GEO-ECONOMICS

From geopolitics to geo-economics

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From geopolitics to geo-economics

“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 geo-economics as a part of normative 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, geo-economics, evolutionary theory, evolutionary economics, strategy, intelligence studies, strategic intelligence, business intelligence, economic intelligence, critical theory, and the historical method.

What geo-economics is and who the study is relevant for

Geo-economics 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. Geo-economics is an alternative multidisciplinary direction for the study of economics.

The difference between the disciplines of geopolitics and geo-economics

The discipline of geo-economics 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. Geo-economics, 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.

The term normative is used through this book in the sense 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).
The link to the study of strategy and intelligence studies

Both geopolitics and geo-economics 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, outsourced. 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 centers 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 geo-economics considerations relative to those of geopolitics. We see this clearly when we look at how China is winning friends on the continent of Africa.

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.
Geo-economics, 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 geo-economics importance to society. And larger private-sector organizations are even actively engaged in geo-economics 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 favors, whether with respect to infrastructure investments, labor 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 geo-economics moves in cycles

The logic of geo-economics 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 geo-economics 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.
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 geo-economics. 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 geo-economics 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 geo-economics 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 Study of geo-economics. 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 practiced.
From classical economics to geo-economics.

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 geo-economics differs from that of classical economics. It bases itself on multi-disciplinary, 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*, I became convinced that the social sciences had parted company prematurely from evolutionary theory.

Furthermore 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?

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).

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

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.

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. 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 behavior 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.

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

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. 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). 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 real political perspective, evaluations of interest by organizations based on self-interest.

This real political perspective is the same for both geopolitics and geo-economics. This does not have to be seen as pessimism, but can be understood as realism. It has also been called pragmatism. 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”.

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.

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

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.

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 behavior 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.

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, 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.

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

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. 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 geo-economics 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 geo-economics 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.
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.

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.

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 geoeconomics thinking than others, and many are skeptical 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 geo-economics, 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 honored.