in different circles and in a different social context, have different goals and tactics, but also because they will have had different training and education. This has also led to contrasting organizational cultures. A diplomat will typically know little of managerial accounting, and likewise a businessman will lack knowledge of the ways (legal, administrative, social) in which a nation state functions.

When the idea of power and geography was new there was only strategy, with no separation between State, economic, or military intelligence. We find an example of this in Sun Zi's *Art of War*. Lack of separation between the political and the economic spheres continued much later, as in Machiavelli's *Prince*. (These two books are still used as primary literature in many courses on geopolitics and geoeconomics.) The first attempt to separate economics and political science in connexion with the study of geography was made in Germany, under the term *Wirtschaftsgeographie* (Haushoffer 1924: 1). This process of divergence has continued, to the point where there is no longer much politics left in the discipline

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of economics. In consequence that discipline has achieved a higher level of abstraction and specialization, but has simultaneously become less relevant as a body of literature to help us understand larger, more complex social issues. Another weakness in the modern discipline, from the perspective of economic reality, is that it systematically omits the power dimension. Current studies of economics and management show insufficient interest in who has most resources, how they use their resources, where they live, and how they think. These are vital data which have a significant effect on economic growth in general. But such information is often regarded as trivial, and left to more popular magazines, such as *Forbes*, *Focus*, or *Le Nouvel Observateur*. Academics view themselves and their work as something more significant, conducted at a higher level: they deal in theory. So we should not be surprised when their findings turn out to have little relevance for the world of economic reality. Every year hundreds of my students search for scientific papers relating to whatever practical problem they are studying. There are tens of thousands of articles out there, but they rarely seem to provide clear answers. Consequently there is a disjunction nowadays between economic theory and economic reality. Another consequence is that many economists prefer to gain their information about economic facts from magazines like *The Economist* rather than any of the 245 or so economics journals ranked by the ISI Web of Knowledge. *The Economist* has pitched upon a good mix of history, geography, politics, and real-life descriptions of economic phenomena, probably in large part because it was shaped by successful practical businessmen, such as the Rothschild family.

The situation of political science is even more problematic. Politics is impossible to understand without a proper helping of political realism. The biggest problem with political science lies in its over specialization, and in the fact that it has forsaken most understanding of economic realities, treating these as the domain of economics and international business. Political science has lost so much of this understanding of basic economic mechanisms that it seems no longer capable of explaining what makes a State strong or weak. Instead it occupies itself with "piecemeal social engineering": descriptions

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of organizational structures, party politics, and legal questions. As a result both subjects, economics and political science, have become weaker as disciplines, less able to understand and describe the reality we observe.

Geopolitics and geoeconomics recognize an obligation to keep these two dimensions in mutual contact, and that is very much appreciated by students and by practical men of affairs. Interdisciplinary lies at the heart of both subjects. Thus it is no surprise that courses in geopolitics have become highly favoured subjects not only in military and naval academies, but at schools of political science, public administration, and business.[68]Harold Wilensky (quoted in Risen 2001) says that the greatest threats to the intelligence function are specialization, centralization, and hierarchy, in that order.

What kind of questions, then, are raised in the discipline of geoeconomics? On one hand there are economic and political issues, as discussed above. On the other hand there are the geo-questions, so often neglected. The real strength of geoeconomics first becomes apparent when we combine the two. To take some examples, the location of centralized capitals such as Paris and Moscow can be explained through the fact that many rivers lead to these places, providing both a safe haven, but more importantly a site for trade. Shanghai is located halfway along the Chinese coastline near the naturally-sheltered outlet of the third longest river in the world. Ultimately these patterns are so pervasive that it is hard to find exceptions: most of the larger human settlements on this planet result from considerations relating to natural resources and economic interests, which boil down to the search for competitive advantage, or simply the struggle to survive.

The location of Silicon Valley can be seen as a function of the sum of two great universities (Berkeley and Stanford) on the edge of a large urban community (San Francisco). The IT industry is a natural spin-off from an earlier centre of arms manufacture which was located in the same area (*spin-off theory*). Its success also results from the advantage of having being the first of its kind (*first-mover advantage*) within what has been among the most-developed meritocratic societies in the world. Thus it quickly grew into "the biggest game in town", attracting people from all over the world.[69]

It has been suggested that even if many companies wanted to move out of Silicon Valley now, say because they received a better offer from somewhere else, perhaps Taiwan, it would not really be an option for them to move, because Silicon Valley companies have become so interdependent that tens of thousands of people would need to make the same decision at the same time for anyone to risk moving. No major company would want to be the first to move out (*first-leaver disadvantage*). The key people in Silicon Valley today may number between one and two hundred thousand. To move them you would need to move their families too, so several hundred thousand people in total. Thus we can speak of a *social critical-mass theory*. Once you have a certain mass you have a lasting advantage; when you start up with something new you establish yourself as a key player. It is more difficult to be number two or three. These theories are worked out through evolutionary thinking, by comparing social life to organic systems. These same ideas, if not the exact terminology and examples, can be found in writings on entrepreneurship by the Austrian economists Schumpeter and Drucker.

Quality of life is another important factor when companies relocate their headquarters or national offices. This means that developing science parks in itself is not enough. You need to develop an entire social infrastructure around them,

68 For instance, the French business school Haute Ecole du Commerce (HEC), located at Jouy-en-Jossas just outside Versailles, has a long tradition of teaching geopolitics to business students, as do the Institut d'Etudes Politiques (IEP) and Ecole Normale Supérieure (ENS) in Paris, to mention some better-known examples.

69 The significance of these two points, being first and being biggest, are stressed by Peter Drucker (1985). His phrase for combining both simultaneously is "fustest with the mostest".

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including kindergartens, schools, a well-functioning health sector, entertainment, and so on, to attract the right people. These are what we sometimes call third-generation science parks. Many smaller cities and regions seriously overreach themselves by looking at the idea of establishing a science park from too narrow a point of view. Success is also very much a question of the type of competence you attract, which will set the standard for the organizational culture.

The value of social-science competence has been exaggerated in the Western world over the past decades. Other than the financial industry which we find concentrated in places like New York and London, there are not many economically-successful centres which are not founded on a local concentration of people with natural-science backgrounds. What is important is to export and to create export surpluses, preferably in high-value products. This is a lesson we used to understand in Europe, but which much of Europe has largely forgotten (though countries like Germany, Switzerland, the Netherlands, and Sweden are exceptions).

For a nation to guarantee its citizens a competitive education there are two pure strategies: either we educate them ourselves, by investing in universities and so forth, or we buy them in (persuade them to immigrate) from other places to teach our own citizens. Europe is a good example of an area that has followed the first strategy for generations, the USA is an example of the second. America has not only shown itself to be the best drainer of brains in world history, but it has even created the world's best universities through this practice. It is both a pull and a push approach. American institutions are on one hand actively searching abroad (push). At the same time ambitious individuals all over the world find their way to the US on their own, driven by the promise of wealth and happiness (pull). Their great universities are the result of two factors: large financial donations (money), and foreign students and researchers (brains). With money you buy the best brains. With a system of competitive entrance exams you attract the best students, who have the greatest potential to earn the most money, and so they give large donations in turn. Most of the foreign students come from Asia. In the near future Asian countries, especially China, will seek to build their own Harvards, Berkeleys, and Stanfords. According to the World Intellectual Property Organization, the number of Chinese patent filings increased by 33 per cent in 2007, almost four times the increase for the USA.[70]The next thing will be that China will wish to keep its best brains and their money at home, so as to invest more in their own society. When that happens, as we are starting to see now, it will signal the onset of a sharp decline in American competitive advantage, since the USA has been particularly dependent on scientists coming in from abroad. American high-school students are already among the weakest in the Western world in the natural sciences. The standard of mathematics among high-school students in the state of California is the third lowest in America.

Questions related to what we might call "regional knowledge management" are crucial for any State or city hoping to create a science or industrial park, but the same techniques can also be applied to smaller projects, for instance to the development of a new shopping area. There is no guarantee that a good shopping precinct will succeed just because it lies within a populated area. It must also match the tastes and needs of those who live there. The main difference is that this latter issue can be treated as a segmentation problem within the discipline of marketing (that is, at the micro level), whereas the former is an issue at the macro level, hence more relevant to the discipline of geoeconomics.

Perhaps because of its close association with matters of location, geoeconomics – often spelled "geo-economics"– is taken by some, particularly in the USA, to mean *area development*. Area development is about everything from the development of research complexes and research/science parks to location of airports (Conway 1994: 5). In this book, however, we use

70 China is still well behind the USA, Japan, South Korea, and Germany in terms of absolute number of patents granted (it ranks sixth) and of number of patents in force (eighth).

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geoeconomics in its macro or broader meaning as a discipline which has developed as an offshoot of geopolitics. This is what the word means in Continental Europe.

Geopolitics is traditionally linked to variables of ethnicity, country, religion, and language *: slowly-changing variables*. Geoeconomics is more linked to *rapidly-changing variables*, particularly technological change and developments in commerce. These different relationships to the notion of change can lead the two disciplines to contrasting conclusions. As an example, let us look at some of the arguments used in the current debate about Turkish membership of the European Union.

Geopoliticians often suggest that the Turks cannot belong to the EU because they are a Seljuk tribe of Mongol origin, thus very unlike us Europeans in many respects (historical premiss no. 1, P1).

They are Muslims (P2),

and have been at war or in confrontation with Europe and European interests for most of the time since they first invaded Anatolia some thousand years ago, until the fall of Constantinople in 1453, and then much later, the decline of the Ottoman Empire (P3).[71]

Therefore they cannot possibly join the EU (conclusion, C).

71 A difficult people to defeat, they were the only major tribe which the Varangians (the Viking mercenaries in Constantinople) could not resist.

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Furthermore, Roman Catholics (especially in Bavaria) and Greeks would not accept their joining (P4). Nor would the French (P5). Leftist groups would not accept it either, since they argue that Turkey systematically violates human rights, and suppresses its Kurdish minority– to say nothing of women's rights (P6).

The logic of geoeconomics however tends to follow a different line of reasoning, less focused on ethnic origin or political ideology. From a geoeconomic perspective what matters is first of all economic performance. If Turkey is now in a position to negotiate for EU membership, officially this is because of certain political changes in the region, which has achieved greater stability, development,[72] and fairness;[73] so that the important considerations are economic. Arguments about ethnicity, religion, or historical conflicts are really secondary. With a population of 71 million, Turkey will constitute the second largest market in the EU after Germany. With a GDP of about 800 billion dollars in 2008, the Turkish economy is already as strong as that of the Netherlands. They are the thirtieth largest exporter in the world (behind India, Switzerland, Austria, and the Czech Republic at ranks 26 to 29 respectively). Also, Turkey has a young population, which might help improve Europe's low birth-rate statistics. And the Turks are an energetic people, not afraid of work. In short, and since the country does not insist on large agricultural subsidies à la France or Poland, from an economic point of view there are strong arguments to suggest that Turkey will make a positive contribution to the economic strength of the EU. Therefore, given that they are capable of implementing EU directives, it makes sense to include them in the Union (conclusion, C2).

Turkey has also made considerable advances on the political level, introducing free elections and giving greater freedom to its citizens, despite a number of military coups and a strong and nervous military establishment which is always ready to seize power and defend the secular tradition of Atatürk. If Turkey can comply with the social and political criteria set by the EU, it seems likely that it may become an EU member eventually. The controversy over Cyprus is solvable. (Greece is not particular popular now in any case.) Besides, having Turkey safely within our camp would make aggressive moves by a new Russian superpower less likely. But the Turks would need to give up their close military co-operation with the USA, and demonstrate that they can keep religion separate from politics. If these conditions can be satisfied, though, time will work in favour of Turkish membership. Globalization will take care of the rest. Already it is difficult to see a difference between the youth of Turkey and, say, Italy. They listen to the same music, laugh at the same sitcoms, and eat the same junk food. It will only take one generation for them to be sitting opposite one another at the negotiating table and discovering how much they have in common.

What we are seeing in Turkey and elsewhere is that economics is bringing about the change which politics and political ideologies in the twentieth century failed to accomplish: it is bringing together people with different backgrounds, raising their standard of living and, in turn and over time, ensuring them a minimum of human rights. Thus the market economy has shown itself to be an accelerator not only of human evolution, but also of social justice and continuing technological progress. New technology is in turn changing our human condition and our behaviour. In the forefront of these new developments lie discoveries in nanotechnology, the neurosciences, and biology in general (Kurzweil 2005).

Never before in history have the forces which make us human beings resemble one another been as strong as they are today. The main causes for this are mass distribution of popular culture and the implementation of new technology. For

72 Turkey is now considered a democracy with a well-functioning parliamentary system, even though the army still has a strong position vis-à-vis the National Security Council (MGK).

73 All other Eastern Mediterranean states have been admitted: Cyprus, Greece, and Malta.

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better or worse, much of the youth of today are growing up with a common frame of reference, composed of bits and pieces from films, music, and sports – culture as represented by Walt Disney, Britney Spears, or David Beckham. The Greek tragedies, Shakespeare's sonnets, Byron's plays, the poems of Alfred de Musset, the novels of Goethe are no longer essential reading for the new economic elites, whose sole virtue is that they have demonstrated that they can make money, for others and for themselves. If this is what it takes to bring about sustainable peace, then so be it. We shall have to comfort ourselves with the hope that the tradition of *Bildung* will somehow survive, even if confined to a smaller circle.

More people from different cultures are forming families, too. Thanks to faster and cheaper transport and telecommunications, young couples from all over the world are finding each other and falling in love in numbers that would have been unimaginable to the flower-power generation only four-five decades ago. Over time, provided we can maintain our standards of living, this will lead to a more mixed and possibly to a more tolerant world population. The growing incidence of terrorist attacks might set this development back in the immediate future, but unless something goes drastically wrong it is not likely to alter the general direction of our social evolution.

We might see counter-reactions. Thus, some ethnic groups are beginning to feel threatened, or even fearing that they could be in danger of disappearing. Consequently there is a debate about the value of ethnic diversity. It is also uncertain whether the large-scale experiments in multiculturalism which we are seeing unfold in major cities of the Western world today, such as London, Amsterdam, and Paris, will succeed economically. Immigrants are still over-represented in statistics of unemployment, social welfare, and crime. It may be that the majority of these outsiders will be better integrated and assimilated into our societies tomorrow, so that what we eventually end up with will be not a mixed and segregated society but a new and more vital society. Such processes of assimilation have already succeeded many times throughout history. Thus, the original Swedish culture was very different from what we see in Stockholm today, which is also a mix of predominantly German and French people and cultures. Traces of the original Swedish culture can still be found in the deepest parts of Dalarna, where they speak a dialect closer to Icelandic. But to say that it would have been better for Stockholm and Sweden if the old culture had been preserved makes little sense today. Sweden has turned into something else, something new. It makes little sense biologically either, as the mix of ethnicities has produced a more diverse and thus a stronger gene pool.

The world is continually changing, and Man is the major player in this process. He knows now that he himself is the evolutionary motor of his own creation. Our advances in the natural sciences are increasing this awareness.

To get an idea of the speed with which culture is changing, look at mural painting in the Mediterranean basin between 30,000 and 5000 BC. Notice how little this art changed over all that time. Then look at the development in the arts over the past 500 years since the Renaissance. It is like an explosion. Archaeological museums are another excellent source of support for same point, if we compare artefacts made before the time of the Ancient Greeks with what came after the Indo-Europeans flooded into the European peninsula some 20,000 years ago. When we learned to smelt iron, there was a great leap forward in manufacture of novel objects, setting off a chain reaction of new discoveries and inventions. It is only about a decade since we discovered how to map Man's DNA, and the consequences of this promise to be at least as important as the discovery of iron. With this technology we will be able to identify potential diseases and create cures tailored to the individual. This suggests that the changes to come will be even greater than the ones we have seen.

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On the other hand, it is increasingly clear that progress in the natural sciences has become a solution and a problem at the same time. Left uncontrolled, science will lead to a countdown for Mankind's very survival, as the current environmental situation on our planet reminds us. We can also foresee people creating and spreading devastating biological weapons. Controlled, science may help to bring us closer together, if not always peacefully. Peace will have to be fought for every day, and there will be no end to conflict. Progress in the sciences will not lead to a utopian state where competition and the struggle for power will fade away. Instead we must continue to look for ways to manage these factors. What we need is a well-balanced, stable political system under which politics and business go hand in hand.

In this evolutionary race the businessman can be compared to a horse, and the elected politician to a rider. Society is the cart, and it is built on our values and virtues. In the cart are placed inventions that will make our lives better. If there is one thing that history has taught us, it is that the horse must be placed in front of the cart for it to move forward. That is, private, selfish initiatives should be welcomed, but must be controlled. Of all men, the businessman shows greatest initiative. He is the one in the most vulnerable, challenging situation on the top of the heap. He cannot get off. He cannot stop moving: he must advance, or he will fail. That is his destiny. In return for this hardship, he must be allowed certain favours, which nowadays chiefly take the form of material wealth. This seems to be the content of our *new social contract*.

Ever since Watt invented the steam engine in 1769 the curve of human technical evolution has grown ever steeper, and nothing at present is set to stop it or slow it down. As Gregory (1967: 5) puts it:

The slope is ever steeper but has no crest
The climb is ever harder but has no end
The view is ever widening but not quite enough
Man is forever doomed to achieving but not arriving

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As human beings we have to take part in this race, or we will risk feeling disillusioned and isolated. But we also need to understand what is happening. We need a more pragmatic framework for the social sciences, allowing them to better explain to us what is happening. We need a broader understanding of human behaviour, which can incorporate change as an explanatory variable, and can reintroduce the power dimension into the equation.

What I have suggested in this book is that we should start to look for answers by using simple observations, bold syntheses, practical logic, and the study of biology, in place of today's combination of physics, mathematics, and equilibrium theory. To see where things went wrong it is not enough to study the rise of empiricism under John Locke and the subsequent spread and dominance of mathematical analytic methods in the social sciences in the twentieth century. We also need to understand how and why post modernism and French theory have imposed themselves on the current social-science paradigm. In the post modernists' own words, we need to deconstruct deconstructionism.

4.5 Nation states controlled by multinationals

The end of the Cold War brought a renaissance to geopolitical thinking which coincides with the growth of our multinational enterprises. Since most of the world's States now share the same understanding of which underlying factors give them more power, focus has shifted to a single dominant issue, economic interest.

The Cold War was a time of unchanging maps. In less than two decades after it was over, national borders and borders of political and economic interests underwent a degree of change never previously seen in history. In just a few years borders in the Baltic region, Eastern Europe, Russia, the Caucasus, and Central Asia were all redrawn. What is unique is the speed with which these changes took place; with the USA, after its perceived victory, having been acting as an accelerator of history, by deciding to take a series of unilateral initiatives in the international arena.

Foreign affairs are best understood through geopolitical analysis. Geopolitics is about how nation states follow their own interests. We must look beyond the political rhetoric and the window dressing. Nation states follow their own self-interest even when that means damaging the economic position of other nations. We can make a number of observations on the shift in balance from the political to the economic arena.

The two systems, that of the nation state and the multinational enterprise, or public and private interests, work quite symbiotically in this respect. At the same time they are also both aware of what make them competitive together, through cooperation. The nation state has always known about the importance, to assure its own survival and power, of gathering knowledge about the outside world, and the multinationals are quickly learning the same lesson. Those States whose intelligence efforts were successful, such as Britain in the eighteenth and nineteenth centuries, the Netherlands in the seventeenth century, and Spain in the sixteenth century, were all economically prosperous. Earlier many city-states demonstrated similar capacities, for instance Venice, Genoa, Würzburg, or Augsburg. Today, multinational enterprises are building the same capabilities. It is no longer the case that nation states consider exclusively macro factors and private-sector corporations consider exclusively micro factors. The multinationals are discovering that analysing a political situation may be as important for purposes of gaining a contract as gathering and analysing information about markets and competitors.

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Multinationals have neither the time nor the inclination to go in for undercover activity. They have no patience with large bureaucratic structures. Besides, a multinational is willing and able to attract the best minds, and keep them.[74] It does not have to sit and wait for employees whose competence belongs to a past generation to retire before it can hope to recruit new staff, as a civil service does. It has low tolerance of mistakes and a more efficient system of rewards (cf. Bacevich 2005).[75] These are all considerations suggesting that private-sector organizations will be relatively successful in their intelligence efforts.

The differences between the nation state and the multinational enterprise lie in their goals and objectives. The perspective of the nation state is primarily political, that of the multinational primarily economic. To be more specific, the nation state has a *policy perspective*, the multinational has a *bottom-line perspective* on its interactions with the outside world. With the former, you are doing all right so long as you are conforming to directives and regulations, with the latter you are doing fine so long as you are achieving your profit targets. With the shift of power from public to private-sector initiatives, legitimacy of the social system is beginning to require that companies should look as though they are preserving the policy perspective. This is no minor task to achieve.

Western nation states, pressured as they are by private interests, will do whatever they can to make it seem that is not so, and to convince the public that politics is still in the driving seat. In reality that is largely just political rhetoric, as when EU nations today assure their citizens that the economic crisis is under control. The contradictions will be particularly obvious in Europe. Under the American model, government leadership was already weak. *De facto*, for many generations now, the USA has been in the hands of its large corporations, particularly the arms industry and the health care industry. Via a range of economic incentives these organizations largely decide how senators vote, indeed even what they say. The presidency is a role with relatively little political power (cf. Bacevich 2005). Thus American politics can function successfully only to the extent that the interests of the major corporations coincide with the interests of the nation and *vice versa*. When voters appreciate the discrepancy they will protest, but changing the American system would take no less than a revolution, even if it were bloodless.

To preserve its economic leadership the US has adopted an aggressive policy towards the rest of the world, in particular in the south-central areas of Eurasia, i.e. the Persian Gulf–Caspian Sea area, which contains about seventy per cent of all known oil reserves.[76] This has set the pace in international politics, for other countries to respond to. This style did not start with the

74 The CIA was able to recruit many of the ablest students in the USA when it was new, but it soon lost them. This problem is familiar to all bureaucracies, to a smaller or lesser degree (cf. Kent 1949: 64). During their early decades, east Germany and the communist bloc were able to compete with Western car manufacturers. Likewise, Mao's first five-year plan was a great success. Largely thanks to lack of incentives, most idealism evaporated within a generation.

75 It took the Swedish military sixteen years to respond to the fact that the Cold War was over and to begin developing smaller, agile, international military units. Furthermore, by European standards this was not particularly slow. Much of the delay had to do with the State's commitment to being socially responsible for its employees, by helping staff to find new jobs, implementing early-retirement programmes, or just waiting employees out, delaying new recruitment until the current workforce reached retirement age.

76 Cf. the "Wolfowitz Doctrine", as articulated in the Pentagon's Defense Planning Guidance document for 1994–99. This document, the language and content of which was considerably altered after strong reactions by America's allies, asserts that the USA must use any means necessary to prevent the rise of a competitor. This is also the central message of a document called the National Security Strategy of the United States of America, published in September

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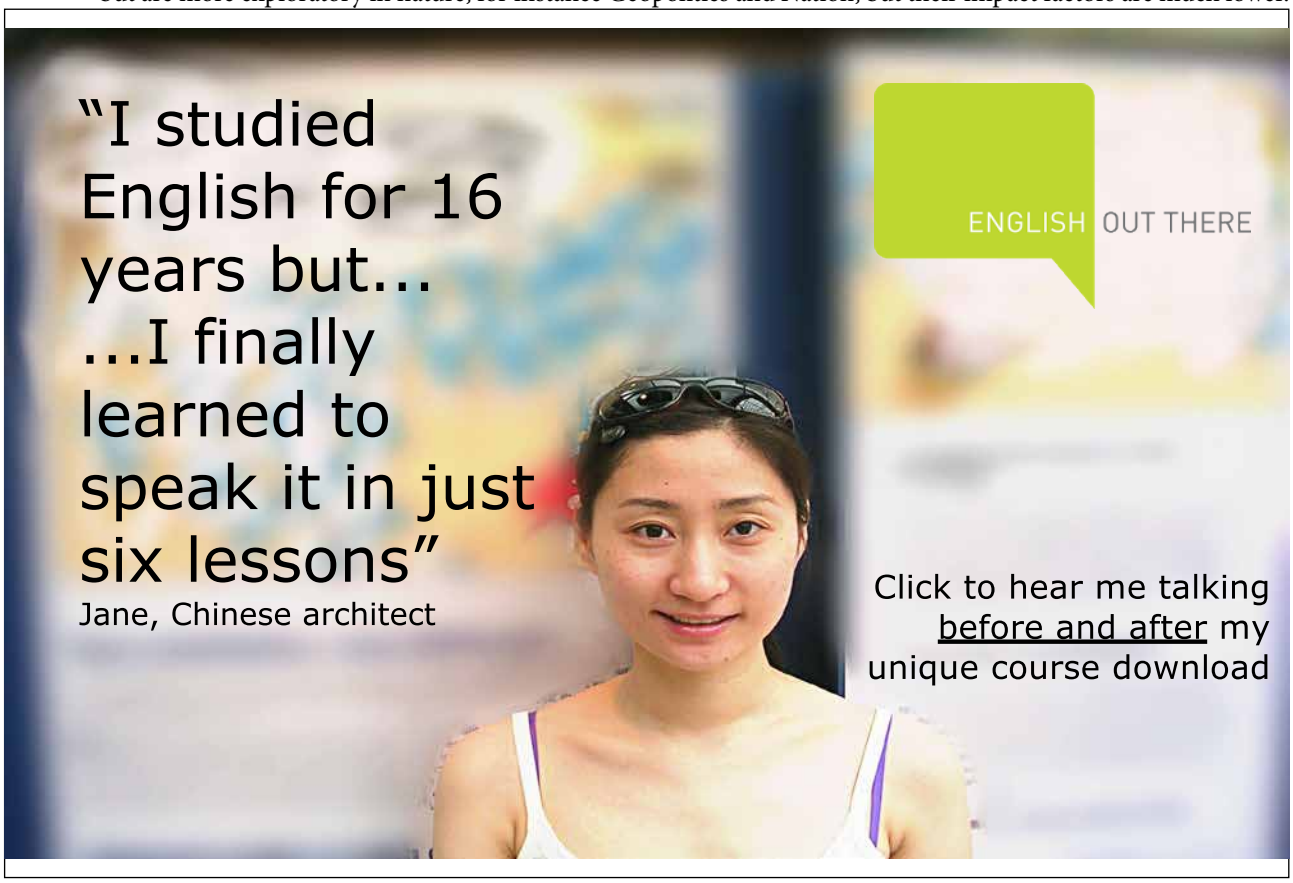
Bush administration; it was clearly visible much earlier, even under Clinton. With Clinton it was evident that from now on the agenda was to be more about economics than politics, or, as he said in the 1992 presidential campaign, "It's the economy, stupid".

With Obama, only the façade has changed. Everything just looks more altruistic and sounds much nicer. Obama was elected to change things inside the USA. US foreign policy remains largely unchanged, as illustrated by the fact that Obama kept most of Bush's senior military advisers on, did not make an immediate move to close Guantánamo, and has been stepping up the country's military commitment in Afghanistan. If the US and NATO are redrawing now it is because we have lost to the Taliban and because it became impossible to support the puppet regime any longer with its support of the drug industry and its corruption. If the Americans left Iraq, that was because they had lost the war and were outmanoeuvred by their own Sunni allies. Do not expect Obama to challenge the interests of the American military complex or American multinationals. Their interests will be the same. Obama is an excellent politician, but he is a politician (not an idealist), and known for compromises. What Obama and many others understood after the failure of the Bush administration was that US involvement in the world could not look unilateral. The US needed to restore its moral position in the eyes of the world, to regain the moral high ground. For this, it was important first to re-establish good relations with the other leading Western powers, to rebuild the voice of the "international community", backed by real force, by the US military, particularly its navy, and by NATO. From a scientific perspective the problem is that there are few empirical articles which explain this, despite all the research conducted.[77]

2002.

77 Of 112 journals in the area of political science there are a few which are not based on empirical experimentation but are more exploratory in nature, for instance Geopolitics and Nation; but their impact factors are much lower.



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What is lacking is critical dialogue. Thus, the project to create a representative, fair, and equal UN General Assembly continues to be hobbled by the balance of power in the Security Council. The USA insisted on having the UN on its own territory but refused to pay its membership fees for a long time, until it finally did so in 2009. American influence over the IMF and the World Bank is considerable, and the USA has forced other countries to use the American dollar as a reserve and as a currency for trading in major commodities. Its control mechanisms such as the Federal Reserve and the SEC are not impartial, but answer primarily to industry. They are merely made to seem impartial, comprising boards whose members look like people who have been chosen in terms of their ability to defend the public interest. In the West we have no end of such self-regulating bodies. The Chinese say "You ask your children where they want to go on holiday, and then you decide". China may be more authoritarian, but it does not play these games with its own population.

We should not fall for Asian rhetoric either, that is not what I am saying; but we do need to prepare for the rise of the new superpower. Asian financial leadership is now a reality, and that means we can expect to be exposed to more of its political discourse. When Obama met his principal creditor in November 2009, he encountered a confident Chinese leader. He was there to ask for money, hat-in-hand. When Angela Merkel was in Beijing in February 2012 it was also to ask for money, to save the euro. You have to understand the significance of these visits. The entire Western world has now capitulated economically in front of China. The following trip by the vice-President Xi Jinping to the Western world was a victory parade, preparing for his own position as the most powerful man in the world. In a while, probably sometime in the second half of the present century, China will surpass the Western world in political strength. Long before that it will have built its first aircraft carriers, then it will slowly press the US back militarily, first in the South China Sea, then in the Indian Ocean. American military superiority is still overwhelming, but it is on the retreat, if slowly. Provided the USA does not provoke some incident the transition will be smooth, as it was when China repossessed Hong Kong. Real power is a function of who can gather most resources at a critical pressure point, just as it was in the competition between the USA and the Soviet Union. This time it will happen without the ideology, just with the rhetoric and the forces of economics. China will compete against the West mostly on Western premisses, so long as the West accepts "China's special features", that is, their political system based on Confucianism. China will continue to complain about US protectionist policies (an odd complaint, when one considers that China is one of the world's most protectionist markets). This, we may recall, was also the strategy of the Japanese.

4.6 Multinationals controlled by the nation state

The nation state can no longer underwrite our way of life, only companies can. Thus the nation state is finding itself challenged in areas where it anticipated no threat. At the same time it has become increasingly dependent upon tax income from companies and multinationals. This means that national economic interest is no longer a question of whether multinationals should be allowed to operate, but how. Putting it differently, the issue is about finding the right harness and knowing when to use it. The economy of the Western world failed in 2008 and again in 2011 largely because our banks and financial institutions, supported by our own regulatory bodies, were allowed to rob and cheat. Unfortunately, the problem runs too deep to be mended in a moment, particularly in countries where private-sector companies are literally calling the shots. So long as private-sector companies have the upper hand, the rules of the game will not change. We see this most clearly in the USA, but also in France and Germany, where politicians have favoured stricter regulation but have only achieved minor changes. The multinationals are too powerful in this part of the world vis-à-vis the nation state.

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This situation is somewhat different in China, where the State is currently the owner of most major businesses and can impose very strict rules on the market. At the same time, China's ownership structures today are in flux. They are not a permanent solution, but are functioning more like a rocket motor getting their payload up to orbit, until Chinese multinationals are strong enough to compete on their own. Looking at the total number of businesses in China over the past two decades we find that numbers of employees in State-owned enterprises are falling significantly relative to numbers in private-sector companies. Most of the new private-sector companies are also Chinese-owned. According to the *China Statistical Yearbook 2008*, only about ten per cent of employees were working for foreign joint ventures or enterprises capitalized from Hong Kong, Macao, or Taiwan (Fernandez and Jenster 2010: 7). According to the World Bank ranking, two of the world's four most favourable countries for entrepreneurship are now in the Chinese cultural sphere, namely Singapore and Taiwan (op. cit.: 8). Between 2007 and 2008 it became much easier to do business in China (up nine places – op. cit.: 9). It has also become easier to get credit (up ten places), and it easier to close a business (up nineteen places). But there are also aspects less favourable for economic growth, e.g. ease of starting a business (down seven places), and trading across borders (down eleven places). Thus we should not expect the shift of power from SOEs to private-sector players to continue at the same pace.

The Chinese dragons look as though they are running free, but in reality they are on a long leash. Enrich yourself, but only to the extent that you contribute to the common good. Use this piece of land, but we shall want it back in seventy years' time – or maybe even forty (we might change our minds). Start this business, but we want fifty-one per cent, or at any rate forty-nine per cent, of the shares. This formula has worked wonders in China for close to two decades now. As a result, while the poor people in the world have been getting poorer, there is one exception: about 400 million Chinese have been lifted into the lower middle class. Foreign direct investment and economic growth in China is doing more to fight poverty than all the political initiatives undertaken by the entire Western world over the past century. Does that mean that Chinese workers are not being exploited, even mistreated? No: it is true that conditions are improving dramatically, but it is also true that employees are being asked to work under conditions which remain strenuous. Many of these conditions would be unacceptable to the average worker in the West. For a Chinese peasant, though, they often represent an improvement. We should remember that these adverse working conditions are very much like conditions in Europe when it was first becoming prosperous, during the Industrial Revolution. In fact, conditions for labourers during the Industrial Revolution in Europe and North America were in most cases worse than what we see in China today.

While the nation state is growing weaker in the West, the reverse holds in China, where the State is growing stronger. Much of this is due to the fact that our States expanded into areas which they were not able to manage and control. As a result they find themselves threatened in areas where they never thought they would be challenged, where they used to have a quasi-monopoly, if not always clear legitimacy. For instance, private individuals are questioning State overseas-aid programmes, preferring to give economic aid and help poor people directly through small direct loans over the internet, so-called micro-loans. Suddenly the State is no longer competing with other aid-giving organizations in other countries, but with its own taxpayers. The large bureaucratic structures we have created to administer overseas aid, filled with whole series of corrupt middlemen, whether public or private contractors, have now been challenged[78]. If the nation state is gradually forced to give up its massive overseas-aid budgets, it will lose one of its most effective foreign-policy tools. This will further undermine its strength in the arena of international relations. Much depends on how capable the private sector will prove to beat handling sectors which have traditionally been managed by the State.

78 On New Class Theory, see Solberg Søilen, K. (2009).

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4.6.1 The new nationalism of nation state and trade unions

Unlike overseas-aid workers employed by nation states, many employees of multinationals have to be respectful in their treatment of people of other cultures: not because they are out to do more good, but because good behaviour is a necessary condition for entering new markets. International companies cannot afford to show anything but respect to citizens of countries where they want to do business. For a businessman all consumers, whether Indians, Danes, or Portuguese, are equally valuable: not because the businessman has higher ideals than the rest of us, but because customers provide an income, and that demands respect. It is part of the logic of the free market, an indirect consequence of the system in which companies operate and hope to make a profit. Unlike nation states, companies always need to co-operate and fit in order to succeed.

The only significant kind of discrimination known to the ideology of the free market is the distinction it makes between those who have money and those who have none or little. Their ethnic background or nationality is unimportant.

The nation state defines its identity and growth largely in opposition to other nation states. The multinational defines its growth in co-operation with foreign nation states. To the multinational, another State means another market. It has a direct interest in the development of other countries, in seeing the living standards of their citizens rise, in seeing new infrastructure built. These things mean that those countries' population will be able to consume new and more expensive products. This non-discriminatory aspect of market ideology (result of corporate greed though it may be) is not well explained in the current literature on international relations. In the literature on international business it is often ignored altogether. The international-relations literature often focuses instead on the discrimination and suffering caused by globalization, on exploitation. There is some truth in that, but the reality is that private-sector companies are far less guilty of exploitation under globalization than nation states used to be under what we call colonialism. To the extent that this

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criticism is coming from state employees, protecting the interests of the nation state and its bureaucracy, they are like people in a glass house throwing stones. Colonialism and globalization are at base the same geoeconomic strategy. Only the players are different, the former being promoted by the nation state, the latter by the private-sector company. The methods are different, too: where the State controls by force, the multinational controls by trade.

Globalization has reshuffled the cards in more ways than one. It is now the bureaucrats and the unions which form the more self-protective, nationalistic elements in society, since it is in their interest for national borders to be kept closed. The reverse has happened in the large companies, which are now less concerned about putting up obstacles to the entrance of foreign companies and more interested in gaining access themselves to foreign markets. Suddenly it is in the multinationals' interest to help developing countries improve their infrastructure, since the companies need that development in order to engage in future business, to build plants and factories. It has also come to be in the multinationals' interest to lower barriers to immigration.

The trade unions are in much the same situation as the nation state, tied to a geographical logic of national borders. Because of that, they are demanding that all workers should be paid the same regardless of where in the world they live. International solidarity has come to imply that workers overseas should refuse to accept pay that is lower than what they themselves earn. This makes no sense to a worker overseas who needs the job and is willing to take it for less because he lives in a country with a lower cost of living. With lower pay he can live much better than our workers at home. Thus the trade unions have largely missed the point of the argument about exploitation. They are instead insisting on equal pay regardless of country, which makes no sense in a world where standards of living vary from country to country. In effect the unions are asking workers overseas to show solidarity with workers in the home market, rather than *vice versa*. Thus the unions' definition of solidarity has become synonymous with their own self-interest as a group. Internationalization has become a threat, and the *Internationale* is now a hymn in dubious taste. In consequence, some unions in Europe are moving towards a nationalistic agenda, and many workers are once again flirting with extremist right-wing parties. That is, the new extreme-right parties are attracting members not mainly from the ranks of conservative parties, but from disillusioned working-class voters, the old *Lumpenproletariat*.

Over the past few decades the nation states – supported chiefly by parties of the centre and the left – have built up huge bureaucratic sectors, which have become increasingly expensive to run. In consequence, any public activity has become increasingly dependent upon tax revenues from the private sector, demanding ever higher taxes while simultaneously cutting costs. England under David Cameroon is here a good example. As the public sector has become more dependent, it has been forced to give the private sector a freer rein, simply in order to underwrite its own existence. The example of Sweden is striking. Never before have there been so many private-sector initiatives. This development has occurred only because those who work in the public sector know that their interests are ultimately being best served through increased privatization. The alternative would be to dismantle much of the bureaucratic sector. Many functions are now changing hands from public to private, whether in the fields of healthcare, care of the elderly, or education. The problem has been that many of the privately owned companies are less expensive, but also less concerned with customer satisfaction, at the end leading great sums of profits out of the country. Backlashes are already a problem. A main reason why Social Democrats in Sweden and other Scandinavian countries built up a large bureaucracy in the first place was to create a stable and loyal voter base: to win elections, by making workers dependent upon special favours and trapping them in social-security schemes (e.g. disability programmes) and impermanent-jobs-for-votes arrangements (the large percentage of insecure jobs in the public administration). Now they find themselves forced to drop some of these special arrangements. The left and centrist parties have even gone so far as to give up their full-employment policy. In that respect they are no longer in reality "workers'" or "labour" parties demanding zero

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unemployment. They have had instead to accept that a certain level of unemployment is beneficial for competition in the job market, and hence good for the national economy, even though they would never say so out loud. There is a distant parallel with Stalin's coming to power, when the realities of social life quickly demanded policy reversals: the Communist agenda changed and Communist ideals became mere rhetoric. For instance, Stalin soon realized that it was best to let the Orthodox Church continue holding services. Idealistic Communists, like Tito, were seen as a nuisance. Power tends to make political parties and idealists pragmatic, but ideals are excellent vote-winners: so you duck and weave. As Stalin and as Putin would have agreed, the important thing is who counts the votes.

All political parties in Europe are now more or less in agreement about the question of how much unemployment is acceptable. The precise limit will depend to an extent on a country's individual culture, but the principle is the same. Thus, in France people will take to the streets at about fifteen per cent unemployment and there will be riots at about twenty-five per cent. Eastern Europe can tolerate about thirty to forty-five per cent. In Sweden any unemployment rate greater than seven to ten per cent will usually make the governing party lose the next election, but riots would be un-Swedish at any rate of unemployment.[79]Politicians in these countries have to adapt to the differing cultural sensitivities, but they all acknowledge that a certain rate of unemployment is good for the overall health of the labour market.

When multinationals move jobs out to low-wage countries, this has a direct negative impact on the economy of the home State, which as said above has become ever more dependent on tax revenues received from these companies. Consequently bureaucrats want more control over their borders to ensure that no more jobs are moved out, and to ensure that taxes are paid in their home country. If companies continue to move out and high earners continue to deposit their funds in tax havens, and if refugees who are not self-supporting continue to flood into Western countries, then our Western democracies will soon be a thing of the past. We will be out competed by more authoritarian states with more effective models of public management. To some extent this is already happening.

In consequence the welfare state is being dismantled. Europe will not let go of its healthcare system, but the Social Democratic model is already changing in other respects. Thus, in Sweden even the Social Democrats themselves encourage the creation of private schools, since they have come to realize, if not to admit openly, their own role in the failure of the State school system. So when a previous Social Democrat Swedish prime minister, Göran Persson, permitted privatization in the school sector this was out of necessity, for the sake of Sweden's competitive advantage, and certainly not out of ideological conviction. In terms of the country's interests this was a courageous decision. (By contrast, the Soviet leadership did not alter their social model until it was too late.)The men who run Swedish industries could not accept their children falling behind in important subjects such as mathematics and Swedish language, and without competitive industry Sweden would not be able to pay for its large public sector. Persson understood this better than most; his party however

79 Knowing this, governments find ways systematically to lower the unemployment level by arranging for State-subsidized, short-term work-experience arrangements and by sending citizens, even relatively young people, into early retirement. At the same time the state wants those who are qualified to work longer, to increase taxes and reduce retirement expenditure. Through these measures Western democracies are able to keep unemployment rates down to a politically-acceptable level. In Sweden, for instance, the true unemployment figure is probably twice as high as the official figure, if you subtract the artificial life-support system (as one might call it). For the same reason, Eastern European EU member States employ a large proportion of their inhabitants on essentially pointless tasks, such as having numerous people supervising car parks, toilets, and public buildings; it all keeps unemployment figures down. These categories of job would not even be acceptable in Western Europe.

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did not. As a result, in 2007 he was forced out to make way for a new party leader who stood further to the left, Mona Sahlin (who subsequently lost the election of 2010). The same privatization policy is being continued by the rival party, the New Moderates, and their coalition government now in power. National interest comes before political differences. We see this in a number of well-run countries that find themselves hard-pressed by the new force of globalization, e.g. Japan, Germany, the Netherlands, but also to some extent in France and Britain. In extreme cases ordinary politicians will be replaced by expert technocrats, as in Italy after Berlusconi or now in Greece.

4.6.2 The arrival of the World State

The era of globalization has marked the end of the dominance of the nation state. During this transitional period we are experiencing turmoil. We have entered a period of a new logic which requires new answers, answers we are not yet ready to give. The nation state has been outgrown as a political organism; it has lost much of its power and many of its resources. The turmoil will not calm down until a successful new *supranational political body* manages to replace the power vacuum left by the nation state. For Europeans this is likely to be a future version of the EU with increased powers. How long it will be before this Union becomes an efficient governing instrument for all Europeans citizens is hard to foresee. At present the EU is suffering from lack of popular support and an inability to make decisions effectively. Other continents are developing their own versions of supranational political unions. They are all trying to make up for the political deficit caused by globalization. Only through supranational co-operation can the nation state hope to regain its political power. Only then can it fully come to grips with its economic problems. Until then we shall have to live in a world where economics has the upper hand over politics.

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In future we shall see more publicity campaigns instigated by multinationals to influence people to vote against anything that weakens their position, as the American healthcare industry did when Obama set about healthcare reform. It happens through the process we call lobbying, a political mechanism whereby private-sector companies can offset democratic preferences through donations and financial support (bribes and favours). This is the reason why some banks were saved and others sacrificed. It was not primarily a matter of assets, but of trust, which is ultimately very much a question about personal relationships. For example, Henry Paulson, former Secretary to the Treasury, had previously been chief executive of Goldman Sachs, so Goldman Sachs was calling the shots.

In the next phase we can expect increasing co-operation between political and economic unions, for instance between the EU and MERCOSUR.[80]Ultimately only a World State (the model for which model is still the United Nations, however fragile that organization may seem at the moment) can hope to be effective in returning power to a democratically-elected public body or institution. This is a struggle for the 22nd century, at the earliest.

For three centuries Europe and the Western world have had no real competition. During this period it has been possible to develop and indulge in all kinds of political ideologies, without ever losing the lead position. Japan was the first non-Western country to understand and imitate the scientific–industrial logic of the Western world; but Japan did not have sufficient firepower, not enough resources, to challenge the West single-handedly. It has had to accept US military and economic dominance. That was however a foretaste of the geoeconomic era. Now China has become the first nation to offer a real challenge to the West, not just economically, but politically, ideologically, and soon also militarily. Unlike Japan, china has got the necessary firepower.

Some see this in terms of China arriving. Others see it as China reviving, after three centuries of sleep. Now it wants to regain its old position as the centre of the world. On one hand this means that we in the West no longer have the luxury of indulging in political ideologies. Intellectual spin-offs from the French Revolution have had their day. All our efforts will need to be devoted to the technological–industrial race – if we want to continue as a leading civilization, that is. On the other hand, Chinese leadership will not necessarily be so bad. It could imply greater political stability and fewer military interventions. Unlike the USA, China has no taste for military adventurism. Harmony is the ideal, not the cowboy.

Only implementation of a World State will mark the end of the era of globalization where political outcome will be the results of economic strength. Only then can there be no more large-scale wars, no more cut-throat competition between nation states and multinationals. Instead there will be elections and parliamentary discussion, which will trigger a different kind of power struggle, between individuals and organizations. The State will then again be able to provide a safety-net for those who stumble. It will not mark the end of self-interest or competition: we must assume that companies will continue to compete after the world is united politically, if that ever happens, but competition will occur in more organized forms.

A number of forces work against globalization in the long run. The strains on the planet are too great, the distribution of goods is unfair, and we are seeing increased collaboration among private-sector and public-sector organizations which might imply that politics will at some point get the upper hand over economics again. This scenario, however, lies in what we must call the unforeseeable future; and even then there would be competition between individuals, simply because that seems to be human nature. Socialization can only change some of this and only slowly, over time. True, we will soon be able to breed humans to match our ideal by selecting among DNA sequences, but even then one must assume that some will want golden retriever-like babies while others will want alsatians.

80 MERCOSUR consists at present of Argentina, Brazil, Paraguay, and Uruguay

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The move towards ever-larger political bodies will not solve all the nation state's problems. For instance, it will do nothing to bridge the gap between voters and politicians; on the contrary, it is likely to make the gap wider. Instead, the development of the nation state will need to be supported by two new levels of organization; one supranational, as discussed above, the other local. Both of these developments can be seen as responses to failure by the nation state to meet the future demands of its citizens. Supranational bodies are needed to regain control over the economic sphere. Development of smaller political units or local-level structures is needed to re-establish the *political contract* with the people, in order to regain trust and support for the political agenda – to make people feel that they matter and are listened to. After decades of centralism, which has led to massive bureaucratic inefficiencies and corresponding cynicism among voters, there is a feeling that society needs to renew its contract with the voters, in something like a modern version of Rousseau's Social Contract. This cannot be done on the supranational level. In China it was Deng Xiaoping who introduced direct local elections. In China today there are direct elections for village leaders in some 1 million villages and elections for the local people's congresses. Popular complaints often remove these elected officials from their seats.

The region is in many places replacing the nation state as an identity marker. So, we don't come from Sweden, but from Skåne or from Småland. Instead of strong national economies we see the reappearance of strong regional centres, like Catalonia in Spain, Rhône-Alpes in France, Baden-Württemberg in Germany, and Lombardy in Italy. Competence today is more and more centered in clusters attached to certain regions. This development makes sense also for the multinational enterprise, which will choose to site its business in a specific region rather than in a specific country. It will cultivate contacts with local authorities, rather than with national governments. Many of these new regions are also transnational, that is, they pay less attention to national borders than to economic realities. Examples are found on the French–German border, and between Skåne in Sweden and the Copenhagen region.

The competition between regional and national influences is not always friendly. A number of regions are striving for full or at least increased autonomy against the will of their nation states, in some cases violently. In Europe we have violent secessionist attempts by the Basques on the Spanish–French border (ETA) and in Corsica (FNLC). Members of both organizations see the supranational level as an answer to perceived oppression by the nation state. Nonviolent campaigns are occurring in Brittany, Catalonia, Wales, Scotland, Lombardy, and Venice, and to some extent among the Lapp or Sami people of northern Scandinavia. All these regions enjoy greater autonomy than most other regions of Europe.

In the end the nation state will have to come to terms with voters' need for more local geographical and cultural identities if its wider, supranational ambitions are to succeed. There must be development in two directions at once: one towards larger political entities, and one towards smaller entities. Voters will want a more direct form of democracy; they want a bigger say in political decisions that affect their lives. Here, Switzerland has been showing the way for centuries.

We often see the nation state as the one true, or natural, political structure: something fixed, like a destination or terminus. Of course that is not true. Our political borders are subject to continual change and sometimes develop into smaller units, sometimes into larger ones. We remember that the Ancient Greeks lived in city-states, and Italy and much of the rest of Europe was divided into small States during the Renaissance. The regional system can be seen as a continuation of the break-up of empires into ever-smaller political units. In this perspective nation states are only one stage in the long-term evolution of political–geographical units. The Europe of 1914 was dominated by three big blocs: Germany, Austria-Hungary, and Russia. Today the area they covered has become some twenty autonomous States. The formation of these political entities has been changing and continues to change with the changing needs and constraints set by their population. By and

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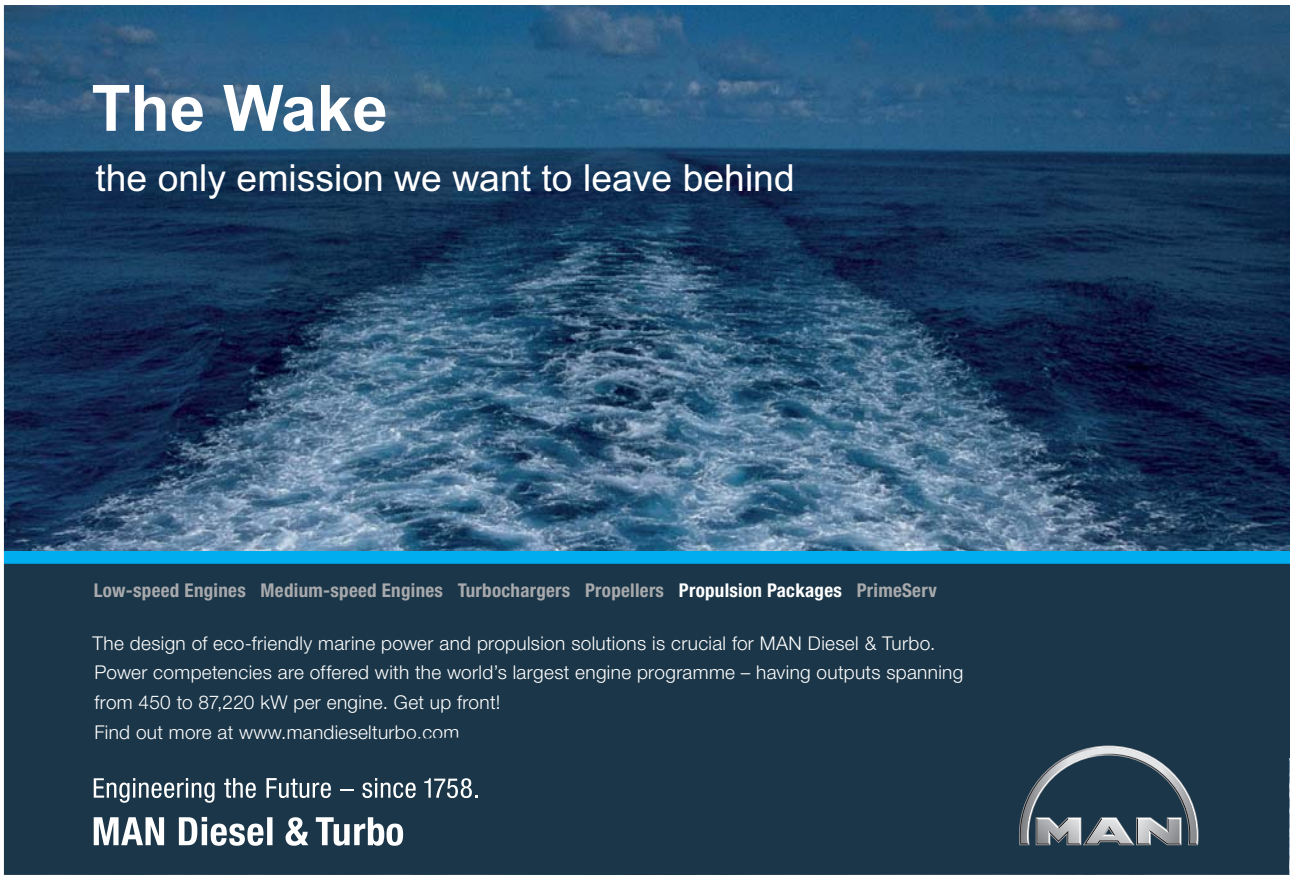
large we have been moving towards ever-smaller politically-autonomous units for a century already, more or less without anyone planning it. It seems rather to have been happening as a natural process of human social and political evolution.

Likewise, globalization is not a conscious policy adopted either by national governments or by multinationals. It is not a social, political, and economic process that anyone has sat down to think through and then implement. As such it has no ideological father, either. Rather, it is very much a development which has emerged as an unplanned consequence of increased competition and new technologies. It is true that we are not puppets in this game; but we do not fully control it either. We are more akin to helmsmen in a storm.

We have transferred power from nation states to international institutions (EU, UN, World Bank, IMF, UNESCO, World Trade Organization, NATO, but also non-governmental organizations like the Red Cross and Amnesty). These decisions have been made as our needs for better forms of organization have evolved. Allowing the nation-state system to retain a monopoly on political decisions would have made our societies increasingly ineffective. In the future, new structures must be built which can both control free-market capitalism and also secure the political rights and express the will of all citizens. How long the geoeconomics era lasts will depend largely on the ability of these new international institutions to develop and gain in influence. Over the past decade they have faced challenges from some quarters; but others see them as an important development to fight the world's growing poverty (see e.g. Stiglitz 2006: 19–25).

Until the current financial crisis, we were in a largely unrestrained economic race. The global marketplace allowed companies to grow ever bigger, and our political organs were only too glad to encourage that development. From now on there are likely to be more restrictions on the financial industry. But this will not alter the logic of our system of economic growth through trade. It will not make the multinationals any less relevant to economic growth.



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We are witnessing a new form of colonialism, this time led not by the State but by private-sector companies, directly assisted by more or less self-imprisoned nation states, as the State has set the rules only to be trapped in them. Their joint strategies have come to express two sides of a single plan: profits for the multinational, and taxes for the State. This development is most marked in countries with relatively liberal trade policies. The USA is a special case here, where politics in practice is in the hands of the multinational enterprises. There are no real independent politics separate from corporate interests, only individual voices of protest, and these are seldom heard or sound irrelevant to the bulk of voters, like remarks emanating from the ivory tower of academia. The people Obama represents are not those who criticize this system in general, but those who are less well off today than they were a few years ago, those who feel things have been going downhill, who have perhaps lost their homes and jobs. The logic of the free market has not been challenged, not even the brand has been touched. And the gospel is a long-familiar one ("change"); only the evangelist is new. If Obama does not solve his voters' problems they, the squeezed middle classes, will soon change horses again; not that it makes much difference where they place their bets.

The globalization process is not a strategy devised between two harmonious parties, the public and private sectors. It is the nation state that depends on the multinational, not *vice versa*, and they are playing a sort of cat and mouse game. For instance, politicians know that multinationals use bribes to win contracts, but they do not respond to this before they have to, that is before there is a scandal, some incident which comes to public attention via the mass media. Then there will be a brief reaction, some official exchange of words, and after that everything will go back to how it was before. The political establishment is not naive, but it knows that the agenda will always be set by the logic of economic interests. Members of that establishment are often trapped in the middle, between voters and corporations, not wanting to express allegiance to either one in fear of an immediate reaction by the other. If a multinational enterprise is dissatisfied with a nation state, it can relocate. It can set up its factory in another country or another region, and it can transfer its profits to a third country, say to Switzerland, which does not allow foreign governments to retrieve information about banking clients unless they are suspected of fraud, and even then puts great difficulty in the way. When UBS signaled that it was going to need to pass information to American tax authorities about accounts belonging to US citizens, most of the money was transferred to Credit Suisse, another Swiss bank. There is a market for everything, and all these markets are becoming ever more efficient.

In this race for power, the multinationals are getting ever stronger, the nation states weaker. As a result the economic size of the former, and the personal wealth of their owners, often exceed the gross national product of many countries.[81] Consequently these owners' actions and visits often matter more to people in general than the actions and visits of prime ministers or presidents, since they mean real investments and new jobs. Political leaders can seldom promise this kind of growth. Instead they will often choose to promote their multinational enterprises in a joint effort, as when we see diplomatic planes filled with business executives. Foreign ministries often function rather like errand-boys for their multinationals, with their royal family as head salesmen. In many Western monarchies there are unofficial estimates suggesting that having a royal family makes economic sense. Royal schedules are often as full as those of chief executives, and their pay, or allowance, often lower.[82]

81 The estimated fortune of the Walton Family (Walmart) is estimated at about$100 billion, similar to the GNP of Egypt with 72 million people. The owners of Microsoft have an estimated fortune equal to the GNP of Pakistan. Warren Buffet's fortune alone is equal to the GNP of Rumania; the Mars family's (confectionery) to that of Morocco; Anne Cox Chambers and Barbara Cox Anthony's (media) to that of Uruguay; Larry Ellison's (Oracle) to that of Slovenia; the New houses' (media) to that of Costa Rica; the Pritzkers' (hotels and investment) to that of Oman.

82 This is so for all three Scandinavian monarchies.

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The largest concentration of multinationals is found in the USA, followed by Japan, the UK, France, Germany, and Sweden (*Atlas der Globalisierung* 2003: 30–1). In many of these countries business life has achieved quasi-independence from the nation state. Financial markets area striking example. Their products are transferred to all corners of the world within seconds, virtually without anyone noticing the transactions or knowing where they originate. If the nation states cannot bring the world's tax havens under control, there may soon be very little dirty money visible: just money.

The super-rich constitute their own social class, consisting of people who pay little attention to national identities and borders. If they like Paris, they will go and live there for a while, if they want to gamble they will fly to Las Vegas or Macao in their private jets, or they will be off to any other part of the world, treating the world as a giant à la carte menu. You would not know they were there, if it were not for the long rows of private jets parked at the airport. Governments are losing influence not only over major companies but also over economic policies. The exception is when these same people and companies falter and need help. Then they will get financial support, by describing the impact their bankruptcy would have on the common good; or, as we say now, "too big to fail" – in other words, the bigger you are, the more failures you are allowed to get away with. This is even contrary to traditional Western moral, which says that the older you are the more responsibility you should take.

All this does not mean that the nation state is on the way out, or that it is about to be entirely replaced by an inter-regional political system (Ohmae 1995). The nation state will go on playing an important role, in areas which have not yet been taken over by other entities: making and enforcing laws and regulations to provide a framework for the operation of the free market, building and maintaining infrastructure, and providing social security for a growing number of citizens excluded from productive society. The nation states have also taken an active role in fostering small businesses and in supporting their companies overseas. These things make the nation state currently more a partner than a competitor. The

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present situation is not one of naked conflict between multinationals and nation states, but one of gradual shifting power, in which both entities recognize that they depend on the other.

Besides, there are many problems with the multinational-enterprise system which might alter the equation at any time. For one thing, the multinational is not the perfect money-making machine it would like us to think, but consists of people of flesh and blood, who feel national identity, pride, and sometimes even social responsibility. All multinational owners have their special attachments. As they get richer they will acquire more non-economic objectives, in line with the goal of self-actualization from Maslow's hierarchy of needs. They are eventually going to want to give things away and help others. That is why it is often more important for a nation state to win a multinational's heart than to chase after its taxes, factories, and offices.

Likewise, a tax refugee or a criminal on the run in exile may enjoy sitting on a sun-lounger and sipping pina coladas for a year or two, but sooner or later his money will run out and/or he will start to feel homesick. Then he will want to come home. That is when we should tax him, if he still has the funds. Coming home should come at a price. Above all we should make our citizens feel more responsible for the nation's future. We should make clear that citizenship means not just that one has rights, but that one also has obligations, duties. To achieve this we need a new political structure. This can come only through a period of new crisis.

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5 Geoeconomics in relation to evolutionary theory

In this chapter we define a place and scope for the study of geoeconomics. We have previously offered a number of definitions. Here we explore some of the major issues and concepts relevant for the study: the power dimension, systems of lies, its inter- and trans-disciplinary nature, its relationship with evolutionary theory, and differences from both neoclassical empiricism and relativism. The main purpose of this chapter is to show how geoeconomics can be founded in an evolutionary approach by offering an analysis of the development of the study of economics.

There cannot be any politics without political realism, and economic issues lie at the core of politics.[83] The person, company, or nation which possesses economic wealth has resources, and resources are power; where power is defined as the ability to control the actions of others, thus increasing one's own opportunities for creation of further and future wealth. We find this notion in Klare's understanding of geopolitics as the study of "the contention between great powers and aspiring great powers for control over territory, resources, and important geographical positions, such as ports and harbors, canals, river systems (fresh water supply), oases, and other sources of wealth and influence" (Klare 2003: 51; see also Klare 2001). The study of geopolitics accounts for some of the more valuable contributions to political realism. Geoeconomics shares the same conviction but differs in its perspective, as it argues that the development is being driven forward by another player, not so much by the nation state as by international and multinational companies for control over strategic global resources.[84] It is a continuation of the doctrine of national competitive advantage but by other means. It is the gradual substitution of competitive knowledge and trade for arms and diplomacy. This phenomenon could be said to have started with the election of Bill Clinton in 1992 (cf. e.g. Castro 2000: 201–21). That was also the time when the term "geoeconomics" showed up in the works of the American military strategist Edward Luttwak (Luttwak 1993), who had some influence on the Clinton administration's foreign policy.[85]

While geopolitics is the single largest body of literature under the intelligence umbrella, as yet little has been published under the heading of geoeconomics. Current contributions are most numerous in France. The term "geo-economics" or "geoeconomics" shows up in French as *géoéconomie*.[86] Other terms frequently used in a similar connexion are *la guerre économique* and *intelligence économique*, that is, in English, "economic warfare" and "economic intelligence" or "competitive intelligence". It would make things clearer if there were a more consistent distinction between "economic intelligence", as the perspective of the State, and "competitive intelligence", as that of the private-sector organization, but as always it is the

83 Wirtschafts geopolitik is considered a branch of Internationale Geopolitik; see Maull (1936: 33). Richard Henning in the Foreword to the first edition of his Geopolitik (Henning 1928) wrote: "From now on no-one ought to be allowed to be active in foreign affairs unless he can claim a solid mastery of geographical, historical, and world-economic (weltwirtschaftlich) knowledge".

84 Others have defined geoeconomics as "the study of geographic influences on economics and management" (Schlevogt 2001: 519). This is a narrower definition than that used in this book.

85 Luttwak in turn was influenced by ideas presented by George Renner (1953), under the term "geonomics".

86 See recent books by Viviane du Castel (2001), Nicolas Bárdos-Féltoronyi (2002), and Pascal Lorot (1999). See also the Revue française de géoéconomie, or search for courses in geoeconomics at French universities.

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practical use of a term that shapes theory. Thus *intelligence économique* is understood fairly broadly and now includes a whole range of intelligence tasks, both private and public.

The reason for French dominance in this field is partly historical: geopolitics never really disappeared from French universities even when it was taboo. But it is probably also due to the admiration for and interest in the art of syntheses, which is so apparent in French intellectual and academic life. The topic of *géopolitique* has always been appreciated in political and military circles. The revival of geopolitics in the form of geoeconomics was a good fit to growing French scepticism about what was increasingly seen as American political and economic aggression in the 1980s and 1990s. At the same time it is too simplistic to call geoeconomics a French phenomenon, and wrong to think of it as a fashion. It is both universal and permanent, following the tradition of *real political* thinking. Its home is not France, but the world; its oldest written traces are Chinese and Indian.

In the English-language literature "geopolitics" and "geoeconomics" are often even today used in connexion with a single topic, the world distribution of "black gold", that is oil. In the French literature and tradition there has been a tendency to understand geoeconomics as "economic warfare".[87] This is a potentially dangerous metaphor.[88] "Warfare" means armed conflict that involves killing. It is true that keen commercial competition can lead to use of less acceptable techniques, like bribery or even forms of extortion, but very rarely do private-sector organizations or the organs of government which support them resort to violence. The use of violence for business purposes is still almost exclusively confined to pariah States and "organized crime". The Mafia is by definition an organization which has found a niche relating to goods and services that the State has outlawed.[89] In other words, the Mafia must engage in violence to survive and prosper. States have not been entirely innocent of this. Some nation states have been known to use force to acquire new markets. We have seen such behaviour more than once since the Second World War, primarily from the USA, but also from the former Soviet Union and later from Russia, and from France, Serbia, Israel, and Iraq, just to mention the chief examples. These States have used their armed forces to secure their financial interests abroad. The danger in using the term "war" in relation to business is that it implies something about what techniques are acceptable in economic competition. It is one thing to expect and plan for the possibility of foul play, another thing to encourage its use by failing to distinguish clearly between acceptable and unacceptable behaviour from the start. Violence and threats of violence in an open economy tend to lead companies into a spiral of attacks and counterattacks that is seldom good for business in the long run. These practices have a tendency to catch up with their perpetrators. For example, oil companies with a presence in Nigeria expect and prepare for violent attacks, but they do not use similar means to defend themselves. For one thing, violence or dirty tricks often have unpredictable consequences.

87 There was a debate in France in the late 1990s about whether or not the newly-intensified competition which has accompanied globalization was a natural consequence and an aspect of general economic behaviour as defined by the laws of economics, or was the product of false competition and government intervention, justifying the use of the term "war". Several authors concluded at the time that "economic warfare" was a reality. See e.g. Harbulot and Pichot-Duclos (1996).

88 For an extensive critique see Fanny Coulomb (2003: 73–87).

89 These banned goods and services change over time, but frequently include drugs (including alcohol), arms/assassinations, sex, and today even human smuggling or trafficking.

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Business practices in developing countries can be rough. Because most developed countries have well-established economies their markets are relatively mature and saturated, making them more difficult for outsiders or newcomers to penetrate and conquer. For this reason, new markets in developing countries are often more tempting, even though they can be risky. Newly-founded countries and countries that have gone through a period of heavy turbulence constitute a special opportunity. These markets are up for grabs, so to speak. This is still the situation with most markets bordering on what was the Soviet Union. In Europe the conflict in Bosnia-Herzegovina has mutated from a political struggle into an economic struggle or competition (Erol 2005). Companies from major nations like the USA, Germany, Austria, Italy, Britain, and Japan are competing for market share in a whole range of consumer markets. The chief direct investors in Bosnia-Herzegovina over the past decade have been Croatia, Lithuania, Austria, Slovenia, Germany, the Netherlands, Kuwait (a fellow Muslim country), and Serbia-Montenegro (*op. cit.*: 6). Access to these markets typically goes through "foreign aid" programmes, which, as Russia under Putin has suspected, are often disguised forms of government support for exports, a comfortable way of opening up a new market. For the USA it has been USAID (US Agency for International Development), investing primarily in tourism, timber, and agriculture. It is a four-step plan:

> First you send in the doctors and the nurses,
> then the businesspeople,
> then you arrange for the locals to start a revolution,
> and then you send in the army.

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It looked as though that was how things were going to go in the Ukraine and particularly in Georgia.[90] Both revolutions (the orange and the rose) started very much as philanthropic projects supported by the American businessman George Soros. By showing force in Georgia Russia wanted to send a clear signal: that they will not accept military interference within their sphere of interest. Thus mastering markets that border on Russia is a delicate balance between political and economic considerations. Elsewhere, governments will be co-operative and will feel secure enough to deal with the multinationals directly. This is not the case for a number of countries bordering on Russia. Here multinationals risk encountering various mafia groups, some of which may or may not represent their government. Belarus, Uzbekistan, Turkmenistan, and Kyrgyzstan are probably the clearest examples. But the same holds to some extent for Kazakhstan and the Ukraine.

Ever since the end of the Cold War, geoeconomics as a national strategy has gradually become more relevant than geopolitics. The former is a strategy based on trade rather than on military and diplomatic interventions.[91]Power has gradually shifted from nation states to private-sector companies, to the point where we can now expect that the 21st century will be a century of geoeconomics (cf. Luttwak 1993). In the next section we shall ask how we are to understand this new phenomenon, this shift in paradigms. How do we account for it from a scientific methodological perspective? I shall suggest an answer based on an organic view of the social sciences, and thus of social behaviour.

5.1 The organic view of social behaviour

The organic view says in essence that we human beings are not so much in control of our behaviour as we think we are. We are predominantly emotional and not particularly rational creatures. We learn not by theory, but by trial and error, that is through failures. Consequently we should seek to understand human behaviour by personal experience and by studying values, which are the basis of character-formation, rather than by losing ourselves in the uncharted waste of abstract theories. The latter may be intellectually interesting, but do us little practical good.

All living organisms are nowadays studied in the light of evolutionary theory, except for Man. We have to ask why. Why should the social sciences be any different from zoology in this respect, unless we hold that Man stands outside biology? If we do hold that, as some Christians do by advocating creationism, then at least we are being consistent; but that is not the position of the social sciences today. Yet these sciences continue to define themselves as not part of biology. The intention here was good: this line was taken partly in order to emphasize that Man has moral obligations. But a problem arises when the morality and values assumed are ones which belong to and favour one particular civilization or viewpoint. Then we are facing not morality but moralism, the attempt of one person or culture to impose its values on others. We see this today in the struggle between Western and Eastern values. In the light of claims about value-neutrality of the social sciences, it is problematic that most social-science journals support Western values. The validity of Western values must be questioned, if the social sciences are to have any credibility in the 21st century. Or alternatively, the study of human behaviour must revert to the humanities, where moral positions are less problematic.

90 This was an old dream of Hitler's: to conquer Georgia in order to secure oil supplies.

91 Cf. an early analysis by Richard Solomon (1992: 3). By invading Iraq the US was gambling heavily not only with its reputation for defending world peace, but also financially. It is uncertain whether or not the "military investment" will ever pay off. By 2003, $500bn had been spent on placing a pro-Iranian government in power. That was hardly Washington's intention.

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It is no more than a century ago that we eliminated the moral component from the study of economics. At the beginning of the twentieth century, but particularly after the Second World War, the discipline of economics decided to assimilate itself to physics and its logic of "dead material" (non-organic). The original motive for this was that physics was and is a successful science, and the social sciences needed greater rigour. It was also seen as a way to solve the normative problem, by literally taking the moral component out of the equation. Furthermore, it was an inevitable consequence of splitting the discipline of political economy into two instrumental parts, political science versus economics and, later, management. Over the past two decades, there has been criticism of this approach, and of the lack of results produced by ever greater specialization. Over specialization seems to have shifted much of our research away from reality and towards obscurity, abstraction, and dogma. The phenomenon of interdisciplinary studies can be seen as a reaction against this development; so we saw a significant growth of interest in interdisciplinary scholarship around the turn of the 21st century. But this only solved parts of the problem.

Another characteristic of twentieth-century social-science research and methodology was a tendency towards linear thinking. Everything in economics seemed to be explainable in terms of the intersection of straight lines on x and y axes. Our linear way of thinking – as opposed to the cyclical ideas of Ferdinand Tönnies (1887) and the pendulum ideas of Hegel (1820), his thesis, antithesis, and synthesis – can be traced back to the Old Testament and the introduction of Christianity to Europe. The notion was reinforced in the period we call the Enlightment. The linear paradigm peaked with the contempt for the historical method on the part of the social sciences following the Second World War. That is the direction that is now being questioned. We must question not only the lack of useful results, but equally the claim of objectivity. So what are the alternatives?

The discipline of geoeconomics is founded on an organic understanding of social behaviour. This is also a method borrowed from the natural sciences too, but from the discipline of biology. By "organic" we mean that Man and human organizations function rather like living organisms. They too are brought into life, grow, and fade away, some sooner than others. Evolutionary theory is a powerful explanatory tool for any science, including the social sciences. That does not mean that all social behaviour can be understood by studying evolutionary theory, but this is the model with greatest explanatory strength and most potential.

If it is the best choice, it may seem surprising that this line of thinking is not novel within economics. Evolutionary thinking got off to a good start in the discipline of economics in the USA with Thorstein Veblen in the closing decades of the nineteenth century. But economists chose to abandon evolutionary theory at the turn of the twentieth century, in part because it did not correspond to our political convictions about how Man should think about himself and society. The new slogan of the time was liberalism, individualism, and free choice – ideas that had been seriously challenged by evolutionary thinking, which had a relatively deterministic perspective on human life. The newly liberated discipline saw that as infringing on our ability to think of ourselves as free individuals with almost unlimited choices. Furthermore, a new world power needed to make a break with the existing scientific tradition, especially to the extent that it was associated with German thinking. The change of scientific paradigm corresponded in time to the rise of the American Empire and continuation of English-speaking world dominance under new leadership. Thus, although the original thought underlying the new empiricist paradigm was largely European (Austrian, French, British), its development was mostly American.

The organic view of social behaviour in fact goes back far further than the nineteenth century. A Venetian ambassador to France once said "States are like men in that their vigour and prosperity does not last forever; they mature, they grow

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old, they succumb" (quoted in Ross and McLaughlin 1981: 305). The Venetian diplomatic corps wrote some of the finest geopolitical analyses of all time, and their city's dominance lasted for more than three centuries. The methodological focus was not on algebra, 3×3 matrices, and Cartesian co-ordinates, such as we see so often in the social sciences today, but much broader. It covered observations on national character, ways of life, natural resources, and military strength and tactics. This methodological tradition later spread to Rome and to the Catholic Church. We find it, for instance, in the writings of Olaus Magnus, Archbishop of Uppsala, who in 1555 published an extensive book on the history of the Nordic people (Magnus 1982).[92]

The methodology was representative for the time; readers wanted books to give clear answers to real problems. A modern-style empirical article would probably have provoked outright laughter – "How long did you live there? Where did you travel? Do you speak the language? You mean to say you know because you questioned 250 people at a supermarket?" Even if you put half a dozen of these research articles together it can still be difficult to say anything specific about a given social problem. Often it will be more useful to read a good magazine, like the *Economist* or some *Quarterly Review*. Consequently companies often complain that they get too little value from modern social-science research. If business-school academics largely ignore this critique that is largely because they are safe to do so: it does not threaten them. They are responsible not to the world of real-life business but to a promotion system which is based on the type of research that businesspeople are complaining about. So companies often look for the social data they need among other sources, by piecing together gleanings from geography (maps), history, and current events.

92 Olaus Magnus was archbishop in name only. The Swedish King Gustav Vasa, who introduced Protestantism to Sweden, forced both Olaus Magnus and his brother, Archbishop Johannes Magnus, into exile. Olaus Magnus settled in Rome, where he set up his own printing house. He died two years after publishing his book.

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5.2 Evolutionary theory versus environmental adaptation

In order to apply evolutionary theory to the social sciences we need to distinguish between a number of different issues. One problem is that people mean different things by the word "evolution". The term is often used to refer to the fact that all living organisms are linked by descent from a common ancestor. Alternatively, it is sometimes used to refer to ideas about how the first living organisms appeared; that might instead be called "abiogenesis". We also use "evolution" when we really mean natural selection, which is just one of the many mechanisms of evolution.[93]

François Perroux (1983: 23) defines evolution as "changes that are interlinked, as opposed to a 'random' succession of events and structures occurring in irreversible and historical time". These changes are what we may call genotypic changes.

In a strict sense then, non-heritable changes are not part of what we call evolution. Instead we may call them environmental adaptations. To many social scientists it seems that environmental adaptation is more relevant than evolution to their own subjects. Evolutionary theory is relevant chiefly to the natural scientist, who studies behaviour over generations. Not even the long-term business cycles of Schumpeter and the Kiel School bear much relation to evolution. What seems to be most relevant for evolutionary economists is therefore Man's phenotype, where phenotype is defined as the morphological, physiological, biochemical, behavioural, and other properties exhibited by a living organism. An organism's phenotype is determined by its genes and its environment.

At the cultural level mutation is not uninteresting to economists either: Chinese and Pakistanis are at least two mutations apart, Europeans and Africans perhaps as many as six or more. There are particularly many mutational differences within the African continent as this is where Homo sapiens first evolved.[94]We need to consider what role, if any, these particular genetic differences have for economic behaviour. As a comparison, modern neuroscience is showing a genetic basis for behavioural differences between the sexes: for instance, females communicate more sensitively than males.

Then there is the variable of change. We acquire new customers, develop and buy new computers, and communicate with one another using new tools and behaviour. We must distinguish between those changes which are "evolutionary" and those which are not. Evolution in biology refers to (i) "the biological process in which inherited traits become more or less common in a population over successive generations", recognizing that (ii) "Over time, this process can lead to speciation, the development of new species from existing ones" (Wikipedia article on "evolution"). Under (i), we need to discover whether, say, a travelling salesman's son becomes better at selling, whether younger people today are able to use computers more efficiently than older people, and to what extent the content of our communication and way of communicating are changing with each new generation. Under (ii), we need to discover how rapidly these inherited changes occur. What biologists disagree about is not whether these changes occur, but whether they are continual or happen in occasional bursts (so-called *punctuated equilibrium*, advocated for instance by Stephen Jay Gould). The extreme case of change, in which an animal's lineage diverges into separate species, seems to have little relevance for the study of economics, for the foreseeable future at least (ii above). What cannot be ignored by economists is the modification of "inherited traits" (i). What we need to discover is whether these changes have any implications

93 Cf. Chris Colby's "Introduction to evolutionary biology", on the web at<www.talkorigins.org/faqs/faq-intro-to-biology.html> (accessed 4 Jan 2009).

94 For recent research on mutational differences, see the National Geographic "Genographic Project" at <genographic.nationalgeographic.com/genographic/>.

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for our economic models, and how significant they are. In other words, we need to ask what are inherited traits and what are explanatory factors to be accounted for in economic theory? It should be possible to begin coming up with answers to these questions soon thanks to the advance of genetic research. Without ever forgetting the contribution attributable to Man's free will, we should be able to explain how a given individual will behave, based on his or her genome together with what we know about how he or she has acted in the past (habit). This is the project for the real social sciences. When we achieve this we are starting a real scientific study of Man, not before.

For evolution to continue, there must be mechanisms to create or increase genetic variation, and mechanisms to decrease it. The mechanisms of evolution are mutation, natural selection, genetic drift, recombination, and gene flow. These can be grouped into two classes: those that decrease genetic variation and those that increase it. We can treat the physical properties of the world as constants. Human behaviour is changing. It is Man's appreciation of how the physical properties can be exploited which evolves. Then there are the other limitations as to Man's action related to his resources; the material, capital and what man is capable of doing.

What are then the fundamental building-blocks of evolutionary economics? From a materialist perspective these could be material, capital, people, and actions. By acting on material mankind initiates an evolution which is proper to his species. Since mankind has chosen not to share material in common, but to control it through the institution of private property, capital is another building-block. Capital and private property are products of political law. Other man-made limitations include social rules and ethics, whether these are causes or effects.

The first question is why Man acts as he does? The answer will tell us what kind of actions to expect, which will help us foresee the direction of our evolution. When facing a decision, man participates in the process as a whole being; his interests are not only economic, but aesthetic, sexual, and humanitarian. These other interests cannot be assumed away if we are to understand the underlying causes or motives for human action and to suggest realistic answers. Or, as Veblen (1899: 10) puts it: "Changes in the material facts breed further change only through the human factor. It is in the human material that the continuity of development is to be looked for; and it is here, therefore, that the motor forces of the process of economic development must be studied if they are to be studied in action at all". This is a materialist approach, without necessarily being a Marxist one.

We appreciate the complexity of the task when we consider that we must list all the possible motives for action Man can have, and decide which motives are strongest for each set of possible actions. We would need to do this for all human beings and all their economic actions every day. And it will be difficult to decide which actions are economic and which are not, since an economic action may be caused by a non-economic action. Unless we can achieve this, which at this point seems well-nigh impossible, we will not achieve complete certainty about our evolution.

The question then becomes, how accurate an estimate can we make of a person's, a company's, or a nation's evolution, based on what we can observe? And will it be accurate enough to be worth our undertaking? We can always describe economic actions in terms of basic principles of evolutionary science and make them serve as examples without pretending that they have predictive capabilities, in much the same way as case-studies are written today: as descriptive data that resemble real life. One thing is clear: the better the knowledge we have about a subject's actions, the greater the likelihood of getting accurate predictions. It will not do to sit at a desk and draw general conclusions from small data-sets. This is a major difference from the mechanistic approach, whose advocates believe that useful conclusions can be drawn from

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mathematical reasoning once a number of limited variables are found and defined. The major problem here is that they are way too few to be of much value.

The natural sciences nowadays are concerned with "dynamic" relations and series. Unlike chemistry, which was able to move away from its taxonomic stage and develop into a modern science, economics ignored new developments in the study of biology and chemistry and clung instead to the idea of natural rights, with its roots in the writings of the eighteenth-century French physiocrats, men such as Quesnay, Baudeau, Le Trosne, and Mirabeau, but also Condorcet, Gournay, and Turgot (cf. Veblen 1899: 2). These men laid the groundwork for the British development of economics, which evolved into the Lausanne school with its refinement of the mechanistic programme as applied to economics, and that in turn led to the blossoming of the new approach in the USA with the neoclassical school, first of all the Chicago school of economics, setting so the standard and the definition of what the Nobel Prize in economics should reward.

It may be that the marginalist school will fade away as the American empire declines, or because the number of remaining marginalists drops below some critical mass, rather than as a consequence of the persuasiveness of evolutionary arguments. Others would argue that the marginalist school will wither when other schools can make better predictions about economic behaviour. And these possibilities are not exclusive.

This is a constructivist perspective on social-science paradigms. Identifying the limitations of the marginalist approach, criticizing its assumptions, in a word "deconstructing" it, is only a first step, and will not be enough to make evolutionary economics a real alternative. Besides, many marginalists would agree with their critics to an extent: "our approach is an over generalization of reality, but it is the only way we know to develop an economic science". If evolutionary economists want to offer an alternative, they must develop an alternative method which yields answers to real-life problems.

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The deconstructionist critic argues that marginalist economics typically assumes perfect competition, meaning that all parties have equal ability to compete. This assumption is refuted by what is called the *Matthew principle*, from the words of the evangelist: "for whosoever hath, to him shall be given", implying that it is easier for the rich to accumulate than the poor (Boulding 1981: 75). This is relevant to evolutionary economics since economic development is almost bound to increase inequality, particularly in its early stages (*op. cit.*: 77). The great evolutionary development of the last two hundred years has undoubtedly increased world inequality (*loc. cit.*), even though more people are enjoying a higher standard of living. These facts in themselves will put further pressure on the marginalist school.

The activity is itself the substantial fact of the process, and the desires under whose guidance the action takes place are circumstances of temperament which determine the specific direction in which the activity will unfold itself in the given case. … The economic life history of the individual is a cumulative process of adaptation of means to ends that cumulatively change as the process goes on, both the agent and his environment being at any point the outcome of the last process. His methods of life today are enforced upon him by his habits of life carried over from yesterday and by the circumstances left as the mechanical residue of life of yesterday. (Boulding 1981: 75–7)

In mainstream economic theory these forces are assumed away. Another important assumption in marginalist economics is the maximization of gain. In reality, do we try to maximize gain, or to minimize the fear of loss? Do we compete against all alike, or less against certain groups, family, and neighbours? Marginalist economics also assumes free choice. This is questioned by a number of physicists[95] and neurobiologists. Research by Angela Sirigu showed that experimental subjects formed a conscious intention to perform an action only slightly after they had in fact started to perform it. If that is true, it puts the whole of rational choice literature into question.

Possibly the most convincing argument for an evolutionary approach in the social sciences was propounded by the Russian scientist Petr Kropotkin. Kropotkin (1902: vii–x) observed two aspects of human life which may help to explain behaviour. One was the extreme severity of the struggle for existence, and the great loss of life when food is scarce (the law of Mutual Struggle). The other was the fact that bitter struggle for the means of existence fails to occur among animals of the same species (the law of Mutual Aid). When food was plentiful he observed the phenomena of mutual aid and mutual support. Thus individuals who enter the market economy from a situation of mutual struggle are often more motivated to work and succeed.

The concept of struggle for existence as a factor in evolution was introduced by Darwin and Wallace. The idea of the law of Mutual Aid was suggested by Kropotkin's professor at the university in St Petersburg, Karl Kessler, who was also dean of the university. Kropotkin essentially took up Kessler's side as and proved both of them empirically.

When Man has more than enough money to live he sets out to help his fellow man. This observation speaks against the assumption of constant competition, but fits well with observations of billionaires' behaviour, for instance in the USA recently, at least on the face of things. Bill Gates and Warren Beatty, like Rockefeller and Carnegie before them, have decided to give away large parts of their fortunes to charity. The problem can also be seen from a more selfish perspective: it is easy to spend a million dollars on consuming, but difficult to spend a billion dollars. There are only so many things to buy. Our needs may stay constant, but we want different things. Giving may still be an expression of pure self-interest, as when it results in greater power and an enhanced reputation.

95 For instance by Nicolas Gisin (see Brunner, Gisin, and Scarani 2005).

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The problem from the perspective of economic theory is that we have constructed our economic models with the individual as the reference point, acting to maximize his own self-interest at the present moment. Our models have been set up to portray economic life as a matter of seeking to maximize satisfaction of our wants, assuming that the individual knows what is best not only for himself, but indirectly also for others. All these assumptions must be questioned.

The discipline of economics has been imposing individualist assumptions, not only at the cost of thinking about society, but also at the cost of thinking for the long term. Attempts by economists like Nicholas Georgescu-Roegen to discount for future generations were rejected since it was thought – justifiably – that this would make our economic models very complicated. But perhaps even more important was that it would call into question the way we live. Georgescu-Roegen was a mathematician, so he did not object to the complexity, but it was argued that the models would be difficult to explain to a non-mathematical audience and to practising businesspeople, and difficult to apply. His ideas about discounting for future generations were seen as a political statement which broke with existing utilitarian practices. They were seen as a threat to our modern liberal democracy built on free trade. Thus, from being the favourite student and follower of Schumpeter, he soon became an outsider, and went to teach at minor universities. But in reality, of course, the accepted margin a list or neoclassical models are just as political as the models advocated by Georgescu-Roegen. But worse, and as I will show in more detail, they are leading Man's development in the wrong direction, encouraging the consumption of future generations' resources.

Some will see this as implying a rather sombre outlook on human existence, but there is another element to consider, as mentioned before: our ability to shape our own evolution. We have the ability to change our nature by altering our ideas and actions (habits). In the short run we can adopt new habits, in the long run we can expect changes through genetic modifications and mutations. That is, we are not necessarily the pre-programmed competitive machines we are sometimes made out to be, but a complex competitive organism where only one aspect is mechanical. Thus, to be considered truly human in today's world one requires a good portion of empathy and an interest in others' wellbeing. These values are already becoming part of our nature. Science has shown that we have become more human just by living closer together in cities. These findings refute the idea, held by some, that we were more social and more caring when we lived in small isolated groups. The fact that we can include empathy in our equations, however, does not mean that we must abandon evolutionary theory or our biological explanatory models. Empathy is part of nature, and can be explained as such.

Social ideas have influenced us for millennia, but they first had significant impact on our lives during the period we call the Enlightenment, in the eighteenth century, through the writings of philosophers such as Voltaire, Montesquieu, Rousseau, Hume, Kant, and Schiller. To ignore the values bequeathed to us by these men and others would mean to close our eyes to human evolution. We should not allow ourselves to be reduced to mere animals, not even when we get bored with the entire project of civilization (as sometimes seems to happen) and decide to inflict massive destruction on our own kind. Afterwards we wake up full of remorse.

This, then, must be the full perspective of any introduction to the literature of competitive advantage, if we are to address the interests and concern of all mankind. The biological perspective is important not only because it gives us scientific data (since we indisputably are a part of evolution), but also because it helps us to realize our limitations. When evolutionary theory was abandoned at the turn of the last century (economics) and again at the end of the Second World War (political science), we swapped realism for elegant models and politically-correct opinions about the world, which have merely ended by making our studies less useful and putting our species in greater danger. Instead we need more realistic models that can incorporate the idea of change.

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5.3 Evolutionary economics and the competition between scientific paradigms

Inspired by a recent article on the modern development of evolutionary and institutional economics (Hodgson 2007), what follows is an attempt to classify some of the main areas within what has been called evolutionary economics, and to say something about how economists, philosophers, and social scientists have influenced one another's thinking.

The study of economics has two objectives; first, to develop theory to attempt to explain and predict human economic behaviour (economic theory), secondly to provide economic actors or agents with tools enabling them to conduct business and public operations more efficiently (applied fields). Of these, the second is the less problematic. The discipline of economics is continually providing economic agents with practical working tools to enhance organizational performance and efficiency. Much of this is done under the heading of management, and in close collaboration with practising businesspeople. It is the former objective which is a cause for concern. The larger methodological question is what basis we can found the discipline of economics on, to give its models predictive power. Are there any such models?

The choice of physics as a model for the development of economic theory, a methodological direction which has been particularly dominant since the Second World War, has increasingly been criticized by economists, and not only by evolutionary economists, but by members of a variety of schools. Many of these critics see biology as an alternative methodological direction that merits investigation. Modelling economics on biology is not a novel idea; it is an attempt to revisit a number of questions which were left behind at the turn of the twentieth century. Thus the fundamental question is whether the concept of evolutionary economics was abandoned prematurely, or for good reasons.

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The French philosopher and mathematician René Descartes inspired two lines of scientific thought. One was abstract, mathematical, and mechanistic; it led to significant advances in knowledge thanks to men like Leibniz and Newton[96]. The other approach explored the development of our living world with everything in it, from insects to animals. This second approach was taken forward by men like Buffon (1749), Lamarck (1809), Cuvier (1812), Wallace (1876), Darwin (1872), and Wegener (1915). In these terms we can say that evolutionary economists are trying to show where the former line of thought falls short when applied to the understanding of economic behaviour, and where the second line may be of help.

Adam Smith (1776) is often used as a reference by the neoclassical or marginalist school of economic thought. We shall argue that Smith, Thomas Malthus, and Alfred Marshall (1890) were in fact all inclined towards the evolutionary approach. If that is so, it means that the neoclassicals are not so much "classical" as "neo". The "marginalist school", which is a better term for the neoclassicals, might also be called the "mechanical approach", as compared with the evolutionary approach. The marginalist school, or marginalism, studies marginal concepts in economics: problems related to marginal cost, marginal productivity, marginal utility, the law of diminishing rates of substitution, and the law of diminishing marginal utility. Marginal calculations were a natural direction to follow once the physics paradigm had been selected.

The evolutionary model is implicit in Marshall's *Principles of Economics*, even though he did not incorporate the idea into his more formal theories. That was part of the problem for evolutionary economists at the turn of the century: they had not succeeded in producing applicable theories and models, but mostly left their analyses on the descriptive level. So when it came to building a scientific platform on which the positivist study of economics could stand it was the French economist Léon Walras who was chosen. Walras and his successors had mathematicized the Newtonian system.[97] They could offer the discipline of economics a rigorous methodology which promised to deliver elegant answers, all in the spirit of the natural sciences. The underlying assumption was that if this method had worked wonders for the natural sciences then it should do the same for the social sciences. In other words, their answers promised to be more precise than what economists had delivered before; and that promise was delivered. The fact that the new models and their predictions often failed to correspond to actual economic behaviour was mostly due to their assumptions. They were nevertheless far better than nothing (a point which continues to be a main argument for the marginalists), and hence the evolutionary perspective was gradually lost from the discipline of economics (Boulding 1981: 17). However, it soon became clear that the problem was no longer one of precision, but of relevance. In other words, the answers were detailed and elegant and might have been correct, but they did not correspond to the economic realities.

Later, with Paul Samuelson – whose models essentially involved stable parameters and a dynamics based on stable differences or differential equations – economics became even more Newtonian, less Darwinian (Boulding 1981: 84). If it were not that current economic theories have still not demonstrated themselves to be the relevant predictive tools that economists had hoped for, our scientific journey would probably have ended at that point. But it continues.

The best philosophical foundation for economic research seemed to many to be a renewal of utilitarianism. The rehabilitation of economic theory was due to the Austrian Carl Menger – known to students today for his theory of

96 Newton is said to have been inspired by Descartes after having read his "geometry".

97 Their primary tool was elementary and linear algebra.

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supply and demand. Menger's essential aim was to discover the laws determining prices and to initiate discussions of supply and demand, human needs and marginal utility (Schumpeter 1992: 84). The biggest flaw in his assumptions is that Man is not entirely hedonistic, his nature is not wholly fixed and predetermined:

> He is not simply a bundle of desires that are to be saturated by being placed in the path of the forces of the environment, but rather a coherent structure of propensities and habits which seeks realisation and expression in an unfolding activity (Veblen 1898: 11).

Both Karl Marx and Menger were much influenced by Ricardo. Menger gave rise to what has today become mainstream economics, but that was not his original role. Menger was at one time the outsider, at a time when Marx and the German historical school led by Gustav von Schmoller represented the consensus within the discipline of economics.[98]Critique of the "mechanistic approach" is by no means new either. In his 1875 book *The Character and Logical Method of Political Economy*, the Irish classical economist John Elliott Cairnes disputed Jevons's idea that economic truths are discoverable through mathematical reasoning (*op. cit.*: vi). What maths can do is illustrate and simplify conclusions that have been reached by other methods, or in his words:

> I have no desire to deny that it may be possible to employ geometrical diagrams or mathematical formulae for the purpose of exhibiting economic doctrines reached by other paths. (*op. cit.*: vii)

98 It was they who called Menger and his followers the "Austrian School", to distinguish them from prevailing thinking among German economists.

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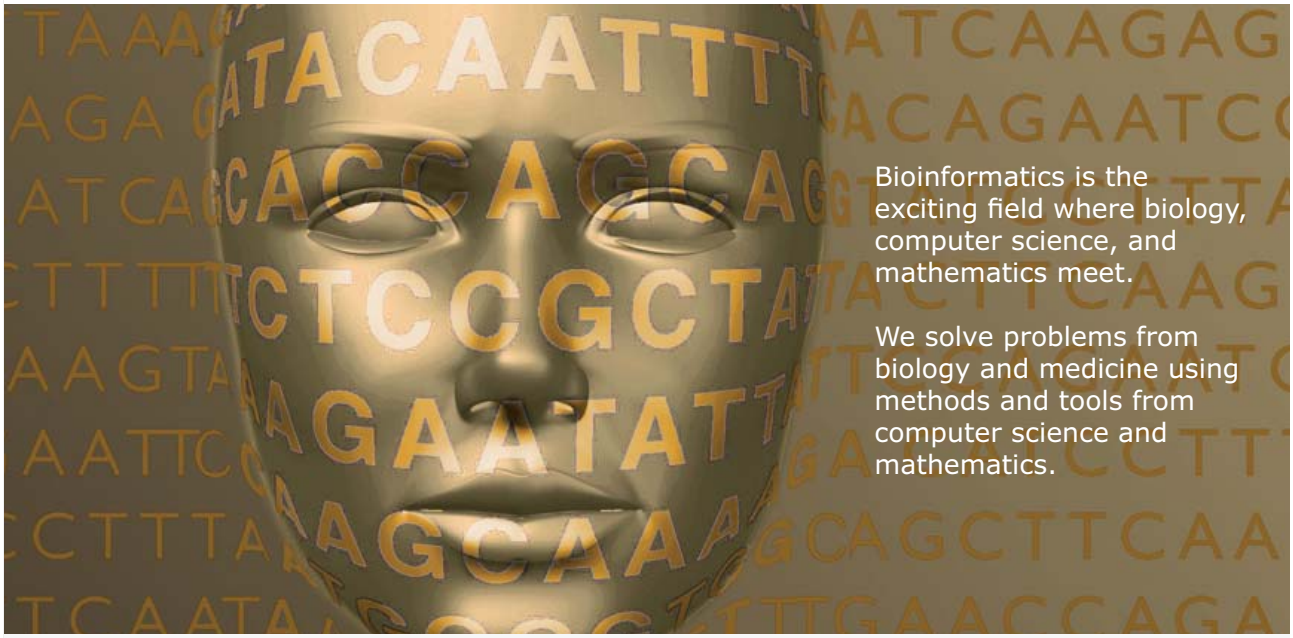

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The reason why mathematics can have only limited application to economics is twofold. First, "its close affinity to the moral sciences brings it constantly into collision with moral feelings" (*op. cit.*: 3). The second is even more fundamental: maths is ultimately by nature just another language, even if of course much more precise than ordinary languages.[99] But precision by itself does not help. In the same way as we do not solve a problem by translating it into a foreign language, maths by itself cannot solve economic problems. It can only express what is already there in a simpler and clearer form. Progress using maths in the social sciences only comes through our ability to see and handle ideas more easily. The advantage is the same that came from the development of symbolic logic.[100]Both mathematics and symbolic logic are very helpful in summing up what we have already discovered, but we have to draw the inferences for ourselves.

Why has physics not provided a successful cornerstone for the social sciences? When we compare the results of the social sciences to those of the natural sciences, we find that social phenomena are more difficult to study, less tangible, less physically observable. Social systems are just too complex if we hope to pin down individual behaviour; they contain too many variables, with too many possible and often irrational outcomes, to be explained via physics and mathematics alone. More important, our mathematical approaches are not capable of treating the element of change – what is often referred to in the scientific literature as the dynamic aspect. Newtonian and Cartesian numerical mathematics, which has dominated the study of economics for a century now, is unsuitable for the more structural and topological relationships found in evolutionary systems, except insofar as the topological relationships can be mapped and converted into numerical relations (Boulding 1981: 86).

Economic theory as developed in the twentieth century builds on a number of mechanistic assumptions. These assumptions were first criticized by Herbert Spencer in his 2 volumes book "the principles of sociology" (In Peel, 1972: 6), who held that they must be wrong because "it assumes the character of mankind to be constant". Or put differently, the problem is that "existing humanity" does not exist, but is constantly changing. Change is the law of all things, true equally for a single object as for the entire universe; all things are mutable: shells into chalk, sand into stone. "Strange would it be, if, in the midst of this universal mutation, man alone was constant, unchangeable" (op. cit.: 7). Everything is in a state of continual change or fluctuation, even the things we think of as most stable. Dynasties and private fortunes seldom last more than a few centuries; even a stone monument has a limited life. We seem to have a cognitive difficulty with change, probably because we constantly need to find order in our everyday lives. We have a strong need to live and find our balance in the present, hence we prefer to think in terms of constants rather than of fluctuation. This seems to be the way we are born. In much the same way, we do not feel the earth speeding round the sun, and that is good: if we did, we would not be able to concentrate on anything else. In other words, we seem inclined to think in the linear terms of a static, mechanistic world perspective. Likewise, we think we can have knowledge of the future, but we cannot. Instead we are continually surprised; and to top it all we are not surprised that we are constantly surprised. Within rational choice theory we might define these observations as a set of rationality errors. They mark a biological limit to our understanding of the real world, i.e. of Kant's *Ding an sich*.

From the above one might take it that we are confronted with an either/or choice between marginalist and evolutionary approaches. To the extent that these premisses are not contradictory, the method used should be whichever method has

99 This point is discussed clearly by Bertrand Russell (1903).

100 Unfortunately the success of symbolic logic has reduced interest informal logic, a subject with much greater applicability in everyday life.

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the strongest predictive power in each particular case of economic behaviour. It is not a question of either Newton and physics or Darwin and biology.[101]So far as we can tell to date, evolutionary economics is not necessarily, and not necessarily always, a replacement for neoclassical economics. For instance, it seems that the evolutionary approach is more suited for studying economic behaviour over the long term, when the element of change becomes most significant. There are many problems, e.g. of production that are simple enough for marginalist calculations to be of value, but they seldom include problems of international business.

To complicate the question further, in many cases marginalists and evolutionary economists will both espouse the same methods or theories. So for instance game theory is seen as a marginalist contribution by some, because it can be highly quantitative, but as an evolutionary approach by others, because it is dynamic and does not seek to maximize a given set of variables. Game theory can also be studied from either a mathematical or a non-mathematical perspective, as in the writings of von Neumann and Morgenstern (1944) on one side and Axelrod (1984) on the other.

In the remainder of this chapter we shall examine the development of the evolutionary approach to economics in more detail.

5.3.1 On the European continent: from Buffon to Lamarck, Cuvier, and Darwin

Much attention is given to Darwin, but mechanisms of evolution had already been set out by the French naturalist Jean-Baptiste Lamarck in his classic 1809 work *Zoological Philosophy*. Lamarck began as a botanist before becoming a professor of invertebrate zoology, and he is known for having developed the first positivist theory of evolution for living organisms, but also for the influence he had on Darwin.[102]

Others would want to mention Buffon as a pioneering figure. His contributions established the scientific foundation and the scope for natural history, a subject which he himself thought always leads back to a reflection on oneself (Buffon [1749] 1984: 39).[103] Buffon called this the first truth:

> ...that man must arrange himself in the class of animals, of which he resembles above all in what is material, but even his instincts may seem more certain than his reason, and his industries more admirable than his arts. (*op. cit.*: 45)

He reckoned that, when mankind becomes aware of the true possibilities contained in his intellect, "he could make his nature perfect, morally, as well as physically" (*op. cit.*: 247). This project, to improve mankind morally, has given rise to a whole series of normative, politically-correct studies in the social sciences, in connexion with topics such as gender, sustainable development, immigration, and human rights. Putting it differently, many university departments today, especially in our newer universities, are not so much asking what the truth is, as what it ought to be, based on what kind of human beings we want to create. This becomes a new form of positivism. It may also be seen as an evolutionary approach, but we must distinguish normative from positivist evolutionists.

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101 Paul Krugman (1996) calls neoclassical economics and evolutionary science "sister fields" (though he will not give up the maximization and equilibrium approach).

102 Darwin learned about Lamarck through a fellow student while studying medicine at the University of Edinburgh.

103 Buffon wrote his magnum opus over the years 1749 to 1788. A summary edition appeared the following year, in 1789.

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Unlike other animals, man can decide the direction of his own social development. In other words, he can elevate himself. This is done by creating an ideal, not by accepting what is "natural". The problem, when we move away from the notion of natural truths, is to know which ideal is the right one to follow and who should decide which it should be. Some academics go so far as to claim that the "natural" as such does not exist. One can then argue that the sciences can never really escape from the domain of politics, since all scientific findings have political consequences, whether we are talking about Stalinism or the atom bomb. On the other hand one might argue that more politics will not make university life any more manageable, as became apparent on campuses all over the Western world in the 1960s and 1970s. It is true that we can never become fully objective in the sense that we can escape our own subjective minds, but we can develop scientific methods to reduce our biases. To argue otherwise is in a sense to be a methodological fundamentalist.

One might ask what a book about zoological philosophy has to do with the study of human behaviour. The fact is that when Lamarck wrote about living organisms in general he actually had mankind in mind, as we see in a passage such as:

> In order to give a living body the ability to move without impulsion from a communicated force, to be aware of objects outside of himself, to form ideas, to compare or combine these ideas, and to produce opinions which to him are ideas of another order, in one word, to think; not only is this the biggest of all miracles which the forces of nature have attained, but, in addition, it is the proof of the employment of a considerable time, as nature has achieved nothing but gradually. (Lamarck [1809] 1994: 122)

We might see Lamarck's contribution to evolutionary economics as implicit in his writings, even though it was Herbert Spencer who first developed the idea explicitly: namely, that societies are like organisms, in that they (i) augment in mass, (ii) gain in complexity, (iii) their parts gradually acquire a mutual dependence, and (iv) society is independent of each of its component units, i.e. is not affected by individual deaths. These similarities are often referred to as the four parallelisms (Peel 1972: 57). There are other parallels to human life as well. In Chapter VII of his book Lamarck discusses the influence of different circumstances on the actions and habits of animals, and the influence of those actions and habits on their living bodies, as causes of modifications to their structure and anatomy (Peel 1972: 206). Habits become a second nature. Lamarck reminds us that for a long time we have observed the influence that different states of our organism have on our character, our inclinations, our actions, and even our ideas. But he also notes that no-one has yet recognized the influence of our actions and our habits on our structure. Our whole organism changes when our behaviour changes. These changes are so slight that we hardly notice them. They are hard to notice because they only become apparent after a very long time. To demonstrate this, look at an old photo of your grandparents. Not only the clothes are different: their facial expressions are different too. The implication is that we have become our own evolutionary machines, even though the changes that we can observe are very small. What is driving this machine forward so fast is a system of technological development and economic growth. The changes in our organisms are initiated by needs. "If these new needs become constant or long lasting, the animals take on new habits, which are as constant as the needs which brought them to life" (Peel 1972: 208).

Lamarck notes that the great diversity of animal life must be understood against the background of the great range of diverse needs that appear when new species encounter one another in an ever-changing environment. Basic human needs for food, clothes, and shelter are much the same now as they were in the Stone Age, but their expression is changing because of the fact that we as human beings create new needs through a social mechanism called in everyday life "fashion" and the constant struggle for ever-higher living standards (again a form of social competition) in the shape of better and more diverse food, more clothes, and larger and more expensive houses than others have, than our neighbour has. (in

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marketing we call this last form wants, to separate them from needs, which are more constant) We do this because we are always seeking greater comfort or because we want to impress our fellowman, out of some version of a struggle to survive but also out of habit and perhaps because we do not always know how else to express our will. This creation of new forms and degrees of need is a human characteristic, because we have the time and the resources to indulge in it.

Our needs are seemingly endless and depend only on our imagination. But the strength of some needs decreases as others are fulfilled. Man is always looking to maximize his satisfaction (the marginalist perspective). We know too that types of need change: from basic human needs to luxury and what are understood as projects for self-realization, as we ask what the meaning of life is (evolutionary perspective). The discipline of marketing, we recall, is largely about how to register and communicate these needs and wants.

As human being we act when there is a need to change something, to improve something. Or putting it differently, a person who is satisfied with everything will seldom find a motive for pursuing truly great endeavours. "In human beings and in the most perfect of animals, life cannot be conserved without irritation in the parts which must react..." (Peel 1972: 344). This phenomenon can be observed in business life too, as when the son or daughter of some great industrialist is too happy with life as it is to take on the hard work needed to develop his or her father's business. Often such individuals feel they have nothing to prove; all needs are satisfied, there is no irritation. This is noticeable when we consider the contrast between entrepreneurs and executives. The former are often less risk-averse, more adventurous and curious, while the latter are typically more concerned with stability and a steady flow of income. From a biological perspective these characteristics may be seen and understood as different types of psychological irritation, results of environment and upbringing as well as inheritance. Teaching entrepreneurship from an evolutionary perspective then becomes largely a matter of making the student aware of these irritations and maintaining them.

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Darwin was also indebted intellectually to the French naturalist and zoologist Georges Cuvier. In a famous letter to Ogle in 1882, as a thank for a gift, Darwin described Linnaeus and Cuvier as his "two gods". Cuvier set out to tell the history of our planet by showing all of the changing processes it has been through, continually giving life to new species. One example is the different types of shell found in separate marine strata (Peel 1972: 150). Cuvier noted that among all the thousands of fossils he had investigated, there was never a single human bone, which led him to conclude that mankind is a relatively young species. Cuvier's endpoint is Darwin's starting point: if all those other species had a predecessor, then the same must be true for mankind. We must have evolved from other species.

Darwin begins his *Origin of Species* by drawing a difference between *natural* and *domestic* variation (Darwin [1852] 1994: 5). Even though Nature continues to bring about changes in mankind, these variations are considerably smaller than those of the domestic or self-imposed kind. This starting point has a parallel in modern evolutionary economics, with the contrast between those who focus on universal Darwinism, represented by Hodgson and Knudsen, and those who focus more on domestic variation, represented by Nelson, Winter, Cordes, and Witt (Witt 2006: 473–6). Thus it is problematic to speak about a single school of evolutionary economics. Instead what we have are different varieties of theory with different starting points. Rather than one school, there are various schools which all share an evolutionary approach.

Man's "self-imposed" variation has increased significantly over the past hundred years. This domestic variation is governed by complex laws:

> Variability is not actually caused by man; he only unintentionally exposes organic beings to new conditions of life, and then nature acts on the organisation and causes it to vary. (Darwin *op. cit.*: 410)

Rather, we select among the variations given to us by Nature, accumulating them in any manner desired. The same principles that act in circumstances of domestication also act in Nature (*op. cit*: 412). The individuals selected are those which find a competitive advantage in the environment within which they live and function. Finding such an advantage depends on the individual's ability to adapt. Since numerous individuals are involved and only some can succeed, competition is often fierce. These are very much the same forces that are involved in economic life.

In Nature males try to win females by being vigorous, by struggling, by acquiring special weapons, means of defence, or charm. In economic life mankind tries to gain an advantage in very similar ways. What this means is that the theory of natural selection is valid also for the discipline of economics; but, more, that it is being enhanced by the free-market economy, which in turn is the product of our philosophical ideals, such as freedom of the individual. In economic life Man struggles to satisfy human needs in very much the same way as animals struggle to survive: first by adapting, then by competing and trying to find a competitive advantage, a niche from which he can fend off competitors and sit undisturbed.

The most common form of domestic variation is indefinite variability. These are changes that last for a limited time only, like coughs or colds resulting from a chill (*op. cit.*: 6–7). Habits, inheritance, and the use or disuse of particular body parts are other reasons for variation. It is hard to distinguish clearly between individual differences and minor varieties, or between more plainly marked varieties and subspecies, or between subspecies and species (*op. cit.*: 212). These are all different degrees of variation. Nature preserves these differences with the same keenness, hoping they will result in a competitive

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advantage. These ideas are relevant to and would find a natural place in the discipline of economics, if economists would accept them. "Differentiation" is one of the generic strategies in Porter's model of competitive behaviour. Porter's contributions, although ignored by mainstream economists, in fact amount (probably to a large extent unintentionally) to one of the more successful blueprints for a new discipline of evolutionary economics.

What we have seen so far is that a first academic grouping developing the ideas which would eventually underlie evolutionary economics was well established in France with men like Buffon, Cuvier, and Lamarck, long before Darwin. Darwin belonged to a second grouping, but we will postpone discussion of this (and take it up in conjunction with the fourth grouping), because its influence on economics occurred mainly in North America. Before looking at that we shall consider a grouping that historically came third, and was located in German-speaking Europe.

5.3.2 Germany and Austria: Austrian versus historical schools

Economics as defined by marginalists is the study of a particular range of social facts to do with how we produce, distribute, exchange, and consume scarce resources. As anyone who has considered the matter will have noticed, it has also a lot to do with money, or wealth. When economics and political science was a single subject, about a century ago, the study of political economy was defined as the science of wealth (Cairnes 1875: 8). The laws of this phenomenon of wealth were "simply the facts of wealth, such facts as production, exchange, price; or again, the various forms which wealth assumes in the process of distribution, such as wages, profits, rent, interest, and so forth" (*op. cit*.: 18–19).This definition, however, was inappropriate for the new group of economists who wanted to turn economics into a true science after the model of the natural sciences. The new definition needed to be value-neutral, and could not include factors such as power or the natural status that results from having different starting points in life. The assumption had to be that all human beings in principle have the same possibilities. The new, more specialized science of economics, which was to replace political economy, was to be "positive" rather than "hypothetical" like its predecessor; and the tools which were to achieve that was the discipline of mathematics and empirical research. This soon created an academic and scientific culture based on small, narrowly-defined empirical projects, such as we today find in most highly-regarded economics and management journals.

This would not be a problem, if it were not for the fact that, well over a century later, we have not made the advances we hoped for in terms of theory building. We are however wiser by many experiences. For one thing, we have refuted Marxism, and we have also tested the limits of the mathematical method. In the words of the Japanese economist Michio Morishima, in his Introduction to the posthumous book by Schumpeter and Takata:[104]

> Since the second world war economics has become mathematicised to what could be deemed an excessive degree (…) economics has become isolated; the isolation has in its turn promoted mathematical inbreeding. (Schumpeter and Takata 1998: vii)

The reasons why mathematics has prevailed ever since as the dominant paradigm must be sought elsewhere. Some critics argue that the study of economics has become a political tool, a means of defending free trade through the use and abuse

104 This book was a response to Böhm-Bawerk's 1914 book Macht oder ökonomisches Gesetz ("Power or Economic Law"). Takata and Schumpeter met for discussions in 1931. Whereas Takata wanted to incorporate power into the study of economics, Schumpeter wanted to leave thataspect to the discipline of sociology.

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of statistics. And the heavy use of mathematics in economics helps keep its critics at bay, rather as Latin preserved the Catholic Church from its critics in the days of Erasmus of Rotterdam. Today a whole class of bureaucrats and experts are putting forward figures and calculations that only a minority can understand and few can question.

Specialization within the discipline of economics, furthermore, has not always benefited the subject. After all, human beings do not only perform economic actions. A person also performs religious, political, and social actions, and, more importantly, these various actions have direct influence on each other. Thus, a practising Muslim may avoid earning interest. This more complex range of human actions as the starting point for the German sociologist Niklas Luhmann. Luhmann (1985) saw human behaviour as a set of distinct and interacting social systems. Accordingly his framework is well suited for an evolutionary approach to the social sciences, although to date his theories have chiefly inspired numerous interdisciplinary and multidisciplinary studies.

When economics parted company with the disciplines of history, politics, and social investigation in general, its models and academic forms became simpler and more refined, but the discipline did not become better at predicting future events:

> The role of politics and sociological elements in explaining economic phenomena has gradually diminished, until finally pure economics (neo-classical school) has come to be regarded as the most important tool for elucidating economic problems. (Schumpeter and Takata 1998: ix)

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This is the same neo-classical school which Schumpeter once helped to found in Europe based on the ideas of Eugen von Böhm-Bawerk.[105] In fact, initially Schumpeter's work was seen as too mathematical and too theoretical for most English and American economists. It was not until after Schumpeter had gained a secure academic position in the USA that he began changing his views, and drifted away from the use of maths towards the evolutionary approach, just as Boulding did after him. Unfortunately for us, this came rather late in his life. Schumpeter was never able to complete his ideas on evolutionary economics. The closest he got to describing his method was in the outline at the end of his *History of Economic Analysis*, a book he never finished. Today Schumpeter's contributions to economics are mostly associated with the study of entrepreneurship, an area which was to be taken forward by a fellow Austrian emigré, Peter Drucker. Unlike Schumpeter, Drucker never made any real attempts to set his theories within a broader methodological perspective.

Schumpeter looked to a range of different disciplines for inspiration. This is confirmed not only by his wide general reading, but by his affiliation and sympathy with the Kiel school of economics and by his academic training in the Austrian school. In his theory of economic development, Schumpeter attempts to offer a theory of economic change in purely economic terms. In the Japanese edition of the book he says that his aim is the same as that of Marx's economic teaching; he places his concept of economic evolution in a Hegelian setting: "He concentrated his analytical powers on the task of showing how the economic process, changing itself by virtue of its own inherent logic, is incessantly changing the social framework – the whole of society in fact" (Schumpeter 1952: ix).What distinguished Marx from his contemporaries and predecessors in economics was a vision of economic evolution as a distinct process generated by the economic system itself (*loc. cit.*),[106] and a deterministic certainty about future economic events and their consequences.

Although trained in the Austrian school, Schumpeter's convictions lay elsewhere, influenced not so much by Eugen von Böhm-Bawerk as by adherents of the historical school – Marxists like Hilferding and Kautsky, but above all evolutionary economists of the Kiel school such as Lowe and Lederer, with their focus on "structural" theories of growth and business cycles. Together with the Kiel-school economists, many of whom ended up at the New School in New York, Schumpeter represents the third academic grouping in evolutionary economics. However, when they moved to the USA it was the physics paradigm and their mathematical contributions to the marginalist school that were wanted, not their evolutionary ideas. The young continent also approved of the laissez-faire doctrines of the Austrian school, the very same doctrines which has just turned the Western world close to bankrupt. The evolution are ideas were abandoned with much of the rest of the intellectual baggage European emigrés carried with them from a Nazi-infested Europe. American evolutionary thought was soon a thing of the past, associated with men like Veblen and later with isolated mavericks like Boulding and Georgescu-Roegen, who were treated as unsuitable to teach at the great universities. Those who conformed to the new methodological plan for the discipline of economics could advance in their careers; those who did not were at best ignored. The new paradigm was established.

5.3.3 The USA: from Veblen to Boulding via Spencer

Many economists had been inspired by Herbert Spencer's introduction of the evolutionary approach into the social sciences. An American economist of Norwegian extraction, Thorstein Veblen, is often seen as the first real evolutionary

105 Böhm-Bawerk in turn drew his inspiration largely from Carl Menger.

106 The Foreword to Schumpeter's book by his widow Elisabeth Boody explains the essence of his philosophy even better.

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economist on that continent, but also as the last of the classical evolutionists (Peel 1972: xlvii). In his famous 1898 article "Why is economics not an evolutionary science", Veblen wrote that economics was "helplessly behind the times". Biology as a science was on its march forward. The social sciences needed to follow. It is likely that Veblen had read and was influenced by the British economist Alfred Marshall, fifteen years his senior, who in 1890 pointed out that economists had much to learn from the recent history of biology when developing their science. "Darwin's profound discussion of the question [in *The Origin of Species*] throws a strong light on the difficulties before us" (Marshall 1890: bk 1, ii). He felt strongly that it was biology, rather than Newtonian mechanics, which should be the model for the study of economics.

> It is commonly thought that evolutionary economics is an attempt by economists to adapt economics to the principles of the natural sciences. In fact one might well argue that it was the other way round: Darwin is said to have got the idea of natural selection by reading Malthus. (Boulding 1981: 84)

When we look more closely at the history of economics we find that most useful progress has been achieved within the applied fields, such as the study of marketing or management, which are more concerned with real-life situations and applications than with theory building. Yet it is the theoretical advances which have been rewarded, for instance with the Nobel Prize. An important question is how far the discipline of economics really needs theory-building in order to justify its existence. Many business schools, especially graduate schools and master's programmes, are perfectly satisfied with teaching students how to do things (know-how), developing their skills and giving them "tools". This matches Heidegger's notion of the future of the social sciences and the humanities as *Steuermannskunde* or *Kybernetik* (etymologically, "the art of the helmsman"), focusing on the ability to solve practical problems. These ideas are already shaping business schools today.

There is a another point here too, as mentioned before. There seems to be no real correlation between economic theory-building and economic success among industrial nations. Thus countries like Germany, South Korea, and Japan are highly competitive nations economically, but have contributed little to the development of modern economic theory, particularly as compared to English-speaking countries. The latter have lost much of their industry over the last few decades while those theories were being created. Their economies have shifted from a society of craftsmen and industrial production to one of knowledge production and services, a shift which has been very much supported by their own economic theories. Both the USA and Britain, which are producing most of these theories, are now suffering from general economic decline.

We talk of "economic theory", but mean very different things. How often does phenomenon *A* (cause) have to lead to phenomenon *B* (effect) for the relationship to be called a theory? Some talk of theory if they have done a small empirical experiment which gives answers that go in one direction. Others avoid the term altogether. There is less confusion about the term "economic law": few economists today would claim to have discovered any economic laws.[107] R. F. Harrod, one of the founders of the Oxford Economics Research Group, may have come closest when he put forward a law of evolutionary economic behaviour summarized as "Nothing for nothing" (Perroux 1960: 8), but such common-sense theories are of little value. The evolutionary perspective on human behaviour leaves little place for a formulation of natural law in terms of definite normality. Nor does it leave room for that other question of normality, namely what should be the end of the developmental process under discussion (Veblen 1899: 12). The only way for the evolutionary approach to demonstrate its value is to produce theories with greater predictive success than those produced by alternative schools of thought, or else to reject the idea of theories in the social sciences altogether.

107 An economic law may be defined as a case where a phenomenon A invariably leads to a phenomenon B.

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One of the real challenges to evolutionary economics is how to define and measure change. Early evolutionists discovered that the differences in traits and species increased with geographical distance, and they sought to classify change into (i) change of stations, and (ii) change of habit. A habitat is a special environmental area inhabited by a particular species or organism. Similar animals may be found at many stations, but only within one habitat (Wallace 1876: 4).

There are a number of reasons why comparable research projects are troublesome in economics. First there is the globalization argument : economic agents travel extensively and live all over the world. They cannot be defined as belonging to one geographical location. Secondly, any research that points to differences in economic performance between human groups is likely to meet serious criticism. One of the advantages of marginalist theory is that it is politically correct, since it complies with human-rights ideals and assumes that all men have the same economic abilities and possibilities initially, regardless of upbringing, cultural background, or genetics. This in turn is what makes differing economic outcomes fair, from the marginalist's point of view. We know this is not so: for instance, children born in wealthy families have a better than average chance of economic success themselves, not least because they can expect to inherit their parents' fortune. In that sense it could be argued that neoclassical economics is a convenient tool for the rich to defend their property.

Veblen's definition of evolutionary economics does not ignore cultural differences, nor does it ignore the notion of power:

> [evolutionary economics is] the theory of a process of cultural growth as determined by the economic interest, a theory of a cumulative sequence of economic institutions stated in terms of the process itself. (Veblen 1899: 13)

> ... where man's knowledge of facts may be formulated in terms of personality, habit, propensity/natural tendency and will power. (*op. cit.*: 5)

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This is the culturalist position, so heavily criticized by the academic establishment today for its political incorrectness. Men living under different climatic conditions will tend to behave differently. They have simply developed different habits. For instance, in many places on earth the climate is simply too hot to engage in much economic activity. We see this in large parts of sub-Saharan Africa, the Arab world, and South-East Asia. We also behave differently depending on our geographical location. Thus, island people tend to keep to themselves, or make occasional outbursts into the world, but are also inclined to engage in large-scale export efforts to stay competitive. Among competitive Island economics there is always the realization that if they keep to themselves they will decline, even if that is just as true for landlocked countries. We see this not only with Japan, but also with Britain, Sweden, Taiwan, South Korea, and Singapore. Our cultures have imprinted their particular traits on us, which again helps to explain our behaviour, including our economic behaviour. This does not mean that individuals cannot break out of these patterns, or that cultures do not change. They do. The culturalist position does not have to be a dogmatic one.

Culturalists are also attacked for embracing the scenario summarized as survival of the fittest, implying that some individuals survive at the expense of others. However, it has been suggested that a better phrase would be survival of the fitting, since success is not restricted to a single individual or species, and survival seems to be more a question of finding a niche than of forcing others out (Boulding 1981: 18). In the wild, animals who are not adapted, who have not found some sort of advantage, disappear. Darwin called that the survival of the fittest, a phrase he borrowed from the English philosopher Herbert Spencer (rather than *vice versa*). Again, objections to the doctrine have a lot to do with ways in which it has been exaggerated. It does not necessarily mean aggressive behaviour. We do not want to live in a society where only the fittest survive; that would be inhumane. Instead we have constructed a political and social system in which those who are "unfit for survival" receive some form of help. However, if those who asked for help formed the majority of citizens, the nation would lose its competitive advantage. So the theory does apply.

What corresponds to extinction in business life is bankruptcy. Bankruptcy does not mean that the bankrupt actually disappears, it merely simulates disappearance by excluding agents who perform poorly from conducting further business for a period of years. Furthermore, the precise consequences of bankruptcy vary, depending on the social-welfare system in place in a particular country. Thus the metaphor of survival of the fittest does not have the same consequences in modern society as it has in Nature, and the cruelty involved is often exaggerated.

Spencer, who was greatly influenced by Adam Smith and Lamarck, is one of the more neglected among classical sociologists. The reasons for this neglect are many: in part political, in part due to his outspoken, consequent denial of historic analysis as a method to gain scientific knowledge, and, no doubt, in part due to his notoriously blunt statements. His ideas were frequently utopian. Hence Spencer remained interesting for a long time as a literary figure but (like Marx and Comte) quickly became unacceptable as a scientist. His Lamarckian biology was dismissed in Europe, partly because it was bad timing to present a value-free social science in a Western world marked by high unemployment and great social misery. He was misunderstood, as when he is associated with social Darwinism and *laissez-faire* politics. In reality he argued for increased State intervention. Spencer survived in the USA by virtue of ideas such as rejection of absolute standards of truth and elevation of practice over theory. In the 1920s and 1930s these ideas were taken up by Dewey. Two features were never abandoned in the US: (i) economics-based models of social structure, and (ii) methodological individualism (Peel 1972: xl). He also inspired a whole new school of American anthropologists, including L. H. White, J. H. Steward, Marshall Sahlins, and Elman Service, who saw the task of anthropology as being to trace the path by which cultures "evolve" (*loc. cit.*). This approach was inspired by the long-established German discipline of *Völkerkunde*. A similar approach is familiar

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in linguistics – as when we can trace the Indo-European languages back to Sanskrit – and we see something similar when scholars trace the development of mythologies (Cox 1870). The movements of populations suggested by such investigations are being confirmed today by genetic research.

If sociology is not to be value-free, it must have a moral basis. This moral stance was widely accepted in sociology following Spencer, but has since been largely forgotten. As Spencer saw it, the chief role of evolutionary sociology was to reconcile Man to the inexorable processes of Nature. He wanted to describe a theory of social change. Economists who have worked to unite economics and sociology along these lines have included Schumpeter, Vilfredo Pareto, and Ferdinand Tönnies, a German sociologist who taught economics at Kiel University (Schumpeter and Takata 1998: xxxiii). Tönnies is perhaps best known for having reintroduced Thomas Hobbes into the social sciences. This strengthened the evolutionary approach to economics. The notion of power is vital in understanding human behaviour because we live in social, hierarchical systems. Had Tönnies not died in 1936 he would probably have had to flee Germany, as his children and so many of his colleagues did because of the rise of Nazism. The Nazis made a short process of anyone criticizing their movement. Tönnies was considered a social democrat, but this was also the fate of many conservative German intellectuals like the Manns and Carl Schmitt.

Daniel Defoe's Robinson Crusoe represents life at the opposite extreme to the world of economics as portrayed by Hobbes. Economic marginalists reason very much as if Man were created as an isolated individual in Nature, like Robinson Crusoe on his island, and Crusoe is therefore a favourite trope among marginalist economists. Their critics argue that we do not live like Crusoe, so that any such comparison is a gross oversimplification bound to give false answers. Evolutionary economists argue that (whether we like it or not) the world is more Hobbesian than we care to admit, and that the task of a science is to describe reality.

For significant new discoveries in the study of Man and human behaviour, we are reliant on future work by psychologists, biologists, and neuropsychologists to show us how we reason and why. This is an argument in favour of more interdisciplinary research in economics. A sensitive specialist pursuing his investigations in any field, Boulding reminds us (1950: viii), finds himself on the frontiers of other disciplines. That was also very much a watchword in Boulding's own research. How can you study economics in mediaeval times without considering religion, and how can you study economics during the Industrial Revolution without considering the class distinctions of that period, Boulding asked (Perroux 1960). In the same way, how can you study the economics of today without considering the phenomenon of globalization – probably the greatest accelerator of change ever known on this planet, leaving aside natural catastrophes.

Every age, every nation, every climate exhibits a modified form of humanity (Peel 1972: 7). This universal law of physical modification is also the law of mental modification (*op. cit.*: 9). According to Spencer all imperfection is unfitness. Progress, therefore, is not an accident, but a necessity (*op. cit.*: 13). Rather than civilization being artificial, it is a part of Nature. Spencer thought that this imperfection would end and Man would attain some sort of completeness. Thus according to Spencer the law of evolution may be expressed as a change from a less coherent homogeneity to a more coherent heterogeneity. There is and can only be one evolution, as all the different existences are component parts of the same cosmos. Why should mankind be different, why should he follow different laws from all other living organisms? That is the question that every social scientist must ask himself. Furthermore, towards what form is Man evolving? For Peel the ultimate man is seen as one whose private requirements coincide with the public ones (*op. cit.*: 26). Considered over a large time interval, we find that Man's character is growing more civilized, less violent, shaping into what we might call

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"social man". The further we come away from violence, the more successfull we seem to evolve. This development in our character can be seen for instance in styles of leadership over recent centuries – a shift from the boss to the leader, who gives fewer orders and instead aims to be a role model through his actions; from the military commander type associated with the early days of industrialization to the team player of today. This is also reflected in the terms "social intelligence" and "emotional intelligence", which have become a focus today. We also speak of "people skills", but seem to mean the same thing. True, others say that Man is becoming ever more selfish, a result of his striving for ever more independence. But that may represent more a backlash than an actual long-term trend. The evolution of our character can rather be plotted as a rising curve, so far as present data indicate at least.

Taking human actions as a starting point for the human sciences, instead of theories or ideas, has given us some of the most useful techniques or methods available in the social sciences today, including game theory and rational choice theory. But these contributions are not necessarily marginalist or even neoclassical. We shall rather argue that game theory relates more closely to informal and formal logic than to mathematics. In fact it is really a non-marginalist approach, with no fixed number of variables to be optimized. And yet arguably game theory, invented by the German economist Oscar Morgenstern and the Hungarian-born mathematician John von Neumann, is one of the better analytical tools available to describe and analyse social dynamic realities. It is also interdisciplinary, meaning that it is equally applicable in any of the social sciences, and in the humanities.

So long as scarcity is a major problem, the economic forces that constrain us will be very real. On the island of Utopia there is no need for the discipline of economics, because everything that people need is available in plenty, and people do not ask for more than they need. In Thomas More's book the character Peter Giles believes that:

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Inés Aréizaga Esteva (Spain), 25 years old
Education: Chemical Engineer

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> Till property is taken away there can be no equitable or just distribution of things, nor can the world be happily governed: for as long as that is maintained, the greatest and the far best part of mankind will still be oppressed with a load of cares and anxieties.

More draws this conclusion from his experience of early sixteenth-century England, ruled by Henry VIII, where "all things will fall to the share of the worst men" and where "all things are divided among the few". From a national perspective this situation improved dramatically with industrialization, which allowed a large proportion of the poor to rise into the middle class, much like in today's China. From an international perspective the problem is more complicated, since what we have been doing is largely exporting low-wage jobs to other, less developed countries: as the saying goes, out of sight out of mind. The possibility of continual improvement in standards of living is also limited, since it is those who already have money who have the best chance of making more. That is a consequence of the efficiency of financial markets, which has brought us to a point where the free-market system is once again being criticized as unfair because it is to the advantage of those who are already ahead.

More's Utopia is a land where leisure is to be used for reading books, playing chess, and engaging in gardening. But the problem of who will do the work if everyone lives a life of ease is solved by slavery; as More says, "All the uneasy and sordid services about the halls are performed by their slaves...". Man is always a child of his time, and the social scientist can seldom ignore the values of his time. Being a successful social scientist is to a large extent a question of writing in conformity with the values of one's time. Those who do not do that are choosing to live the hard way. One economist in that category was Nicholas Georgescu-Roegen, Schumpeter's favourite student.

5.3.4 Georgescu-Roegen : the right man at the wrong time

Bioeconomic analysis sees new technology as a set of Man's most sophisticated *exosomatic organs*. A stick picked up in the woods as a club meant a stronger arm, one of the earliest examples of an exosomatic organ. According to Georgescu-Roegen (1980: viii), Man's exosomatic evolution has brought with it three "predicaments", or unpleasant situations from which escape seems difficult. The first is conflict between various human communities or cultures. Thus *Homo indicus* is different from *Homo americanus*, in that the former travels more by foot and the latter by car. The predicament may also reflect differences in taste. The second predicament is the conflict between the two social classes of governors and governed. The third predicament is ranges of technically-sophisticated equipment, such as PCs, the Internet, and mobile phones today. This equipment is continually changing, and creating problems about haves and have-nots. We see this today in the area of e-commerce, where certain countries including Japan, South Korea, the USA, and Sweden are ahead of the field.

Georgescu-Roegen's bioeconomics builds on one major principle: mankind must not discount the future. By this he means that the price of a resource should be determined by all potential buyers, including those who are not yet born. "And since future generations cannot be present now, we should bid in their place" (*op. cit.*: xii). This problem is highly relevant today, since past generations have raised their standard of living by imposing debt burdens on future generations. Thus, we may say that our current degradation of the environmental and the living conditions on the planet is a result of our economic theories.

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Georgescu-Roegen begins from the assumption that mankind is going to be around for a long time: "the dinosaurs lasted hundred and twenty millions years"[108]. If this assumption is correct, or so long as we do not know how long mankind will exist, we should manage our natural resources with care. Marginalist economic theory typically models economic problems as if each generation were the last. When economies are put under heavy strain, the chances of war will increase. Georgescu-Roegen (*op. cit.*: xi) reminds us that "all major wars have had no main objectives other than the possession or the control of natural resources". We have seen recent proofs of this whether it is in the form of America's war on Iraq (geopolitical logic) or with recent Chinese investments in Africa (geoeconomic logic). The difficulty with the discounting problem is that we have no way of knowing what resources future generations will need and how long they should be discounted for and, we could add, at what rate. To help resolve this question the aim of Georgescu-Roegen is:

> a world organization whose role be to decide the acceptable rhythm of depletion of mineral resources and their distribution among all nations according to a rough criterion of hierarchical needs. (*op. cit.*: xii)

This is the idea of the World State, a project which will become relevant in the 22nd century at the earliest. It is in turn largely a question of human political and social evolution.

Georgescu-Roegen follows Schumpeter's idea that the evolutionary approach is not an economic "theory" in the marginalist sense of the word, but must be more of an "analysis". His first book (Georgescu-Roegen 1966), in which he outlines his thoughts on evolutionary economics, is entitled *Analytical Economics*:

> … theoretical science is logically ordered knowledge. A mere catalogue of facts, as we say now a day, is no more science than the materials in a lumber yard are a house. (p. 15)

> And:

> ... if the cornerstone of science is the dogma that all phenomena are governed by mechanical laws, science has to admit that life reversal is feasible. (p. 83)

Instead Georgescu-Roegen suggests that economic analysis should follow the formula set by Cuvier: *nommer, classer, décrire* (name, classify, describe) – what is called a taxonomic process, or filing system. This same search for a universal principle of classification once led to the birth of formal logic. Theoretical science is a logically ordered description. Marginalist economic theory is an attempt to show that mathematics can be the logic for the study of economic phenomena. But, whereas the purpose of economics is to understand economic facts, the purpose of pure science is not prediction, but knowledge for its own sake (Georgescu-Roegen 1971: 37). This is the excuse science gives for not always producing realistic findings. Georgescu-Roegen rejects all accurate predictions in the social sciences: "No analytical device can allow you to describe the course of your future actions" (*op. cit.*: 335). He instead agrees with the Hegelian approach we find in Schumpeter: "If economics is to be a science not only of 'observable' quantities, but also of man, it must rely extensively on dialectical reasoning"(*op. cit.*: 337). Dialectical reasoning cannot be exact, but can be largely correct. It implies that we attempt to express ourselves in numbers, weights, or some other measure. "Hence careful reasoning and analysis should be the backbone of economic, as Marshall suggested" (*ibid.*). Dialectical reasoning opened the way of

108 G-R wrote this some years ago, 165-185 million years is probably a closer number today.

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literary economics, where both sides of each argument are weighed up. That is also very much the tradition of critical theory applied throughout this book.

In his next major book Georgescu-Roegen discussed the law of entropy, based on ideas of the German physicist Rudolf Clausius, who held that change undergone by matter and energy must be qualitative change (197.: 1). Georgescu-Roegen argued that an economy is a biological process governed by the law of entropy, not by the laws of mechanics. The book is a critique o*f Homo economicus*, in which Georgescu-Roegen takes up the objection that economics as a science strips Man's behaviour of every cultural propensity, which is to say that Man is treated as acting mechanically (*ibid.*). Georgescu-Roegen's thermodynamic approach to economics is based on Carnot's work on entropy from 1865 and Boltzmann's from the 1870s.

> A cultural propensity may be a factor in economic growth, as when cultural activities in countries such as France, Spain, or Italy encourage the growth of tourism. It might have been similar observations that led Spengler to the thesis that economic growth depends upon the degree of compatibility between the economic components of the respective culture (*op. cit.*: 362):
>
> Evolution appears so mysterious to us only because man is denied the power of observing other planets being born, evolving, and dying away. And it is because of this denial that no social scientist can possibly predict through what kinds of social organizations mankind will pass in its future. (*op. cit.*: 15)
>
> Had economics recognized the entropic nature of the economic process, it might have been able to warn its co-workers – the technological sciences – that "bigger and better" washing machines, automobiles, and super jets must lead to "bigger and better" pollution. (*op. cit.*: 19)

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Economic theorists like Robert Solow, Joseph Stiglitz, and Paul Samuelson have praised Georgescu-Roegen's mathematical contribution, but none of them have shown any interest in his ideas on evolutionary economics and bioeconomics. None could have failed to notice that Georgescu-Roegen was Schumpeter's favourite student at the Harvard Graduate Seminar. So it was impossible to ignore him; but his thoughts deviated too much from existing theory. Herman Daly (1999) has asked how long neoclassical economists can go on ignoring Georgescu-Roegen's contributions. For instance, what will future generations say about the fact that we are systematically denuding the planet of oil and gas, resources which may be needed for more important tasks in the future when alternatives are not available? Faced with the threat of global warming, environmental deterioration, and now the financial crisis, Georgescu-Roegen's economics are long overdue for a review.

Solow and the marginalists assume that natural resources can always be substituted. His well-known work in growth theory is based on an aggregate production function in which resources do not appear at all: it takes production to be a function solely of capital and labour (Daly 1999: 15). This is like expressing improved cuisine as a function of a cook and a kitchen, forgetting the ingredients. The Solow–Stiglitz variant of the Cobb–Douglas function including resources is expressed as:

$$Q = K^{a1} R^{a2} L^{a3}$$

– where Q is output, K is stock of capital, R is the flow of natural resources used in production, L is the labour supply, $a_1+a_2+a_3=1$, and $a>0$. In reality, increase in capital implies depletion of resources; and if $K\rightarrow\infty$, then R will rapidly be exhausted by the production of capital (Daly 1999: 17). Georgescu-Roegen calls this a "conjuring trick". Land and resources have been eliminated, on the argument that capital is a near-perfect substitute. If so, then resources could equally be substituted for capital (reverse substitution). To do that would run counter to the whole direction of neoclassical theory, which is to deny any important role to Nature (*op. cit.*: 18).

None of Georgescu-Roegen's ideas on the biophysical foundations of economics were ever canonized by inclusion in Samuelson's famous textbook. There has been no interest in Georgescu-Roegen's ideas at MIT, the American Economic Association paid little attention to his death, and hardly a trace of his influence is left in the economics department of Vanderbilt University, where he taught for twenty years (*op. cit.*: 13). One reason may be that few economists understood his ideas with their emphasis on advanced mathematics, physics, and biology[109]. He may also have been too interdisciplinary for his own time. A further reason may be that he is said not to have been easy to work with. A deeper explanation would be that if one accepted Georgescu-Roegen's ideas, the consequence would be a complete paradigm shift in economics. The political and economic implications of accepting his theories would amount to nothing less than a revolution in the way we organize our lives, and it is perhaps one we are not yet ready to undertake.

Georgescu-Roegen's own explanation of why his ideas were never accepted was in terms of a Romanian proverb: "In the house of the condemned one must not mention the executioner". After arguing his case for decades without ever getting much response, Georgescu-Roegen gave up on standard economics and resigned from the American Economic Association (*op. cit.*: 15). In his own words "I was a darling of the mathematical economists as long as I kept contributing pieces on mathematical economics" (Georgescu-Roegen 1992: 156).

109 This is an odd trait among many economists, they argue for mathematics, by which they imply the right amount of mathematics, enough to separate them from academics studying the humanities. When someone with a physics background comes along, it becomes evident that they know too little mathematics, and then they end up in the wrong too.

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Schumpeter too had come to the United States as a two-edged sword, like Georgescu-Roegen later. Influenced by Léon Walras and W.S. Jevons, economics departments in the USA, especially after the Second World War, decided to base development of their discipline on the mechanical perspective. To many critics this system quickly came to look more like a church than a community of independent thinkers. However, despite enthusiastic espousal of the mechanical approach in the USA, one American economist was never willing to abandon Georgescu-Roegen's ideas: namely, Kenneth Boulding, one of the strongest independent thinkers of all American economists.

5.3.5 Parallels between Boulding and Luhmann: cybernetics and social systems

In his 1968 book *Beyond Economics*, Boulding identifies some of the methodological limitations of economic theory:

(i) the *ceteris paribus* assumption, associated with Marshall, involves isolating a problem by assuming that all other variables are held constant. The problem with this assumption, Boulding argued, is that it leads to results that are true only in a very limited domain, and there is a danger of over generalization.

(ii) the method of simultaneous equations, associated with Walras and the Lausanne School, based on the proposition that any system of variables, each of which can be written as a function of all the others, yields *n* of these equations that are consistent with one another (Boulding 1968: 10). This method often gives results that are mathematically correct but economically meaningless, such as negative prices.

(iii) the study of macroeconomics, as associated with Keynes,[110] consists essentially in using wage aggregates of economic variables as the basic parameter of simplified models, the exact properties of which can be fairly easily determined. The Problem lie in the generalizations within these models, such as the "level of employment", and the "price level". Furthermore, society has not become classless.[111] Economic theory assumes that all individuals have the same starting point, the same possibilities. Only then can it be fair. This ignores such factors as (family) contacts, culture, and nationality, relevant to the competition to win business contracts, and parental income, relevant to receiving a university education. It also ignores the phenomenon of contracts won through bribery, which means that much business conducted outside the Western world must be excluded from the theory. Perhaps the problem is that economics in fact remains a moral science, as in the old Cambridge Tripos, "in spite of all attempts to dehumanize the science of Man" (Boulding 1968: 12).

Boulding takes as his starting point the ideas of a theory of change outlined by Schumpeter. As any pioneering scientist would necessarily do, he begins by asking what types of change occur in economics; and he concludes that there are two types: long-term and short-term. The biggest form of social change would be called a revolution. Revolution can be understood as a social reaction to a situation where there has been no hope of change for too long.

110 Macroeconomics began to emerge in the models of Irving Fisher and Knut Wicksell, but culminated in the work of John Maynard Keynes.

111 The essence of the term "class" as used today has to do with income differences. The Marxist proletarian–bourgeois–capitalist distinction has become less relevant today, in the West at least. Instead we have other, newer class divisions. See remarks on "new class theory", elsewhere in this book.

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Boulding's social-dynamics perspective is inspired by Georgescu-Roegen's ideas. If economics is to be a science, it must use dialectical reasoning. But whereas Georgescu-Roegen thinks this relationship must be "extensive", Boulding holds it to be "relatively insignificant" (Boulding 1981: 20).

Boulding argues that there are two types of process at work in human history: one dialectical, involving conflict and the victory of one group over another; and one non-dialectical – incidental, cumulative, evolutionary, and continuous (Boulding 1970: v). Of these two he sees the dialectical process as merely waves and turbulence on the great historical tides of evolution and development. One of the problems with the dialectical process is that it focuses on conflict likely to lead to even greater conflict (*op. cit.*: 52). The process of biological evolution seems on the whole to be non-dialectical (*op. cit.*: 55). Boulding believes in the historical method, but whereas Boulding thinks that the future can in part be understood by studying history, Georgescu-Roegen disavows any predictions about the future (Georgescu-Roegen 1971: 335).[112] Boulding himself acknowledges that the ability to predict is less robust than the ability to understand.

Boulding defines four processes through which we suppose that we might be able to gain knowledge of the future. These are: (i) random processes, such as throwing dice. For this method, recorded information is irrelevant. (ii) Deterministic mechanical processes, as used for instance when estimating future population figures; (iii) theological processes, in which movement through time is guided by some image or information-structure of the agents in the system at the outset; and (iv) the evolutionary process. Boulding (1970: 19) chooses to see human history largely as an extension of the evolutionary process from the biological into the social domain (an idea which goes back at least to Spencer).

112 No analytical device can enable you to describe the course of your future actions.

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According to Boulding (1981: 11) the evolutionary perspective presupposes that at any one point in time and space there will be an ecosystem, and with a given set of parameters this will move to an equilibrium where the rate of growth of all populations within it will be zero. This seems to conflict with his later critique of the equilibrium approach.[113] However it is possible that Boulding, like Schumpeter before him, changed his mind. Boulding also criticized neoclassical economics for not having incorporated time and space as factors in their theories, even though obviously" all productive processes involve space and a fine vine will turn into vinegar" (Boulding 1970: 19).

"Bioevolution is characterized by constant ecological interaction, which is selection, under conditions of constant change of parameters, which is mutation" (Boulding 1981: 12). Put differently, mutation takes place in the egg, selection in the chicken (*op. cit*.: 65). The parametric changes can be physical, such as a change of climate, but the basic source of change is genetic mutation, that is change in the DNA sequence. Evolution is not a deterministic system, like celestial mechanics, because it is not an equilibrium system. It involves inherently unpredictable changes of parameters because of the long-run importance of improbable events (*op. cit*.: 69). As economic life is a subset of human activity, we should expect it to follow the general principles of evolution (*op. cit*.: 16). The principle of ecological interaction is the ultimate foundation of the evolutionary perspective (*op. cit*.: 11).

Like Georgescu-Roegen, Boulding equates human history with the evolution of artefacts. Human artefacts are of three kinds: (i) "things", material objects; (ii)organizations; and (iii) learning processes (*op. cit*.: 15). This is very much the Materialist perspective to economics we have argued for previously in this book. Material artefacts have developed from the flint arrowhead to the space shuttle; organizations have developed from the clan to the corporation; and people's minds have developed alongside these. Exchange is the mechanism through which this process is carried on. Exchange, which contains an element of reciprocity, makes the parties involved better off, hence more fit for competition. Labour hours and price are two examples, or forms, of exchange. Price may be seen as the expression of the balance or equilibrium of the social system of needs. Thus evolutionary economics may be more relevant as a version of economic theory in times of great transformation, like the one mankind is facing today through the globalization process.

According to Boulding (1985: 7) it was his year at the International Christian University in Japan in 1963–4 that led him to a renewed interest in evolutionary theory, which produced *A Primer on Social Dynamics* in 1970 and *Ecodynamics* in 1978. In 1970 he also wrote a book on *Economics as a Science*, in which economics was treated as an ecological science. We see how both Schumpeter and Boulding were open and akin to Asian ideas and analysis for understanding social economic behaviour through a direct cooperation with Japanese economists.

Even before that, in *Beyond Economics* (1968), Boulding defined a general theory of growth, which said that all growth phenomena have something in common. The phenomena can be classified into: (i) simple growth, the growth or decline of a single variable or quantity by accretion or depletion; (ii) population growth, that is births and deaths; and finally (iii) structural growth, as when a butterfly emerges from a chrysalis (Boulding 1968: 64). Growth phenomena in the real world usually involve all three types (*op. cit*.: 65). In the same book Boulding defines "social systems" as whatever is not chaos (*op. cit*.: 98). The best way to reduce the complexity of human history to manageable, systematic form is to break up the social system into subsystems (*op. cit*.: 101). The same logic is applicable to the human sciences.

113 But in Tang et al. (1976) Boulding says that "equilibrium is a fiction of the human imagination and is really unknown in the real world" (p. 3).

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The idea of the social world as made up of systems is an idea he held on to. In his 1985 book *The World as a Total System* we find the same idea of the social sciences as systems: "The social system is so interconnected that any division of it is a little arbitrary, but, as we shall see, we can conveniently divide it into the economic system, the political system, the communication system, and the integrative system" (Boulding 1985: 29). The same idea is also central to the philosophy of the German sociologist Niklas Luhmann, who published his classic *Soziale Systeme* the same year. Social evolution is also a central idea for Luhmann:[114] "What evolves is simply meaningful possibilities, each possibility that is selected yielding new eligible possibilities". Only to the extent that money guides our choices does economics have strong predictive power in the social sciences, Luhmann concludes.

Boulding (1985: 31) divides the world into three kinds of system: physical, biological, and social. Social systems are an evolutionary development out of biological systems. They involve biological organisms that have the powers of communication, consciousness, and the ability to produce artefacts (*op. cit.*: 71).

One of the great differences between the socio sphere and the biosphere is the much greater importance of decisions in social systems for determining the future (*op. cit.*: 82). There are many ways of classifying social systems. Luhmann divides them into:

1. Subsystems of society:
    a) Religion
    b) Law
    etc.
2. Social systems proper:
    a) Interactive
    b) Organizational systems
3. Other systems.

Boulding, on the other hand, classifies social systems according to the nature of the relationships (1985: 83), into:

1. the threat system
2. the exchange system
3. the integrative system

The world economic system is seen as interacting closely with the political system and with organizations like the church, families, clubs, and so forth (*op. cit.*: 89).

Another biological idea which interests Boulding is Man's limited ability to understand his own environment. What we know is a function of what we can imagine. That is to say that our brain, not the external environment, controls and sets limits to what we are capable of understanding.[115] This view, that we increase our knowledge of the world by studying the

114 Boulding wrote about social systems in 1970. Luhmann wrote about evolution as early as 1972, and about social systems as early as 1970. Boulding makes no reference to Luhmann.

115 The first philosopher to set this idea out in detail was Kant, in his Critique of Pure Reason of 1781.

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brain, not only by studying external reality, may be called a neurological approach to the social sciences. "We construct images in our minds of the world or even the universe as a succession of constantly changing states through time" (Boulding 1981: 9). Boulding shows great interest in this cognitive approach to the social sciences (cf. Boulding 1985: 9; 1956).

The belief that an image is true often derives from authority, or from evidence. In some cases we resolve the ambiguity of evidence by experiment. That only applies, however, to systems which are stable, repeatable, and divisible, such as chemical systems, where, for instance, all hydrogen atoms are essentially similar. We cannot do experiments on unique events or on the past (Boulding 1981: 10).

Boulding explains (1950: viii) that "the first focus of my dissatisfaction with economics is in the theory of the firm, or the economic organism, and its immediate relationships and interactions". This leads him to a "relationship" perspective on economics. We find the same parallel between the relational perspective of marketing by Gummesson and the Nordic School and Kotler's mechanistic and marginalist perspective on marketing (see e.g. Gummesson 2002). As such this Nordic school is very much founded in the European continental intellectual tradition.

Boulding's second focus of dissatisfaction (1950: ix) was with Keynesian macroeconomics, with "the failure to distinguish between the exchange of payment and the process of production". This led him to the process perspective on economics. Both concepts belong to what we should now call evolutionary economics.

We can follow the change in Boulding's perspective on economics through his books, from the more mathematical contributions he wrote while he was in Michigan, to the anything-but-mathematical writings of his Colorado years. What started as mere echoing of the *status quo* in economic thought developed into a strong, highly-differentiated contribution to the discipline of economics, turning him into a strong independent thinker, but also an outsider. Unlike many other evolutionary economists discussed here, Boulding never limited himself to any one perspective but continued to move in many different intellectual directions at once. This may have been his biggest weakness as an economist, in that he was unable to complete and present a coherent system of economic thinking.

To sum up, the academic community of evolutionary economists in America can be divided into two: on one side economists of the Midwest, inspired by the English-language economics literature, such as Veblen and Boulding, and on the other side the European diaspora, including Kiel School economists and men like Schumpeter and Georgescu-Roegen. Of the five groupings defined in this book, the third, fourth, and fifth can be described as evolutionary economists, while the first and second were groupings which made direct contributions to the discipline of evolutionary economics.

The purpose of this historical trajectory has been to show how the study of Geoeconomics can be based on the same ideas which are often referred to as an evolutionary approach. As such the study has a methodological foundation as a part of the study of economics. This does not mean of course that the evolutionary approach needs to lead to the study of geoeconomics. Instead geoeconomics can also be said to belong to critical theory and the normative sciences. The last chapter is basically about a number of normative examples and how to understand them.

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6 Geoeconomic maxims

A collection of anecdotes and maxims is the greatest treasure for a man of the world, if he is able to bring the former into conversation at well-chosen points, and to recall the latter on appropriate occasions.

– Goethe

In this chapter we present a particular literary tradition associated with the study of geopolitics, which we shall call *the art of essentialism*. The art of essentialism can be described as a realistic and succinct form of reporting a complex social fact by observing individual and/or national characteristics and actions, with particular emphasis on history and geography, and subjecting them to a process of synthesis. It is an approach to knowledge which has few of the ambitions of the social sciences; it aims not to build theories after the model of the natural sciences for various types of behaviour (economic, political, psychological, and so forth), but to educate through wisdom defined and understood as a process of gathering and transmitting crucial individual experiences to future generations so as to allow them to compete in a global marketplace.[116]

This approach differs from the methodology applied in most industry and country reports such as we see published by consultancy companies and their journals (like the Economist Intelligence Unit (EIU), Accenture, or Fuld & Company). Even the best country report will typically rely on a series of *ceteris paribus* clauses, assuming that there will be no major changes in world GPD, exchange rates, financial indicators, and commodity prices. Even if we are justified in making those assumptions, we will then often only know what everyone else knows. Major changes do occur, and we need larger syntheses to capture world events. To achieve a better understanding of world events we need to use variables which are relatively stable, including the history, culture, character, and values of various countries.

The art of essentialism was perfected by European city-states during the late Renaissance, in the early sixteenth century. Its origin can be traced back much further, through centuries of international trade relations with a corresponding culture of brief report-making, often made orally and from memory. Unlike nation states today, the city-states were much more directly oriented towards commerce, with little time for, interest in, or patience with bureaucratic verbiage. There was no public to be accountable for, or to manipulate. Their ambition was to make money, their perspective was international, and their need for reliable intelligence was very similar to that of modern multinationals.

The social sciences do not deal in wisdom, partly because the fruits of wisdom are conclusions which typically cannot or do not be linked to specific observations. That does not mean that they are less true. Wisdom is transmitted by oral tradition and builds on individuals' experience on the world over long periods of time, sometimes even centuries. It is embodied in discourse transmitted from one generation to another. In order to be memorable, geopolitical observations are often dressed up in almost poetic language. Many of these anecdotes and maxims are the pride of witty intellectuals and leaders. We collect them like jewellery, and offer them with great care to people we would like to be intellectually

116 Klaus Knorr, director of the Princeton Center of International Studies in the 1960s, was one of the first to point out the absence of any theory of intelligence, whether descriptive or normative (Knorr 1964: 46–8). This observation remains valid today, but such discussions often miss the larger problem, which is "How do you define a theory?". That is, "How regularly does cause A have to lead to an effect before it to be called a theory?"

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intimate with or impress, to show what we have learned about the world and its various ways. Among today's dominant cultures, Americans rejoice in such formulations, the French take pride in them, the British, with their prevailing tradition of oratorical excellence, have raised this form of conversation to an art, and the Germans have integrated them into daily conversation in the form of recognized sayings.

From a geopolitical perspective, especially from a decision-maker's point of view, we typically hope to find the particular pieces of intelligence which display or embody the essence of a national spirit or a person's character. This will help us understand many other things happening in the country in question. We do not want to waste time on statistics that fail to add to our understanding of a phenomenon. Facts for the sake of facts are no use to us, even though they may be correct. They also need to be relevant. The sources we read often ignore or misrepresent the issue of power. For instance, in country reports one often gets the impression that Singapore is more or less like a Western democracy. Only by closer reading do we discover that most power is in the hands of one party, the People's Action Party.[117] As another example, Tunisia used to look at first sight like a country controlled by one man, Ben Ali. In reality, it was and still is still run by about a dozen leading families with partly conflicting interests, supported by a small upper middle class of a few thousand individuals. It will not say this anywhere, not in any report, but you will learn that it is so if you are able to cultivate influential Tunisians and gain their trust. There is in general a discrepancy between what we say to one another about various experiences and what we write and print (not to be confused with the difference between what we think and what we say, which seems to be a necessary condition for the survival and continuation of our species). This is a case of the difference between the written word and the oral tradition in politics. It is what makes much of the discipline of political science a series of meaningless exercises.

117 The political system gave the PAP 82 out of 84 seats in Parliament in the 2006 election, on the basis of only 66.6 per cent of the votes.

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The disciplines of geopolitics and geoeconomics share with that of intelligence an emphasis on *need-to-know* information, on finding the *vital* information, what is *really important* to know as opposed to what is merely *nice to know*. It wastes no time on peripheral issues. Its focus is what the French call *les grandes lignes*, and the important global transformations, to the point where we may speak of a distinct geopolitical literary form.

There are pitfalls in this literary style. What is important for us to know will depend on our position and our economy. Geopolitical statements are often characterized by rapid conclusions, by lack of arguments, in the sense that these statements hardly ever state their premisses and the general lack of distance the study has to itself as a discipline or an art form, meaning it has not had the habit of making itself the subject of study, which is always a healthy sign of any critical discipline. Some find the style pretentious, other find it masterly. It can be wonderfully correct or appallingly wrong.

How often are we given thick reports that tell us next to nothing? How refreshing is it to discover someone who really has something to say, an insight to share and not just something to report? Why has report writing become so complicated and vague? Does it have to be that way? And if so, are the reasons really a matter of scientific method? In this book I have argued that the reasons are primarily political. They also have to do with writers' misguided belief in objectivity. Absolute objectivity about social facts is an impossibility, since we do not live in a vacuum, but come into this world equipped from the beginning with a particular background, characterized by specific values. We are formed by our family, our friends, and the influence of our education. The struggle for objectivity in the social sciences is an important goal, but it often leads social scientists to write too vaguely and too lengthily. Masses of text often become an excuse, a substitute for not knowing, with everything nicely ordered into chapters, correctly labelled using the academic terms currently in vogue. Slim books are often best, because an author who knows a topic well will also know how to express his ideas concisely and just once. He stops when all ideas have been clearly expressed, not when he has reached page 250. If you have nothing to say, all the objectivity in the world will not help you. How did we come to this? Some answers have been suggested in this book, but one thing is certain: it has not always been this way.

Nowhere produced better geopoliticians than Venice.[118]The Venetian Mariano Cavalli's description of the Spain of Charles V is a study in economic and political essentialism (see Albèri 1840). In a brief, factual report of no more than a dozen pages – where the form is "there is….", "there are…" – the Venetian ambassador sets out the people close to and working for the king, including his army officers, their functions, salaries, and possible career paths, all in detail. He also describes decision-makers, with deep insight into their socio-psychological mechanisms. The focus is on the individuals:

> In affairs of the state and in every other detail the emperor makes use solely of the advice of the Lord of Granvelle. … and in the absence of the Lord Granvelle and for the execution of business, my Lord of Arras enters into every consultation.[119]

Another masterpiece was written by Michel Suriano, also an ambassador of the Venetian Republic in the latter half of the sixteenth century, about France (published in Tommaseo 1938) –his title was "The strength and weakness of France", it was what we would call a SWOT analysis today. It focuses on the competitive advantage of France relative to other

118 The city state of Ragusa, now called Dubrovnik, had a similar strong interest in intelligence matters; cf. Dedijer (2002).

119 English translation by James Bruce Ross: Ross and McLaughlin (1981: 299).

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nations. Suriano is a master at asking the right questions. Why is their administration so good? Is it because they have a system of sending their second and third sons to university to make clerics of them? Why has their cavalry so great a reputation? Is it because it is composed entirely of noblemen, unlike that of other countries? Why is the kingdom so strong? Is it because people accept the succession as a law of nature? Suriano's conclusion is a masterpiece in concision and essentialism:

> The great size of the state, the number of its cities and provinces, the strength of its location and frontiers, the number, unity, and obedience of the people and military forces, the supreme authority of the king and the unrestricted government – these are the chief reasons… (op. cit.: 318)

These letters and reports are not exceptional for the time, produced by extraordinarily bright individuals; they were normal, the usual approach. There existed an entire intelligence culture in the Venetian Republic. High-quality reports were written in Venice more than three hundred years before Cavalli and Suriano, the best-known being the Travels of Marco Polo.[120] Marco Polo's book is not a history book, nor an autobiography in the usual sense. Rather, he reports diligently on each successive place he visited, how long it took to get there, what the people and their rulers are like, what they believe in, what they live on, what kind of trade they carry on, and, especially, what novel kinds of product they have that could be of interest to merchants like himself back home.

The art of essentialism was not exclusive to the Venetian Republic, but it may well have been developed and perfected in the Aegean or Adriatic area. In another great trading city, Ragusa (now Dubrovnik in Croatia), we read that city is:

> the door to the orient for Christians, to the West for the Turks, faithful daughter of the Roman Church, and friend of the Catholic Spain, vassal of the Sultan, impartial distributor of news to friends and enemies, "double spy" of Turks and Christians.[121]

Today Croatia is in limbo: not yet civilized enough to join the EU, not strong enough to amount to anything standing on its own, too distant from any potential allies to be much use to them.

Potentially inflammatory statements have traditionally been communicated only orally, in briefings, seminars, and dinner-party conversations, as guarded secrets. Insofar as geopolitical statements are written down they often appear in compendiums. Bits and pieces crop up in literary sources also, such as the less-flattering descriptions of the Arab in T.E. Lawrence's *Seven Pillars of Wisdom* (Lawrence 1938), but then they count as art.

Although they are often considered to be politically incorrect, geopolitical statements flourish in all circles of power. Social and political life is unthinkable without them. Whether we approve or not, whether or not we regard them as grave oversimplifications and expressions of prejudice, they are used in making decisions by leaders of both public and

120 Written while Marco Polo was in prison during the years 1298–9. It was dictated in French to a fellow prisoner, Rusticano of Pisa. Many editions of the book have appeared, often with useful commentaries; see e.g. Lemke (2001).

121 This extract from a book by Paulo Preto is quoted by Stevan Dedijer (2002: 10–11); see also Preto (1999). Dedijer's book was a hymn to his home city, Dubrovnik, where he died two years later.

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private-sector organizations – not in isolation, of course: there will always be an official report in due course, and that will be phrased in immaculate terms. On one hand there will be a media plan, but on the other there will be an informal understanding among statesmen and leaders about what their real sentiments are. There will also be a deal, a trade-off, which will seldom be revealed to the media, and which the world will therefore only learn about much later, at the earliest in memoirs written by someone towards the end of their life. For instance, the Swedish diplomat Gunnar Sjöstedt needed to explain to the Swedish people how Sweden did business with Nazi Germany right up until the weeks before D-Day; how he had been ordered to England, sent back to Stockholm with an ultimatum, and how the Swedes then made excuses to end the trade. (They told the Germans that it was no longer possible to insure the ships returning from Germany.) If Sjöstedt had not made this story public, posterity would have condemned him. We need to explain this political logic to students and to future generations.

Geopolitics as a field might be said to lie somewhere between historical analysis and strategic thinking. It is related to psychology, in the sense that we try to guess what others are thinking, and what others think we are thinking: which makes it a very frustrating field for anyone wanting clear answers straight away, but only because we have been taught to suppress speculation and to believe that knowledge of the future can be achieved without it. Without speculation there can be no correct answers about the future, since we can never be certain about many of men's future actions. Sometimes the predictions of geopolitics and geoeconomics are accurate and truly insightful; sometimes their implications will be misleading. To make things worse, these fields are also the preferred playground of charismatic futurologists. At their best this professional corps performs exquisite historical syntheses. At their worst their role within the social sciences is on a level with alternative medicine or scientology.

The historical-normative method of intelligence gathering relies for much of its material not on social-science experiments

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but on the work of the "savant". A savant acquires knowledge more from a broad reading of books (understanding of human nature) than from reports and empirical tests (understanding of single events). That means he will be thoroughly right or thoroughly wrong about something, very much depending on which books he has chosen to read.

Geopolitical writing can be seen as the opposite of sociological writing. In geopolitics, conclusions often follow one another in a chain, with no apparent discussion or explanation which would allow the reader to follow the author's reasoning. In sociology, a great deal of time is commonly spent on discussing the importance of a term or a phenomenon, without any real concern for its implications or practical use. In the former you will find clear answers, which risk being false; in the latter you will be left with the feeling that conclusions are simply immature, and you should have known better than to expect them.

Geopolitical writing is by nature provocative, made to attract attention and sometimes even to stir up disagreement. Sociological writing sometimes makes you feel that the author's objective was simply to write 250 pages while avoiding criticism. Scientific books about social life can be unduly vague or dry; one frequently gets the impression that the author is trying to find a balance between not saying anything that could offend anyone and not having the right understanding of the problem at hand. We often get the feeling that the author, intentionally or otherwise, is creating confusion for the reader about his actual thoughts. To conceal these, he scatters names of other writers (name dropping) and shows excessive scrupulousness about matters of academic form (year, place of publication, etc.).The logic is that if the form is clear and the grammar good, then so is the content – which tends to work for students, who pay little attention to form, but not for professional academics, who have learned to stick to specific forms and see the direct value of indulging in the perfection of that language. From this perspective geopolitical writing is refreshing, even revitalizing. It is a style which the intelligence professional and the decision-maker in both public and private-sector organizations can understand and appreciate.

Very few other than professional academics read social-science journals, and those insiders tend to flock around their favourite journal or journals and favourite conference series in closed professional subgroups, like little tribes. Once such an intellectual cluster is formed, its members tend to become protective, and sceptical towards outsiders' opinions. The peer-review system, which is an excellent system in itself and invaluable in diverse forms of intellectual life, does not primarily foster new contributions and free thinking but the opposite, group-think, where the goal is often to achieve "promotions, tenure, prestige, and more grants to write more stuff that won't be read" (Bracey quoted in Sykes1988: 116). To make things worse, most journals are owned by just a few companies in the English-speaking world, whose interest is to ensure that the spread of knowledge is limited to those who can afford it. The major player is now Thomson Reuters, headed by one man, David Thomson. The publication game, which is being created and administered by the state, encourages production more than reading. Most participants in this competition feel little responsibility for expanding the boundaries of human knowledge or making contributions that might actually help others do things better. Most social-science academics are too busy developing their own careers. But, put the same people in a room with an industrial consultant or an experienced businessman for fifteen minutes, and the true value of their scientific papers will become apparent. Thus social-science academics and economic practitioners tend to continue living in separate worlds.

In scientific papers, observation is often reduced to empirical experiment. The experimental data are typically collected over a short period of time, and the sample size is too small to be of much real value. In order to justify the use of small sample sizes, population definitions are deliberately narrowed. Data are often difficult to verify. Conclusions are often

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general, trivial, or just plain common sense. The system is more concerned with where and how you say something than with what you say. There are no requirements for synthesis or broad reading, so that many of these papers could be written by students, and indeed some of them are. Of course there are many exceptions; but these are the norms of the current academic agenda. Thus, how can it be that, if you publish your observations in a book, that cannot count as research, but is classified as a popular or pedagogical contribution? If you take precisely the same information and publish it in a journal, it suddenly becomes research, especially if you throw in some tables and use some statistics. This used not to be the case, and still is not the case in many humanities subjects. The only explanation is that it must be related to a dramatic decrease in critical thinking.

Academic journals may not be the ideal place to publish truths. The space is too limited to develop lengthy arguments. Having to write briefly is making our minds fragmented, to the point that we are no longer able to write at greater length. At best we assemble a set of articles and publish them as editors, selling the idea of a title to the highest-prestige publisher. In consequence, edited books are seldom of real value. They are mostly a marketing stunt, done to impress and to climb the greasy pole.

The essentialist genre of writing gives writer and reader the possibility of reflecting. Rather than filling entire pages with text, geopolitical writers set their thoughts out on paper surrounded by plenty of white space, as we see with poetry or other creative work. This gives readers a better opportunity for pausing and reflection. We read one statement at the time, as we read poetry, pausing and reflecting on its content before going on. The art of essentialism gives the reader the necessary distance, allows him or her time to reflect, for the reader to penetrate to the heart of the issue. Accordingly, it very much invites critical thinking.

6.1 Key intelligence topics for the study of geoeconomics

At the end of the day intelligence is not about methods, but about guesses and facts. We are not so much concerned with natural-science facts here, which are less controversial and easier to look up, but with those relating to social life and social behaviour. It is possible to teach geoeconomics from a purely methodological and technical perspective, but there are good reasons not to stop there. For one thing methods without examples become abstract and boring. More important, the content of wisdom needs to be passed on to future generations.

Any intelligent, competitive organization, whether private-sector or public, civil or military, can be judged and measured in terms of two questions: (i)what is your strategy? and (ii) what are your best pieces of intelligence? Every effective organization has at least one clearly defined strategy. Intelligence cannot be evaluated if there is no strategy, since what is valuable information for one party or organization may be trivial for another. A quick look at the best pieces of intelligence, or *intelligence units* (IU), should tell us how far the organization is able to predict future events. The strategy (or most often strategies in the plural) defines what information is need-to-know and what is nice-to-know. Every IU is evaluated according to how well it helps decision-makers to make good decisions, whether these are chief executives of companies, military commanders, or heads of State. A group of IUs within one field form a *key intelligence topic* (Herring 1999). An organization's choice of key intelligence topics shows how well it understands its environment, and thus whether it is likely to make good decisions.

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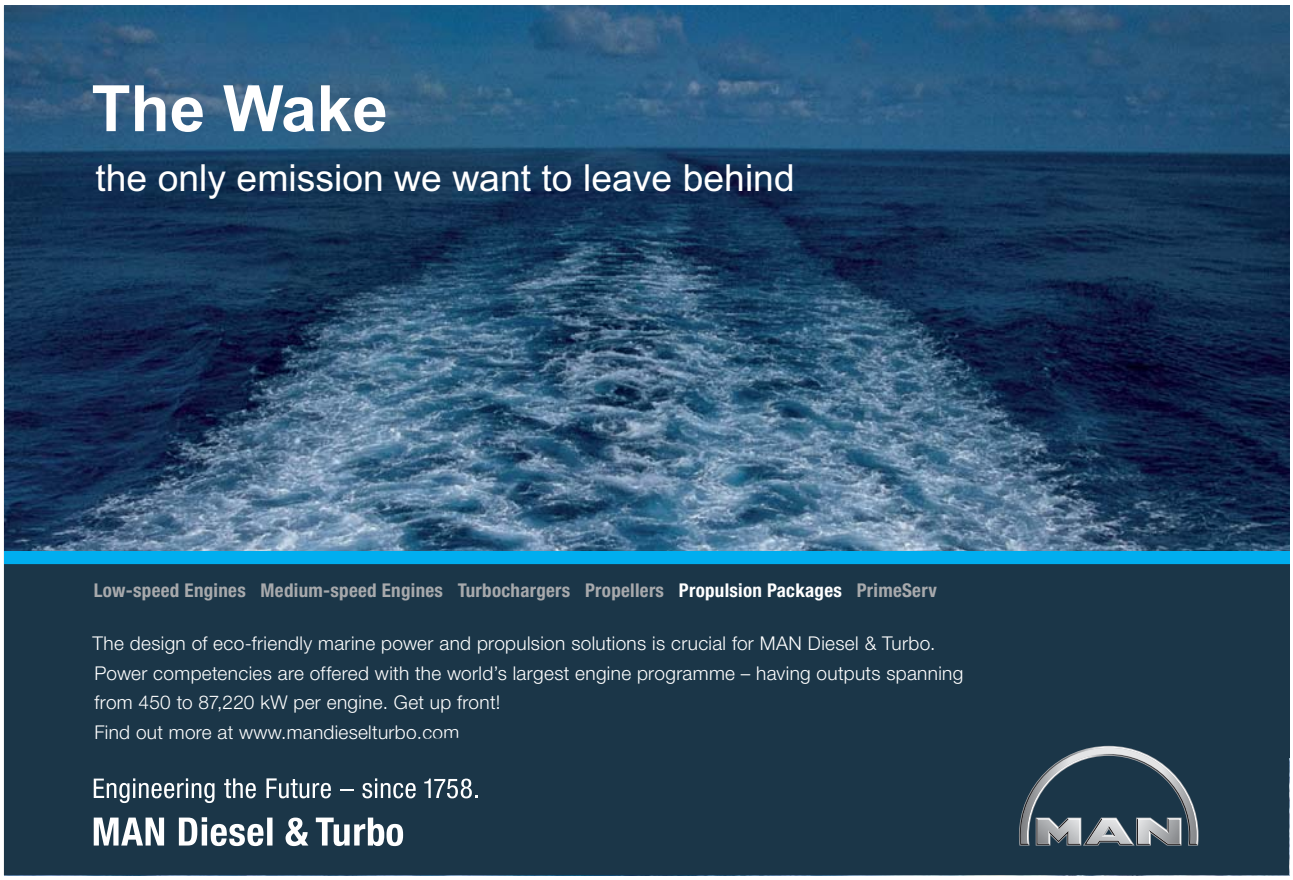
What are the factors transforming the world in which we are living? What are the issues we need to be informed about in order to stay on top of things, to compete in the global marketplace? A short book like this, indeed any single book, cannot give complete answers to these questions. Different organizations will each have their own sets of IUs. What we can do, though, is introduce some of the important issues.

The maxims presented in this last chapter are divided into *IUs by Dimensions and Issues* (section 6.2) and *IUs by Countries and Regions* (section 6.3). In the former, issues are classified into three dimensions : economic, political, and social. The number of issues attributable to each dimension is, as readers will understand, practically innumerable, so that it would make little sense to even attempt a complete listing here. Instead we have tried to set out some of the more important issues or key intelligence topics for our own time which affect the competitive position of all organizations. Some IUs will soon be out of date, others will be valid for centuries; that is just the nature of IUs.

The classification of issues under each dimension may be debated. For instance, should religion not be a dimension in its own right? Should the mass media be placed under the political, economic, or social dimension? Also, most issues have an influence on all three dimensions. This is a question relevant for classifying intelligence, which is a topic studied with the help of data systems (data mining). In an intelligence organization or function, it is important that there is an efficient way to divide, retrieve, and analyse the intelligence.

Few will agree with all of the statements presented in this chapter. We do not aim to achieve general agreement. Some will find certain statements exaggerated, others will find them inflammatory, others again will doubt their value. And one should bear in mind that they represent perspectives viewed from one particular location.



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Some words about the format of the closing part of this book. There are three aspects to format in report writing, which we could call *text form*, *chapter form*, and *report form*. Text form refers to the content on individual pages, and specifies how one presents single ideas, for instance in paragraphs as in discursive prose, or in sequence of propositions as in much of the geopolitical tradition. Chapter form refers to the way we organize each part of a report and specifies how we should group the different ideas. Report form is about how we present each part in relation to other parts. So, in most academic reports we proceed in sequence through problem formulation, methodology, analysis, and conclusion.

The geopolitical tradition builds on its own format of sequences of separate propositions. These are normally two to eight lines long, sometimes followed by a list of examples, sometimes accompanied by a literature citation. The example lists themselves will be anything from one to eight lines, and all intended to facilitate our immediate grasp of the phenomenon presented. The reason for choosing this particular format is not one of aesthetics so much as ease of use. When we read something in a book we easily forget the place we found it.

To distinguish our propositional format from the somewhat similar format of verses in poetry or literary maxims, we call our propositions *essentialisms*; we refer to essentialist format or the art of essentialism. Enjoy your reading.

6.2 Perspectives by topics and dimensions

"For the prosperity of my family and my country"

– a Korean student, in an essay

6.2.1 The economic dimension

In general

1) Half of the world's economy is illegal or hidden; this includes the trades in drugs, prostitution, human trafficking, arms, and substantial parts of the finance sector (tax havens) … Remember this next time you look at those beautiful deserted villas on the shores of the Mediterranean. Many of them are simply insurance policies, a hiding place for a rainy day.

2) Make no mistake: the world is becoming ever more unfair. The rich are getting richer, the poor poorer, with one exception – China.

3) Jobs are being exported as we have never seen before. The only way we can maintain the same growth in our economies is for much of the population to start new businesses. Thus the entrepreneur has again become all-important.

4) It is the man who feels frustrated who creates, the person who has an account to settle with society. It is not the well-educated. The man who is satisfied with himself is a sort of peacock. He is proud of himself, he likes to shine, but he never creates. Instead he tries to control and manage, with greater or lesser success, what he has already acquired through others' work. He is attracted to easy money, and to financial speculation.

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5) The youth of today are looking for a good life but are relatively unwilling to pay the price. Few accept that there is an age for living well and an age for working hard. Up to 45 years of age one needs to go head to head with life, to fight.

6) A young person who cannot fight is like an old person with one foot already in the grave. A young person who says or thinks that he does not want to fight is beaten in advance. A young person who talks about quality of life is beaten already, and will never be a leader. Tomorrow he will be overtaken by some Korean his own age or by the son of an immigrant. A young man is made to fight, to take risks. Quality of life must wait.

7) After age 45 we first attain wisdom. We are then halfway through our lives.

8) Each generation has a duty to do better than its parents; that is how we show that we are worthy of respect. This is the dynamic of all competitive cultures.

9) All individuals should be welcomed to a country if they care about its prosperity. All immigrants should be welcome who respect those who already live there and their traditions. It is important to be very strict about that. We have taken our social policies and political experiments too far. The party is over; it has well-nigh bankrupted our States.

10) It is more important to have the heart of a company than its business. Consider Basle in Switzerland, which has become a world centre for music largely thanks to one individual. The State makes a poor Maecenas.

11) In the future the State will not be capable of paying for many current public services in the area of culture, education, and certain social functions. In Europe organizations like Lions and Rotary are showing the way. We must invite private-sector companies to play roles in our social activities, without ever allowing them to dominate.

12) You need vision to lead a large project like a company. Without dreams there is no project.

13) A people which respects its past is a people which takes charge of the future. Therefore, honour your forefathers.

The work of a manager

1) A great winner creates non-enemies.

2) The director's work is to understand competitors and to ask how things are going. The manager's work is to attack.

3) A manager has four objectives. He must:

a) know how to work effectively,
b) know how to get others to work effectively,
c) know how to work effectively in groups, and
d) know how to pace himself.

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4) How *not* to succeed as a manager:
a) Never reflect, instead improvise.
b) Make provisional analyses and remain in indecisive mode.
c) Jump from point to point, never go the whole way.
d) Preserve and respect your bad habits.
e) Never miss a good opportunity to waste time: talk on the phone whenever you can, take part in impromptu meetings, and move from one place to another without any particular reason.
f) Respect your false friends, those who steal your time.
g) Be an interrupter, who disturbs his colleagues.
h) Accordingly, arrive late and leave before the end of a meeting.
i) Fall asleep or interrupt at any point in a meeting.
j) Allow yourself to be interrupted at work, during mealtimes, and in your family life.

5) We are experiencing a new kind of *apartheid*, distinguishing the slow from the lively, the indolent from the vigilant, the culturally responsive from the passive, the responsible from the irresponsible.

The former group is sought after as employees; the latter are excluded from active employment and left to be taken care of by the social-security system, which is becoming less and less adequate to its task.

6) To learn to work rapidly is an important part of modern education. Failing to teach students to work fast is a serious pedagogical error. You should learn to work fast, find information fast, analyse fast, decide fast, but think calmly. Compare the sub-Saharan African countries with China, South Korea, and Japan. In the former, it is as though time had stopped.

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7) Between Helsinki and Vancouver: if you cannot feel at home in that region of the world, you are probably on some side-track.

8) Levels of stress are increasing in modern society. You need a good dose of anti-stress therapy to survive. You must learn to deal with your own problems at an early stage if you hope to deal with others' problems.

9) In the spirit of Sun Zi: when confronting the strong, divide and penetrate. When confronting the weak, buy and integrate.

10) "Management from behind the screen" is typical for China : someone else tells the leader what to say. (Originally that person stood behind a screen, making it look as though the ideas were coming from the leader who was on display. The best-known example was the court of the Chinese emperor.)

11) In European companies it is common to find people in different departments who do not communicate well (or at all) with one another. These might be engineers and marketing executives, or production workers and finance workers. In Japan people are encouraged to spend time in all parts of the company to try to understand one another's work.

12) In China the State is the shareholder for most companies. Sometimes there are no accounting systems, or there may be three different ones. There are few guidelines, and managers are a scarce resource. If you had moved to China ten years ago, you could have done well. Now they are only cherry-picking among specialized skills. Soon they will not need our help at all.

The economy: financial versus military strength

1) Financial strength is more important than military strength.

2) Do not expect much regulation of the world's banking sector: the banking system is Anglo-American, and it is based on the dollar. Within this system the USA is a free rider. It has no interest in modifying the system, only in preserving it. … And the Chinese will do nothing so long as the USA is the world's largest consumer market and US treasury bills retain a high rating.

3) There are three big winners from intellectual property rights (royalties and patents): the USA (53 per cent in 2002), Britain, and Japan. It is not in China's interest to respect these rights.

4) Just as numbers of soldiers and weapons are the best way to win a war, so economic strength – quantity of assets – is the best way to gain market share. The battlefield consists of industries and markets.

5) The birth of a new world order is happening through a transformation of the commercial world such as has never before been seen in the history of mankind. This is only the beginning of globalization.

6) The competitive factors for a nation are:

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a) technological–industrial strength
b) substantial financial reserves (China's reserves are more than two trillion US dollars, amounting to 27 per cent of world reserves, compared to the USA's fourteen trillion of debt, 27 per cent of world external debt)
c) possession of a strong, vibrant culture
d) a capacity to send troops quickly to any corner of the world and execute military operations effectively
e) a capacity to learn from and about the world in which we live
f) existence of a certain social consensus in domestic politics

7) Of the twelve largest stock exchanges in the world, five are now in Asia, including three in China alone: the Shanghai Stock Exchange, Hong Kong Exchanges, and Shenzhen Stock Exchange.[122] Economic strength has shifted to the East. This has already happened. There will be no chance of recovering the lead within the next hundred years.

8) Some see the new international marketplace as a battlefield, and the new world order as a return to the middle ages (Minc 1993).

9) Do not be fooled by talk of the knowledge economy and a new service sector as a superior growth strategy. If you do not have significant exports, you are not an industrial power. If you do not have an advanced technological sector, likewise. Britain is learning this lesson the hard way, basically hanging on with its financial sector.

10) If you do not have large financial reserves and know how to use them, you will not be respected as a nation. France gave only ten per cent of the amount that Germany gave to Eastern European countries immediately after the Cold War. Berlin was raised from the ashes to become a world capital in less than ten years. No one had constructed so much so fast before. Now the Chinese are doing the same thing, only faster and more successfully. (Pudong, China's financial centre, was rice fields only seventeen years ago, Chengdu-Chongqing will be the world's new industrial center[123].)

11) If you want people to be interested in your culture and learn your language, it is not enough to offer free language courses. Your culture must contain certain values, and you must possess knowledge which the world is seeking to acquire.

12) The process of rationalization continues with new force as new technologies are applied to production. Everything in our society is running faster. We have seen many companies disappear and merge in recent decades; that process will continue.

13) Two factors are rapidly changing our society:
a) old technologies are being displaced by new, more efficient and better-adapted technologies;
b) nationalist, Marxist–Leninist, and socialist political systems, including the Scandinavian social-democratic version, are losing ground.

122 The largest are still NYSE and NASDAQ, accounting between them for about half of the world's equity value.

123 Chongqing is China's most populous administrative area. Chengdu is the 7th largest city. With the exception of Beijing all other major cities are located along the coast.

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14) There are two kinds of society, those which are predominantly slothful and indolent, and those that are energetic and vigorous. There are those which are self-satisfied and those which will always rise to a challenge. Know how to distinguish between them.

15) Most countries, like most people, cannot resolve their own problems. We debate about whether or not we have a duty or obligation to intervene. Since the war in Iraq the answer for the moment seems to be no … but as atrocities continue, the question will be not so much whether we should intervene, as how.

16) In Europe, economic growth will occur in the temperate and the northern regions, especially in the Catholic enclaves where moral decay is slower, for instance Southern Germany. Southern Europe favours inactivity; it is not a good place for economic growth. Private-sector companies need the society around them to be healthy. You cannot prosper as a company in a social desert.

17) Islands and peninsulas are the greatest net exporters: Japan, Scandinavia, Taiwan, Singapore. These countries have developed disciplined and energetic cultures.

18) In the West more people are working with product maintenance, fewer with manufacture.

19) Jacques Attali (1978), and many before him, have argued that wars are a consequence of industrial competition in capitalistic society. War allows production to regain its momentum.

20) It won't be so much the big eating the small; it will be the fast eating the slow (Pepper 1999).

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World Business Activities (Dorling et al.: 2008)

1) Consider these statistics and tell me who has the competitive advantage:

a) The total carrying capacity of all the world's merchant ships is 470 million tonnes. Forty-three per cent carry oil.

b) Aircraft registered in Africa carry one-tenth of one per cent of world air freight.

c) Seventy-eight per cent of all shipping containers are distributed in East Asia. Two thirds of all the world's shipping-container traffic is handled by China.

d) East Asia accounted for 76.8 per cent of all net forest growth between 1990 and 2000. South America accounted for 32.2 per cent of forest loss. North Africa was second, with 20.3 per cent.

e) The countries for which debt servicing accounted for the largest proportions of GDP in 1990 were: Uganda (81%), Algeria (63%), Madagascar (46%), and Burundi (43%). In 2002 the figures were: Brazil (69%), Burundi (59%), Lebanon (51%), and Turkey (47%).

f) Cars account for 5.3 per cent of net worldwide exports in terms of earnings. Japan and Germany shared 61 per cent of that income between them. The USA alone accounts for 55 per cent of all net spending on car imports.

g) Clothing represents 7 per cent of world trade. It is not a small-scale business. Remember that, next time you feel like smiling at a container filled with T-shirts.

h) Looking at the distribution of royalty fees, one sees that there are essentially just two countries profiting, the USA and Britain.

i) If we look at wealth creation historically, it has been estimated that, 2000 years ago, GDP per head was greatest in what are now India and Bangladesh. In AD 1500 Continental Europe was a major player. Around 1960–1990 the USA was a major player. In 2015 China may have overtaken the USA in GDP. The wealthiest territories per person now are estimated to be Taiwan, Hong Kong, and Singapore.

j) The greatest growth in wealth per person between 1975 and 2002 occurred in Luxembourg, Equatorial Guinea, the Irish Republic, and Norway. The greatest declines in wealth over the same period were in the Ukraine, UAE, Slovenia, and the Czech Republic.

k) Of 7.6 billion movie viewings per year in cinemas around the world, three billion happen in India. But whereas Hollywood films are shown all round the world, Bollywood films seldom attract interest outside India.

The age of intelligence

"Information is easily arranged"

– Johan Galtung

1) We are passing from the age of mechanics to the age of intelligence. In a world where financing has been made easy and has become a truly global activity, those who have the best information will receive the highest economic return.

2) In today's world economy, it is not essential to begin in possession of natural resources, such as oil or gold. Japan has nothing of that sort. What is important is to possess brains, intellectual and cultural capacity, and spiritual energy.

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3) An intelligent person is one who has the ability to recognize and understand whatever situation he is placed in: in the ways of politics if he is a politician, in the ways of business if he is a businessman. An intelligent manager can separate what is essential from what is relative. A nation's prosperity depends on his ability to define and execute strategies based on competitive information or intelligence.

   For simplicity we can say that there are two kinds of signals, strong and weak. A manager is judged by his ability to act – with all his ability– in response to the strong signals.
   An intelligent nation is one which is able to compete with the best.

4) The big entry into the information age is related not so much to the intelligent individual as to the intelligent organization or enterprise, where everyone is learning as a team.[124]

5) The competitive climate has grown tremendously in keenness since the end of the Cold War. Yesterday companies survived because of their great piles of stock. Today they die for much the same reason.

6) Two thirds of all researchers in Silicon Valley are of Chinese origin. Two thirds of all US research and development is paid for by Japanese. When you walk in the woods around Cupertino (in Silicon Valley) expect to meet more Asians than white people. So long as the Asians do not leave, the USA will be fine.

Economic espionage and the intelligence community

Economic Espionage is the unlawful or clandestine targeting or acquisition
of sensitive financial, trade, or economic policy information;
proprietary economic information; or critical technologies.
US Economic Espionage Act, 1996

1) Closed societies have an intelligence advantage in their competition with open societies. We saw this in the competition between East and West Germany, and we see it today in the competition between China and the Western world.
2) All major Western countries engage in industrial espionage, and at the same time are victims of it. An overview of the threat to US national security says:

   The United States continues to be threatened by the theft of proprietary economic information and information on critical technologies. The risks to sensitive business information and advanced technologies continue to increase significantly as foreign governments – both former adversaries and allies – focus their espionage resources in ever-greater numbers on the private sector. They are seeking not only technological data but also financial and commercial information that will provide their companies with a competitive edge in the global economy.

   The French, Germans, and Japanese say the same.

124 The term intelligent enterprise may have been first used by Stevan Dedijer (Dedijer and Svensson 1994: 36).

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3) A large majority of intelligence today is gathered via open sources, the most common forms of which are:

a) requests for information
b) solicitation and marketing of services
c) acquisition of technology and company takeovers
d) visits by foreign nationals
e) conferences
f) internet activity (cyber-attacks and exploitation)
g) exploitation of joint ventures

4) Cover intelligence-gathering activities include:

a) acquisition of export-controlled technologies
b) theft of trade secrets and critical technologies
c) agent recruitment

5) The intelligence community has four major tasks: collection, analysis, covert action, and counterintelligence. Counterintelligence is a problem largely created by the very existence of these organizations. Covert action (i.e. propaganda or psychological warfare, political operations, economic operations, and paramilitary operations – *coups d'état*, assassinations) is not compatible with modern democratic values, even if these activities are still permitted by our laws.[125] Analysis has traditionally been the weakest link in the intelligence community.[126]All that is left is collection; but for how long? Open-source intelligence collection is in most cases better done by private firms.

6) The intelligence community and its supporting institutions often damage the world's business climate by creating unnecessary tension. The Echelon project was designed for non-military objectives. Economic espionage is a serious problem, but there are no reliable figures. Most companies never report it. To do so is considered bad for business, in case the story leaks to the media. It is embarrassing and shows weakness, or so managers often believe.

7) When you leave China, a government official with the customs service will go through all your belongings with a fine-tooth comb, removing anything that even smacks of competitive technology. Likewise everything of value which is imported is registered and documented. We are too naive about our competitors.

8) If you think you are being monitored in the West, this is nothing compared to the situation in Russia, where all Internet service providers are connected to FSB (the State Security Service), by fibre-optic cable, and FAPSI (the Federal Agency of Government Communications and Information) runs the entire communications infrastructure.

125 The US National Security Act says that the CIA has the authority to "perform such other functions and duties related to intelligence affecting the national security as the National Security Council may from time-to-time direct" (see Johnson and Wirtz 2008: 260).

126 Private companies often provide superior analysis about the actions, policies and capabilities of other nations.

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9) In the Soviet Union it was Gorbachev who approved the stepping-up of industrial espionage.[127] In the USA it was the Clinton administration. His people used secret agents in trade negotiations, for instance with Japan. This may come as a surprise. After all, Clinton wanted nothing to do with the CIA. In two years, it is said, he received his chief intelligence adviser and head of the Agency, James Woolsey, just twice. According to insiders he thought the agency incompetent, and preferred to find his information in the *New York Times*.

10) The CIA has largely been a flop, a sad history mainly of mistakes.[128] And the military are enjoying that situation. Do not expect them to be unduly supportive now that the CIA are having successes with their armed drones, killing top al-Qaeda and Taliban leaders.

11) The NSA (the National Security Agency, in charge of communications intelligence) is not worth the money spent on it (about $8bn annually). They have all the information in the world, but appear not to know what they have got until it is too late. The organization has also fallen hopelessly behind on technology (see e.g. Bamford 2002).

127 Cf. an interview with Oleg Gordievsky, a retired KGB Colonel and double agent for the British between 1974 and 1985: Gordievsky (1992). The American AWACS radar system was copied, the American Bombardier B1-B became the Russian Blackjack, and a series of Ryad computers were copies of IBM equipment.

128 See Weiner (2008). Other authors believe the problem lies outside the organization, in the political arena, with a lack of clear directives. "Contrary to what its latest critics claim, the agency is not on the ropes, its people are not incompetent, and radical surgery is not in order" (Johnson and Wirtz 2008: 63).

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12) Intelligence services and terrorist groups have a long history as "Siamese twins" (Todd and Bloch 2003: 12–13). Few examples have had happy endings. The "War on Terror" looks like an own-goal cock-up. Bin Laden was once a CIA recruit for the Afghan War. Most terrorists have been Saudi-allied, and Saudi intelligence supports jihadist schools in Afghanistan and Pakistan, one of which was connected to the Mumbai killings in 2008.

13) At the end of the day, these services have been increasing world tension, and costing the taxpayers too much. Instead they must be made to serve society at large. Their political aspirations should be replaced with realistic concerns of security. Economic intelligence is best left to private organizations which are more on time with the world of business.

14) There are no good spies. All of them are people who have betrayed their country or their organization, having been sought out by foreign agents and most often bought by money; they are driven by greed, or sometimes by frustration or a wish for revenge. It is not a pretty business. It is an unglamorous profession.

Important economic regions of the future

1) There are six economic super-regions. These are: the European Union, the South Asian Association for Regional Cooperation (SAARC), the Association of Southeast Asian Nations (ASEAN), NAFTA in North America, MERCOSUR in South America, and the African Union (AU).

2) The zone of economic prosperity in Europe is shifting eastwards and settling in the north-east, with Berlin once again as its centre.

3) The strongest zone of prosperity and ambition will be the axis Hamburg–Stockholm–Helsinki–Berlin. Berlin will be the capital of this new cross-national region, as it was in the 1930s. It is the revenge of the Baltic region, and of the Prussians and the Hohenzollern monarchy, after their defeat by Napoleon.[129] As a symbol of this regained strength the Germans are currently rebuilding the Berliner Stadtschloss, the principal Hohenzollern residence, from the ground up.

4) Another strong zone of prosperity is being established on the Frankfurt–Prague–Dresden–Budapest–Vienna axis.

5) A third strong zone will be the northern Adriatic states together with Bavaria and Baden-Württemberg. This is the Austrian–Hungarian–German Catholic world.

6) Among the more attractive metropolitan areas for business in Europe we find Frankfurt, Paris, Greater London, the Dutch "Randstad" (Amsterdam–Rotterdam–the Hague–Utrecht) for logistics, Milan, Barcelona, Madrid, Brussels, Geneva, Copenhagen–Skåne, and Stockholm–Helsinki.

7) The much-discussed Blue Banana (London–Amsterdam–Brussels–Luxembourg–Frankfurt–Stuttgart–Zürich–Milan), and the Sunbelt, stretching from Valencia along the French Mediterranean coast to the Italian border, are political constructions rather than economic realities (Gowland 2000: 32). Be aware of the difference.

129 The end of Prussian dominance came with the twin defeats at Jena and Auerstedt in October 1806.

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The age of petroleum

1) The sooner we give up the fossil fuel economy the better. All the corrupt, despotic, narcissistic regimes in the Middle East will then falter. Few will miss them, except maybe Harrods in London and the community of luxury service establishments around the world.

2) At the end of 2005 it was estimated that 74 per cent of current proven oil reserves were to be found in seven countries:[130]

   - 22% in Saudi Arabia
   - 12% in Iran
   - 10% in Iraq
   - 9% in Kuwait
   - 8% in the United Arab Emirates
   - 7% in Venezuela
   - 6% in Russia

3) Statistics from the year 2000 on provisional findings in the Caspian Basin may alter these figures (Klare 2001: 86):

   - Kazakhstan would become no. 5, just above the United Arab Emirates, with 92 bbl (billion barrels)
   - Turkmenistan would become no. 6, just above Venezuela and Russia, with 80 bbl
   - Azerbaijan would become no. 9, just above the USA, with 32 bbl

   These are only possible reserves, proven reserves are substantially lower.

4) Vulnerable geographical chokepoints for oil transport:

   - Strait of Hormuz (in the Persian Gulf)
   - Malacca Strait (between Malaysia and Indonesia)
   - Bab el Mandeb (between Yemen and Eritrea)[131]
   - Suez Canal (northeastern Egypt)
   - Bosphorus (Turkey)
   - Panama Canal (Panama)

6.2.2 The political dimension

1) The world has two zones of destabilization. To be safe in Europe we must be able to control Zone 1. Zone 2, which covers the area south of the Sahara and east of the Urals and Palestine, will need to be sorted out later.

130 See BP's Statistical Review of World Energy 2006. Statistics even on proven reserves differ substantially.

131 It is interesting to note as a sidelight that this is also the most probable route by which the first humanoids left Africa some 60,000 years ago.

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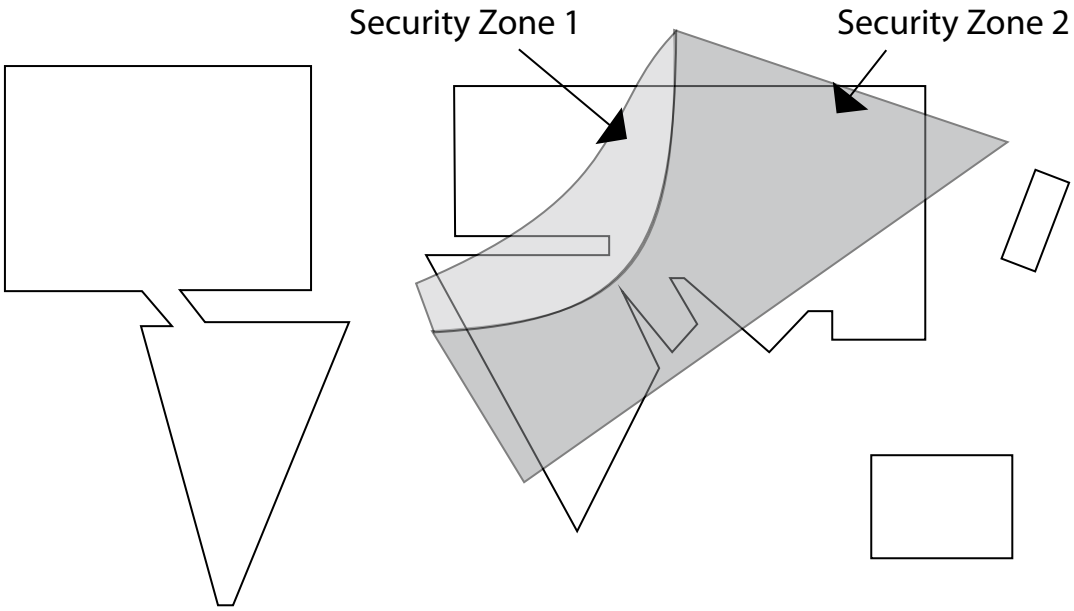
Figure 4: Zones of destabilization



2) Europe can do nothing in the Israeli–Palestinian conflict so long as Israel is backed by the USA. Of about ten million Jews now alive, fewer than half live in Israel. There are as many Jews living in the USA as there are in Israel. About half of American Jews live in New York. For Europe it has been a sit-back-and-watch situation with a bitter taste.

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3) Iran is now challenging US supremacy in the Middle East. Israel will either have to fight Iran or negotiate. It cannot win a war without US support, so until the US gets another crusader-president Israel will need to be diplomatic.

4) The Communist system disappeared because it was not able to adapt to the pace of the world. It fell apart like a pack of cards. The dead Russian bear was not even able to show its teeth before it fell. World competition is fierce.

5) Since then the Cold War has ended and the order of the day is disorder. The goal of our strategy of stability is to manage the visible part of this disorder.

6) We are already experiencing the great problems of the immediate future: continuing disintegration of the Communist world, mass immigration, Islamic fundamentalism, and pollution.

***Realpolitik*, the self-interest of the nation state**

1) Politics has now been reduced to crisis management.

2) *Real political* truths are never written down. Instead, there will always be a hidden agenda and a media strategy.

3) Politics is compromise, the art of the possible: and therefore no profession for an idealist. You may get elected for your idealist views, but those same ideals will get you removed or sometimes even assassinated once in office. The most successful politicians are those who appear to be idealists.

4) Man's most important responsibility today is to make sure that he does not destroy himself. The planet does not really care. Give it a few hundred million years and it will restore its balance, whatever happens. What a sad species we would look in retrospect.

5) The only wars which interest the general public are those which have been fought in the past or will be fought in the future, not the ones being fought now. This was evident in the conflicts in Rwanda, in the Balkans, and today in Sudan, Somalia, Niger, and Sri Lanka, just to mention some of the bloodier examples. It is always easier to feel sorrow afterwards than to intervene in real time.

6) The main problem with our present-day democracy is the same as it was for Communism, only to a lesser degree: it honours loyalty above merit. These are not societies for heroes.

   Machiavelli realized the importance of this when he said (1532: chap. 21): "A prince must show himself a lover of merit, give preferment to the able and honour those who excel in every art". And "he (the prince) should offer rewards to whoever does these things; and to whoever seeks in any way to improve his city or state".

   "A prince ought also to show himself a patron of ability, and to honour the proficient in every art. At the same time he should encourage his citizens to practise their callings peaceably, both in commerce and agriculture, and in every other following, so that the one should not be deterred from improving his possessions for fear

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lest they be taken away from him or another from opening up trade for fear of taxes; but the prince ought to offer rewards to whoever wishes to do these things and designs in any way to honour his city or state."

According to tradition, Confucius not only said the same thing two thousand years earlier but practised the idea as governor, with considerable success. It is the current Chinese model, replacing Leninism and Marxism. As Germans have their Goethe Institute, so the Chinese are building their Confucius Institutes.

7) Machiavelli said "When engaging in war campaigns you must crush all states where the citizens are used to freedom because they will always complain, like the Romans did in Capua, Carthage, and Numantia. In kingdoms it is often enough to eradicate the royal family line". That is not an option nowadays and that is all to the good, but instead we have gone to the other extreme.

8) When parents let their children do as they like, when children no longer heed their parents, when the teacher trembles before the pupil and prefers to flatter him, when the young disregard the law because they accept no authority over themselves: that is the beginning of tyranny, according to Plato. This is just as true today. We are living in the tyranny of democracy, where citizens tyrannize over one another and no elected representative keeps his place long enough or has enough courage to plan for the future. That is what we understand by mass democracy. How can you expect this society to be competitive?

The strength of Europe and the EU

1) The strength of Europe and the EU. In 1968 Louis Armand and Michel Drancourt wrote a book called *Le Pari européen* (The European Bet), which stated that we as a continent would have to unite politically and economically in order to be able to compete with the Soviet Union and the USA. Europe, it was argued, has to conform to the law of natural selection which favours large transnational or federal structures. This implies that Europe must adapt to a radical mental change. Almost half a century later, that is just where Europe is, on the road to regaining its leadership role, however slow and awkward this journey may seem.

2) We represent the largest economic force on the planet, but we are divided.

3) Western Europe, in a broad sense, now has 450 million inhabitants, and includes twenty-five nations and forty major languages. With about a thousand representatives at Strasbourg this represents the beginning of a new form of coalition politics, at the limit of what can be managed without falling into inefficiency.

4) There is not one Europe but three: Western, Byzantine, and Russian.

5) There are four possible political and economic models for Europe:

a) The United States of Europe, Jean Monnet's and later Jaques Delors' model, a bureaucratic state after the French precedent. It is Louis XIV, Richelieu, Colbert, and Byzantium. Very seductive for French civil servants who feel at home with the idea, but not for the Germans. The new Europe will demand more than that from their public officials in terms of public service and accountability.

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b) The Free Trade Zone Europe, championed by Britain, with a competitive position open to the rest of the world – especially to Britain's US ally. This is Europe according to the Thatcher plan.
c) Regional Europe, after the German political model. Europe fragmented into eighty or ninety territories each as homogeneous as possible, with an average population of four to six million inhabitants. Here the principles of federalism, subsidiarity, and decentralism will be applied. There are a minimum of financial transfers between regions to equalize economic differences. This model leads to a European Parliament of two chambers, where the second is the Senate of the regions. This is a realistic, well-structured model for Europe.
d) Social Europe, with equal wages in all countries. This is a social-democratic model transferred to the EU level, and it has just about rendered our states bankrupt.

6) In the regional model France would have eight to nine regions, Sweden two to four.

7) National space within this new Union is under reconstruction. The new opening of borders to goods and labour will only speed up this political evolution. The nation state no longer has its previous economic significance.

8) To compete, we must give our regions more leverage. France as nine regions might look like this:

a) The Greater Paris Region. The inconveniences of Paris include traffic bottlenecks, poor foreign-language skills, higher telecommunications costs, lack of an international platform for exporting companies to distribute their goods. To revitalize Paris one could suggest moving all larger industries to the periphery, importing unskilled labour, and having them live in dormitory towns outside Paris, for instance at Le Mans.

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b) The large cross-border areas of the north and north-east, the region best situated for economic growth: Nord, Flanders, Lorraine, Alsace, and Baden-Württemberg together form an economic unity. Many think that Alsace, which has suffered so much in the past, deserves this.
c) The Rhône-Alps Region. Burgundy, the Auvergne, Franche-Comté, all linked to Switzerland and northern Italy, go together.
d) Nice may become an annexe to Turin with the new tunnel. They have much in common both culturally and economically. "Nizza" only became French late in the nineteenth century.
e) Occitania. This region includes Languedoc–Roussillon, the Pyrenees, Catalonia, with major cities Montpellier, Toulouse, and Barcelona. Spanish and Catalan will be mandatory languages.
f) Marseilles. Marseilles is a city without prospects. Its best hope would have been to become a city like Hamburg, a free port. Ideally it could become a European Hong Kong or Shanghai, great Asian port cities. Marseilles was a great port once, but it has turned into a lawless zone which it may be too late to revive.
g) Greater Aquitaine. Facing towards the south Atlantic Ocean, together with Bordeaux, Poitou, and everything down to the Basque country. This part of France is closely related to Spain, culturally and economically.
h) Britanny–Atlantic. Britanny, the Vendée, Maine, part of Anjou, and the Cotentin peninsula, facing the ocean and Britain, but also Quebec, Portugal, and Morocco.
i) Corsica. This island is oriented towards Sardinia and Tuscany.

9) Of these projects the most advanced are Britanny + Loire and Languedoc + the Pyrenees + Catalonia.

10) It is easy to make Britanny into a region, because it used to be an independent kingdom. Britanny has its own language and adheres to the Celtic culture. It is easy to make a region round Nice too, since it has only been French for about a century.

11) In this new Europe we shall have several political identities. We shall not only be nationals, but we shall also have a regional identity and a European identity. Mixed marriages will multiply. And the laws will follow. All Europeans have already been voting together since 1 May 2004, when the new enlargement of the European Union included ten new member states, whereof eight from Central and Eastern Europe.

12) The territory of the nation state will continue to provide policing, defence, judicial, and other public functions.

This transition will be more difficult for countries like France or Sweden which do not have the same regional experience as Germany or Switzerland.

It is also important to learn how to be an inhabitant of Europe and not just of one's nation state.

13) Language is important for success in the new Europe. In the common European armed forces, soldiers will need to master at least three languages to operate effectively. In this Europe the more languages you speak the more valuable you will be in the job market, and the greater your opportunities. English, French, and German will be indispensable. Any Western student who knows Chinese will be guaranteed a job in business, business studies or not.

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14) The territorial dislocation of the nation states will make way for a renaissance: a renaissance of the province or region, and of local culture. Smaller current political units, such as communes or *départements*, will continue as administrative centres for certain functions, but already they have long ceased to be engines for economic development. We are experiencing a major leap in political scale. In the new Europe, regions will co-operate directly among themselves without the mediation of the nation state. Baden-Württemberg is already a German California.

15) The public sector should be at the service of society, rather than society at the service of the public sector. The State should not hold a monopoly on the public interest.

16) Education will need to be handled at the regional level. You cannot reform national education as it stands today. It is controlled by the unions, and they are non-reformable. That problem must be solved by allowing competition.

17) The French model is no alternative for the new enlarged Europe. Europe has no need of a Sun King in Brussels.

18) The French inherited their bureaucratic tradition from the Romans. Europe is now moving away from a French model of a centralized State, towards a German model of autonomous *Länder*. This is the model of the Habsburg Empire.

19) By 2015–50 the Pacific will be the new commercial centre of the world. Europe will need to have settled its problems, internally and with its neighbours, by that time. South Africa will already have settled theirs.

The many faces of democracy

1) Western governments claim to be fighting for democracy all over the world. The truth is that we have supported dictatorships to some extent all over the planet, in countries like Saudi Arabia, Kuwait, Egypt, and Algeria: wherever we foresee that the alternative government is likely to be opposed to our interests.

2) "Democracy" is often presented as a term with a specific meaning. This is problematic. Some democracies are less democratic than others. The questions of who have the right to vote and how many voters actually turn out are important. Was it a fair result when only forty per cent of Spanish voters voted on the European constitution? Is it fair if the party with most money wins? – particularly if it does not reveal where the money comes from?

3) In an electoral system of single-member constituencies, such as we see in the USA, there is little room for more than two parties: the ruling party and the challenger. Voters who have different political ideas are forced to vote tactically, or, as often happen , they do not vote at all. In a typical election only around half of the electorate go to the polls. Are these symptoms of a strong democracy?

4) The party in power in the USA has the right to redraw constituency boundaries every ten years, a process popularly called gerrymandering. (The term is a pun, deriving from "salamander" and the name of Elbridge Gerry, governor of Massachusetts in 1812.) The system is gamed in order to maximize the number of seats

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held by that party. After the Republican Party took power in Texas in 2002, for instance, they redefined the constituencies in order to gain another four seats in the House of Representatives in 2004. Another consequence of this system is that it makes it difficult for challengers to beat incumbents. Ninety per cent of those elected are safe to hold their seats (*Courrier International* 2005: 51). Are these signs of a healthy democracy?

5) Other examples of weak democracies are found in Russia under Putin and (until recently) in Italy under Berlusconi, where the heads of State also control the mass media.

6) All democracies limit their people's rights to share in power. The most usual way is by setting a threshold to the proportion of the vote a political party must receive in order to be admitted to the national assembly. There are two reasons for this rule. One is that too many parties will only slow down the effectiveness of the governing body. The other is to keep out extremist parties such as neo-Nazis. But between setting a four per cent threshold, as in Sweden, and saying that you must gain a majority, as in the USA, there are a large range of possibilities for specifying what counts as democracy.

7) Democracy in its modern form is a new phenomenon, an invention of the eighteenth century. (The Greek parallel is a weak one: few voted, and the economy was largely based on slavery.) Democracy spread only to a few countries in the nineteenth century, almost disappeared in the twentieth century, but reappeared after the Cold War. Since 1980 we have been experiencing a return to the ideals of democracy, economic liberalism, individual freedom, and human rights (cf. Revel 1992). These have now become the official values of the Western world. But will they lead to a better life for all?

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8) Modern democracy has become the rule of the masses. Everything is politics and politics is economics. Most of us vote with our wallets, not with our hearts. Our convictions are synonymous with our financial interests. Those who *have money* vote conservative/blue to protect what they have, those who *have not* vote radical/red to get what the haves have. This seems to be the logic of our modern political system.

9) Very few people believe in ideals other than their own interests. Politicians themselves are no exceptions, even if we would like to imagine otherwise. Scandals and corruption have become part of everyday political life in the West. Whether you are a politician or a pop star, the mass media will treat you according to the same logic: if you allow the people to make you famous, you must also allow them to badger you.

10) Freedom has become the right to tyrannize over others.

11) Democracy is a process, not an ideal that you can impose on any country regardless of its historical background or position. You start by creating wealth, urbanization, and hospitals. Then you move towards democracy. Today this promises to be the way China is moving.

12) Democracy as a political system cannot control the direction of our technological development. Not even the discipline of philosophy is able to convince mankind to take control of his destiny. The German philosopher Martin Heidegger says that philosophy has reached a terminus. Everything is now a question of *Kybernetik*, which can be translated as management. Society really only has two modes of discourse now, business and literature/art, where the latter has come to be the domain of the rebel, offering a haven for the refugee, the excluded. Thus the artist today is often the man or woman who does not accept the logic of the free market; and whatever such a person chooses to do is art.

13. The overseas-aid game makes corrupt leaders rich, but their countries poor (Perkins 2004: 105).

Populism

1) Populism is the single biggest threat to established political parties, because it attacks the political system from within. Populism is a vote for non-participation, a reaction to the misuse of power, a result of loss of trust in political parties in general, and especially in any form of centralism, whether national or supranational (such as the EU), in the inefficiency of bureaucracy, and in institutions that flourish under it.
2) Italy, one of the most corrupt society in Europe, was the home of Fascism, but is also the home of populism, the new ideology for the 21st century. Alain Minc (1993: 113) sees populism as a sign that we are returning to a mediaeval world order. Others see it as a reaction against the failures of centralism.

The Welfare State and social protection

"... prisonnière de son immense classe moyenne, la société réagit et s'évade…"

Alain Minc (1987: 11)

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1) The nation state is no longer capable of funding social protection. Health care has become synonymous with widespread inefficiency. Protectionism, not innovations, not problems solving, has become the answer in times of crisis.

2) The welfare state has started to show its perverse side effects; it has become an "egalitarianism machine". It worked well enough in the years after the Second World War, when people did not think to exploit it, but not nowadays. Man quickly becomes spoiled in times of plenty.

3) The egalitarianism machine part 2: education. As more and more students are pushed through university we are experiencing what we might call knowledge inflation: ever lower levels of knowledge among students, and indeed among their teachers. In consequence we are getting less, more expensive, and less skilled craftsmen.

4) Over the last two decades, those who could afford it have been moving towards a leisure-based lifestyle (cf. Dumazedier 1962). A "place in the sun" is an escape from society, thus from responsibility.

5) All this contradicts the direction in which many people had expected modern democracy to develop, into a true meritocracy. This was clear already two generations ago (Young 1961).

6) The priority should not be to raise our standard of living, but to invest in the future on behalf of the young. At present we are helping the old. We have built a society which protects the elderly while systematically sacrificing the interests of our youth. This is a suicidal policy. Help for families must be prioritized. We must increase birth rates. Savings are in the hands of the old. We need to tax the elderly and give to the young. The difficulty is that it is the old who are in power. This form of social discrimination is much more serious than the under-representation of women in positions of power. And the young are too few. In the end we shall have to accept young men coming from Turkey to work for us. Do we want that? Will we have a choice, in five or ten years' time?

7) The influence of certain philosophical figures, beginning with Jean-Jacques Rousseau, has caused us to lose our sense of responsibility and duty.

The public sector and the problem of efficiency

1) There are none so conservative as a civil servant, which is understandable: he is secure, he controls the present, and he waits. For him life is repetition, and everything is laid down in advance. This is not the portrait of a man of action: he is there to apply the rules and regulations and to conform to its routines. His salary does not depend on his performance. Outside the office, on his way home, he may be aware of increasing pressures on his organization, but it is not for him to do anything about them.

2) An elected representative does not dare tell the public what he knows the public do not want to hear. He does not dare tell the public something that would lose him the next election. For the businessman the aim is net profit; for the politician it is re-election.

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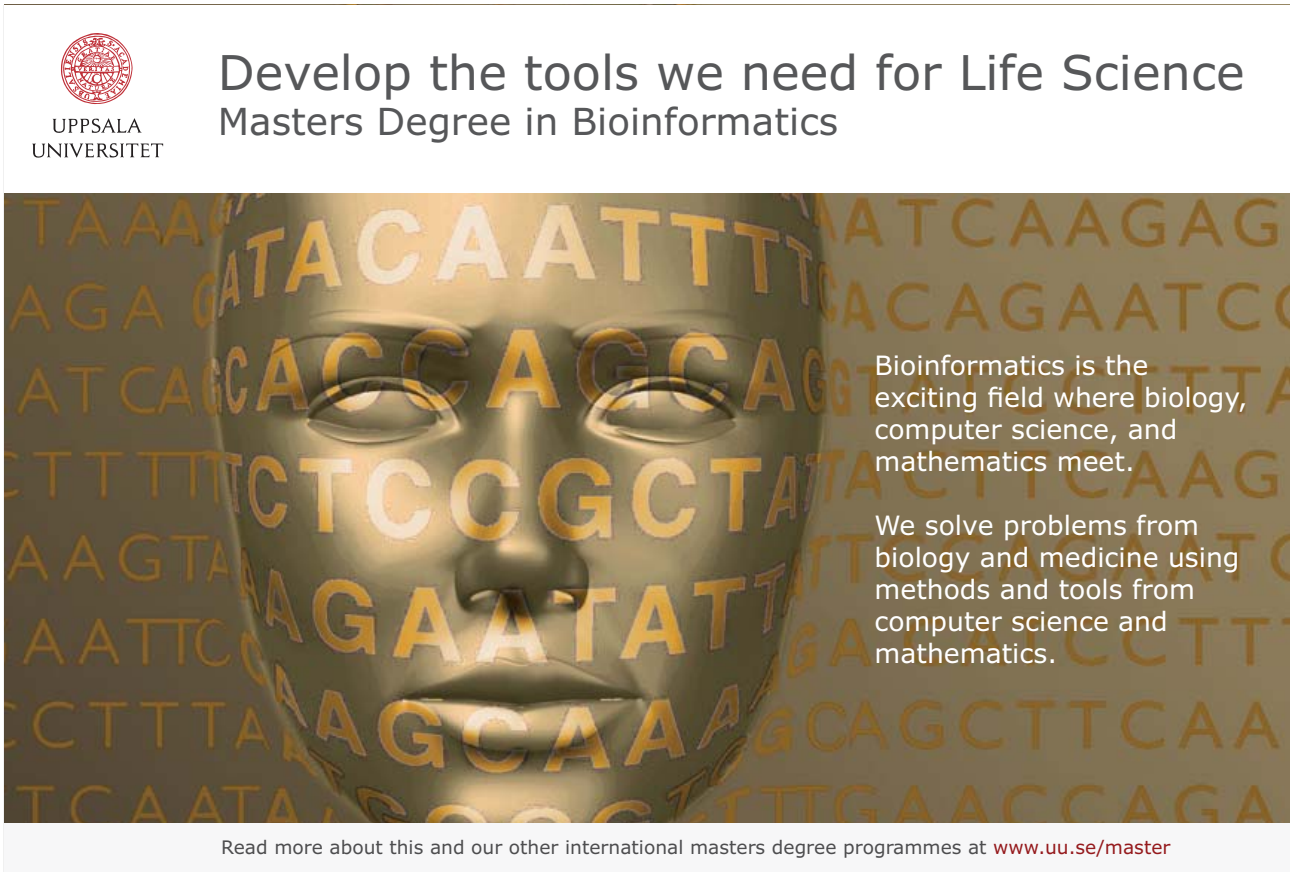
3) A good manager will always find a new job, but a professional politician risks returning to a low-paid job at some high school (If you sit in the Swedish national assembly for three terms you are then guaranteed a salary for the next fifteen years, without working.)

4) Non-confidence has become the rule in political life. Most governments in the Western world have less than twenty-five per cent support among the electorate. The largest political party is the abstention party.

5) The decline of local community life is creating the greatest danger for democracy in the future, not the threat from globalization.

6) No-one in his right mind wants to become a politician these days. Parliament is full of "idiots", in the opposite sense of the original word: from Latin *idiota*, meaning "man who is not involved in public affairs", instead we have created a system of experts and advisers.

7) The process of globalization is diminishing the power of the nation state. That process began with the decline of local communities. It is the morale of the local community, individuals' feelings of responsibility and care, that nourishes the nation state. Democracy works best when people can rely on one another rather than using the state as an intermediary (Lash 1993: 12). For more than twenty years now people have been trying to outsmart the Welfare State and take advantage of the benefits it provides (unemployment benefits, social insurance, sickness benefits, etc.). The State has longed ceased to be the sum of its citizens. It has become a mechanism, impersonal and decaying. The less privileged members of society see it as a mechanism whose workings they can study in order to outsmart it. It has turned into a sort of game.



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8) We are losing respect for honest manual labour. We bring people in from Thailand and China to harvest soft fruit in Sweden, though they have never picked berries before.

9) When the State permits privatization of institutions (schools, hospitals, and so forth) it is not doing this voluntarily, it is yielding to necessity. For the State it is a defeat. It is also the result of a new class struggle in the rich parts of the world, between private- and public-sector interests.

10) During the second half of the twentieth century the working class in the Western world slowly merged into a new, growing middle class, which gradually acquired a higher standard of living. The old jobs were moved out to less-developed countries. The working class did not so much disappear as get exported. As the saying goes, "out of sight, out of mind".

11) A new class has emerged from the growing numbers of public servants: a class of bureaucrats and State employees whose claim to legitimacy was once founded on the principle of meritocracy (Young 1961). Today merit has been replaced by political obedience; the contract has been broken. Companies continue shifting production to other countries, reducing the tax revenues that kept the bureaucrats in control.

12) For decades society has consisted of two professional tracks, one private and one public. It was accepted that private-sector employees received rather higher salaries in exchange for rather more demanding workloads and less security. As the new class has increased in size and as the efficiency and wealth of the private sector has grown, more attention has been paid to value for taxpayers' money. The discrepancies in efficiency and productivity between the two sectors have become obvious.

13) Political parties in most Western societies use a "jobs for votes" strategy. If you took away all short-term political initiatives (which are particularly rife when an election is due), the unemployment rate in many countries would double or even triple. The currently-acceptable rate of unemployment in Western Europe, before we get riots, is about fifteen per cent. Above that and people take to the streets, sooner in some countries than others. In Eastern Europe the threshold is more like thirty-five or forty per cent. In Paris people automatically take to the streets at fifteen per cent, while some suburbs in the vicinity of Paris have sixty or eighty per cent unemployment. These thresholds are culture-dependent, but none the less real.

14) Many countries on the road to becoming democracies are creating masses of meaningless jobs to keep unemployment down. Thus, there will be a handful of people guarding an empty parking lot, an excess of janitors in every public building, people taking fees for use of public toilets that are hardly ever cleaned. This problem is familiar in China, too, not only in Hungary.

15) At a certain point it became clear that the State was not going to be able in the future to fulfill its economic obligations. The example of pensions is well-known. This problem is far from solved. In hopes of finding a solution, governments are being forced to agree to demands for greater efficiency in public organizations. One could see this as being in the interest of the senior bureaucrats, since they have not long to go before retirement. The next generation to retire will need to use even tougher measures to make their pensions secure. … Of course, for the 2.8 billion people on this planet who earn less than a dollar a day, who have never seen welfare benefits and can hardly understand what they might be, this discussion would sound like something from a fairy tale.

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16) The privileged class is slowly making itself independent of the nation state, by seeking out private alternatives to public provision of schools, insurance, health care, security, and so forth. They even build their own societies within society, so-called gated communities. This is a "two-state solution" within a single State.

17) New technology such as the Internet facilitates and accelerates this development, the construction of new boundaries. The leading centres of high-tech are in and around San Francisco, but the runner-up area is already Peking (*Atlas der Globalisierung* 2003: 10–11). China is the country with most Internet users.

18) The Internet has made child's play of money transfer, dramatically reducing the ability of the State to raise taxes on income. The nation state has lost control over its revenue; money is now disconnected from nationality. It has made the lives of criminals much easier, by making it more difficult to distinguish "white" from "dirty" money. Many see the globalization of financial markets as an irreversible development (cf. Dominique Graber in Lorot 1999: 74–7).

19) In Sweden for seventy years there was an agreement between employers and employees, known as *Saltsjöbaden*,[132]which resulted in the lowest incidence of industrial action in any industrialized nation. This contract was broken when what we call globalization began. The trade unions and the business federations have swapped rhetoric. The unions no longer talk about international solidarity, because they are now threatened by foreign workers even on their own soil.

20) The privileged classes no longer need to seek agreements with national trade unions, because they can move their operations out of the country. This is an irreversible development. Once a few major competitors make the move, you have to follow just to stay in business. That is the logic of competition in a free-market economy.

21) What should we do with our tax-exiles, people that the State has paid to bring up but who later avoid giving the same opportunity to future generations by fleeing the country? Once the champagne is gone, when they get older and start to value things other than money, they will want to come home; that is when we shall tax them, retrospectively. That will be the price of repatriation. Not all will be able to afford it. Belonging to a nation should be a privilege, not a right.

22) The nation state can no longer control the forces of globalization. Only truly international movements will eventually be able to do so, but they are in their infancy. Critics of globalization have understood that they must organize themselves on a global scale to gain any real influence, simply because that is where the debate is. For the nation state the answer is to re-energize local democracy.

132 This was the name of the suburb outside Stockholm where leaders of the Swedish Employers Organization (SAF) and the Swedish Employee Organization (SIF) met for regular discussions. That came about as the result of an unusual number of strikes in the years up to 1930. In the following decades there were hardly any strikes at all. The two organizations resolved their issues without using the State as intermediary. It took other Western countries forty years to appreciate the genius of this arrangement, by which time Sweden was a leading industrial nation.

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23) We must rediscover the small villages, the communities, and local government; and at the same time keep up with the wider world.

24) We are experiencing a shift in power. The private-sector organization is at the heart of tomorrow's society. The future elites will be in private-sector companies. They are already there.

25) Technological change is the web in which tomorrow's society will spin its threads. The real key to change is, as it has been since the Enlightenment, science and technology. Everything else is at best mere support. This is the same science that created Western civilization in the seventeenth century, which made Japan strong at the end of the twentieth century, which is making China strong today. … China is not emerging for the first time, it is re-emerging after a two-hundred-year-long break. China is used to being the leading scientific nation, and knows what it is like to rule over others.

26) At the foundation of our technological and scientific progress lie discoveries made by Europeans and Americans. They have not been made by Asians; not yet. The Japanese and now the Chinese have not made significant contributions to this stock of knowledge in modern times. Rather, they have shown that they are masters at applying it. They have been good students.

27) Our scientific knowledge base knows no frontiers; only its applications do.

28) It is knowledge of Man and application of this knowledge that will transform the world. The main problem today is lack of leaders with vision.

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29) We have now embarked on the second stage of this process, the pressure to rationalize and make the public sector more competitive.

The mass media and their logic

1) The mass media, having increasingly become a business, sell information in more or less the same way as any company sells a product. Forget the responsibility-to-the-public part. The media produce the information they think we want to buy, whatever the cost. They do not answer to the public interest any more than a car manufacturer does.

2) The mass media are part of the global economy. They are businesses, disguised as independent public services. NBC is owned by General Electric, ABC by Disney, CBS by Viacom, CNN by AOL, AOL by Time Warner until it was spun off as its own company in 2009, and soon they will all change hands again.

3) Our media-soaked society gives less and less accurate information (cf. Laulan 1993). The larger the media company, the less the chances of conveying the truth, because the greater the concern for commercial interests.

4) All useful information has a cost. Like any other business, the mass media aim to keep these costs to a minimum. Long investigative reports demand considerable resources. Accidents, other peoples' miseries, are the only kind of information that is really free.

5) As citizens in an affluent society we need to know what is going on in the world around us. We look for this to the "news" (also called the "so-called news" because focus is not really on what is news, or in countries with strong public broadcasting channels, the "national messages" because the stories that are being told first of all have a national perspective, if not always only a national content). The problem is not that what is being conveyed as "news" is lies, but that the selection of what to include fails to answer our questions, because:

- we prefer entertainment to genuinely valuable information
- we are easily bored by in-depth explanations
- through increased commercialization of the mass media, pressure groups are able to influence the news agenda in their own interests.

When advertisers or donors reach a certain size they tend to want to control the way that media are run. This is no different from how election campaigns in many countries are run:

If you give a certain amount of money you get to dine with the president. If you give more, you might get to spend the night in the White House. If you "put him in office", you get to influence the political agenda – not officially, of course, but that hardly matters. You will be a "friend of the president".

6) The mass media provide information, without creating space for reflection. When we begin to let the mass media be our main source for knowledge of current affairs, we develop a passive and submissive attitude towards information-gathering, and ignore our duty to try to understand world events. This trend is increasing:

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- we are reading less and less
- we prefer to listen and watch, so we have less spare time to think
- we are allowing ourselves to be conquered
- when in addition to that we lose our sense of history, this makes us wide open to manipulation.

7) Most mass media pursue the same story at a given time : the *lead story*. The person or institution which manages to set the choice of lead story controls the *media focus* that day, not only nationally, but internationally. This position is referred to as *media dominance*. When the *media agenda* for the day is set, all channels retail the same stories over and over again in what are called *editions*. Only a new day breaks the pattern. It is a 24-hour logic. The networks then try to turn the story into a serial which might last for several days.

8) Rule of thumb: if you are being attacked by the media you need to keep afloat for five days in order to survive indefinitely. That is the time limit for a serial follow-up.

9) It is the date, not events, which decides that news stories change. There are deep socio-psychological reasons for this. We have a sense that each day should have a story: in the same way as, when we meet someone, we feel that we ought to have something to tell or discuss that shows we know what is going on. … But it is a practical issue too: reporters want to go home with a good conscience, knowing that they have covered the story of the day.

10) This is the first lesson of PR: "reporters just want to go home", so we will do their work for them. The second lesson of PR is "hire someone mean", someone who knows how reporters think. Do not hire an intellectual (=interested in ideas) or an academic (=interested in the truth).

11) Since we prefer using our eyes to using our rational abilities, a news reporter will be where the action is. He will be somewhere that enables him to give the impression of knowing what is going on – even if that is a hotel room in the next-door country (that is close enough). Reporters are happy when they can tell us what happened ("a bomb exploded killing 34 people"); they are seldom able to tell us why it happened.

12) We are all moved and terrified by death, so we are given it again and again every day. In reality it teaches us nothing. It is just horrible. Too many pictures of starving and helpless children, or suicide bombers, just increase our frustration and feelings of injustice. Because of this type of reportage, our fear of violence has grown far greater than the actual threat warrants.

13) Because the mass media, especially television, are the single most important means of moulding public opinion, it is the political parties and the politicians with the most favourable media coverage who will win the election. All politicians know and accept that logic, even when they see that voters are losing interest in politics altogether. The development has jeopardized our democracies by making much of the electorate cynical.

14) For several decades now, the mass media have been in the hands of a few large private companies. The best way to win an election is to own the media, or at least to control it. Berlusconi knew this, and so does Putin. (If the public do not like what they see, or if the constitution does not permit you to continue as leader any longer, and

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you still want your country to look like a democracy, you set up a puppet in your place, someone like Medvedev or Reagan.)

15) The corporate domination of the media is a serious threat to many democracies today, notably the USA (cf. McChesney 2004), Italy, and Russia. The increase in mergers and acquisitions in the media industry has eliminated most individual, critical thinking in newsrooms and replaced it with compliance and market-research considerations.

16) The art is to make the news appear less commercial than it really is. The best advertisement is always the one which is not labelled "advertisement". Product placement is a good example.

17) Not merely political debates, but even wars are conducted by using the mass media. In crisis situations truth is less important. There are many good examples of this. The USA lied about the reason for going to war in Vietnam and Iraq.[133] In the latest wars in Iraq and Afghanistan we are not killing people, but terrorists. It is our elected leaders and their organizations who fabricate these lies: organizations like the Central Intelligence Agency (CIA) in the US, or in Russia the Federal Agency of Government Communications and Information (FAPSI).

18) A few years working in an intelligence organization will teach you to be a manipulator. You will lose whatever illusions you had about political ideals. Your job will be to hide, distort, and recreate the truth, to act as a "conjuror of realities". Many individuals lose their humanity in this process.

19) America has been attacked twice by outside forces in its history. On both occasions, none of the intelligence organizations were much help. The CIA was created to prevent a second Pearl Harbor. As such it failed to fulfill its sole mission. Some say it was Mission Impossible, others say that intelligence was available about was about to happen.[134]

20) Because the CIA was afraid that George W. Bush would want to attack Iran during his last months in office, they stuck their necks out and denied that Iran had nuclear weapons capabilities. This was a pre-emptive strategy directed against the White House administration, intended to prevent their organization from being tricked by their employer a second time.

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133 See e.g. Gardiner (2003). In this report Gardiner suggests that there were "over 50 stories manufactured or at least engineered that distorted the picture of Gulf War II for the American and British people". Sometimes the term "strategic influence campaign" is used; more often it is called "information warfare", meaning campaigns to distort perceptions of the situation before and during a conflict. Some military experts see this as a new phenomenon, the loss of truth in war. But the fact is that perception has always played an important part in military and political strategy.

134 The garage bombing at the World Trade Centerin 1993 was a clear warning. If the explosives had been a little stronger, the damage could have been as devastating as the 9-11 attack. The CIA knew that the 9-11 terrorists were in the USA, and even that they were attending flying schools, but they failed to draw the correct conclusions.

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21) After the Vietnam War it was decided that reporters should not be allowed to witness warfare in future. Nowadays the press is assembled in hotels, where they are given information at so-called briefings, or they are "embedded", meaning that they voluntarily accept censorship. … But a new kind of leakage has emerged: soldiers are recording their own atrocities on web cams and uploading them to the Internet. Or they send secret material to sites such as Wikileaks. These are real nightmares for our military commanders; they potentially pose greater danger than enemy attacks.

22) The records of the world's other intelligence agencies are not much better. The KGB did not foresee the fall of the Communist bloc. That even took Put in, as a KGB officer in East Germany, completely by surprise. He had even problems getting out of that country and back home to Leningrad.

23) Some countries have a more independent press. The French press has relatively little influence on the political agenda as compared to the press in English-speaking countries. Consequently the ownership of the French press changes hands more often, as in the case of *Le Figaro*.

24) The *Canard Enchaîné* receives most of its information from highly-placed officials in the French bureaucracy. It functions as a ventilator, or a laundry service for information. Everything is bought: documents, telephone conversations. "*C'est un espace de poubelle qui tourne gentillement*". The Drudge Report is a sensationalist, online-only version of the same idea.

25) Only the printed press has lasting influence on our thinking. The influence of local newspapers is often underestimated. The influence of television is mostly short-term. But public opinion is easily controlled through radio and television. No one knows better how to exploit this chain of influence than special-interest groups:

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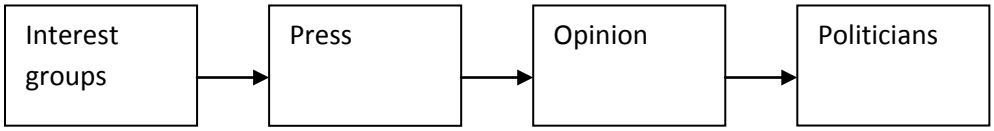
Figure 5: Political influence through interest groups



To explain: interest groups place information in the press. The press has influence on peoples' opinions; and politicians pay attention to the public. The fast version: you pay the politicians off directly. That saves a lot of time. It is currently the American political way.

26) Whoever controls a media channel has influence over a certain set of people, a particular segment of influential readers. For instance, if you want to communicate with businesspeople internationally, you reach them through the *Financial Times* (UK), the *Economist* (UK), the *Wall Street Journal* (US), *Handelsblatt* (Germany), or *Dagens Industri* (Sweden). Via CNN you can reach the international businessman while he is lying in his hotel bed. Every channel has its audience segment and its price. Persuasion is largely a question of funds.

Manipulation and deception

1) Deception can be defined as the deliberate effort by an individual or an organization to act according to their self-interest by systematically conveying misleading information, thus generating a false understanding.[135] All advertising tries to show that a product or a service is better than it really is. Thus all advertising is manipulation, by definition.

2) To get an idea of the power of manipulators it is enough to consider how little we knew about French involvement in Rwanda while the massacres were happening.[136] Among thousands of journalists hardly any saw or were able to report the truth. Thousands of intellectuals in France could reflect on the contents of all kinds of media reports every day for many months without appreciating that their own government supported the killers, and had even trained them.

3) Anyone dealing with the mass media must learn to speak the *language of power*, which means distinguishing and practising the difference between two sorts of discourse, one on and one off the record. All world leaders except Putin and a few others know not to reveal personal opinions in the media, simply because doing so would make them look bad in the eyes of the public. (Russian leaders simply don't care.)

4) The strategy of the language of power consists of never using any harsh words, or making any blunt statements, in public, but yet always answering questions and seeming polite. In everyday language we call these "social skills". Media professionals, PR experts and politicians, know how to use specific accepted phrases in a formulaic way, repeating them again and again while on the record. Being caught on the record using off-the-record language can destroy any politician's career.

135 This is based on a definition by Dedijer (1989b: 2–3).

136 The full truth was first revealed in books.

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5) Off-the-record language is anything but mumbo-jumbo. Its words reflect the speaker's true interests and come straight from the heart. It contains no ambivalence. Overheard in public, it has immediate negative consequences. Heard in private, it gives the parties an immediate understanding of one another's position.

6) Do not imagine that the social sciences are exempt from these constraints. In place of "social skills" there is "political correctness", PC for short. The social sciences in general only seem non-normative.

7) If you do not observe this interplay of interests, the chances are that you are being manipulated. On-the-record political comments serve one purpose only, to win or maintain support. Political idealists die young. Politicians tell people what they want to hear. Telling the truth may gain you occasional respect, among certain groups of individuals for a certain period of time, but it will not win an election in a modern democracy. We prefer a man of action to a man of thought, a man who can look convincing on television to someone merely telling the truth: a John Kerry to a Howard Dean.

8) The growth of the mass media has made it increasingly necessary for large organizations to employ a PR person or publicity officer. All external communication in competitive organizations of more than, say, a dozen employees will nowadays be controlled that way. The relevant officer ensures that no blunders or strong opinions that could damage the organization are uttered, that employees are never interviewed directly, and that all interview questions are checked and approved in advance. This has become common sense in organizations today. Few people even think of it as manipulation.

9) Becoming adult entails learning not to speak one's mind. That is why we find children so refreshing: they speak their minds and tell the truth – at their best they even speak our minds. Then we have to laugh.

10) When we do speak the truth it is in special circumstances, such as when we retire or change jobs. Always listen to someone who is retiring with a good pension: he has little to lose. Others may say "well, off the record…"; that is when you should listen.

11) Geopolitical and geoeconomic ideas come from the gut. Their content is crude and can be offensive, to a nation, a people, or a competitor. Nothing is more revealing.

12) It is increasingly difficult to detect manipulation in a modern society. This creates a problem for the health of our democracies. Because we are subject to manipulation, we must read more. Each of us must make up his or her own mind on any subject of importance. We need to keep the mass media at a distance. Avoid journalists for purposes of *gathering information*.[137] Journalists are useful for *placing stories*.

13) Rather, we should seek out and read specialists within each area of interest. For each topic there is always a best book, a real expert. Go to him. First you must learn to locate him. Build up your information portfolio

137 It ought to be a mystery why people with university degrees look for advice about what is going on in the world to members of a profession whose education is usually inferior to their own. In Scandinavia, for instance, the profession of journalism has traditionally comprised high-school and university drop-outs. Of course there are exceptions, but too few to contradict the general point.

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by drawing on sources from different parts of the world, gather them together on an RSS feed system, and focus on individuals rather than organizations. Change your feeds every now and then. Depending on what your profession is and what position you occupy in your organization, set aside half an hour to a couple of hours a day for reading and managing your information-sets.

14) When something significant happens in the world, wait till the journal article or the book comes out to find out why it happened. If you fill your time with "news" you risk getting bored with the subject long before answers are available. Tell yourself "Now I know the 'what', i need to wait a few weeks or months before I can get the 'why' ". Good analysis and synthesis is not done overnight. Authors need time.

15) Frequent techniques of manipulation include bribes to journalists, control of the information source, and control of the news agencies. Information seldom comes from a reporter; he or she is only the messenger, a broker for whatever information sells or can be made to sell on the news market.

16) Journalism can be seen as the work of deciding and selling an angle or a perspective on a reliable source to a particular audience. It's a business for fairy-tales.

17) The good thing about democracies is that the truth almost always comes out, sooner or later. A new generation means new interests. The main exception is when institutions themselves are in danger. Then the public will not learn the truth, not even after documents have been declassified. Examples include assassination of heads of State or leading politicians. Thus, in Sweden we still do not know who killed Charles XII in 1718, or Prime Minister Olof Palme in 1986. If we do know, today, that Gustav III was killed in 1792 in a conspiracy between two counts and other members of his own aristocracy and an army officer, that is because the power of the royal family was restored. When discovered, threats to the establishment are always disclosed.

18) Laws of information:

(i) The more information we have, the faster our social development evolves, but also, the less time we have to reflect.
(ii) We can also state two propositions regarding distance:

1. The further away from the original source we are, the less we know about it (*geographical distance*).
2. The further away from our national interest an incident is, the less likely we are to hear about it (*cultural distance*). For instance, the tsunami in Indonesia became a topic of interest to us because so many of our own nationals were killed. Other tsunamis get little attention. When a boat sinks in Bangladesh and hundreds are drowned, that is hardly noticed.

19) Our leaders today depend on public opinion to stay in power. On one hand they gather information about what people want (market research). On the other hand they control and transmit information to the mass media to shape public opinion (PR). Running for and staying in office have become questions of executing successful marketing campaigns.

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20) Over the last few decades, *information dominance* has become a significant strategy for nations, whether in its political, economic, or military form (cf. Toffler and Toffler 1994). *Strategic information warfare* (SIW) consists of *conventional warfare* (CW), that is destruction of infrastructure, *command &control warfare* (CCW), that is the attack on the enemy's command capabilities, and *information warfare* (IW), that is destruction and control of the enemy's information system (cf. Vincent Troin's contribution to Chauprade 2005: 160). This may be expressed as: SIW = CW+CCW+IW. Private companies are quickly learning these lessons.

21) There is a widespread idea in the USA that the country lost the Vietnam War because of the free press. "Intelligence betrayal", or "media risk", some call it. One example was the revelation of conditions inside the Abu Ghraib prison.

22) Think-tanks, like the Brookings Institute, function not only as intellectual factories, but as institutions which translate power concepts into acceptable language, so they will go down well with the public. Leo Strauss (cf. Strauss 1996) was in fashion under Bush. Declared Straussians in the early Bush administration included Paul Wolfowitz (architect of the doctrine of preventive war), Vice-President Dick Cheney, and defence minister Donald Rumsfeld. Another influential Straussian was William Kristol, editor in chief of the conservative magazine *Weekly Standard* (son of Irving Kristol, who fathered the neoconservative movement in the USA). All claimed to have been influenced by Leo Strauss's writings. A further example was Gary Schmitt, representative of the new conservative lobbying group "Project for the New American Century" (PNAC). The PNAC membership included Rumsfeld and Cheney. (Strauss was no liberal, not even a democrat; he was an ardent supporter of the ideas of Thomas Hobbes. His main Aunt Sally was the Weimar

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23) These politicians are already on their way into history. Some of them might even face trial one day, but the power interests will remain much the same. The companies are the same, the industries are the same, and more importantly the logic is the same. Only the players and the rhetoric have changed with Obama. Obama is primarily a brand: "the promise of change". There is no reason to doubt his personal conviction, his integrity, or his rhetorical skills, but every reason to suspect that he will fail. This man is not a fighter, he is a compromiser. Corporate interests will ultimately have their way.

24) How not to be manipulated by the mass media:

a) Find authorities within each field of interest.
b) Learn to analyse the information yourself.
c) Read critically.
d) Look at different sources. Most newspapers within one country use the same sources, especially in connexion with foreign policy. If you take more than one paper, make one of them a foreign one: British or American, French, German, and, if you can, a Japanese or other Asian paper (many now have English-language editions).
e) Change sources regularly.
f) For insight, go to books.

This is likely to make you better informed overall.

6.2.3 The social dimension

> The name of Poet was almost forgotten; that of Orator was usurped by the sophists. A cloud of critics, of compilers, of commentators, darkened the face of learning, and decline of genius was followed by the corruption of taste.
>
> Edward Gibbon (1776: vol.i, chap. 2, pt iv)

The evolution of society

1) Our society has changed from one of honour into one of welfare.

2) According to Heidegger, our intellectual crises consist chiefly in this: we have no good thinkers. Our thinkers have been eliminated by the modern university system, where they have been replaced by a civil-servant-like imitation. In universities no-one is allowed to think beyond the boundaries set by their academic discipline. You are either an economist or a psychologist, not both. Outside-the-box thinking is encouraged, so long as it stays inside-the-box. In effect it is self-censorship.

3) Our societies are efficient at dealing with external conflict, but vulnerable in the face of internal conflict. In the near future the conflict between old/rich and young/poor will become obvious as we move into a new era dominated by the old.

4) We think in "us–them" dichotomies, where the "us" is defined by our nationality, our profession, our interests. People are killed or starve to death only two hours' flying time from our homes without us even

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reacting. If the "other" holds our national passport, we will send a helicopter to rescue him. If he manages to get television coverage, the prime minister will meet him personally at the airport. Justice is a function of nationality + social status + mass-media coverage.

5) Ideologically we have gone from a bipolar to a multipolar world, from a world of objectivism to a world of subjectivism, from a world of simple order to a world of disordered complexity. This is (again) the era of the sophists. Instincts have once again become the legitimate answer to ignorance.

6) We are moving from a society of production to a society of entertainment. Yesterday capitalism exploited our economic weakness. Today the media exploit our psychological weakness. Society is moving from doing to creating a semblance of doing.

7) Market economy is neither good nor bad, but is the fastest evolutionary machine or mechanism Nature has ever produced.

8) The businessman's motives are his own personal interests; but his actions also have effects on the wealth and well-being of others. At the beginning of the period we call industrialization, the market economy led to misery for much of the population. Today in the "information and communication age", the market economy leads to misery for much of the population of other countries, the Third World, or in the Fourth World –the poor suburbs. Injustice has not been eliminated, simply exported – "outsourced".

9) Society is rapidly fragmenting into three sections:

a) the competitive
b) those who have a secure status
c) those who are unqualified for a job
… and an increasing number of these unqualified are academics.

10) It is important to distinguish among immigrants; many of them are courageous and intelligent people, others are dangerous criminals. There are three categories of immigrant:

1. the useful
2. the useless
3. the aggressive

The first category typically has to be persuaded to come. He worked in the labs of Russia or the Ukraine, but no longer lives there. After the Cold War the best brains went to the USA, then to Europe, then to the rest of the world. In Latin America you find many third-rank (but still good) Russian mathematicians. They have proved tremendously valuable to those countries.

The second category is predominantly a charge on society. Any society can only admit a certain number of these individuals before its workings are affected. They typically aim to go to countries with the most generous social-security systems.

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The third category typically comes from underdeveloped countries. They include Muslim fundamentalists, Eastern European criminals, terrorists and trouble makers of all kinds, including thugs from Latin America. Their goal is to enter a prosperous state with a weak judicial system and exploit it.

11) It is important to distinguish between immigrants. Claude Lévi-Strauss once said in a *L'Express* interview (17 October 1986) "If you start calling anyone who adheres to certain values and expresses a dislike for other values racists, you risk producing people who say 'if that is racism, then I'm a racist' ".

12) The Americans have always been the best at *brain draining* – locating the best people and outbidding institutions in other countries to attract them. This has been a key success factor throughout US history, to the point where they have become dependent for their prosperity upon a continuous supply of new brains: first with the huge influx of hard-working, highly-motivated European immigrants at the end of the nineteenth century, then refugees from Hitler in the years before the Second World War,[138] then pro-Hitler refugees after that war, Asians during the Cold War, and now Eastern Europeans since the Cold War.

13) We are encountering an infantilism in our societies. People are weeping before their elected officials instead of supporting them. If someone is suffering, that must be the fault of the system. This "system" would need a very strong back to stand up straight.

14) An adult is a person who is responsible for his own actions. He takes responsibility outside his home, he is law-abiding, and he contributes time and effort to building a healthy society.

15) To grow up and become an adult is an aggressive act: it means taking the place of your parents. Most citizens are less and less willing to accept that responsibility. Values are turned upside-down, for instance the old are imitating the young. We have also extended the period of adolescence, by treating our teenagers as a special market sector in their own right.

16) Being a "teenager" as such is silly. The concept (like the modern Christmas) is a retailing invention, designed to market certain kinds of consumer goods. But a balanced, secure, and caring childhood is vital for building a strong character. When a child grows up, that is the time to travel and see the world, to leave home. That was the tradition of the European elites, at least until the beginning of the twentieth century.

17) All authority is put into question today. A society without a model is a society without a father.

18) We have fostered a new class of unemployed people, many of them well educated, who may soon become a threat to society. They will eventually want to avenge themselves. Some do not believe in anything, or they believe in everything they are told, and they are only capable of realizing themselves through violence. This is the story of a whole generation in Russia. And it is the story of a growing population of immigrant children in our suburbs in a country like France, or in downtown areas in England, some of whom have found a new home in radical Islam.

138 This group has been highly underestimated. They helped the Allies to win the war, for instance through development of nuclear technology.

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19) People who have stayed in education for many years and cannot then find a job break down psychologically after a few years of rubbish jobs.

20) When you send everyone to university, there will be no-one to do manual work. People will think of themselves as too good to hold a hammer, and those who pick it up will be overpaid.

21) Because we are so deep in debt – making payments on our houses, education, and two cars – we have become very risk-averse. We have become voluntary captives of "the economy" and have lost our capacity for initiative. We "would like to", but there is too much at stake. Instead economics rules at all levels.

22) Western society is losing its memory. We are also losing our values, which used to be the strength of Europe: the significance of work, of family, of saving, of effort; all these values have been tremendously eroded over the last forty years. … But they have reappeared in China.

23) The so called cream of the crop in society, our elites, no longer know where they have come from or where they are going. We are facing the greatest disaster in the history of modern education: without knowledge of the past there can be no coherent strategic vision for the future. How can we have vision? Our historical knowledge does not extend beyond our own time. Our understanding of history is dictated by the media. We consume events, but are not able to put them into perspective. Instead we let ourselves be captured by the present and led into passivity.

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Education: Chemical Engineer

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24) A classical education in history, literature, and philosophy is essential. You need history to know what Man has done, literature to know what Man can do and think, and philosophy to challenge your ideas about the world. These things should be learned at home if possible. That used to be the way of the German *Bildungsbürgertum*, the educated middle class. Since this ideal disappeared, with the emergence of mass culture, some Western societies including Germany have been organizing special courses in the classics for their business leaders. The Japanese have been doing the same for a long time. There are similar initiatives in Sweden (Alsheimer 2004).

25) The erosion of collective values is not a temporary trajectory. Something is going to happen within the next generation. For the moment we must live through a period of anguish, worry, and stress.

Populations

1) To be a major world power you need a large population, not less than seventy or eighty million people. A large population needs territory to spread out in, and you either have to persuade people to move into it (USA, Israel), or you must force them to move (Russia). This is the doctrine of *critical population size*. It is what keeps countries like Sweden, the Netherlands, or Austria from becoming major players.

2) China and India have always had large populations, but do not let that fool you. A large population in itself is only a necessary condition, not a sufficient condition. If you cannot feed them, the size of the population quickly turns into a problem. That is the lesson of India.

3) The countries with the largest proportion of inhabitants aged 65 and over are Italy, Japan, Greece, and Sweden (Dorling et al. 2008: 27). Soon their young people will not be able to pay for the welfare of the elderly. Then they will be forced to accept more Turkish and other Muslim immigrants. In a few generations Muslim immigrants will represent a substantial fraction of the European population. Europe may be predominantly Muslim in a few centuries from now, as the USA will be predominantly Hispanic and Catholic within a few decades.

Culture, ethnicity, and "race"

1) Today we say "ethnicity" when, fifty years ago, we would have said "race". Between these dates lay the experience of the Holocaust. What we mean by "ethnicity" is often no different from what we meant by "race", but by changing the word we are making a statement: that mankind is not a slave to its religion, language, or ethnicity. We will not permit these differences to be reasons for killing one another off (Finkelkraut 1987).

2) In 1952 Claude Lévi-Strauss caused a scandal with a book about the question "what is race?", in which he defined race as the sum of all our actions, a term closely related to what we call "culture". These discussions paved the way for a new study in France, anthropology, an offshoot of sociology.

3) Our original concept of culture was essentially the same as "aristocratic ideals". As these ideals have slowly disappeared with the rise of mass society, so has culture. With mass society we have instead received "mass culture". Mass culture has amounted to little more than a foolish, infantile process of destroying culture properly speaking, what is now sometimes called "high culture" and frowned upon as snobbish. That is the

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hallmark of our current vulgarism, with its illusions about the remarkable qualities of the "common people" and their more down-to-earth ways.

4) It was Stalin's great dream to institute mass culture and pop culture, so as to annihilate the old culture. Ironically, the country which first succeeded in this was the USA.

5) The aim is no longer to elevate mankind through aesthetics and/or complex ideas, to teach him to see what is beautiful (fine arts) and honourable, but either to protest, to shock/entertain, or to create novelties for the sake of novelty. This is a confused project, a misinterpretation of the natural-science idea of "progress".

6) Contemporary art has become a gathering place for the excluded, those who do not want to or are not able to participate in productive society. Because this group represents a large number of voters in the West, they have been given budgets to play with. This has created a cultural establishment which has no objective way of deciding who gets what. Seen from the perspective of the political and economic elites, cultural workers and artists are free to contend among themselves, so long as they vote for the correct political parties (the ones that feed them). If not, the funding will be withdrawn.

7) Modern culture, this new project, which began with the Impressionists and the invention of photography and follows the logic of industrial invention, is a *faux pas*, a wrong direction and a misunderstanding. What purpose can there be in innovating for the sake of innovation? They have eliminated their own skills of craftsmanship, and are left (from Matisse onwards)only with colour and form. It is childishness institutionalized.

8) A ministry of culture serves to dissuade some of the excluded from rebellion. From a political perspective it is better for the State to support artists financially than to pay them unemployment benefits. It creates less tension in society and maintains morale.

9) Kant, if he had lived, may have argued that this is a return to the original understanding of culture as *œuvre*, simply whatever is man-made, nothing more, nothing less; but I doubt that he would have enjoyed the results.

10) Today buying and reading the classics – the foundation of all civilized cultures – is seen as just another hobby, like go-karting, collecting cigarette lighters, or fishing. Soon, when more of the old booksellers disappear, reading the classics will become the activity of a sect. Then perhaps it will be rediscovered, and again become popular with some people.

11) The middle class. There used to be four breeds among the middle class:

a) those without piano or library
b) those without a piano but with a library
c) those with a piano but without a library
d) those with both piano and library

Today pianos and libraries alike are for snobs and reactionaries, people out of touch with reality, or the filthy rich.

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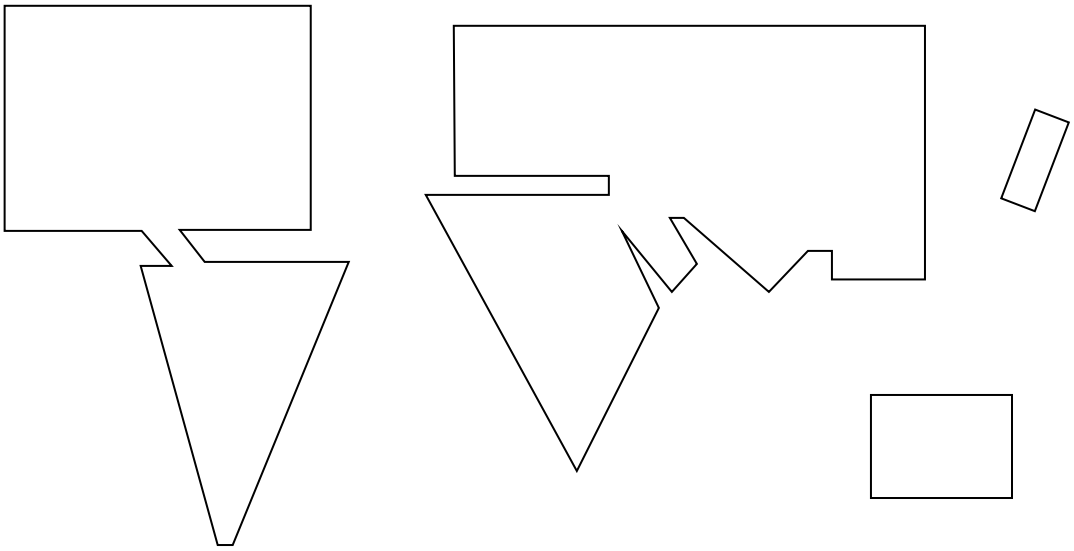
12) There are three broad cultures:

a) commercial nations such as Sweden, Germany, and Switzerland
b) power cultures such as France, Britain, and the USA
c) cultures with an interest in culture like France and the USA (pop culture).

13) To understand what is going on in the world, economically, politically, or socially, it is important to be able to draw a quick sketch-map of the world, to illustrate various facts and ideas:

Figure 6: Map of the world



Do the exercise yourself.

14) The world comprises six great paradigms:

a) the Mongol world (… the cultures they influenced, all the way to Turkey)
b) the Asian: Confucian and Hindu
c) the Western: Catholic–Protestant–rationalistic
d) the Orthodox Graeco-Slav emotional world
e) the Islamic: Arab–irrational
f) the animistic African tribal world

Potentiality for conflict is high along their borders.

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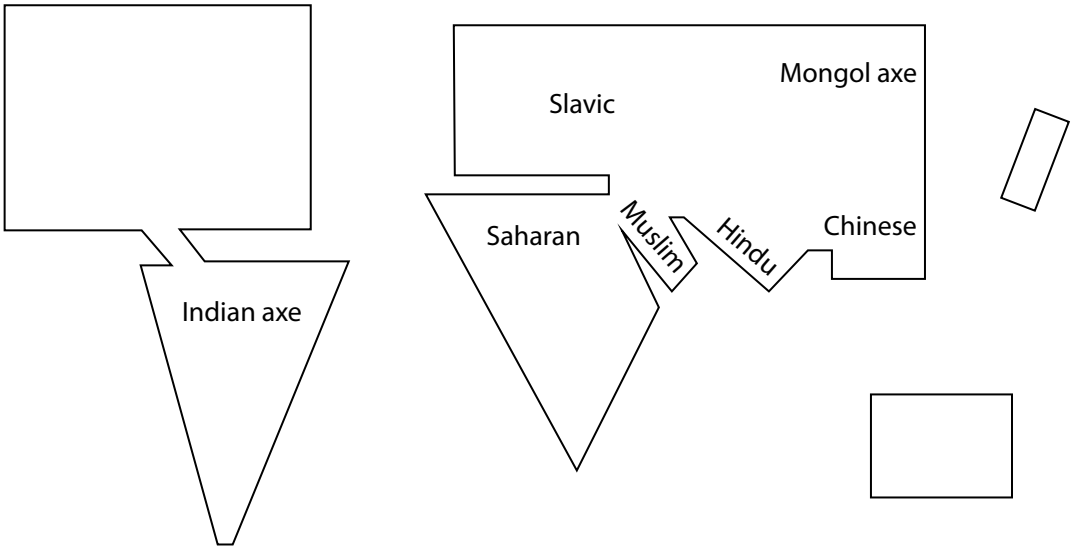
Figure 7: Potential zones of future armed conflicts.



12) The world contains stable and unstable regions. Most acts of violence occur along axes of conflicting religious or cultural interests.

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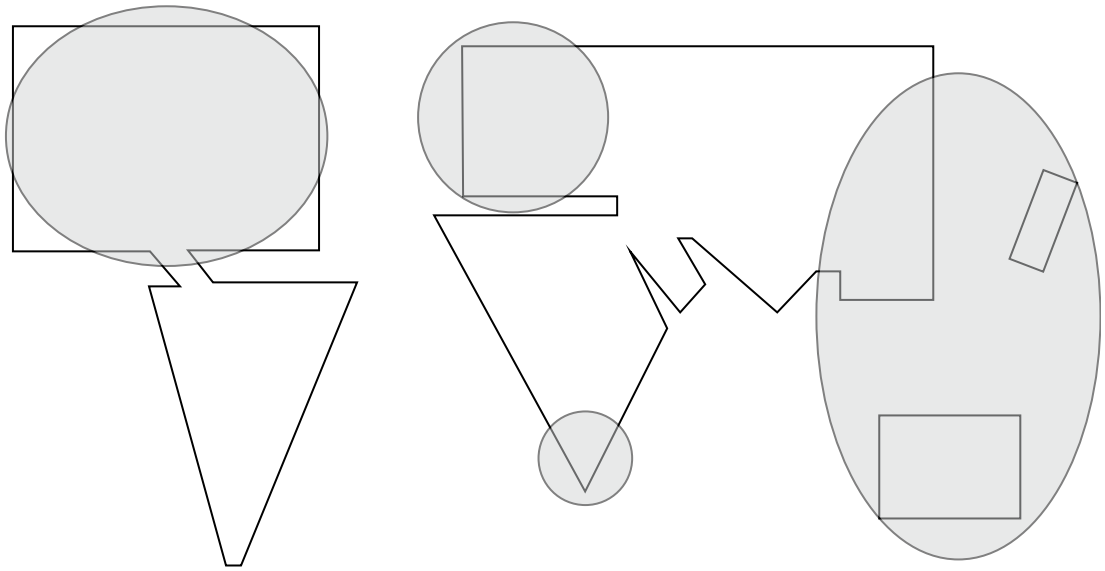
Figure 8: The four stable regions



13) The competitive advantages of nations never last. Instead we have conditions of continual strife, with cultures successively overtaking one another. There has always been a civilization or a nation which has had the upper hand at any given time in terms of economic, military, and political strength. A short chronological list might look like this:

1. Yellow River, Nile, and Indus areas
2. Mesopotamia
3. Greek civilization
4. Roman civilization
5. Iberian peninsula
6. France
7. Netherlands
8. Britain
9. USA
10. Japan (short intermezzo)
11. China

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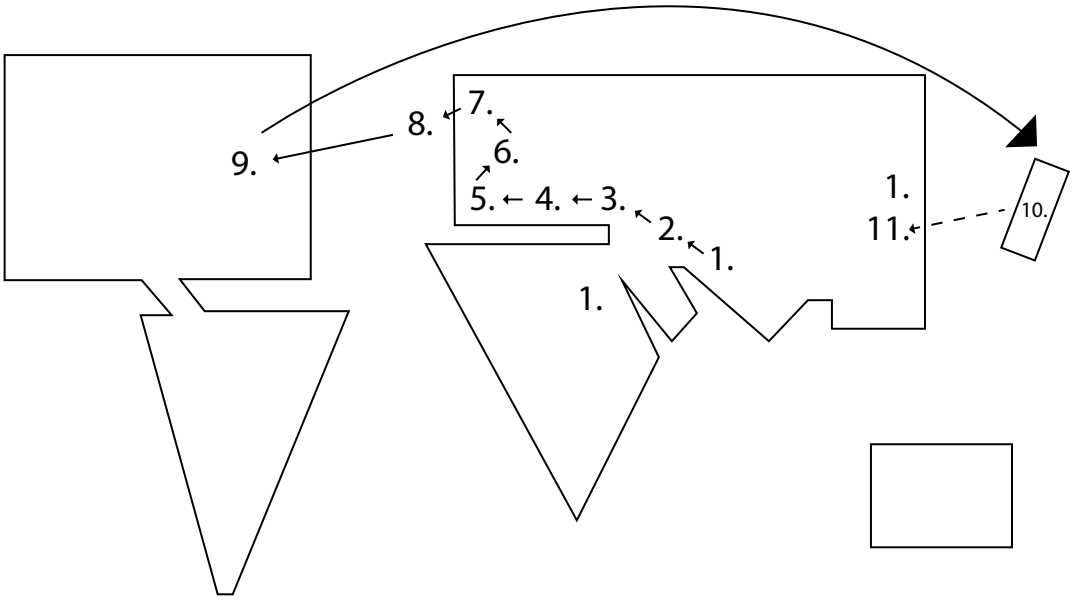
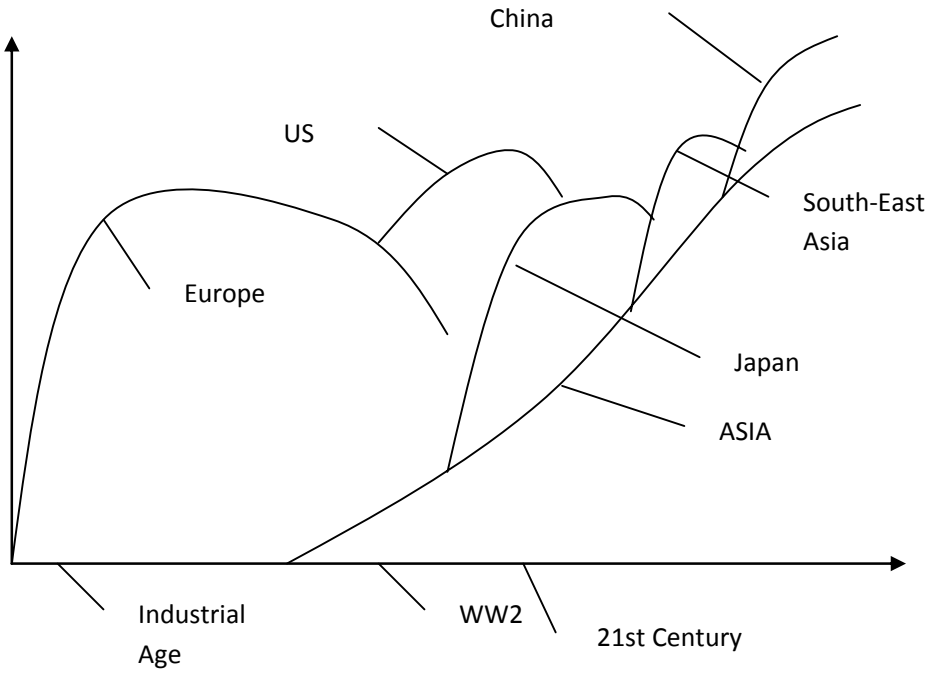
Figure 9: The changing nature of great cultures



14) We may illustrate the same idea of the evolution of economic power in a system of co-ordinates with time on the *x* axis and economic output on the *y* axis.

Figure 10: The evolution of economic power



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15) Each rise to power comes at a cost. The American Indians were almost exterminated. Their numbers in what is now Mexico fell from about thirty million before the arrival of Europeans to about one million in the seventeenth century. In the USA and Canada their numbers went from twelve million down to a couple of hundred thousand by the nineteenth century. This was a true holocaust.

16) American Indians today have three remaining zones of influence:

a) the belt stretching from Ecuador to Peru and Bolivia
b) the coastal areas of Brazil from Paraíba (a state of Brazil) to Paraná (Paraguay)
c) the belt stretching from southern Mexico to Guatemala and Nicaragua.

17) The first great human civilizations were formed around the great river deltas of the Nile, Tigris–Euphrates, Ganges, yellow River and Yangtze.

18) The idea that Man came from Africa does not tell us much about who we are culturally. Our ancestors may have migrated out of Africa some 60,000 years ago, and one branch of the Indo-European tribe probably migrated into Europe less than 10,000 (maybe as late as 4,500) years ago, after the last Ice Age. But it is the time in between that interests us most. What did we do after we left Africa but before we entered Europe, during the time when we dwelt in the Kashmir–Caspian Sea area?

19) The Indo-Europeans were nomads and lived for most of that period in the area around the Caspian and Black Seas. About 1500 BC, one branch moved down to the Indus valley. With them they brought the horse. At about the same time we hear of Indo-Europeans in Europe and on the Anatolian steppes, e.g. the Hittites.

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20) When the Athenians fought the Persians under King Darius at Marathon in 490 BC, it was two Indo-European tribes that met in battle.

21) Indo-European research (language, literature, archaeology, history) was a topic that attracted much interest in European universities at the turn of the nineteenth century. Most questions are yet to be definitively answered, and await renewed interest from a generation of genetic researchers.

22) In May 2010 Svante Pääbo, director of the Genetics Department at the Max Planck Institute for Evolutionary Anthropology in Leipzig, published an article in *Science* which said that all non-Africans share between one and four per cent of their DNA with the Neanderthaler. *Homo neanderthalensis* may have lived in Europe more than 500,000 years before *Homo sapiens* arrived. The Chinese carry these genomes too, even though Neanderthalers probably never reached China. Future research will tell us how we are different (how we are alike, we already know).

23) If you visit an archaeological museum, such as the one in the château at Saint-Germain-en-Laye, you will be surprised to see how slowly mankind developed up to the time when the first man migrated into Europe:

a) At 35,000 BC we were making small man-like figures out of clay.
b) At 20,000 BC the figures were somewhat, but not greatly, more advanced; for instance, we find figures of pregnant women.
c) Even at 16,000 BC we were still making simple animal figures. It was only when the Indo-Europeans entered Europe that the human life experienced a revolution.
d) At 6300 BC we find clay pots.
e) At 3000 BC, swords of bronze casting moulds.
f) The real revolution does not arrive until the Iron Age, about 900 to 500 BC. At about this time a German tribe, the Franks, led by the Merovingian king Clovis – shown as a tall man with long fair hair in the famous fresco in the Paris Panthéon– conquered the heart of France, and made Paris his power centre.
g) Modern history is largely the history of two tribes which separated on the plains north of Caucasus: one migrating westwards from the Ural Mountains into Europe, the other eastwards into Mongolia and China. Then there were two further smaller groups, one migrating into what is now Iran and another colonizing India. This is a history that remains to be told in detail.

24) Hindu, Greek, Roman, European, American, Japanese: what decides the fate of any culture is how you manage your population. China and India are strong indicators. China will be able to manage its billion-plus population by the year 2015.

25) It is Europe's task to settle the conflict in the Middle East. Asia wants nothing to do with it. The Americans will fail in this region, because they lack the necessary understanding of and interest in other cultures. Europe will make a deal with Iran after the age of petroleum has faded away and the region's corrupt regimes have either collapsed into chaos or been thrown out by their own populations. This is a prospect for the latter half of the 21st century, by which time US power will have been seriously weakened. By then the Israelis will have had to settle their differences with Iran, or their safety could no longer be guaranteed.

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Education

1) We have an education by reaction, after something has happened, not by planning.

2) We are experiencing "educational inflation": the general education level is decreasing with the growth in numbers of students and universities. A bachelor's degree in 1920 is worth a master's degree in 1970 is worth a doctoral degree in 2000. Luckily for us, cumulative research ensures continued theoretical progress, especially in the natural sciences.

3) According to a recent study, standards of mathematics in Sweden fell by a whole year over a period of just five years. When the Social Democrats were confronted with these findings, they abandoned their own education policies and permitted mass privatization of the education system. A competitive culture drops all political point-scoring in times of crisis.

4) Universities have become a tool and a playground for politicians' whims. They want us to solve society's problems technically by encouraging development of a series of new studies within the social sciences. Left unchecked, this development will lead our universities astray, making them more political than they were in the 1960s and 1970s.

5) Many universities today are run by people who received their education in the late 1960s and early 1970s, when the institution was a playground for post modernist ideas about relativism (Foucault), obscure definitions of materialism (Bataille), deconstructionism (Derrida), and declare-the-death-of-everything-ism (Lyotard). As far as reason goes, that is a lost generation. They almost wrecked our meritocractic model. Luckily for us, the new competition from China is forcing our leaders to think about our competitive advantage. We cannot afford any more political adventures.

6) Beware of academics who are anti-elitist, who show exaggerated interest in the discipline of pedagogy, who talk about "learning processes", "learning meetings", "quiet knowledge", and "problem-based learning". These ideas, which have no practical significance in the real world, serve to conceal an aspiration to gain control over the academic environment by creating a new socialist priesthood.

7) Feminism is an example of "oppression studies" (Thomas Short), whereby any political interest or orientation (political, gender, ethnic, or sexual orientation) claims the right to a share of attention at the university because of some allegedly unique perspective on reality, in line with the motto "this is science because my perspective is different". Similar studies can be imagined for any group who feel discriminated against, indeed for any group at all.

8) Old books are often good books. In those days one could not afford to waste paper. Today everyone is an author.[139] Slim, short books are better. What is clear can be said in a few sentences.

139 Or, as Dewey says about institutionalism and sensory empiricism: "the story of this almost forgotten debate, once so urgent, is probably a factor in developing in me a certain skepticism about the depth and range of purely contemporary issues." (McDermott 1973: 4).

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9) The Anglo-American-led world of academic scholarship is full of fashionable terminology, where one word quickly gives way to another as on a factory production line. New terminology is developed that has no meaningful content at all. When everyone has forgotten what these words meant, when they no longer refer to anything in the living world, they start functioning as simulations, as imitation.[140]

10) Our schools and universities are no longer transmitting our Western intellectual tradition. Content has been replaced by process, or pedagogy. It is not what you say, but how you say it.

11) Over specialization has come close to eradicating the humanist tradition from our universities. The ability to make syntheses has come close to disappearing along the way. Students are no longer required to read the classics but are fed "best-of" books, assembled out of little extracts from here there and everywhere, too many and too fragmentary to make a lasting impression on young minds.

12) The emergence of "cultural studies", initially in Britain, was designed to promote the study of popular culture at the cost of "high culture". "More and more, courses in literature seem like amateur exercises in sociological and anthropological sermonizing." (Kimball 1998: 63)

13) For deconstructionists, the humanities are taken to be just a game. As Hermann Hesse commented in his 1943 *magnumopus*, *the Glass Bead Game*, they are "a mode of playing with the content and values of our culture …"

14) Deliberate obscurity has become the hallmark of deconstructionism, a trick whereby we are led to believe that a text contains more intellectual content than we can see and understand. The problem – the fact that we do not understand – lies in us, we are told, not in the text.

15) "*Tenured Radicals* [a book by Roger Kimball] is about the privileged beneficiaries of the spiritual and material achievements of our history who, out of ignorance, perversity, or malice, have chosen to turn their backs on the culture that nourished them and made them what they are. It is about intellectuals who have defiled reason with sophistries, and teachers who have defrauded their students of knowledge." (Kimball 1998: 237)

16) The only place left to study the humanities today is at home, in your parents' library (if you are lucky enough to have parents who possess one). That has been the way of the German educated class for generations. (It is the reason why there are so few good books in second-hand bookshops in Germany; private libraries are bequeathed, not sold.)

17) Every society moulds its people. Our modern democracy favours openness taken to an extreme, and in consequence the whole idea about everything being relative has gained sway. There are no right answers, because that would imply that someone must be wrong. There is just one exception: extremists are by definition wrong. So "knowledge" progresses by majority consensus.

140 Cf. Skjervheim (1996). The Norwegian philosopher Hans Skjervheim belonged to a Continental tradition of scholarship which was opposed to the new positivism emanating from Austria. The Austrian school, represented above all by the philosopher Arne Næss, was welcomed by the dominant social-democratic academic elites in the capital, Oslo. Næss had an Austrian doctorate, and soon became the leading academic figure in Norway.

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18) A population which is not allowed to believe in anything beyond what has been generally accepted, which is not allowed to demonstrate enthusiasm outside sports stadiums, is a people who will easily be seduced into a materialistic lifestyle.

19) "There is no enemy other than the man who is not open to everything" (Bloom 1987: 27). There are two kinds of openness: openness to indifference (as in not wanting to pass on judgment or take on a stand) and openness to new knowledge.

20) Relativism has extinguished the real motive of education, to search for new knowledge.

The drug trade and the Mafia

1) There is more drug money in circulation today than what is raised on all the world's stock markets.

2) Coca, cannabis, and opium crops each account for about 150,000 hectares of farmland (Labrousse 2004: 3). Drug-traffickers use the same routes as arms dealers, gem importers, and people-smugglers. The producing countries are few:

a) Bolivia, Peru, and Colombia for coca
b) Burma and Afghanistan for opium
c) Morocco, Afghanistan, and Pakistan for cannabis

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3) The coca business was started by gangs in Peru and Colombia. In Bolivia it was started by the State. The FARC guerillas are in charge of security for laboratories in Colombia, so that raw materials can be imported from Peru and Bolivia.

4) The places where people die violent deaths are, in absolute numbers, principally Brazil and India (over 57,000 victims in 2002). As proportions of population the largest numbers of violent deaths occur in Mexico, Colombia, Sierra Leone, South Africa, Angola, El Salvador, Guatemala, Venezuela, Somalia, Russia, and Liberia.

5) The film *The Godfather* hid an unglamorous truth. In the 1980s, eighty per cent of heroin exported to the north-east USA came from Sicily. The Corleone family was able to establish a hegemony over other families at the price of hundreds of lives, among them the police chief Dalla Chiesa, the judges Falcone and Borsellino, the respected businessman Ignazio Salvo, the MEP Salvo Lima, and, most eminent of all, giulio Andreotti, leader of the Christian Democratic party. This led to a real shoot-out between State and Mafia. It resulted in near-collapse of both the Christian Democratic and the Socialist parties, both of which had profited from co-operation with the Mafia. The dénouement saw a thousand Mafiosi arrested, among them the head of the Corleone family, Toto Riina, in 1993.

6) A more realistic film about the American Mafia was *Bonanno – A Godfather's Story* (1999). This film shows how five New York families helped the US Army fight the Germans and the Fascists on Sicily, and how they were subsequently "betrayed" by the same political establishment which helped them initially.

7) After this defeat, the Mafia changed strategy radically, shifting from a policy of confrontation with the Italian State to one of diplomatic negotiation, and moving their investments into legitimate businesses. The organization also started its own political party. Support by Lega Sud Ausonia helped Silvio Berlusconi to win the election of 2001.

8) There are four main gateways for drugs to enter Europe: Amsterdam–Rotterdam, the Spanish Basque country, the Côte d'Azur, and Corsica. Caravans from central Asia (Uzbekistan, Afghanistan) enter via Berlin. Of these routes, Amsterdam–Rotterdam is the worst; customs there are so lax that drugs enter by the container load.

9) The drugcapitals are: Cali and Medellín in Colombia; Los Angeles, Chicago, New York, and Miami in the USA; Palermo and Naples in Europe; Hong Kong in Asia.

10) A globalized world means that national borders are ignored. The international Mafia has understood this better than our political leaders. Mafia businesses are spreading to all parts of the world. Sicily and Sardinia seem to be at a point of no return. Other regions such as Corsica, Andalusia, and parts of the French Riviera are going the same way (Minc 1993: 82). According to Alain Minc (op. cit.: 84), the Mafia operates in three different modes of interaction with political power:

a) on the periphery, as in Italy
b) at the centre, as in Russia
c) integrated, as in Japan.

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11) There are four main mafias or organized-crime groups in the world: Russian, Chinese, Italian, and Japanese. The others are just loosely-organized criminal gangs. In China companies are at the end often owned by the communist party, or they are owned by some mafia group, many of whom built their fortunes at the start of the 20th century

12) The Italian mafias comprise three groups: the 'Ndrangheta in Calabria, Cosa Nostra on Sicily, and the Camorra in and around Naples. Of the three, the 'Ndrangheta is proving the most effective, because it builds on close family ties, making infiltration difficult.

13) The largest number of organized-crime groups is found in Russia (160,000 members in 12,000 groups), followed by the Sicilian mafia (50,000 members belonging to 150 families), Sun Yee, one of the Hong Kong Triads (50,000 members), Wo Shing Wo (another Hong Kong Triad group, 40,000 members, ten clans), and Cosa Nostra in the USA (40,000 members in 25 families). (See *Atlas der Globalisierung* 2003: 34–5.)

14) The Japanese Yakuza with some 84,000 members, of which half are part-timers, and with an estimated annual revenue of about 21 billion US dollars, is the only mafia organization to be integrated into a modern industrial society (*Economist* 2009). It achieved this with American help.

15) Ryoichi Sasakawa, Yoshio Kodama, and their accomplices looted China and transported much of its Treasury to Japan in the closing days of the Second World War. After the war they were released from US military prison in order to work as CIA agents, to strengthen the Japanese mafia, and to crush any socialist movements in Japan. Part of the money they had stolen in China was used to finance their operations. The remainder was deposited in American banks.

16) After being seriously damaged in a shoot-out with the Italian government in the early 1990s, the Italian mafias realized that it was time to become respectable (as in the film). They had plenty of money. To achieve respectability they invested in legitimate businesses such as real estate, in the South of France and in Yugoslavia but also in Germany. They recruited well-educated people to their organizations in order to look more legitimate. New groups have emerged in their place in the illegal business sector, consisting partly of new Italian families, but also of foreigners, from Russia, Albania, and South America.

17) Mafia organizations appear when the State is weak and people need protection. The Normans and the Holy Roman Emperor left a power vacuum on Sicily. After the Cold War we saw the same mechanism operate in parts of Africa and in Russia.

18) The solution is to create anti-terrorist organizations operating overseas to destroy their leadership. This can be achieved by the armed forces. We need to become proactive. At home we are buying alarms to protect our cars. That is not an effective way to reduce crime. Democracies are no threat to mafia organizations; on the contrary, they thrive under democratic regimes.

19) We must prepare for the change. We must fight terrorism with terrorism. This will be a fifty-year effort, which has already begun.

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20) Soviet ballistic-missile components are being moved around more or less everywhere in the Islamic zone. All round them we find organized crime.

21) There are four piracy hots spots in the world: off the coasts of Nigeria, Somalia, the Yemen, and Malaysia.

22) Large-scale drug dealers do not face courts of law in Russia, Mexico, or China. They are summarily executed.

Terrorism and War

1) Terrorism is the way of the weak (cf. Dan Smith 2003: 32–3). As a military strategy it is no more immoral than other forms of warfare. Terrorism includes assassinations of political leaders and killing civilians at large, all done to create fear and get attention.

2) Terrorism is an aspect of globalization, since it too flows freely across our borders. As a phenomenon it used to be seen, from its beginning in the French Revolution and well into the twentieth century, as a domestic affair, something each country took care of itself.

3) How do you fight global terrorism, i.e. terrorism without national borders? You can only do so by creating a police state; otherwise you must accept the civilian casualties. How do you create a police state within a democracy? You avoid using that term, and you appeal to people's sense of insecurity. Take London, for example: the entire city is under camera surveillance, every corner of every street, 24-7.

4) Small groups have no monopoly on terrorism. Terrorist attacks have just as often been carried out by nation states.

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5) What one culture sees as terrorism, another sees as heroism. Examples are not exclusively Islamic. T. E. Lawrence was a British terrorist. All he did in the Middle East was blow up things – bridges, trains, buildings – and in a sovereign state. Instead of going to war against Turkey, Britain supported the Arab "revolution", a terrorist movement.

6) Terrorists like Osama bin Laden are just the vanguard of a much larger Islamic fundamentalist movement spreading all over the Arab world. This movement has substantial support in Egypt, Saudi Arabia, Yemen, and the Sudan, but it also has a presence in influential circles in Afghanistan, Pakistan, and Morocco. We can only alter this development by supporting democratic, secular developments and Shiite moderates in these countries (cf. Adler 2005: 37–9). This is not a war we can win, but it is a situation which we can hold in check.

7) The horror of modern war is the many civilian causalities.[141]

8) Bin Laden believed in the return of the Caliphate, seeing himself as defender of the faith.

9) Al-Qaeda, founded in 1988, is not the resourceful organization it is made out to be, but more an idea, at most a school where frustrated young Muslims, many living in the West, come to learn how to make bombs and to seek official blessing for their plans. The suicide bombers from Hamburg and in London and Madrid[142] were not al-Qaeda members initially. Al-Qaeda is not a vast organized military unit with cells all over the world, but more of a video-propaganda centre with training camps in Afghanistan and Pakistan. Others have compared the organization to a jihadist franchise or a jihadist venture-capital firm.

Unemployment

1) Economic growth is less dependent upon manual labour than before. In the nineteenth century each man worked twice as many hours. We use fifty times as many machine hours today per worker as in 1800.

2) Well trained and motivated people from Eastern Europe are coming in great numbers to Western Europe to take the jobs we do not want, while we prefer to be unemployed.

3) Fifty years ago all worker's parties worked to abolish unemployment. Today they accept unemployment rates of five to fifteen per cent. This keeps the wages of their members up as the market remains more competitive.

4) Today we are seeing a lost generation, a set of young people who have never had a real job, who have no formal education, who are maintained by their parents and live at home, who have had little regularity in their lives. They represent a danger to society because they are prone to violence. We find them today in neo-Nazi and Fascist movements in Italy, France, Hungary, Austria, Germany, Britain, and Sweden.

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141 About three million people were killed between 1997 and 2002, and almost two million between 1991 and 1995. Three quarters of these were civilians. The largest conflicts in terms of casualties after the Second World Warwere: Korea (1950–3, two million); Congo (1996–, 2.5m);Biafra (1967–70, 2m); Cambodia (1975–98, 2m); Vietnam (1965–76, 2m); Sudan (1955–, 2m); Afghanistan (1979–, 2m); Ethiopia (1962–91, 1.5m); Rwanda (1959–, 1.3m); China (1946–50, 1m); and Mozambique (1976–92, 1m). See Dan Smith (2003: 38).

142 The Madrid bombers came from Algeria and had probably no links to al-Qaeda. Bin Laden was quick to take the credit for what they did, though.

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Religions as a Social Force

Sola Fide (only through faith)

– Martin Luther

1) Religion is used to accomplish political ends, as when a landowner meets his tenant farmers at church or a general attends the funeral of one of his soldiers. If you cannot use religion to control people, what is its use? …Hence rulers and nations have wanted to have their own religion: Lutheranism in Germany, the Church of England, Chinese Catholicism in China disaffiliated from Rome, etc. These are expressions of the same needs.

2) The Holy Roman Catholic Church is just another business in which to find employment and make a career. It demands the same return and invests in the same stocks as any other business. Its staff is in the metaphysical business, an industry with its own special features.

3) The demystification of the world has made us lose our vision for the world. We are in search of a new vision; let us hope that it will be a return to humility. These are periods of real discoveries.

4) The Catholic areas of Europe are better at resisting the general moral decay affecting our continent – better than Lutheran or secular societies.

5) Opus Dei has been established to defend Catholic culture internationally. It has considerable influence at Harvard, at Oxford, at the IESE Business School (which they run jointly with about twenty other universities from around the world), and among technical elites.

6) The Jesuits have been educating intellectual elites for centuries all over the Western world. They are not interested in you if you don't have strong potential.

7) The next Pope may be Asian. It is the country with the most new Christians which will decide who shall be the next Pope.

8) The aggressive religions of the world spring from the nomadic societies of the Middle East: Christianity, Judaism, and Islam. They all spread messages of intolerance, ideas about a reward after death and a special and exclusive contract between them and God.

9) China has all the religions it needs. If you are reasonable there is Confucianism, if you are very religious there is Buddhism, and if you are a little bit religious there is Taoism. Or, you can choose all, or a bit from all. The Chinese believe in several gods: "believing in several gods probably gives you a better chance", they say.

10) In China only the emperor could talk to Heaven. There is a square in Peking where he went to do that once a year.

11) These are the religious enclaves in the world:

a) In South America: the only non-Catholic countries in South America are the former colonies of British and Dutch Guyana.

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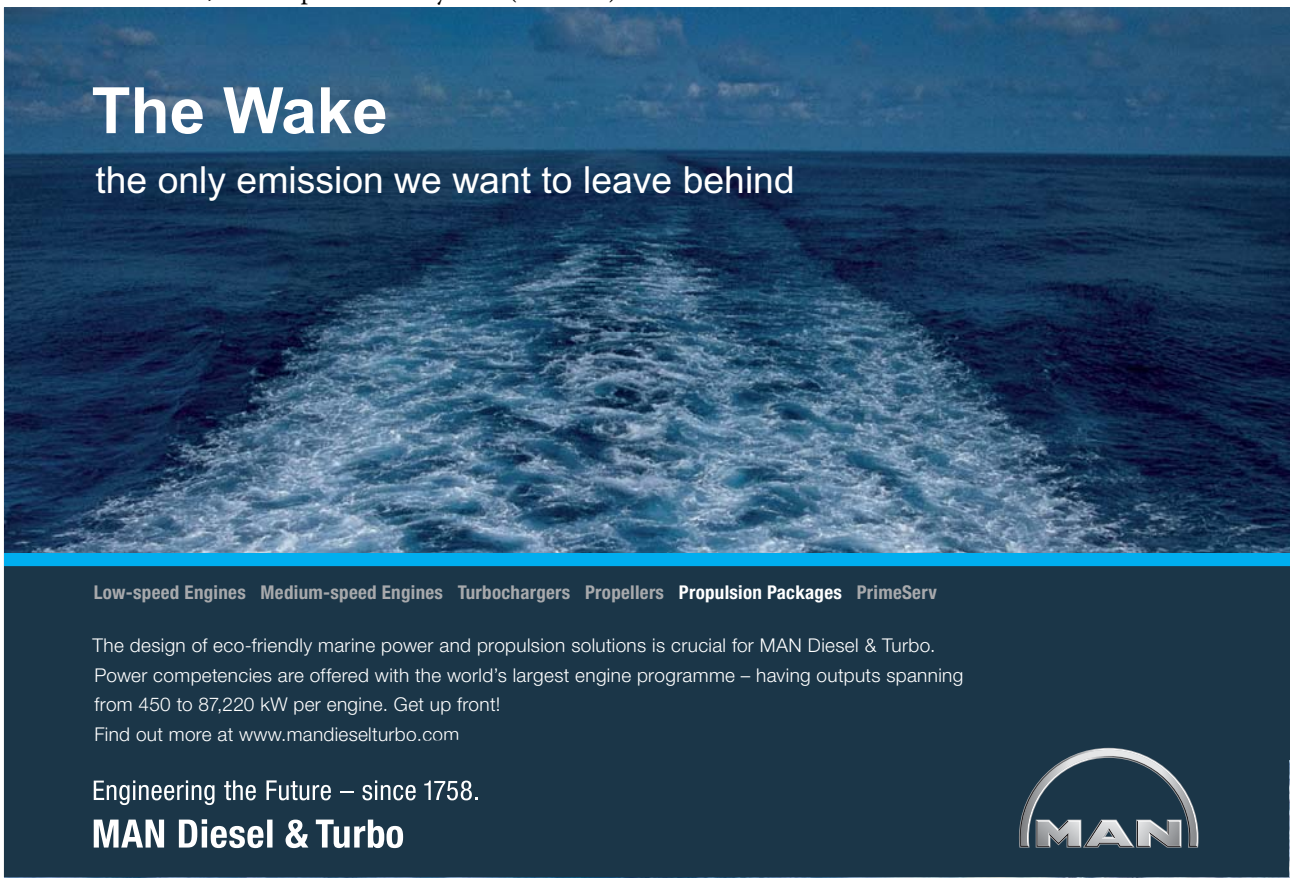
b) In Africa: a considerable Protestant enclave is found in South Africa, and then there is a Christian Orthodox enclave in Ethiopia.
c) In Europe: the Islamic (Sunni) enclave of Bosnia-Herzegovina.
d) In Asia. India has the third largest Muslim population in the world, mainly located in Uttar Pradesh (30,7 million), West Bengal (20,2 million and Bihar (13,7 million). The Philippines is the only Catholic country in this part of the world, a once beautiful and resourceful country turned by US exploitation into landfill.
e) The Middle East: Iran being Indo-European and Zoroastrian would not allow itself to adhere to the same religion as neighbouring Arab States. The Iranian compromise was to create its own reform movement, Shiite Islam,[143] a faith shared by no other country. All great nation states seek their own religion.

12) In twenty-five years' time Islam will have two billion followers. It is the fastest growing religion in the world. It is much more popular than the Christian church. You cannot wish them away. The only way to deal with Islam is co-existence. Otherwise Islam risks becoming the faith of the weak and poor, replacing Communism.

13) There are 56 Islamic states. In addition there are about 160 million Muslims living in India. For them the Arab/non-Arab divide is more important than the Shia–Sunni divide. Of a total of 1,62 billion Muslims less than 20% are Arabs.

143 Out of one billion Muslims only 140 million are Shiites, made up of: 95 per cent of Iranians, 70 per cent of Bahreinis, 60 per cent of Iraqis, 30 per cent of Lebanese (Hezbollah), 20 per cent of Afghans, 17 per cent of Pakistanis, and 12 per cent of Syrians (Alawites).



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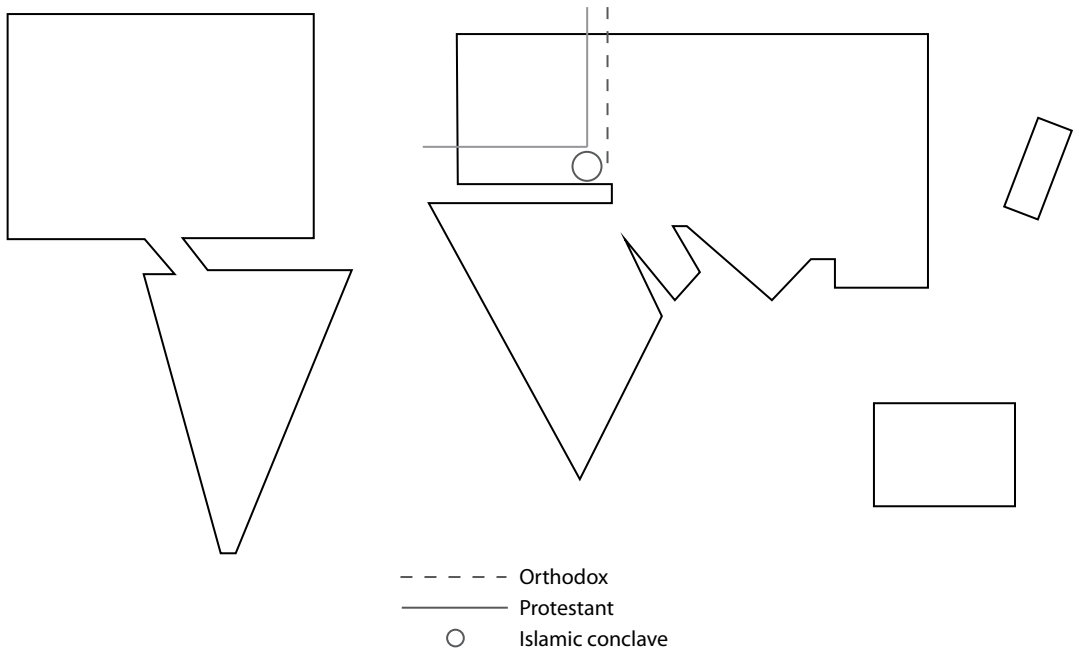
14) We can illustrate the religious diversity of Europe by drawing two lines and a circle.

Figure 11: European religious diversity



15) The policy of a secular France is to secularize Islam. It is difficult to integrate Islamic fundamentalism into a modern European culture. It is a religion that excludes independent judgements, where adherence is irreversible, where the response to unbelief is death. It is a religion for the desert, for a society of the *status quo*, not suited to social groups in transition. Islamic fundamentalists are trying to move backwards, secular society forwards. How could you hope to integrate the two? Our only hope is to secularize Islam in Europe.

16) Islam, like Christianity and Judaism, is an ideology of attack, of aggression. The Sunnis are not the worst problem. The Shiites consist of 140 million warriors. Compare these to the more peaceful religions in the East

17) The caste system in India is not much better than *apartheid*. It is slavery institutionalized. It functions to induce the conquered people, the slaves, to accept their fate. Hinduism was developed when Indo-Europeans came to India in about 1500 BC and mingled their beliefs with those of the Indus valley natives. The Indo-Europeans formed the three upper castes, the original inhabitants the fourth and fifth castes. Only between 25 and 38 per cent of the population today belong to the privileged castes.

18) Sikhism, with its home in the Punjab area, is a faith sharing elements of both Islam and Hinduism. Known for their moral integrity, this group has been used as elites throughout Indian history, including by the British.

Colonialism

1) Almost all former European colonies were in Africa and South Asia. Africans today blame their slow development on colonialism. If that is the main reason, then why is South Asia one of the regions with the fastest growing economies anywhere? Their starting point was not much more favourable than that of, e.g., South Korea.

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2) Almost all colonies belonging to the Western world were given up in the decades after 1945. Almost all those in Asia were given up before 1950, and most African colonies were given independence in the 1960s. The last colonies to become independent were Guinea-Bissau, Equatorial Guinea, Angola, and Mozambique in the 1970s. Today there remains 16 places, almost all of which are islands, with about 1,2 million inhabitants. French Guyana belonging to France, as a *département d'outre-mer* (DOM). Namibia became independent of South Africa in 1990.

3) Western countries have supported most of the dictators in Africa since the end of colonialism, but the Africans have created just as many new ones for themselves. "Recolonization" is not an alternative, so we have to show patience even though things may move backwards, as in South Africa today.

Language and linguistic enclaves

1) These are the linguistic enclaves:
a) In South and Central America: English is the first language only in Guyana and Belize.
b) In all of the Americas French is only spoken in French Guiana, Haiti, some islands, and Quebec.
c) The rest of South and Central America speak Spanish, except for Brazil which speaks Portuguese.
d) Africa: sub-Saharan Africa is still the scene of competition between French and English interests. The French have just lost the Congo, and have been on the retreat in Africa since the Second World War. The English enclaves in French-speaking Africa are Nigeria, Ghana, Liberia, and Sierra Leone.

6.3 Perspectives by geographical location

The aim of NATO is to keep the Americans in,
the Russians out, and the Germans down

– Lord Ismay, first Secretary-General of NATO

A geopolitical statement sums up the conclusions from numerous reports. The better ones also stand the test of time. Lord Ismay's words may serve as an example. Others will say that NATO is an upholder of democracy, a political pact that will prevent its members from being attacked. There is some truth in that. However, it did not stop Turkey from having three military coups or from invading Cyprus in 1974, and it did not protect Portugal from the dictators Salazar and Caetano. Since the end of the Cold War the USA has needed NATO more than Europe has. NATO was not designed for the new small-scale mobile wars but for the Communist danger. Many see the primary objective of NATO now as being to stall European military co-operation and progress. In that it has so far been rather successful, despite its military adventures in Afghanistan.

"The original heartlands of settled civilization were China, India, Persia, Mesopotamia, Asia Minor, Egypt, Greece, Syria–Palestine, Italy, and later Europe radiating out from the Carolingian nucleus. These civilizations were founded by rivers or at oases, and ended, in the long term, by vanquishing the nomads."
(Chaliand 1990: xxi)

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There have always been conquerors and conquered among the people of our planet. Sometimes changes are sudden, sometimes history seems to hibernate. Since the end of the Cold War the world map has again seen a period of major change. History has reawakened, and with it the study of geopolitics.

The leading nation among the winners, the United States, has been gaining influence in one country after another, at the expense largely of Russia, but also of Europe:

a) In Africa the USA is gaining influence at the expense of France and Russia
b) In Asia the USA is maintaining a *status quo* vis-à-vis the growing Chinese army.[144](But they will not fight the Chinese if they can avoid it. During the Chinese offensive in the Korean War, American forces suffered the greatest defeat in US military history. The US Eighth Army narrowly escaped complete annihilation, and at the Battle of Chosin Reservoir the 7th Infantry Division and the Marine Corps barely escaped slaughter.)

If the USA is the great winner from the Cold War then Russia has been the great loser. In Europe, Russia has experienced what can only be described as complete geographical disintegration. In not much over a decade the country was forced to give up all its zones of occupation and control: Poland, the Czech Republic, Slovakia, Hungary, Romania, Bulgaria, Albania, and the former Yugoslavia. It has also been forced to give up most of its annexed territories, such as the Baltic States. Its territories of influence in Moldavia and the Kaliningrad/Königsberg enclave may be next. The Germans would pay handsomely for it, and the Russians know that. It is a jewel to be cashed in on a rainy day.

144 China wants apologies from Japan for its aggression and treatment of civilians in Manchuria, Hebei, Shandong, Shanghai, Fukien, Guangdong, and Hainan between 1920 and 1940.

Rather than collaborating with Europe, the US has decided to go it alone. From a *realpolitical* perspective this could have been expected. The US had a considerable advantage in resources: natural, economic, but in particular military; it made geopolitical sense to use those resources to exploit their lead. Now the results of this first major military offensive in the Middle East (Iraq, Afghanistan) are beginning to become apparent. Besides, these adventures were only possible because of borrowed money. The USA now desperately needs to use its military strength to take possession of other people's wealth if it is to survive as a superpower, but this has become increasingly difficult politically. So far the only real winners have been the Americans' own military–industrial complex, not the nation. This point alone speaks for American decline.

Nation states follow their own self-interest, just as individuals and companies do. This is the basis for all *real politica*l perspectives on international relations, which are the perspectives we must always assume when dealing with States. To pursue their self-interest, states, like private organizations, develop their own ideas of where they are and where they want to go. Success will depend not only on the resources at their disposal but also on their national character, their values. This is an old lesson well known in intelligence studies, but largely forgotten in the social sciences at large:

> "Nations differ in their national character as much as individuals in personal character. For success in international relations [and in business, we might add] it is just as profitable, and indeed just as essential, to understand the character of a nation with which one is dealing as it is to understand the character of an individual in personal dealings" (Platt 1961: vii).

Washington Platt (1961: 66) speaks of a nation's "fundamental philosophy" or "the spirit of the people", which can be classified according to variables like industry, thoroughness, reliability, generosity, patriotism, courage, tenacity, spirit of fair play, will to win, optimism, initiative, aggressiveness, truthfulness, brilliance, visionary qualities, and their opposites (op. cit.: 21).

We are living in an exciting time. World history has just stepped out of the refrigerator. Over the decade and a half since the end of the Cold War history has accelerated, only to rediscover its old balance based on economic interests. Geopolitical agendas have reappeared and become politically fashionable. Lectures on *Realpolitik* are once again attracting the young and filling our lecture halls and auditoriums. The major difference from the Cold War period is that this time it is less about political ideologies than about economic realities. This marks the shift from geopolitics to geoeconomics.

6.3.1 The Americas

North America

USA

1) Twenty years after the fall of the Communist bloc, the USA is about to default financially. What at first smelled like victory was a burned dish in the kitchen. It was a victory built on credit and an oversize army. This is the beginning of the decline of the American superpower, though not its end.

2) There will be no major foreign policy change with the Obama administration, because the country is ruled by the same industrial interests and Obama is a great compromiser. He is no true "wartime *consigliere*", but a politician through and through. For the USA this will mean continuing war, but with a friendlier face. Soon the world will cease believing in his eloquent words, beginning with the Arabs in Gaza.

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3) There will be a lot of disillusioned Third World citizens. For a start, both Obama and Hillary Clinton have committed themselves to alliance with the American Israel Public Affairs Committee (AIPAC), the most powerful lobby group in the world.

4) The USA is now at the end of its financial tether. The nation has survived for decades by borrowing money from foreign States and investors. When the American banking sector almost collapsed in 2008, many foreign banks wanted a guarantee in the form of ownership in companies and real assets for their loans. Now the future for America hangs on China's willingness to accept US Treasury notes, which are beginning to become less lucrative and more risky. There is no more money to be found for the American new New Deal other than what can be printed (they call it "quantitative easing"). The Fed's interest rate cannot go any lower.

5) Another amusing word is "leveraging": this means taking on far more debt than is reasonable. Thus AIG and Lehman Brothers suddenly had debt more than ten times the size of their capital assets. Eventually it only took a little breeze from the markets to blow everything over. Until that very day both companies had triple-A ratings. The rating agencies sell their ratings. If you are a big customer (and solvent), they will not want to downgrade you.

6) If you think the $14 trillion in foreign debt will destroy the US economy, that is nothing compared to what Social Security obligations will cost once the baby-boomers retire. The American government has taken out all the money it could find, for instance it even borrowed and spent the accumulated surplus funds (the "Social Security Trust Fund"), while counting this as revenue rather than debt.

7) Still, the USA stands as undisputed victor of the Cold War. It is supreme in military force, in technological development, and in the export of its mass culture. This leadership began to manifest itself from 1919 onwards, but first became unmistakeable after the recession of the 1930s and the Second World War (cf. Philippe Richardot in Chauprade 2005: 35).

8) In its Magna Carta the USA is said to export free-market capitalism to the whole world, through the process we call globalization, if necessary using force. The strategy rests on three pillars:

a) military dominance
b) economic growth
c) cultural penetration.

American popular culture – Hollywood films, fast food, and pop music – has been winning the hearts and minds of the whole world for two or three generations.

9) The business of America is business. Political ideals such as democracy and human rights are impertinently to the extent that they can be employed to achieve the country's business objectives. The USA is the first modern society to have turned into a corporation. Warren Christopher and Madeleine Albright were probably the first foreign ministers openly to advocate this economic doctrine.

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10) The USA has understood the importance of elevating economics over politics, but it is stuck in a logic of military production and adventures. Consequently it tends to act in accordance more with the logic of geopolitics than that of geoeconomics, and more out of necessity than choice.

11) US foreign policy, after its heroic acts in the Second World War, has been nothing short of a disaster for the human race. Wars in Vietnam and Cambodia,[145] active support of dictators in South and Central America,[146] excessive support for Israel against the Palestinians, training of terrorist movements all over the world – including training in torture, even on US soil – have resulted in unimaginable human suffering. According to Prof. Johan Galtung, the US has conducted 73 military interventions since the Second World War. The number of people killed in *overt* Pentagon-sponsored military action is estimated at between thirteen and seventeen million. The number killed in *covert* action is at least six million. … This is the real moral defeat, not a few individuals at Abu Ghraib, Guantánamo, or in the black prisons of the CIA.

12) When a few terrorists previously supported by the USA, Osama bin Laden,[147] his al-Qaeda, and the Taliban, turn against their old ally, the USA wants the rest of the world to believe that attacking a complete outsider country – Iraq, the only major country in the region that had nothing to do with these events – was a logical response. Looked at from outside it was like watching a child running amok in a glasshouse. From the inside it was probably a tuff sale, which the public will soon forget.

13) The preemptive war on Iraq was a consequence not so much of a terrorist attack as of American insecurity (cf. Todorov 2003: 44). And that is understandable: 9-11 was not an ordinary terrorist attack, but an act of "hyper terrorism" or "apocalyptic terrorism" (terms used by Heisbourg 2001 and Kaminsky 2004: 56). Such events provoke irrational decisions. Also Europe has reached out to aggressors in times of distress.

14) 9-11 created mass fear in the USA. The increased resources allocated to border control have made entry to that country difficult. It is quite easy to enter China in comparison, and the Chinese airport system is already much more efficient.

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145 Two million people were killed in Vietnam, and just as many in Cambodia.

146 Invasions of Cuba in 1898, 1906, 1912, and 1917, Bay of Pigs in 1961, naval blockade in 1962, invasion of Haiti in 1915–34 and again in 1994, of Dominican Republic in 1916–24 and 1965–6, of Puerto Rico in 1898, of Grenada in 1983, of Panama in 1903–14 and 1989, of Nicaragua in 1909–33, of Guatemala in 1954, and of Mexico in 1914–17. The President of Panama, Manuel Noriega, was well-known to be a drug dealer and was on the CIA payroll in 1985. When he became too independent the CIA sacrificed him in 1989. To avoid the embarrassment that open court hearings would have caused, Noriega was tried by a military court. It took the USA seven thousand elite troops and three days to invade Grenada, which was defended only by a few dozen Cuban soldiers and some local military. The CIA supported and trained the Contras to fight the democratically-elected Sandinistas in Nicaragua. The key organizer of this was John Singlaub, one of the founders of the CIA. Oliver North took the blame, but charges were later dismissed.

147 The Bush and bin Laden families were business partners. The bin Laden family were also investors in the Carlyle investment group, where James Baker and George H. W. Bush are major partners.

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15) All Third World countries now know that the USA cannot fight in two countries at the same time (Iraq and Afghanistan). If Gaddafi in Libya had known that before the Afghanistan war, he would not have given in to pressure so easily at that time. It has made Iran feel secure, at least until they redraw from Afghanistan. It has convinced Pakistan that it can do pretty much as it likes and continue to appeal to Uncle Sam for more dollars.

16) With its refusal to sign important international treaties like the Kyoto protocol or to support the Hague tribunal, and for its notorious and systematic obstruction of the United Nations, the US government has become increasingly unpopular in the eyes of the rest of the world. Some would say it is out of touch with the prevailing political agenda of our time, which is becoming increasingly multilateral. The Copenhagen summit on climate change was a reminder of this.

17) Through its actions the US government has clearly demonstrated that its role model is not modern Western democracy, but the Roman Empire. It is equally clear that the USA is not the Rome of the Republic. Let us hope then that we are in the time of Vespasian, so that we can soon expect a Marcus Aurelius. (Not that Marcus Aurelius actually did much to alter the fate of the Roman Empire.)

18) The most fervent Bush critics outside the USA hoped that the Republicans would win the re-election. At least then the atrocities would be easier to see and criticize. Now the same critics are hoping for a "tea party" President.

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19) The retro-utopianism of the religious attitudes of the Bush administration recalled the utopianism of radical Islam. At the end of Bush's presidency no previous American president had been less popular, not even Nixon – or possibly Hoover was, but he did not deserve it. (Hoover's problem was that he failed to embrace the mass media, he lacked charisma.)

20) Because of the consequences of US foreign policy, the EU and China may be forced to co-operate in the near future, to break with US dominance. It is better to co-operate with an undemocratic secular superpower than with a quasi-democratic fundamentalist State. … On the other hand, in the long run China will not need European help to overtake the USA.

21) The USA accounts for more than forty per cent of the world's military spending. The Military–Industrial Complex has grown out of hand. In 1991 the Department of Defense adopted a radical outsourcing policy known as "front line first!" (see Jacques Aben in Daguzan and Lorot 2003: 60). This seemed a rational way to conduct warfare, but it also means that military companies have a stronger say in political decisions via tax-free political contributions. When Obama became President the number of private-sector contractors rose to a historical high.

22) In general war is bad for the economy, unless of course you are in the arms industry. In the USA that industry has become the single biggest economic player. Deciding not to bomb means jobs lost, American jobs. Just consider San Diego: it is difficult to separate the city from the marine base.

23) Obama is spending more on defence than his predecessors. The American defence secretary Robert Gates proposed a budget for 2011 higher than what the US spent during the Korean or Vietnam Wars.

24) The USA has two strong special interests, the military and the health care industry. Together they account for about half the federal government's annual expenditure. Another eight per cent goes on servicing foreign loans, principally to China and Japan. These three figures by themselves are most telling for the patient's condition.

25) The 9-11 incident did not alter US geopolitical interests. It just speeded up their plans, providing an excuse for moving ahead faster, legitimizing their action in the public eye. In Iraq the main ambition was to control the oil fields, in Afghanistan to secure the pipelines through Herat and the west of the country (at a safe distance from the Iranian border). So far none of this has materialized.

26) No trace has been found since the early 1990s of weapons of mass destruction in Iraq. Rumsfeld and his neoconservative friends wanted regime change in Baghdad, although the National Security Council was sceptical (Powell was afraid that one bad guy would be replaced by another). George Tenet pointed out the difficulty of a *coup d'état*. That was when Rumsfeld came up with the idea that it was not Hussein they were after but the weapons of mass destruction. This made compromise possible at the NSC (cf. Pierre 2005: 276). When the time came it was probably Vice-President Dick Cheney who was the main advocate for the war (op. cit.: 281). Many have suggested that Cheney was the acting president all along, managing the family business on behalf of Bush Senior and his partners. In the end, though, Bush Junior took most of the blame.

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27) Colin Powell had no chance against the hawks in the Bush administration. Already by the time of his last visit to Israel, when he tried to get a peace conference started between Israel and the Palestinians, he must have sensed that his political career in the Bush administration was over. When Obama rose to power Powell was quick to show his support, but the new president had all the Republicans he needed for his great compromise, and turncoats are more feared than opponents.

28) American and British intelligence both knew that there was no real threat from weapons of mass destruction in Iraq. To bypass the American intelligence agency, defence minister Rumsfeld set up his own intelligence operation, the Office of Special Plans (OSP) led by Douglas Feith, Under-Secretary of Defense for policy (Pierre 2005: 294–8). All intelligence reports were sent via this office, creating a censorship filter. Dick Cheney made sure that CIA director George Tenet was held in check by keeping in close contact with him. Much later, when the administration needed a scapegoat, Tenet was sacrificed.

29) By invading Afghanistan the USA is attempting what the Russians, and the British before them, failed to do: to control Central Asia. It is guaranteed to fail. For one thing, the US soldiers are not motivated to fight. American officers do not even have a clear idea of what a realistic victory would look like.

30) All reasoning suggested that if you wanted to take out one person, bin Laden, you would not attack a whole country. Besides, it was the wrong country. The home of the Wahhabites is Saudi Arabia. … But the Saudi king is a close business partner…

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31) It is fascinating to see how the Pakistani Intelligence (ISI) is repeatedly fooling its American counterparts into looking in the wrong direction. ISI has always played both sides. For a Western mind this idea is hard to grasp, but not to anyone familiar with the *Arabian Nights*, where deceit is the rule rather than the exception.

32) "Full Spectrum Dominance", the American version of blitzkrieg, was highly efficient in overcoming the enemy in Iraq. Only one American was killed for two to three thousand Iraqis (figures from *Le Monde* quoted by Todorov 2003: 480). At the next stage, though, the American forces had no real strategy and soon became sitting ducks. What started as a diplomatic failure is now a moral defeat. Many US soldiers do not even know why they fought the war.

33) Jane Mayer's much-acclaimed book *The Dark Side* is an attempt to blame a few (the CIA, Cheney, Rumsfeld, and a few of their staff), while the entire military, Bush, Rice, Powell, and so forth are let off free. Americans want to get on with their lives. This has less to do with revealing the truth than with offering a way out of a psychological trauma.

34) Ever since the USA intervened in the Middle East its chief aim has been to check Iranian power in the region. In 1953 the US and Britain played an active role in overthrowing the Iranian leader Mossadeq (see e.g. Pierre 2005: 43).With the Iraq war not only are hundreds of thousands of civilian lives lost, but the USA is destroying half a century's worth of their own diplomatic efforts. Iran is the winner; through the US attack on Iraq it has become the regional superpower, now with a firm grip not only on Basra, but also on Syria and the Lebanon.

35) The Americans in Iraq experienced the wisdom of an old saying: only one thing is worse than a badly run State and that is the absence of a State.

36) There is a parallel between the political careers of George W. Bush and Cesare Borgia. Both acquired political power through their fathers, and both lost it when that influence waned. As Machiavelli said (1532: chap. 7), "…he who has not first laid his foundations may be able with great ability to lay them afterwards, but they will be laid with trouble to the architect and danger to the building."

37) The question is whether the USA has not already mutated from an enlightened democracy into an empire (cf. Christian Harbulot in Chauprade (2005: 89–91). The current model is one of corporatocracy, built on three pillars; major companies, international banks, and colluding governments.

38) The USA is managed by committees not laws. The members of the committees (SEC, FED, etc.) can always be bought.

39) There is another parallel with antiquity. Like the Greek city states, Europe is made weak by internal disagreements. Like Rome, the US has received the sciences and its ideals from Europe. Like Rome they have chosen a militaristic direction. But whereas the Roman Empire lasted for almost a millennium[148], many experts will be surprised if the American Empire lasts for much more than a century. One century would be no longer than the Vandals occupied Tunis.

148 The Western Empire lasted for more than 500 years, while as the Eastern Empire lasts for almost 1500 years.

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40) The symptoms are clear: trade deficit, high national debt, the shift from the dollar to the euro as the world's reserve currency, a short-term business outlook, a morally-weak business environment (consider Enron, Halliburton, Arthur Anderson, and the various failing investment banks), high dependance on non-American experts (e.g. in Silicon Valley), high rates of crime and a high proportion of the population in prison,[149] considerable hidden poverty, commonly ignored, substantial media manipulation, and so on. … But the pioneer spirit of the American people works to their advantage, at least so long as there continue to be pioneers. In a generation or two the descendants of Europeans will be outnumbered by those of Hispanic *conquistadores*, who are less accustomed to taking initiatives and accepting responsibilities. By then the Asian elites in places like Berkeley and Stanford will have moved on, out of the USA.

41) During the Cold War, the north-eastern part of the USA – the Great Lakes area, from New York City to Chicago – was a world-leading centre of industry. This is no longer true. We are witnessing the endgame for the large American car manufacturers. They are close to bankruptcy, and surviving only through sales in China, government support and temporary reconstructions. Japanese car manufacturers, led by Toyota, are in the opposite situation: despite recent setbacks, their pockets are loaded with cash. The response of the American president is desperate; to force American companies to move production back to the US

42) Little more than a decade ago the conclusion was: "At present the United States faces no global rival. America's grand strategy should aim to preserve and extend this advantageous position as far into the future as possible", and to achieve that it should "fight and decisively win multiple, simultaneous major theatre wars"(Donnelly et al. 2000: 11). In the neoconservative think-thank "Project for a New American Century" (PNAC), plans were for "US domination of the Gulf" and a "new American frontier" (Kellner 2003: 22). That was a decade ago. Now the strength of China is leading to forced recantations.

43) "The ultimate objective of American policy should be benign and visionary: to shape a truly cooperative global community … but in the meantime, it is imperative that no Euro Asian challenger emerges, capable of dominating Eurasia and thus also of challenging America" (Brzezinski 1997: xiv). Zbigniew Brzezinski, once one of President Carter's advisers and now an adviser for Obama, sees the Eurasian continent as the site of a three-way struggle. His thinking continues the spirit of Mackinder and Nicholas Spykman.[150] There will not be much voluntary change in American foreign policy. Rather, the new reality will impose itself. The future policy of the USA will be what that country's resources allow it to be.

44) "North America versus Euroasia, with the world at stake. The winner would truly dominate the globe" (Spykman 1942: 6). In geopolitics, international relations are a race that someone has to win. The logic is: if we don't win this, someone else will. This logic will remain constant so long as rival nation states exist.

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149 The USA had 7,513 prison inmates per million inhabitants in 2006. That is considerably higher than the runner-up, Russia, with 5,985. In 2006 there were an estimated 9.3 million people in prison around the world. Of these 24 per cent were in the USA, 17 per cent in China, and 9 per cent in Russia. (See Dorling et al. 2008: 346.)

150 See e.g. Spykman (1942). Spykman was heavily influenced by Mackinder's theories. He taught first at the University of California, and from 1925 at Yale.

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45) Brzezinski describes previous empires, the Roman, the Manchu, and the Mongolian, but fails to mention that these conquests were achieved through massacres. The US may not have failed to notice that the tools have changed, but know no other way of increasing its power than true military means.

46) When Brzezinski wrote his book in 1997, he predicted that Russia would rise to become a great power again (p. 44). Just a few years later Russia was experiencing complete disintegration. Today Russia is an important market with 143 million consumers, it has the largest gas reserves in the world, and because of that it also has substantial currency reserves. But there are few signs that the Russian Bear will ever make it back onto the world stage. Their great wealth, like that of the Wahhabites, will disappear with the end of the Petroleum Age. Recovery of the Russian economy will take too long.

47) The logic of the bipolar world was quiet and submissive. It was a time of hibernation. Now we are well out of the den, it takes some time to get used to the bright light.

48) It was too easy to criticize the USA under its previous administration consisting of red necks and Christian fundamentalists. With the Democrats, things have again become less transparent. The people has received its saviour, a great orator, as happened when Franklin D. Roosevelt replaced Hoover in 1933. In times of crisis voters tend to elect charismatic leaders.

49) Drugs will be the largest problem for the USA with the rise of the new North American NAFTA alliance. Two to three million illegal immigrants enter the USA every year, one in five of the population does not even speak English, thirty per cent of the young cannot read or write.

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50) Seven and a half per cent of GNP is spent on the military sector, and eighty per cent of research is linked to armaments. Two conclusions can be drawn from this, one short-term, the other long-term:

a) the US will engage regularly in wars simply in order to be able to use their equipment and order more
b) the US must derive economic advantages from the use of this military equipment, or otherwise it would not be able to pay for them in the long run.

51) Later this century a majority of the US population will not be of European extraction. The USA alone accepts forty per cent of all world migrants, and eighty per cent of these now come from non-European countries. Whites, called in America "Caucasians", currently amount to 54 per cent of the population (see Pierre Emmanuel Barral in Chauprade 2005: 17). Blacks form twelve per cent of the American population, or about 30 million people. Today it is black and especially Hispanic mothers, i.e. the least privileged members of that society, who are providing America with its future children. In due course they will demand to rule.

52) Currently the USA is a superpower which walks alone, without a future. It is a country that is being attacked from all sides and from within.

53) The US–Japanese relationship is financially necessary for the USA and politically necessary for Japan. The American dream has been in the hands of Japanese investors. So long as Japanese security was in American hands and the American population continued to consume Japanese products, all was well. But in the summer of 2008 all that changed, when a large proportion of Americans were no longer able to balance their credit cards, and China replaced Japan as the biggest creditor. This was a first indication of the new balance that is emerging.

54) There is a growing gap between import and exports in the US. In ten years, from 1990 to 2000, the gap rose from two per cent to about six per cent of world trade. It represented close to $400 billion in 2000, more than $700 billion in 2005, and $763bn in 2006. … It was Milton Friedman and the monetarists, supported by the chairman of the Fed, who convinced the Americans that this was a sound policy. By now most senior politicians must know that Friedman's advice has been devastating for the US economy.

55) In theoretical economics, though, little has changed. No-one apart from an occasional Krugman or Stiglitz is prepared to admit that the last half century of economic thinking has been seriously flawed.

56) US strength is founded as much on the circulation and use of its currency, the US dollar, as on the country's industrial resources. This position is now threatened by the EU as more and more countries, especially in Asia, are exchanging dollars for euros. Unlike the dollar, the euro is a creditor currency, which may well witness the end of American leadership. For instance, it may be that OPEC oil will be traded in euros in the future. Alternatively, the euro may disappear soon. Right now we do not know. Merkel will do anything to defend it…the legacy of Kohl

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57) The strength of the dollar is due primarily to the fact that the USA convinced creditor countries to keep their debts in dollars, and to use the currency as a financial reserve and as a medium of pricing for key commodities. It is not first of all due to the strength of American Industry.

58) Thanks to the role of the dollar, the USA has been and continues to be something of a free-rider in the global economy. Hence it is logical that the USA and Britain do not want any changes in the international financial system, even after its near collapse; it is their system. Regulation means loss of customers, and eventually loss of control.

59) When the USA is no longer able to service its debts, its creditors might do as the US did with the allies in the 1920s: play the debtor–creditor game. That is, deny the country the option of defaulting. Force it to sell off at low prices whatever the State owns in the shape of enterprises, mineral rights, even access to markets. It is bitter to have to take one's own medicine.…But, to achieve that China must first become a military leader.

60) If Asia calls in its loans and at the same time continues to exchange its dollar reserves for euros, US economic dominance will be short-lived. At the moment, though, that is not in Asia's interests; on the contrary. China wants the USA to survive, if not to excel. There is also always a problem being a too large creditor…then the debitor comes in a position of power

61) The inability of the USA to solve its budget deficit and to take care of its poor is ultimately due to its political system of corporate democracy, where there are no political interests and pressures independent of economic interests, and the elites think only of themselves.

62) The only way the USA knows to control its increasing social tensions is to build more prisons and to design towns as self-imposed ghettos – so-called gated communities – segregated by income and social status. … This system of urban segregation was effective in halting revolution in Los Angeles in 1992. With a few simple manoeuvres the army closed the highways and prevented the rebellion from spreading. Instead the poor plundered each other. It was blacks versus Asian and Latinos.

63) American greatness in the twentieth century is founded primarily on the fact that they have been able to attract and retain the best minds. The first brain-drain consisted of hard-working immigrants, the second consisted of intellectuals fleeing Fascist Europe, the third came after the Second World War, and the most recent large wave of immigration followed the Cold War. American weakness is the flip-side of the same coin: they have not been able to generate enough grey matter of their own, but continue to rely on importing it. We can see this from the Pisa study: American students consistently score low on maths and the natural sciences. The large private universities now rely for their success entirely on foreign students with high SAT scores.

64) Religion is the chief identity marker in American culture, transcending ethnic divisions. Sixty per cent of the American population are Protestant, divided into Methodists, Episcopalians, Presbyterians, Lutherans, and Evangelicals.

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65) The centre of power in America has shifted away from New England and the north-east to the South, to the Bible belt, an area stretching from Texas north to Kansas, east to Virginia, and south to northern Florida. Here a fervent Evangelical Protestantism is part of the culture. … This is the Bush family's territory.

66) To understand world events we must follow the money. As an example and an exercise: United Fruits is owned by Zapata Oil, founded by George H. W. Bush. He was Ford's man, ambassador to the UN under Nixon and Ford, and Ford's CIA Director. In 1954 the CIA arranged a coup in Guatamala. American pilots bombed Guatamala City. The democratically-elected President Árbenz was overthrown and assassinated, and replaced by Colonel Carlos Castillo. Just follow the money.

67) The CIA, like many other foreign services, quickly developed into the "jackal", which arrives after negotiations break down, but before the military intervention.

68) For Bush Junior it must all seem a bit unreal in retrospect: he did not rule the country, now he gets most of the blame. The country has been run by Big Business for more than a century now, just recently by a group of supporters from inside the Pentagon, all in a revolving-door logic. Some of these called themselves the Vulcans, in honor of the Roman god of fire, forge, and metalwork. These men were Cheney, Powell, Rice, Wolfowitz, and Armitage (Mann 2004).

69) Bechtel is the largest engineering company in the USA and a cornerstone of the Republican Party. Nixon, Ford, and Bush are all its supporters. Bechtel's president was Georg Schultz, Nixon's treasury secretary. Caspar Weinberger was the company's vice-president. Robert McNamara was set to run the World Bank, like

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Paul Wolfowitz later. Armitage became a board member of ConocoPhillips in 2006, after he was forced out of government for disclosing State secrets. Bechtel has great influence on a number of American universities, among them Stanford. Do the exercise: just follow the money.

70) Cheney was Secretary of Defense under George H. W. Bush and had been president of Halliburton. KBR/Halliburton got most of the contracts in Iraq with no competition, arguing they were the only ones who could do the job. It was a simple way to repay donors and friends. No other war has involved so many private-sector contractors. Blackwater, CACI, TITAN, these were the real war profiteers, making billions of dollars from the deaths of others, Iraqis and Americans alike. … And yes, *they* won the war in the only way wars are won: financially.

71) It is ironic that Eric Prince, who owns and runs Blackwater (now renamed "Xe", because of all the bad publicity the company accumulated), was rejected by the CIA when he applied for a job with it. He was then taken on as a contractor because (as he said in an interview for an American magazine) CIA agents did not want to take the risk involved in operating in Iraq and Afghanistan: "they had families". How can you rule the world when your foreign intelligence service has this attitude towards risk?

72) These corporate interests (Bush, Schultz, Weinberger, Cheney, Richard Helms, Robert McNamara, etc.), what has been called the Military–Industrial Complex, at one time chose a puppet for president, Ronald Reagan, then later became bolder and took the presidency for themselves, assigning the post to a major player from an oil family. Now they have had to rebuild their relationship with the new president from the Democratic Party. That is not too difficult. Obama is a pragmatist, and he got his share of Republican money during his election campaign.

73) Kissinger said "Control the oil and you control nations. Control the food, and you control the people". Thus genetically modified organism (GMO) became a major US project, initiated by the Rockefeller family, run by companies like Monsanto, DuPont, and Dow Agro Sciences, in close "revolving-door government" relations with the Reagan and Bush administrations (cf. Engdahl 2007).

74) The "new" American conservatives, or "neocons", are not new at all. They have their roots in religious movements in the 1920s (on this, see Blandine Chélini-Pont in Chauprade 2005: 105). Those movements were reactions to the modernization of Protestantism (evolutionary theory, sex before marriage, divorce, rights of gays and lesbians, etc.), returning to the fundamentals of the Bible. Like the Wahhabites, they are true fundamentalists. It is the same intolerance, but just in a different surface form. Sarah Palin and the Tea Party movement is the new form.

75) The problem with American strategy during the Bush administration was that it was not in step with the world, and everyone else could see that. The rest of the world today is firmly on the path of democracy, human rights, law rather than military force, co-operation between international organizations, and multi lateralism and pluralism. American strategy was a retro-utopia, just like twelfth-century Muslims. The *real political* interests of the USA have not changed under Obama. Unlike Bush, Obama has conquered the moral high ground, at least at home. …There are always two battles to advance an interest: one economic, the other moral. You have to win them both to stay in power.

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76) Make no mistake: the USA has lost the moral high ground in the eyes of the outside world, especially in Asia and the Middle East. US interventions, military and paramilitary, have dissolved the trust that the world had in the USA following the Second World War, and the sixteen-year reign of the Bush family was the last straw. Obama cannot change this unless he drastically changes American foreign policy, which he has shown no signs of doing. He may want to reduce the military sector, but they will not let him. Some projects will be cancelled, but new ones will be created.

77) In his last article, written less than a year before he died, Stefan Dedijer (2003) predicted the downfall of the American empire. He pointed to a number of reasons: corruption, failing social welfare, a high suicide rate, the number of prisons and prisoners, a poor power-supply network, a bureaucratic and malfunctioning intelligence community, and excessive greed. Both Bush and Cheney were friends of the directors of Enron, "the most crooked firm in US business history" (op. cit.: 8).

78) In the same article Dedijer holds up Sweden as a winner among societies, because of its "social personality" and "national character". If the Swedish population was not eight million but eighty million, like Germany, they would have been the dominant economic player in Europe and probably a world superpower. However, remembering the Thirty Years' War, when Sweden conquered almost half the nations of the Holy Roman Empire, it is questionable whether history would have been any less bloody.

79) Henry Paulson helped out his friends at Goldman Sachs, where he had been chief executive until 2006, whereas smaller companies such as Lehman Brothers were abandoned to their fate. The argument was that the big were too big to fail. Now they can become even bigger. The same people have been given a green light for continuing exploitation and mismanagement. American politics is caught in its own trap.

80) Since the Cold War, American administrations have launched a more progressive foreign policy, giving rise to worries about escalation of violence. Pre-emptive attacks are in line with the old school of geopolitical thinking, or as a Confucian saying goes, "the one who fails to take care of his future problems is condemned to his immediate worries". The problem is not the interventionist policies themselves, but the way in which they are being executed.

81) During the Cold War there was a certain rationality to world politics. We had two political blocs, well-organized and controlled. Today we have none of this. The world of politics has become much more complex, and we have come to feel less secure.

82) It remains to be seen whether the USA will continue to advance the hawkish idea of a US-dominated world, a *Pax Americana*, for which the war against Iraq and for control of the Persian Gulf region was but a first step (Kellner 2003: 21). If they attack Iran, they will run out of money. They will also lose the war. From that point it would be only a matter of years, not even decades, before the USA was eclipsed by China as the number one superpower.

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83) If the US cannot recreate the melting-pot experiment with its new Mexican immigrants within a generation, it will become a second-rate power, then later as crime rates get out of hand it will become more like Mexico and South America, a lawless territory where police and gangs fight quasi-wars.

84) Declines are never straight forward, Nations seldom collapse. There will be many periods of recovery.

Canada

1) Less than half a century from now, much of the world's shipping will be passing through the North-West Passage all year round. Oil exploitation in the New North (L. Smith 2011) promises to turn Canada into one of the richest countries in the world.

2) Canada not only has one of the best school systems in the world, it has also succeeded with integration of its immigrants. This is a country on the rise.

Mexico

1) Time is on Mexico's side. Its emigrants will comprise the majority of the population in the south-western parts of the USA, including the whole of California, within a few generations. Economic ties between the USA and Mexico will become ever closer, much to the advantage of the latter. This will be the Mexicans' revenge for the War of 1848, when they lost a third of their territory.

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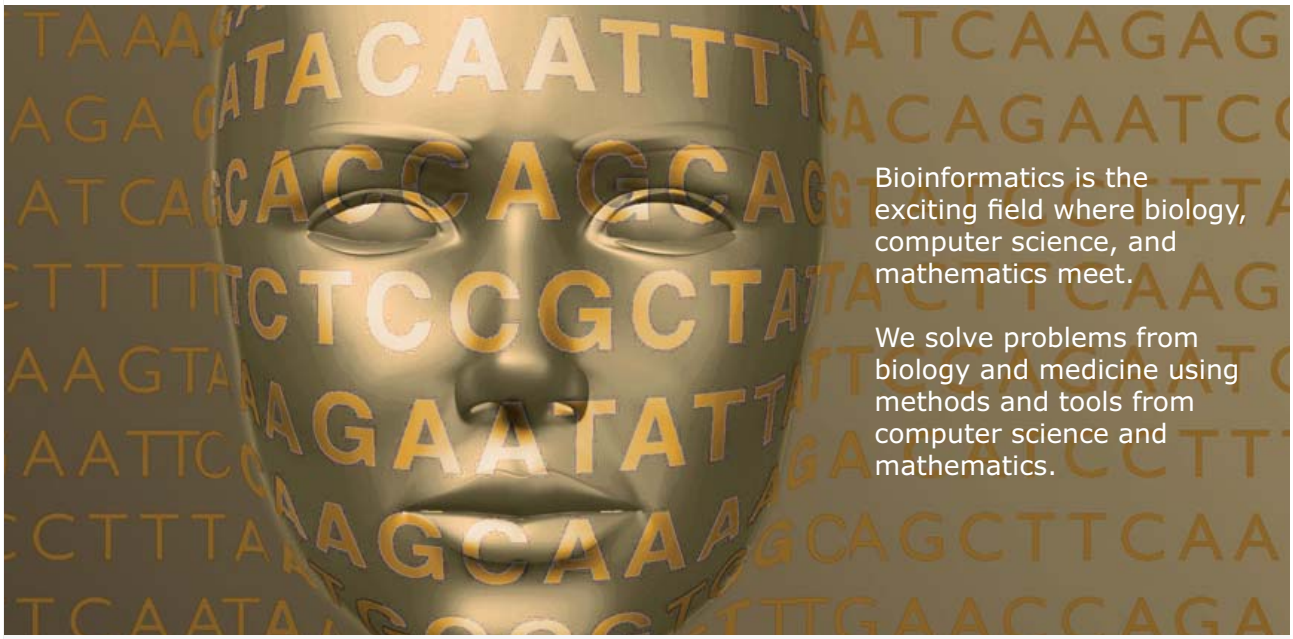

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2) Quoting Alan Riding (1984): "Most Mexicans are meditative and philosophical, they are discreet, evasive and distrustful, they are proud and consumed by questions of honor, they are forced to work hard but dream of a life of leisure, they are warm, humorous and sentimental and occasionally also violent and cruel, they are enormously creative and imaginative yet impossible to organize. They are internally set in their ways and externally anarchic."

3) "The country's inhabitants are more oriental than western."

4) "Relations are guided by tradition rather than principles, pragmatism rather than ideology and power rather than law."

5) "The strangest contrast is the ritual and disorder that seem to coexist within the Mexican, yet this too illustrates the predominance of the spiritual over the material."

6) "He interprets the world in accordance with his emotions. In an environment of apparent disorder, he can improvise, create and eventually impose his own personality on events."

7) "He contributes to disorder in the name of expressing his individuality."

8) "A powerful religiosity, adherence to traditions, a ceremonious mode of behavior, the formality of language, all involve caring for the emotional and spiritual side of life."

9) "He can deal with external chaos if his spiritual concerns are cared for, but he cannot allow his identity to be obliterated by man-made forces."

10) "He possesses enormous internal strength, and burst into song at the least provocation."

11) "The future is viewed with fatalism, and as a result, the idea of planning seems unnatural."

12) "They may save for a fiesta, but not for the bank."

13) "They have an instinctive nihilism, are non-intellectual."

14) "The Mexican flees from a reality that he cannot handle into a world of fantasy where pride, idealism and romance can safely flourish and passion dominates reason."

15) "He seems almost anxious to lower his defenses, to share in a degree of trust."

16) "Once an emotional bond is established, once a 'cuate' –literally, twin –relationship exists, he is open and generous, willing to confide and hospitable to extremes."

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17) "The Mexican people possess remarkable musical sensibilities, and their interest in music is thought to be stronger than in any other art form. Dance is a rapid and direct way to reach the heart and soul of the individual."

Cuba

1) The USA has considered Cuba theirs since the 1820s. Jefferson and Quincy Adams tried to annex the island. It was just a question of waiting until the British navy was weak enough. From then until 1959 the US pretty much ruled the island with the help of the American Mafia. As soon as Castro had gained power every effort was made to retake the island, by all possible means.

2) The Americans have always been defeated when fighting Cuban soldiers, at the Bay of Pigs but also in Angola. In the forces, political ideology is a better incentive than money.

3) The end is probably near for Cuba. It is only a matter of time. The country has run out of oil, its cars are wrecks. The collapse, as in the case of the Soviet Union, will come from within. At the best it will experience a slow transition to market economy like in China, but signs of this has not materialized yet.

4) As with the Soviet Union, it is doubtful whether the collapse of Communism on Cuba will lead to any significant improvement in the short run in most people's quality of life. Things might get worse initially.

South America

1) A decade of US-backed military interventions has produced unintended consequences in South America. A whole continent is now reacting against US interference, led by Hugo Chávez in Venezuela. Even Castro is now safe during his last days. If Mexico turns socialist, the reaction will be complete.

2) Colombia is a country which lives largely off the sale of drugs (cocaine and heroin) to the USA. It is a society in a permanent state of violence, torn apart by left-wing guerilla groups (FARC and ELN) and para militaries, where soldiers are hired by local businessmen.

3) The many tax havens in the Caribbean and elsewhere offer an easy way to launder dirty money. It is estimated that they hold twenty per cent of all deposits by American citizens.

4) Brazil and Argentina are finding a stable partner in China, to ensure these countries respective growth. These countries will feed the billion-plus Chinese population. That will permit a certain rise in the standard of living for many South Americans.

5) Brazil is an agricultural superpower. It is the leading producer and exporter of orange juice, sugar, and coffee. It is also the leading exporter of chicken and beef.

6) If you are thinking of investing in Bolivia, bear in mind that the government may expropriate your business at any time. This has made it very popular among voters there.

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7) A number of left-wing politicians in Latin America are systematically disregarding the democratic system, inspired by Chávez in Venezuela. For a while it looked as though Chávez would have things his way in Honduras too with the support of Manuel Zelaya. Now he is instead relying on Daniel Ortega in Nicaragua.

6.3.2 Europe

1) Europe is shifting its borders eastwards again. This time it must not overstretch.

2) In the thirteenth century, various Mongol tribes made Europe insecure and reduced its size: the Golden Horde took Kiev in 1240, spreading their terror as far west as France and Spain, the Seljuks conquered Constantinople in 1253. It has taken us 750 years to regain stability in Europe, delayed by disastrous adventures led by short men: Napoleon, Mussolini and Hitler. Now we must consolidate.

3) We are undergoing a revolution in Europe. At the same time we are in a period of transition and doubt. The new common political system is not yet in place and suffers from systemic problems; size, inefficiency, and inequality. These problems must be overcome.

4) There is not one Europe but three:

a) Western Europe : secular, democratic, the Europe of the positivist sciences, of progress, Christianized Europe forming the Latin pole, which was ruled from Rome, in accordance with the ideology of St Augustine (who himself was a Kabyle, a man of the Berber people – the pride of Tunisia).

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b) Orthodox Europe: the Europe of the Serbs, the Europe of the State church, of authoritarianism and fortifications. They use Greek or Cyrillic script. Serbia, Montenegro, Macedonia, Kosovo, and Albania: these cultures are all influenced by the Turks, latecomers to Europe, poorly integrated. This is the Byzantine Europe which never stabilized. Greece today is suffering from its past influence.
c) Then there is Russian Europe, which was born out of Byzantine Europe via Kiev and destroyed by the Mongols in 1245 – the same Mongols who ruled Russia for three hundred years. It was a period of violence, brutality, bloodshed. All these events have shaped the Russian character. In Russia we see a generous society, full of compassion, but unpredictable, capable of killing the very next day. This is the Russian–Tartar world, which stretches all the way to Vladivostok.

4) Europe runs at four speeds:

a) Atlantic (high-tech)
b) German (mechanistic), Baltic, and Eastern European
c) Russian
d) Balkan, parts of Italy, Greece.

5) The EU of today is all but accidental, and its borders no longer match religious and ethnic boundaries.

6) The EU has yet to come up with a common foreign policy. Without it the Union will keep losing ground vis-à-vis the USA and China. The Lisbon Treaty is the first vital step.

7) Europe and the EU will rise again after its debt problems, but it will be on new and more realistic lines.

8) In today's Europe of 450 million inhabitants, twice as many speak German as French.

9) German-speaking Europe has direct access to Byzantine and Russian Europe. The French have direct access to North Africa. It is obvious who has the geopolitical advantage. It means that the French must work twice as hard if they want to compete. Instead they will continue their decline among world powers, rescued mainly by the Chinese' demand for luxury products.

10) With the new EU member states there will be a clear shift eastward, among other things for the location of the common European institutions. The economic centre will shift from London to Frankfurt in the 21st century, since London will cease to be the financial centre of the world.

11) In Europe, work is a punishment for original sin. You have to work to live. In Asia, people take time to get to know each other before they decide to do business. In Europe you need contracts to work together. In Asia you build trust first. In Europe the contract is the end of negotiations, in Asia it is the beginning of a relationship.

12) Europe is moving further away from the USA, politically and economically. Even Britain cannot delay the process too long with their traditional role of playing both sides.

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13) We see three independent, strong economic blocs taking shape: Europe, the USA, and Asia (with China taking over the leading role from Japan). Japan will have to apologize for the atrocities they committed in the first half of the twentieth century (especially the Nanjing massacre[151]), as Germany did to the Allies. The Chinese will insist on this, they will not forget. They also want the Senkaku Islands back.

Germany

1) Germany was the biggest winner in Europe at the end of the Cold War. Reunified, the country is now searching for its new role and position as leader of Europe. This can only happen if the French are convinced of the mutual benefits of a "Franco-German locomotive".

2) For Germany this is not the *Drang nach Osten* but the Holy Roman–Germanic Empire. Germany thus regains its dominant position in Central Europe.

3) After half a century of American dominance, Germany is ready to abandon the Atlantic to return to its Europeanist position (Murphy and Johnson 2004: 1). It has already deferred to the Americans too long, accepting an extensive series of humiliations. The Paris–Berlin–Moscow–Peking axis will become a vibrant reality as soon as the Russians accept their place as factory workers and secondary suppliers to German and Chinese multinationals. Germany will slowly detach itself from the Washington–London axis as Anglo-American power wanes.

4) During the Cold War, the East Germans were the brightest pupils in the Communist class. They constituted the elite, and they knew it. In just a few years after German reunification, those same people were unemployed. Their homes were repossessed by West Germans. No other people in Europe experienced similar collective humiliation after the Cold War.

5) At the root of the German character lies fear.[152]This is the same fear which keeps that people alert, on edge. You cannot be competitive with a fat belly and a seen-it-all attitude.

6) Germany, not France, is the model for the new Europe.

7) All Europeans should learn German, for several reasons. Germany is not only the leading economic power in Europe: it sees itself as the guardian of reason – a heritage taken over from the ancient Greeks.

8) All successful nations have difficult languages: Chinese, Japanese, Korean. It is important to learn the difficult languages first. Italian is learned in three months once you know Latin and French. Spanish is learned in three weeks.

151 Japanese scholars today use their energy debating how many were killed by the Japanese, holding the Chinese figure of 300.000 to be too high. Surely this is not the main point.

152 This conclusion is taken from a report commissioned by Margaret Thatcher when British Prime Minister.

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9) The Germans are about to revive their interest in Silesia. They have proposed a free zone stretching one hundred kilometres to either side of the Oder–Neisse line, including a quarter of Poland. The German language will be used and taught again in this territory.

10) In the future Germany will be making more use of Russians as secondary suppliers, as France did with Portugal and Morocco. Since the Russians have an innate respect for Germans there will be no problem of submission. They will also build an air bridge directly with Chengdu-Chongqing, the new industrial center of the world.

11) After the soldiers of the Red Army had seen the horrors of Auschwitz, which the Germans had to evacuate in a hurry, no action seemed too barbarous to inflict on the retreating enemy. Much cruelty was also inflicted on German civilians by the British, as retaliation for Hitler's terror-bombing of Coventry and London. At the end of the war Germany was just a ruin. Its people only survived by taking over a large system of tunnels underneath their cities and thanks to their productive "*Geist*". No other people in the past has managed to rise so quickly from defeat.

France

1) France has the best geographical location in Europe: temperate, with excellent access to three seas and plenty of navigable rivers.

   In Northern Europe it is rather too cold, in the south rather too warm, in the British Isles there is too much rain, and Germany, although well placed in the middle of Europe, has limited access to the sea and has few natural boundaries.

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2) In 1914 France possessed much of the north-western part of Africa, except for Nigeria and a few smaller areas. Nowadays France and Africa exhibit all the symptoms of a troubled marriage.

3) No Western country has a more centralized government than France, a tradition that goes back to the origins of its monarchy. Even the Institute of Agriculture and the agricultural laboratories of INRA (the French National Institute for Agricultural Research) are located in the Greater Paris region.

4) One of the greatest strategic mistakes made by the French after the Cold War was that they continued to look south for opportunities, more out of old habit than because it made any economic sense. In consequence the Germans have taken control of most of the new markets in the East.

5) French has dropped out as a required diplomatic language, and fewer and fewer people speak it. This makes it more important for the French to learn other languages. By 2020, eighty per cent of French-speakers outside France will be inhabitants of Africa and the Arab world. French resistance to learning English has led to the country disqualifying itself as a major player in the sciences.

6) France, at one time the richest and most powerful country in Europe, the symbol of human rights, of justice, of wisdom, and of progress, a model for the rest of the world, with the best public administration, has been reduced to a shadow of its former self. At the present time it is not far away from bankruptcy, with a debt ten times higher than the annual tax income (same as Spain) (Lewis, Michael (2011): boomerang. New York:
W.W. Norton & Co., page 14). Its main asset today is the management of its cultural heritage.

7) Mass tourism is a growing industry. The most popular destinations in the world in terms of numbers of visitors are France (75 million visitors annually), USA (51m), Spain (48m), and Italy (41m). China is fifth, at 31m.

8) With the reign of Louis XVI, France was on the point of conquering Canada, India, and the sugar route, but went to war and lost (The Seven Years' War, between 1756 and 1763). England brought France to its knees. The eventual French colonies comprised the lands that England did not want. They were left with only two jewels, which they could have developed: Morocco and Vietnam. The rest was worthless. France had reached the limits of royal power. From here on it was the beginning of its decline.

9) France no longer has a vision for the world. French diplomacy is full of conflicting currents, its relations with the Third World are disastrous, its ruling class is out of touch with the world around it, cosseted in an atmosphere of privilege. French politicians repeatedly demonstrate that the country is incapable of developing harmoniously as a society. The French military establishment is incapable of meeting future challenges on foreign soil, its public-sector organizations are dominated by poor management, and its attempts to integrate recent immigrants have failed. Toulon, where Napoleon once made his initial career breakthrough, is coming more and more to resemble an African ghetto; likewise the old parts of Grasse, once centre of the perfume industry. Marseilles has been too chaotic to govern efficiently for generations. Toulouse is losing its position as an important scientific centre. Like Italy, France is becoming characterized by a marked North versus South division.

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10) In 1919, with Clémenceau, France wanted to create a *cordon sanitaire* round Germany: destroying the Hungarian monarchy and dividing that country up, handing Transylvania over to Romania, another part of Hungary to Serbia, and making Croatia independent. France wanted to pave the way for Yugoslavia – an absurdity of a nation, an anti-nation, a structure which could not survive. It was France which forced through the creation of this misbegotten State, Yugoslavia. Later, France should have had the courage to undo its work, but instead the French supported Greater Serbia during the war in the Balkans, in a vague hope of restoring the giant. It was all very embarrassing, especially as many French intellectuals and Francophiles continued to support the Yugoslav concept.

11) France is in part to blame for the German aggression that built up after the First World War. When France, with American help, defeated Germany in 1919, it did not adopt the role of the noble victor reaching out a hand to the defeated. Instead the Allies imposed economic sanctions on Germany which resulted in poverty, misery, and the rise of Nazism. The US Federal Reserve chairman anticipated this danger and protested, but to little avail. The French attitude at Versailles in 1919 was itself a reaction to the humiliating treaty imposed on France by Bismarck, in that same Hall of Mirrors, in 1871. These have all been major strategic errors, the result of irresponsible political actions.

12) France is wasting too much energy on internal discussions. This is leading to inaction, keeping its people from finding and striving towards a common goal.

13) France is putting its efforts into maintaining a set of vested interests. They are living off their capital. The French have an image of themselves as the defenders of rationalism. This used to be true. The country has excellent elites, but they are not able to engage the rest of the population.

14) France was a fake winner in the Second World War. She received a victor's honours only thanks to General de Gaulle's insistence.

15) Charles de Gaulle talks, in his 1932 book, about the importance of character in warfare (de Gaulle1944: 39–62). His countrymen did not demonstrate much of that when the Germans attacked. The much-hyped French Resistance is largely a myth created after the fact, as in so many other occupied territories.

16) The French elites have had the bad luck to be on the wrong side more than once in history: with Hitler, and later flirting with Communist regimes. Pol Pot was not condemned until too late. Now, together with Belgium, France is indirectly to blame for the massacre in Rwanda. They not only knew what was happening but even helped to train the killers. It was all geopolitics; the French were afraid of losing influence in Africa, of having to concede to the Americans once again. It was a lose-lose solution.

17) Good books on Africa in French are hard to find; they are either excessively aggressive or excessively obsequious (e.g. Gourévitch 2004).

18) French contributions to philosophy in the twentieth century were mostly misinterpretations of German philosophy (of Heidegger, for instance), or romantic attempts to save Communism (Sartre), all confusedly

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mingled with intellectual egoism and an insatiable sensual drift.[153] The country produces few thinkers anymore, but maintains a strong intellectual tradition.

19) France's decline began with Louis XV and continued with the defeat of Napoleon. If it is still able to maintain a position as a secondary European power alongside Germany, this is due more to failures by its European rivals than to its own merits.

Britain

1. The British strategy has always been to divide Europe. So far Europe has not been able to respond to that strategy effectively.

2) After the Second World War, when it had to give up the last of its colonies, Britain came to live more and more from financial speculation and its banking sector. It became the financial capital of the world, a position it was gradually to lose to the USA and New York City early in the twentieth century (the same position that they are losing to Asia today).

3) The decay continued when Britain lost most of its high-tech industries in the 1970s and 1980s, fooled by notions of "the service economy", whereupon production began to be seen as something old fashion and dirty even. Now even Rover and Jaguar are Indian, a hard pill to swallow even for only moderately patriotic Britons.

153 For an amusing stereotype of the French philosopher–intellectual see the 1957film "Funny Face", with Fred Astaire and Audrey Hepburn.

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4) When Churchill, Stalin, and Roosevelt met at Yalta in 1945, the latter two had a private conversation about sharing out the colonies and regions of interest that would emerge from the War, since the British Empire was falling apart. … When Stalin suggested to Churchill that they kill off 50,000 of the German elite after the War, Churchill walked out of the room. Stalin tried to call Churchill back, saying it was just a joke, but Churchill knew better. (Stalin and Hitler had done this with the Polish elite only a few years earlier.)

5) A country cannot live by producing the finest actors in the world. Nor are there enough consumers who favour high-quality clothing (bespoke shoes, suits, hats, umbrellas, etc.). Britain fell into the trap of becoming a service economy. Now, more indebted than Greece, it faces the threat of economic ruin if public spending cannot be cut quickly enough.

6) The big question for the competitive advantage of Britain now is, as it is for the Netherlands, whether or not its highly multicultural society will be an asset or an economic liability. That question is yet to be answered.

Ireland

1) The business model of Irland was to underbid the corporate tax levels of its neigbours. In the meanwhile the country got more indebted than all of its neigbours too, so that the national debt now accounts for 25 times the annual tax revenue (Lewis, Michael (2011): boomerang. New York: W.W. Norton & Co., P. 14). Their next business model is to be a Chinese Trojan horse.

Italy

1) Italy is not one country but two, southern Italy and northern Italy. Calabria and Sicily are beyond the control of the State, run largely by organized crime. Naples and much of southern Italy have their own language which you will not be able to understand on a basis of having learned Italian. (Neapolitan is a mixture of Oscan, Dalmatian, and Greek). It is a different world from Bologna, and a very different one from Turin.

2) The present-day Italian economy is kept going by the descendants of a German tribe which settled in the Po valley at a relatively late point in history: the Lombards, named after their long beards. Their descendants have created a productive society. Southern Italy on the other hand is a social, political, and economic abyss.

3) According to Alberto Saviano, more people have been killed by organized crime in Naples than were killed in the war in Iraq.

4) In Italy, "you get the government you deserve" is a true saying. Italian governments since the Second World War have lasted on average for less than a year. Political life is a complete farce, but people do not worry too much about that, because they often see and accept life itself as a farce. The Italian people have found a way to live with chaos. Much of the political establishment is Fascist –not so much for political or ideological reasons, one suspects, as on aesthetic grounds, as in an enormous *opera buffa*.

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5) In Italy, emotions outweigh reason. It is more important to be *simpatico* and charismatic than honest or fair. Thus they have had no trouble electing dictators and cabaret artists as political leaders. Berlusconi and Putin understood each other well because they are moulded from the same clay.

6) Berlusconi understood better than any other modern politician that if you control the media you will win elections. If you own the media, even better. The population will forgive you, even if close to a hundred lawsuits have been brought against you and you are going to any lengths to try to claim legal immunity. What matters is to look good on television, to *fare una bella figura*.

7) Italy is a "casino", a chaos – "*ma que bello casino!*" The country does not function as a unity, either economically or politically, but manages quite miraculously to perform well nevertheless, being held together at the grass roots by family relationships – ultimately by the Italian mother.

8) Italy's chief episodes of colonization included Libya, Eritrea, and Somalia in 1920. Ethiopia was added in 1935–36, and Albania in 1939. These were, like so many other foreign-affairs initiatives in Italian history, mere romantic escapades.

9) No-one did more to fight the Mafia than Mussolini. He had almost destroyed the organization when the Americans arrived. The Americans did a deal with the Mafia to secure the support of the local inhabitants. As a result, their advance to Palermo was unproblematic, and very few Americans were killed on Sicily. But the Americans paid the price for this alliance after the War, when the Mafia came calling: "remember us?" The same families are still there today.

10) After the war, the USA used the Mafia in order systematically to infiltrate and undermine their own labour unions.

11) The port of Naples is today dominated by Chinese interests. From here and from their own port of Piraeus[154] they distribute their products all over Europe. According to Roberto Saviano, fewer than ten per cent of containers are checked. This is probably the best example of Chinese geoeconomic strategy in Europe.

12) After Berlusconi there will be someone to collect the dirty dishes. Technocrats will have to replace charismatic politicians[155].

The Mediterranean basin

Greece

1) It was a mistake to allow Greece into the EU so early. Greece does not belong to Western Europe, but to Orthodox Europe. We admitted the country mainly for sentimental reasons, remembering Ancient Greece and the classics.

154 Pier Two at Piraeus is owned by the Chinese shipping giant Cosco, after a £2,8 billion deal to lease the pier for the next 35 years. With a new Pier Tree under construction this will tipple the volume of Cargo it can handle. The Port of Piraeus is already one of the ten largest container ports in Europe.

155 Now they have put in Mario Monti, the former rector of Bocconi, my old school while and exchange student in Milan.

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2. After five centuries of Turkish rule, there remain today only memories of the culture we associate with that glorious period. The Balkans as a whole have been "Turkified"; the food, the music, even their children's stories are much the same. Only the ruins and the remarkable books the Ancient Greeks left behind remind of us of the culture that was once here.

3) Greece has become purely a drag on the EU. It is a country with little sense of duty to a common goal.

4) The country has an inefficient bureaucracy, a huge public sector, a huge budget deficit, and the highest inflation rate of any European country.

Morocco

1) The king of Morocco believes himself to be a descendant of the prophet Mohammed. If you write anything resembling a critical remark about him you can find yourself spending years in prison. The king himself likes travelling in more liberal countries and enjoying all of life's conveniences.

2) This is a hierarchical society, where the children of the privileged are sent to the best schools in France. The rest have systematically been kept from getting an education. Thus illiteracy is a problem.

3) The Moroccan government does little to promote literacy, and it hinders people from migrating into the cities, where there is not enough work for them.

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4) Morocco has a solid intellectual elite, and if Turkey is to be an EU member state there are fewer reasons why Morocco should not also become one. Moroccan students are among the best in French universities, in subjects like mathematics and computer science.

5) Morocco is the only African country where the French feel that their interests are reasonably secure. When the French retire, some of them buy houses in Marrakesh or on the coast.

Algeria

1) This is a country where people seldom speak their minds. Instead conversations are always on two levels.

2) Europe would never accept Algeria getting an Islamist government. If Algeria went nuclear, it could become the European Cuba. That is why we have supported Algerian dictators and military regimes. And Algeria is not unique in that respect.

3) Algeria is run by two rival forces: the generals on one side (known as *le pouvoir*) and the challengers on the other, President Abdelaziz Bouteflika and his friends. In recent years Bouteflika has been on the offensive. He amended the constitution, on 12 November 2008, to allow himself to be president for life. After the Arab Spring Bouteflika has had to retreat in several areas, but still sits firm in power.

4) Ten years of savage fighting and killing between the government and the FIS (the old mujahedeen who had fought the French) ended in an armistice at the beginning of the 21stcentury. There were no winners, only losers.

5) The bombings in the Paris tunnels in 2005 were a reminder of what forces might be released.

Libya

1) Muammar Gaddafi was the world's longest-ruling dictator. As Libya has the largest oil reserves in Africa, Gaddafi was able to avoid most criticism.

2) The USA provoked the war against Libya in 1986 by sailing close to their coast. When the Libyan Navy reacted to this, the US retaliated massively. The war was initiated partly to divert the eyes of the American public from the war against the democratically-elected government of Nicaragua. In retaliation, Gaddafi ordered a bomb to be placed on a Boeing 747 filled with American civilians (Lockerbie bombing). No wonder the US government was angry when Gordon Brown exchanged the main suspect for BP oil contracts in Libya.

3) Now revolution has come from within, supported by French and British interests. But, the new Libya is not looking to the West for a role model, but to Turkey, an enlightened country governed by Islamists.

4) Much of the revolution was cleverly orchestrated from Doha, fooling much of the Western Intelligence community

Tunisia

1) Tunisia is not Arab, but Byzantine. It was part of the Byzantine Empire. Carthage was populated by Phoenician and Greek settlers, and later by Romans.

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2) Tunisians view the Vandals as civilized. Their hundred-year rule of Carthage was a time of prosperity. It was the Roman Church which gave the Vandals a bad name, especially after the "sack of Rome" in 455, an episode that for its time was actually remarkably sparing of human life, leaving very few Romans dead.

3) Under Bourguiba, and later under Ben Ali, the people got an education and became better off. Now, they want to rule.

The Nordic countries

Denmark

1) Denmark's is a culture of merchants and diplomats. As such they are highly pragmatic and flexible.

2) It is difficult for outsiders to see where Danish wealth comes from. After all, they have no oil or major industrial production. Instead the country is home to many service companies (ISS, Maersk) and they export large quantities of meat and food products, especially pork, to other EU countries.

3) Together with Britain, Denmark is the chief country standing in the way of EU unity in the Iraq question, and siding with the USA (see e.g. Fouskas 2003: 10). The British motives are easier to understand: they have real economic interests at stake. The advantage for Rasmussen is clear too, he got the top job at NATO; but for Denmark?

Norway

1) Norway is an oil state, and thus more at home in OPEC than in the EU.

2) Oil is easy money. It exempts you from the need to be competitive. It is a feather bed.

3) Most of the country's sophisticated technology is imported (Siemens, Alcatel, and ABB have shared much of the market between them). The Norwegian State expropriated Siemens after the Second World War, but sold it back to the Germans later. The Norwegian leadership never understood the importance of building their own technological capacities, of developing strong industries. Their chemical and oil industries were both developed with the help of Swedish investors.

4) Oil contracts are handed out to local producers without much competition, in return for promises of jobs. The owners of many of these companies show their country little gratitude, and shift their money abroad.

5) Oslo, the Norwegian capital, contains no middle class with a sense of responsibility, such as you will find in most capitals of the Western world. This is because Oslo has no real experience of being a capital: it was created in a hurry by people who came from all over the place. Its original inhabitants were subordinates under Danish rule, who helped to keep their own people down.

6) The only town which qualifies as a capital is Bergen. It has all the virtues of a German Hansa city. Above all, it has the right mind set to govern, as Prime Minister Michelsen showed in dealing with King Oscar II of Sweden.

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7) Norwegians do not think of themselves as living in an oil state. Part of the reason is that their statistical yearbook does not give an accurate account of the proportion of the economy deriving from oil revenues. In reality, pretty well everyone is supplying the offshore industry. But Norway, like Dubai, has indulged itself in the illusion of having become a Knowledge Economy. (In Dubai the largest building in the world was built as a turnkey project by the South Korean company Samsung Heavy Industries).

8) The deteriorating relationship between the USA and Iran and Iraq could open up new business opportunities for a neutral country like Norway.[156]But the Norwegian population insists on high standards of business ethics, at least in public. In reality, the oil business cannot cope with the light of day.

9) The main difference between Norway and other OPEC member states is the country's exceptionally fair system of economic redistribution – a product of the social democratic model, invented by the Germans under the Weimar Republic and very much developed by the Swedes. While the Fadh family of Saudi Arabia visit their palace in Marbella each year with a couple of hundred guests and squandera hundred million dollars in a week, the Norwegian State makes sure that everyone gets something, even if it is for doing nothing.

10) As petroleum is replaced with new sources of energy, natural gas will give Norway another fifty to a hundred years of easy money.

156 Statoil won contracts to develop the Iranian South Pars and Qatari North Field sectors of the Persian Gulf on behalf of the State-owned National Iranian Oil Company.

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11) The Norwegian character is formed by close contact with nature. City life still feels a bit odd to a Norwegian. If he dumps into you on the street you will hear no apologies. Instead he may look a bit puzzled. "Mountain people", George Brandes says *à propos* Rousseau (a Swiss), look down on politeness as something of minor importance in daily life. "Mountain apes" is what one sometimes overhears Danes calling their former colony and neighbours.

12) Norwegian unity is founded less on internal similarities than on external threats.[157] The spectacular National Day parade on 17 May originated as a protest march against Danish and Swedish rule. In 1905, when Norway became independent, the protest march turned into a celebration. The enthusiasm lasted a long time, but today seems to have become largely an empty ritual, a celebration more of prosperity than historical battles.

13) Norway comprises at least three different cultures each with their own written language:

a) people on the west coast and in the rural areas, who write Nynorsk
b) people in and around the capital and in Eastern Norway, who speak Bokmål
c) the Laplanders or Sami people in the north, a non-Germanic nomadic tribe which emigrated from northern Russia and speak a Finno-Ugric language.

14) Norway was under *de facto* American control during the Cold War. The Barents Sea was to be the main theatre of the Third World War. Since the Soviet Union had only one secure ice-free harbour, at Murmansk, northern Norway would have been one of the first important battlefields. Occupying Norway would have been even more important than it was for the Germans in the Second World War, when they had to beat the British to it.

15) The Swedes find it surprising that their Norwegian neighbours will not buy their planes, which are cheaper than American alternatives. But aeroplanes are only one part of a broader system of defence, in which the real question is "Will you come and help us if we are invaded?"

Sweden

1) In Sweden everything goes through in silence; they operate by consensus, not confrontation. Debates do not penetrate below surface issues. These are the Japanese of Europe: modest, hard-working, and united.

2) The Swedes will follow a leader quietly, even if they think he is wrong. Only when all hope is gone will they protest, and chop off his head if necessary. This is a scary pattern, and it is assumed to have been fate of several Swedish kings and heads of State: possibly Charles XII, certainly Gustav III, perhaps Olof Palme too.

3) The Swedes are very different from their Norwegian neighbours, who will speak their minds whenever they can, often at risk of damaging a relationship.[158] In Sweden you hold your tongue; you do nothing to disrupt the social balance.

157 That is, their resentment of union first with Denmark, and then from 1814 to 1905 with Sweden.

158 Hans Magnus Enzensberger has perhaps described this best, in his 1984 essay "*Norwegische Anachronismen*" (Norwegian anachronisms), reprinted in Enzensberger (1987).

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4) Sweden's policy of neutrality is based on geography not history (cf. Tunander 1990: 13). It is on the periphery of Northern Europe, and any power wanting to conquer Sweden would have to tie up numerous troops. Its territory is no use for holding other parts of Europe.[159]

5) There is a long tradition of consensus among politicians and businessmen in Sweden. The leading capitalists and industrialists are not ones for showing off their wealth. The ruling family, the Wallenbergs, have as their motto *essere non videri* (to be, not to seem), borrowed from the Medici. They control about half the capitalization of the Stockholm Stock Exchange.

6) Swedish companies quickly established themselves in the ex-Soviet Baltic countries, where wages were a tenth of Sweden's. They have more than half the banking market in all three countries –as much as seventy-five per cent in Estonia. But the window of opportunity was short-lived and it is a small market. Now, the banks are paying for their carelessness. Luckily for them the European Central Bank and the IMF got involved and took on large shares of the risk.

7) The Swedes are fond of their Norwegian neighbours, but do not take them seriously. They have an ambivalent stepfather relationship with their ex-colony Finland, the loss of which some two hundred years ago still brings out strong emotions; they despise their Danish neighbours, for their unintelligible speech, disorder, and perceived social excesses … which they secretly long for themselves.

8) Modesty is a sign of all great cultures. Many Asian countries, but also Sweden possess this quality.

9) Swedish culture is a collectivist culture, united in possessing a military spirit that is easily mobilized to resist outside dangers (Catholicism, the Danes, the Russians). It is encapsulated in the Swedish word for keeping quiet, *tyst*. It has only to be uttered for everyone to fall into line.

10) This is a country which has proved that it can fight for principles and ideals: the defence of Lutheranism, the defence of their colonies in the East (Finland, the Baltics). It is the only Nordic country to have built a truly robust industrial economy (Finland is over-reliant on a single company).

11) Swedish culture elevates hard work above criticism. For that reason, there are no real critical newspapers or media in Sweden, nor any great social thinkers. Their greatest author, Strindberg, is in this sense not a typical Swede.

Finland

1) Finland has the best school system in the world! It is basically just the old Swedish school system, but with pedagogical techniques not modernized.

2) To understand Finland's politics you must understand its stormy relationship with Russia. This is a small country with a former superpower as its sole neighbour.

159 The same argument explains why Norway is not neutral. To control the northern Atlantic you need to control Norway. The Germans knew this, so did the British, and the Americans know it today.

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3) This is a State which gained most of its democratic rights at a single time, and relatively late, in 1917. It is a country which knows how to survive, how to mobilize its resources under pressure. Nokia is the best example in modern times, having begun as a manufacturer of tyres and rubber boots. Finnish vitality has created the strongest meritocratic society in northern Europe.

4) Foreign and security affairs are handled, not by the government or the political parties, but by the president (see e.g. Tunander 1990: 3). This system gets things done.

5) Cold weather and hardship have shaped Finnish character. The Finns have never learned to make small talk; they either say nothing, or too much.

Iceland

1) The country has received too much unfair criticism. If the country went bankrupt in 2008 it was mainly due to its small size (about 300.000 inhabitants). Other countries would have been able to buy out three major banks. If the country is to be blamed for something it was that they left a handful of bankers sell out to modern financial theories and leave their common sense and notion of business ethics.

The Baltic States

1) The Balts adhere to Western culture. The Estonians and Latvians are Lutherans, Lithuanians are Catholic. The Estonian language is Finno-Ugric, a member of the same family as Finnish. Their mentality is Nordic.

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Intermarriage with Russians is far less common than in Latvia. The Estonians were only in the Russian sphere from August 1939.[160]

2) Estonia is the best student in the Baltic class, and quickly re-established its natural ties with Finland. Latvia has the greatest problems. Swedish banks including Swedbank and SEB went into Latvia and made over-generous loans, without a proper understanding of the country's prospects. Now they are paying the price. Lithuania has many of the same problems as Latvia, but has a much stronger and more stable cultural identity. One of the oldest and most homogeneous cultures in Europe, Lithuania will always find a way to survive.

3) When the Russians regained influence over the Baltic region after the Second World War, the Baltic elites were divided into three groups: some were shot right away, some were sent to the gulags, and the rest were deported to Siberia.

4) The small size of these countries, both in territory and in population,[161] and the lack of any natural borders to the east, makes Russia a constant threat. Russians represent about half of the population of Latvia, and all large towns in Latvia are heavily populated by Russians; in Riga they account for fifty-two per cent of inhabitants. Ethnic Latvians can only keep power in their own hands through a policy of *apartheid* called non-citizenship. 34.6% of ethnic Russians are non-citizens, which gives them a passport, but no right to vote.

5) Being largely excluded from political life, and finding their Cyrillic script rejected, the Russian part of the population has been forced to turn to commerce and day labour (Jacob 2004: 188–9). If they do not return to Russia that is because things are even worse there.

6) To retain their independence, the Baltic States know they need to show strong interest in and keen engagement with the West. They have been granted membership in the EU and in NATO, and restored their historical ties with countries in their region, notably with Sweden. For now this will be enough.

7) The eastern shores of the Baltic have always been a turbulent area. Control of these coasts has passed back and forth in history, from Swedes, to Danes, to Germans, and to Russians. Now these waters are under NATO control, and need to remain so until the EU can match Russia in military strength.

8) The area around Novgorod was dominated by Scandinavian traders until the split between Orthodox and Catholic churches in 1054. Swedes sent crusaders to conquer Finland and Karelia. In 1142 they conducted their first campaign. This provoked retaliation in 1187 on the western side of the Baltic. The Danes concentrated their efforts in Estonia. Its inhabitants retaliated by raiding Blekinge (now Sweden, then part of Denmark) in1203. Novgorod was later controlled by the princes in Moscow. The German Order took Estonia over from the Danes, but did not succeed in holding it.

160 As a consequence of Stalin's secret German–Soviet pact.

161 The nearby Russian city of St Petersburg alone has a population of 4.6 million. The population of Estonia is 1.37 million, Latvia 2.35 million (thirty-one per cent of whom are Russians) , and Lithuania 3.46 million.

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9) Just as Moscow was starting to get things in hand, it was conquered by the Mongols under Genghis Khan's son Batu. The Russians suffered a serious defeat in battles by the Mongols, and were only able to return to this area in the late nineteenth century.

10) Kaliningrad is the last piece of the Baltic jigsaw (Worthington and Sedakat 2005: 123). Politically it is part of Russia, but isolated and surrounded by EU territory. The Germans are already planning a motorway between Kaliningrad and Berlin (an old project of Hitler's), and would gladly buy the territory back. This will be a deal for a rainy day.

Eastern Europe

1) During the first decade after the Cold War, plundering the State became a national sport in many former Eastern-bloc countries. Other chronic problems include an unusually high divorce rate, general social despair, a lower standard of living, housing shortages, and so forth.

2) Eastern Europe (Belarus, Estonia, Latvia, Lithuania, Moldova, and the Ukraine) is a region of 73 million inhabitants where people spend too much of their time working out how to trick one another. This is the Russian front lawn (as opposed to the backyard in the south). The Baltic states, particularly Estonia, are slowly working their way back into the civilized world. If left in peace they may even prosper as part of a Baltic Sea region.

3) That is a long term strategy, for the latter half of the 21st century. By accepting former Eastern European countries into the EU we are strengthening our economic and political potential vis-à-vis our American and Asian competitors. We will eventually clean up the mess. It is a process that will last half a century.

4) No one can halt the immigration from Eastern Europe. The consequences of this migration will be a mix of positive and negative, in a sense two extremes: many really bright people, and many criminals. Those are the fighters and the survivors in any culture.

5) EU enlargement means that a gypsy population of five to six million (in Romania, the former Yugoslavia, Hungary, and the former Czechoslovakia) has becomes our shared responsibility. Apart from their rich tradition of music and dance, gypsy history has been a history of slavery, beggary, and violence. This is not a people you can integrate easily: it will take a long process of socialization.

Poland

1) Poland is a territory without any natural boundaries. It is a people of warriors who have lost all their wars. It is not an industrialized nation, but a nation of farmers and in many ways a de facto matriarchy.

2) The Poles have no friendly neighbours. That led Poland straight into the arms of the USA after the Cold War.

3) The Polish elites used to be educated in France. In consequence hundreds of Polish workers arrived in France after the Cold War was over every day to seek their fortune. No-one could separate them from the French. None have been thrown out yet. France failed to protect Poland in the Second World War, so now they are paying the price.

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4) Poland does not fit into the traditional Slavonic mould either. They are Catholic and "Latinized" (as the Finns are Lutheran and "Swedenized")

5) As with Turkey (Muslim), a strong Poland (Catholic) is the best guarantee against Russia becoming a superpower again. Therefore both these countries enjoy a special relation with the USA.

6) Poland's borders have been repeatedly redrawn throughout history. The heartland of Poland is Warsaw. Only the area round Warsaw has always been Polish. To compensate for the loss of Eastern Poland to the Soviet Union, when one and a half million Poles were forced to move westwards, the Allies twice (at conferences at Yalta in February 1945 and at Potsdam in July–August 1945) gave Poland extra territory to the west, including Silesia and parts of Pomerania and East Prussia.

7) The German position on these annexations today is divided. Some accept the new borders (especially in view of the suffering Nazi Germany inflicted on the Polish people: six million Poles were deported and exterminated, including three million Jews). Others see the annexations as unjust, and would like to see increased German influence in those regions. And then there are a great many who do not dare to say what they think.

Hungary

1) Hungary is eager to regain its former territorial integrity. The Hungarians are an elitist people, who were long a trustworthy outpost against Mongolian hordes in Central Europe.

2) There have been about as many Nobel laureates from Hungary as from France; yet Hungary has only ten million inhabitants compared to France's sixty million.

3) Hungary must suffer, said Clémenceau. The country was seen as a threat to French control of the German region, because it is a Catholic country and because the elites of the Imperial Austrian Army were commanded by Hungarians.

4) The Hungarians have defended Europe from barbaric invasions for more than a thousand years. Their country has been the continent's Checkpoint Charlie, located on the only natural route to Central Europe. This situation has moulded an exceptional warrior class. By contrast, Austrian soldiers were mostly used for parades. As the Russians said at Stalingrad: it is better to face the SS than the Hungarians. The Hungarians were also the only nation who dared to revolt openly against Russian control, in 1956.

Former Czechoslovakia

1) France yoked the Czechs and Slovaks together, two peoples who had led separate existences for more than a thousand years: the Slovaks dominated by Hungary, the Czechs by Austria. Now they have separated again. This promises to raise Czech living standards to German levels.

Romania

1) Romania and Albania were the most thoroughly wrecked countries in the former Eastern Bloc. Now that Romania has joined the EU, we have several hundred thousand beggars scattered all over Europe. These countries were a hard pill to swallow, but we had no choice but to include them, to keep the Russians out and to try to create some stability in the Balkans (the weed patch of Europe).

2) Being both a stronghold and a crossroads, Romania has been marked over the centuries by isolation and by great invasions. The country has been a victim of Turkish hegemony, of pan-Germanism, and of pan-Slavism (Barrat et al. 2003: 30).

3) The Carpathians form a semicircular fortress, a relatively low but nevertheless effective natural barrier.

4) Romania is a Latin island in a Slavonic ocean. Because of its Latin character it has looked towards France. But the French influence is relatively new: it dates only from the time of Napoleon III. That relationship reached its peak between the two world wars. Earlier, the country was a vassal province under the Turks.

5) Ninety per cent of the population are ethnic Romanians; forty-five per cent live in rural areas, mostly as farmers. This makes it the least urbanized country in Europe, except for Albania.

6) The Romans founded their province of Dacia in this territory between 106 and 270 BC. Slavonic immigration began much later, in the seventh century. Except for the language there are few Roman features remaining in Romanian culture.

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7) The Hungarian influence in Romania is confined to three counties in Transylvania.

8) The Germans in Romania, mostly Saxons and Bavarians, are another energetic minority. In 1930 they constituted four per cent of the population; today they are half of one per cent, or about 120,000 individuals. It would have better for the prosperity of the country if they had been allowed to take charge.

9) The Romanian diaspora is considerable, comprising twelve million people, of which 2.7 million live in Moldavia, 1.7 million in the former Yugoslavia, one million in the USA, and 500,000 in the Ukraine.

10) A German proverb says "Romania is not a nation, it is a profession". Few people in Romania respect anything. Exceptions are most numerous among the groups of German extraction and the three million Hungarian Romanians. This is the world of the Balkans, it is not the West. The French say "We should not be seduced by the similarity of our languages. We already have enough problems with Greece."

11) Many forces collaborated in order to eliminate Ceauşescu and replace him with a more representative Communist. Silviu Brucan, who had been a diplomat, was given the green light by key members of both the police ministry and the Communist Party to eliminate the feared dictator. The decision was OK'd by both Washington and Moscow. Brucan made a deal with Gorbachev, that the Communist Party should continue to hold sway in Romania after Ceauşescu was gone (Barrat et al. 2003: 213). It was an assassination in the Romanian manner. Today, though, much the same people are still in power. They have just learned to speak differently.

Moldavia

1) Russia is allowed to retain its influence in Moldavia in return for keeping out of Serbian politics. Hardly ever in the news, Moldavia has been in a permanent state of crisis since its independence in 1991. With no more than 4.5 million inhabitants, Moldavia is split between three ethnic groups – Russians, Moldavians, and Gagauzians – each of which wants separate independence.

2) Historically it has been difficult to draw a clear dividing line between Moldavians and Romanians. Moldavia is a buffer state with few distinctive features.

Ukraine

1) What do you do as a Russian when the very cradle of your nation celebrates its independence from you? This was what happened in 1991. What do you do as an Ukrainian when the Orange Revolution has run out of steam and when half the population is pro-Russian? This is not a situation to be solved overnight … and in the meantime the economy has collapsed.

2) Kiev is the mother of all Russian cities. The Vikings came here in 859, first as robbers and thieves, then invited as protectors for the expanding Russian nation. Pressure from the Mongol hordes in the East steadily increased, and in Kiev was conquered; it remained a territory plagued by sporadic violence for centuries. This tumultuous history has shaped both the Russian and the Ukrainian character, tossed back and forth between Eastern brutalism and Western political ideals.

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3) Twenty-two per cent of the 48 million Ukrainian population is of Russian origin. These all live in the eastern parts of the Ukraine, including the Crimea. Without their support, real Ukrainian stability is impossible.

4) The Ukraine is really a Russian affair, but we cannot pass by a chance to block Russian influence. That said, NATO is not going to defend the Ukraine if Russia invades.

The Balkans

1) The Balkans are the last underdeveloped area remaining in Europe.

2) The word "Balkan" is Turkish for "mountain", and initially referred to what is now Bulgaria. Today it is used to cover the area between the Adriatic to the west, the Aegean to the south, and the Black Sea to the east, and often including Romania.

3) The word "Yugoslav" was given by the Austrians to the people who migrated to the Balkans; it means "South Slavs". The fate of the South Slavs has swung between being part of the Ottoman Empire, then part of the Austro-Hungarian Empire, to a sort of independence, though never undisputed. Yugoslav unity has been difficult to establish, because of impenetrable mountains and valleys.

4) There is an old saying: "A monster lies sleeping in these valleys. Once in a while it comes to life and kills tens of thousands of people."

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5) Like the Caucasus, this is a turbulent border area between Christians (Lutheran and Orthodox) and Turks.

6) The Balkans today consists of a number of buffer states which are in the process of reconstructing their pre-Cold War identities.

7) Like other crossroads of civilization, the Balkans comprises a wide diversity of ethnic groups. It contains:

a) Muslims remaining from the Ottoman Empire (roughtly corresponding to Bosnia-Herzegovina)
b) a substantial Slavonic population (Republic of Serbia, Croatia, and part of Kosovo)
c) early settlers from Albania (Albania plus part of Kosovo)
d) German-influenced groups in the north (Slovenia and part of Croatia)
e) Greek- and Bulgarian-influenced groups in the south (Republic of Macedonia).

Mapmaking in this area can only be described as a nightmare, and can never be fair to all sides; there are too many conflicting interests. Only tolerance can secure their future.

8) Five hundred years of Ottoman rule wiped out much from the indigenous cultures in this part of the world. Turkish influence is shown by similarities in the food, the clothes, even in local songs… though few who live here will admit it.

9) Russian influence in the area is from a later date, the end of the seventeenth century. Russia was then confronting the Ottoman Empire, which had conquered the Ukraine aided by the Dnieper Cossacks. Peter the Great lost a number of battles in the Balkans, notably at the Prut River in July 1711, when he was almost captured; Russia was fully stretched at the time trying to hold on to the city of Azov, in order to get access to the Black Sea. Only with the treaty of Kuchuk Kainarji (July 1774) did Russia get a foothold in the Balkans. Their position was never really strong. Serbia's repeated cries for help have been ignored by Russia ever since. The Russians have accepted the region as part of the Austrian sphere of influence (cf. Mudry 2005: 21–3). Russia's main interest is in Moldavia, previously a vassal to the Sublime Porte.

10) Yugoslavia was allied with the Soviet Union only between 1941 and 1948, after which there was a rupture between Tito and Stalin. Stalin tried to kill Tito many times, but never succeeded.

Serbia

1) Serbia will be the most difficult country to integrate into the EU, but this must nevertheless be done in order to achieve order in the Balkans. It will be the work of half a century.

2) Home to half the population of the former Yugoslavia, this homogeneous group of people refuses to abandon the old dream of the mediaeval Serbian kingdom. The Europeans cannot invite them into the EU before they sort this out for themselves and decide to become more civilized. We face a long stalemate. In the meantime, Serbia's neighbours will continue to grow in prosperity, and new generations of Serbs will put pressure on their elders to change their thinking.

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3) The Serbs have revolted on several occasions. The Treaty of Adrianople (September 1829)set up a legal frame-work for the Serbian State. Since then the Serbs have been on their own, a Slavonic satellite out in deep space (Serbia was formally an ally of Russia only briefly, from 1903 to 1917.)

4) Serbia must abandon all its aspirations in Kosovo and surrender its war criminals to the International Criminal Tribunal for the former Yugoslavia. Until it does this, it will remain isolated. The EU is in no hurry.

Croatia

1) The Croats was one of the three Slavonic tribes, together with the Serbs and the Slovenians, who migrated into the Balkans relatively late in history, at about the same time as the Anglo-Saxons laid the foundations of England. The Croats and Serbs immigrated as one group, and resemble each other physically. Until that time the Balkans had been part of the general culture of antiquity (Brown 1954).

2) Croatia has long been part of the Austrian–German zone of influence, and is predominantly Catholic. It belonged to the Habsburgs for almost four centuries, from the time it elected Ferdinand I as its king in 1526. Nazi Germany restored the Croat State in 1941, and it was largely thanks to Germany that Croatia was included in the European economic community so soon, in 1991.

3) Much blood has been spilt on Croatian soil. The Croatian Fascists, the *Ustashi,* were trained in Italy and Hungary. They slaughtered not only Jews and gypsies but hundreds of thousands of Bosnian Serbs. Upwards of a million people were killed here by German Nazis, Italian Fascists, Croatian Ustashi, and Serb Chetniks.

4) As with Serbia, Croatia will need to co-operate fully with the International Criminal Tribunal to investigate the atrocities committed by its forces during the Croatian War of Independence (1991–95) before it can hope to become an EU member.

Slovenia

1) The Slovenes are related to the Czechs who live further north, but speak a language closer to Serb and Croat.

2) Like the Czechs these are a responsible Slavonic people, ferociously independent, known for their appreciation of culture, especially fine literature (poetry). These characteristics are inseparable from their identity and national pride.

Bosnia

1) The Bosnians became Muslims voluntarily, and for good reasons: the Roman Catholic Church was much more tyrannical than the Sultan in Istanbul. They were a peaceable people who used to know how to live a good life. Consequently they have fewer problems as refugees in integrating with the more civilized nations of the Western world.

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Herzegovina

1) There are three Bosnias and three Herzegovinas: one Roman Catholic, one Serbian Orthodox, and one Moslem. To keep these six elements together requires a miracle. In the north there are also a number of Protestant villages, and, until the Ustashi massacred them, there were even some Sephardic Jewish communities here.

2) Sarajevo is an old aristocratic town. It was never typical of the rest of Bosnia–Herzegovina, but a special "pleasure city". The beys who ruled here under the Ottoman Empire were remarkable hedonists, a trait still noticeable in the character of the present-day population (Brown 1954: 83).

Montenegro

1) Often called the "Free Principality of the Black Mountain", this country has a population with a character of granite. Even though it was never independent before 2006, it had never really lost its sense of unity.

2) Russia long dreamed of making this country its ice-free port with access to the Mediterranean and the Atlantic, and the Turkish Sultan repeatedly tried to crush the people who lived here; but it is not a place you invade, and not a people you can keep as servants. It takes a lot to shape granite.

Albania

1) Since the end of the Cold War, Albania has been a factory for organized crime.

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2) Albania is the entrepôt for a large share of the drugs entering Western Europe. Albanian mafia groups have succeeded in operating freely in all major European cities. Their criminals cannot be handled like other criminals. As with Russian mafia groups, they must be met head on if we hope to manage the threat they represent.

Kosovo

1) If the Serbs want to invade this country they will have to fight the Albanian half of the population. That is not a fight they can win. Few people are as easy with violence as the Albanians.

Macedonia

1) Today's Republic of Macedonia is a windy plateau, infertile, and less than half the size of the historical Macedonia of Alexander the Great. It is nothing to get romantic about.

6.3.3 Asia and Australia

Turkey

1) The Turks are of Mongol origin, a people far from their original home. They are nomad warriors who adapted to Islam on their way through the Middle East.

2) Having wandered too far to the west, and lost their connexion with the Islamic world, being now surrounded by hostile cultures, the Turks have a real need to make alliances.

3) Since the establishment of the republic in 1923, Turkey has been a crisis-ridden country, always living on the brink of another military coup (Aydin 2005: 25–56), held together only through great compromises between the ruling classes, in fear of the alternatives.

4) Kemalism is an intellectually-enlightened form of despotism. But Islamist rule will mean an end to Turkey's autonomy. It will mean an end to the secular State founded on Western ideals. To counter this movement, many Turks have become even more Kemalist, especially within the army.

5) Constantinople was for a while the capital of the Roman Empire, and later a centre for the Christian Church. For centuries this staging-post on the road to Jerusalem was held by Europeans. For centuries the city relied for its security on mercenaries, many of them Vikings. In the middle of the eleventh century a new tribe came in from the east, who the Vikings quickly saw that they could not hold back: the Seljuks. After the defeat at Manzikert in 1071 it was only a matter of time before the Europeans would have to give up this land.

6) Even though the Seljuks succeeded much better than the Byzantines in populating Anatolia, integration and unity remained and remains a major problem. In an attempt to hold it all together, the Seljuks moved their capital back to the old Celtic city of Angora (now "Ankara"), a place which reminds us of all the different people who have ruled this area since the Hittites (Indo-Europeans).

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7) Surrounded by hostile Muslim cultures on all sides, the Seljuk secular elites have from time to time flirted with the idea of co-operation with the Jews in Israel, but this has never really worked out because the Israelis have never accepted them as equals.

8) The Turkish army, which beat Winston Churchill[162] but lost against Lawrence of Arabia, was trained and led by German officers. Otto Liman von Sanders turned Enver's defeat into a victory. Enver Pasha (Ismail Enver) did not much like Liman but had to recognize his merits. It was Liman who promoted Mustafa Kemal (Atatürk), against the will of Enver.

9) After the Allied victory of 18 March 1915, the Young Turks led by Enver turned in fury against the Armenian population, hoping to exterminate or deport all two million of them. They killed about 700,000 people.

10) The Americans are the only people who really need Turkey as an ally, to keep an eye on Russia (via signals intelligence) and, now they realize that Israel is no longer a secure base in the region, as a military base for operations in the Middle East.

11) The American strategy is to create deeper divisions within the EU by advocating Turkish membership. They have almost achieved the same goal with Poland, making the Polish overconfident.

12) Much of the military equipment used in the first Gulf War was afterwards given to Turkey. The US military industry never wants to see weapons brought back from a theatre of war. It is bad business for that industry. They would rather have the weapons sold to Third World countries or private-sector contractors, which is what often happens.

The Middle East

1) In the Middle East you find two types of thinking: irrational (Sunni) and rational (Shia). Those who adhere to the first kind will blow themselves up. The second group will lead wars and lead them well, but you can also reason with them.

2) In the Middle East your enemy's enemy is your friend. This is a world where there are no ideal solutions, and treachery lures round the next corner. Study the examples of deception in the *Arabian Nights*. They will prepare you well.

3) In the 1930s the "Near East", or *Proche-Orient*, only included Egypt and its fertile neighbouring countries: Syria, Lebanon, Iraq, Jordan, and Palestine. The term was associated with the great civilizations and the three Abrahamic religions (Defay 2003: 6). Later the term "Middle East" came to be used for the area from Libya (sometimes even from Morocco) to Afghanistan and the Arabian Peninsula.

162 The battle of Gallipoli, with about 500,000 casualties, half of which were Allied troops, was Churchill's biggest blunder ever. "What about the Dardanelles?" the crowd would shout, years after the First World War, when Churchill tried to fight his way back into politics.

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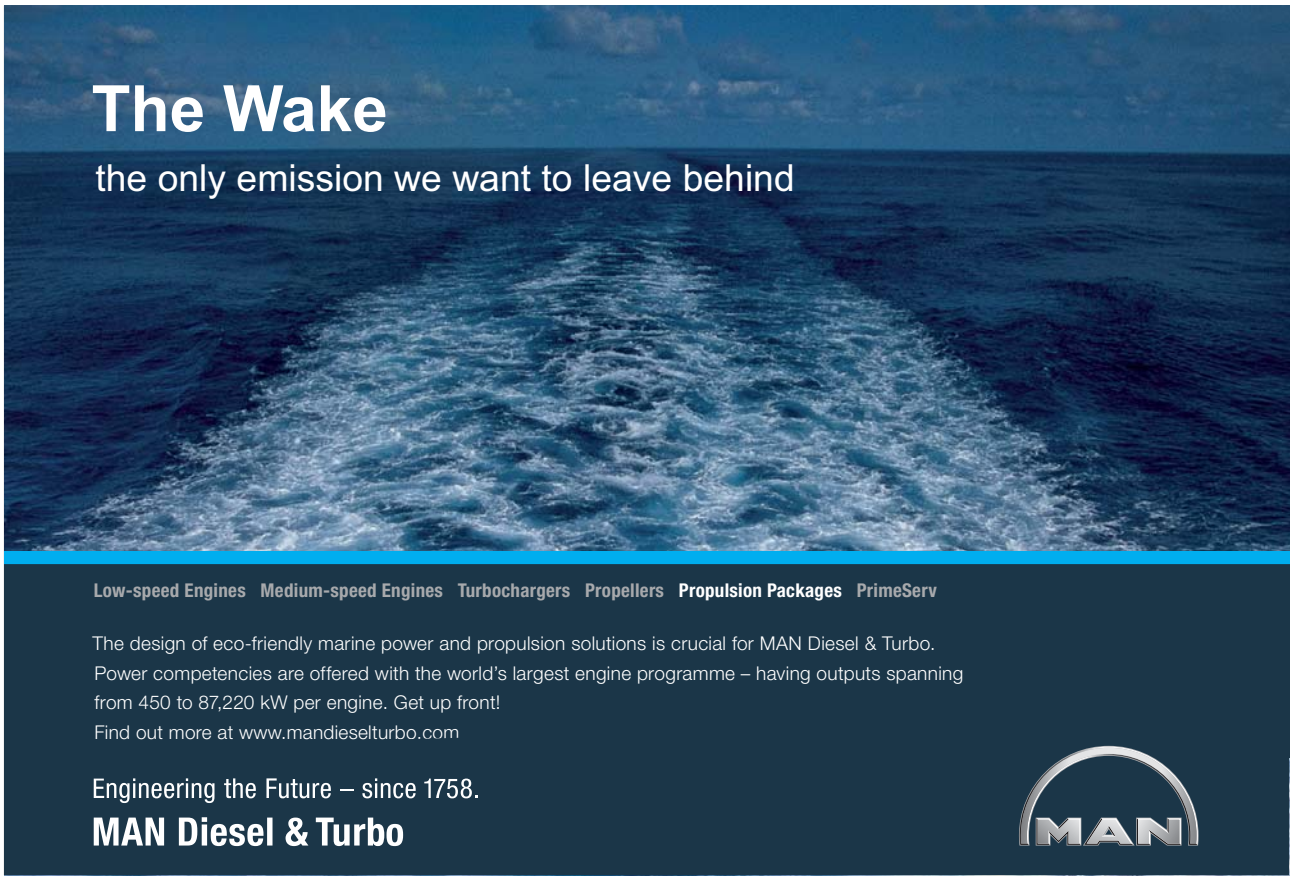
4) In the twelfth and thirteenth centuries, the Turks arrived in the Arab world as mercenaries. Armenians bought Turk slaves and sold them to Arabs. The Turks have never enjoyed desert life. That is why they have always preferred the Balkans and Europe.

5) Armenians have always been skilled tradesmen, well placed on the route from East to West. "What would Madras be without the Armenians?" When the British, and later the Ottoman Sultan, started to rid themselves of their loyal middlemen, an Armenian diaspora appeared. Wherever they go they prosper.

6) The Arab world is divided into two: Arab Muslims and Arab Christians. Of the 22 million Christian Arabs, more than eighty per cent (18 million) used to live in the Lebanon. After the civil wars, sixteen million of them left the country, most of them moving to the USA where they integrated well into society.

7) We allow ourselves to be fascinated by Islam as an alien thing ("Orientalism"), the romantic image of Moorish culture and its aesthetics (hydraulic engineering – which they learned from the Romans; mosaics and gardens– which they had seen in Persia; the books they preserved – which we had written). Islam is a political religion. Deep in its soul lies *jihad*, the good war. Society is controlled by *sharia*, the religious laws. How can you hope to integrate this? (That does not mean that our societies cannot absorb a number of moderate Muslims.)

8) After the fall of Marxism, Muslims have taken on the task of saving the world. They have inherited the doctrine of anti-Westernism.



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9) Question: What explains the increasing popularity of Islam? Answer: Islam offers a strong moral code which helps people in chaotic parts of the world to co-exist (cf. Barreau 1991).

10) Islam continues to grow even though the Moslems have been beaten on all fronts: in the west by the Europeans, in the south by the Hindus, in the east by China (in Xinjiang). Theirs is the fate of people living in the middle, at the crossroads.

11) After a period of Islamic expansion there was an internal struggle about the future direction of the religion (700–1400), won by the more hawkish side. There was to be no more scientific progress. For a few Arab communities this was too much: for the Christian Arabs, the Syrian–Lebanese, and for those who emigrated to Egypt.

12) Islam's new conquests include Malaysia, Indonesia, and the island of Mindanao. It is also gaining territory in Africa.

13) The geopolitics of the Middle East is all about the logistics of oil (cf. Fouskas 2003: 11–27). The major areas of interest follow the new pipeline projects leading from the Caspian Sea: from the Kashgavi and Tengiz fields in the north (Russia), from Baku (Azerbaijan), and from Chardzhou (Turkmenistan). The new pipeline from the northern Caspian area passes through the Balkans (from the port of Burgas in Bulgaria) via Macedonia to the port of Durrës in Albania.

14) The largest American overseas military base built since Vietnam is Camp Bondsteel in Kosovo, run by a private company, KBR Inc. (formerly Kellogg Brown & Root). It is financed and run by the Brown & Root Division of Halliburton, the world's biggest oil service corporation, whose chief executive was Dick Cheney, former Vice-President of the USA (Fouskas 2003: 24).

15) Many analysts see US actions in this region mainly from the perspective of oil interests. They are convinced that the human-rights rhetoric conceals only pure self-interest (Fouskas 2003: 12). With Obama at the helm the analysts' eyesight is becoming blurred, seduced by the new president's charm.

16) The Western world has learned how dependent it is on stable oil prices from three major oil crises: in 1973, with the Yom Kippur war between Israel and Arab states; in 1979, with the Iranian revolution; and in 1990–2, with the Gulf War. The idea then was that the war on Iraq should lead to more reliable oil supplies. Instead the opposite occurred.

17) When the USA first invaded Iraq, it not only got its hands on the second-largest oil reserve in the world, after Saudi Arabia, but it also saw off two major competitors: France's Total Fina Elf, and Russia's LUKOIL. Now Russia and France are back again. The US won the "war of invasion", but lost the "insurgency war". Now they are losing the oil contracts too.

18) Natural gas, not oil, will be the fuel of the 21st century (cf. Doyle 2004: 36). As this change occurs, more power will shift from OPEC countries towards Russia, holder of the world's largest gas reserves and newly

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elected to membership of the World Trade Organization. It is in our interest to move to alternative sources of energy as soon as possible, but we need a couple of decades to achieve this; we need the time to develop the new technology.

Iran

1) When the US leaves the Persian Gulf, Iran will fill the power vacuum.

2) Iran is the true victor of the two wars America has fought in the Persian Gulf. Iran now controls the larger and more important parts of Iraq (Basra), and has consolidated its influence on Syrian and Lebanese politics. On top of that, Hezbollah has defeated the Israeli army in open battle (in 2006).

3) The best option for the USA is to get Israel and Iran to the negotiating table and to divide the Middle East into spheres of interest between the three of them – but why should Iran agree? They are the true victors of these wars. In the meantime Israel may do something foolish.

4) Hezbollah are training Hamas. If they succeed, they will have Israel surrounded.

5) Only the US Navy's Fifth Fleet stands between Iran and the oil resources in the Arab Gulf States. There will be no Arab Spring revolution there, because the poor migrant workers are non-citizens.

6) Iran is a police state, a paranoid and divided society run by a group of mullahs. The mullahs make the laws, control the military, and run the intelligence services. Their praetorian guard, the Revolutionary Guard, is a part-military part-commercial organization.

7) The presidency is just a façade, like the post of prime minister in Russia.

8) Iranian students are held and tortured in secret prisons by the thousands. They can turn the revolution around, but they rely on support from people living in the countryside.

9) SAVAMA, the successor to the Shah's SAVAK, is even larger than the former organization and just as brutal. Like its Israeli counterpart, Mossad, SAVAMA regularly engages in assassinations abroad. But unlike Mossad they mostly kill their own people.

10) Iran is a country actively seeking to acquire the same nuclear capability as Israel. They are doing this using ex-Soviet and Chinese expertise and Western equipment sold on by third-party companies, some of which are located in Pakistan.

11) Iran has a vast organizational structure for managing terrorist operations and spreading anti-Western propaganda. The country can mobilize all the world's miseries against the West if it decides to do that. In just hours it could cut off all movement of oil out of the Persian Gulf. In days it could set off explosions across the planet. The USA does not even want to contemplate the thought of attack. … and as it is election year in the US Iran will not risk a provocation, only show their capabilities

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12) Some years ago, the Iranian foreign intelligence carried out a number of bombings in Paris as a reprisal for not being allowed to kill their own nationals in France. So now when SAVAMA/VEVAK/MOIS want to kill their own people, the local intelligence services wait outside in their car. … There is a delicate balance in the dealings between the world's leading intelligence services. When Mossad killed the wrong man in Norway in 1973, they had to give something in return: they revealed Israel's nuclear plans (admitting that they had used Norwegian heavy water to build a bomb), a secret only leaked to the public thirteen years later by Mordechai Vanunu.

13) Iran does not like its neighbouring Arab States. Their Islamism is anti-Saudi. Iran does not even have an embassy in Saudi Arabia.

14) Iran is dominated by a hundred thousand rival mullahs belonging to the Shiite sect. Shiite ideology has many similarities with Communism. The Shiite minority fights to liberate all of humanity (Thual 2002: 18). It is in part to blame for the conflict in Afghanistan, the struggle for power in Syria, continual unrest and insecurity in Lebanon and in Saudi Arabia, the chaos in Pakistan, and opposition to secularism in Turkey. The list is long.

15) Islam is a religion which aims to conquer new land. It is a powerful weapon that Iran cannot dispense with. One could imagine Iran returning to a more secular structure, combined with its Zoroastrian tradition, at some time in the future, but not now. If it had, this would have made the relationship with the West less problematic. After the age of petroleum has passed we may consent to Iran setting the agenda for their neighbouring Arab states. After all, Iran is the only player which could bring real stability to the region. The Arab Spring has yet to deliver in this part of the world. Syria is not Iran.

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16) Be aware, the Americans hawks are bent on revenge in the Middle East. They want to bomb Iran, and they will come up with reasons to do so.

Israel

1) A child who gets beaten does not turn against the idea of beating; he inflicts the same pain on his own children. So it is with the Jews. After centuries of persecution in Europe, they quickly became persecutors of their own neighbours, the Palestinians.

2) The Israelis have two enemies, the Shiites and the Sunnis, or Persians-plus-Azeri-Turks and Arabs. The Arabs they can beat in battle any day, any time. The Shiites are now their superiors on the battlefield, and not just in numbers. Surfers and college kids are nothing to fervent religious warriors. The lesson has taken a long time to learn, but after eighteen years in Lebanon, ending with their withdrawal in 2000 and the defeat by Hezbollah in 2006, the point has become obvious to Israeli Intelligence. Their population is now too soft to fight a large-scale war.

3) Instead Mossad has decided to go it alone, to take out key people in Hamas and in Iran. This will only make the journey to the negotiating table longer. It will make the eventual concessions larger.

4) The USA will not go along with the Israeli wish to bomb Iran. If Israel decides to bomb Iran alone, that will be the beginning of the end of the State of Israel. Neither Europe nor the USA will come to its rescue, not unless there is a Tea Party politician at the helm.

5) In the Palestinian State of 1947, most Jewish colonies were in the coastal areas, from Jaffa and Tel Aviv northwards. The UN plan for a Jewish State in 1947 allotted to the Palestinians the West Bank, an area on the border with Lebanon, and another area including Gaza and along the Sinai border with Egypt. In 1949 the Israelis took the Sinai and Lebanon border regions from the Palestinians, leaving them with the small Gaza Strip and the West Bank.

6) In the 1967 war Israel not only occupied the West Bank, but took the Golan Heights from Syria and the whole of the Sinai Peninsula. The Sinai was returned to Egypt in various intervals between wars over the years 1978 to 1982, but the other areas were never returned to their previous owners. And so long as Israel can rely on US support, there are no signs that they will give those areas back; however, when US influence in the region diminishes, they will have to reconsider.

7) To the USA, Israel is a liability, not an asset. Knowing this, the Israelis have established the world's most powerful political interest group in Washington, the American Israel Public Affairs Committee (AIPAC), which has traditionally supported the right-wing Likud Party. … Only the House of Saud has a more direct line into the White House and the US Senate.

8) Through excessive violence by Israelis in the Gaza Strip, much of it directed at women and children, Israel has now lost its popular support in Europe. That has taken some fifty years.

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9) If the current political direction in Israel prevails, the country is likely to weaken with the decline of the USA. … Its position will not improve when China is leading country. Like the Romans, the Chinese have no tolerance for fanatics of any kind, especially not the religious kind. Unlike the Americans and the Europeans, the Chinese will be unsentimental about Israel.

Iraq

1) Iraq, the land of the two rivers, consists of Sunnis (about 32 per cent), Shias (about 48 per cent) and Kurds (non-Arabs, about 20 per cent). Kurdistan is already a quasi-independent state within the state, with its own government and militia. The Shias have become the *de facto* rulers through their majority. The previous rulers and allies of the Americans, the Sunnis, have been marginalized.

2) Shias represent only about 12.5 per cent of all Muslims worldwide.

3) Remember that al-Qaeda is a Sunni movement. So, our best strategy in Afghanistan would have been to co-operate with Iran, but of course we did not do that. That is because the real enemy of America since the Shah was ousted has always been Iran, not Iraq and not Afghanistan.

4) Iraq was controlled by Turks for close to 900 years[163] (the Baghdad Kiosk at the Topkapi Palace was built to commemorate the victory), and under British protection for only forty years.

5) In 1920 an Arab socialist movement was founded in Paris by a Syrian and an Orthodox Christian. This historical relationship explains why both the left in France and the Christians supported Saddam Hussein.

6) Both Europe and the USA actively supported Saddam Hussein in his war against Iran. Now, since that war, Iran has won the struggle for the control of the Middle East. How ironic. Our strategy was highly short-sighted and irresponsible. Now it is time to mend the situation and make new alliances.

7) Saddam and Nasser were the political descendants of Kemal.

8) The two major religious cities of the Shiites lie along the Euphrates: Karbala and Najaf. We are seeing the beginning of their reunification with the motherland.

9) Turkey will not agree to the Kurds establishing an independent republic in Iraq, but they may be forced to accept it. When the last American forces have left, we may even see military conflict between Kurds and an alliance of Sunnis and Shias over the disputed oil fields.

10) The US invasion of Iraq could be called the greatest strategic blunder of modern history (cf. Baer 2009): it served to strengthen the only real potential superpower in the region, Iran, America's arch-rival.

163 The city was capture by Turks in 1058, then by Mongols and then again by Ottoman Turks in 1534. The British captured the city in 1917, during World War I.

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Syria

1) Syria came into early contact with, and later assimilated, many of the Hittites, the first Indo-European tribe in the Mesopotamia region. That contact is still visible in the Syrian character. It produced one of the most advanced civilizations ever seen in the Middle East, that of the Assyrians.[164]

2) Syria is a country controlled by one man, Bashar al-Assad, as it was by his father Hafez before him. All significant business contracts pass though him and his entourage. Apart from that, business life is relatively open and free.

3) Syrian society is composed of a number of cohesive groups recognizing a common heritage and exhibiting great solidarity. Both linguistic and religious characteristics define these groups; religious communities within the larger population sharing a language function as separate quasi-ethnic entities, and which have in many cases developed distinctive cultural traits.

4) About forty percent of the Sunnis in Syria are urban dwellers; of those, eighty percent live in the five largest towns. The Alawis, apart from those who constitute the ruling elites in Damascus, are generally poor and live in rural areas, especially along the coast north of Lebanon. About ninety percent of the inhabitants of the Jabal al-Arab are Druze; there are also Jews and Armenians, who are largely urban traders (see Mona Yacoubian in Collelo 1988).

5) The twenty-million-strong population of Syria is ruled by the Alawite section of the population, who number 2.5 million and provide the Head of State and the leaders of the armed forces and intelligence services. The Alawites are a distinctive sect of Shia Islam with secret rituals built on ideas of reincarnation. The Sunnis represent about seventy per cent of the population, and handle most civil administration. This is a difficult balance which is maintained only through oppression and control; the Sunnis hate the Alawites. Knowing that keeps the Alawites on constant alert.

6) The Islamic Brotherhood, also Sunnis, was at war with the Alawites in Syria for most of the twentieth century. In Syria this ended with the Alawites killing people variously numbered between seven and forty thousand in the city of Hama in 1982; many hundreds of Brotherhood members were slaughtered in Syrian prisons. Al-Assad wanted to make a point, as a warning to them. The Brotherhood had killed Sadat the previous year in Egypt.

7) This is the same Brotherhood that attacked America at the beginning of the 21st century. Al-Qaeda, the remainder of fundamentalist resistance fighters in the war in Afghanistan, were their brothers in arms against Russia.

8) Unlike al-Qaeda, the Brotherhood have always had a strong intellectual streak. Osama bin Laden's teachers were members of the Brotherhood. There is a close relationship between the Islamic Brotherhood and the Wahhabites in Saudi Arabia.

164 Artefacts from the royal tombs of the Assyrians, excavated by the Ottomans and now in the Istanbul Archaeological Museum, are among the most beautiful objects created by mankind, made in 500–300 BC, before the beginning of the Hellenistic period.

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9) Iran has helped the Alawites to rid Lebanon of Saudi influence. For the moment the Iranians control the south (Hezbollah) and the Syrians the remainder.

10) Now the US wants to join forces with the Islamic Brotherhood to oust Al-Assad, with the aim at the end to weaken the Shias in Iran. Most politicians of Europe play along, even France who once put the Alawites in power, without every asking what regime may come instead. In the meanwhile Al-Assad had open up for democratic election through constitutional reforms. We would then be ousting a democratic state with the help of some of the world's worst dictatorships.

Jordan

1) King Abdullah I of Jordan (ruled 1921–51) has been described by others as a British bellboy who agreed with Ben Gurion to share Palestine with the Israelis. It was put to him that he would come to rule much of Syria if he supported the Israeli attack. But when the 1948 war started, the Israeli officers paid no heed to that agreement. Now, in order to rebuild some trust, Jordan has had to house many of the Palestinian refugees (1.8 million out of 4.2 million).

2) Jordan also offers a home to members of the Islamic Brotherhood – Sunni terrorists expelled from Syria and Iraq. The Shia too have a presence here, with their Islamic Action Front. All groups are waiting for a chance to strike.

3) The Hashemite Kingdom is the most reliable partner of the USA in the Middle East. When the US pulls out, this family will be the first to go into exile. Then there will probably be all-out civil war.

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Egypt

1) Egypt has a single-party electoral system, in which most votes get lost in the process of counting.

2) Under Nasser, Egypt was considered Communist, and the Islamic Brotherhood was supported military and financially by the USA. Unlike Morocco, this is a country with a certain tradition of secularism.

3) Now, Muslim fundamentalists are winning the hearts of the poor. If the wealth of the country wealth cannot be distributed more equally, they will revolt again. Not even the fear of ending up in the most horrible prisons in the world can deter this group. (One American official said in the aftermath of 9-11: "If you want to torture someone you send him to a Syrian prison, if you want to kill him you send him to Egypt".)

4) A Muslim fundamentalist city of some twenty million inhabitants[165]on the border of Europe would be a tremendous security risk. It is probably our worst nightmare with respect to the Mediterranean region. Hence we have always been willing to support a dictator and look the other way.

5) Mubarak will be replaced by other military figures. The Egyptian revolution was never won, or at any rate it has not been, so far. Those who advocate freedom are not the majority. Their long-awaited democracy may instead encounter a reverse.

6) Egypt faces much the same situation as Turkey: there is a balance between critics of the regime and the non-religious elites. If one tourist is killed, all hell breaks loose. Both parties know and respect this unwritten agreement. It is the same agreement the Turks have with the Kurds in Istanbul: "a hundred eyes for half an eye".

7) If the military abandon their hold on power, the country will drift towards Islamism. Their best hope will be some sort of moderate Islamic republic as in Turkey, but they are still far from this goal.

Saudi Arabia

1) Saudi Arabia is a young country, founded in 1932 on the remains of the Ottoman Empire. This is, as the name suggests, the al-Sauds' Arabia, the country of one family; the biggest family business in the world. Some four thousand princes occupy most key positions in the State. The wider Saud family may number as many as forty thousand individuals, a figure which will double within a generation since the country has the world's highest birth rate. The most powerful members are the direct descendants of King Abdul Aziz, about two hundred in number.

2) This work-shy Bedouin society can afford to hire foreigners to work for them, who comprise some seventy per cent of the total workforce.

3) The Sauds returned from exile in Kuwait to fight the Rashids, then the leading tribe, in 1901. The Saud family and the rulers of Bahrain, Kuwait, and Qatar were originally all from the same tribe, the Aneyza.

165 It is impossible to say exactly how many of Egypt's 72 million inhabitants live in the slums of Cairo. You can drive for hours through what feels like an endless slum of half-finished brick and concrete blocks of flats.

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4) The country has been run by one man for more than a decade, King Abdullah bin Abdul-Aziz Al Saud. The Saud family is fundamentalist, believing in a return to the teachings of the Koran. That does not mean, of course, that they wanted to hand their kingdom over to bin Laden, the son of a construction worker.

5) In 1740 Abdul Wahhab, the son of a *qadi* (religious judge), met a man called Mohammed, from the little-known house of Saud. These two made a pact to reform Islam by armed force. They succeeded, largely thanks to the British (who wanted to hinder Turkish dominance in the region). What seemed sensible at the time turned out to be a disaster, for the British too, who were soon replaced by the Americans.

6) The Bush and the Saud families are among the most powerful dynasties in the world, perfect partners in the same industry.

7) It was the Saud family who wanted the Americans to collaborate with them in their oil fields, believing that this would bring greater stability to the region as a counterweight to British exploitation in Kuwait, Iraq, and Qatar. The British had a reputation for wanting to take charge. The Americans just wanted to make money. The deal was the invention of Kermit Roosevelt: the USA would support the Saud family politically and militarily in return for an oil price fixed in dollars. Both parties made financial commitments to the Carlyle Group, the largest private-equity firm in the world. So the Saudis took on Standard Oil of California, later Amoco, later fifty per cent owned by Texaco.

8) The deal was brokered with the help of St John Philby, a British agent and friend of Ibn Saud, better-known as the father of Kim Philby, the most harmful double agent in Western history. Amoco was later to develop something of a tradition of employing CIA agents.

9) The USA has been cooperating with the Bedouins in Saudi Arabia for as long as it could. This strategy has now run out of time. Possession of Iraq was thought to be an alternative source of oil for the USA, an insurance policy in case the Sauds should be overthrown.

10) The Saudi–American investment company Carlyle Group is led by a group of men around George Bush senior. Even Colin Powell had his hand in these pockets. Much of the Washington establishment has been taking money from the Saudis for decades in return for support. This is not a matter of occasional bribes, but a system of corruption that has been institutionalized on Capitol Hill.

11) The chief executive of the Carlyle Group, Frank Carlucci, was national security adviser in the Reagan administration. The bin Laden family were part-owners, and had to be bought out when Osama suddenly turned against the USA. Not only was the bin Laden family an ally of the Americans against the Communists, but it also included members of Islamic fundamentalist groups (Wahhabites, Islamic Brotherhood, Taliban).

12) It is ironic, but probably no coincidence, that Osama bin Laden decided to lead his warriors of the Islamic Brotherhood in an attack against the USA on the very day that his brother Shafiq participated in a conference led by the Carlyle Group in Washington (see Pierre 2005: 280).

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13) Saudi Arabia does not have one centre, but many. The country's four thousand princes have different political ideals, and they finance Islamic movements more or less all over the planet, in places like Chechnya and Central Asia. (That is why Chechnian terrorist often carry the most expensive weapons)

14) Oil is easy money. After the oil is gone, the Saudis will rapidly decline as a culture, and cease to be an international player. This nation will fall much faster than seventeenth-century Spain after it had spent all the gold that was stolen in the Americas.[166] Spain at least built some impressive cathedrals for the money. All the Saudis have managed to buy is American weapons, since that has been what the USA most needed to sell, about $100bn worth since the 1970s.

The United Arab Emirates (UAE)

1) The UAE consists of seven emirates: Abu Dhabi, Sharjah, Ajman, Dubai, Umm al Quwain, Ras al-Khaimah, and Fujairah. Together they have a population of about 4.1 million, of whom 3.2 million are servants and expatriate "guest workers".

2) The Emirates amount to nothing more than a high-end shopping precinct (cf. Baer 2009).

3) Abu Dhabi sits on 94 per cent of the UAE's oil reserves.

4) While Abu Dhabi has all the money, Dubai has mostly debt, and needs to borrow to survive. It is a bubble-city on the brink of collapse, and was recently rescued by Abu Dhabi.

166 Other analysts have been more optimistic about the ability of Saudi Arabia to survive; see e.g. Dedijer (1982).

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5) Westerners flock here in hundreds of thousands, to make money. But few want to stay. There is nothing to see and it is too hot to live there. When the wealth is gone – which may take a while – it will be time to shut up shop.

Bahrain

1) Bahrain was part of Iran until 1783. In 1797 one family, the Al Khalifa family, seized the island. To protect themselves they first made an alliance with Britain, and later with the USA.

2) The country's large Shia population is a continual threat to its Sunni rulers.

Qatar

1) "Qatar has the population of a large scale hotel. The life in the Arab states along the Persian Gulf all bears a strong resemblance to the situation in Havana in the years before Castro took over." (Baer 2009)

2) Fewer than 300,000 Qatari citizens are being served by 1.4 million foreigners. This is a family business where key posts are distributed to the Emir's family (ministers) and that of his wife (army and security services). Hamad bin Khalifa al-Thani owns 17 per cent of Volkswagen, 7 per cent of Barclays Bank, 25 per cent of Sainsbury's (Britain's third-largest supermarket chain), part of London's Canary Wharf, and the famous Harrods of London.

3) Where does the money come from? The country is the largest exporter of liquefied gas in the world.

4) The Emir of Qatar runs one of the world's most successful news organizations, AlJazeera. It has rapidly won market share not only in the Arab world, but in Europe too, being seen by many as a welcome counter-weight to the more biased American networks. Many Shias view Al Jazeera as a pro-Sunni weapon against Syrian and Iran influence in the region.

Oman

1) Oman owes its independence to the *Rub'al Khali* or Empty Quarter, a vast, virtually-uninhabited desert which few men would enter and none would consider fighting over.

2) In this country, which is neither Sunni nor Shia, but has its own unique "Ibadi" form of Islam, the Sultan is absolute ruler.

Yemen

1) Yemen comprises Shias of a ferocious warrior type, so it was never realistic for the Wahhabi Sauds to annexe the country. Even the Romans failed to conquer what they knew as *Arabia Felix*, home of the Queen of Sheba.

2) North and South Yemen were reunited in 1990, after South Yemen had been Communist for two decades. Until recently the country's northern borders were undefined, since the land here is practically uninhabitable (though remarkably beautiful).

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3) Today the country is divided into three areas with three distinct groups: Shias in the north (supported militarily by Iran, trained in Eritrea), rebels in the south, and the government in the middle.

4) This is the new hideout for Islamic fundamentalists, and Somali pirates operate freely from its coast.

5) For Ali Abdullah Saleh, who ruled North Yemen from 1978 just until recently when he became ill and the whole country since unification in 1990, al-Qaeda was always a minor problem relative to the secessionist movements in the north and south of the country. Now he has passed on power to his long-time friend and military leader, Abd Rabbuh Mansur Al-Hadi.

Russia and the Tartar world

1) No other country has felt the impact of the end of the Cold War as Russia has. All its boundaries have been redrawn. It has been a case of "quick come, quick go". This has been the price for losing the Cold War.

2) All Russia's borders have been contested, from the Baltic countries in the north-west, right through Central Europe, to the Balkans, Ukraine, and the Caucasus, and by the Turkic-speaking countries of Central Asia (Kazakhstan, Kyrgyzstan, Uzbekistan, and Turkmenistan). The power vacuum is being filled by Europe (along the western borders) and by the USA (along the southern borders).

3) For four centuries the Russian State expanded, without ever reaching its goal, access to warm waters.

a) In the fifteenth century the Russian State was just a little region surrounding Moscow.
b) By the mid-eighteenth century it had expanded northwards to the Kola Peninsula.
c) Then between 1790 and 1914 came the big move eastwards.
d) Now the country is experiencing a return to its pre-nineteenth-century borders in the south.

4) Modern history has taught us that you need an ideology to win the heart of a people and rule them.

a) For the French under Napoleon it was "liberty, equality, and fraternity"
b) for the Soviets it was "equality"
c) for the USA it is "freedom and the pursuit of happiness" (the right to stay rich).

5) Disintegration started with the Baltic States' demands for independence.

a) It continued with the Ukraine in the south
b) then the peoples of the Caucasus followed
c) and now the process is continuing in the vast Islamic region between the Caspian and China. All that remains are the wide steppes, which were largely unpopulated before the Great Russian expansion.

6) "Without Ukraine, Russia ceases to be a Eurasian empire" (Brzezinski 1997: 46). We would have liked to meddle in the affairs of White Russia (Belarus) too, but Lukashenko is blocking the doorway, literally.

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7) Russia – the largest country in the world, more than twice the size of the second-largest – has no natural frontiers. It has an ocean that is icebound for most of the year, a climate without much variation, and poor, badly-watered soil.

8) Russia probably has one of the most adverse geographical situations of any country relative to its size, being composed of vast areas of difficult, infertile land, lacking direct year-round access to any ocean, and being surrounded by enemies. This Slavonic tribe has not had an easy journey from the Ukrainian steppes where they originated, to their current situation largely spread out thinly along the Trans-Siberian railway to Vladivostok, via Omsk, Novosibirsk, Irkutsk, and Khabarovsk.

9) From a geographical perspective Russia is related more closely to Asia than to Europe. Yet at the same time the cultural gap between Russia and China is an abyss.

10) Russia has always been a political mess.

a) They first sought the help of the "Rus"[167] (Swedish Vikings) to govern their own people in the tenth century,
b) then later were threatened by various Mongol tribes;
c) Mongols came to rule them with an iron fist for three centuries.
d) They were then governed in an atmosphere of terror by the Czars
e) and were seduced into believing in the European monarchical way of life,

167 The term may have come from "rudder", meaning those who came by ship and used oars or a rudder. It may alternatively refer to the invaders' fair hair.

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f) only to end up as a test bed for Communist theories – our theories, not theirs.

It does not take a psychologist to understand that these events have imprinted violent traumas on the Russian character.

11) In Russia there has never been any notion of rule by or for the people, only master–servant relationships, in the past and now. You serve someone, or you will not survive.

12) Average life expectancy for men in Russia has reduced by five years since the Cold War. Democracy is still not the order of the day. Two things have priority: security and bread. They also need something to believe in, so the Christian catechism has been obligatory in schools since 1992.

13) Western Europe is flooded with a nihilist Russian mafia. For these people there are no values, no right or wrong. "To meet them with our own laws and values is a waste of time." For these, as for the Albanian mafia and certain other criminal groups, there must be special rules, or they will continue to flourish.

14) Most of the Russian elite emigrated to the USA and other Western countries immediately after the Cold War. Their second-rank scientists have found jobs in other countries around the world, e.g. in South America. The brain drain has been almost total, even though a few who have succeeded abroad are now returning home, wanting for instance to recreate that pre-Communist idyll of life in a dacha for their children. Russia has an important diaspora, but does not know how to use it.

15) The Americans, on the other hand, have once again shown that they are masters at attracting the best brains. But then, they need to be, since they have been incapable of producing a sufficient number of their own scientists to retain superpower status. (Harvard is the best university in the world because it has the most money and knows how to use it. Stanford and Berkeley are populated largely by Asian students with excellent marks.[168])

16) Russia has finally acquired its "dear father", without whom, history has shown, they are lost. A decade of chaos is coming to an end.

17) Once again we have seen that the Russian elite is military. A leader from the private sector would have cost the country more blood. Medvedev is a puppet, a trick for the media: the civilian face. Putin would have liked to remove him if he could, but needed to create an image of a democratic, modern Russia.

18) The reform process which Russia has undergone has been like an operation without anaesthetic.

19) The Russians themselves had the courage to eliminate Communism, a political ideology which came from the West, created by a German and implemented in Russia with German help, supported by a non-Russian minority. The German aim was to destroy Tsarist Russia; the aim of the Bolsheviks was to sue for peace. But the German strategists had underestimated the danger of internationalizing Communism, which soon led to a coup attempt in Berlin.

168 Harvard has a dual strategy of selecting the best students, and raising the most money to recruit the best teachers and researchers. In the past this has also led to difficulties, as when the university found itself hosting the Guatemalan dictator General Héctor Gramajo.

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20) According to Hermann Rauschning's biography (1939), Hitler was well aware how far his own movement was a parallel to Russian Bolshevism. They were both mob-led rebellions against conservative, non-ideological rule.

21) A number of the people who initiated the Russian Revolution were Russian inmates of German prisoner-of-war camps, liberated by the German government so that they could attack their own country. Ludendorff instructed the Prussian officer Walter Nicolai to facilitate the operation.[169] There was no real "revolution" in the French sense; it was a halfhearted *coup d'état*. Hardly any shots were fired; all that was necessary was to occupy a few post offices and block some roads. Afterwards, whatever Lenin said went.

22) No revolution has happened spontaneously. We know this from Cuba and China also.

23) There used to be three great intellectual centres where Communist ideals inspired leaders from all over the world, all found in Europe: Paris, where Messali Hadj of Algeria, Pol Pot, Zhou Enlai, and Deng Xiaoping studied, Oxford, where Nehru studied and Cambridge which produced some of the best communist spies in history.[170]

24) The history of the Soviet Union was the history of the largest planned social experiment in human history (cf. Dedijer 1989a: 6). You always need an ideology to rule, whether political or religious– preferably it should be both.

25) The Communist experiment in the Soviet Union cost the lives of more than sixty million people. In some parts of its territory, such as Kazakhstan, the population remains lower today than it was in 1913. This seventy-year political and social experiment was a historical catastrophe. Lenin and Stalin between them killed more people than Hitler. The Soviet and Nazi regimes were of the same nature, totalitarian, which means that they demanded absolute submission from their subjects. … Some argue that Stalin had converted *de facto* to Fascism by the late 1930s, out of disillusion with the industrial performance of his Marxist–Leninist society.

26) Stalin was Asian, not European. He said so himself. That meant that he did not mind the brutality. Officially Stalin claimed that his idol was Lenin. In reality it was probably Genghis Khan. We know that Stalin read everything he could find about the Mongol warrior.

27) Stalin, known for his inability to speak in public, his self-centredness, his need for admiration, and his excessive use of violence, killed or imprisoned everyone he so much as suspected of having ideas diverging from his own, even if they belonged to the inner circle or to his own family. If he died alone, that was because there was no-one left around him. They were all abandoned, deported (imprisoned) or killed.

28) Russia passed from one demagogue to another. After the fall of Communism, Marx yielded to IMF/US interests and Wild West market liberalism, resulting in a system of nepotism, corruption, and mafia capitalism. The new kleptocratic state was orchestrated by American economic experts, many from leading US institutions. All that changed when Putin took over.

169 Nicolai acquired fame as the controller of Mata Hari. He died in a Russian prison in 1947.

170 The Communist Party won the elections to the Oxford Union council as recently as 2003.

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29) Russia is ungovernable. It is vast, the population is large, and they have lots of time on their hands. There is no real urbanism.

30) Russia always has a religious mission.

31) Russia remains turned towards the West, even though its most Westernized period now lies behind it.

32) In Russia fear replaces and paralyses thought.

33) The European solution is to win back the European part of the former Eastern Bloc. To co-operate, but not to integrate it. That is the lesson learned after two failed attempts to annexe Russia, by Napoleon and by Hitler.

34) Russia is setting out to become an empire again. The Red Army is being built back up. Fortunately for us, they do not have the means to compete with the armies of the USA and NATO. To develop a European army that could stand its ground against Russia will take another decade yet, or longer.

35) A bureaucratic system cannot be reformed from outside once it has reached a critical mass. The Soviet Union was destroyed from within. It was an implosion which key Party members accelerated. In the 1980s several Communist countries began transferring money to the West, to Swiss bank accounts, in order to undermine their own regime. It was the only way; political systems like these are non-reformable.

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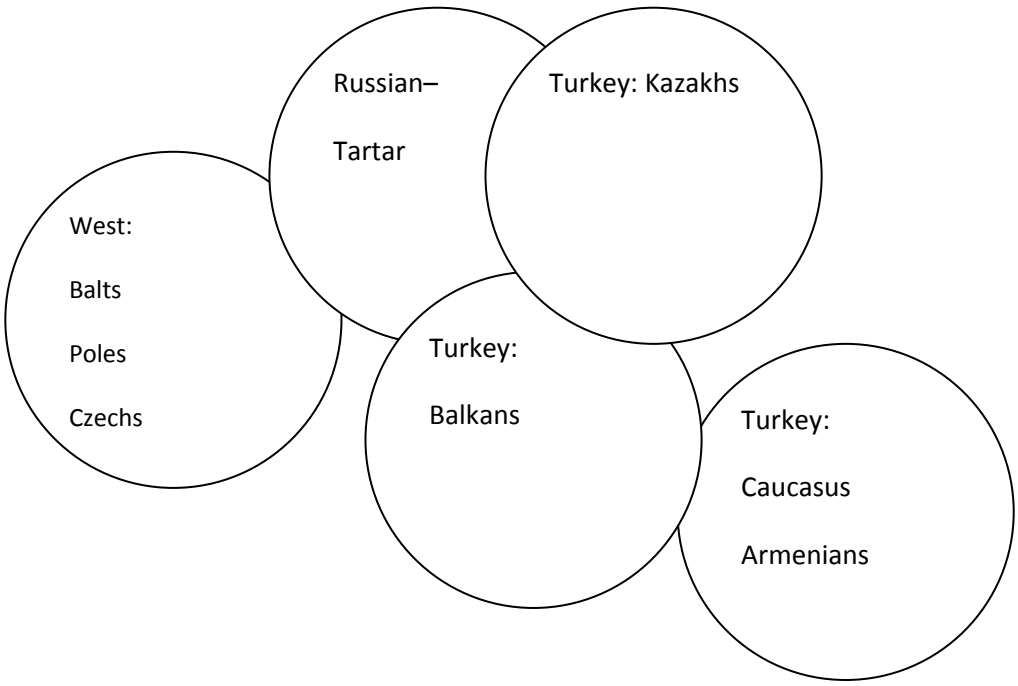
36) It was no surprise to the Soviets that their political system did not work. Their problem was that they could not change it. In 1975, Soviet analysts saw that they were falling behind. From 1972 onwards, the Soviet Union could only survive on oil and borrowed time. This is even true today, during the time Putin has been in power oil prices have increased many folds

37) Moscow has a profound sense of being the bulwark of Christianity. They see themselves as the third religious centre in Europe: Rome, Byzantium, and the Russo–Tartar (Russian Orthodox Church).

38) People of five different cultures are now heading in their separate directions:

Figure 12: Soviet ethnic diversity



39) The Russian geopolitician Alexander Dugin (Dougine 1997) dreams of Panslavism, opposed to the values of the West, which he sees as decadent. Vladimir Zhirinovsky goes even further, seeking a Grand Bargain with Germany, giving it Kaliningrad, Silesia, and all the areas claimed by the nineteenth-century Pan-Germanic League, in return for the Baltic States, Moldavia, White Russia, and a large part of the Ukraine (cf. Romer 1999). Tallinn and Kaunas would become free cities.

40) There are two kinds of Russian leader: those who face Europe, and those who face inwards. Among the first are Peter the Great, Gorbachev, and Putin. Among the second were Catherine the Great, Stalin, and Yeltsin. – And there is always a key administrator in the middle, like Andropov.

41) Gorbachev may be fêted in the Western world as a great hero, but in Russia he is a traitor who sold out the Russian Empire. He himself has told us (in a 2011 *Der Spiegel* interview) that he was given the presidency largely thanks to a half-hour conversation with Gromyko in the corridor just before an important Politburo meeting.

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42) Political power in Russia is passed down to friends. Stalin, together with Trotsky, were Lenin's favourite killers. Gorbachev was a protegé of Brezhnev's; Khrushchev was Stalin's favourite killer. Putin became a favourite of Yeltsin's daughter and son-in-law largely by chance. It was they who decided it was time for her father to resign. Yeltsin had handed control of Russia over to the couple *de facto* because of his alcohol problem.

43) When Putin was selected as the new Head of State he was out of a job, looking for new opportunities, really for anything at all. He had been dismissed by the mayor of St Petersburg (his home town), and decided to try his luck in Moscow.

44) Once Putin was in power, which must have come as a surprise even to him, he took up the fight against the corrupt and privileged businessmen surrounding Yeltsin, the oligarchs. These were young, bright, and rich men, mostly of Jewish origin, who at the time when the Soviet Union came close to collapse had been allowed to buy its most valuable chunks of industry for next to nothing. Putin then put his own friends from the former KGB into the leading positions.[171]

45) Putin respects the Germans more than any other people, and both his daughters speak fluent German. The former German federal chancellor Gerhard Schroeder is on the board of the North European Gas Pipeline Company (NEGPC), responsible for the new gas pipeline from Russia under the Baltic Sea to Germany. It is 51 per cent owned by Gazprom, Russia's largest oil and gas company. Ruhrgas is a board member of Gazprom.

46) In the 1980s Putin met the Stasi agent Matthias Warnig (code name "Arthur") in Dresden. Warnig was working for Abteilung XV in its Science and Technology department, which had the main responsibility for industrial espionage in the West. After the Cold War, Warnig opened a branch of the Dresdner Bank in St Petersburg, where Putin was vice-mayor. After Putin was elected president, Warnig handled all Gazprom's export business. Warnig's Dresdner Kleinwort Finanzinstitut also handled the $13.1bn sale of Sibneft (owned by Roman Abramovich) to Gazprom. Warning is now chief executive of Nord Stream, a consortium for construction and operation of the Nord Stream submarine pipeline fromVyborg in Russia to Greifswald in Germany, and he is credited with having recruited former chancellor Schroeder to the company board.

47) Putin is essentially just buying back what his predecessors carelessly gave away. According to the newspaper *Kommersant* (26 February 2007), Putin has given another KGB friend, Gennadi Timchenko, the handling of at least a quarter of the company's overseas oil dealings through his Geneva-registered company. This former KGB officer's wealth has risen from a hundred million to twenty-five billion dollars in just five years. Timchenko is also involved with Russia's long-term ambition to gain gradual control of Estonia's economic interests, through companies like the Russian deep-water freight company Severstaltrans.

48) Only two of the ten leading people around Putin are not ex-KGB, namely Dmitri Medvedev and Yuri Kovalchuk. Timchenko and Kovalchuk used to be responsible for the Kremlin's "black accounts" in Switzerland in the old days.

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171 Only one of the oligarchs challenged Putin, namely Mikhail Khodorkovsky, who was owner and chief executive of the oil company Yukos. He is still imprisoned in a 170-inmate gulag on the Siberian border with China serving a nine-year sentence, for alleged tax fraud.

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Kaliningrad/Königsberg

1) Kaliningrad, possessing vast natural resources, for instance ninety per cent of the world's amber, may retain its Russian name and political affiliation, but its economic reality will soon be German again. It might then develop into a Baltic Hong Kong.

2) Berlin is 600 kilometres from Kaliningrad, half the distance from there to Moscow. Beginning a couple of years ago there is now a direct rail link, the airline KD Avia is offering cheap tickets, and there are current plans to revive the old scheme of building a Berlin–Königsberg motorway – the Berlinka project, initiated in 1933.

Chechnya

1) These are the last people you want to fight, because:

a) they share a common set of strong values
b) mentally they are indomitable
c) they have always fought
d) they are not luxury-lovers; they are used to living on the floor in barrack-like, bombed-out and filthy flats
e) they are financed by the biggest bankers in the world, the Saud family.

2) Russian presence in the region is quite recent. The Chechens were never really under Russian or Soviet control, not even after the area was annexed in 1835–59. When it proclaimed independence in 1991, the Russians were slow to react.

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3) Three factors work against Russia in this region: the clan-based structure of the country;[172] the strong religious sense (Sufi Islam); and Russian military morale.

4) Chechen soldiers have more and better weapons too – often American. Since they have money, they also attract numerous mercenaries.

The Caucasus

1) As in the Balkans, the political problems in the Caucasus result from the political vacuum caused by the collapse of the Soviet Union. In both regions this has created space for new players: in the case of the Caucasus the players include the locals (primarily Azerbaijan, Armenia, and Georgia), Russia, and the West, led by the US. All are fighting over interests deriving from the region's oil reserves.

2) The Caucasus, attractive for its vast natural resources, is not a new site for adventure. In 1914 Azerbaijan accounted for half the world's total oil production (Thual 2004: 8). After the Russian Revolution, many Western businessmen lost everything they had there.

3) For thousands of years this narrow mountain region between the Black Sea and the Caspian has been a crossroads for people of all kinds. It is also an important border separating Christians and Muslims.

4) The Caucasus is home to three large ethnic groups: Caucasians, Indo-Europeans, and Turks, speaking about forty different languages and belonging to six different religions (Sunnis, Shiites, Orthodox Christians, Monophysite Christians, Jews, and Buddhists).

5) In fact the name "Caucasus" covers three quite separate territories, each of which was part of the Soviet Union:

a) the three independent States in the south
b) the four rebellious States in the north-east
c) the Russian territory in the north-west.

The rebellious region comprises four areas; from east to west, Dagestan, Chechnya, Ingushetia, and North Ossetia.

6) The Russians gradually infiltrated the area after their two main rivals in the region, Turkey and Persia, had lost their strength in the eighteenth century. The annexation strategy was:

a) first the Russians sent their Cossacks
b) then they sent their farmers
c) finally they sent their factory workers.

172 Chechnya is divided into nine "tuhums". Each tuhum consist of about ten "teips" or clans, attached to particular geographical locations, and linked to military and commercial interests.

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7) Three parties are now racing to build new pipelines from the shores of the Caspian. Iran has plans to build on either side of the southern end of the sea. Russia and the West are in direct competition. Western companies want to route the pipes through allied territory, particularly Turkey, or through countries which have become hostile to Russia, such as Georgia and Azerbaijan.

8) The most important piece in this oil-logistics jigsaw is Georgia. Many Georgian officials and business leaders draw their salary directly from organizations funded by American private-sector organizations. This type of political influence has panicked Russia. In response, Putin has banned all direct activities by foreign humanitarian organizations.

9) The motive for the Russian attack on Georgia was not to defend South Ossetia; that was just the excuse. In modern wars there is always a real motive and an excuse. The excuse is what lends the war legitimacy, it is what is propagated in the mass-media; the motive is often hidden. During the 2008 war, BP had to close the South Caucasus Pipeline. The South Caucasus Pipeline threatens Gazprom's quasi-monopoly on gas deliveries to large parts of Europe.

Armenia

1) The Armenians, a Christian people in a sea of Muslims, are as European as the Greeks. Having a population of only three million, this tightly-knit culture relies on its diaspora of eight million people.

2) Like the Jews and the Kurds, the Armenians have always played an important economic role in their region through their skills as businessmen. Like the Jews and the Kurds they have found themselves shunned, and attempts have been made to exterminate them.

3) During the Russian occupation of western Armenia about 1.5 million Armenians were killed. From 1895 onwards the Turks killed up to 1 – 1.5 million Armenians in their country (Armenian Genocide). Turkey claims these to have been legitimate acts of war, and it regards Orhan Pamuk (winner of the 2006 Nobel Prize for literature) as a traitor for saying otherwise.[173]

4) Fearing the Turks, the Armenians have turned to their old enemies, the Russians, for support.

Asia

1) There is no proven correlation between economic success and democracy. On the contrary, many Asian countries are demonstrating that they can compete more effectively as semi-totalitarian States. … What history does show is that the citizens of these countries will often demand greater liberty as their standard of living improves. Thus increased democracy seems to be mainly a consequence, not a cause, of better economic performance.

2) There are no real democracies in Asia. There are no dependable or trustworthy systems, only dependable persons.

173 Conservative thinkers such as Bernard Lewis see the killings as part of a civil war; for left-wing thinkers like Edward Saïd they were genocide.

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3) Asia is occupied with "projects", Europe with politics and social problems.

4) Apart from Jewish–Christian civilization, only one other civilization is showing significant economic potential today, namely Confucian civilization.

5) Most other civilizations are either in a state of economic limbo or are regressing, whether in Africa, in the Middle East, or in Asia. Africa is clinging to faith if not falling apart anymore, at least not after the Chinese moved in, India is hampered by inter-ethnic and religious conflicts. The Arab-Muslim world is even in some parts moving several steps backwards. For many there, utopia is the eleventh-century Islamic age. It is a retro-utopian society. They are trying to revive a myth.

6) With tension growing between Western and Islamic cultures, the ideas of Bernard Lewis and Samuel Huntington about a clash between civilizations have been revived,[174] but the clash need not necessarily be bloody.

7) Huntington defines civilizations as adhering to a specific culture and religion. He lists eight civilizations:

a) Occidental
b) Islamic
c) Hindu
d) Slavonic–Orthodox
e) African
f) Latin American
g) Japanese
h) Confucian.

8) Asian cultures are characterized by:

a) ease with ambiguity
b) preference for non-verbal communication
c) responsibility based on consensus, not on contract
d) all opinions sought, consensus within the group
e) relative values
f) feelings and emotions
g) global vision.

9) To succeed in Asia you need patience, understanding, and commitment.

174 Lewis was an adviser to Dick Cheney, and some critics believed that he was one of the architects of the War on Iraq. Huntington was national security adviser under Jimmy Carter between 1976 and 1980. He teaches at Harvard, where he directs the John M. Olin Institute for Strategic Studies. He is also the founder and one of the directors of the respected geopolitical review *Foreign Policy*.

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10) By contrast to Western culture, Asian culture is based on collective decision-making, not on individualism. The focus is on understanding, not on contracts. Benefits are sought in the long term not the short term, but short-cuts are accepted.

11) We think of individualism as an ancient European tradition. It is not, it is an eighteenth-century European invention. In the Greek and Roman conception of freedom, a human being could not be conceived of apart from the community. The city comes first. (See e.g. Ortega y Gasset 1946: 31.)

12) The Eight Asian Tigers are: the established Four Tigers of Hong Kong, Singapore, South Korea, and Taiwan, plus Thailand, Malaysia, Indonesia, and the coastal regions of China. These already comprise 500 million people, more than the newly enlarged Europe. In their hinterland another billion people are ready to join in. 700 million of them will move into cities in the next two generations to come.

13) Asia is not dependent on us any longer, for either technology or investments. For a while they will want our special areas of expertise; later, all we shall have to offer is our consumer markets.

14) Asian networks abroad include, for the Chinese, the Triads, and for the Japanese the "Black Dragon". These organizations are required to operate by Asian rules abroad.

15) The Pacific is an empty ocean three times the size of the Atlantic.

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16) In Asia you have to travel by train or plane. Distances are larger than in Europe. It takes thirty minutes to travel from Calais to Dover; from Pusan (South Korea) to Japan takes twelve hours.

17) If you took China out of Asia you would have no continent left; China is indeed the "Middle Kingdom".

18) We are wasting our resources with the Chinese, talking politics, when we should focus all our energy in one area; to get the communist party to open its markets to Western companies. Our companies need to go from outsourcing in China to living, learning and producing here. That is geoeconomics, the rest is just geopolitics, and not very smart either.

Central Asia: Kazakhstan, Uzbekistan, Kyrgyzstan

1) The Caspian basin is the backup for the Persian Gulf. It probably contains one fifth of the world's supply of oil.

2) US intervention in the area started on 15 September 1997, when five hundred American paratroops of the 82nd Airborne Division entered southern Kazakhstan (operation "CENTRAZBAT 97", see Klare 2001). China and Russia were quick to react to American interference. In 2001 they founded the Shanghai Co-operation Organization (SCO), a security organization comprising China, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, and Uzbekistan.

3) Kazakhstan, the ninth-largest country in the world, is run by one man, Nazarbayev, who holds his post for life. In 1997 he built a new capital at Astana; Almaty was too full of Russians and therefore risky. The new national day happens to be his birthday.

India

1) Everyone seems to expect that India will be a superpower in the 21stcentury. But remember that this is a country where seventy per cent of inhabitants are poor and only a few percent can be reckoned middle-class, and where the infrastructure is so bad that it can take hours to get from the airport to the centre of a modern city like Bangalore. How can a country prosper where lorries travel at an average speed of eleven kilometres per hour, where transport between states is more cumbersome than travelling within insecure states, where customs and officialdom are corrupt and bureaucracy abundant? Think again, and do not bedazzled by talk about population size and language abilities.

2) Do not dream of another Silicon Valley. The IT industry feeds only a few million people here, and its companies sell almost all their output overseas. India represents a bet that services will do, that manufacturing is not necessary to build an economy. But the truth is that in service industries switching costs are low.

3) The economic strength of India is based on two factors: English-language skills, which make them the world's back office, and software-development skills. In ten years the Chinese will match those skills.

4) India has high-quality elites, many of whom work in the major capitals of the world and fill teaching and research positions in our best universities. It is an impressive diaspora, but it means little for the home economy.

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5) After the Cold War, India suffered from the loss of Soviet support and from internal crises. In response, the population has turned more nationalistic. The 110 million Muslims who are not satisfied with the extent of their religious freedom broke out and formed Pakistan. With Bangladesh and Pakistan independent India became somewhat homogeneous and more united.

6) India is still characterized by refusal to acknowledge the end of the Cold War and to sign the nuclear non-proliferation treaty.

7) Far out in the Indian Ocean lies the small island of Diego Garcia, a British possession, manned by 3500 US troops. This is probably the best strategic military position on earth, with immediate access to East Africa, the Persian Gulf, India, and Indonesia.

Pakistan

1) Power and authority are concentrated at the top of Pakistani organizational structures, and hierarchical status is jealously maintained. Job titles carry a great deal of weight. The armed forces are respected and accorded great prestige (Islam 2004: 311–30).

2) All three branches of the military have created vast industrial empires in the form of holding companies called the Fauji (army), Bahria (navy), and Shaheen (air force, literally "eagle") Foundations (ibid.).

3) Family- and kinship-based social structures have given rise to the culture of *sifarish*. This Urdu word literally means a recommendation or a connexion. Short of straight bribery, it has become the standard mean of getting things done by public officials. Those who do not play the *sifarish* game risk acquiring a "bad reputation" or even facing ostracism (ibid.).

4) Student: "We are not taught to draw a line between matters that are strictly our own and those which are not our concern. Brought up as we are in the system of *beraadri* (patrilineage) and *mohallaydaari* (street neighbourhood) (which still prevails alongside a modern lifestyle), everyone takes it as understood that whatever happens in the neighbourhood is the collective concern of the *beraadri* or the *mohalla* (street). No one calls it interference."

5) Most armaments in Pakistan now come from China. This is a part of the Chinese strategy to weaken India. By forcing India to engage its military resources on its western front, the Chinese will give itself an easier task gaining influence in the disputed areas in the north, especially along the "McMahon line", in Arunachal Pradesh.

6) The USA has finally understood that Musharraf and the military were playing games with them all along. To get bin Laden they had to play the same game, and they won. Not surprisingly, he turned out to live close to a military base, where the ISI could keep an eye on him.

7) Musharraf has exchanged his position as Head of State for a life of ease in England. That still leaves the military in charge. Attention will always in the end turn towards the common enemy in the south, and the military will spot its chance to regain influence.

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Afghanistan

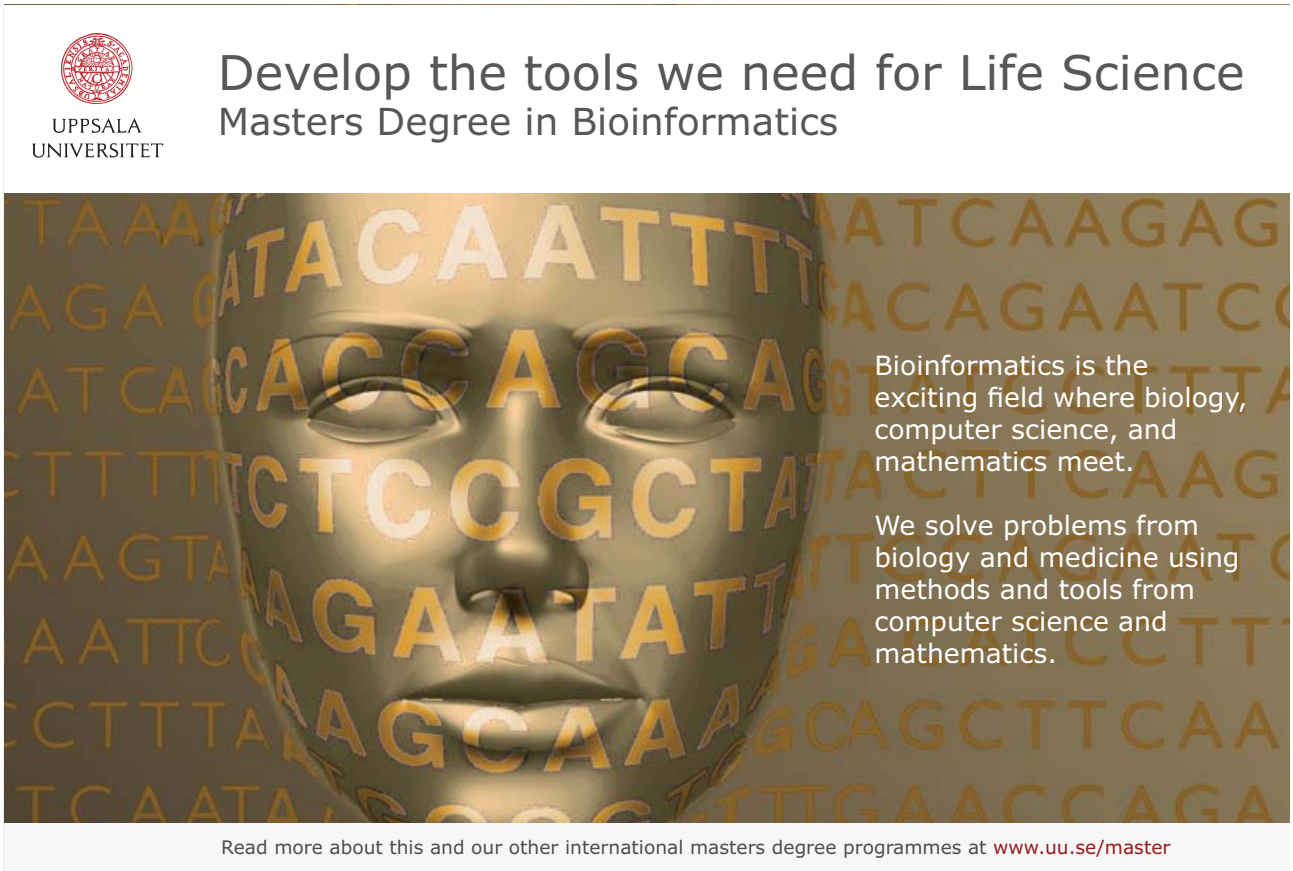
1) The Americans and the Europeans have learned little from the historical lessons of Afghanistan. Setting up a puppet ruler was tried before, when we replaced Amir Dost Mohammad with Shah Shuja. The price then was the lives of 16,000 British soldiers and their families.

2) This time we chose a man from the minority population in the northern provinces, who has distributed privileges among his own people. We say that things are fine because girls now get to go to school. In the West, that is a strong argument to win support.

3) Afghanistan is a rocky crossroads; it is not a country you can hold. In this Godforsaken land political alliances between tribes shift as quickly as the wind.

4) None of the great powers (Russia, US/Europe, China) are currently willing to sacrifice what it would take to win the "Great Game" and gain control of Central Asia. Spontaneous, half-hearted actions like those of the Allied forces will not scare the Taliban.

5) The only military task left for the Allied forces in Afghanistan is to defend itself. When our troops look out over the desert from their safe havens (fortified military camps) they do not even know what they are looking at; and they are not willing to risk their lives to find out.



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6) Taliban strategy is superior to our own: in winter they give themselves in, and apply for jobs in the police which give them money, weapons, and training. In summer they go over to the Taliban again. How can you expect our military leaders to maintain morale?

7) The USA has persuaded its allies in Afghanistan to pick up the bill for its own military adventures. They have filled the Afghan administration with Afghan refugees to the US who are not even respected in their home country.

8) So far we have spread money around, strengthened the Taliban, increased the production and sale of drugs, and fostered contempt for the West for our support of a corrupt leadership. If NATO left now, Karzai would be lucky to last a week before ending up hanged from a lamppost, like his Communist predecessor. This war is already lost. At best it offers our troops a training ground for future military interventions.

Uzbekistan, Kyrgystan, and Tajikistan

1) This region, not Afghanistan, is the geopolitical centre of Central Asia. The Mongols knew it, Stalin knew it, and the USA knows it. But it has no real economic significance.

2) Threatened by Turkey, Stalin wanted to divide up the Turkic people in Central Asia. So he created a number of multi-ethnic states with access to the fertile Fergana Valley, where there were previously no borders.

3) After the American-inspired "Tulip Revolution" of 2005, the US attempt to create one permanent dominating military base in the region (Ganci Air Base, a strategic military installation at Bishkek's Manas Airport) has failed. Instead Russia and the USA both now have bases in Kyrgyzstan. US ambitions have been checked by the joint interests of the SCO (Shanghai Co-operation Organization). In the meantime, the ousted Kyrgyz president is trying to foment civil war in the south.

China

1) The Chinese see themselves primarily as a civilization, not as a nation. China is the only of the world's ancient civilizations to have retained its power. Greece, Egypt, Mesopotamia, and the Indus River area (Pakistan) are all a social and economic mess today.

2) China is slowly moving back towards centre stage. Its decision in the sixteenth century to scrap its fleet and retreat into its shell was the beginning of its decline. Its decision in the late 1970s to open up its economy was the beginning of its resurrection. It has already become the factory of the world, more so than Japan was started to be at the end of the nineteenth century. Now it also wants to become a centre for science.

3) In Europe royalty built themselves castles, in China they built entire cities. What is Versailles compared to the imperial cities of Luoyang, Kaifeng, and Peking? What is Balmoral compared to the Summer Palace?

4) In the West we weep for the meritocracy we lost in the 1970s and 1980s, the society that never materialized. Ever since Plato we have supposed that the enlightened emperor is an impossibility, because it has never

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worked in Europe. China has had a system of meritocracy for more than two thousand years, all based on strict national exams. Look at the gardens in Suzhou: they were built by the best bureaucrats, by poets, not by businessmen or military leaders. They formed the most cultivated class of leaders that have ever ruled. The Chinese Communist Party (CCP) is not a direct inheritor of this system, but far more meritocratic than most Western governments. They have not only reestablished the position of Confucius, as an alternative to Western values, but are also encouraging high-performing students to join the party.

5) No other country will achieve the transition from Communism to capitalism better than China. Unlike their old political counterpart, Russia, China has the advantage of a hard-working, disciplined population carrying as it were a capitalist gene. For the Chinese, the Russians are not a serious people.

6) The Chinese Communist experience cost the lives of about 100 million people, compared to about 60 million in Russia. Everything old was crushed, entire cities demolished, like Chengdu. There is hardly a stone left of the beauty that was then less than three generations ago. Aware of the great error, some efforts are now done to rebuild parts of it.

7) It takes two hours to form a company in Hong Kong. The Chinese economy is growing at a rate of one Spain a year. The fast growing cities grow by one Bilbao a year.

8) China is now the second-largest economic power in the world, behind only the USA. It is anticipated that by 2026 they will be the largest. (Two years ago the estimate was 2035.)

9) China is already the world leader in a number of industries. It is the world's largest producer of rice, wheat, iron, aluminium, coal, and zinc. It is the second-largest producer of electricity after the USA. It has the largest financial reserves of any country, and is the USA's largest creditor.

10) As the Chinese economy continuous to grow and new groups of workers demand more freedoms, the Chinese government will be confronted with a dilemma: just where should it set the limit to these freedoms to avoid losing power? It is already struggling. In 2009 in set up the Great Fire wall, banning a great number of social networking sites, employing thousands of bloggers to write positive things about the government (named "50 cents", as they get 50 cent for each positing).

11) The internet is causing the leadership of the State severe headaches. How can China become a world leader in e-communications with a strictly-censored World Wide Web? How will it become a leader in IT? If it does not join a more open international community of researchers, it will never be a scientific leader. After all, when it comes to high tech, China is still far behind the West. How the Chinese government tackles these questions is highly significant for the country's future competitive position.

12) The Chinese economic dilemmas – bottlenecks, resource allocation, lack of management skills, and differences of opinion about centralization and openness – are all being solved.

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13) The real market in China for consumer goods like mobile telephones is not 1.3 billion, but at present probably more like 800 million (updated from 500 million only a few years ago[175]).

14) For close to two decades China has run at two speeds: one in the interior, another at the coasts. Now the interior provinces have been allowed to catch up. This is where the big opportunities are. Sichuan will be another Germany or some say Chicago at the turn of the 20th century (but only the city of Chongqing is growing more than 6 times as fast as Chicago did at its peak, in terms of infrastructure and industrialization).

15) Little verbal communication is needed in negotiations in China. The end result is going to be to everyone's advantage. Consensus is often an illusion in the Western world. The Chinese say: "You ask your child where it wants to go on holiday, but you make the decision". In China "freedom" is translated with "zì yóu", which means "individual participation to the honesty of the group".

16) China, Singapore, and Malaysia do not agree with Western assumptions about human rights. Confucian ideas of human rights are based on what is good for the society, not for the individual. China does not accept the universality of Individual Human Rights, there are only Social Human Rights.

17) This is a country with a middle class of about 130 million people (9.4 per cent of the population), including 300,000 dollar millionaires (remember that in addition you get between three and five times more for your money here). In the near future this country promises to be not only the factory of the world, but the world's most important consumer market. Western companies have to have a presence here if only for the latter reason.

18) Pudong, a district across the river from the city of Shanghai, is the fastest-running economic engine in the world. About 1.5 million of the twenty-two million inhabitants of Shanghai live in Pudong, in four zones:

a) Lujiazui, home to the world's fifth-largest stock exchange (after NYSE, Tokyo, NASDAQ, and London)
b) Waigaoqiao, China's largest free trade zone
c) the Jinqiao export processing zone
d) the Zhangjiang high-tech park.

Twenty years ago there was nothing here but rice fields, swamps, and some storage buildings. Today it is a Chinese Manhattan, housing many of the tallest buildings in the world. The largest, at 492 metres, is the Shanghai World Financial Centre (SWFC) – just a few metres shorter than the second-tallest building in the world, in Taipei.

19) This is a country which produces more than 40 per cent of all television sets (TLC is the world's largest producer of televisions), 50 per cent of all air conditioners, 51 per cent of all microwaves, 50 per cent of digital cameras, 37 per cent of all mobile telephones, 70 per cent of all containers, 60 per cent of toys, 70 per cent of sewing machines; and the list goes on. Soon they will be making good cars, and they may very well take the lead in electric cars. Both Volvo and the old 95 series SAAB production line have now been sold to China.

175 Recent figures show that China produced 1,2 million mobile phones in 2011. They are also producing a number of their own brands of smart phones which costs less than half of what their competitors charge.

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20) In only five years' time Geely hopes to be producing ten times as many Volvo cars as today. The owner of Geely is 47-year-old Li Shufu, the son of poor farmers.

21) Container traffic: 78 per cent of all container traffic is in East Asia, versus only 2.5 per cent in Europe and 9 per cent in North America. China alone accounts for two-thirds of all container volume in the world.

22) Kong Qiu, or Kong Fuzi, transliterated in Latin as Confucius, was not a religious philosopher, but a practical, social thinker. The Confucian vision of the world: collectivity, collective hierarchy (recognition takes time), the middle road/stability, loyalty, sincerity, and humanity.

23) Daoism is the second spiritual influence in China. Lao Zi introduced "The Dao", literally "way, road", the extreme harmony. All moving things, including the earth, belong to two groups: yin and yang. The combination of these forces gives life to movement. Day is nothing in itself; you need night to understand it.

24) A quick way to understand Daoism: "Everything that is not Confucianism or Buddhism is Daoism."

25) Chinese medicine is the practical application of yin and yang.

26) Personal attacks are very rare in China. You do not make personal references or attacks, other than in small, closed environments, such as universities.

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27) How do we explain the difference in thinking between East and West? Consider the example of the stew. An Asian and a European are asked to see what is wrong with the stew. The European goes to the oven and lifts the lid of the pot. The Asian stands back and takes in the smell. These are two different approaches to solving the same problem. Either may lead to the right answer.

28) Two thirds of the economy of all Asia is run by Chinese, with overseas Chinese playing a key role. There are an estimated 50.2 million overseas Chinese. Two million of them live in the USA, and 400,000 in Europe (half of those in France). They are doing so well in Africa that Africans are recruiting them as managers for their own factories.

29) Chinese have emigrated throughout history, to practically all parts of the world, since the Mongol conquest in 1276. The Chinese diaspora is the biggest in the world and the most prosperous (Chaliand 1997: 142). … The Chinese of San Francisco once emigrated from the same small fishing village outside Macao. They have even kept their local dialect.

30) Ninety-five per cent of all Chinese citizens are ethnically Han. They share the same language, the same values, the same behaviour-patterns. Their culture is Confucian. Non-Hans are barbarians. Europeans are "new barbarians".

31) Chinese are not more racists than Westerners; they allow and welcome intermarriage, for instance with Thais. Half the population of Bangkok (2.5 million people) are of Chinese origin. In Taiwan the proportion of Chinese is 99 per cent, in Hong Kong 95 per cent, and in Singapore 76 per cent. Thais accept the Chinese, Malays do not. So, in Malaysia the Chinese feel more Chinese.

32) The Tian An Men incident was a real threat to the Communist Party. Hundreds of thousands of students and supporters demanded democracy and a change of government. They occupied the square for weeks, threatening to destabilize the country. After official talks with the students, shown on national television, and after sending in a tank, which was attacked with Molotov cocktails, the government decided to use force.

33) What turned the Tian An Men incident into world news was a matter of chance: CNN cameras happened to be in the area, because of an expected visit by Gorbachev. The footage of the lone protester facing a column of tanks was edited to achieve the best effect. The reportage did not show how students used violence, how they barricaded the streets and organized themselves in quasi-military structures communicating via walkie-talkies. A spontaneous democratic movement in China at that time would probably have resulted in chaos, after which China might not have achieved its current degree of economic progress. … Nothing would have pleased the Western powers better than to see the democratic revolution succeed, and then to flood China with its experts and dismantle its industries. That was what brought Russia to its knees after the Cold War, the "Western recipe".

34) Unlike in Europe, in China soldiers have no status. Since there are no natural boundaries in Europe, social order was based on the sword. In China the answer to foreign aggression was to build walls: no soldiers, no churches. Europe needed the Church to balance its power (the knight kneels before the priest). In its place, China invented the bureaucrat and the writing-brush. The brush, not weaponry, is the symbol of the Chinese State.

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35) The USA has completed its encirclement of China, with new military bases on its western borders of China, in Kyrgyzstan (Manas), Uzbekistan (Karschi-Chanabad), Tajikistan, and several in Afghanistan and Pakistan. At an earlier stage they had already built military bases on the eastern borders, in South Korea, on Okinawa, Guam, in Singapore, and on Diego Garcia in the Indian Ocean. The US also hold frequent military exercise close to Chinese mainland, on the border to DPRK. One can't help but wonder what would happen of the Chinese held similar maneuvers along the California coast.

36) There will be no military conflict between China and the USA over Taiwan; instead there will be a gradual absorption. This is already happening. Each time the leaders of the US and China meet, the US president will have to show a little more respect. For, each time the US Treasury wants to sell bonds to finance their deficit, they will be yielding influence. The Chinese are the only ones who can buy these Treasury bonds in the large quantities which the US needs to sell.

37) China is also the land of brainwashing: "you have to become sincere again". Criminals are sometimes sentenced to death, regardless of your wealth or social status. Today, individual executions (by lethal injection, to avoid photography) have replaced the firing squad. This reminds the public of their shared morality. If you kill someone, you are killed. The Chinese are experts at sacrificing their own people: ask any American who participated in the Korean War. You could kill a few hundred Chinese with your machine-gun, but they would eventually overrun you. This realization was devastating for American military morale.

38) There is no need for police on the street because everyone is a policeman. A criminal is sent away somewhere to be monitored by the masses. Every now and then they report to the central government. It is a self-organizing organization. It has worked this way for three thousand years.

39) Shanghai and Hong Kong were created by foreigners. These cities are not trusted and will never be allowed any power.

40) The Opium Wars: a study in the deviousness of Western imperialism. When the British came to South China, contacts with the West had existed for a long time (notably the Portuguese in Macao). The British wanted to sell the Chinese drugs (opium) which they could grow in India, because they really had nothing else the Chinese wanted. The mandarins, who had no tradition of using drugs themselves, at first banned the trade, but the British used firepower to impose it. The first Opium War ended in 1842 with the Nanking Treaty, which gave the British Hong Kong. After the second Opium War, in 1860, Kowloon was ceded to Britain. Western powers now had an official foothold in Mainland China. Fourteen towns were opened to Westerners for trade. These were the same coastal towns that were allowed to run ahead of the rest of China after the Cold War.

41) British and Allied forces burned down and plundered Peking with all its treasures, including the Forbidden City and the Summer Palace. In Luoyang Westerners cut off the heads of Buddha figures to bring them home as souvenirs. They can still be seen in our museums today.

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42) After the Second World War much of the Chinese gold stolen by the Japanese ended up in American banks. More was found on the Philippines; and the Japanese did not manage to get some of it out of the country, and had to leave it in Shanghai. The gold in Japan and America has yet to be reclaimed by the Chinese.

43) The Chinese civil war between 1931 and 1949 cost the lives of sixty million people, compared to twenty million who died in the Russian Revolution. Stalin used to say "A few dead is horrible, many dead is statistics".

44) When Chiang Kai-shek escaped to Taiwan, he brought with him all the wealth he could lay his hands on, so that many valuable artworks were moved to that island. This wealth helped Taiwan to finance its economic growth.

45) Make no mistake, Taiwan will be Chinese again. That is only a question of time. And then China will also take its place as a technological superpower, attracting many technologists to return home from places like Silicon Valley.

46) During its first decades of growth, China won market share through low prices. Now it will need to gain market share by producing high-value products, that is, products of higher quality. This was the way of Japan, Taiwan, and South Korea.

Taiwan

1) Taiwan, like so many other countries (Israel, Panama, Norway, Saudi Arabia) and regions, is part of the US sphere of interest.

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2) Like Japan, Taiwan is built on conglomerates: Evergreen, Cathay, and so forth.

3) Computex is quickly becoming the world's most important and influential IT trade show, ahead of CES in Las Vegas and CeBIT in Hanover. Taiwanese firms produce more than 50 per cent of all silicon chips, nearly 70 per cent of computer displays, and more than 90 per cent of all portable computers (*The Economist*, 29 May 2010, p. 66).

4) Taiwan has abundant financial reserves: twice those of France, and more than those of Japan.

5) Taiwan is already a model for China. We have seen a "Taiwanization" of the coastal regions of China, home to about 500 million people.

6) When China entered the United Nations, Taiwan had to leave. It is only a matter of time before the two countries are reunited. As the Chinese say "China has two big island, two" (meaning Taiwan is one of them, besides Hainan).

Japan

1) The US strategy has been to keep Japan dependent. Dependent on the dollar, on military support, and on oil imports. In return they have had to pay different "administrative fees".

2) Japan is a country torn between ideals of nationalism and of openness. In the nineteenth century its warrior elites understood the importance of creating a strong, unified, and modern state. This transition involved a minimum of violence.

3) Japan alone accounts for about twenty per cent of gross world production. Its main constraint is a home market of only 120 million. That explains why Japan needed to expand in the USA and in Europe.

4) Japan is a world of ritual. The Japanese stem originally from Mongolia; their ancestors moved into Korea and from there onto the archipelago. Three thousand years ago the islands of Japan were linked culturally to Pusan and South Korea.

5) Only a third of Japanese territory is usable. The remainder is mountains and infertile land. Most Japanese live on the short axis between Tokyo and Hiroshima. Two thousand years of dense population has led to a highly-developed social consciousness. As a result, few crimes are committed in Tokyo.

6) Japanese strategy used to be to take control of the Trans-Siberian corridor as far as Irkutsk and Lake Baikal. This would have allowed them to explore for oil on Sakhalin, a second Indonesia, and exploit forestry and mining industries in Eastern Siberia. The rise of the new China blocked this plan. Now they will have to apologize for their imperialist atrocities.

7) The Japanese religion, Shinto (shamanism), is exclusive to this nation. It is a nature religion which holds that the Emperor is divine.

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8) Japan has a strong sense of community. The group must achieve harmony. You are not Mr. So-and-so, but So-and-so's superior and inferior to Such-and-such. You are part of the community.

9) In Japan the real rise to influence comes after fifteen to twenty years in the company.

10) There is a shared sense of status as members of a company whether you are an engineer or a cleaning lady. You are all part of the organization. Living an "independent life" is no goal for the individual.

11) Japanese values: harmony, feelings/face, patience, collective emotions, reciprocal obligations, step-by-step improvements, building of group consensus.

12) It is not polite to say "no" in Japan. You risk losing face. In the Western world we speak with our mouths and listen with our ears. In Japan it is much more important to stand face-to-face and be polite (to keep face).

13) Gift-giving is an important ritual in Japan. You have to assess the value of the gift and return something which has the same value. This is the same in China.

14) Reform in Japanese was largely triggered by the introduction of Western medicine to that country.[176]

15) The Japanese model is as follows. The emperor at the top is the figurehead. Below him the Ministry of Industry and Trade (MITI, now METI) sets the strategy. Below them you find about half a dozen conglomerates (Mitsui and others), many of which were started by old samurai families.

16) METI contains some thirty of the best strategic thinkers in Japan, well paid, financed by the conglomerates, but in practice part of the government.

17) The 6+4 strategy: a typical Japanese company will take six years to settle into a new country, and four years to make a profit.

18) Japan, a highly autonomous country, continues to account for almost half the total GNP of China. Japan has provided most of the humanitarian aid given by Asian countries, under considerable pressure from the USA, which frequently tells the Japanese they ought to finance operations by the "international community".

19) The foreign policy of Japan has been "each for himself". Japan is loved by none of its neighbours. By contrast, the South Koreans say "China, my grandmother".

20) That is due to Japanese colonial ambitions, leading to aggression in the coastal areas of China in 1931–2, in Korea in 1910, Manchuria in 1932, Hanoi in 1940, Saigon in 1941, Bangkok in 1941, and on Sakhalin (Russia) in 1905. Unlike Germany, Japan has never so far apologized for its atrocities.

176 As a young man, the Chinese writer Lu Xun went to Japan to study the "new medicine". He had witnessed the uselessness of Chinese medicine and the damage it did to his father. See e.g. Lu Xun (1919).

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South Korea

1) Communism will be defeated when the two Koreas are reunited. This unified country will become another Germany on the other side of the world. For a few decades the high tech and the high competence of the South will combine with low wage levels in the north to create a unique window of opportunity. That is what both Koreas want, but Korean unity is blocked by American interests in the region.

2) This is a national corporate state, much like in China. Private companies in South Korea depend on the banks, which are State-owned.

3) Samsung Electronics is now the world's largest technology company, run by one man, Lee Kun-Hee. He also owns 64 other firms within the same conglomerate. The output of this group accounts for twenty per cent of the country's GDP.

4) South Korea wants no confrontation with its future partner. They want a peaceful transition.

5) Unlike their warlike neighbours the Japanese, Koreans have been primarily farmers. Thirty per cent of them are Christians.

Brunei

1) Brunei consists of only 200,000 inhabitants and oil reserves which have made its Sultan one of the richest men in the world.

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2) The King of Sweden considered the Sultana "good friend", until the Foreign Office told him to change his mind, at least outwards to the public.

Singapore

1) Singapore is the achievement of one man, Lee Kwan Yew, an overseas Chinese. His People's Action Party has been in power ever since independence from Malaysia.

2) To be Singaporean means to have a double identity, hence they also welcome other ethnicities. Thus, the current president is a Tamil.

3) Singapore is a Chinese spearhead. Its location, like that of Istanbul, exemplifies the very essence of geopolitics: at the mouth of the Malacca Strait, the main bottleneck for transport between the major markets in East Asia and the Western world by way of the Indian Ocean.

Thailand

1) Thailand is a regional superpower. It has fertile soil, and is the only country in the region not to have been colonized. (The French had Vietnam, Cambodia, and Laos, Britain had Burma.)

2) Thais are known to be warm-hearted, open, and diplomatic. Not surprising then if their women have become the favourite choice of many a lonely European man.

3) Thailand wanted to keep the civil war in Cambodia quiet to avoid conflict with Vietnam. For the same reason they refrain from criticism of Myanmar (Burma).

4) The Royal Family is sacred, even when it supports the military which sometimes overthrows the government. Nothing can be achieved without the support of members of the Royal Family. One bad word about the king and you end up 7 ½ years in prison (most recent case from 2012).

5) The political system is known for chronic corruption. Thaksin Shinawatra, prime minister from 2001 to 2006, is said to have milked the country for billions of dollars before he was ousted by the military. Still many Thais prefer him and his kind to military rule.

Vietnam

1) For ten centuries (until the tenth century AD) Vietnam was a Chinese province. There is no distinct Vietnamese culture or any significant independent history. In the tenth to eleventh centuries the ancestors of the Vietnamese moved south to the fertile Mekong Delta. They easily overcame the weak local population of Khmers.

2) Only twenty per cent of the country is suitable for agriculture. Most of the terrain is mountainous.

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3) Vietnam is very small, geographically but also economically. "Don't dream about it", French businessmen say: its GNP is only twelve per cent the size of Thailand's. A single mid-sized city in China, say Chengdu, has a larger economy.

4) The Vietnamese infrastructure cannot handle large investment projects. In this area of the world there is only one good road, the old colonial road from Saigon to Hanoi.

5) The Taiwanese are making many small investments. European countries including France and the Netherlands have made various large investments which have failed. It is a country that needs more time.

Burma

1) One can only speculate what happened when the military regime got cold feet and decided to pave the way for democratic reforms. It was probably a clash with Chinese interest in the north, on the border to Yunnan. One thing is certain; it wasn't out of good will or some sudden realization that they had been in the wrong.

Cambodia

1) Because of the mountain range bordering Vietnam, Cambodia and Laos are closer to Thailand, culturally and economically. The Chinese are outsourcing much of their textile and footwear industry here, as labour prices have increased in China.

2) The military establishment is getting old, unable to keep their position much longer. They need a compromise before they retire

Australia

1) Traditionally Australia has made few friends in Asia. The country's prosperity has been closely linked to that of the USA and its Western allies. For many of its neighbouring countries have seen it as an American listening post, a vast, under populated land (the population is twenty million), dependent on exporting raw materials to maintain its prosperity.

2) As Asia becomes stronger the Australian political position in the region will become more vulnerable.

Mongolia

1) Once the largest land-based empire ever.
2) The only battle the Mongols ever lost was at sea, against Japan.(The Japanese were helped by the weather; which further strengthened their Shinto piety.)

3) Genghis Khan treated his soldiers better than most European leaders at the time. His bad reputation stems first and foremost from the fact that the history was written by us. Genghis Khan built up what we would call a meritocratic system, and gave his military units and generals a great deal of autonomy. He was also tolerant to different religions, and a good listener, but brutal of course.

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4) The Mongols learned much of their strategy of war by watching attacks by wolves, going in and attacking in one second only to treat in the next. Their horses and their horsemanship made the necessary speed possible.

6.3.4 Africa

1) The national borders in Africa were drawn up by Europeans, with no concern for ethnic realities and tribal identity. More than ninety percent African States have conflict-ridden multiethnic identities (Glassner 1996). As if that was not enough, after the Second World War English-speaking countries expanded their territory at the expense of their neighbours, as Ghana did with Togo when they annexed those areas which were rich on natural resources (here first of all timber).

2) The banking system is wrecked in most African countries, likewise the insurance system. General corruption prevails. In the 1960s and 1970s many Western intellectuals imagined that the Third World could offer a superior value-system, a kind of liberation of the industrialized individual, a return to the essentials so to speak, to a simpler way of life. What do we find today? Most Third World projects have been failures, fostering corruption and nurtured the vilest dictators, ultimately creating social disorder. Some say that we decolonized too rapidly. Now it is too late to re-colonize.

3) Few young Westerners are willing to leave their comforts and work in a Third World country. Our missionary spirit has disappeared. Most Westerners who go to Africa today are either overpaid government-funded consultants, or civil servants searching for an exotic break in their otherwise monotonous careers.

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4) China is succeeding where the Western world has failed in Africa. It is sending over thousands of its highly-educated countrymen, who speak both English and French. Above all they are building, conferring gifts in the form of large-scale infrastructure projects in return for access to African consumer markets. Chinese are also being hired as executives in local companies.

5) As soon as African countries have generated their own elites, the members of these have moved to the Western world where they can live a more comfortable life. This is largely due to lack of national patriotism. Compare this with Korean students, who often write on their essays: "For the prosperity of my family and my country". That spirit is unknown to many Africans. Forming an educated class in many of these countries means deposing their existing elites. Our involvement has often had a perverse side-effect: we have organized their non-development.

6) Hunger, indeed starvation, have been a major problem in much of the Sahara region, from Mauritania across to Chad, in Nigeria, South Sudan, Ethiopia, Eritrea, Somalia, Angola, and Mozambique; and malnutrition is a problem for almost all of sub-Saharan Africa.

7) According to Johan Galtung, there are close to a billion people with no money, and 125,000 die each day from starvation (25,000)and from preventable and curable diseases (100,000).

8) If you send money, it will be stolen. If you send food, you need to create jobs. By donating food we are easing our conscience, but neglecting our responsibility.

9) The best thing we can do in Africa in the short run is to remove the subsidies we give our own companies to undercut African producers. We have been and are removing from Africans the only competitive advantage they have today: food production. Our export subsidies to Africa equal the amount we give in overseas aid.

10) If you take a closer look at the pot called "overseas aid", you will see that most funds come back to our own companies and organizations in the form of administrative costs, consulting fees, accommodation, and educational programmes. But it looks very good on paper: "1 per cent of GDP".

Sierra Leone

1) Sierra Leone was one of the biggest markets for arms during the first Gulf War. Like a number of neighbouring countries, its story has been a long series of social, political, and economic catastrophes.

Sudan

1) The Islamic Sudanese government in the north sees no objection to killing their own (Christian) population in the South. In the meantime they have split into two countries.

2) The Western world showed that it did not learn anything from the Rwanda massacre. We did not intervene in Darfur. There is not enough oil under the sand.

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3) Iran has terrorist camps in the Sudan to cause instability in Egypt.

4) France has long supported the Islamic regime in Khartoum. Now they have changed to the Chinese. The American government supported the Christian guerillas in South Sudan (SPLA).

5) France is losing country after country in Central Africa. The Anglo-American expansion is being checked by China.

Nigeria

1) When you have a quasi-democratic political system where the majority of the 155 million people large population belong to 250 different ethnic groups and live in great poverty, you get continuing despair and chaos. When a handful of people have access to all the easy (oil) money, you get rage.

2) The only thing which is stopping Nigeria from going the same way as Sudan, splitting the country in two, into a northern Islamic state and a southern Christian and Animist state, is the question of how to split the oil revenues.

Somalia, Ethiopia, and the Horn of Africa

1) Somalia is in the hands of the local Taliban, the Shabaab, who are financing their armies of young devotees through piracy. Their influence stretches down along the coast of Kenya and over the border into Ethiopia. Somalia is as frightening as any country gets today. Not even relief workers dare come here anymore.

2) The 62 per cent of Christians who live in Ethiopia are being squeezed from all sides: Islamists in Djibouti (north), Sudan (west), and Somalia (south and east), and border disputes with Eritrea in the north.

3) Islamic extremists are slowly getting a grip on the Horn of Africa.

4) Piracy pays better than fishing, even if it is more of a lottery.

Congo and the Great Lakes region

1) Congo is the crossroads of American and French interest in Africa. The Republic of Congo (Congo-Brazzaville) is under French protection, the Democratic Republic, formerly known as Zaïre (Kinshasa), is under American influence. In addition there is rebel activity in South Kivu (Rwanda) and in the north-eastern corner of the country (Lord's Resistance Army attacks in Uganda).

2) Congo is rich in minerals. It is the biggest producer of cobalt in the world (forty per cent of world share), and a major producer of copper and diamonds. Cobalt is essential for the electronics industry, for the manufacture of batteries, etc.

3) This used to be a region dominated by the interests of Belgium and France. That changed when Belgian mercenaries had Dag Hammarskjöld (UN General Secretary) killed during a visit to Northern Rhodesia in

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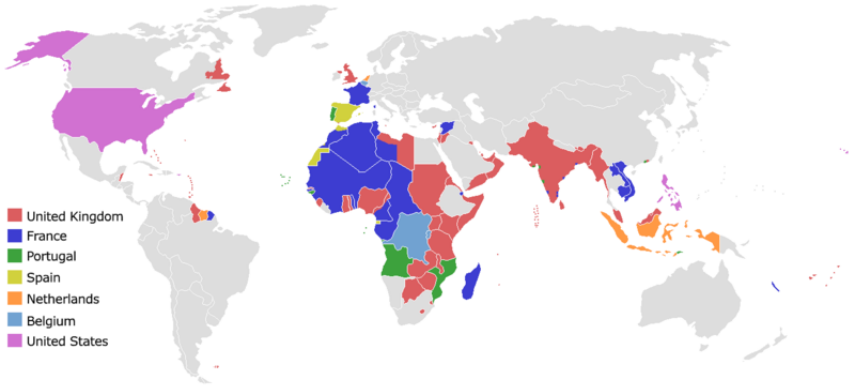
1961. Slowly the old powers were replaced by American and British interests. From their bastions in Rwanda and Uganda the British and Americans are continuing to push French diplomacy out of the Congo, the keystone of French interests in Central Africa.

Figure 13: World map of colonialism at the end of the Second World War in 1945



Source: http://commons.wikimedia.org/wiki/File:Colonialism_1945.png

4) The Hutus are backed by France, the Tutsis by the USA. France has lost Rwanda. Congo will be next. This has been the deadliest battlefield since the Second World War, costing the lives of some 5.4 million people since the 1980s. The Tutsi-dominated RPF, led by former Ugandan intelligence chief Paul Kagame, now president of the Republic of Rwanda, is supported by the USA. His soldiers are conducting a secret war in Kivu Province.

5) Two days before the massacre in Rwanda, Alain Juppé, the French foreign minister at the time, said that a victory by the Tutsi Patriotic Front (RPF) was unacceptable. But ultimately France did nothing to halt the killing of more than half a million Tutsis by the very Hutus they had trained. When the French troops returned home many of them suffered mental breakdowns due to feelings of guilt.

6) The USA supported Laurent-Désiré Kabila when he overthrew Mobutu Sese Seko in 1997. But the senior Kabila was too Marxist for Washington's liking. After he was killed, his son Joseph Kabila became president of the Democratic Republic. The US wanted to replace him with the more loyal Laurent Nkunda, a Congolese Tutsi general. But Nkunda was killing too many innocent civilians. In the end Kagama had to call his dog to heel.

7) The Americans have been trying to take control of the Congo for a long time. When Patrice Lumumba (the first democratically-elected president of Congo) requested Soviet military help, the CIA initiated a secret war in the region. When the CIA caught Lumumba he was put on a plane and sent to his arch-rival Moise Tshombe, who had him executed (see e.g. Stockwell 1978: 10).

8) In Congo the "*services spéciaux*" continue to support the Hutu militia against the government in Rwanda from bases in Equateur Province (Mbandaka). Hired South African pilots fly in weapons bought in Eastern Europe. France is desperate in East Africa, and has made a series of bad choices "*dans la région des grands lacs*".

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9) Mobutu, who came to power in 1965, turned the Congo into one of the poorest countries in Africa. While in power he amassed an enormous fortune for himself, in gold, diamonds, and dollars, valued at 400 million francs, all deposited in Swiss banks. Chirac and Mobuto had known each other for a long time. Mobuto also supported the RPR election campaign with large donations in the 1980s.

10) In Uganda the USA is trying to defeat the Lord's Resistance Army (LRA) led by Joseph Kony, a Christian fundamentalist and a self-righteous crusader.

Chad and Niger

1) Chad may be next in line. France is about to lose another African country where it has influence as the Franco-American geopolitical struggle moves further north.

2) Niger is again an unstable country. Military coups occur here about every year or so, the latest on 18 February 2010. People are killed in the hundreds in this part of the world, but the stories seldom reach Western mass media.

3) Niger was the last country where Kaddafi recruited his mercenaries from, the same people which are now being tortured in Libya with very few Western reactions

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Burkina Faso, Togo, Mali, and Senegal

1) The French are losing ground rapidly in the region. The Chinese are already everywhere. Only the French language is hanging on, so far. (The Chinese offer free courses in Mandarin all over Africa now, while the Western world is starting to charge more for their language courses). The Chinese are winning hearts and minds with their combination of gifts on one hand and access to consumer markets on the other.

2) Everyone wants cheaper products, especially in Africa where people are poor. In Mali you can now buy Chinese motorbikes for a tenth of the price that a Western product costs. There are already Chinese cars on sale for a fifth of the price. Imagine what that means. If you think America changed with Wal-Mart it is nothing compared to how fast African economic reality is becoming Chinese.

3) Malians used to receive considerable gifts from Russia (university education) and Gaddafi (television and radio stations). Now the Chinese are bringing many more gifts (airport infrastructure, major roads, major bridge, and new buildings surrounding the presidential palace). From the Western world they get the usual political talks which in the end give them next to nothing.

Tanzania

1) This is a country which receives about forty per cent of its GDP in overseas aid each year. Despite its "good student" reputation, it is a country with few economic prospects.

2) Mainlanders (former Tanganyikans) feel themselves to be Tanzanians. Most people from Zanzibar feel themselves to be Zanzibaris, not necessarily Tanzanians. Zanzibaris in general have less education than mainlanders, and are sensitive to mainlander taking their jobs. This often leads to sabotage. Tanzanians are sensitive towards anything that might look like a master–slave relationship and remind them of colonialism.

3) Religion is another sensitive issue. Muslims feel that Christians are favoured, since many Christians also have leading positions in business and political life. Native religions are practised by about thirty per cent of the population. Different tribes have different gods and religious practices.

4) The political scene is dominated by one party, the CCM (Chama Cha Mapinduzi), even though the country has a multi-party political system. Investors who want to stay must ensure they are on good terms with CCM politicians.

5) Tanzania is a tribal society. People still favour one another on a tribal basis. Members of the larger tribes tend to have advantages over those from smaller tribes. Tribes in areas with more schools tend to have more influence on national politics.

6) All Tanzanians speak Swahili. This has served as a unifying factor for the people of this country in a way hardly seen elsewhere in Africa.

7) "In Ghana and Uganda it can take one or two years to establish a business and become operational. In Tanzania and Mozambique, [it takes] 18 months to three years; and in Namibia, six months to a year" (te Velde 2002).

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Zimbabwe

1) Once the best kid in the class, now the most hated. How did it come to this? Robert Mugabe simply became too fond of power, they say. It was too good to pass on. Slowly the State became more of a dictatorship. Now he feels he has to play out the game to the bitter end. It is an old familiar story.

Southern Africa

1) It was the multinationals more than Western governments who put pressure on the *apartheid* regime. *Apartheid* was bad for business, and the system was corrupt: it did not help to foster a new middle class of consumers. Instead a bargain was made: we will give you political power, if we are allowed to keep the assets we have accumulated.

2) The USA and its allies failed in Namibia (SWAPO won, and is now the majority party) and in Angola (FNLA and UNITA lost, and are now small minority parties), because they were on the wrong side, supporting the white minority against the black majority.

3) The new leaders in South Africa are reluctant to help overthrow Robert Mugabe in Zimbabwe, because they have shared a common struggle against the white minority.

4) Zuma coming to power marks the transition from meritocracy to mass democracy in South African, as conditions are getting worse. The South African homicide rate is four times that of the USA. Perhaps as many as forty per cent of the working population are unemployed. Poverty levels and social conditions have not much improved since the time of *apartheid*, and there are no obvious solutions in sight. As always in Africa, things will take time.

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