

ANTONIA COLIBĂȘANU

Contemporary Geopolitics and Geeconomics 2.0

A method for analyzing global trends.
A (new) world in crisis?



With a preface by George Friedman

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TRITONIC

Antonia Colibășanu
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A Method for Analyzing Global Trends. A (New) World in Crisis?

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Antonia Colibășanu

CONTEMPORARY GEOPOLITICS AND GEOECONOMICS 2.0

**A METHOD FOR ANALYZING GLOBAL TRENDS
A (NEW) WORLD IN CRISIS?**



*This book is dedicated to
my parents*

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INTRODUCTION

Innovation drives progress, making the world go round. This is a common phrase; and we all agree with it. However, innovation is not equivalent to development. Even if innovation aims to help social development, the latter is difficult to achieve. New, innovative ideas are not by default solving our problems. It takes stability and resources to begin thinking about their implementation, considering all that could go wrong and correcting any potential negative outcomes that may appear along the way. It is only after their successful implementation that bright ideas and innovation serve us all.

I am writing these words as the world has been and is still shaken by a global pandemic. We are in desperate need for bright, innovative ideas to (literally) save our world. Several vaccines have recently been approved for use and are being administrated, but a cure hasn't yet been discovered. With new virus strains appearing and the original strain still untamed, the fear of catching the virus will continue to be an important determinant of the global politics and economics until a cure is found.

However, while the pandemic dominates the media (and our lives), it doesn't mean that other events have vanished or decreased in importance. In fact, most geopolitical processes that were underway have accelerated since March 2020. Geographical patterns and economic features continue to speak of the problems and the opportunities of humanity, of communities and nation states. Historically, through innovation, humans have sought to defy the economic and geographical patterns that posed obstacles for social evolution.

As I was writing the first version of this book, in Romanian (my native language), I wanted to highlight a way, a method for deciphering the world: the method of geopo-

litical analysis. This book adapts, through translation, most of the original book, in Romanian, and adds thoughts, including a new chapter, inspired by the pandemic and the other events of 2020. It is, therefore a 2.0 version of my first book: a needed augmentation, considering the global challenges we've experienced.

Some will find it surprising that the title of the book gathers 'geoeconomics' and 'geopolitics' together. Political economy is a geopolitical determinant, after all, so why 'geoeconomics'? Considering I am mentioning this here, there is no mistake in the title. On the contrary, it is a way to signal an important transition. The economy is becoming more political, as it has incorporated and enhanced technology. Wars are no longer fought only by the military, they are also fought by other means, most of them economically empowered. If space and cyberspace are military operational theatres, it is the economy that facilitates them, through the social networks that individuals, communities and nation-states have built over time.

This is why a discussion about complex social systems becomes a must for understanding geopolitical (and geo-economic) analysis. Knowing the community's borders, in all senses, is understanding the forces that shape its development and those that are resisting it. This is why we need to look at the structure of society, considering all aspects that might influence the individuals' common will, making it vulnerable. It is equally important to learn the culture, the values, and the historical background of the society that forms a state.

The first chapters of this book are outlining the specific features needed for understanding national interest, from a historical and a geographical perspective. In doing so, I have focused on the history of geopolitical thought, also

mentioning some Romanian thinkers that have outlined the geopolitical importance of the Black Sea region. In fact, considering the contemporary importance of Eurasian geopolitics, most of the articles I've updated to serve for case studies (when the book is used as a students' manual) are referring to Europe, the Middle East and the Caucasus, the Black Sea occupying a central role in my preoccupations.

In the 3rd and 4th chapter, the reader will notice a switch towards the interior problems pertaining the nation state or the society. Complex systems are investigated in their structure, considering all vectors, all factors that might change over time, producing energy and sustaining the state's power in relation with that of other states. In the 5th chapter, we discuss the future, the reasoning and the characteristics of social innovation. This is a must, considering that the primary goal of geopolitical analysis is to tell us what's next, to forecast. These chapters were translated and adapted into English language, as I originally wrote them for the Romanian public.

The 6th chapter, however, is exclusive to this book. I wrote it during the pandemic months of 2020. As the world is facing its most severe crisis, we need to use geopolitical analysis methods not only to understand what comes next but also to decipher the present, to better understand the current reality. We always refer to "the lessons of the past"—for the pandemic, the messy cosmos of human affairs has no real historical equivalent. Globalization has never been this intense as it is today—and never was it more tested. We can apply the analysis method described in the chapter for underlining the threats and opportunities for any given geopolitical actors—specific communities or nation states.

The case study that concludes the book summarizes the major future trends worldwide and then focuses on Europe

and on what makes the current Faultline: the Baltic and the Black Sea regions. It's a risky exercise: one that offers the reader the opportunity to check, in the future, both on the author's analytical capability and the method used. More so, as the pandemic will probably become one "lesson of the past" for future analysts—the readers that this book hopes to get.

In early January 2020, as I was writing the introduction for what was to become the Romanian version of this book, news about the new 5G technology, about Brexit, about Eastern Ukraine, about the (in)stability of Iran, about the US-China trade war, about the new European budget, about Turkey's operations in the Eastern Mediterranean were "the news of the day", catching our attention. Looking back, it is amazing that the very same topics are still being talked about today, a year later. Several items are adding to the list: the potential for conflict between India and China, growing instability in Latin America, and renewed talks of cooperation between the US and Mexico. The pressure of "what's important" is multiplied by the astonishing speed of information, considering most of the media products are currently consumed online. But the themes, along with the analytical principles stay the same.

The map, more and more complex, together with the math, the numbers employed by economists, remain the constants of a world that seems in continuous and accelerated change. The interdisciplinary study of social indicators needs to consider the geographical terrain and the geographical resources both. Above all, we must not forget that the fundamental resource of the Earth is human intelligence. Demographics, through education, turns into a resource—a rare resource, considering its value and its gift: the unique power to innovate.

PREFACE

by George Friedman
to the Romanian version

Geopolitics is the study of the relations between nations. It is designed to do more than explain the past, but to predict the future. If it is to predict the future, then it means that political decision makers are predictable. If they are predictable, then these leaders are trapped within the forces generated between countries and within countries. They make history, but not according to whim and random choice.

Contemporary Romanian history is shaped by a single event; the fall of the Soviet Union. Its collapse was not the result of any leader's decision that it should end, nor the result of any massive movement. It was the result of impersonal forces, ranging from the price of oil to massive defense expenditures, to a sclerotic decision making system. The pressures it experienced from its main adversary, the United States, the restlessness within the regions it had occupied in Europe during World War II, and the weakness of Russian institutions determined what would happen. Gorbachev and Yeltsin were both onlookers, at most responding to events, at the worst irrelevant to them.

The entire world was not surprised by this. At least one person: Andre Amalrik predicted this outcome in the book "Can the Soviet Union Survive Until 1984?". Written in the 1970s, it laid out clearly the forces that would weaken the Soviet structure and cause it to collapse. Amalrik was killed in a traffic accident on a Spanish highway. He did not live to see the fall, nor explain why the 1984 date was past, but he demonstrated the possibilities that arise from understanding the structure of events, and then drawing conclusions.

The fall of the Soviet Union generated some significant shifts. For the first time since the 15th century, no European country was a global power. There was only one, the United States, whose economic and military power dwarfed all

other nations. This created a paradox. The more powerful the US became relative to other nations, the less interest it had in their behavior.

In the years after the Soviet collapse, Russia retreated from its buffer zone, leaving Ukraine, Belarus and the Baltics—fundamental Russian interests out of its immediate control. This created room for maneuver for the former Soviet satellites, particularly Romania. American disinterest in the region, and the need for Romania and other regional nations to find a mature anchor led them to look toward the Western Europeans, and main institutions such as the European Union and NATO.

NATO used the period of Russian weakness to encroach on the Russian buffer in the Baltics. And given these and other events Russia inevitably, as I discussed in my book *The Next 100 Years*, sought to retrieve what there was of its buffer in Ukraine. It worked to create a pro-Russian government there. An uprising brought down this government and replaced it with a pro-Western government. The Russians asserted that this was a coup d'état engineered by the United States. Russia was in no position to respond directly to these actions but inevitably the Russians had to appear more powerful than they were. This is what brought down the Soviet Union, when the cost of this posture overwhelmed the system. The Russians therefore chose low cost demonstrations such as Syria or hacking computers.

The inevitable response to Russia's attempts to reassert its power was to reverse engineer the Warsaw pact, in the form of an alliance stretching from the Baltics to Romania. This concept, already imagined by Marshall Pilsudski as the Intermarium, was designed to create a line of resistance to both Russia and Germany if needed, more robust than any one country

The Baltics, Poland and Romania all engaged. Hungary's failure to participate is the result of two geopolitical features. First, where the other nations are directly touching on Russian land or water interests, Hungary is buffered doubly by Ukraine and the Carpathian Mountains. This provides a secondary dimension to Hungarian policy of maintaining a complex and shifting alliances in order to maintain its options in this geographical situation.

Most important in this Intermarium was the US participation. The American perception of Russia was that it threatened few American interests, but that maintaining Russia behind its buffer zone assured, at low risk and cost, that Russia would not be in a position to increase its threat. Geography therefore required two things. The first that Russia be blocked on the north European Plain. The second was that the Russians not be able to exclude US naval power from the Baltics. What this resulted in was a minimal ground force in Poland, and an equivalent naval and air force in Romania.

The purpose of this presence was a replication of the US Berlin strategy during the Cold War. The US placed a brigade in Berlin, not because it could block a Russian attack, but as a tripwire. If the Russians attacked Berlin they knew they would kill Americans. If they were willing to do that the US would know it was at war and respond accordingly. An attack on Poland or on Romania would similarly signal war to the US for the same reasons. And, therefore, the Russians could not engage Romania and Poland without assuming it was engaging the US. And given relative power, this would deter Russia.

The current Romanian position was predictable from the beginning. It would have a relationship with Europe but Europe could not guarantee Romanian security. Therefore

Romania had to have a stronger alliance, one with other countries in the Intermarium, and the other with the United States. Russia, insecure because of the loss of its buffer, would be tempted greatly by Ukraine and Belarus, but to date it has taken minimal action in either case. Russian action against Romania is of course impossible without the buffer issue.

The focus on the Russians is inevitable, as is a rotation of attention to Turkey. Turkey is both a Black Sea power, and a Balkan power. It has, as expected emerged as a significant regional power, making claims on the eastern Mediterranean, confronting Russia in Libya and at the same time, becoming aggressive in Syria. The long term interest of Turkey must be to control Russian behavior in its region, as history dictates a clash, but also to seek security and opportunities in the Balkans while trying to neutralize the Black Sea. Given this, Romania has both an interest with Turkey to contain the Russians and a fear of Turkish power as it evolves.

Therefore, Romania remains rooted in the Intermarium but its situation becomes more complex. The one constant is a need for a great power that needs Romania's geography, and that is, of course, the United States.

Much of this is a tale of the past. The rest is of the future. However, the point I am making is that geopolitics predicted much of the recent history of Romania, and is now signaling another phase. The ability of geopolitics to read the past without emotion, allows it to see the future the same way.

CHAPTER 1

NATIONAL IMPERATIVE AND NATIONAL INTEREST — THE ATTRIBUTES OF GEOPOLITICAL ANALYSIS

1.1. The revenge of economy: the return of geopolitics

As we were entering the 21st century, it seemed that the logic (if not the theory) of international relations would change. The idea that globalization was beneficial for humanity seemed to bring forth a new form of governance: the global government was to replace the traditional country-centered one. Everyone seemed to expect a dilution of international relations, as national states were thought to become slowly irrelevant.

In a world where peace was thought to prevail, national elements were supposed to refer only to cultural aspects, no longer driving the political and economic life of the World, as they did in the past. All this evolved from the general optimism that followed the end of the Cold War. But while the conflict had ended, the world wasn't just peaceful. Instead, the world had to be reshaped according to the rules of the victor — the West, but above all the United States of America. However, the rules were not exactly new, and as they stemmed from the war which had just ended, they had to be reinvented, adapting their meaning to the new world. In the process, as it had no contender, the U.S., through globalization, had begun to rule, becoming the global hegemon.

The European Union, NATO, and all the other international organizations initially drawn by the Bretton Woods agreements - all post-War winners - continued to live and expand. Seemingly without competition, the West focused on organic growth, minimizing its global implications to international business.

The United States, the only global maritime power since the end of the second world war, remained the guardian of the world's oceans and since the '90s it began seeking to dilute its continental world-wide involvement. In the

last decade of the 20th century, the U.S. military operations were very calculated. Washington sought the lowest price for weakening the potential threats to stability. The overall global governance of the United States and its allies appeared to be effective—the associated costs being minimal.

In September 2001, the attack on the Twin Towers in New York City was the first widely recorded negative effect of globalization. It happened when the United States had established a minimal military budget and low-level military engagement throughout the world. After the events of 9/11, there were ample discussions regarding the consequences of the strategic passivity of the U.S. vis-à-vis the states that were used as proxies in the Cold War by both the U.S. and the U.S.S.R. The media published lots of opinion pieces regarding the U.S. foreign policy responsibility and, within only a few months, there was lots to read about the terrorist phenomenon and its causes. The United States announced the “war on terror”, a symbolic and complex syntagma which signaled the new phase of globalization: the formation of a coalition of nation states committed to fighting an inherently transnational and non-state phenomenon.

Meanwhile, Europe became ‘more of a Union’ and less peninsular. In the early 2000s, the enlargement of the European Union—then prosperous, peaceful and Western—meant that the Eastern Europe, made up of the former communist states, ex-satellites of the former U.S.S.R., was to be included into the EU. For these Eastern States, the West constituted a model to follow: while the democratic system was not entirely understood by their population, capitalism was the synonym of accessibility to goods and services superior to those having been on the Eastern market during the Cold War. They generally perceived the West to have a higher level of “civilization”.

For the Eastern societies, European integration was equivalent to their hope for socio-economic development, while the integration into NATO was the necessary step towards development, by ensuring security. For Western European countries, Eastern Europe was the very definition of economic opportunity: a young and skilled labor market, which was seen to be a prerequisite for continued prosperity. Negotiating the Eastern integration into the transatlantic alliances was similar, to most of the Western allies, to negotiating their access to Eastern markets.

In the process, the European countries got to know each other better. But, while the Western Europeans were looking to enhance the inner depth of the continent, in its various shapes and forms, they ignored the problems and realities of the rimland. That was because they considered their development was no longer attached to the sea and the maritime routes once critical for economic stability; the Western European economic development had to be sought on land. In the same time, the Eastern Europeans were discovering the world outside of the Cold War restrictions. For both the West and the East, development and risks were very much distinct as their perspectives differed.

Therefore, the events of September 11, 2001, had a different meaning for Eastern European countries than for the Western ones. Most Western European states perceived themselves as forced by the U.S. to join a coalition and a war that they did not consider a priority for themselves. However, the Eastern Europeans, aspiring at the time to NATO membership and hoping to renew the U.S. interest in their region (considering their constant fear of Russia), saw an opportunity in the American call to arms. Easterners were seeking, on this occasion, not only to score points for their accession process to NATO, but also to establish direct

bilateral relations with the U.S. — of course, nuances and differences in approach existed from state to state.

Thus, even though the armed forces of all coalition states fought in the war, terrorism and the war against terrorism were “felt” differently in the U.S. compared to Europe, from the very beginning. Participation was disproportionate among coalition members, and differences in approach across countries created different perceptions among their societies. In the European Union, the theatres of operation in Iraq or Afghanistan seemed far away: although they were important topics for the media, these were not at the forefront of the public debate, as on the other side of the Atlantic.

In Europe, the early 2000s were instead marked by optimism: enlargement and development continued, and they were treated as a consequence of the growing European integration process. The economies of the EU member states increased their interdependencies, while the political and social changes that had taken place at the level of the new EU members, of Eastern Europe, acted as a magnetic force for other states: the Western Balkans and the states in the Eastern neighborhood of the EU. In Georgia and Ukraine in particular, the prospect of EU and NATO membership, made many consider that their country no longer pertain to Russia’s sphere of influence and instead get closer to the West.

The ‘Rose Revolution’ in Georgia in 2003, which marked a change of the pro-Russian regime in Tbilisi and the ‘Orange Revolution’ in Ukraine one year later, in 2004, confirmed this idea. For Moscow, these two events were a wake-up call. Being on the losing side of the Cold War, Russia has gone through a period of profound socio-economic instability in the 90s, yet in the early 2000s, through

the development of the energy sector, it was slowly rising back up on the world stage. It could not afford, especially now, to lose from its sphere of influence those states that not only facilitated its access to the West but were incremental for its security strategy, protecting Russia from Western influence and potentially, Western aggressivity, considering the Russian historical perception of the West. Of all, Russia could not lose its influence over Ukraine. Therefore, it was only natural that Russia, since 2004, has constantly accused NATO and the EU of an expansionist policy.

The reasons for the 2008 Russia-Georgia war, through which Russia marked its return to the international scene as a regional power, were born in 2004 - as the series of color revolutions in the former Soviet republics (Ukraine, Georgia and Kyrgyzstan) became significant. But Moscow did not choose 2008 by chance.

During the winter of 2005, Russia temporarily cut gas deliveries to Ukraine - the key point of transit of gas from Russia to Europe, thus testing the level of European dependency on Russian gas and how Europeans could counteract this. In 2007, Putin went to Tehran in a historic visit — the first visit of a Russian head of state since Stalin in 1943, in a sign of support for Iran in the nuclear dossier. Meanwhile, in Afghanistan, the world's leading theatre of anti-terrorism operations, the U.S. benefitted from Russia's goodwill, even though the interests of the latter were not fully aligned with those of the United States. Russia needed to keep Afghanistan (a former Cold War hot spot), under control.

Russia has slowly built its return to the international political scene. Right after Kosovo was recognized by the United States and some EU Member States in February 2008—marking the first redrawing of borders in Europe after the Second World War (one with which Russia did not

agree)—and after NATO welcomed Ukraine and Georgia's Euro-Atlantic aspirations during the Bucharest Summit in April 2008, Moscow decided on the military invasion of Georgia and entered the Caucasus during the summer of the same year. That was the perfect timing for delivering its 'return message' to the world.

The year 2008 had deep implications for the world - there was a reset of international relations, even if this was not clear at the time. The financial crisis in the United States had produced global ramifications, especially for developed countries but also for developing ones. The financial crisis had rapidly transformed into a socio-economic with political ramifications in Western Europe and has profoundly affected the euro area in particular. Economic correction mechanisms were rather deficient, and the European Union was not prepared for the negative events it was facing. The discussion regarding the shortcomings of globalization became part of the political discourse, and the need for social protection against the distorting effects of the integrated global markets brought doctrinal nationalism and propaganda to light.

First in Europe, then in the U.S., the radicalization of the political discourse marked the return of the notion of "national interest" to public communications. Theories of global governance, those related to the establishment of global society, have slowly lost ground. The word "geopolitics" got back in fashion, both for politicians and journalists. Due to its growing popularity, we often understand the term as a challenger to globalization. Geopolitics—as a manifestation of national interests—is often portrayed by the mainstream media as the cause of tensions in the international domain. Protectionism, another consequence of the shortcomings observed in the global system during the economic

crisis that started in 2008, is often only assessed based on the negative effects it has on multilateralism. Currently, two camps appear to make (or divide) the world: supporters and opponents of ... geopolitics. Or of globalization.

In fact, the two terms coexist and leverage one another. Through the technological advances made since the end of the Cold War, such as digitalization and the internet, globalization has become the way we live. Facilitating communication at the global level, by creating real-time networks, the internet has supported the development of the global economy, which led to the emergence of global dependencies that prioritize market needs rather than political ones (though political consequences/fallout would follow in subsequent years).

The financial global crisis brought economic problems to the forefront, but it also highlighted the global competition between emerging powers such as China or India and developed states such as the U.S. or Germany. The connections and dependencies between them are no longer solely controlled by the governments, even if the nation state remains the most important actor in global affairs. Instead, a new infrastructure was built by businesses and citizens both. Geopolitics is therefore built on geo-economics and the new global infrastructure shapes the borderlines and border-zones of nation states.

1.2. The definition of geopolitics: not an easy route

Public policy and diplomacy manuals point to the fact that the practice of international relations reaches society with a certain delay. It is well after the decisions taken by the elites behind closed doors that their effects become visible to everyone. The world has not changed to the extent

that this is no longer the case. However, digitalization made not only personal communication more efficient, but it has also inherently allowed the elites and the population to exchange messages more frequently, increasing, to a certain extent, transparency on divisions and similarities between the decision makers and the public.

As insignificant as location has become for individuals who wish to communicate—today we can communicate with people tens of thousands of kilometers away—the less understood are the risks and personal vulnerabilities of the new infrastructure. Knowledge of “what’s next”, of innovation or simply put, of the future, will never come from any textbook, but the perception of the present should be guided, together with personal intuition, by up-to-date theoretical concepts and concrete information. After all, the new infrastructure is built on well-known foundations.

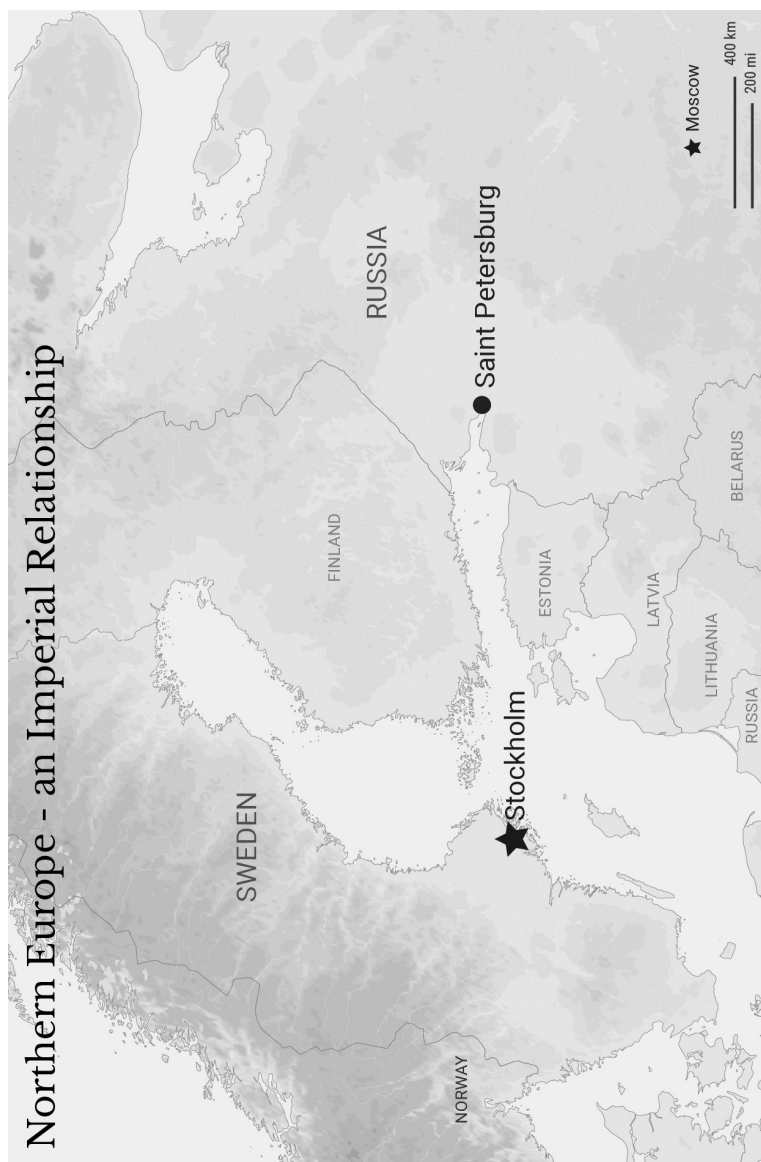
On May 19 and May 20, 2016, the Swedish air traffic was disrupted several times, because of the interruption of radar communications and because of technical problems incurred by the country’s telecommunication infrastructure. On the ground, such problems were visible considering the errors of the ticketing system for surface and rail transport. Those who went to Stockholm in those two days were having their planes either diverted to other cities, if unable to land, or were expected to wait good minutes in the air in order for their plane to establish communication with the airport control tower before landing.

Once on the ground, because of the telecommunication problems throughout the city infrastructure, it was hard to buy the metro tickets to the city center and, naturally, people were late for meetings, considering the busy traffic caused by the poor functionality of the other modes of transport. It just so happened that one of the NATO conferences dedicat-

ed to discussing critical infrastructure took place in Stockholm during precisely those days. It may have only been a coincidence.

The conference took place only weeks after having identified one of the most powerful cyber-attacks on Swedish internet servers and on all media sites in the country, which happened in March that year. The reason for the technical failure of May 2016, which had also affected the 112 emergency line (the European equivalent for the 911 emergency line), was unknown and was not identified as caused by a concerted attack. But the participants at the NATO conference could not help thinking about how things would be if such an attack would have happened that day. Everyone coming and leaving from Stockholm felt the vulnerabilities created by human dependence on the modern telecommunications system. While the old foundation was there, the new infrastructure has clearly shaped our way of living. Knowing you can easily take the metro from the airport to the city center, you no longer think about searching for a taxi. And if you must take a taxi when you thought you could take the metro... it's inconvenient.

Comfort is relative. As is distance and location. Being in Sweden, a NATO partner country (not a NATO member), it becomes easier to understand the importance of location and, more important, how we perceive it. On March 17, 2016, a few days before cyber-attacks, the Swedish government announced the country would adopt a new military doctrine, adapted to the new security risks in the Baltic Sea, taking into account the situation in Ukraine, the annexation of Crimea and the overall increased Russian aggression. This new doctrine also mentioned closer collaboration with NATO, the United States, and Poland. In fact, two years later, in August 2018, the U.S. State Department published a



report on the cyber-attacks in Sweden, accusing Russia to be the perpetrator. A natural attitude, not only for the bilateral cooperation between Sweden and the United States but also because Sweden hosts one of the world's most important internet and telecommunications data transit links. Thanks to its geographical location, as one of the most northerly links the Americas have to the Eurasian continent, it is a sensitive node for transatlantic communications.

In fact, the very geography of Stockholm gives you the chance to perceive location and distance through the historical prism. Located diametrically opposed to Tallinn on the map, and hidden at the end of the little Saltsjön (Salt Bay) of the Baltic Sea, Stockholm appears to be monitoring maritime traffic on both sea-sides, while keeping its role as the country's most important trading centre. Stockholm is an island city, guarded by waters, and even if it does not lie directly on the Baltic Sea, maritime life and all that comes with it has marked its centuries long existence.

The Gulf of Bothnia, stretching north of Stockholm, between the east coast of Sweden and the west coast of Finland, opens in the Baltic Sea through the Åland Sea and the archipelago bearing the same name. Its reduced salinity, due to the influx of continental waters and heavy rainfall, give it an appearance similar to that of an enormous lake: a peaceful, easy to command water, as long as the southern shore is controlled.

The position of the Gulf of Finland, on other hand, is almost exactly on the other side of the small salty Gulf of Stockholm (Saltsjön, as the locals call it). This position highlights why Russia could become a European power only after Sweden had lost its imperial and dominant status in the Baltic. Losing Eastern Sweden in favor of Russia and the making of that territory into the Russian Duchy of

Finland in 1809 meant the start of a new historical era for Europe, one in which the naval forces of Saint Petersburg became predominant in the northern part of the continent.

In the capital of Sweden today, traces of the country's imperial history are kept only in the architecture of the historical center. The archipelago lies at the meeting of the waters of Lake Mälaren and the Saltsjön, extending its arms to the world through strong and yet simple bridges, which also suggests that the fate of this small urban world, and even that of the entire Scandinavian peninsula, lies in the hands of the others—of those who control the waters.

From a historical point of view, the 'birth certificate' of the City of Stockholm is the letter that Lord Birger wrote, in 1252, to German merchants from Lübeck telling them they would receive privileges if they were to establish in Sweden. This act, establishing a free trade area and ensuring additional rights for merchants, turned the old city which until then was a small port and a market outlet for the peninsula, into a genuine maritime trading center, an activity that will ensure its growth and will define its continental links for centuries.

In the white and harsh light of the northern sun of May, sitting on a bench in the center of Stockholm and gazing towards the Baltic Sea - without being able to see it, it is almost clear why the word 'geopolitics' was first uttered in Sweden by Rudolf Kjellen (Cohen, 2014). Professor at the University of Uppsala, a city only 75 kilometers away from Stockholm, Kjellen first spoke of 'geopolitics' in a public lesson held in April 1899, with the meaning of 'geography of politics' as defined by the German Friedrich Ratzel (Cohen, 2014, p. 14), his mentor and the first to lay a conceptual foundation for geopolitics. Rudolf Kjellen defined geopolitics as the study of the State as "a geographical organism

or a phenomenon in space”—a universal explanation adaptable to any period of modern history.

Before the First World War, Kjellen talked in his work “Introduction to Swedish geography” about the key elements to be studied in order to understand the territory of a state, and the limitations imposed and the opportunities derived from it. In 1916, Kjellen discussed the concept of ‘geopolitics’ in his work “The political problems of the World War”, which - he said - cannot be static. In making such a claim, he was referring to the state’s actions and the power of the State put in motion by its expansionary instinct (Kjellen, 1921).

Sweden remained neutral in the two World Wars and in the Cold War. This gave Kjellen the opportunity to write about the war, when the conflict was well under way. Neutrality was the best option for Sweden, considering the country’s geography - caught between the West and the East, in a cold peninsular formation. But the influence of the Kjellen went beyond the borders of Sweden and, as Friedrich Ratzel had influenced him, Kjellen also influenced German thinkers and strategists. Of these, the most prominent was General Karl Haushofer, whose ideas were borrowed by Adolf Hitler in shaping his expansionary strategy. Haushofer was not impressed by the theories of societal progress through economic development advanced by Kjellen, but thought that by greater control over the state apparatus—in a nutshell through autarchy—a nation can best fight to promote its interests (Cohen, 2014, p. 25). Therefore, together with Ratzel, Alexander von Humboldt and Carl Ritter, Kjellen is considered being a parent of German geopolitical thinking. The political background, and subsequently the historical one, translated into Kjellen being little known worldwide.

Instead, the British geographer Sr. Halford Mackinder

is considered to be the father of the science of geopolitics. In 1904, Mackinder presented the paper titled “The geographical pivot of history” in which he explained the theory of the “heartland” or the central pivot theory, which at the time he identified as the core of the Eurasian continent: Eastern Europe (including the Balkans) and Central Asia. Even if the work does not include the word “geopolitics”, the concept is being explained in these phrases: “who rules East Europe commands the Heartland; who rules the Heartland commands the Eurasia and Africa; who rules Eurasia and Africa commands the world” (Mackinder, 2004, p. 302), bringing to light the reason the First World War started. By presenting the imperial powers of the beginning of the 20th century as concentric circles, Mackinder shows their dependence on the center of the continent. With the rise of instability at their very core, the empires are losing their *raison d’être*, as they lose their internal balance. By introducing the concept of strategy associated with nation states and showing its utility, Mackinder paves the way for the geopolitical study.

Equally important for the conceptualization of modern geopolitics are the contributions of Alfred Mahan and Nicholas Spykman. Mahan, who was a historian by training, highlights the importance of naval forces in the strategic approach developed by various regional powers. He refers to the strategic value of geopolitics, highlighting the three elements that need analysis in order to determine the capacity of the state to project power: a geographical position with good access to the World Ocean, the absence of strong neighbors, and a strong naval presence with a high military potential of the maritime fleet (Mahan, 1987). Nicholas Spykman adds the geostrategic dimension of the ‘rimland’ to the writings of Mahan, explaining the strategic interest of

the United States in Europe: preventing a situation in which the European continent is dominated by a single European state (Spykman, 2008). Spykman introduces the concept of ‘national security’, which distinguishes three categories of factors: geographical, economic and political, bringing us closer to the modern method of geopolitics.

Both Mahan and Spykman addressed the study of geopolitics through the strategic practice of conflict, from the perspective of a relatively new state, bordering both of the world’s Oceans: the United States of America. Thus, the tests of the two authors offer a transition from the perspective of ‘European empires’ to the global perspective, also to understand power: it is no longer sufficient for a state to have power—after the Second World War, the projection of power and influence, by all the means available, to keep the risks that may affect the national security of the state away from its borders, is crucial for maintaining regional or global dominance. Similar to the way the waters of Europe’s north define Stockholm and Sweden, America depends on the calm (or troubles) of the Atlantic and Pacific Oceans—which has to do with the means through which Washington manages the potential of its maritime fleet and not only.

1.3. The Method: on geopolitical evaluation

Although geopolitics is inherently a fluid social science, the *geopolitical evaluation principles* remain valid through today. While taking into account the time and the location or the place where geopolitical theorists have lived and studied, we may apply the principles on current events only as we consider historical cyclicity.

The founding fathers of geopolitics may have had different perspectives, but their work highlights some basic

features of the geopolitical study. First, *the subject of geopolitics is the human society, organized under a governed or governable system*. Therefore, the national state is a geopolitical subject of the modern period. Empires were, for instance, geopolitical subjects of the middle-ages and antiquity. History plays a contextual role to geopolitics, which refers to the strategic approach, always focused on the long-term perspective for the geopolitical subject in question.

Second, *the geopolitical subject is given the attributes of 'objective reality' and 'evolutionary attitude'*, defined according to its primary aim—that of survival. The objective reality relates primarily to geography, which is considered depending on the historical moment taken into account. Historical, ethnological, and cultural information meant to ensure the most comprehensive characterization of the human population living in that geographical area, all form the objective reality. The evolutionary attitude refers to how the geopolitical subject develops its defense capability against any risks that might affect its survival, enhancing its characteristics vis-à-vis the three key areas essential for its existence: political, economic and military.

Third, *the geopolitical subject will always act rationally*. In this respect, all modern geopolitical scholars borrow terminology from philosophy: in order to act rationally, the political leader identifies himself/herself with the state it leads, understanding both the constraints and opportunities that define its reality. This principle is, in fact, a metaphor of the national state, of the geopolitical subject, which is taking on some human characteristics of society and ultimately, of leadership. It is important to note that leadership - and not leaders - are driving the specific features of the geopolitical subject: its survival is prioritized and any action leaders will take against survival (by accident or not)

will be corrected. Rationality is that feature making a nation state into a ‘phenomenon in space’, as held by Kjellen. It is also the feature allowing the existence of ‘pivot regions’ and ‘pivot states’, as held by Mackinder, considering the act of strategic decision-making. The nation state creates, holds and projects power through rational action, an abstract concept that appears predominantly in the writings of Mahan and the Spykman, who link geopolitics to strategic thinking.

Considering these principles, the *geopolitical analysis seeks to anticipate what could lead to a change in the national, regional or global system and to foresee any disruptions, any reactions that will force a reshape of the systems humans live in*. Through geopolitical lenses, one can, in fact, see how the interaction between the political, the economic and the military creates power for the geopolitical subject, and thus a system of measurement should be utilized to this end. From this perspective, considering the geopolitical principles, we can characterize the system by *two types of power: static and dynamic (reactionary)*, the two being in a direct relation of proportionality. The national state is characterized by a certain (static) power when it does not engage with other states and a certain dynamic, reactionary power, built upon the static power, which is used to react to the (rational) actions of the other states. A change of the system’s components could cause reactionary power, and a re-balancing would lead to a new variant of static power.

In order to clarify the two terms succinctly, we have to first underline *the state must have the power to ensure its continued existence, the power to survive: to safeguard territorial integrity and maintain social stability*. Static power is showing the achievement of *national imperatives*, which are defined as the essential strategic objectives of a state

without which it cannot exist and which are based on the objective realities of the state in question. We link the national imperatives to factors that remain the same and don't change in time (at least not on the short and medium term, such as physical geography, climate, etc.) and which have a direct or indirect action on decisions concerning the state's development policies.

For the United States, for instance, one of the national imperatives is to maintain the security of the World Ocean. This stems from the fact that the U.S. has a coastline both in the Pacific and in the Atlantic — and thus the U.S. needs to secure the oceans so that it may keep its national borders secured. For Germany, a continental European power, one of its national imperatives is to maintain dominance over the Northern European Plain. Germany needs to do this in order to secure its borders and its commercial infrastructure.

The dynamic, *reactive power refers to how the state is acting in relation to the other states*. It characterizes *the national interest*, defined as the sum of the national policies in strategic areas, supporting national imperatives. Hence, there is a directly proportional link between dynamic and static power. Although the national interest targets the strategic dimension and draws on policies that have a long-term impact, the geographical and historical contextualization limits it. The Federal Republic of Germany and the Prussian Empire shared the same imperative: to maintain domination over the Northern European Plain. Prussian strategists defended this imperative by unifying all German states in the 1870s in order to cope with invasions - back then, the interest of the state was unification. Germany is now using European integration and its NATO membership to exploit the interdependence of the neighboring states in the region, over which Germany has economic preeminence - today,

Germany's interest is to maintain the European Union influence over the region. As a result, pursuing the national interest leads to an enhancement in power, in a quest of competitiveness rather than stability.

In the first stage of the geopolitical analysis of a state, we aim to identify its imperatives and thus its static power, the elements that the state cannot do without, among the three domains: political, economic and military. The imperatives of a state remain the same as long as the state does not change its geography or its borders — for example, the discussions about climate change are important in geopolitical terms as they are about potential changes of the Globe's geography. The development of the state's components, of its socio-economic sectors, shows the state is growing its competitiveness and stability, increasing its static power, building its profile for being a model state and projecting influence over others.

Following the first stage of geopolitical evaluation, one needs to observe the developments of each feature that defines the imperatives of that state. For instance, regime change usually entails a transition period, which is often fraught with political instability that has repercussions both in terms of economic and military policies. These observations commend the consideration of national interests in defending the imperatives of the state. We understand evolution not only as a shift from one condition to another, but also as passing time from the moment t_0 to the moment t_1 . We will consider the time interval Δt to define the evolving estate of the country, if there are no notable events between t_0 and t_1 . At both times, we can define the conditions referring to the state's geopolitical imperatives.

The state's competitiveness refers to its *static power*, formed by the evolution of the political, economic and mil-

itary elements forming the state. At t_0 the state is featured by a certain competitiveness while at t_1 , its competitiveness differs from that at t_0 .

The state's temporal evolution also determines its national interest(s), conditioning its *dynamic power*, as set out by the specific policies and actions implemented at the national level. It is the dynamic power that refers to the country's reaction to other states' action. The geopolitical evaluation method refers to all those research techniques that social sciences study uses for defining both the static and the dynamic power of a nation state. For that, we must combine the political and social economic studies in order to perceive the specificities of national communities.

The ability to capture reality and develop theories based on what you capture, discovering the rules governing the social systems, is crucial for geopolitical analysis. If we are to draw an analogy with physics, *the power of the state is given by its action, which is generated by the forces that set the state's system in motion.*

If ' P ' is the symbol for power and we consider ' F ' as the force acting on the system within the time frame ' Δt ' and making the system move between 2 conditions, described by the distance (travelled by the system during Δt - that is from the moment t_1 to the moment t_0), then the power generated by the action of that force is given by the relationship:

$$P = F \cdot \Delta d / \Delta t = F \cdot v ,$$

where ' v ' is the speed that the force ' F ' implies, while acting on the system.

In order to understand how priorities change—and the national interests acting to defend the national imperative—

both those forces that balance off the system, forming the complex society, a national state (taking into account the national dimension), and the forces that set the entire system in motion must be well understood. Their resultant force acting within the system reestablishes the system's static power. When the system reacts against all external factors, against the (resultant) force of external influences, it generates the systemic reactionary power, which sets the entire system in motion, producing energy and thus enhancing the system's dynamic power.

It is also important to know that, while one must be objective when delivering a geopolitical evaluation, it is extremely difficult. One needs to identify oneself with the particular geopolitical subject that he/she analyzes—in order to better understand its core, including the 'unwritten' aspects which pertain to the culture and the collective memory of a community or a nation. One needs to be completely detached—in order to discern the objective and identify the subject's potential actions as early as possible. Doing both at the same time is developing bipolar lenses of analysis and bringing them together. Developing an unbiased view of the subject's geographical location is essential—that alone reinforces the representation of the imperatives and interests carried by the geopolitical subject. This makes it easier, later on, to perform an analytical correction—which is crucial in strategic decision-making.

The conceptualization of geopolitics during the years before the First World War was based on knowledge and historical experience. Aristotle, Machiavelli, Montesquieu, Kant or Hegel made reference in their works to elements which later came within the study of geopolitics. The common denominator for all works that refer to geopolitical themes, whether implicitly or explicitly, is the very rea-

son this field of study has developed over time: the need to understand the world, how it acts and reacts in an orderly manner. Rudolf Kjellen wrote in the preface of his work, “The Great Powers before and after the World War”: “I saw new powers emerge through natural selection, in battle, and growing; I saw Great Powers dwindle and disappear; they are therefore subject, at least in part, to the laws of life and could, therefore, even be the subject of a biological analysis”. He was highlighting the dynamic complexity of geopolitics, as early as he was conceptualizing its study.

Key concepts:

- The state as a geographical body
- The state as a complex system that can project power
- The heartland theory (or the “central pivot” theory)
- The rimland theory
- Geopolitical evaluation principles
- National imperatives
- National interest
- Static power
- Reactive, dynamic power

CASE STUDIES*of analysis articles and essays***France as a Northern and Southern European Power***Originally published by Geopolitical Futures on March 13, 2017*

France is the only country in Europe that is both a northern and southern power. The Continent's northern and southern regions have developed in relative isolation. Two geographic features help pull the Continent in separate directions. The first is the North European Plain – an expansive stretch of land extending from the Russian steppe in the east to the French Pyrenees in the west. Northern Europe, with the densest navigable waterways in the world, is the Continent's wealthiest region. The second feature is the Mediterranean Sea. Southern Europe is mountainous and lacks a robust coastal plain. Therefore, while rich by global standards, it is poorer than Northern Europe.

France is unique because it is part of both of these European regions. The Rhône, which begins at the Mediterranean and serves as a trade corridor to Northern Europe, is the only river that unites the south with the north. The Garonne River, with its head of navigation in Toulouse, is only about 90 miles from the Mediterranean and flows west into the Atlantic. This makes France the only country that can project power in any part of Europe. However, France's status as both a northern and southern European country has posed internal problems due to a disconnect between France's north and south.

This disconnect can be seen in the issues facing southern France today. The south of France is a key region that highlights the challenges the next government in Paris will face after upcoming elections in just over a month. Its experience and problems embody the country's key concerns.

Currently, the media and the public in southern France are more focused on local issues, and the election is of secondary importance. It is no longer a topic of conversation in French cafes, taking a back seat to more immediate concerns for the average French voter. Apathy over the election is widespread: About 40 percent of French voters have not decided whom they will support. But the most important themes in the current campaign are French identity, security and unemployment. These are all key issues in Provence, where populism is on the rise.

The south of France is one of the most populous regions in the country, with a population of more than 5 million. While its economy has been growing, so have the unemployment rate and the popularity of the National Front, a nationalist party. Positive growth figures have not translated into better economic conditions for French citizens.

The structure of this region's economy partly explains this disconnect in Provence. While tourism in Côte d'Azur accounted for 5 percent of France's GDP and 11 percent of the region's GDP in 2016, according to France's National Institute of Statistics and Economic Studies (INSEE), the education sector is the predominant source of income for the rest of the region. Education and tourism sectors together employ about 80 percent of the region's workforce. Other industries that employ workers here – pharma, gas and water distribution, and electrical and electronic components – are important, but more than 90 percent of the enterprises affiliated with these sectors are small and only employ up to 10 people. These sectors have suffered less than others since the 2008 financial crisis.

The region does not have large automobile and textile industries, which were hit hard by the crisis, forcing companies to lay off personnel and implement restructuring pro-

grams. Real estate and construction were the only sectors in southern France that slowed down as a result of the crisis. But these sectors only account for 12 percent of the region's GDP and have rebounded according to the latest data from 2016. All in all, the economy has shown positive signs, registering a growth rate of 2 percent last year, according to INSEE.

However, southern France has one of the highest unemployment rates in the country – between 11 and 13 percent. The Provence-Alpes-Côte d'Azur region has the fastest-growing population in the country, increasing by 73 percent since the 1960s compared to France's national average of 35 percent. Immigration has increased even though other regions in southwestern France have become more appealing for immigrants in the last 10 years. The region also has one of the highest poverty rates in the country, with more than 15 percent of the population living below the poverty line, according to French statistics from 2013. During tourism's off-season, economic stagnation is more visible: Local restaurants close early, shops adapt to the slow provincial pace of life and the only lively areas are near universities and business centers.

Geography offers another explanation for the contradiction between the region's economic development numbers and social realities. Much of the region's economic activity is concentrated along the 400-mile coastline, which encompasses just 10 percent of the region's territory and is home to more than three quarters of the population. Last year's terrorist attack in Nice hurt the tourism industry, and a slowdown in global trade and investment had a negative impact on Marseille and its shipbuilding industry. "For Sale" signs scattered around neighborhoods in Nice also indicate the negative effects of real estate's slowdown.

Half of Provence is mountainous and most of the population is urban, relatively decoupled from the realities of tourist-heavy Côte d'Azur and the major port of Marseille. Universities, the center of gravity for these urban communities, are dependent on international students – many of whom came to France through European Union exchange programs before 2010. But because European demographics no longer supply a steady flow of students to these universities, they have begun marketing to Middle Eastern countries and, less successfully, Asia. All of this ties into the region's new challenges, particularly regarding immigration.

The region has been the traditional point of entry into the country for North Africans. This has helped the economy, since companies can take advantage of lower-cost labor, but it also has contributed to a growth in nationalism. While immigration from North Africa is not new for the region, security concerns have grown over the last several years, especially since the Nice terrorist attack. Job creation in this region is limited, and youth unemployment is high. As elsewhere in Western Europe, migrants often get jobs faster than locals because they are willing to accept lower salaries.

These local realities create regional problems that pull campaign discourse toward issues like identity, security and unemployment. The region, fearful of the negative effects of immigration, has long been wary of European Union integration, especially its impact on the economy. Small shops in Provence complain just as much as small businesses in rural Britain about the problems that have arisen from policies made in Brussels. Small business owners argue that they will never get access to the EU market, as rules governing the market have killed their chance to be competitive.

For these reasons, the region's attitude toward EU integration should be no surprise. In 1992, Provence voted against the Maastricht Treaty. In 2005, more than 55 percent of people in Provence voted against an EU draft constitution. The region has historically voted for the French right, and support for the National Front has grown over the last two elections. In 2015 local elections, the party received 20-25 percent of votes. As the economy weakened, nationalism and populism became more prominent in Provence, as they did throughout France and Europe. However, apathy and disengagement from politics also have grown.

France's position as both a southern and northern European country will continue to present challenges, even though it is also an advantage for the country's position in Europe. Provence's development will depend on how both economic and security challenges evolve. France needs to take a broader view and balance between looking to its east (and preparing for any threat that may come from the North European Plain) and looking to the Mediterranean – which presents its own security challenges.

Power on the Periphery of Europe

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British Prime Minister Theresa May visited Warsaw to sign a new defense treaty between Britain and Poland. May called the deal a “powerful symbol” of the two countries' close cooperation; however, the agreement speaks less to the cooperation between the two countries and more to Europe's slow regression to pre-EU realities through the fragmentation of the European Union.

European member states increasingly prefer bilateral arrangements to multilateral cooperation as they pursue

their national interests over multinational agendas. The new defense agreement between Britain and Poland is one example of this trend. The deal aims to increase cooperation between the two countries' militaries. But cooperation between British and Polish armies is nothing new.

As part of the defense agreement, the two countries will spend 10 million pounds – about \$13 million (a small sum as far as defense deals go) – on strategic communication projects. The deal also calls for increased cybersecurity cooperation to counteract Russian “disinformation” across the region.

History reveals strong ties between the two countries. In August 1939, they formed the Anglo-Polish military alliance. In September the same year, Britain and France declared war against Germany after the Germans invaded Poland. Relations between Poland and Britain remained tense during the Cold War, since Poland was a Soviet satellite state. But once the Cold War ended, relations became stronger, both in defense and in EU matters.

When Poland joined NATO and as the country's relationship with the U.S. evolved into a strategic partnership, Britain also increased its defense ties with Poland. Within the EU, after Poland's accession in 2004, the two countries supported each other, voting for or against the same policy proposals issued by Brussels. This week, the EU Commission also invoked, for the first time, Article 7 against Poland for breaching European common values and the rule of law. This could lead to Poland losing its voting rights in the EU Council. It may also have its EU funding cut. But by signing a bilateral defense agreement, Britain is resisting the EU Commission in its attack on Poland at a time when London is also negotiating its own deal with Brussels on withdrawing from the union.

Poland and Britain are already on Europe's geographic periphery. Now they are both becoming part of its political periphery as well. It's no secret that the EU is bureaucratic; it operates by a complex set of rules and legislation. Even in its negotiations with Britain, where both parties need a resolution, Brussels' mandate is rigid and marked by complexity. At the same time, Brussels has also been challenging Poland, as Warsaw has refused to go along with certain EU directives. It launched the rule of law procedure earlier this year, trying to push Poland to obey EU legislation.

This all comes at a time when European economies are recovering from the 2008 economic crisis and are still facing social problems that need to be dealt with at the national level. The EU is under increasing pressure, and it is incapable of adapting because of the way it has been structured. Since 2008, the EU's fragmentation has accelerated. Recently there has been talk of Germany leading the way in forming a separate, enhanced union whose members – all members of the eurozone – would harmonize their fiscal and economic policies. This would permit them to not be responsible for poorly performing members.

The formation of new alliance blocs in Europe should be expected, considering that all EU members don't share the same interests. Germany and France have different views on key issues from Poland or Greece. Poland is wary of Russia, while Germany is focused on managing the refugee crisis and dealing with internal security threats. Britain, because of its geography, has always been able to keep its options open.

Since the end of World War II, Britain has changed its strategy from maintaining the balance of power on the Continent to maintaining its balance between the U.S. and Europe. It waited to see whether the EU would grow into

a powerful entity capable of challenging the U.S., while maintaining its close relationship with the U.S. and hedging its bets. It joined the EU when the bloc became more united, but it kept its autonomy and refused to join the eurozone. It calculated that if European nation-states re-emerged as the primary political units in Europe and the EU failed, Britain would be in a position to exploit the fragmentation of Europe to its own economic and political advantage and have the United States available to support its strategy. Now, the EU is under pressure from within.

Multiple Europes are emerging. Britain's strategy is to increase its autonomy and adapt to the new reality Europe finds itself in, while seeking to manipulate the EU's breakdown for its benefit. It remains close to the U.S., not only in terms of their economies but also in terms of defense. Britain has supported many American military operations. With the EU slowly disintegrating, Britain may try to form its own alliance structure along the Continent's periphery. A military alliance has already taken shape in the east, with U.S. support and British involvement. As Brexit negotiations continue, and as Britain seeks to deepen its cooperation with certain EU member states, the current free trade agreement within the EU may face new challenges. Whether other EU member states, particularly those in Eastern Europe, become interested in participating will be key to the way British alliances and the EU evolve.

The Future Germany Envisions

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Since the 2008 financial crisis, Germany has been the de facto leader of the European Union. It has been a voice of calm, urging unity and coordination through the ensuing turbulence, from the financial troubles of Greece, Portugal,

Ireland and Spain to the political troubles in the wake of last year's Brexit vote. Behind the scenes, however, the German Ministry of Defense in February produced "Strategic Perspective 2040," a federal defense policy document – the first of its kind in Germany since the end of World War II. Some details of the document were leaked recently to the German publication *Der Spiegel*.

The document, and especially the planning scenarios in it, send a message to the world: The structure of Western Europe since World War II, and of all of Europe since 1991, is no more. And Germany intends to look out for itself. What Germany Is Planning For Strategic Perspective 2040 considers six scenarios, all relating to the future of the EU and its relationship with the world in general and the United States in particular. The first two scenarios see the EU surviving its ongoing existential crisis. Strong trans-Atlantic relations prevail. This was regarded as the current state of affairs for Germany, where its defense and security focus has been on local and international peacekeeping operations. The third scenario describes heightened tensions on a local level in the Western world. It covers rising nationalism – which is already happening – and an elevated threat of terrorism.

The final three scenarios are the bleakest. They detail the further deterioration of the economies of Europe and, ultimately, the collapse of the European Union, coupled with an "increasingly overstrained" United States still serving as the world's "stabilizing factor." In the fourth scenario, economic troubles in Europe and in China – Germany's two main export markets – pose a serious threat to the German economy. Scenario five outlines a bipolar world, where the West consists of the U.S. and Europe – not the EU – and the East consists of Russia and China. Economic compe-

tition grows between the two blocs, but while tensions are high, trade prevents major military conflicts. Dependence on fossil fuels and other raw materials drives some Eastern European countries to ally with Russia. The sixth scenario sees a complete collapse of the European Union.

The leadership in the United States is no longer able to act decisively to prevent global crises from escalating. The prevailing sentiment from the perspective of the German defense and security establishment is uncertainty. Why Now? The strategic document notes that Russia's invasion of Crimea in 2014 was the impetus for its conception. Large chunks of it were written in 2015, before the refugee crisis in Europe, the Brexit vote and the resurgence of nationalism throughout the Continent. Its prescience is commendable; the German military was envisioning some of the problems of today as it watched the EU struggle to find solutions to the problems of days past. Also, the military establishment didn't build the six scenarios based on the events of 2014.

In fact, 2014 was only the tip of the iceberg – Germany has had to deal with strategic questions about its role in European affairs since 2008, when the European Union began to disintegrate, in the process posing a threat to German national interests. For Germany, the European Union needed to be saved for two reasons, both related to its core national interest. It needed the EU to survive for the reasons that have existed since the end of World War II: The EU was a foundation of its relationship with France, a way to ensure that the conflicts of the past stay in the past. But it also needed it for economic reasons.

Germany is the third-largest exporter in the world, and most of its exports go to the rest of Europe. The EU free trade zone has been the crux of the German economy. The price of the euro helped German exporters, and Germany's

political power in Brussels, where EU regulations for the common market were formulated, gave Germany other advantages. Protectionism, particularly in Europe, threatens Germany because it diminishes its ability to export. Without strong exports, the performance of Germany's economy suffers, and social instability isn't far behind.

Beyond economics, regional alliances that could challenge German interests are slowly popping up in Europe. Italy has found it has shared interests with Spain and France, while much of Eastern Europe considers deeper coordination while anxiously watching Russia. As these countries develop stronger ties, Berlin must consider the potential for confrontation with these alliances. This is where the military dimension of the German strategy comes into play. Germany has kept its formal relationship with NATO intact since the end of the Cold War. But without the specter of the Soviet Union, NATO is increasingly more of a political than a military alliance.

2014 was a wakeup call for Germany because it wasn't prepared for its interests to diverge from those of the Eastern Europeans and even the Americans. Berlin was an early supporter of the demonstrations that installed the pro-Western government in Kiev. Berlin, however, didn't expect the Russian response. It also didn't see the U.S. response coming. Germany saw this as a political problem and didn't want it to turn into a military problem. It also wanted to keep good relations with Russia, with which it has a significant economic relationship.

As the situation in Ukraine evolved, Berlin had to deal with a second European crisis concerning refugees. The Eastern Europeans were not bothered by the refugee issue – after all, most of the refugees were headed west anyway – and were concerned only with the Russian advance on

their borders. While Germany was trying to keep the EU together, the Eastern Europeans were focused on building up a containment line against Russia – and the U.S. was supporting them. 2008 saw the start of the EU's process of fragmentation. 2014, in Germany's eyes, marked the beginning of NATO's fragmentation. This was Germany's signal to start planning its own defense strategy.

On the bright side for the U.S., which has been urging NATO members to boost their defense spending, Germany's defense budget will likely grow along with its list of national interests. The release of details about Germany's first national defense strategy in decades is a signal to the world that it doesn't intend to set idle. The system that was built after the war no longer works. The EU and NATO are cracking under the weight of an increasingly divergent set of interests among their members. So Germany must make its own plans, and it must plan for the worst.

Poland Takes on Russia

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When flying over the vast North European Plain in January, you understand the reasons for Poland's anxiety when it comes to national security. While the land was covered by snow, I could only think of how vulnerable it looked. There was nothing protecting the soft patches of whiteness in between the gray lines of roads or railroads, as seen from the plane. It seemed that the wind alone could spoil it all in a few hours, as frozen as it was.

I was on my way to Rzeszów for a conference on the European Union and Ukraine, to discuss and learn about the security and socio-economic challenges in the Eastern European borderlands. We flew for about an hour from Warsaw to Rzeszów, the biggest city in southeast Poland, about

60 miles from the Ukrainian border. This is a place where history reveals the reasons for both Polish pride and fears.

During WWI, Rzeszów was one of the towns where the Austro-Hungarians fought the Russian army and were defeated. During WWII, it was bombed by the Luftwaffe and occupied by the Germans, but remained the main center for the Polish resistance movement called the Home Army. Locals always stress that the Home Army was loyal to the British and that during the war, whenever resistance operations were carried out by the Home Army, negotiations with the Russians failed, keeping Rzeszów under German occupation until the end of the war.

Rzeszów also prides itself on being the town where Rural Solidarity, the Polish civil resistance movement against the communist government, was established. These are not only historical reasons for national pride but also measures of resistance against Russia. This and closeness to the Ukrainian border makes Rzeszów the perfect place to discuss the challenges Poland faces today.

For Poland, geopolitics is an existential issue, with its national strategy pivoting around a single goal: preserving national identity and independence. Due to its geographic location, situated in the often-invaded North European Plain, Poland has been vulnerable to moves by other Eurasian powers. NATO and EU membership has removed Germany as a potential threat. But, from Poland's perspective, it is not protected against Russian aggression.

In 2016, the standoff between Russia and the West over Ukraine lost visibility in international mainstream media and slowly evolved into a *de facto* frozen conflict. Both Russia and NATO have increased their military buildup in the region over the last few months. The Eastern flank, from the Baltics to the Black Sea, saw the biggest NATO deploy-

ment since the Cold War. Thirteen countries will contribute to the four battalions to be stationed in Poland and the Baltics, while Romania, Turkey and Bulgaria plan to increase air patrolling and enhance security at the Black Sea starting in 2017. The U.S. has also shown its most significant commitment to the region since the end of the Cold War. But talks during the conference indicated fear of war is not decreasing. On the contrary, among the Europeans, there's an obsessive repetition of the fact that Russia becomes more aggressive as it weakens internally.

Countries in the north, particularly Poland, have chosen two paths to limit the Russian threat. One is forging defense ties with countries in the region that share similar fears, while closely working with the U.S. This contributes to the Intermarium, the containment line against Russia from the Baltics to the Black Sea. But Poland knows that the West is in no position to fight against Russian influence further east and that NATO and the U.S. are unlikely to react to a potential Russo-Ukrainian escalation. This is why Poland's second path to limit the Russian threat is to try to keep Kiev closer to Warsaw and the West, challenging Russia's role in the former Soviet periphery.

Perceiving the increasing Russian threat in Eastern Europe, Poland championed regional cooperation initiatives within and outside the NATO framework before the Ukrainian crisis. Warsaw has worked on increasing cooperation between the so-called Northern Group countries, which include NATO members and non-members. These countries are Denmark, Estonia, Finland, Germany, Iceland, Latvia, Lithuania, the Netherlands, Norway, the United Kingdom, Sweden and Poland. They have worked on coordinating their technical capabilities so that they can take on common missions.

Since 2017, they have agreed on enhanced access to each other's territory, which would improve the operational effect and quality of air, land and naval operations. Poland's improved cooperation with Romania resulted in the Bucharest Summit that gathered all of NATO's Eastern European members ahead of last year's NATO summit. While coordination between the two has been supported through diplomacy, there's still room for more effective operational coordination relating to defense and security.

In addition to supporting regional cooperation, Poland has moved to enhance its defense ties with Ukraine. Poland has renewed a bilateral defense agreement with Ukraine, which enters into force in 2017. The official statement on the agreement says that the cooperation relates to both countries' "military sectors, providing a legal basis for the expansion of cooperation in 24 areas, including virtually all spheres within the scope of the defense industries of the two countries." The agreement also refers to "the delivery of weapons and military technology and the provision of services of a military-technical nature," strengthening cooperation between the countries' defense industries.

This is the first integrative military deal between a NATO country and Ukraine. Kiev needs to improve its defense capabilities – and Warsaw needs to maintain its influence over Ukraine's military buildup if it wants to make sure Russia does not gain ground there again. Considering the de facto frozen conflict in the east, Poland has benefited from the current pro-Western approach in Kiev and the country's attempts at reform. Poland initiated the agreement and was willing to offer whatever was needed to make sure the Ukrainian army develops according to Western standards. This included cooperation related to personnel training, consultations, military equipment and armament,

liaison organization and logistics.

This integrative approach is also motivated by the fact that Ukraine's infrastructure – a key factor in the country's development, including its defense – is currently administered by Polish managers. Poland's former Minister of Transport Sławomir Nowak was appointed director of the State Agency of Automobile Roads of Ukraine in October 2016. Wojciech Balczun, a successful Polish executive who served in the past as LOT Polish Airlines' supervisory board chairman and worked with the Polish State Railways and the Polish Tourism Development Agency, has been head of Ukrainian Railways since last April. This is seen as a softer way to build influence in Ukraine, as are economic aid and investment, both of which Poland has supported since the crisis.

Through these steps, Poland has tried to establish a platform to keep Ukraine closer to the West. Warsaw has been a prominent player in the contest between Moscow and the West over the future of Ukraine, initiating the European Union's Eastern Partnership program, which sought to bring the former Soviet states closer to the EU. But this time, Poland is attempting to lead the way in seeking to keep Ukraine turned westward. Considering that the Ukrainian economy's poor performance could lead to social problems, which would destabilize the country and increase Russian influence yet again, Poland clearly took on an ambitious task. While it is key for Polish security to have a stable neighbor, it is not something Warsaw can administer alone: Ukrainian will is required. However, as Poland manages its own fears by building its influence and resistance against Russia in its neighborhood, it is behaving more like a rising regional power in Central Europe.

Central Europe Seeks a New Way Forward

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Twenty-five years ago, the peoples of Central and Eastern Europe could begin to hope. They could hope for lives free of the fear of Communism and the threat of war. They could look west and see a European Union that was consolidating and inviting their countries to sign on to its drive for enlargement. When the NATO-Russia Council was formed in 2002, it even seemed like Russia might be ready to partner with the West.

Hopes started to fade in 2004. The Orange Revolution in Ukraine seemed to bring the Russian bear out of hibernation. Moscow saw the movement as being engineered by the West and spent the next decade working to avert the risk of a pro-Western Ukraine.

By 2014, hope has given way to fear for these states - fear that Russian aggression could once again reach out to them. The rest of Europe, it seems, has other problems and priorities. The French and Spanish are focused on internal budget debates and the stability of the eurozone, while the countries of Southern Europe are left to address the social fallout of low employment.

But the populations of Central and Eastern Europe are increasingly aware of something history has taught them to call the "Russian danger." This question is one of degree: In the greater fight against revanchist Russia, how much support do the countries of Central and Eastern Europe have? And what do these states need to do to enhance their security moving forward?

A friend in Brussels

The Ukrainian crisis has done much to show the constraints NATO and the European Union face. The institutions have been at the core of Central and Eastern European countries' foreign policies since the early 1990s, as these countries became members and took the first steps toward integration. But there is no foreign policy alignment at the supranational level - EU leaders are still prioritizing national interests that often differ and sometimes diverge, even as Brussels publishes bland common statements condemning Russian aggression. So how reliable a partner is Brussels? The breakout of the Ukraine crisis itself indicated a failure of the EU Eastern Partnership initiative, but on the other hand it is because of local support for the diplomatic efforts of the European Union that the pro-Russian government in Kiev was overthrown, and a pro-EU government is in power now. The European Union has taken diplomatic measures against Moscow in the form of economic sanctions, and it has supported Moldova and Georgia's efforts to maintain a pro-EU stance. Thus we see the European Union's power of influence remains ponderous, even if its policies are limited to the minimum common denominators that its member states share.

NATO has problems of its own: With no European army, and with Western European defense budgets at an ebb, the transatlantic alliance depends on the United States for 80 percent of its operational capacity, while it continues to abide by the consensus rule to approve any action. Divergent priorities among European NATO members - notably Germany and France - proved stark as alliance member states pursued their own strategic interests within the NATO framework during recent crises. (The bellwether ex-

ample being the intervention in Libya in 2011.) However, NATO in its own way has made notable attempts to support its Eastern European members. U.S. forces are on permanent rotation in the region, and NATO troops participate in military joint exercises with member states' armies here.

In pursuit of an alliance architecture

Wariness of Russia already spurred Central Europe to consider new strategic alliances before the outset of the Ukraine crisis. These took the form of regional initiatives such as the Visegrad Group, or the emphasis on bilateral relations between Poland and Romania. All of these efforts aimed to deepen cooperation and enhance defense capabilities. To this point, they remain more a matter of intent than a reality - the Visegrad Group exists only on paper - and have borne little tangible result.

The security needs of each country in this borderland region involve a constant struggle to balance the influence of, and countries' dependence on, Russia and the West. Recent demonstrations in the region show the extent of concern over the growth of Russian influence. During recent protests in Hungary that were ostensibly about domestic policies, demonstrators shouted their opposition to Budapest's friendly relationship toward Moscow. In the Czech Republic, the anniversary of the Velvet Revolution was marked by demonstrations against what the public perceived to be the president's pro-Russian stance. During the brief demonstrations after the announcement of the surprising electoral result in Romania, crowds in the country's largest cities exulted at the victory of President Klaus Iohannis. They waved American and British flags, and they put their antipathy for Moscow and their affinity for the United States in full view.

The process of forming and maintaining a governing coalition following the parliamentary elections in Moldova will test the sustainability of that country's Western orientation. While Moldova is party to the EU's Eastern Partnership initiative, launched in 2009, Chisinau's ties to Moscow are deeply rooted in its history as a former Soviet republic. On the other hand, ties to the European Union have yet to yield substantial benefits. Yet, while the ballot outlined a divided and highly vulnerable society, it also showed a willingness to align with the West. It seems that a visa liberalization regime proffered by the European Union, and Brussels' continued rhetorical encouragement of Moldova's efforts, have yielded positive results. Romania has also actively supported linking Europe to Moldova, a country that seems to still be searching for its soul.

Poland has boosted the European Union's profile in Moldova through high-level visits to Chisinau this year. Poland is one of the chief backers of the Eastern Partnership, and Warsaw has always portrayed itself as a regional leader and a bulwark on the borderline between Russia and the West. Warsaw views its partnership with Bucharest as ever more crucial - it sees the Black Sea, post-Crimea invasion, as a theater of operations just as important as the Baltic Sea.

One key area where Poland and Romania share similar views is in the energy sector: Both believe the European Union needs a common policy on energy, with the goal to diminish dependence on Russian gas. EU Council President Donald Tusk, formerly Poland's prime minister, has made it a mission for his mandate to build an EU energy union, replacing the current status quo of a union formed of inefficient "energy islands." However, experience tells us that coordinating among the 28 European states is a hard task, especially since some member states, such as Hungary and

Bulgaria, are going to need plenty of persuasion to diminish their reliance on relatively cheap Russian gas supplies, even after the demise of the South Stream project. Meanwhile, others worry that a more unified system would expose their national energy champions to external competition. National protectionism is still a powerful force in the European Union.

Europe has tried to diversify its energy sources. Liquefied natural gas terminals are being built in the Baltic region, Poland included, and the European Union scored a tactical victory against Russia on South Stream. But so long as it lacks an aligned foreign policy, Central and Eastern Europeans will continue to see Europe as a soft, reactionary power.

In the post-post Cold War period, image matters only until realpolitik intervenes - as we've seen in Ukraine.

Russia is far from weak, but its power has been undercut by economic problems. The Russian economy was already slowing before the crisis over Ukraine erupted. Tensions have only made the situation worse. Russian economic growth is flat, the ruble will continue to slide, oil prices are now falling, foreign investment has been cut by 50 percent, and capital flight will reach \$100 billion by the end of the year.

The Ukrainian crisis, the confrontation with the West, and sanctions have severely stressed Russian leadership. Russia doesn't resemble the Soviet Union prior to 1980, when leadership was supported by an ideology that was either believed or feared. Putin is not Stalin, and even if he is a powerful Russian leader, he is not omnipotent - he has to take into account the wishes of his supporters. This is why he will need to keep lines of communications with the Europeans open.

The European Union is weakened and divided, facing what Commission President Jean-Claude Juncker has called “an existential crisis.” European disagreements affect NATO consensus. The United States is revisiting its role in the region without disengaging from other crises in the world. All of this creates a necessity to craft regional alliances to engage with the United States and draw it further into European affairs. As Russia has built its belt of frozen conflicts from Eastern Ukraine to the Caucasus, the Central and Eastern Europeans need to counter with a regional belt of shared economic and military concerns - a belt bound by Western values.

Ukraine Crisis Puts a Strain on the Transatlantic Relationship

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Ukraine is a country searching for its soul. Long torn between east and west, the country -- whose name translates as “on the edge” -- is not only redefining the relationship between Russia and Western Europe, but is proving to be a big test for the transatlantic relationship.

The relationship between Europe and the United States shaped much of the 20th century. American intervention was decisive in the first and second World Wars, and the Cold War remodeled Eurasia. For Ukraine, the new model meant independence, following the disintegration of the Soviet Union. Attempts had been made to found an independent Ukrainian state prior to 1991, but these were short-lived. One such effort between 1917 and 1921 succumbed to chaos, as conflict broke out among Ukrainians who supported different political and military factions. A second attempt, led by Stepan Bandera in Lviv in 1941, ended abruptly the following year.

Thus Ukraine is not only a young democracy, but also a young state. And Crimea, the province that finds itself in the news today, was only officially recognized by Russia as part of Ukraine in 1997 -- after Kiev granted the province autonomy. Rejection of Russian rule, on the other hand, has grown over time in western Ukraine, and the period following the Cold War allowed this feeling to flourish.

The post-Cold War period had two phases: pre-9/11 and post-9/11. During the first phase, economic liberalization was perceived as a complement to liberal democracy, and in the first decade after the end of the Cold War, countries in Central and Eastern Europe went through a process of economic opening. They tended to prioritize ties with the United States and membership in NATO and the European Union. This dovetailed with the EU's eastward expansion, begetting a process of enlargement that took concrete form in the mid-2000s. During this phase, the countries of the former Soviet Union, Ukraine included, started developing their own state institutions, transitioning toward independence while modeling their national strategies and determining their core national interests. They were fast-developing states in a fast-changing environment.

9/11 changed everybody's priorities. The United States and its partners focused on fighting terrorism. Russia started to regain its strength, at first internally before seeking to press its interests internationally. The newly independent states on Russia's periphery, meanwhile, were still seeking to define themselves. Before 2000, most of these countries focused on state building, and it was only in the early 2000s that questions regarding national strategy and foreign policy emerged. At a time when the West was focused on the war against terror and was entering the EU enlargement fatigue phase, Ukraine was starting to consider whether the West

is a better option than the East, as Ukrainians had thought during the Orange Revolution of 2004-2005.

Russia was the key player. For starters, Ukraine and Russia are tightly bound by history, and history has taught Moscow the importance of maintaining secure buffer states. But in a more immediate sense, Ukraine gives Russia access to the Black Sea, and beyond, to the Mediterranean: the ports of Sevastopol and Odessa are crucial for military and commerce. Ukrainian territory is of strategic importance for Moscow, considering the pipelines that send energy to Europe. For Russia, the Orange Revolution posed an unacceptable danger. Moscow understood the popular uprising as an event engineered by the West to diminish Russian influence over Ukraine and to encircle and crush Russia.

A New Russian Assertiveness

Russia spent the years following the Orange Revolution looking for ways to avert the risk of a pro-Western Ukraine. Moscow worked to split the coalition that emerged from the events of 2004-2005 and set as its goal the installment of a pro-Russian government in Kiev. The United States was too committed to wars in Iraq and Afghanistan to engage elsewhere, and Moscow began pressing its interests more aggressively, most boldly with its 2008 invasion of Georgia.

Now more assertive, Russia had begun to complicate Germany's strategic challenge of maintaining close ties with Moscow while addressing the interests of the central and eastern European members of the EU. In the immediate aftermath of the Georgia crisis, German Chancellor Angela Merkel said during a visit to St. Petersburg that Germany would oppose NATO membership for Ukraine and Geor-

gia. Her statement reflected two realities that Merkel understood well: First, the German economy relies on Russian energy resources. Second, perceiving the approach of the European Union's economic crisis, Berlin knew that extending NATO protection over the two states would involve increased defense spending. From Berlin's point of view, Merkel's stance is completely justified -- but it represents a significant tension within the transatlantic partnership. Germany has become softer on NATO integration since the 2008 Russo-Georgian War, with German diplomats now discussing "the perspective of NATO membership," a feeble phrase that indicates Berlin hasn't actually changed its position -- Ukrainian and Georgian membership is not on the table for now. Berlin has, however, signaled support for closer economic integration with both Ukraine and Georgia.

The Russo-Georgian war was meant to send a specific message to Ukraine and all the other countries in the former Soviet Union: Russia was again going to be the heart of Eurasia. Vladimir Putin's most important project since 2008 is the creation of the Customs Union -- the soon-to-be Eurasian Union -- which ties together Russia, Kazakhstan and Belarus, creating an economic and potentially military bloc that covers a wide swath of the former Soviet Union. Russia's moves alarmed the former U.S.S.R. satellites in Central and Eastern Europe, as well as countries bordering the Baltic and Nordic Seas -- some of them newly minted EU and NATO members -- making them seek the supplementary protection of bilateral strategic partnerships with the United States and other states in the region. They also pursued strategic alliances among themselves, such as the Nordic and Visegrad groups. In practice this has meant little, but it illustrates a diminishing trust in what Euro-Atlanticism means for these countries.

Challenges to the European Union

While marking the dawn of a new Russian assertiveness, 2008 also saw the beginning of crisis in Europe. As the United States returned to the cycle of economic recovery and growth in 2011, the EU, on the other hand, continues to struggle with economic problems that have entrenched a structural social malaise. And despite efforts to forge an institutional political consensus, the union is still divided on fundamental questions regarding military and foreign policy. The national interest still surpasses EU prerogatives in defining foreign policy strategies. If Mali, Libya and Syria served as examples of the weak joint foreign policy interests between France and Germany, Ukraine is now testing both EU cohesion (over the Eastern Partnership Policy, launched in 2011 by Poland and Sweden) and the power of Euro-Atlantic links.

The opportune moment for Moscow to consolidate its influence in Kiev arrived in 2010, with Orange leader Viktor Yushchenko discredited and Viktor Yanukovych reassuming power. At the outset of the current crisis in Ukraine, Germany backed pro-Western protesters in Maidan, giving particular impetus to Vitali Klitschko's rise as an opposition leader. As the crisis has escalated, the Weimar Triangle partners -- Poland, Germany and France -- took the lead in negotiating the deal that created a new government in Kiev. Then Russia occupied Crimea, and the crisis went global.

A diplomatic war is now being waged between mighty global actors, the United States and Russia. Germany, while showing support for pro-Western Ukrainian ambitions, has again demonstrated that it is aware of its own interests above all, and that Berlin does not want to damage European-Russian relations. While Russia moves its military, West-

ern “attacks” are limited to the threat of economic sanctions. The United States has actually imposed small sanctions on Russia. The European Union continues to schedule meetings to discuss the sanctions it could put in place. Meanwhile, individual European countries are announcing their own potential sanctions on Moscow. This situation clearly frames the struggle facing the transatlantic relationship: While the United States remains strong economically and militarily, Europe lacks not only strength, but also coordination.

NATO Needs a New Course

This is troublesome when one considers that with the 2014 withdrawal from Afghanistan, NATO is still struggling to redefine its role. At the last Russia-NATO council, NATO Secretary General Anders Fogh Rasmussen delivered a diplomatic message, emphasizing “the situation in Ukraine presents serious implications for the security and stability for the Euro-Atlantic area.”

Decisions taken during the summit were symbolic: the suspension of NATO-Russia joint missions (as if they were still possible), the cancellation of staff-level civilian and military meetings and, of course, the announcement of a comprehensive review of the entire range of NATO-Russia cooperation. NATO also plans to analyze the possibility of strengthening Ukraine’s military capabilities. Per Rasmussen’s speech, the moves were intended to show that Russia’s actions do have consequences. Moscow responded to Rasmussen’s speech through the voice of Russian ambassador to NATO Alexander Grushko, who, besides talking about Russian disappointment with the meeting, also emphasized the “catastrophic domestic situation in Ukraine,” something that the West has forgotten to discuss as of late.

A New Era

If Ukraine as a young nation-state is searching for its soul, the country's crisis has shown that the Euro-Atlantic alliance is seeking to define its role for a new era. Events in Ukraine prove that we've fully entered the post-post Cold War, an era in which the interests of the nation-state prevail over all others. The United States remains the world's dominant power, while the European Union is defined by multiple competing nation-states and a re-emerging Russia. In this world, events in the east and the west of Europe are making the countries in the middle -- a line of nations from the Baltics to Romania that Polish leader Jozef Pilsudski defined as "Intermarium" -- increasingly nervous. These nations are willing to strengthen cooperation among themselves but still need backing from the major European powers, and especially from the United States. As the crisis in Ukraine moves into uncertain territory, a major test of U.S. willingness and ability to stand up to Russia is emerging. While Washington has been vocal on the crisis and has shown signs of engaging further in the region, concrete action from the United States -- and the backing that action receives from the Europeans -- will show just how solid the Euro-Atlantic partnership still is.

Overcoming Borders in Carpathian Europe

Originally published by RealClearWorld on October 21, 2014

Passing through the Southern Carpathian Mountains to reach the Transylvanian Plateau, my thoughts wander back to the idea of Europa Karpat - "Europe of the Carpathians." The term itself came from a panel at the Economic Forum in Krynica to discuss deepened cooperation among the Carpathian states - Ukraine, Poland, the Czech Repub-

lic, Slovakia, Hungary, Romania, Serbia, and Croatia. To me, Europa Karpat resonates with the word “borderlands,” and the long road I’m charting through the region brings to mind the paths its countries have traveled toward a common destiny.

The Carpathians are a transitional zone where the ideas of West and East interlace. Cultural notions and material goods move through customs points in the mountains, while geography has made of this region a natural buffer zone for empires since antiquity - as it does now for the current world powers.

These borderlands have an established function as a cultural intermediary. The villager on the other side of the mountain is never a complete stranger, though he may well be a foreigner. It follows to discuss how the EU membership of some countries in the region could be a catalyst for better connections, better cooperation. This is what was expected of the Visegrad Group and, to a certain extent, of the European Union’s Eastern Partnership initiative.

These efforts have mostly disappointed, but are the countries of Central Europe on a path to increased cooperation in the 21st century?

A landscape of change

We’re on the road moving north, and it’s impossible not to note the changing architectural styles of the villages. The gardens on the southern side of the mountains - expansive and open to the eyes of the passerby - are a marked contrast to the enclosed, gated spaces on the approach to the Transylvanian plateau. On the skylines farther north, the gothic roofs of Evangelical churches call and their Byzantine Orthodox counterparts respond. Here, the mountains

express an embedded, natural tolerance that remains resilient. Is this the nature of the “Middle Europe,” as the Germans (Zwischeneuropa) and the French (Europe Mediane) call it - the reflection in stone and steeple of an unrecognized shared fate of resilience?

The shared fate that built nations in the Carpathians is one of conflict and stretches back to the middle of the 19th Century, when the Austro-Hungarian and Ottoman empires competed to draw the boundaries of their influence. Conflict and contrast, that is - as in most places, the national myths that eventually sketched state boundaries in Central Europe were drawn by the whatever separated “our group” from “their group.” But in this region, the bluntness of West-East stereotypes leads each group to look down on neighbors with particular ferocity, viewing them as less developed and somewhat barbaric. Such views were imposed on these neighboring societies from the beginning - a historical streaming of the empires’ heritage to the region.

Religious and class differences in lifestyle and mentality shaped the image of the Westerners in the eyes of the Easterners. For instance, the Byzantine Orthodox sees the Western Christian as secularised and shallow. In the eyes of the West, the Christian of the East is idolatrous, backward and superstitious. Europa Karpat is where these views shake hands. They form the basis for defining how Hungarians and Romanians, Hungarians and Serbians, Polish and Ukrainians, and Polish and Belorussians, perceive one another.

Social stereotypes of the other grew to reflect national images of self. The Poles and the Hungarians think of themselves as aristocrats in contrast with the Slovaks, the Romanians, the Belorussians. The Czechs define themselves in relation to the Germans - they wished to build their nation

on folk and middle-class traditions as well as on Bohemian traits, creating the image of a democratic and plebeian Czech nation. They are the bourgeois of the region.

These class-based stereotypes oppose the peasant to the noble and the urban inhabitant to the villager. This vernacular interaction among social classes, with few exceptions, seems to define the historical behavior of countries in Central Europe, when dealing with one another or with outsiders. A contemporary example is the way Poland balances its foreign policy: between the “noble” Weimar Triangle (Germany-France-Poland), more of a public relations endeavour than anything, and the humbler Visegrad Group.

The Cold War redefined this interaction, at least for a time. These countries, and the social strata within them, shared similar destinies. The Soviet occupation of Czechoslovakia in 1968, for instance, left an indelible mark. For at least a generation, Central Europeans felt united against a common evil - Communism and the system erected around it - though it took different forms in each satellite.

After the uniformity imposed by totalitarianism, a new model has emerged for nation-building in Central and Eastern Europe - one built around the individual, the citizen, and the concept of universal equality. It has served as a starting point in the transition toward democratic societies in which ethnically and culturally separate communities have rediscovered traditions and have grown a newfound respect for “the other.”

Democracy has thus crystalized Carpathian regionalism, adding another layer of history to the interactions among its peoples. In the contemporary argot of the European Union, regionalization refers to coherence in economic development among nation states. In this sense, the countries in Central Europe - member states of the EU -

have many reasons to enhance cooperation. We have seen some initiatives, mostly led by Poland, to speak with a common voice during debates in Brussels - debates on solving the European economic crisis and developing a European banking union.

The new pivots for cooperation

The Ukraine crisis has the potential now to raise Central European cooperation to a new level. Defense policymakers in these countries, while still looking for U.S. patronage and guidance to manage the threats at their borders, are becoming more and more aware that their countries' defense is in their own hands. The geopolitical realities surrounding the evolution of the new Cold War will have a vernacular expression in the Carpathians. They may go further and create the solid basis that the countries in the borderlands of Central Europe needed for closer cooperation.

Until the Ukraine crisis, discussions between these countries and their Western partners mostly addressed economic development. Threat assessment and more stringent mapping of energy sources are now the dominant topics. Indeed, energy is the pivot of the new Cold War, and it is no wonder that while Poland is calling for the creation of an energy union, Romania - the country least dependent on Russian gas in the region - is seeking to reform its energy sector through sustained investment.

CHAPTER 2

STRATEGIC AND TACTICAL LANDSCAPE

2.1. Intersections: Plans and communities

The word “geopolitics” is just another definition for what has been already extensively studied by strategists or political leaders, all searching for answers referring to their communities, to the problems of their time. Similarly to us today, they were trying to understand the world—including their neighborhood, by anticipating the consequences of the actions and reactions that defined their reality. But we cannot fully understand the world and the human society, considering its constant development and progress. Yet, the world’s foundation remains the same and, through its study, one can anticipate the future.

Geography—both the terrain and the natural resources, play an important role in geopolitical assessment due to the way they define society’s fundamental characteristics. The mountain folk have remained different from the people living in the lowlands, even if modern technology facilitates communication and interaction between humans, regardless of their location. The terrain and its environment shape people’s lives, forming particular behaviors that transform themselves, over time, into local cultural features. Trying to understand how topography has influenced history and how the peoples have become what they are today is, in fact, understanding evolution - the individuals’ reaction to change and their resilience to all external forces.

History is mirroring the communities’ past, defined through a continuous transformation and adjustment of social configurations, as topography and ethnography shapes them. History influences human judgements because the past offers high certainty, reflecting the common experience that shaped the community spirit through education. In fact, the word “community” does not show something visible or

palpable in time, but it refers to experiences that a group of people have lived together, founding their fate and giving way to history through their evolution. We know that there are no two identical communities in the world, just as there are no two identical individuals. Their common definition is “groups of people with common interests”, marking their existence through action.

The community is, in a way, a person’s extended family. From a geopolitical point of view, we differentiate migrating communities from those which do not migrate, ethnic communities from multi-ethnic communities, and national communities from non-national ones.

In geopolitical analysis we use markers meant to place the territorial sense of belonging, of value, beyond the material, in order to understand the action and reaction of those groups we consider being geopolitical subjects. Individuals will not fight to defend the geographical borders or the underground resources; they will not fight because others urge them to fight—instead, they will fight to defend their community, their family.

The instinctual reaction of people to defend what is theirs comes from one’s feelings, from personal perception, from elements which cannot be fully defined. The environment in which people live, the common ‘knowledge’ that they’ve inherited as ‘certainty’ are all unseen but are also shaping their personal beliefs.

The only elements that we can comment about, as observers of the individuals and of the communities in which individuals live are the terrain (topography) and all that they share with us. The act of ‘sharing’ equals an exchange of information, which is also an ‘influence operation’: the words we speak influence the other while we let ourselves influenced by what we hear.

In order to assess the features of a community from a geopolitical point of view, we need to draw a map that shows the importance of those details that are being investigated, a map that includes much more information than the regular textbook. This has to be a map of discovery, of journey. The mountains reveal themselves to visitors through narrow, winding roads, flanked by simple, austere houses, seemingly barricaded behind tall wooden gates and the shutters of the windows. The houses are built of stone, with the mountains providing security for the people living silently in these areas, following rules and customs which are rarely shared - never shared to complete strangers. To reach them, you need to climb the mountain, something that helps build confidence - you become worthy, by effort, to know more about the secrets of the mountain and, if you prove yourself, of the communities living there.

On the other hand, the plains, the open fields bathed in sunlight and crossed by slow rivers, are seemingly never ending, posing no visible obstacles to those willing to discover them. The natural richness of the soil is often doubled by the commercial potential of the meandering rivers. Besides the colorful mosaic of gardens and the houses laced with carved wood decorations, the lowlands are typically home to ad hoc markets—usually placed at a crossroads—where locals and passers-by can meet and trade. The lively inhabitants epitomize this world. Everyone wants to share a story, they invite for a conversation over whatever merchandise they sell and are eager to find more about you and the reasons for which you are travelling through their village.

The defense strategy of each community is directly linked to the topography that it finds itself rooted. In the mountains, you can find fortresses with thick walls where

people can take shelter in times of distress - as the road to reach them was difficult, communities living here had more time to build. In the lowlands, fortresses are rare and usually harbored between waters, which not only help defend against invaders but also fend-off fires.

As Robert D. Kaplan mentions in the book titled “The Revenge of Geography”, one needs to “travel slowly”, to see the features of the terrain—be it desert or mountainous—in order to understand how the environment has shaped the people living the land one travels across (Kaplan, 2012, p. 13). This allows the traveler to observe the social dynamics, to perceive the unwritten laws of the community, as he or she attempts to understand the priorities of that population, of that community. This is the only way to conceptualize the model which shapes the interests of particular societies - interests which are changing in time, but also what remains constant, what builds and maintains their imperatives.

The tranquility of the rural area gives space for thinking - the constants of life are visible and change is rare. In contrast, the big cities live through change, through crowds of individuals always looking for a better tomorrow, seeming to run away from constants. In the city, we reflect on the destiny of the urban community we're a part of only in times of distress—in other times, we are busy living. The physical and relational infrastructure builds the city's geography, explaining its social problems.

Many times, however, what happens outside the urban realm reflects the national dynamics. While cities are the entry point for the new, the rural preserves the geographical imperatives. The links between cities, through the rural environment, how these links support and transform themselves over time, speak about the political, economic and cultural influences and dependencies, and also about the

priorities and interests of communities in a particular geographical area. Within the connections between the rural and the urban, we discover the state's community and its specific features.

2.2. Pointers for stability

One of the indicators of stability on the modern European continent was the running of the Orient Express train from Paris to Istanbul. The inauguration of the route in 1883 was a geopolitical event. After the 1848 revolutions, which marked the destiny of the European continental empires, the agreement of all the States on the route—from Constantinople, which was still under Ottoman rule, to Paris of the French republic—to grant the right of passage for the Orient Express railcars, marked the beginning of a new period in history. The needs of the newly formed European States related to technological progress, to efficiency, in a world where Paris and London (and not Vienna or Constantinople), represented the development model to follow.

The Danube was the only obstacle, breaking the route of the train from its westernmost to its easternmost point in Europe, imposing itself as an impassable border. The Danube separated the two worlds not only physically but also perceptually. Symbolically, the western influence ended on the northern banks of Danube. Those who boarded the train on the 4th of October at the Gare de l'Est in Paris with the destination of Constantinople (Istanbul, today), remained boarded as the train passed through Munich and Vienna, but had to leave the Orient Express at Giurgiu. There, they had to take a ferry-boat to cross the Danube to Ruse, in order to embark on another train to Varna. Their journey to the end destination involved yet another ferry-boat, this time cross-

ing the Black Sea. The Orient Express eventually modernized, and as it developed secondary routes. At the beginning of the 20th century it seemed they built the railway network in the Balkans to serve the interests of the West in the region, after the break-up of the Ottoman Empire.

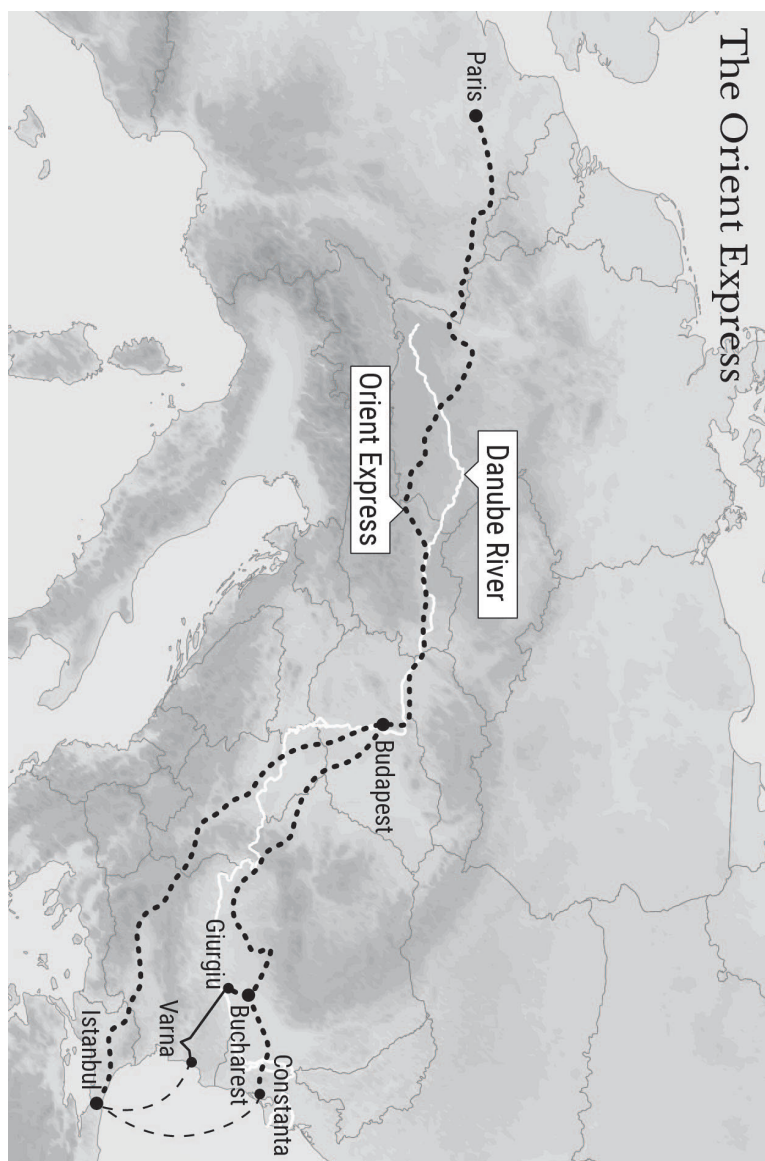
The train did not operate during the two World Wars. During the Cold War, although the route had resumed its service, the elegant railway carriages scrupulously cared for by the Wagon-Lits company were replaced in the communist states by standard railway carriages, something that has seriously diluted the special atmosphere of the Orient Express. Starting in the 1960s, the route began to lose customers, and in 1971 the Wagon-Lits company stopped offering its services to the Orient Express. This led to the shortening of the Paris to Istanbul route in 1977 to a less glamorous, seasonal route, from Paris to Bucharest, which has worked until the beginning of the 1990s. At the end of the Cold War, air travel between Paris and Istanbul, as between many large cities the world over, became much more practical.

In a constantly accelerating world, rushing to globalize itself, the long-distance train had little relevance for an optimistic Western Europe looking to expand Eastward—and the Orient Express had even less relevance. In the 1990s, in France or in Germany, one could travel several hundred kilometers in just a few hours by train. For these countries, technological progress also meant overhauling and modernizing their railway infrastructure. This was not the case for the countries in the Eastern Europe, which had just escaped the grip of the Iron Curtain. Observing the good life in the West, the Eastern Europeans saw joining the European Union as a simple solution for the problems at home: they expected their standard of living to rise along with the modernization of the state. They also hoped that moderniza-

tion of the transport and telecommunication networks, and that of all other socio-economic fields, would follow rapidly after their countries' accession to the EU. "Travelling slowly" in the east of Europe one can see the information boards displaying the details of investment projects funded by the EU money, which is how people in these countries understood getting the most practical benefits of their relationship with Brussels.

But what is, in fact, "practical"? How does one decide, from a strategic point of view, to build a certain piece of infrastructure? Following the route of the oldest railway in Romania in order to gain a better understanding of the rationale for its construction in 1869—only 10 years after the Principalities of Moldova and Wallachia became, together, the independent state Romania—one discovers that from Bucharest to Giurgiu, the Orient Express was in fact closely following the Old Road from Bucharest to the customs point on the Danube, on the way to Istanbul.

Two roads were connecting Bucharest to Giurgiu, a market town and customs point. The first or the Old Road is called "Marotinului" or "Olacului", the translation from old Romanian pointing that this was the road taken by messengers (roughly translated from old Romanian as "the Messengers road"), which, in the Middle Ages were carrying documents or just "vocal" messages from one place to another and more importantly, from Istanbul westward. The road passes through Oinacu, Băneasa, Pietrele, Comana, continuing to Bucharest via Berceni. This was also the road taken by the Wallach voivodes, the local political leaders and their helpers, and the envoys of the sultan when coming to Bucharest (Muscariu, 2017, p. 94). Although this route was not the shortest to Bucharest, they were using it because it was less dangerous. The shorter, more direct



route was called “Șermățeștilor” which connected Giurgiu to Bucharest through today’s Daia and Vadul Călugărenilor, which meant having to cross the Argeș river on the “Copăcenilor” (tall forests) route. On this route, the Argeș river was the only one interrupting the vast plains and the thick forests near Bucharest—leaving travelers completely exposed to attackers.

Ever since the Middle Ages to the XIX century, travelers preferred the “Marotinului” road (by its Romanian name) because it was sheltering them from thieves and other outlaws, making it possible for travelers to stop by and rest for the night in the villages on the way. Following the tracks of the Orient Express, I found them not only passing along the old Marotinului road but also by the walls of Comana Monastery, whose location was chosen, chroniclers (and legends) say, by Vlad Țepeș (Vlad the Impaler) himself. In the dense foggy morning of January 2020, its thick walls, rebuilt several times, remind us about the troubled times the community here must have seen.

On the banks of the Neajlov river, gazing from the balcony of the Monastery’s manor, one can see how the Neajlov flowing into the Argeș river forms a delta, making it easy to understand why historical documents speak of an island in the area of today’s monastery. In these lowlands, the locals created and used ‘the deep forests’—which were in fact areas where the forest (once planted) would not be cut (Giurescu, 1976, p.55). Such areas served as a shelter and resource known only by the locals.

The forest was a place of strategic retreat but also a place to prepare for the community defense, in case there was any danger approaching it. In order to have a better vantage—as dangers travelled much swifter in the lowlands than in the mountains—the people of the lowlands used to

build watchtowers, some erected out of stone. They built the strongest watchtowers in-between waters, which also helped in their defense, if need be. It is not by chance that one of the buildings of the Comana Monastery is called till today the “manor of the voivode”. This is where the community leaders, the land rulers, could meet and discuss the potential security risks affecting the region’s stability.

In-between the waters of Neajlov, the rulers could seek shelter in times of need, in order to discuss and better understand the dangers coming their way. To the right, another watchtower rises: in Mironești, one of the refuges of Manuc Mârzian, known for the inn he built in Bucharest at the end of the 18th century (Hanul Manuc) and which is still functional today. It is said that from the top of some of these watchtowers—or from the church bell towers to be more exact, on bright summer days, it is possible to see Bucharest up North and the banks of the Danube down South.

The purpose of the watchtowers of the time is the same as that of today’s press monitoring services—a tactical one: in order to understand what is going on, one has to have access to useful information. It is not enough to understand the barriers imposed by nature and geography—it is not enough to know your imperatives at the strategic level. In order to best pursue your interests, it is important to start with the basics and most important questions: what is dangerous and what is in danger?; what can quickly be transformed into an opportunity? This way, we establish a good monitoring service for conducting further analysis that makes it possible to take decisions and act quickly.

Centrality—which relates both to time and location, is important. The monastery is at the half point of the 70 kilometers separating Bucharest from Giurgiu. In the 19th century, the most efficient means of transport were horses, and

they changed horses every 35 kilometers. Constantinople (Istanbul today) was the center of power for the Romanian Principalities (Wallachia and Moldavia), and the road to Bucharest was not only important for trade and emissaries but also for information. To the right of the monastery, at the end of the 19th century, on the bridge spanning the calm waters of the Neajlov river, the Orient Express was breaking the eerie peace of the area. (Or was it giving it more peace?). The train's whistle replaced the fire signals sent from one watchtower to another, informing about incoming danger or about an important letter sent from Istanbul.

Manuc Mârzian would have perhaps guessed that the Orient of Express will pass through the same woods that he so-often crossed on the way to Bucharest, at the first signals of instability in the Ottoman Empire. As a "Dragoman"—a diplomat of the Empire and honorary "Bey" (a sort of minister) for Moldavia, he facilitated, in the very inn which today bears his name, the signing of the Treaty of Bucharest, which concluded the Russian - Turkish war in 1812. Manuc, a merchant from Rusciuc—today's Ruse in Bulgaria, understood that the Ottoman era was ending and that the future of Europe lied with Christianity and the West. He was the first to bring the fashion of Paris in the shops of his inn, and the first to replace the Turkish dessert *sujuk* with dark chocolate.

We can imagine that, given his official position in the Ottoman Empire, he knew that the easy-to-change taste of consumers cannot replace the foibles formed over many decades, belonging to a complex system of governance such as that of Istanbul. Moreover, the information infrastructure serving strategic decisions could not change overnight and that geography remains unchanging in the long term. The faster means of transport of the future would eventually

also use the same route used by the Ottomans' horses – after all, the purpose remained the same: make use of information effectively.

Just like Manuc did at the eve of the century, there were other state leaders who understood the strategic opportunities of the 19th century. The special status which the Romanian Principalities had under the Ottoman Empire was primarily due to their topographical features, which gave them the possibility to act, to tactically negotiate their position whenever it was necessary—this was, in fact, the essence of the consecutive attacks and withdrawals north of the Danube, for example.

At the beginning of the 19th century, the breakdown of the Ottoman Empire and the historical events taking place throughout Europe during 1848 opened-up the possibility for the unification of the Romanian Principalities in 1859. The generation of visionaries from 1848 has lived “geopolitically”, feeling first hand the benefits and restrictions of territory, through topography but also through the communities' visions and commonalities.

The socio-economic problems, the fragile cohesion between two communities of the principalities (Wallachian and Moldovan) united by language and ethnicity—but divided by ambitions and habits inherited from the Ottoman rule—led to the so-called Monstrous Coalition that converted the Romanian Principalities to a Kingdom, with a foreign, Western King (from Germany) for a ruler, syncing the politics of the new state to those of (Western) Europe.

The role of geography, of practical geopolitics, in shaping the destiny of the Romanian people should have been recognized as early as the 19th century. However, the term ‘geopolitics’ was used in Romania only in 1939 by the geographer Ion Conea. He published, together with Anton

Golopenția, the volume titled “Geopolitica”, in order to theorize this “new science” which studied the “planetary political environment” (Conea, Golopenția, 1939). Later on, in 1944, Ion Conea clarifies in another one of his works, the link between geography and geopolitics but also the differences between them: “The geographical position (always) remains the same, while the geopolitical position is constantly changing. The political guise of the Earth is a giant chessboard, on which the players are always moving the pieces—assigning them new roles and positions” (Conea, 1942). As for the study of geopolitics, professor Conea refers to the political and economic interdependencies between the states of the world, conditioned and explained by geography.

Prior to the concrete theorization of geopolitics by Ion Conea, the writings of Simion Mehedinți, Nicolae Al. Rădulescu and Gheorge I. Brătianu all discuss how the Danube, the Carpathian Mountains and the Black Sea define the collective existence of the Romanian people. In the work titled “The Oriental matter, from a geographical and ethnographic perspective” published in 1914, Simion Mehedinți recalls the theory of Mackinder, saying that the Orient should not be seen only from the Balkan perspective—through the isthmus between the Black Sea and the Aegean, but that it has to be contextualized from the perspective of the axis between the Black Sea and the Baltic Sea. He also defines the Romanian geopolitical context through its “inner circle” of four features: “the Ponto-Baltic isthmus, the straits, the Danube and the Carpathians” (Mehedinți, 1939, p. 23). These features, according to the theory of Mehedinți, must be integrated into an array of “external circles” which are “only partly concentric”, capturing within them the movement of extensive areas of Eurasia.

In his works, Nicolae Al. Rădulescu discusses the role of the Danube for Romanian geopolitics, stressing the capacity of large rivers to transform, depending on the historical context, in avenues of influence or border areas for the political formations and for the societies they leave a mark upon. Gheorghe I. Brătianu explains, for the first time in 1941, the concept of ‘security space’, which comprises ‘those regions and points without which a nation cannot fulfil its historical mission or the possibilities which make up its destiny’ (Brătianu, 1988, p. 107). He distinguishes between the ethnic space (inhabited by the same people, in the modern understanding of nation) and the vital space (“the space controlled at a certain point in time by ‘force’ or ‘influence’”), and uses these concepts to identify the two key geographies for Romania in the Black Sea region: Crimea and the Strait of Bosphorus (Brătianu, 1988, p. 106). In his courses at the University of Bucharest, during the academic year 1941-1942, Brătianu was teaching: “Whoever has control over Crimea can rule over the entire Black Sea. Those who do not control Crimea cannot rule the sea. It is clear that this problem ties into our situation, because after all, the Black Sea straits (the Turkish straits) are nothing more than the extension of the Danube’s flows” into the Sea. (Brătianu, 1988, p. 110)

Anton Golopenția, the sociologist who worked with Ion Condea on the first theoretical work on geopolitics in Romania said geopolitics was, foremost, the research and analysis of ‘useful information’, and not a purely theoretical exercise. He also said that the geopolitical research has to be continuous, bearing in mind the potential of the state to project power — while the selection criterion for the relevant information considered for analysis should be linked to the role “played in the political environment by the state

in question” (Golopenția, 2018, p. 119). Although Golopenția is known as a sociologist and a demographer rather than a geopolitical scientist, he substantiates the value of geopolitics for the decision-making process, highlighting the strategic role held, for centuries, by those church-bell watchtowers in the lowlands or that of the fortresses in the mountains.

2.3. Discovery — the primary judgment function

Geopolitical analysis is useful when it is informative, borrowing elements from historical and geographical analysis in order to increase its strategic function for decision makers. Geopolitics is thus closely related to, and draws upon aspects of intelligence analysis, where useful information is the key sought by the decision-makers concerned with the next steps to take in order to achieve predetermined objectives.

For geopolitics, *the ‘objective’ is equivalent to the geopolitical imperative*, which is essential for the existence of the geopolitical subject (be it a nation state or a non-state actor) and which is based on its concrete realities. Therefore, the analysis methodology has to explain how the geopolitical subject pursues its interests, considering that these support its imperatives, but also how these interests might change.

Considering the first principle of geopolitical analysis (see Chapter 1 for the other principles), namely that the geopolitical subject is an organized human society, we will consider the human society to be a global or a complex system, in order to further simplify the methodological explanations that will follow.

The global subsystems are of two kinds:

- *Partial systems*, which relate to existing organizational models: states, peoples, state systems (such as the Islamic State, for example), national systems (made up of the population of a nation and also including population who do not live between the borders of a State, grouped in regional communities which support the imperatives of that nation);
- *Component systems / subsystems*, which relate to the way partial systems interact with one another: the international transport system, the world economy, and also the system of international organizations (NATO, the Eurasian Union, the EU, BRICS, etc.).

We can't have all human interactions equated mathematically and therefore there will never be a way to gather all empirical evidence and have a concrete description for a society. Therefore, the term 'system', when applied to complex social realities, only refers to the simple methodological rigor of considering society and trying to examine the conduct of society from an exhaustive perspective. Consequently, geopolitical analysis often overlooks those levels of heterogeneity and diversity within the society and considers them only when these are 'significant', in the sense of being able to modify the behavior of the system.

Borrowing *the questioning method* from social science and philosophy, as an essential discovery method, the geopolitical analyst seeks to reach the core — i.e. the fundamental question that has to be answered regarding the geopolitical subject in question. To achieve this, *the analyst needs to decipher the priorities, what is important to research, at what level of the system, considering the matter*

(the problem or the question) at hand.

Discovery, facilitated by an interrogation that uses simple queries (*the essential questions*), becomes an indicator through the elements the method validates. The concrete, objective reality of the geography that underpins the imperative of the geopolitical subject is held to a confirmation process relying on questions used to discover the evolutionary reality. Based on these answers, we form different scenarios. Considering all these *scenarios and after validating them, the decision-maker needs to react*, deciding next steps. Therefore, *geopolitical analysis also has a forecasting function - it has to tell what will happen next to the decision maker*. At the very least, geopolitical analysis needs to tell the decision maker what is likely to happen and what could go against it.

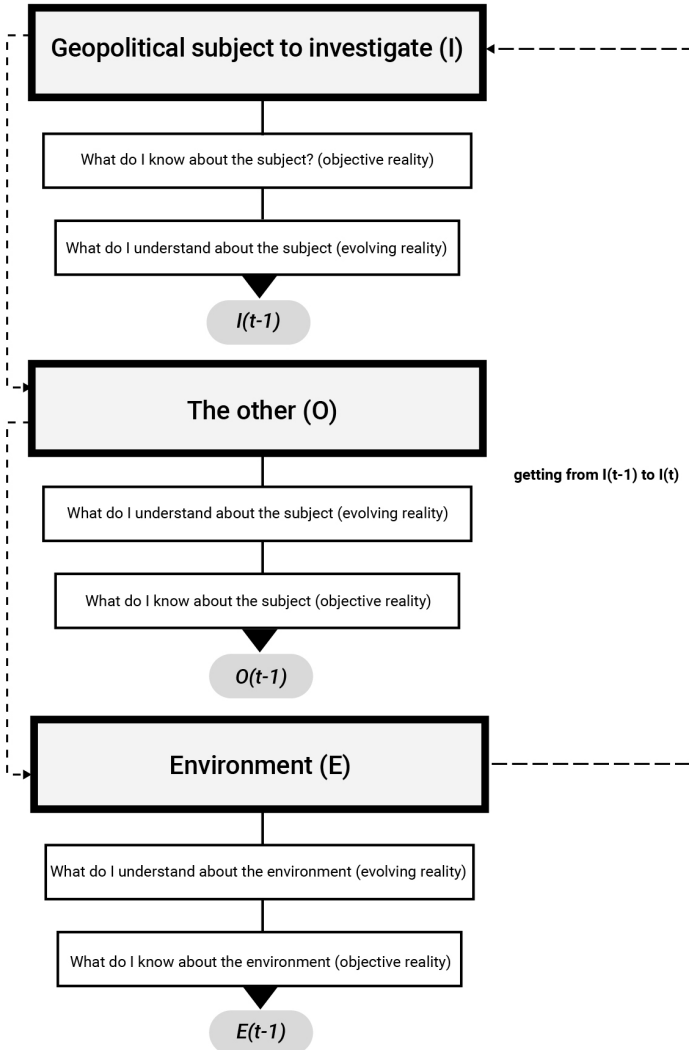
For every action there is a reaction, which could trigger another reaction and so forth. The world evolves as its elements evolve, through action and reaction. Each element is a system which contributes to the world system - each has its own influence over other elements and, through them, over the entire global system. In interrogating about the elements within the system and those within the world, we establish those connecting links, *relationships that trigger their action(s) and reaction(s)*. The discovery method is, in fact, a cognitive process.

Using *the primary judgement function* we could reproduce the action-and-reaction model using the following equation:

$$f(I_t) = f(I_{t-1}, O_{t-1}, E_{t-1}),$$

where I_t gives the situation of the geopolitical subject at the initial moment in time 't'. I_t is defined by its own evolution over time, considering its status during the previous moment in time – I_{t-1} . We take its evolution to result from

Analysis Framework - Essential Questions Method



the influence of the other, be it a geopolitical opponent or partner, whose situation is known for the previous moment in time – O_{t-1} . The geopolitical subject is also evolving under the influence of the environment – E_{t-1} which impacts its estate but also that of the other – O_{t-1} . (The primary judgement function was developed through the practice of the geopolitical analysis and it was discussed academically during several international conferences and symposiums between 2014-2017, all mentioned in the Selected Bibliography, for those curious the learn about the roots and the stages for its development).

Therefore, the analyst, using the knowledge of a particular subject, establishes its objective reality ('what do I know about the topic?'), as the analyst considers all matters from the subject's perspective, reflecting on the information that refers to its evolution. The analyst needs to personify the geopolitical subject that needs to be analyzed and, this way, put himself/herself into the subject's shoes.

The answer to the first question - what do I know? - gives the static power of the geopolitical subject, based on the relevant elements of the issue under consideration. The answer to the second question - what do I understand about the subject? - relates to the dynamic power of the geopolitical subject, faced with changes in environment and the actions of other subjects. *Understanding comes from observing the subject in action, knowing relates to previous observations, to information that was stored on and analysed about the subject.*

We calculate the *static power* of the geopolitical subject as the product of the resultant force of all the internal forces acting on the parts of the subject (a complex system), during a certain period. The system is thus characterized by a certain strength (or load carrying capacity).

In physics, load capacity is one of the basic properties that characterizes all materials and their strength. Also, in physics, stress is the force induced on a body when a certain load is applied onto it. For solid bodies, the load carrying capacity is given by *the sum of the normal stress, acting over the center of gravity* (toward the normal section) and that of the tangential stress acting over the surface (toward the sectioned plan) (Silaghi Perju, 2008, p. 37). As long as the two components are in balance (the resultant force is zero), the solid body remains in balance in its entirety. By extrapolating, we can use the same reasoning for systems formed of at least (if not more than) two bodies.

In geopolitical analysis, we talk about the *internal and the external stress* on the subjects analyzed. Thus, through the observation and the discovery of the elements which change “what we know” about a subject, we are highlighting the sources and the kind of stress acting on the system.

Physics also teaches us about *kinetic energy—the energy that a system produces because of its motion*—or the energy needed to push a system out of balance (out of its current state), when a certain force acts upon the system (and its components). In this sense, for geopolitics, it is important to identify beforehand the force(s) that could put the system in motion, changing its current state.

A system is also characterized by *potential energy*, which is defined by its dependence on the position or configuration of the parts of the system. The elements of the complex system—of the geopolitical subject – may change their structure and even their position, potentially changing the state of the entire system and setting it in motion.

For a nation state, the potential energy is given by *the sum of all potential evolution scenarios of the three key areas: political, economic and military*. Among the imagined

scenarios, only a few can feasibly be achieved, and the potential barrier is given, in case of geopolitics, by the concrete reality that defines the national imperative. It is also possible to set the system in motion by “pushing” on one element or, on the contrary, on all of its elements, changing the system’s parameters.

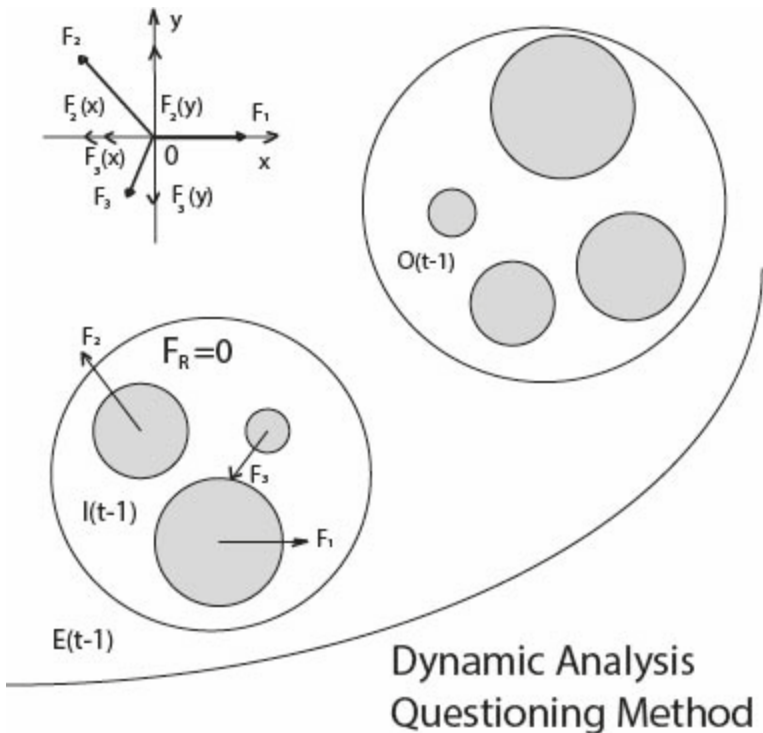
Everything we observe about the geopolitical subjects and their environment needs to be taken into account both as kinetic energy and as potential energy. Considering the dynamism of complex systems, we can only assess these energetic components using the principles of quantum mechanics—which, in fact, expresses the very reality of the relations between geopolitical subjects: their relativity. In geopolitical analysis, the fact that “*nothing is lost, nothing is created, but everything is transformed*”—as the parent of modern chemistry Antoine Laurent Lavoisier said—is embedded in scenario building, to forecasting.

Using this analytical method, *one can understand the manner in which I_t changes (dynamically) only after having gained the information about I_{t-1}* —the status of the subject observed, before the ‘ t ’ moment, about the other (O_{t-1}) and about the environment (E_{t-1}) that they both live into, through the conditionalities defined by “what we know” about the subject.

Reality shows that a system is the subject, directly or tangentially, to much more than what we know to be the forces influencing it. So, by using this method, we’re in fact simplifying the reality and reduce it to 3 main elements: the system, the “other” most important influencer for the system (which the analysts choose to be) and the environment in which they both exist. Obviously, we can build as many “models of three”, based on the judgement function described earlier - changing the roles between the systems

and environments to analyze and find answers to specific questions. By doing that, we discover and describe the relationships between complex systems, without including the math needed for calculating specific risks at play.

The usefulness of considering geopolitical subjects as complex systems subject to the laws of physics lies in the fact that this method allows us to understand, from the very outset of the analysis, urgency contained by the process, considering the dynamic of events.



The events happening in Iran at the beginning of the year 2020 can serve as an example. The direct attack on the Iranian General Soleimani executed by the USA in January

2020 represented an external force that produced both direct stress on the Iranian system, upsetting its military component and forcing its reorganization, and tangential stress, on the country's political system. The subsequent actions of Iran, including the downing of the Kiev-bound passenger airplane which departed from Tehran also acted as a force on Iran, while tangential stress was observed during the massive street protests which followed Iran's admission of guilt regarding the downing of the passenger flight.

In the situation's dynamic, we expected the action of the USA (on the 3rd January 2020), to lead to rapid (and diverse, though not necessarily strategic) responses, given the impact of its action on the organization of the Iranian military. The urgency of the analysis was clear. However, as tensions decreased, the urgency was no longer there.

Yet another indicator borrowed from both physics and chemistry is useful for the assessment of geopolitical subjects. It relates to the *homogeneity and the similarities between the elements of the complex system*. In order to comply with the principle of homogeneity, the units of measurement for the elements of a system, and hence for a national state, must be of the same order of magnitude.

The principle of similarity, on the other hand, allows the abstraction of societies through complex systems — in order to observe the behavior of societies, whose theoretical study is uncertain, one can use a model which reproduces the laws governing society on an abstract scale, and which we can observe using the discovery method. When the two principles are no longer valid for a system, it is necessary to consider the reassessment of the geopolitical imperatives and a dynamic analysis of that system.

At the beginning of the 19th century, when the bell towers of the churches in the lowlands and those of the moun-

tain fortresses still served as transit points for urgent information—all offering signals for the armies of the time—the Ottoman Empire was beginning to face economic problems, which had nurtured social problems that brought it to its ending.

This meant the dilution of the homogeneity of some political and economic sectors of the empire, which were part of the complex Ottoman imperial system. In the provinces, they felt the shortcomings stronger, more dramatic—and the Russian-Turkish war was the final external force which pushed on the empire, weakening its strength even further.

Similarly, the political status of the imperial provinces was different, and the decrease in homogeneity also led to the dilution of similarity: provinces holding the same rank were no longer equivalent in the eyes of the Sultan, nor were they similar.

The events of 1821 were the first sign showing that the Ottoman Empire could no longer control its borderlands, including the Romanian Principalities. This was confirmed in 1848, and by the end of the century the Empire had gradually transformed into today's Turkey. Because of the forces which acted on it, the imperatives of the empire have changed, as have its territories and borders, but at the same time, those forces brought in internal change (from the socio-economical point of view). Thus, the dynamic analysis of Turkey at the beginning of the 20th century differed totally from that in the 1850's.

These principles, linked to the observation of relevant information, while maintaining an awareness of significant moments, confirm the validity of the analytical method presented. However, the tools of the exact sciences should not be used without considering the details brought on by the social sciences. Philosophy, history and especially geogra-

phy remain the guide for the formulas developed by analysts who sketch the interaction of all known indicators into logical schemes, using mathematics and all the relevant metric tools.

Key concepts

- Social configurations — family, community, society
- Complex systems — subsystems and partial systems
- The discovery method
- The key questions method
- The primary judgment function
- Load carrying capacity — stress (of the system)
- Normal stress and tangential stress (of the system)
- Potential energy and kinetic energy (of the system)
- Principle of homogeneity
- Principle of similarity

CASE STUDIES

of analysis articles and essays

Germany's Pivot to the Balkans

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Germany's foreign intelligence agency is increasingly turning its attention to the Balkans, according to a report by German newspaper Berliner Zeitung. The agency, known as BND, has not confirmed the story, but the media rarely report on the BND's work and so the story is notable. It could be an indication that the agency wants the public to know where its focus lies. Either way, the report is consistent with Germany's broader foreign policy that has increasingly focused on the Balkans in recent years. Germany is among the top three export destinations for Serbia, Croatia, Bosnia-Herzegovina, Montenegro, Macedonia, Albania and Kosovo and one of the top European investors in the region, making Berlin the most important EU partner for the Balkan states.

Over the past few years, Germany has strengthened its relationship with Serbia in particular, although, of all the Balkan states, Berlin has historically had closer ties to Croatia. Germany's improving relations with Serbia are partly due to the economic links between the two countries. Germany is the second-largest importer of Serbian exports and among the top five investors in Serbia. Serbians themselves recognize the benefits of stronger ties with Berlin. A survey released on Nov. 15 indicates that a third of Serbians think German companies are the most desirable investors, offering good salaries and opportunities for career advancement.

Within the European Union, Germany has taken the lead on relations with the Balkans states. In 2008, when the financial crisis exposed social and political cracks in the

union, hopes started to fade of the Balkan states ever joining the bloc. As less EU funding became available to these states, modernization and reform efforts also diminished. Russia was another important source of external funding for the region, but with the onset of the Ukraine crisis, as well Moscow's own financial problems, it became clear to the Balkan states that they couldn't depend on Russia for financial support. They thus turned to the EU – and this meant turning to Germany, the *de facto* leader of the EU.

At the time, Germany couldn't afford another crisis in Europe and thus wanted to maintain some degree of control and stability in the Balkans, often a source of volatility on the Continent. Berlin was already involved in negotiations over Ukraine and had to deal with the eurozone's banking crisis that threatening Germany's own economic stability. It therefore had to take the lead on the EU's policy toward the Balkans and help the region avoid economic problems that could destabilize these countries and pose a security threat throughout Europe.

In August 2014, Germany established the so-called Berlin Process, a diplomatic initiative to strengthen ties between the Balkan states and the EU. Through this initiative, Germany has made it clear that it sees Serbia as the most important state in the region due to its strategic location. It has therefore put a lot of effort into not only supporting Serbia's relations with Brussels, but also facilitating dialogue between Serbia and Kosovo.

Recently, in 2017, Germany announced that it would expand the Berlin Process into the Berlin Process Plus, also referred to as a mini Marshall Plan for the Balkans, which should increase funding for the region from European countries interested in infrastructure and development projects. Among the planned projects is a highway linking Serbia

with Bosnia-Herzegovina and another one linking Belgrade to Tirana, Albania, via Pristina, Kosovo. Germany's interest in the Balkans and in Serbia has grown since 2015, when the migration crisis hit Europe.

The main route for migrants trying to reach Germany was through the Balkans. The northern part of Serbia is flat and especially easy to traverse, making the country a particular concern. Indeed, Germany views the Balkan states as a critical component of its security and it is partly for this reason that Berlin has been an outspoken supporter of their accession into the EU. European Commission President Jean-Claude Juncker said in September that Montenegro and Serbia could join the EU by 2025 – a statement likely influenced by Germany's desire to see the EU expand into the Balkans.

Germany recognizes that there are obstacles to making that happen, but keeping the Balkan states' EU hopes alive will help encourage them to adopt a more pro-Western, pro-modernization stance. Interestingly, the report on the BND's focus on the Balkans was published the same day that German Chancellor Angela Merkel attended an EU-Africa summit focused on migration. The German government's handling of the migration crisis has increased public support for Germany's far right. Mainstream parties, including Merkel's, lost seats to the nationalist Alternative for Germany party in elections in September, and the chancellor has been under pressure to prevent another influx of migrants.

Working with non-EU states, such as those in the Balkans, can help block the route to Western Europe and stop another crisis from emerging. The report of the BND may be a signal to the German electorate that Merkel is serious about controlling migration, a key part of which is keeping

an eye on the Balkans. There is another dimension to Germany's interest in the Balkans.

The concept of the Intermarium, an alliance involving countries from the Baltic Sea to the Black Sea, has been building and the group's members in Eastern Europe discussed expanding southwest to the Adriatic Sea by including Austria, Croatia and Slovenia. But adding Croatia and Slovenia to this larger alliance, referred to as the Three Seas, might anger Serbia, which would be left surrounded by members of a group it has been excluded from. Germany understands this very well.

By maintaining a close relationship with Serbia, Berlin may be sending a message to the Intermarium's Eastern European members as well as to the United States, which has supported the alliance, that it is still a powerful European nation and has an interest in Eastern Europe's future. In a world where the EU and NATO are weakening, Germany needs to act independently to secure its own interests.

Poland and Ukraine's Battle Over the Past

*Co-authored with George Friedman, originally published by
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The relationship between Poland and Ukraine has a complicated history. From the 1990s until 2015, relations between the two countries were generally positive. Poland backed Ukraine's bid to join the European Union and supported Kiev through the crisis that broke out in 2014. Poland wants to limit Russian influence in Eastern Europe, and this requires ensuring that Kiev doesn't drift back into Moscow's orbit. But since 2015, tensions between them appear to have been rising. The rift stems from the countries' different interpretations of their shared history.

A Heated Dispute

In 2014, Ukraine's Russian-backed president, Viktor Yanukovych, was ousted from power after refusing to sign an association agreement with the EU. Since then, two parts of Ukraine's history have been brought to the forefront in Ukrainian politics, and both have been used as symbols of Ukrainian resistance and its fight for independence. The first is the Holodomor, a famine imposed by the Soviet regime in the early 1930s that killed millions of Ukrainians and was intended to eliminate Ukraine's independence movement. The second is the paramilitary Ukrainian Insurgent Army, or UPA, and Stepan Bandera, the leader of the Organization of Ukrainian Nationalists. Both groups were involved in the massacre of Poles in Volhynia and Eastern Galicia, two regions that were at the time split between Poland and western Ukraine, during the Nazi occupation of Poland.

Following the end of World War II, much of Volhynia and Eastern Galicia became part of the Ukrainian Soviet Socialist Republic, and Poland became a Soviet satellite state. Since both entities were essentially administered, to different degrees, by Moscow, there was a desire to downplay the differences between Poles and Ukrainians and censor any discussion of the killing of Poles at Volhynia and Eastern Galicia and other similar events. Only since Ukrainians began celebrating Bandera as a national hero did these atrocities become the center of a heated dispute between the two countries. In Poland, the events became the focus of books, movies, and political debates, and in 2016, the Polish parliament unanimously approved a law that declared the massacre at Volhynia to be a genocide.

In February 2018, Warsaw went a step further and passed a law making it a crime to deny that the UPA com-

mitted crimes against Poles between 1925 and 1950. The Ukrainian parliament then passed a resolution condemning the law. Nationalist Protests The revival of these historical events should be seen in the broader context of rising nationalism in both countries. In Poland, nationalist protests have, in part, been a response to policies imposed by the EU and its de facto leader, Germany.

The EU's demand that members accept quotas to resettle refugees following the massive influx of migrants to Europe has angered many and led to calls in Poland for the country to chart its own path. In 2015, the Law and Justice party, which campaigned on a nationalist platform, came to power. Nationalist parties such as the National Movement and groups such as the All-Polish Youth and the National Radical Camp have become more active and are even backed by some supporters of the Law and Justice party.

In Ukraine, a number of nationalist groups emerged, including the Svoboda party, the National Corps, the Right Sector, and the Organization of Ukrainian Nationalists. Since the revolution, Ukrainian nationalism has served an important purpose: It has been used to fight Russian aggression in the eastern parts of the country and limit Russian influence in the western regions and in Kiev. Ukraine is still struggling to defend its independence, and it faces serious challenges in doing so, both internally and externally. Its history is a critical part of this process.

The biggest nationalist protests in both countries were held last fall, when tens of thousands demonstrated in Kiev and Warsaw. In Kiev, demonstrators marked the 75th anniversary of the UPA by chanting the group's slogans. In Warsaw, some protesters marked the country's independence day by holding banners depicting a falanga, a far-right symbol from the 1930s, and shouting slogans that reference the

country's Catholic roots. The march was organized by the All-Polish Youth and the National Radical Camp, a revival of a nationalist 1930s group.

In February, Polish demonstrators gathered in front of Ukraine's Embassy in Warsaw to demand that Ukraine limit its support for UPA figures. In March, Ukrainians gathered in front of the Polish Embassy in Kiev to protest the Polish law that criminalized the denial of crimes committed against Poles nearly a century ago. Several monuments for the Polish victims of Ukrainian atrocities were also vandalized last year, and a Polish memorial cemetery in Lviv, western Ukraine, was desecrated. The protests have been accompanied by a diplomatic tit for tat.

In April 2017, Kiev banned the exhumation of Poles killed during World War II, and later that year, Warsaw refused to allow the head of Ukraine's commemoration commission into Poland in response. In December, the Polish president threatened to delay a visit to Kiev due to what the president's chief aide called an increasingly "negative evolution of Ukraine's policy in history and national identity with regard to Poland, as well as its deteriorating relations with neighbors from Central Europe."

Migration

Another factor complicating this issue is the migration of Ukrainians into Poland and the socio-economic implications for Poles. Ukrainian migration into Poland has been increasing since 2014 and is the largest migration wave in Poland's contemporary history, according to national statistics. Though this is a positive development for Poland's rapidly growing economy, it also comes at a cost.

According to a report published by Polish human re-

sources company Work Service in December 2017, about 2 million Ukrainians were working in Poland at the end of 2017, an increase from only 1 million in 2016. This number is expected to rise to 3 million in 2018. Ukrainian citizens mostly fill jobs that aren't being filled by Polish citizens and are generally paid less than Polish workers, although their wages increased by 20–30% in 2017 compared to 2016. But some Poles fear that as more Ukrainians immigrate to and settle down in Poland, fewer jobs will be available for Poles.

This has fueled the nationalist movement against immigration, even though, according to statistics, Poland still needs more workers to support its growing economy. Ultimately, the current tensions won't change the fact that Poland needs Ukraine as an ally. In fact, cooperation between the two on military matters increased in 2017, and their economic ties, including trade and investment, have remained consistent. The tensions are indicators of the domestic pressures facing the two governments rather than changes in policy or strategy. Both governments ran on nationalist platforms, and when developments in another country sparked nationalist protests and upheaval among their electorates, they needed to respond. We can therefore expect Ukrainian politicians to continue to invoke the UPA and Stepan Bandera as symbols of national pride and Polish politicians to express their outrage. But not much more will result.

In geopolitics, we focus on the bigger picture, and political rhetoric is rarely significant. There is only one situation in which rhetoric could be consequential: when it touches on matters of national pride and how a nation defines itself. That's what made the rhetoric in this case so heated and potentially impactful. But it is likely that both countries can contain the rise of nationalism to the point that it will not

affect ties between them in any real way, despite more acts of vandalism and protests that are likely to come.

Both governments will promise to take a tough stance on the issue while working together to enhance military ties and ensure Russia can't spread its influence even farther westward.

A 'Credible' EU Strategy for Balkans Expansion

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Finally, the EU is getting serious about the Western Balkans. At least, that's the implication of its new strategy for the region, aptly titled "A credible enlargement perspective for an enhanced EU engagement with the Western Balkans." Its name is a tacit admission that the old policy, launched in 2003, lacked credibility. The old way promised Brussels' unequivocal support for the Western Balkans' accession, but that never materialized (except in the case of Croatia). Missing were solutions to problems like the rule of law, basic human rights, intra-regional cooperation and macroeconomic stability.

This time, the EU will coordinate with NATO to increase its influence in the region. In fact, at the same time that Brussels released its new strategy document, NATO was discussing its own enlargement process in the region. Macedonia and potentially Bosnia could receive membership invitations as soon as this year.

New Targets

The EU has an ambitious agenda for the Western Balkans. First, it wants to secure its help stemming the flow of refugees from the Middle East and North Africa into Europe. Second, it wants the region – the "powder keg of

Europe” – to resolve its internal disputes peacefully. And finally, it wants to reduce the influence of Russia and Turkey in the region as much as possible. None of these objectives will be easy, but given Russia and Turkey’s deep historical roots in the Balkans, the third is the most daunting. But for the past several years, Russia and Turkey have been preoccupied with their own socioeconomic problems, and therefore their investment (and consequently, their influence) in the Balkans has not been a priority. This has opened a window for the EU to increase its influence by funding the Western Balkans’ development. This opening is what the EU’s strategy document is trying to exploit.

It’s a reversal from Brussels’ stance in 2014, when European Commission President Jean-Claude Juncker said there would be no EU enlargement in the foreseeable future. Under the new policy, Brussels has set 2025 as the target for Serbian and Montenegrin membership. It also pledged “enhanced enlargement” in the region to help prepare the other countries (Albania, Bosnia-Herzegovina, Kosovo and Macedonia) for membership. Montenegro’s membership was a foregone conclusion once the country joined NATO in June 2017; an unspoken rule among NATO and the EU since the Cold War ended is that membership in one group comes with membership in the other.

Serbia, however, may be an exception. It has little interest in NATO membership (though it has improved relations with NATO since 2015, when they agreed on an Individual Partnership Action Plan). But Germany wants Serbia in the EU, which is the same as saying Brussels wants Serbia in the EU. Berlin recognizes Serbia as the most important state in the region because of its strategic location, and so in 2014 it established the so-called Berlin Process to keep ties alive during Juncker’s five-year freeze on enlargement.

Germany had hoped that through the Berlin Process, conceived the same year that the refugee crisis began, the Balkan states and the EU would work together to better manage the refugee flows through the region. Progress was slow, however, because there were few incentives for the Western Balkans to cooperate.

The new plan reads like a framework document for Germany's goals in the region – basically, the Berlin Process – but includes a funding plan for the Western Balkans and a clear deadline for accession: 2025. Of course, nothing is guaranteed; 2025 is a long way away, and a lot can happen in both Brussels and the candidates' own governments between now and then. But Brussels' promise – especially in light of its close coordination with NATO (and thus the U.S.) – is a clear message to Russia and Turkey about German and U.S. intentions.

Serbia is the key, and the EU hopes that by recognizing its importance, giving it a deadline to work on accession (something Belgrade has long wanted), and promising more development funding, the pro-Western factions in Belgrade will strengthen at the expense of the pro-Russian political forces.

Serbia at the Center

The EU also put Serbia at the center of its policy because it recognizes the country's critical role in disputes that have become an obstruction to the rest of the EU's goals for the region. If relations between Serbia and Kosovo and between Serbia and Bosnia were settled, then Kosovo and Bosnia's own relations with the West could move forward, and it would go a long way toward securing peace in the region. (There is also the fact that Turkey has tried to slowly

grow its influence in Kosovo and Bosnia in the past decade, to the West's discomfort.)

Kosovo declared its independence from Serbia nearly 10 years ago to the day, but Belgrade still does not recognize it. Both the EU and NATO have effectively refused to allow Serbia's accession talks to proceed until Kosovo's status is resolved. The three main ethnic groups in Bosnia, meanwhile, do not agree on the country's future with the West. Though the Croat and Bosnian regions favor NATO and EU membership, Republika Srpska has broadly followed Serbia's foreign policy, becoming increasingly anti-Western and moving closer to Russia.

If Serbia's EU membership progresses and relations with the U.S. and NATO improve, then Republika Srpska may reconsider its stance as well. Brussels doesn't say in its new strategy document how it intends to resolve Serbia's disputes with Kosovo and Bosnia. Funding projects in Serbia will provide examples of how the EU can help grow the economy in the entire region. Security cooperation to manage refugee flows into Europe will benefit the region's security forces. But just because Brussels helps the Western Balkans solve the issues of concern to the EU doesn't mean the countries of the Western Balkans will want to work with one another – the one area that Brussels sees as the key to EU accession.

One thing Brussels' new policy kept from the old strategy document is that the countries in the Western Balkans must show a level of cooperation and mutual dependency that, in Brussels' view, fuels economic prosperity and regional peace. The EU and NATO are betting on institutions and the economy to provide the foundation for regional cooperation. But building institutions and strong economies is not the same as building strong nations and societies.

Nations are more than their governments and economies. NATO and the EU have missed the nuance. Russia and Turkey, on the other hand, have cultural and historical binds to the region, and they won't just disappear if NATO and the EU move in.

Behind the OPEC Agreement

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The members of the Organization of the Petroleum Exporting Countries (OPEC) announced last week that they have agreed to cut oil production. We will see whether they actually reach an understanding at the end of November. The media has trumpeted the event as a success for OPEC, which hasn't gotten this close to adjusting its production quotas since 2008, when it had to adapt to the market in light of the financial crisis and its impact on the energy sector. This time, however, the influence and support of non-OPEC member Russia has helped build the momentum for an OPEC understanding.

The world today looks very different from the 1970s when OPEC was an efficient cartel controlling most of the energy market. The U.S. has invested in technology to increase oil production and productivity. While still important, oil has lost some of its share of global energy consumption. Recent data released by the World Trade Organization and International Monetary Fund indicate that declining international trade and economic growth will continue. This is not good news for the oil market. Energy consumption depends on economic activity.

The financial and economic crisis in 2008 caused a decline in foreign imports, particularly in the U.S. and Europe. China was most affected, as most of its exports went to the American and European markets. The slowdown

forced Beijing to import fewer industrial commodities. In turn, that triggered a decline in oil prices, coupled with an increase in supply.

Since 2010, the hopes for a relative economic comeback driven by the American recovery led to rising oil prices. That ended in 2014, with the European Union's ongoing economic problems and political disintegration coupled with the Ukraine conflict and the escalation of the war in Syria. The Chinese economy hasn't picked up either, due to its structural problems and continued decline in demand from the U.S. and Europe. All these factors help depress the energy sector.

OPEC has lost much of the control it used to have over the oil market. The cartel now accounts for only 40 percent of global oil production, though members have more than 70 percent of global reserves. Members have reportedly chosen to focus on increasing their market share since 2014. The U.S., Russia and China (none of which are in OPEC) are now top global oil producers whose actions influence the price of oil.

This is why maintaining and increasing current market share is important for OPEC members – it is the only way they can maintain some influence over oil prices. The latest report by the International Energy Agency shows that increased production by Saudi Arabia, Iran and Iraq has resulted in Middle East producers accounting for 35 percent of global oil supplies, the highest level since 1975.

But the report also confirms that some Gulf countries with the capacity to increase production have not done so. Iran has even slowed down the production pace after steep growth in the first five months of this year. Iraq has also slowed down the pace of production after record output in January 2016 and, considering security concerns and infra-

structure damage, it is unlikely the country will increase oil production soon.

Only Saudi Arabia that has sustained its increased oil production. Saudi Arabia has increased production at the same time that its economy has been hit by low oil prices. Oil revenues make up 90 percent of the government's budget and 40 percent of the country's GDP. Saudi Arabia ran a deficit of 21.6 percent of GDP in 2015 – up from 3 percent in 2014 – and Riyadh hopes to cut that to 13 percent in 2016.

In August, it was reported that the Saudi central bank offered to provide an unspecified number of banks in the kingdom with \$4 billion in loans for one year in order to boost market liquidity. But \$4 billion is a small amount considering the size of the country's economy. The loans indicate that Saudi Arabia is reaching a breaking point due to low oil prices and saw the need to act, as the OPEC strategy of focusing on increasing market share is clearly not accelerating the oil market correction.

Russia is in a similar position. Russia's oil exports account for more than 50 percent of budget revenues and fuel Russia's economic growth. Low oil prices have sent Russia into its second economic recession in less than 10 years, and it had not fully recovered from the financial crisis in 2008. The dire economic situation has led to social problems, forcing the Kremlin to look for solutions. Because of this, Russia has supported the idea of an OPEC production cut since early this year and even sought an understanding with Saudi Arabia.

On the sidelines of the G20 summit in Hangzhou, Saudi Arabia and Russia agreed to establish a working group and cooperate on a bid to stabilize the struggling energy market. The agreement between Moscow and Riyadh will not align

the two countries' foreign policies, nor will it spill over into other areas, even if it may have facilitated the understanding between the Iranians and the Saudis inside OPEC.

There is no indication that Russia will change its position in the Middle East. In Syria, Moscow will continue to support Bashar al-Assad and the Saudis will continue to try to topple him. The Iranians have realized that even with sanctions lifted, oil sales will not be able to solve all of their economic problems. But the oil industry is still a key sector for bringing immediate benefits, no matter how limited they are.

Therefore, the agreement between Russia and Saudi Arabia, as well as the OPEC meeting last week resulting in a potential understanding between Iran and Saudi Arabia, mean that all three countries have reached a point where the price of oil is the real issue. It is at the core of their countries' stability. Every time OPEC makes a positive announcement, the market reacts and oil prices rise. The problem is that such a rise is short term, and there is no reason to believe that this time will be different.

The market will not allow sustained growth. Even if the OPEC agreement is confirmed, the production freeze and the prospect of higher oil prices will be a strong incentive for drilling rigs in Canada and the U.S. to get back online and pump more expensive oil than Middle East producers. That increased supply will then lower prices. But that will take some time. Therefore, Russia and Saudi Arabia's work toward an OPEC understanding is in fact buying them what they need most: time.

Joy and Despair in European Statistics

*Co-authored with George Friedman, originally published by
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The news of a rise in industrial production within the European Union has filled the media. Europe is hungry for good news and this is certainly better news than a decline. The question, however, is how good is the news? Does it simply represent another reported sighting of the mythical European beast, otherwise known as “recovery”? We say mythical not because at some point it won’t become real, but simply because it has been sighted so many times. The industrial production index increased by 1.6 percent in the eurozone and by 1.4 percent for all 28 EU member states in August. This was a month-to-month comparison according to Eurostat, the EU’s statistics bureau. This increase comes after July’s manufacturing output fell by 0.7 percent for both the EU and eurozone. There was solid growth in energy output for the month (3.3 percent), while production of capital goods (3.5 percent growth) and durable consumer goods (4.3 percent growth) also rebounded from significant losses in July.

The problem is seasonality. European data is adjusted for seasonal fluctuation, but there is still a routine bump in productivity in August. Production of goods for the holiday season starts in August, stimulating industrial production numbers. Therefore, production statistics in August are boosted by growth in durable goods – at nearly 5 percent. Non-durables did not show growth anywhere near the durable goods numbers. So, we read this as a seasonal increase built around anticipated consumption in December, but not a more general increase in consumption.

The year-over-year growth in industrial production does show an increase in growth, but it follows July’s disappoint-

ing numbers. The most that could be said is that Europe's economy is not declining, but is still unable to break out of its stagnation in anything resembling a decisive way. Part of the problem is Europe's interdependence. EU countries trade heavily with each other. When there is general prosperity, this is great. But when everyone is in a slump, there is no engine to pull them out. Production depends on markets with appetites for goods, and interdependence makes a breakout pulled by the extraordinary performance of one country unlikely. The rest of the world has minimal appetite for European products. Russia, the Middle East and China are all caught in their own problems. The United States has been pulling Europe's engine, particularly buying German exports, but the American economy has slowed and with it, American appetite for European goods.

The problem is that each European country's economy is export oriented. They cannot sell more to each other, and there are few large markets in a position to provide any sort of solution for Europe. The logic must be for European countries to increase their domestic consumption, as well as consumption from other countries on the Continent. The problem is that the damage to southern European economies will take a generation to heal, and domestic consumption in Greece, Italy and Spain will at best stagnate. To a lesser extent, the same is true in France.

Europe is still gripped by the aftermath of austerity policies, which were advocated by the EU in some countries. The policies adopted by these countries as a result of austerity have had damaging effects, but even if they are eliminated, these countries' economic problems will not go away. Austerity was introduced in Europe to create a stable financial system and protect banks from defaults by countries with large sovereign debts. But the sovereign debt

problem has been replaced by southern Europe's massive build-up of non-performing loans. In Germany, Deutsche Bank and Commerzbank are staggering, considering the long-standing inefficiencies and intense competition of the German banking sector, coupled with the new challenge of declining interest rates. The threat of state defaults has been replaced by the increasing probability that private sector loans, loans to businesses and individuals, are going to have to be at least restructured, if not written off.

Under these circumstances, it is hard to see how Europe will generate increasing demand internally. It is even difficult to see how it will sustain its current consumption levels in the face of the banking industry's problems and European countries' inability to support domestic consumption. Without consumption growth, industrial production will at best stagnate, and Europe will, if lucky, remain in its current stagnation.

Therefore, it is understandable that any bit of good news will be greeted enthusiastically, and the August numbers were certainly good news. However, they were not very good news – which is what Europe really needs. They show a modest increase year-over-year and a major increase compared to a bad July, but they show no indication that, after factoring in seasonality and sectoral growth, Europe is breaking out of its long, dark economic night.

Indeed, given the problems of the German banking system, it is likely the European economy hasn't hit bottom yet. There is always an expectation that after a crisis, things will return to normal, where normal is meant to be the good old days. Usually, this doesn't happen. The crisis didn't come out of nowhere. It arose from structural weaknesses that have to be repaired. And the crisis leaves a new reality that reinforces the weakness and prevents repair. This hap-

pened to Europe, and while we understand the need to be encouraged, facing the massive challenge that a return to pre-2008 economic conditions presents is more practical.

As Moldova Marches

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The better-known “Radetzky March” is a musical march, Op. 228, composed by Jonah Strauss Sr. and played commonly at New Year’s concerts. Less famous, perhaps, is the book written by Joseph Roth that goes by the same name. Roth’s “The Radetzky March” is a score written to the rhythm of the glorious Austrian Empire’s decline.

The narration of three generations of the Trotta family -- professional Austro-Hungarian soldiers and career bureaucrats of Slovenian origin -- spotlights not only the constancy of the notion of the “love of one’s own” at a time when the nation-state was still young, but also shows how even despite the best intentions, actions in personal and political life may lead to failure.

The political novel, written in 1932, teaches life lessons of universal value. Read today, while widely applicable to the challenges of governance in general, the book brings to mind the challenges to European cohesion and governance.

It is obvious that global governance as we knew it until 2008 has been restructured. We never quite had a definition for it before then, but we were hopeful that globalization would equal harmony and shared prosperity. However, the Orange revolution in 2004 -- the moment the so-called Russian Bear awoke -- and the Russian-Georgian war in 2008, alongside the beginning of the global financial and economic crisis, have dramatically changed the way we perceive the world today.

After the fall of the Berlin Wall, the Cold War had formally ended. However, it continued informally along the Russian buffer zone. The struggle was most visible in places like Ukraine that the mainstream Western media has focused on ever since the early 2000s. Moldova's struggle was far less visible. The politics of Chisinau are of interest for Russia, which wants to keep the country in its buffer zone, but also for NATO member states as Romania, which favors a pro-Western Moldova, and Turkey, which needs to keep an eye on all Russian interests near the Black Sea.

Moldova has managed to balance between the West and the East -- but while doing so, the country's political elite has become entangled with its business elite, developing a clan-like ruling class. In time, as the country's economics have worsened, the management style has given way to a zero-sum game pulling in business interests and the pursuit of power. The well-intended actions of the elite, looking to maintain Moldova's neutrality while balancing between the West and the East -- and also pulling the levers of power to build their own fortunes -- have apparently led to the systemic failure of the country. At least it has if we are to consider the last year's political instability, coupled with the near-bankruptcy of the state. Thousands have taken to the streets to protest. While it is true that the pro-Russian factions want to climb through the window of opportunity and regain control of government, the black-and-white image painted by the media, of the pro-Europeans fighting against the pro-Russians, is only part of the story.

This East-West balance has been weighted on the interests of business -- political philosophy has not been a priority. Socialism and liberalism, left-wing and right-wing, tend to have very broad definitions in Moldova, adjusted only by profit rates. While the pursuit of neutrality may be

well-intended toward keeping the balance, corrupt practices stemming from business interests that operate as clans are breaking it up. That other balance -- based on "who gives more money" in the short term -- breaks the balance of neutrality and has brought the country's politics to general loss. Russia has had the winning hand during times of economic stability at home, and while as there were different levels of corrupt practices involved in each process, it was easier to get and spend Russian funds than European funds. But as Russia's economy weakened, corruption gained visibility. In the end, the balancing tactics, and the fraud by corruption, used by the governing elite have weakened the state.

Within the blacks and whites of a broader geopolitical struggle, the grays of nuance are provided by the population that is in fact protesting against the corrupt political elite and the poor state of the country's administration. The example of nearby Romania, where the ongoing fight against corruption has shaken off the political elite, has reached the Moldovan public. The influence of the stories of those working abroad -- and who report better conditions in the European Union and even in Russia -- has also grown. All of them want to see order and responsibility from the governing elite.

The protests, and the clash of popular influence against the interests of the elite, seem to create an unstable if not chaotic environment. High political risk no longer characterizes Moldova - uncertainty has replaced it. No calculation is able to issue probabilities and results for short- and medium-term governance. A guess seems just as good. And that is worrying.

All indications are that Moldova is at a turning point -- not only a geopolitical one, but a fundamental one, based on civic choices. The state's institutions seem paralyzed.

The protesters, no matter who brought them to the streets of Chisinau, are all calling for the death of old, corrupt Moldovan practices of competing for personal short-term gain while pretending to fight for the country's neutrality. Russia has been most supportive of the formation of a system where politics are transformed into a system that supports a clan-type elite. The West has not been perfect, but has also supported the institutional administrative system where the rule of law matters most. The former system entertains corruption, while the latter fights it. Considering the protesters' constant call against corruption in Chisinau, it seems the civic voice has made its choice between the East and the West.

The march of Chisinau is not an easy one. Governance has to represent the people's choices, and Moldovans want reform. Geography has made of Moldova a strategic country, which means that the veins of external influence are and will always be present. This means reforms are not easy to achieve -- but when politics are turning to the street, for the civic calls of a new shared dream, a new and hopefully better fate becomes possible. It is only possible, however, if the courageous ones take the window of opportunity for transforming the long, enduring march of Moldova into an optimistic -- if not joyful -- march.

CHAPTER 3

STRUCTURE AND VECTORS OF INFLUENCE

3.1. Society: The modelling of useful metaphors

History, geography and sociology come together in geopolitical analysis, helping to understand events and the relationship between geopolitical subjects, in their dynamic. Thus, the principles of action and reaction are valid both in relations between different geopolitical subjects — nation states or non-state actors with global relevance, and at the structural level of each of them.

Communities, as complex systems which form the geopolitical subject (or subjects), are inherently human socio-economic formations, which cannot disregard internal interactions. As we have seen in previous chapters, the discovery method, and the usage of key questions for defining the judgement function leading to the formation of a framework model, are essential for the analysis of the information flows on a topic, yet they must be supplemented by methods designed to understand the structure of dynamic systems, if we want a complete geopolitical analysis.

Simplicity (in critical thinking) is driven by a thorough understanding of the geopolitical subject: this is the only way to learn what the key questions are, to distinguish what is relevant from what is not relevant. For this reason, the analyst is always on the look-out for *useful details*. Methodologically, there are two models that help us getting them:

- The *metaphor*—used whenever a simple analogy between the system considered and another known system is feasible, and
- The *creation of quasi-models*, using a general model for the system's structure to build on, for which we need to establish relevant and specific parameters, considering the analyzed system in question.

For both models, the initial hypotheses are to be verified and need to be validated or invalidated by investigating the systems to be analyzed. We build both models on general truths about communities, on abstract notions which become the scaffolding for building a ‘living’, dynamic system of the geopolitical subject.

The knowledge of geopolitical imperatives gives the usefulness of the information we validate through the metaphor and the quasi-models methods. Before looking at its structure, one has to determine the geographical location of the geopolitical subject—and through this the subject’s geopolitical imperatives—which are fundamental elements for the metaphor or the quasi-models built at a later stage.

For instance, for Uzbekistan, one of the Central Asian states with predominantly hilly terrain and a limited hydrographic network, it is clear from the very first glance at the map that one of its imperatives is to secure its water source(s). Starting from this fundamental problem, we can draw an analogy between Uzbekistan and its neighbor, Tajikistan, but also consider the situation of the other Central Asian states, because, by studying the map it becomes clear that this imperative, or, better said, this problem, is common to all of them. The social quasi-model could also be built considering the similarities with these neighboring states. Therefore, initial familiarization with regional issues is necessary—otherwise, we cannot even make the first step in getting to know better the societies in question and understand their structure.

Next to studying the map, reading about the history of a geopolitical subject is mandatory. This enables one to identify behavior patterns in relation to different stimuli. However, this is still not enough. As with geography, history needs to be adapted to the dimensions of the geopolitical

analysis. In order to build the systemic quasi-model for the geopolitical subject, we are making historical and geographical delimitations by using the anthropologic geographical method and the ethnographic method—both being active documentation methods for the subject in question. The anthropologic geographical (andropo-geographical) method implies the study of the documents available about the people's culture, including maps of the societies in a specific geographical area. The ethnographic method refers to the research of the lives of the people in these societies, by living together with them for a period of time, observing them and their customs, their traditions.

Thus, using *the anthropo-geographical method a set of conditions for living in a particular area is established: the hydrographical and topographic features (the details of the terrain, the topography of a certain area) are used to understand the development stages and the steadfastness of the society*. For instance, for geographical plateau areas, it is important to know the altitude of the plateau, how many passes to and out of the plateau exist and how difficult it is to cross these passes, which are also ensuring the communication of the people from the plateau with the outside world.

It is also important to understand the 'river basin' of the area—the location of all water sources, and the areas where food could be or is produced, naturally. The terrain and the climate conditions force the people living in certain areas to develop specific skills; their (traditional) work has to have essential elements for survival—farming, fishing, hunting, and so forth. The predominance of certain occupations, which have subsequently turned into competitive advantages, is therefore explained by geography. Also, by relying on the anthropo-geographical method, it is possible

to determine the degree of isolation of a certain population. For instance, how easy or how difficult is it to cross the mountains which serve as a natural border for communities? Or, what kind of natural barriers exist for communities living in the lowlands or in the desert? How steep is the shoreline - for the people that are living along the shore? All these questions establish, through their answers, the natural distance between human settlements, which serves as an indicator for the degree of conservatism, of steadfastness, of the social systems under research.

Intolerance for 'the new' and 'the other' grows proportionally with the increase of the distance between communities. Of course, the importance of distance is today less related to topography as we link it to the social and cultural differences between human settlements—however, from an anthropological perspective, their origin stems from the geographical environment.

The *cohesion of a community, independently of its heterogeneity or homogeneity, giving strength through structure*, while also building the population's reaction force, is rendered by what makes up the culture of the population in question. The *ethnographic method* takes into account a broad spectrum of elements, all of which we need to consider from the perspective of the 'concerned observer'—the one who observes and lives his/her life together with the people of the studied community.

The observer has the consciousness of the outsider, of the alien, in writing the events and traits of the community, looking to chart those elements which pertain to geographical adaptation and those that bind the members of that community from a civilizational and from a cultural point of view. Therefore, the specificities related to the architecture of the houses, to nutrition, to the material aspects linking

the populations to the geographical environment that they live in, as well as the simple aspects of everyday life are all taken into account by the outsider, in an effort to understand the community.

The intellectual creations through which the community has sought to harmonize the physical and psychological worlds are of utmost importance to understand its culture, equal to its intangible and aspirational values. The identity of a population is defined by the non-material rather than the material (even if art work and literature are material things too - the philosophical ideas that build on values and norms are immaterial and largely transcend the objects that embody them at a certain point in time), thus the only method of understanding a population is through the observation of its art, its ethical aspects, and its literature.

The *ethnographic method helps us perceive the “unseen”, which is defining the beliefs, ethics and tradition of the community in question, and thus deciphering how it sees its history and its future in the world.* Through the filter of the collective imaginary, the community distinguishes whatever produces knowledge and progress from what are mere fantasies of the mind, with no practical utility.

For the geopolitical analysis, understanding the “unseen”, the intangible which binds communities, is important for two reasons: 1) for the understanding of the laws that form the foundation of human societal systems—geopolitical subjects, and 2) for correctly assessing what could determine a community’s systemic reaction to external actions of other geopolitical subjects or of the environment. In this dynamic, the reaction of a geopolitical subject vis-à-vis the exterior can be a reaction of repulsion or one of attraction. From a structural perspective, we can also assess the age and stability of a population through the ethnic strata,

which is structurally underlying the problems which pertain to the community, such as migration.

By adapting the definition from the exact sciences—from physics and chemistry, to the social realities, cohesion helps us understand the properties of the elements which are the ‘ingredients’ and which form the subject in question, thanks to the forces existing between them. Through the interaction of these elements with the elements of other geopolitical subjects, directly or tangentially, they mutually influence each other, changing themselves and also the structure of the subjects analyzed.

Depending on the historical period and geographical location, different communities have perceived influence actions differently. The most serious and remarkable effects of influence on the structure of social systems are those linked to migration. Ethnic stratification resulted from the movement of populations from one location to another is probably the most visible structural change within social systems.

3.2. The Mediterranean and the teachings of strata

The effects of migration are not necessarily immediately visible, as migration is underway, but are felt over time. People see the “flashy” short term news, but they do not necessarily react to the effects of migration as, if indeed migration implies settlement, the longer-term effects are not visible on the short term - nor they are usually talked about by the media. The exception to this rule comes from those situations when migration is imposed—as it results from when a state (or a system) conquers another state and the occupying force imposes the delocalization or the movement of people throughout the newly gained territories or

is imposing the usage of its own language for administrative purposes. From a topographical and an orographic perspective, the terrain is beneficial to migratory peoples, the less mountainous it is. Port settlements combine resistance with the fluidity of cultures, being a world of endurance and steadfastness as well as a world that facilitates the changing civilizations.

The life of a port depends on its location. Islands are usually likened to preservation, whereas we usually see peninsulas as bridges which facilitate trade and cultural exchanges. Therefore, the life of the port is shaped by what it unites—a sea to the seas of the world, or a land to the seas of the world—regardless of whether this land belongs to a continent.

The Mediterranean, with its rich history of influences—be they more precipitous or more fluid—ever since antiquity, has provided a living lesson on how migration shaped its shores, both politically and socially. Its islands, some of Europe's most popular tourist sites, have become passages between two worlds once again, since 2015, with the influx of refugees from the Middle East and North Africa.

Sardinia, an island in the center of the Mediterranean and an autonomous province of Italy, is one of the preferred destinations for migrants coming into Europe. They seek it because of its attractive geographical location, being close to the coast of North Africa, but also because of how the population of this island treats newcomers, which can almost be called hospitable.

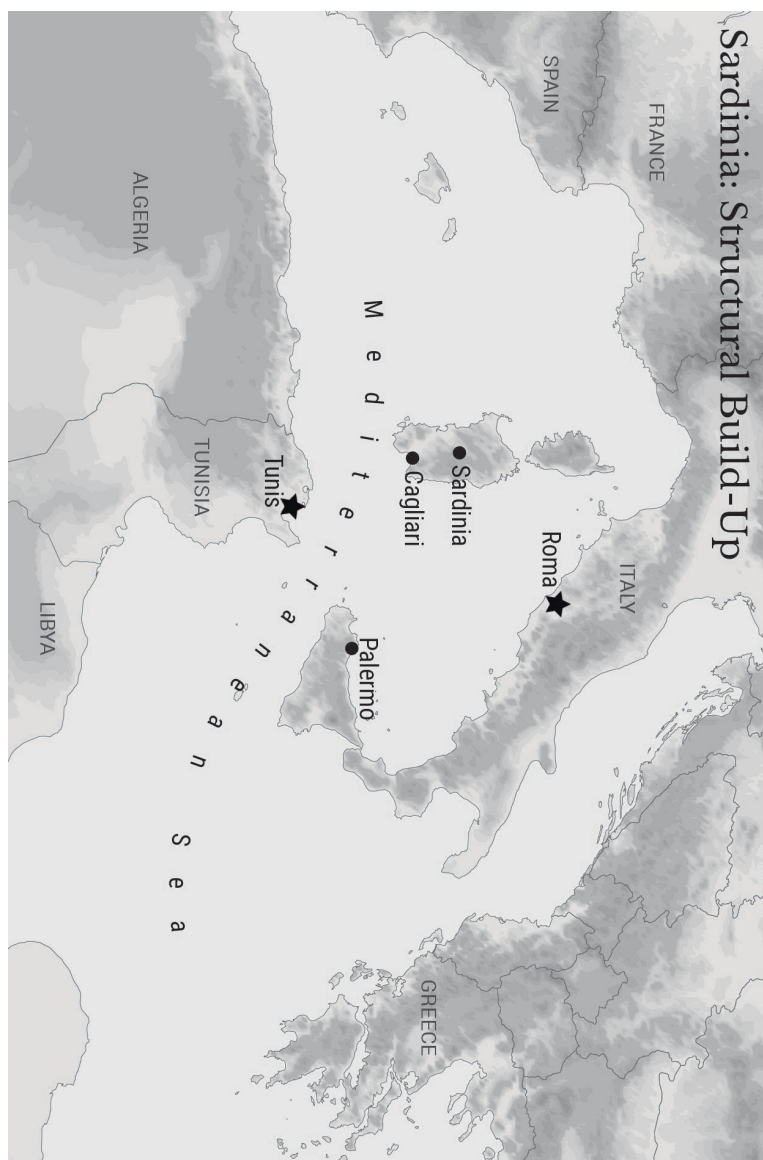
This transforms Sardinia from a location burdened with the problem of refugees into an exception of apparent tolerance. This is in fact not a coincidence—being largely explained by Sardinia's ethnic and civilizational stratification, which has characterized the island for over five millennia

(the island's Neolithic origins are archaeologically proven).

Only a few years before the refugee crisis directed the international media's attention towards the island, Cagliari, the capital of Sardinia, was the location chosen for an academic discussion about the security of the Mediterranean, between NATO and its partners in the Middle East and Africa. Landing in Sardinia, one is struck by the picture of its unique terrain, unlike that of any other Mediterranean island—its rolling-hills and soft mountains are more welcoming than the jagged rocks and steep cliffs of Crete, or the barren and sunburnt landscape of Cyprus.

The light is reflected off its pale-colored soil—almost whitish—very different, compared to the reddish-brown shades of the islands of the eastern Mediterranean. Cagliari, the most important urban area of the island, has a diverse architecture, with blocks of flats reminiscent of the continental architecture of the '80s, surrounded by green gardens and modern villas, which, as one gets closer to the historical center, are replaced by Renaissance houses with austere or baroque lines. Unlike most ports in the Mediterranean, which offer relatively easy access to the city center, Cagliari seems inaccessible: it towers high on a hillside. On the highest point of the city lies the medieval castle of San Michelle, built during the Byzantine era to defend the island of African or Spanish pirates, and which still watches majestically over the island's southern shores.

To the west of the center, in Stagna di Santa Gilla, traces of the Phoenicians, which seem to have established here in the 7th or 8th century before Christ, are still vivid in the old sites and the surrounding architecture. Traders and skilled sailors, the Phoenicians founded Carthage, the ruins of which can still be seen several hundred kilometers south of Cagliari, in today's Tunisia. They have mastered the sea un-



til they gradually lost their influence to the Roman Empire. The Romans used Cagliari starting in 238 BC as a strategic point for attacks against the Carthaginians—and after their defeat, Sardinia became an independent colony, a “municipium”, until the fall of the empire.

Later, under the control of the Vandals or of the Byzantines, Sardinia became an important military and commercial strategic point of the middle ages. The Genovese and the merchants from Pisa, who were interested in controlling sea traffic from Africa to northern Italy, increased their influence over the island and have even settled on it in the 13th century, building new fortifications which still bear their legacy today. The Aragon Dynasty of Catalan Spain ruled Sardinia between the XIV and XVII centuries, and after a short Austro-Hungarian rule at the beginning of the XVIII century, Sardinia would belong to the House of Savoy from Turin. Napoleon then attempted to conquer the island which provoked the resistance of the local population that defended itself and, without concessions from the House of Savoy, tried to get independence through insurgency. Even though the locals have governed the island's affairs only for a short period in history, it was their determination that would make up the basis for the island's special, autonomous status within Italy until today.

These aspects are still evident in Cagliari, with its Oriental elements which are too ‘solar’ so as not to resemble Africa and too rectangular in architecture so as not to look European. Food is also a mix of Mediterranean and African tastes, with touches of myrtle - from which local people even make a liqueur - and sheep's cheese. The colors of the city span a wide range of shades, from grey to bright red, from sandy yellow to leek green, all appearing in a very natural balance. Farther away from the capital city, in a search

for the medieval fortifications defending the city from hill-tops, one may find the legacy of the Romans and that of early Christianity.

Nestled in the limestone landscape, the settlements here invite you with their apparent calm and their history, all too visible today: it seems nothing has ever changed in the way people live here, between the spring and autumn festivals, when pilgrims come to visit the centuries-old Christian churches. Flocks of sheep regularly cross one's path, and small restaurants where pasta and wine are all home-made and which look somewhat improvised, make everything seem frozen in time. Tourism is less developed in the island's interior: the "classic" tourist seeks the beach and is less interested in discovering the interior of the island, despite its beauty and quaintness.

In 2012, the island was facing social problems caused by the economic crisis, similar to other southern European regions. On paper, however, the situation in Sardinia appeared to be much better, compared to the other regions in southern Italy and even compared to the other Mediterranean islands. In reality, the situation was not so dramatic because at the time Sardinia had already been facing an internal economic crisis for over five years.

In the early 2000s, the profitability of Sardinia's metallurgical industry (aluminium processing) started to wane. As a result, foreign investment in this sector, which supported the modernization of the island in the '80s and '90s, diluted or even dry-up, as investors were searching for new, better (cheaper) locations. The textile industry has been facing problems since 2005. The increase of the debt levels of farmers, of those working in agriculture and livestock rearing, together with a decrease in their ability to sell their products outside the island, led to structural problems in the

sector since the early 2000s. The global economic crisis has had a delayed effect in Sardinia - the island's economy was already weakened when the global crisis started and therefore the locals didn't really feel the decline as much. The residents had become accustomed to economic problems. The first African migrants, who left their home countries in disappointment that the "Arab spring" had failed and were looking for work in Europe, also knew about the island's situation as they arrived - they were not seeking to establish themselves in Sardinia. They knew about the economic distress that the island was facing. Rather, the migrants were looking towards the continent, as were some locals. The issues discussed at the Cagliari conference in 2012 concerned how the NATO intervention in Libya changed the regional balance and how the transformations in the North African states could become the source for additional security risks for the region. Intuitively, one understands that the life of this island has changed, as the island was experiencing yet a new transformation.

The refugee crisis was not yet "visible" in 2012—the international media would learn about Sardinia only in 2015, this being one of the islands most transited by migrants and refugees, even up to today. The articles in the local press talk about the protests of refugees unhappy with the fact that they cannot leave the island, while mentioning at the same time the problems faced by transport companies or farmers, who complain about their poor access to the European market. The foreign press is also talking about the aid initiatives of the locals of Sardinia, picturing emotional moments in which the Sardinians cannot leave the newcomers without food or clothes.

Of course, tolerance varies between the urban and rural areas, and between the shore and the interior of the island.

While Sardinians understand that those from Africa seek nothing more than a better future, the farmers in the island's interior are concerned with the fact that their island's isolation is now under threat and so are the island traditions. Isolation could convince the migrants to leave, which in the mind of the locals would also help preserve the Sardinian language, which they cherish and wish to pass-on to future generations. Therefore, resistance to welcoming the migrants to local culture is the best recipe provided by most of the rural inhabitants for the island's and their wellbeing.

The urban environment is more tolerant—but tolerance is split between those who see the newcomers as competitors for the otherwise few existing jobs on the island (even if they somewhat empathize with them), and those who try to see the positive side of the migratory phenomena, understanding their diverse cultural background and treating it as an opportunity. In the Teatro Massimo, music and dance performances have already adopted immigrant artists. Coming from The Gambia, Senegal or Niger, all with different life stories and having all reached Cagliari via a different route—crossing Algeria, Tunis or Libya, they bring a new tone and new dreams to the cultural landscape of Sardinia, which revolve around steadfastness and continued resolve in discovery.

3.3. Structural geopolitical analysis

From the oldest times to today, migration effects, brought through conquest or by the nomadic populations, imparts new qualities to the societies crossed. If the motivation of the conquerors is strategic, relating to controlling and securing the borders of the territories they occupied, the *raison d'être* of nomads or today's emigrants refers more

to the structure of social systems, to the qualities of their components and less to their form.

The geographer Ernst Georg Ravenstein, in three articles published between 1876 and 1889, after he had been a member of the United Kingdom War Office, laid the foundation for the theories of migration. He explained that regions, cities or villages are all characterized by an ‘attraction force’, which, in the migrant’s eye, is inversely proportional to the distance between the ‘home’ region and the region of their choosing. Spiru Haret reiterated the same idea in 1910 by in his work ‘Social mechanics’, explaining the rural migration to the urban areas in the Romanian Principalities.

The *quasi-model* presented by the thinkers of the beginning of the 20th century has been developed and improved in later sociological research. In the 1940s, Samuel Stouffer refined the theory in this area by postulating the laws of migration ‘opportunity’, which are valid to this day. He defined the attractive force of a region through the number of opportunities in that chosen region, distinguishing between real and apparent opportunities.

As a result, the number of people migrating a particular distance towards a new region is directly proportional to the opportunities existent at this distance, at destination and inversely proportional with the ‘intervening’ opportunities (Stouffer, 1940). Later, he also introduced the ‘competitive migrant’ variable, along with a proportionality factor and variable notions in the base formula, giving it the nuances for updating the domain and mathematically adapting it to contemporary requirements (Stouffer, 1960).

His work and the equations developed are trying to explain how the number of migrants from one city to another varies, in order to better understand the ‘demographic resources’ of an area (rural or urban), of a region or of a state.

Stouffer proved that there is always a reason for a person to move from one place to another, even in peacetime. He also pointed out that mathematics can help evaluating personal reasoning, making for a model that refers to the structure of the place, taken and understood exhaustively.

Resources give the primary structure of a social system. The simplest *classification of resources* refers to three categories: *land, capital, and labor*. *Land* as a resource covers, by definition, everything that belongs to the soil and subsoil, terrain and raw materials for production. *Capital* refers to the reserves of a community, but also the exchange and trade opportunities they can rely on. *Work* includes the human resource, quantitatively measured by the number of individuals that make up the community, and qualitatively measured through their competitive advantages and, crucially, through time—the social construct invented by humanity in order to measure both human existence and human performance. *Work* thus encompasses the working hours of the community, but also the time spent on the education of its members, which includes art and other forms of spiritual enrichment, forming the glue that supports the very existence of the community.

From an organizational point of view, social systems comprise a political, economic and military component, all of which contribute to the security of the society. We allocate resources to all three components in order to support their functioning. The political component of a social system refers to how the rules of the system are promoted and imposed, through the involvement of various resources. From an economic point of view, the system is characterized by how resources are used to produce benefits for its members.

The easiest (and classic) way to characterize an economic system is to use the Gross Domestic Product (GDP) and its components, along with other indicators relating to evaluation of the community members (unemployment, birth rate, etc.). In terms of security communities are characterized by the features of the military domain (military equipment and capabilities), but also through the way in which the political and the economy preserve the system's balance by ensuring an efficient allocation of resources for maintaining the stability of the community and its development. Thus, the security of the community refers to both external threats and how internal changes can cause risks of instability. For example, natural, uncoordinated migration poses first and foremost an internal problem, affecting the political and economic environment of a community and, by changing the social fabric, can also become a security problem.

In order to describe a social system—and in particular to define, in abstract terms, a quasi-system in order to analyze it—we can use the morphological analysis method, which is to research on the structure and how it can change, organically, under static conditions. This method was used and developed in the works of astrophysicist Erich Jantsch and Robert Ayres (economist and physicist), who were both concerned about how human society is developing. Swiss astronomer Fritz Zwicky, known for discovering the dark matter and introducing the notions of supernovae (stars), is also credited for laying the foundations of the morphological analysis method. In his works, he used it to observe astronomical systems and how they are organized. We use this method today, along with others, as a logical method for the analytical process, including for determining the level of 'country risk' by rating agencies, and so forth.

The *morphology of a social system*, of a community, is determined by the following concerted activities upon this system:

- *Exploration of the community*: comprising a step-by-step observation and analysis process on the community, having the objective of discovering all its significant characteristics (using, at this stage, the anthropo-geographic method and the ethnographic method);
- The *drawing of the 'morphological box' or 'morphological network'*, whereby the system is represented through several parameters, considering all the possibilities to recreate the system as it was explored, in a similar, static way, by combining the parameters in qualitatively different ways.

Conceptually, the foundational elements of the morphological method are the parameters which can be defined as particular features of the system and the parameters' manifestations. This method is intended to list specific qualitative alternatives, in different combinations, through which we can describe the social system, so it remains static and balanced.

We give clearly defined parameters specific values, depending on the major components of the system, which serve as a reference system. This is important in order to establish the total 'value' of the social system, which is useful for analyzing its evolution and for benchmarking it with other social systems. Considering the questions-based model described in the previous chapter, the morphological method determines the initial state for each of the systems considered, tracking the possibilities whereby their components can maintain a balanced system through its structure.

Thus, the clearly defined parameters, having different values, of a system can abstractly be described by *a matrix* such as:

$$\begin{array}{cccc} p_1^1 & p_1^2 & \dots & p_1^k \\ p_2^1 & p_2^2 & \dots & p_2^k \\ \dots & \dots & & \dots \\ p_n^1 & p_n^2 & \dots & p_n^k \end{array}$$

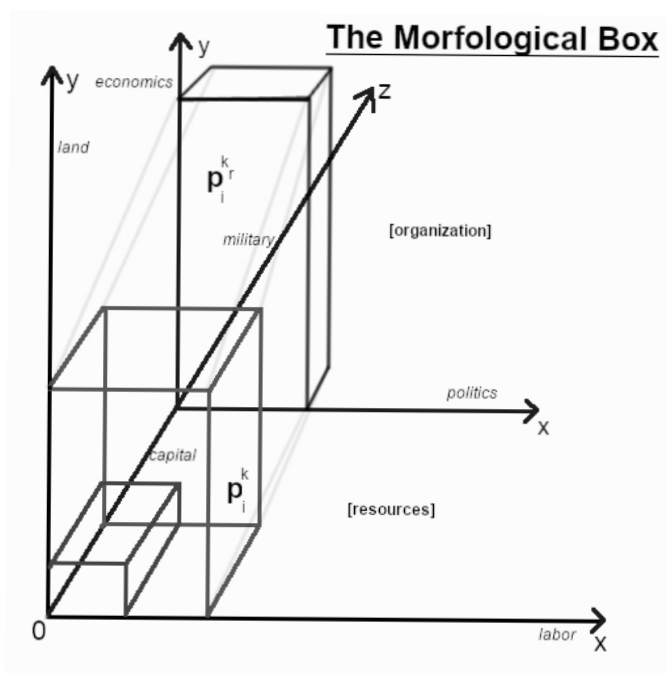
where each parameter p_i has a different number k_i of independent and indivisible values p_i^k .

For a system thus presented there are $\prod_{i=1}^n k_i$ organizational and operational possibilities (Apostol, 177, pp. 82-85). The system's parameters are to be examined according to the influence they have on the system, which is given, structurally, by the *value step* (from 1 to n), but also considering *how the analyst determines its importance*, depending on how the analyst perceived its significance, when discovering the parameter.

For geopolitical analysis, we use two *reference systems*—that of resources and that of organization. Thus, each parameter which characterizes a community is determined by the result (value) of the combination of land, capital and labor resources, and the association of a political, economic, or military value.

For instance, we assign a specific value to a member of the community, whether it is an individual (parameter 1) or a company (parameter 2), in the '*land-capital-labor*' system, considering its value dependent of each of these resources, as each of them characterizes it. The value specific for each of these resources comes from the result of other indivisible characteristics—for instance, we calculate the value of the land considering the value of the soil and that of the subsoil resources and so on.

We can also assign a value to the member of the community in the ‘political-economics-security’ system, considering the influence that member has on the political, economic and security elements of the system. If, for instance, we are talking about an individual aged between 12 and 14, his or her political value will most probably be higher than his economic and military value, depending on the social system they are in. In Romania, we would talk about a pupil—who cannot be employed or influence the military besides his or her political value. We calculate his influence through the influence the child has on his or her parents. If we are to consider a company as part of the social system, its political value is usually much less than the economic value.



The calculation of all values considered for all parameters has to be performed considering the specific coordinates of the reference system. Thus, if the value based on resources is quantitative, and therefore relatively easy to calculate, the value in the political-economic-military reference system involves qualitative assessments, differentiating between democratic and autocratic systems, for example.

The graphical representation of the morphological method may be a 'box' because a representation in space, of any reference system, involves an imaginary parallelepiped of parameters, of the three characteristics—as boxes which, side by side, make up the whole complex system. These will be similarly represented in different reference systems, even though the actual values of the parameters will be different.

In order to best illustrate the *relationship of subordination or causality between the parameters, the graphical representation may also be that of a network*. This is akin to a logical schema, and we can convert it into a structural calculation method, when and if we know or may approximate the value of each sub-parameter. Where we allocate additional values to parameters—such as degrees of risk or probability of change, we may recalculate structural indicators, using the same logic.

The morphological method is suitable for *identifying the elements necessary for obtaining all the information relating to the set of structural parameters of the system*. This method allows the drawing of a *mental map of a system*, its composition and the relationship between its different components. *The parameters of a system are interdependent*. That the morphological method shows the possibility that we can combine them in a variety of ways means that

there is an *action—reaction type of relation between them*. It is possible to imagine a variety of states of the system, all possible through the logical alignment of the parameters in the chosen reference system, but we must not forget that, in fact, relationships exist between these parameters, making the complex dynamic social system of one state or region to be very relevant from a geopolitical point of view.

The structure of the social system is, therefore, not only the sum of the constituent elements—the parameters but also *the sum of the active, mutual relationships between them, which follow a certain defined organization*. The composition of social systems is, therefore, *a set* in which we can distinguish:

- *the elements*, the parameters which comprise it—i.e. individuals or groups of organized individuals (companies, healthcare establishments, military units, schools, etc.);
- *the behavior of each individual element*—the sum of its activities;
- *the relationship between the elements*, i.e. social and human relations (influence vectors or other forces of influence);
- *relations between the system and its elements* (influence vectors or other forces of influence);
- *relations between the system and its environment* (influence vectors or other forces which act, in an abstract and delimited manner, following the model presented through the primary judgment function, in Chapter 2).

The actions of the elements cannot be explained solely from a mathematical and physics perspective, because, given their nature, they contain aspects related to the psychology of individuals and crowd psychology. However, through detailed knowledge of complex social systems—using the discovery method before using the morphological method and the accompanying mathematical method—it is possible to predict the accumulation of stress (tension) in the system by identifying the potential sources which could trigger structural change. That the industrial sector which is mostly foreign-owned, has not been profitable for several years in a specific location, such as Sardinia, leads to an increase in social tensions because of the economic problems experienced by those who work in this sector, or have worked in the sector and are now unemployed.

As a result, such a situation - analyzed based on known, relevant details - may cause the system to lose balance—which means street protests, that may or may not turn violent, occur more frequently than before the sector lost profitability levels. The protests may also trigger political change, which will interact with other environment changes outside of Sardinia—considering its synchronization with potential political changes in Italy, Europe and the world.

Geopolitical analysis follows the internal events of complex systems, of geopolitical subjects, in order to precisely anticipate times of imbalance and to predict, based on analysis, how these events influence the other subjects and the environment. That is why the structure is directly and conceptually linked to the idea of an influence vector.

For the purpose of assessing the influence of one element on another, and of the environment over the system one has to consider, besides the characteristics of the elements and their organization, the *fundamental functions of*

any social system, namely:

- *Maintaining (or transforming) the structure* in order to ensure the integrity of the system - or the structuring and restructuring function;
- *Maintaining the continued existence of the system* by ensuring the sustenance of the elements of the system, considering the economic output relationships - or the subsistence function;
- *Ensuring communication and maintaining the interaction norms* between the elements of the social system - or the information function;
- *Ensuring the coordinated and integrative regulation of all the activities* of the parts of the system - or the management function.

These are necessary and sufficient conditions for the setup and running of the system. The balance of the system and its direction are given by the resultant force of all the above functions, which are acting in coordination on all the elements of the system. For instance, if the structure of society changes because of a wave of migration or because of an economic downturn, the leadership function acts to re-balance the system, by activating the restructuring function.

In geopolitical terms, even though we are working with complex systems as units of measurement for significant global events, we consider people as the very basic and rational components of systems, and their membership in the system is a quality that constantly needs re-evaluated. Therefore, *structural geopolitical analysis brings together social mathematics with psychological empathy in order to*

assess the balance of societies, before discussing their evolution, internally and internationally.

Contradictions (of a structural nature) determine the dynamic of social systems, by the interactions between their elements (forces defined by existing production relations and conflicts between different social classes) and by their awareness. The position of the parameters, of the components within the social system, determines the activities, and also the purposes and the values which guide it.

Therefore, the ‘unseen’, the elements which refer to the values, to the ethics of society, often conditions how the system is organized and in which it operates. Fundamental functions are carried out according to the historical context of the structure, these being closely linked to the development stages, to social evolution. This highlights the critical nature of geopolitical analysis which, using the specificities of the morphological, anthropo-geographic and ethnographic methods, must highlight the characteristics and direction of complex social systems—geopolitical subjects, in the dynamic of space.

Key concepts

- social quasi-models
- anthropo-geographic method
- ethnographic method
- morphological method
- mental map of a system
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The Looming Confrontation in German Mainstream Politics

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Germans headed to the polls over the weekend in an election that saw declining support for establishment parties and rising popularity of a formerly fringe nationalist party. Chancellor Angela Merkel's Christian Democratic Union experienced its worst performance since the end of World War II. Support for the Social Democratic Party fell to record lows. But the nationalist Alternative for Germany party, known as AfD, which was founded just four years ago, became the third-largest party in parliament, winning 13 percent of the vote.

Clearly, there is a shift taking place in German politics. The left's popularity is declining throughout the country – although it is diminishing more slowly in eastern Germany – while the AfD's support is growing. And, more important, the election results confirm that the German party system has fragmented, as divisions in German society have increased. Berlin isn't the only European capital that has seen a nationalist party rise to become part of parliament, but considering that it is the de facto leader of the EU, we need to examine what this could mean for the rest of Europe.

Growing Dissatisfaction

The AfD is the first nationalist party since the end of World War II to enter the German parliament. In the 1960s, both conservative and communist parties were represented

in parliament, but nationalism was low. Memories of World War II were still fresh in the minds of many, and most were unwilling to allow nationalist forces into mainstream politics. But dissatisfaction with mainstream parties, particularly the governing CDU and SPD, has been growing because of the country's socio-economic problems, and it is out of this dissatisfaction that the popularity of the AfD has emerged.

Germany has the biggest economy in the European Union and dominates the bloc politically. It suffered the least from the economic crisis in 2008, but it hasn't been immune to the problems facing other countries in the union. The German economy is largely dependent on exports, and the EU is its most important export market, so the economic struggles in other EU members will impact Germany as well. Germany hasn't faced high unemployment rates or staggering debt, but it has seen a general slowdown in the economy. This has meant that, while it may not be reflected in official statistics, some people have lost their jobs – possibly more than once since 2008 – and others haven't received raises. The refugee crisis only compounded this problem. Those most affected believed that the German government, just like the EU, couldn't solve the issues that arose from the 2008 crisis. AfD took advantage of this discontent, campaigning on the idea that radical change was needed.

The factors that led to the rise of nationalism in Germany may be similar to those that led to the rise of nationalism in other European countries, but Germany is also a unique example because of the social divisions between the country's east and west, which can largely be explained through its history. Reunification in the early 1990s didn't solve the divisions between East Germany and West Germany. Both

populism and nationalism have risen faster in the east than in the west, and left-wing parties have enjoyed more support in the east. The SPD has promoted a more populist agenda in the east so that it could compete with the Left Party, which tends toward communist principles. The east is still struggling to fully transition out of its communist past. Considering that the east is the poorest region in Germany and that the socio-economic problems spreading throughout Europe have affected the east more than they have affected the west, it was fertile ground for the AfD to promote its agenda.

Divided Electorate

This weekend's election results further highlight the extent of the division in the populace, as support was split between a number of parties. The CDU and the Christian Social Union won 32.9 percent of the vote. But to form a government, they will need the support of the Green Party, which won 9.3 percent of the vote, and the conservative Free Democratic Party, which won 10.5 percent. (It is unlikely that the SPD will be willing to enter another coalition with the CDU.)

The Greens and the FDP won the majority of their support in the west; the AfD and the Left Party won the majority of their support in the east. The opposition will be split between radically different parties – a weakened SPD and Left Party and a strengthening AfD – although they all find much of their support in the east, while the governing parties will more heavily represent the west. Governing will likely become difficult, and the government will need to find a balance between the priorities of the east and west.

This outcome will also make it difficult for the government to implement any reforms, both in Germany and in the EU. France, Italy and Spain have submitted proposals to increase EU investment and introduce risk-sharing measures for the eurozone – all of which will be discussed at the next meeting of the European Council. Germany has thus far played a significant role in managing EU affairs, partly because it was politically stable – the rest of the EU could trust that Merkel's words had weight. But she is no longer backed by a large majority. This limits her power both inside and outside Germany.

The ideological composition of Merkel's government and, more important, the increasingly nationalist opposition will influence Germany's role in EU reform negotiations. Germany will continue to support more integration for the EU – because this will help its economy grow – but Merkel will likely become more cautious in supporting ambitious reform projects, including a common immigration policy. It is likely that euroskepticism in Germany will increase, since compromises will need to be made between the northern and the southern blocs of the eurozone. With the AfD now in parliament, reluctance to share risk with southern European members will only grow.

In addition to confirming the fragmentation of the German political system, the election results indicate a shift in Germany's role in the EU. The German establishment can no longer ignore the popularity of nationalist parties. It will have to confront the AfD, which has reintroduced a discussion on nationalism in mainstream politics. Considering Germany's key role in the European Union, such a confrontation will have a direct impact on how the bloc will evolve.

Poland's Rising Leadership Position

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Poland's history can easily be summed up as a continuous struggle against invasions and divisions. The country's geopolitical significance stems from its location between Russia and Germany. Recent developments have also helped Poland lay the groundwork for its eventual emergence as a regional power, as stated in our 2040 forecast.

Like Germany, Poland has relied on exports to fuel economic growth while using European Union funds to build infrastructure and attract foreign investment. While exports accounted for 47.4 percent of Poland's GDP in 2015, foreign direct investment accounted for only 2.95 percent of its GDP that year. This figure peaked at only 6 percent in 2006, according to the World Bank. The country's main partner for trade and investment is Germany. That means Polish production is part of the German supply chain. With global demand for German exports decreasing, demand for Polish products is also decreasing.

Poland has looked for other markets, trying to diversify away from Germany and Europe and increase trade with the United States. In 2015, the percentage of Poland's exports to the U.S. increased more than any other country. American consumption of Polish goods has grown by 20.9 percent since 2011. However, overall export growth has slowed during the last two years.

Data on economic performance in the third quarter of 2016 shows that Poland experienced its biggest decline in investment since 2010. Investment fell by 7.7 percent on an annual basis, causing a decline in economic growth by 1.4 percentage points. Growth stood at only 2.5 percent in the

third quarter. Export growth also slowed to an annual 6.8 percent in the third quarter from 11.4 percent in the second quarter.

The small economic growth registered in the third quarter was driven by a rise in household consumption, which in turn was supported by a generous child benefit program launched by the government in April. While mainstream media cites protests and political uncertainty as the main cause for the decline in investment, economic theory offers a more realistic picture: Because most local companies don't see their markets expanding, considering the country's dependence on Germany and slowing export growth, they have little incentive to increase investment.

Considering Poland's relatively small economy, which gives it more room to maneuver, the decline in German exports could become an opportunity for Poland to maintain and increase its export competitiveness. Technology transfers have accompanied Western investment in the country, and with continued support for national research and innovation and its relatively well educated and cheap workforce, Poland could remain competitive on the global market. One major challenge Poland faces in the medium to long term is its demographic situation, which limits its potential because the country has the second fastest aging population in Europe. But the success of socio-economic policies that drive competitiveness is dependent on political stability.

Since taking office in October 2015, the Law and Justice (PiS) party has promised to lower the retirement age and has announced taxes on sectors dominated by foreign companies to provide incentives for local businesses. The governing party is part of a mainstream populist and nationalist movement in Europe, and while its popularity is high in the countryside, it has been challenged by opposition

protests in major urban areas. When it tried to introduce an anti-abortion bill, claiming it would improve the country's demographics, mass protests made the government withdraw it.

Plans to reform media laws have prompted a new wave of protests, as the opposition accuses the government of restricting press freedoms. Since coming to power, the party has attempted to replace personnel appointed by the previous government to consolidate its control over the administration. In December 2015, a European Commission probe was launched into the rule of law in Poland after the government decided to replace judges on the constitutional court. The government has also made massive staffing changes in the military. Nearly all of the inspectorate heads, chiefs of directorates at the General Staff and commanders of important units were replaced in 2016.

Top leaders appointed by the previous government often have chosen resignation over firing, as the current political leadership of the Ministry of Defense consolidates power. Poland has been criticized for this, but every political party has done the same when taking office, especially when backed by high approval ratings, which PiS still enjoys. The current government has also been more outspoken in criticizing Western Europe's approach to Russia and has been vocal in opposing Germany's refugee quota policy from the beginning.

Poland sees troubling developments in its vicinity – its flat plains mean the country is caught between Germany and Russia. As a result, Poland has seen invasions from both the east and the west. After the Cold War, Poland believed the best way to protect itself was to join multilateral organizations such as the EU and NATO. But it sees the EU becoming fragmented, with the eurozone and the German

economy weakening, and growing challenges to NATO. Western Europe simply no longer shares similar strategic priorities with Poland. France's and Germany's foreign affairs focus is different than Poland's – for French and German leaders, the top security concern is the refugee crisis, and Russia is secondary. To its east, Poland sees Moscow as willing to apply political pressure to preserve its traditional sphere of influence in Eastern Europe, and as the Russian economy weakens, Moscow may become more aggressive.

Warsaw is likely worried by the U.S.' significantly declining involvement in Central European affairs. It knows that the U.S. expects European countries to be more involved in NATO and take responsibility for their security needs. Poland is aware that it needs to invest in its own defense capabilities. It has been pushing to shift NATO away from crisis management and back towards an emphasis on a deterrent posture. Since 2013, Poland has increased defense spending, which reached 2.2 percent of GDP in 2015, according to the World Bank. For the past three years, Poland has had a new chain of command that streamlined the command structure and increased its ability to undertake joint operations actions.

The establishment of militia associations is another development. As the conflict in Ukraine escalated, Poland's military began cooperating with civilian militia groups. Activities included organizing paramilitary exercises and offering courses on tactics and marksmanship. So far, these groups have been largely disregarded in national defense plans, but they are starting to be considered as a potential arm of Poland's territorial defense capability. However, all these indicators mark only the beginning of Poland's growing defense focus, while the country's capabilities have not yet meaningfully increased. This is why Poland's priority is

ensuring its strategic partnership with the U.S. is functional.

During the last NATO summit, leaders agreed to establish the headquarters of a new U.S. armored brigade in Poland. Poland also is increasingly developing into a regional leader, seeking to form alliances in Eastern Europe with countries that hold similar views on security risks. It has used the Visegrad Group to support specific economic policies within the EU and oppose the German refugee quota policy. It has also become more engaged with Romania. The two countries have developed a bilateral strategic partnership and have used it as a platform to get Eastern European countries under the so-called Bucharest Format, to establish common goals and priorities for negotiations with Western partners in NATO.

With Western Europe disinclined to prioritize any potential Russian threats, Poland is slowly acting as a small regional leader by working with countries to establish and support common initiatives such as defense against Russia. Within the EU, Poland will continue to be the leading voice of Eastern Europe, distancing itself from the EU's Western European members.

Warsaw has been the main challenger of the Nord Stream 2 pipeline project proposed by Russia, effectively blocking it when the country's anti-monopoly agency stopped the formation of the project's consortium. Seeing that Belarus wanted to improve relations with the EU to access European markets, and considering Belarus' dependence on Russia's slowing economy, Warsaw has worked to improve ties with Minsk.

Polish Deputy Prime Minister Mateusz Morawiecki met with Belarusian President Alexander Lukashenko in October and said a new chapter in Polish-Belarusian relations had been opened. The two countries have economic

incentives to develop closer ties, and Poland will likely take advantage. Trapped between Russia and Germany, Poland is aware of Russia's increasing assertiveness and NATO's challenges, including its members' differing security interests. In the short term, Poland will likely feel the impact of Germany's economic slowdown. Adaptation to the new reality of a declining Western Europe will not be easy or fast.

The current administration will continue to seek the right balance between extending control over the economy and political institutions, and making sure its public approval ratings remain high. Considering the country's defense imperatives, Warsaw will keep building strong ties with the U.S. and develop its regional leadership posture by working with Eastern Europeans on different levels. Poland usually only makes mainstream news in the West when it has conflict with the EU over specific policies or when massive government protests erupt.

The much more subtle and important thing to be aware of is how Poland is beginning to behave like a small regional leader. Warsaw will see increased tensions with Western Europe, and Germany in particular, partly due to economic problems, but mostly because of diverging views on security priorities. Increased Russian assertiveness will force Poland to invest in and make the most of regional alliances.

Hungary Pulls Away From the Kremlin

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As tensions between the U.S. and Russia heat up, the concept of the Intermarium alliance among Eastern European states to block Russia's expansion westward is gaining steam. Romania and Poland – both of which have strong military ties to the U.S., a major supporter of the Intermarium – have long been the pillars of this emerging alliance.

Hungary has been the major holdout. Hungary is sometimes seen as a rogue nation in Europe for its close ties to Russia, as well as its opposition to Brussels. But for years, it has courted both Moscow and Washington. It is reliant on Russian natural gas imports, but it also depends on the European Union for trade and structural funding and on NATO for security. But the relatively cold welcome offered to Russian President Vladimir Putin on his recent visit to Budapest indicates Hungary is veering away from building closer ties to the Kremlin. The Hungarian government visibly downplayed the visit, and the leaders of the two countries opted not to hold a press conference, which is normally routine on such diplomatic trips.

Tense Relations To understand Budapest's changing approach toward Russia, we need to understand the dynamic of Hungary's relations with the West. Hungary's relationship with Western Europe remains tense. Differences over the EU's refugee policy persist, and the European Commission has launched infringement procedures against Hungary over legislation perceived as cracking down on civil society organizations and foreign-run universities. Budapest also severed diplomatic relations with the Netherlands on Aug. 27, after the outgoing Dutch ambassador to Hungary compared the Hungarian government's approach to its enemies to that of terrorists.

The biggest point of contention between Hungary and Western Europe of late has been the refugee issue. Budapest opposes the EU's plans to relocate refugees throughout the bloc. Sixty-six percent of Hungarians side with their government, according to a Pew survey released in June. Other Eastern European countries also share Hungary's opposition to the refugee quota system. And so, Hungary has tried to forge closer ties with the U.S. and Eastern Europe.

Along with Romania and Bulgaria, Hungary hosted the Saber Guardian U.S.-led military exercise. On Aug. 30, the Hungarian minister of foreign affairs participated for the first time in an annual meeting of the Romanian diplomatic corps. And in February, the Romanian foreign minister participated in an annual meeting of the Hungarian diplomatic corps.

Romania and the U.S. have also been deepening their strategic relationship, with the Pentagon announcing it will spend up to \$100 million to modernize the Kogalniceanu military base. Setting Up a Containment Line No one in Europe wants a return to Cold War politics, and Hungary is no exception. The Europeans believed they could accommodate Russian interests without creating a new containment line. But as events in Ukraine and elsewhere in Eastern Europe unfolded, the U.S. realized a containment line was necessary. That, essentially, is the purpose of the Intermarium. Hungary may have previously resisted the Intermarium, but the country's security depends on NATO – and thus on the U.S. And so it has taken small but notable steps to realign with Washington and join the Intermarium. This doesn't mean that relations between Hungary and its Eastern European neighbors are perfect. Last week, Hungary suspended its support for Romanian and Croatian membership in the Organization for Economic Cooperation and Development. Hungary's opposition to these countries' membership in the OECD, which has no strategic importance, was a gesture of support for the ethnic Hungarian communities in both countries – communities that Hungary claims have faced oppression.

These populations are eligible to vote in the 2018 Hungarian elections, and the Hungarian government wanted to show its support by blocking Croatia's and Romania's ac-

cession in the organization. The upcoming elections have also played a role in Hungary's approach to Russia. Russia is seen as an alternative to the EU, and in a country with a relatively high degree of euroskepticism, Orban can't be seen as too tough on the Kremlin. He also needs to ensure that Hungary has access to cheap energy, which Russia can provide. Orban owes his 2014 re-election to his ability to reduce energy costs for Hungarians, and he must ensure that this policy stays in place into 2018. The Energy Factor Even without the upcoming elections, Hungary would remain dependent on Russia for its energy needs. Hungary imports 80.6 percent of its natural gas supplies from Russia.

Orban's short-term goal is to reach a flexible and affordable energy deal with Russia. But these supplies come with some risk. The natural gas imports from Russia are delivered through a pipeline that passes through Ukraine. The only alternative for Hungary to the current route is a pipeline that will connect Bulgaria, Romania, Hungary and Austria, called the BRUA pipeline, currently under development. This could help Hungary avoid a possible blockade of the existing route should the conflict in Ukraine escalate.

Russia has used its energy supplies as a powerful political tool, and it doesn't want these supplies cut off. One way it can ensure this doesn't happen is by increasing the amount of Russian gas kept in Hungarian storage facilities – from where Russian gas could be distributed, in the short term, to European consumers without the Ukrainian pipeline. This way, Russia can prevent its customers from seeking alternative sources of fuel. The two countries discussed increasing Russian gas storage in Hungarian facilities in July. For Hungary, this would be a tactical move. Budapest knows how important supply lines through Central and Eastern Europe are for Russia, and it will use this issue to negotiate access

to low-cost natural gas. But reliance on Russian energy is nonetheless a vulnerability for Hungary. Budapest therefore wants to increase its supply of locally produced nuclear energy. Hence its plan to upgrade the Paks nuclear plant. But even this plan relies on Russian assistance. Russia will fund the project to the tune of 10 billion euros (\$12 billion), or 80 percent of the total cost, and Hungary is expected to repay the loan over 21 years.

The European Commission has cleared the project, which is expected to contract local companies for 40 percent of the construction work. Orban's government has trumpeted the project as a way to ensure Hungary's energy security and create jobs for Hungarians. For Russia, cultivating closer relations with Hungary has both a financial and a strategic purpose. It wants to maintain open routes to European markets and show Russians that their country is not isolated, despite the sanctions recently imposed by the United States.

But for Hungary, becoming too dependent on Russia is risky – it might end up jeopardizing Budapest's ties to Washington, a key component of the country's security strategy. Orban won't completely break off relations with the Kremlin, but he appears to be pulling away from its grasp.

Predicting the Unpredictable in Russian Agriculture

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Russia became the world's top grain exporter in 2016 with a record production of 120 million tons of wheat, according to Russian statistics agency Rosstat. But poor weather conditions have affected this year's production. Russia's grain harvesting season normally starts in June, but this year, it started in July. Cold temperatures have de-

layed crop ripening and have slowed down field work. As a result, total output is expected to be 17 percent lower than was originally anticipated. This is noteworthy for two reasons. First, grain, wheat in particular, is an important component of Russia's food supply, and a shortage could lead to social instability. Second, the worsening conditions in the food sector and declining grain exports could have a detrimental effect on the economy.

Russia's Agricultural "Rebirth"

The Russian agriculture sector experienced a remarkable boom after 2014. When Western countries imposed sanctions on Russia following Moscow's annexation of Crimea, the Kremlin retaliated by banning food imports from these countries. Russia portrayed this as an opportunity for the sector's "rebirth" – local businesses no longer had to compete with European producers. This may have been true to an extent, but the Kremlin can't control the weather, and this year's crop proves just how vulnerable the sector is. More than half of Russia's agriculture sector is dedicated to farming, 80 percent of which is grain production. Of this grain production, 60 percent is wheat. Wheat is cultivated on more than 48 percent of Russia's total area dedicated to grain and oilseed crops.

Russia relies on wheat more than any other foodstuff as an important component of its food supply. In fact, roughly 70 percent of wheat produced in Russia annually is consumed domestically. From Siberia to the westernmost regions bordering Europe, wheat is a staple in most parts of the country. Other food products like meat and vegetables are too perishable for the majority of Russians to rely on.

Weather is the most important factor that affects grain

production and the agriculture industry as a whole. The government has invested in building storage facilities so that harvested crops can be stored for seasons with poor yields. It has approved a plan to expand its grain storage capacity to 130 million tons by 2030, particularly in an attempt to meet the needs of the eastern part of the country. Russia currently has a total storage capacity of 120 million tons – but most facilities need to be upgraded, and very few can effectively hold grain stocks, according to the Russian Grain Union.

Russia's most important storage facilities are located in the southwest, in the Ural region and close to the border with Kazakhstan. These facilities hold grains for export and domestic consumption, but poor infrastructure linking the facilities to the eastern parts of Russia has left these eastern regions vulnerable. The state holds roughly 25 million tons of grain on reserve in case of poor harvests. Considering that Russians consume 75 million tons annually, the Kremlin believes a minimum of 50 million tons of grain needs to be harvested to supply the domestic market.

When production gets close to this minimum level, as it did in 2010, the government considers introducing drastic measures, including banning exports. This, in turn, affects the global market because Russian exports account for 10.5 percent of the world's wheat exports.

Increasing Prices

It's not yet clear how badly the agriculture sector will be affected by this year's low yields, but the Central Bank of Russia is expecting the rate of food inflation to increase in the third quarter. In fact, food prices have already increased.

The minimum cost of a month's worth of food per per-

son, estimated at 4,233 rubles (\$71), has increased since the beginning of the year by 14.9 percent on average in the country and by 16.4 percent in Moscow. As a result, in June, the consumer price index rose by 4.4 percent in annual terms, which is higher than the 4 percent inflation target set by the central bank. The only thing worse for the Kremlin than high inflation is increasing domestic wheat prices. News of Russia's declining grain production and the one-month delay of the harvesting season have already resulted in an increase in the export price of wheat, possibly making wheat in Russia more expensive.

The current price is closer to levels seen in 2015, when Russia implemented an export duty on wheat as the value of the ruble declined because of falling oil prices. This time, it's the weather that may drive Moscow to act. Russia's western regions have experienced a cold spring and summer, with temperatures 3 degrees Celsius (5.4 degrees Fahrenheit) lower than normal for May and June. These two months are important for both winter and spring grain crops. For winter crops, this is the ripening season; for spring crops, it is when seeds are planted. Lower temperatures in the summer affect growth and crop quality. In the next month, temperatures are expected to be lower than average.

Russia's Federal Service for Hydrometeorology and Environmental Monitoring anticipates that several regions will suffer agriculture losses due to bad weather. Several regions also declared a state of emergency because of severe weather conditions. This covers a large agricultural area, indicating both winter and spring crops may experience problems. The National Association of Agriculture Insurers estimates that losses caused by adverse weather conditions for winter crops will total 2.6 billion rubles. But the NAAI can cover only up to 1 billion rubles. It's unlikely that the

state will be able to make up the difference, since its budget to cover agriculture losses has been cut to 2.5 billion for the entire year. Since 2011, the state has subsidized 50 percent of the costs of agriculture-related insurance.

Domestic Supplies Are the Priority

Russia is a massive producer of commodities, and though oil is still Russia's most important export commodity, the country is also a net exporter of grains. Moscow uses commodity exports to gain leverage over other countries. While this has worked well with energy exports, particularly when oil prices were high, it has been less effective with grain exports. Russia's first priority here is to support its domestic needs, since a shortage in grains could lead to social and political instability.

Since the end of the Cold War, Russia has also tried to maintain influence over grain producing former Soviet states like Ukraine, Kazakhstan and Belarus. This would allow Moscow to control roughly 15 percent of global wheat production in total and almost 17 percent of global exports, according to the U.S. Department of Agriculture. In 2010, when Russia's wheat production neared its minimum target due to bad weather conditions, it asked its customs union partners Belarus and Kazakhstan to stop exporting grains.

Having control over the international price of grain makes controlling the domestic price easier. In the end, Russia needs to ensure it can meet its own needs and avoid turning to imports because this can have detrimental effects. In the 1980s, the Soviet Union had a massive grain shortage. The U.S. had put an embargo on grain sales to the Soviet Union, which lasted until 1981. While many at the time believed it had only a limited impact, the embargo

actually affected average Russians greatly.

The U.S. is unlikely to take a similar measure now. But the U.S. and the EU have maintained sanctions against Russia since 2014, so it's not inconceivable that these sanctions could be extended to grain. While it's unlikely that Russian production will decline to the point that the country will need to import grains, weather is unpredictable, and Moscow must plan for the worst-case scenario. And even under the current circumstances, Moscow doesn't have much room to maneuver. Any decline in grain production below expectations could have a negative economic impact – especially at a time when the government is already facing declining revenue.

A Weakening State in Azerbaijan

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Located on the western edge of the Caspian Sea, with Russia to its north and Iran to its south, Azerbaijan is a geopolitically strategic country. It is also a country facing serious economic problems, and if these problems trigger instability and weaken the government's control, Azerbaijan will become vulnerable to external powers like Russia and Iran.

Thus, Azerbaijan's economic problems and its potential weakening as a state could have consequences beyond its borders, for the Caucasus region and even for the United States.

Azerbaijan's Economic Challenges

One of the most recent examples of the country's economic troubles concerns the International Bank of Azerbaijan, which filed for bankruptcy May 11 after failing the previous day to make a scheduled payment on a \$100 million loan to a creditor. The IBA also announced that it has suspended all foreign debt payments and will present its voluntary restructuring plan on May 23. The bank is the most important lender in Azerbaijan, controlling more than a third of the country's banking assets, and it has previously been rescued by the state. The IBA's problems started as Azerbaijan's economy weakened.

In early 2015, the country's national currency, the manat, depreciated by 35 percent after a severe drop in oil prices. As a result, the cost of servicing the bank's external debt increased by 20 percent, since it had been borrowing in foreign currency and lending domestically in manats. Further currency depreciations and defaults on loans resulted in an increase in the rate of nonperforming loans, which reached as high as 80 percent of the bank's total assets in just three months. In March 2015, the Azerbaijani government took over the IBA, announcing that it would inject about \$355 million to recapitalize the bank and spend about \$2 billion to absorb bad assets. But in November 2016, Fitch Ratings downgraded the bank's viability rating because it found that the government had actually injected about \$6 billion into the bank, three times more than expected. It was also discovered that prominent businessmen in Baku were taking out loans from IBA that they had no way of repaying. This situation was not unique to IBA, however, as most banks in Azerbaijan are guilty of giving out bad loans and borrowing in foreign currency.

With low oil prices and a depreciating currency continuing to drag down the economy in 2016, Azerbaijan re-

voked the licenses of a dozen smaller banks that had insufficient capital. At the time, the government seemed to have a handle on the country's banking problems. Officials even started discussing privatizing IBA toward the end of 2016 – it appeared that the bank was safe. The recent news about IBA's default, however, suggests that the bank's problems are more severe than they appeared, and the government seems to have poorly managed the issues in the banking sector.

That Baku couldn't spend \$100 million to keep the bank from defaulting led to rumors that its sovereign wealth fund had less liquidity than was previously thought. This is an important point because Baku is using the fund, the State Oil Fund of Azerbaijan, to prevent the country's currency from depreciating further.

To avoid a run on the manat and keep inflation down, the government used SOFAZ funds to help repay foreign debt guaranteed by the state and provide liquidity to banks. Official reports say that since 2015, SOFAZ's total value has dropped by only \$4 billion, from \$37.1 billion to \$33.1 billion. But further information about the fund's financial health is hard to come by, and IBA's problems since 2015 have shown that the information that Baku provides isn't always reliable. Even government reports on spending of SOFAZ funds since January indicate that Baku has accessed these funds frequently. Since the beginning of 2017, \$4 billion was transferred to the central bank to help slow the currency's depreciation, and \$543.4 million was spent during the first two months of the year in currency auctions organized by the central bank. In March, Baku announced that it would transfer \$3.5 billion from SOFAZ to the state budget. SOFAZ receives most of the revenue from oil operations and finances the country's budget accordingly.

Azerbaijan's Strategic Value

Azerbaijan's economic development is largely dependent on the oil industry, with the sector accounting for 45 percent of the country's gross domestic product. But its economy has been hit hard by the slump in oil prices. Roughly 75 percent of the state's budget revenue comes from energy exports, leaving it in a similar position as other energy exporters like Russia and Saudi Arabia. When oil prices were high, the government was in a secure position. But now, the potential for protests and social unrest is mounting, which creates a dangerous opening that outside powers can exploit.

Azerbaijan is especially vulnerable, moreover, because it has powerful neighbors – Russia and Iran – to its north and south. It also has an ongoing conflict with its neighbor to the west, Armenia, over the region of Nagorno-Karabakh and has developed a strategic relationship with Turkey. Azerbaijan is also strategically important to the United States because it could play a role in the U.S. revival of its Cold War containment strategy toward Russia.

The Kremlin has been increasingly assertive since 2008, and now that a pro-Western government has taken office in Kiev, Russia is especially determined not to see any other parts of its buffer zone fall under Western influence. Thus, Russian President Vladimir Putin has been more engaged in the Caucasus and Eastern Europe. He also wants the Russian public's focus to stay on foreign affairs and external conflicts, rather than on the poor state of the Russian economy.

The U.S. response to Russia's actions in Europe has been to revive the containment strategy, which now encom-

passes Eastern European states between the Baltic and the Black seas, with Poland and Romania as the main U.S. allies in this endeavor. For this strategy to be effective, it needs to incorporate the southern Black Sea region and stretch to the Caspian, through the Caucasus region. This extension would include Azerbaijan in the containment line. But Turkey's cooperation is key to ensuring this strategy can incorporate countries to the east like Azerbaijan.

Azerbaijan has cultivated a special relationship with Turkey, which is a NATO member and has strong relations with the United States. But Turkey and the U.S. don't see eye to eye on everything, and tensions between the two countries have made it impossible for the U.S. containment strategy to push eastward into Azerbaijan. Azerbaijan is also a prime example of the competition between Russia and Turkey for influence in the Caucasus.

In the Nagorno-Karabakh conflict, Armenia is supported by Russia while Azerbaijan is supported by Turkey. But while Azerbaijan has strengthened its military ties with Turkey in the past few years, engaging in more frequent and larger military exercises, it is still largely dependent on Russian arms exports, even though Russia represents a major security challenge considering its conventional military deployment in Armenia. Iran, on the other hand, has limited influence in Azerbaijan, consisting of investment in the automobile sector and using Shiite Islam to keep conservative elements alive in the country. Since 2015, there have been increasing reports in local media of the government trying to contain pro-Iranian Shiite groups in the south. Baku is concerned that those groups, though still marginal, could pose a threat to its authority.

Iran isn't yet an ascending power in the region, so the Iranian threat is minimal. But Azerbaijan's fears of grow-

ing Iranian influence are real. Azerbaijan was once part of the Persian Empire. In 1813, after the first Russo-Persian war, the Treaty of Gulistan split the ethnic Azeri people in two. The northern Azeri population lived under Russian and Soviet rule until the Soviet Union disintegrated and Azerbaijan became independent. The southern Azeri population lived under Persian rule and is still largely located in Iran, accounting for 5 percent of Iran's population.

Where Azerbaijan Goes From Here

There are no easy solutions for Azerbaijan's problems. Baku is facing economic difficulties that could destabilize the country, and these struggles are a result of a political economy built on a shaky foundation, dependent on petroleum exports. If the government starts losing power because of social unrest and increased opposition to its policies, older, deeper fears may resurface. External powers will start trying to exert their influence over Azerbaijan, which could destabilize the region. In the short term, this situation could lead Azerbaijan to become more aggressive in Nagorno-Karabakh and to lash out at Armenia in an attempt to deflect attention from its internal woes. In the longer term, if Azerbaijan's crisis deepens, external powers will compete to dominate the country.

Compromising in the Caucasus

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Azerbaijani President Ilham Aliyev has said that a "reasonable compromise is possible" on Nagorno-Karabakh, hinting at the possibility for the breakaway region to become an autonomous republic. This comes after Russian Foreign Minister Sergey Lavrov invited Turkey to partic-

ipate in moderating the peace talks between Armenia and Azerbaijan over Nagorno-Karabakh, during the annual summit of the Russia-led Collective Security Treaty Organization (CSTO) held in Yerevan on Oct. 14.

The CSTO operates under the Minsk Group, a mediating body founded in 1992 that oversees the Nagorno-Karabakh peace negotiations. The Minsk Group is chaired by the U.S., France and Russia who also have decision-making powers in the negotiations, while Turkey (which is also a member of the group) doesn't have a deciding role. Russia's move to recognize the positive role that Turkey can play in the negotiations seems to be a significant shift – even if it is not an invitation to co-chair the Minsk Group, which would have to be approved by consensus.

Toward the end of the Soviet Union, in 1988, Azerbaijani troops and Armenian secessionists began a war that resulted in a truce brokered by Russia in 1994, which left ethnic Armenians in charge of the de facto independent Nagorno-Karabakh territory. Since the cease-fire, Azerbaijanis resent their loss of Nagorno-Karabakh, which they regard as rightfully theirs, while Armenians show no willingness to give it back. Clashes following the breach of the cease-fire, as well as failed negotiations, have turned the area into one of the more critical post-Soviet frozen conflicts in the Caucasus.

Nagorno-Karabakh is where all the regional powers meet as they project power to maintain influence in the region. The Caucasus region is important for Russia, as it blocks Turkish and Persian access to the heartland. While keeping control in the North Caucasus around Chechnya and Dagestan is a strategic imperative for Russia, keeping the balance in the South Caucasus to counter Turkish, Iranian and above all Western or American influence is also

important.

Russia has forged economic and military relations with Armenia, coordinating closely on regional affairs. For Turkey, Armenia has been an enemy since the end of the World War I. As the Ottoman Empire was collapsing, the Turks killed a large number of Armenians, which Armenia insists was genocide. The Turks have denied that a genocide occurred. But the large Armenian community in the U.S. has used this event to try to shape U.S. policy toward Turkey. While Turkey has reportedly attempted to normalize relations with Armenia, it cannot reach an understanding, considering the historical differences and Russian influence over Yerevan.

Turkey has close relations with Azerbaijan, with whom it shares ethnic kinship, cooperating on political, economic, energy and military issues. The European Union also looked into ways to develop relations with Azerbaijan in an attempt to diminish its dependency on Russian natural gas, since Azerbaijan has vast energy reserves. Therefore, a change in the status quo of the frozen Nagorno-Karabakh conflict would affect all regional players. Russia shifted its policy on Armenia before the attempted coup in Turkey in July.

At the beginning of April, Azerbaijani and Armenian forces clashed in Nagorno-Karabakh in one of the most violent incidents since the implementation of the 1994 Bishkek Protocol and its provisional cease-fire. The clashes left 200 dead on both sides and the prospect for a graver escalation to follow, if no progress on peace talks was made. Russia negotiated a cease-fire in Nagorno-Karabakh on April 5, and then developed a diplomatic campaign that aimed for a long-term settlement of the conflict.

In May, reports citing unnamed sources close to the

negotiations said that Russia would present a peace plan, which may include the restoration of Baku's control over some of the so-called occupied territories (outside Nagorno-Karabakh) that were taken over by the Armenians, as well as security guarantees for the unrecognized republic of Nagorno-Karabakh. In July and early August, demonstrations in Yerevan called on the government to resist Russia's plan for unilateral concessions. While the protests weren't big, the fact that they were anti-Russian and were related to the Nagorno-Karabakh resolution is telling. Russian President Vladimir Putin met with the presidents of Azerbaijan, Armenia and Turkey to discuss a deal on Nagorno-Karabakh, but no apparent understanding came through.

However, Russia is working on a rapprochement with Turkey, so it will likely push for a resolution on Nagorno-Karabakh, as that gives both Turkey and Azerbaijan something to appreciate. Russia is doing this because it is concerned about what it sees as a U.S. containment strategy in Europe from the Baltic Sea to the Black Sea and possibly reaching Azerbaijan.

Moscow has been closely following U.S. relations with Poland and Romania and has grown concerned, as the U.S. builds up military capabilities in both countries. For Russia, the Black Sea is militarily and commercially strategic. Russia has watched Turkey work with Poland and Romania on defense-related projects and it definitely didn't want to see Turkey joining a U.S.-sponsored alliance in the Black Sea. Russia needed to be less hostile to the Turks to avoid them aligning with the Americans. The talks on Nagorno-Karabakh and the good will gestures are a way for Moscow to build trust with Ankara.

Azerbaijan would follow Turkey toward the Russians or the Americans. Azerbaijani foreign policy is complex,

with Baku balancing between Iran and Russia in order to maintain its independence. It has always had a strong relationship with Turkey, which it has enhanced during the last few years, as it has acted against the Gülen movement. The two countries share ethnic and cultural ties, and Turkey acts as the main transit country for Azerbaijani energy.

Moreover, they share a common enemy: Armenia. Azerbaijan sees Armenia as wrongfully occupying Nagorno-Karabakh territory and a resolution would give back at least part of what Azerbaijan claims to have lost. For Turkey, Armenia is responsible for the way the U.S. has shaped its policy towards Turkey, considering the Armenian genocide, and for bringing Russian forces into the Southern Caucasus. This is why a potential settlement imposed on Armenia could strengthen Turkey's position in the Caucasus.

In return, Russia seeks gains to the rear of what it perceives to be the American containment line in Europe and expects Turkey to pull away from Poland and Romania. Russia giving up part of its position in the Caucasus could trigger Turkey to give in? as well in the Black Sea. This is a smart maneuver to lay the groundwork for a positive long-term relationship, but it is unlikely to come to fruition. The Turkish Foreign Ministry responded to Russia's gesture, saying it "appreciated the statement by Lavrov."

If Russia and Turkey don't go beyond gestures, their rapprochement will not last as it doesn't have solid fundamental basis. Geopolitical forces pay no attention to nice gestures. Geography is paramount, and the Black Sea embeds the geopolitical tension between Russia and Turkey. While Turkey cannot allow Russia to dominate the Bosphorus, Russia can't allow Turkey to be the single power in the Black Sea.

For a settlement on Nagorno-Karabakh and for Turkey's decreasing involvement in the U.S. alliance to be the beginning of bilateral cooperation between Russia and Turkey, the two countries need to continue working together to establish influence in the Balkans or Central Asia. But their interests in these regions often diverge. And once different interests exist, clashes between the two become probable. This is why gestures are nothing but gestures, no matter how significant they may seem.

CHAPTER 4

DEPENDENCIES AND CAUSATION IN COMPLEX SYSTEMS

4.1. Complexity and significant sensitivities

The nation state is the usual subject for geopolitical analysis. But it is often that international organizations, formed of nation states (such as NATO or the European Union), are also self-standing geopolitical subjects. Organizations such as the Islamic State or Al Qaeda also represent structures which we can analyze from the geopolitical perspective, individually or in relation to other subjects. Organized ethnic groups, spanning beyond the borders of a nation state (or not), or even professional groups associated with elements that may together form complex systems, such as crypto-coin users, can also be subjects of geopolitical analysis. These are complex social systems, whose structure - made up of particular elements and the relations between them - must be regarded as dynamic systems when they become the subjects of geopolitical analysis.

The structural organization of geopolitical subjects becomes analytically interesting because of the system's elements (parameters) per se, but also because of the systemic change in time, regardless of whether the change is internally or externally induced. In fact, the analysis refers to how the geopolitical subject works, and thus to the influence which its parameters and its component elements produce, individually and in relation to others, aiming to assess the power of the subject. The parameters of these systemic subjects are defining the specific ways of organization for different populations and communities. Therefore, the complexity of systems, given by internal and external interactions, through the asymmetric influences they produce, must consider the decision-making processes both as systemic effects but also as a determinant of the direction and course of the action of that system.

The human attribute, the decision, involves the non-linearity of social systems. Jay Wright Forrester, the first scientist to try to the social cyber-modeling and programming, brings forth the influence of decisions taken within the system, through feedback loops, that create action-and-reaction type of effects, caused by decisions taken by members of the social system. The *feedback loops* are, in fact, determining the vectors of influence that characterize society. The loops are closed when decisions produce effects and open when the decision has not yet been taken but it is pending, a problem having been highlighted, the existing communication flow into the system showing the need for systemic coordination (Forrester, 1973, p. 18). The non-linear model that Forrester highlighted has the advantage of approximating change moments and characteristics of the system, of society: thus, the feed-back loops, through decision, can exert a decisive action on the other—for instance, a political decision that may affect the economics of a nation state.

The same lack of linearity also explains the perseverance of old behaviors, the systemic resistance to change also being explained by crowd psychology—formed through those features that ‘glues’ the community together. Therefore, modelling society can only be done by taking an interdisciplinary perspective, considering the heterogeneous structure of peoples and of human activities.

The intuitive component of geopolitical analysis focuses on the empathetic, on the human side of social systems, precisely because of their composition and non-linearity (Friedman, 2020b). However, to underline the functions of complex systems, in their dynamic assessment, Forrester uses level (status) variables and action (flow) variables for systems’ modelling, essentially building on Fritz Zwicky’s morphological method (Chapter 3). While the status vari-

ables show accumulations in the system, flow variables are determined by the relationships existing between the parameters of the system. For example, the population of a community is a level (status) variable, whereas the birth rate is a flow variable.

The computerized simulation that uses the Forrester modelling includes structural organizational rules, through the parameters or elements considered significant and the relationships between them, along with the operating rules of the system. These two categories together form the rules of behavior of the complex system.

The geopolitical analysis that uses this method seeks to identify anomalies and sudden changes in the operating rules of the geopolitical subject and its associated rules of behavior (the point of reference for changes and anomalies would first be “old behaviors”, as mentioned above). In addition, identifying changes leads identifying potential modifications of the influence vectors, which would produce stress (and tension) at the level of the environment – in the situation where the subjects analyzed are nation states, and the environment is the global environment.

Information flows are essential for the functioning of complex social systems. People take decisions based on what they know and what they expect to happen. In any society, perception—the result of the information influence vector, dictates how the elements interact (people - individuals or groups of individuals). Thus, the functioning of complex social systems is conditional upon the productive activities of their members, their component elements of the system, and on how the information influences the decision-making process. The behavior of a complex system is still relatively insensitive to the changes that its parameters, its components are subject to. Something may be significant

for an individual, but not significant for the entire community, and the only exception to this rule never occurs suddenly and can be tracked, particularly because the systemic elements are being closely monitored.

Even in the situation where, by changing the information vector, there is a change in leadership over the complex social system, this does not necessarily influence the functioning of the system. Even if the leadership is altogether new, it will use the same organizational structure that has been used by the former leadership. In order to perform a systemic reform, not only the direction of the influence vectors must be changed, but also their origin—so they gain a new meaning, so the organization of the system has to change. But in a complex, non-linear human system, this takes time and is rather cumbersome. This can explain, for instance, why transition periods from one political and economic regime to another are never easy or swift.

Social systems are in an unstable equilibrium between growth and development on one side and backsliding on the other. Resistance to change and conservatism lie in facts that go beyond the mathematical understanding of action-reaction type of relations. However, these systems are very ‘sensitive’ to changing parameters. For instance, in January 2020, after the Iranian army confirmed that the downing of the Ukrainian Airlines flight was their fault, street protests appeared almost immediately in Iran. Protesters accused the government that they wanted to hide the truth about the incident which lead to the death of all civilians on-board of the flight, including Iranian fellow nationals. This is a clear example, which, although as they were happening the information flow showed that change scenarios might have been possible, at the time of writing these lines (also in January 2020) it already does not seem to produce far-reaching

political, let alone geopolitical effects. The protests have slowly died down, and even if there are changes at the leadership level of the Iranian state - which could have strategic effects - these would not be influenced strongly by the street protests.

For geopolitical analysis, identifying the important, the relevant ‘sensitivities’ of the system and the significant parameters is essential. In order to assess the significant parameters, we are using the anthropo-geographical method, the ethnographic method, and the morphological method. In order to observe their dynamic manifestations, we need to consider the internal and external interaction of the system, analyzing the influence vectors in a non-linear manner. Thus, in highlighting the sensitivities, the geopolitical analyst becomes a sort of doctor—his patient is a social body, made up of many individuals. Considering the three geopolitical reference components—politics, economics and security, *the geopolitical analyst questions the four functions that are essential for the functioning of the system: the structuring and restructuring function, the subsistence function, the information function and the leadership function* (detailed in Chapter 3).

By using the method pertaining to intelligence analysis, we are seeking to understand the meaning of these functions, assimilated to the system’s internal influence vectors. In fact, the intelligence analysis processes help us identify decisions that can influence the leadership function and its attributes, through which the leadership could cause systemic changes. For both the internal analysis and the analysis of system behavior in relation to other similar systems in their environment, the ‘primary judgment function’ method set out in Chapter 2 is doubled by specific techniques which aim to define the links between parameters or between sys-

tems, and the opportunity to take a decision instead of another. By performing this kind of analysis we are seeking to anticipate changes and to quantify them, by monitoring the flow of information regarding the political, economic and security elements characterizing the system, for the geopolitical subject, on all three dimensions.

Understanding how decisions are taken in a complex system, we assess the limits of leaders in relation to the other members of the system (including their supporters), the limits of reform, and the limits of progress in relation to what ensures the livelihood of the members of the system. Therefore, *the potential tensions and stress in the system limit how it may act in relation to other systems in the global environment*. Through this process, it becomes clear why the personality traits of the decision-maker are of little importance for taking strategic decisions, although admittedly charisma may lead to a faster or slower course of action regarding tactical decisions that pertain to strategy.

We should also note it that the global environment—formed of all other systems, is also a social body, a complex dynamic ecosystem, whose spatial and temporal characteristics are important for geopolitical analysis. This ecosystem is, depending on circumstances, in specific situations, having a particular configuration and dynamic—with all its parameters influencing one another and its general balance.

4.2. Opportunities and limits for abstractization

By understanding the limitations imposed by the environment and by the other elements of the system, we can envisage, considering a perfect factual knowledge, both tactical decisions (creating on short-term effects) and long-term developments for the system. The opportunities for

development, amplified by specific, positive features of a community, become obvious only after the ‘weaknesses’ and ‘threats’ to the very community’s existence are well understood. However, *the SWOT analysis method* (Strengths—Weaknesses—Opportunities—Threats), and its applicability to understanding the evolution of social systems is limited without prior documentation.

In 2009, while visiting a small town in Texas, a destination hardly known and frequented by foreign tourists, I discovered why perceptions on what opportunities may be, without a close consideration of all other aspects that make the living of a community, turn to be deceiving. Intuitively, the SWOT analysis based on my initial perceptions of reality offered solutions to the socio-economic problems that were affecting the town I was visiting at that time – to only find how unreal they were, after reading and talking to locals. Reliance on abstraction—which albeit useful—should only be done after the documentation and analysis of information, even if the weaknesses of the system may seem obvious at first sight.

Bastrop, the capital of a Texas district, is a good place to stop for a coffee or lunch on the road from Houston to Austin, or even on the old road to San Antonio, if you are not in a rush. Approximately 50 kilometers southeast of Austin, after leaving behind the motorway and crossing the sturdy bridge over the Colorado river and as you enter the town, it seems that you’ve also taken time travel in the past.

The trees and copses along the road are a reminder that old settlements in the lowlands have been close to the forest, which provides food and shelter from poor weather and potential invaders. The small houses with green, open gardens, the wooden swings on the narrow patios, reveal a world that seems almost hidden from the outside and all that

modernism means. Nothing in the architecture of this town hints to the skyscrapers of Houston or the towering buildings of Austin. While scenic, the entire landscape seemed rather... wrong to me, as the empty streets didn't make the town seem very friendly—on the contrary. As I was driving, I was also wondering if I'd be welcome here—the calmness of the place was weary and seemed cold.

Towards the old center of Bastrop, the old houses are built even farther from the prying eyes of passers-by, sometimes hidden by majestic walnut trees—the living evidence that it's from many decades ago. The bright pastels of the houses on the way seemed to have changed, towards the center, to elegant hues of cream and pale Victorian yellow, which contrast with the beautiful white wood carvings of the 19th century balconies.

This historic feel is underlined by the architecture of the Main Street and its side streets, with shops and restaurants which have the looks similar to the settings of a western movie. The red bricks and the whitish facades, the narrow windows, the hanging balconies supported by high pillars which deliberately shade the alley in front—all in contrast with the wide streets, seeming to come from a different dimension. All makes the place feel like a time capsule struck by modernity and apparently functional, as everything was too well maintained to be otherwise.

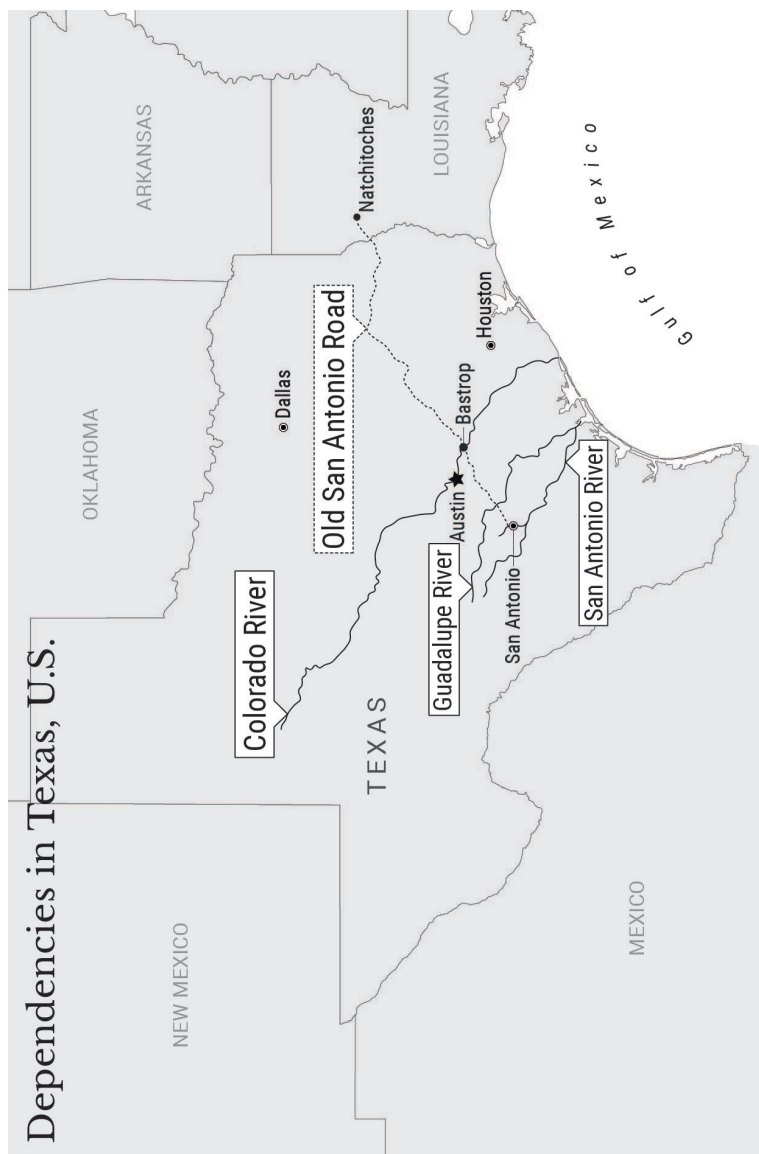
The vast majority of the big houses surrounded by equally imposing gardens in the town's center are now used by law firms or advisory offices. However, very few seemed to serve for the purpose when I was visiting. The destination of the other buildings - shops or parlors - has remained more or less the same. The office of the local Chamber of Commerce had its front door opened. The end of October in Texas is pleasant, after all, especially when it's sunny. Pos-

sibly the two ladies at the office wanted to show openness, as at attracting new business was their job. The workshops of carpenters—the primary activity of those who came to work and settle here several hundred years ago, no longer exist. In fact, only the sturdiest of the buildings from that time still exist today.

After having been conquered by Spanish in 1804, the Fort on the old route to San Antonio, at the crossing of the River Colorado, was transformed into the German colony of Texas in 1837. Once Austin became the capital of the State in 1939, the community of around 100 families in Bastrop was the main timber supplier for the construction works in Austin and afterwards for those in San Antonio.

The pine forests and the soil, good for agriculture works, were the primary means of development for the community, up to the great fire in 1860 which terminated most of the architecture of the time. Floods, which are still quite common for the area, followed the fire. But the community chose not to move somewhere else—they have rebuilt and have been rebuilding their town ever since. This is perhaps why the German feel is still very much present in the local culture. In the menu of a randomly chosen restaurant on the main street, one can find sausages with potatoes, cooked almost like in Germany. The stature of the locals—tall, blond, with light-colored eyes, is also reminiscent of the German—North Western European villages.

Once in a restaurant, conversation with the locals turned to be easy—and, of that, one could easily conclude the local economy wasn't doing too well. Talking with a few locals, the agriculture sector (which, in 2009, committed only 5.6% of the local workforce) seemed to be the only productive sector. The financial crisis did not hit severely in the community—people did not have to move out of



their house, although their income had fallen considerably. Before 2008, salaries were much lower compared to other places: about half of those in Austin, for the same job, with the same tasks and work-load. But pay was better here than in other towns, because Bastrop is close to Austin—the capital of the state, all those whom I talked to referenced. Most of their customers were from Austin, and many local companies had partnerships with firms there.

On the banks of the Colorado river, my economist mind was looking for alternatives for Bastrop businesses. Austin seemed to be a problem for the development of the city, so having Bastrop become more independent seemed to be the logical solution. Placed on the old road to San Antonio, the touristic center of the Southern Texas, Bastrop could develop a better relationship with the region, instead of leaning on Austin—I thought. Houston was further away, but not so as to become impossible for the locals to develop services for the industry there. I knew too little about Bastrop, just the information I gleaned from friendly conversations with the members of a community which seemed in need of help—and, although I did not want the solutions I came up with to change the historic feel of the place which was much enjoyable for the tourists and during my travel there, it seemed somewhat necessary.

Later, far from Bastrop and its apparent emergency, I had time to read about its economy and society. Retail and tourist services were the city's main business sectors, besides the farms which produced traditional food sold locally. Together they used about one-third of the local labor force.

During the financial crisis, considering the decreasing consumption, shops made their activity leaner through massive layoffs. Wages in the tourism sector have decreased

because of the losses incurred by local firms in the tourism industry.

Bastrop functioned, in reality, as an annex to the tourism sector in Austin. While residents of the region (not only from Austin) ensured its sustenance, those who visited the capital of Texas, most of them Americans, also came for a lunch and a walk in Bastrop, contributing to the profit and growth of the local tourism industry. Educational services, mostly public, were providing jobs for some 12-13% of the population—too little to wipe the concerns off the faces of the local inhabitants of this small Texan town.

Subsequent years, between 2010 and 2015, were years of reconstruction for Austin. Spurred by the flexible tax policies, heavy cranes emerged in the city center, building offices-complexes for the companies that were planning to move there. Learning from the crisis years, the leadership of this university town (Austin also hosts the University of Texas), which is also the administrative center of the state (being the political capital), opted to change the economic structure of the city by introducing attractive fiscal measures for entrepreneurs and for R&D centers in all fields—from IT to biotechnology. Being much busier than it used to be, Austin has turned to be, in 2019, one of the American cities which “best recovered” out of the crisis, according to several reports and articles in the US press. Even if it might have lost some of its provincial capital charm, new restaurants, clubs and shops have appeared with the same speed that they have built the modern office skyscrapers and residential neighborhoods.

In Bastrop, life has been much more optimistic over the past few years. I returned there, some years later than my 2009 trip, and noticed that besides the traditional local-cuisine restaurants, new French-style bistros have appeared,

along with bars where one can enjoy the local wines, and relatively expensive cafés and restaurants serving European delicacies.

All of this is because of the economic growth of Austin. Little has otherwise changed in the economic structure of Bastrop compared to before 2008. The public health sector has become more important—in 2007 it used less than 5% of the local workforce, while in 2017 it used 10%. However, its growth is also mostly related to the development of Austin, as most of the clinics have clients from the capital, or serve the medical R&D centers in the capital.

In my mind, back in 2009, under the ‘urgency’ of finding a solution which I could not even recommend, Bastrop should have found opportunities for diversifying its activities. This would have helped the town overcome the dependencies of its most productive sectors with the magnet-city located only 50 kilometers. The ‘urgency’ of applying the SWOT method did not stem from an objective need to recommend a solution, but from the personal impressions that the visit and the conversations with the locals had on me.

By interacting with locals, the analyst sees and feels the community’s problems firsthand, and becomes sensitive to them. This leads to personal transformation. The analyst needs information, and the more negative information she or he comes across, the greater the temptation to urgently suggest ways in which the situation can improve. After having been in contact with the reality of the community under investigation, the analyst becomes a journalist—even if only for a few hours—and can only write about his or her experiences. Those are the only “evidences” after having lived within the community, even if for a short period. He or she then investigates them using information analysis methods—re-becoming an analyst.

Bastrop, considering its size and its features, compared to Austin, could not become independent and impose its own rules. Bastrop is almost organically linked to Austin, so it has to accept Austin's rules. The cause and dependency are both found both in geography, but also in how this community has developed in time and how it has its economy structured. Of course, one can imagine that the city could have used the river link with San Antonio, and surely could have also approached other cities, perhaps with bolder initiatives, regarding the development of its industrial sector.

But the SWOT abstraction, without considering the non-commercial links of that community has with Austin, is futile. The town of Bastrop received its name in 1827 from Stephen F. Austin, the founder of the colony which developed into today's state capital. Just a 30-minute drive by car, Bastrop is literally a sort of suburb of Austin, although it is so different from a structural, conservative and scenic point of view.

4.3. Porter's diamond model and intelligence analysis applied to geopolitics

Even though Bastrop is not really a geopolitical subject, it embodies a complex system. In the example provided, based on my travel experience in Bastrop, it is obvious why using the SWOT analysis model without applying the other analysis methods limits the full understanding of the system's internal phenomena, which is, in turn, important for assessing how the system may evolve.

The systemic sensitivities are not just appearances, but need to be evidences (that we have investigated and validated prior to getting to analysis), linked to each of the functions of the system, considering the analysis goal is to

understand how the system works and behave in its environment. Therefore, the first step of the analysis, after establishing the *reference system (with geopolitics: politics, economics and security)* is moving towards establishing the essential elements for ensuring *the functions of the complex system*. For instance, for the leadership function, at the political level, we may consider the essential elements those that refer to the legislative framework and the communication channels of the leaders of that society.

For the same function, at the economic level, one may consider essential elements to be how the policies and plans of the leadership are applied, but also elements referring to the community business culture and its style of management. For the security component, an essential element is the relationship between the military, law enforcement, political leaders, and any informal representatives of the community. In the same manner, specific elements need to be assigned to the other three functions of a complex system: the subsistence function, the structuring and restructuring function, and the information function.

The categorization of elements, considering the reference system and the essential functions of the complex social system, may result in a simple list. Considering the morphological method described in the previous chapter, the status and level variables have to be established for each item on the list. This means that we will identify the characteristics of each element, each feature will be assigned a significance level and, qualitatively, it will be tagged with an influence potential. In order to establish dependencies between the component elements of a complex social system, we need to assign them with economic indicators.

For example, for an individual, it is important how much he or she earns—and therefore how much they pro-

duce. For this reason, an analysis of how they ensure their output (production) or their income is therefore an analysis of the dependencies existing in their life. They could, for instance, produce fruits and vegetables in their own garden, consume a part of the production and sell the rest. Or they could be employed and be remunerated in monetary units (salary) for the work performed for the employer. How they consume their income, value-wise, depends on the personal needs of each individual. And we can measure all, to a certain extent.

For a geopolitical subject, a nation state for instance, all this is reflected in the macroeconomic indicator ‘gross domestic product’, whose formula is:

$$GDP = C + G + I + X_{net},$$

where ‘*C*’ represents private consumption, ‘*G*’ represents government consumption, ‘*I*’ represents investments and ‘*X_{net}*’ represents net exports, i.e. the difference between total exports and total imports, or the trade balance.

Simply put, the state produces as much as is necessary to cover the consumption, investments and a surplus which it sells, which constitutes the export. At the same time, a state buys from other countries what they still need for consumption and investment, and this constitutes imports. Together, the production and the exchange — i.e. the sum of the economic activities of the society in question, makes up the gross domestic product.

Of course, the dilution of borders and the developments brought by digitalization and technological and social progress, make of the GDP a contested indicator today, as critics suggest it does not reflect an accurate picture of society, neither from a static or dynamic view-point. Similar to all

other abstract indicators, we must use GDP for evaluating—together with the elements regarding the evidences of reality, as they appear from the documented research on the geopolitical subject—the state of fact, at a point in time. When we are talking about geopolitical subjects whose physical boundaries we can identify through borders, as is the case for nation states, the GDP is fundamental for determining dependencies, while we establish the causalities through other indicators.

Therefore, in order to establish the dependencies existing within a society, we must first find out what is produced and what is consumed, or, simply put, the elements of the GDP equation. Ranking them depending on their contribution to the operation of the system is equivalent to the valuation of each element of the system, and the understanding of internal dependencies. For instance, if we know how much ammunition is produced for export and the domestic consumption for ammunition, as well as the home buyers, the provenance of the raw materials for the production of the ammunition, and the technology used for its production, we can quickly describe, several internal interdependencies between the elements that contribute to ensuring the economic subsistence function and the security function of the system. The internal and external interdependencies are relationships that form supply chains which can become stand-alone maps, making up measurable national and international relationships.

In the same time, as Covid-19 has determined the current global pandemic, not only the critical infrastructure that refers to the national and international healthcare system, but also the global economic stability will be affected, considering the existing interdependencies on the supply chain. As the pandemic could involve the appearance

of sanitary crises in 2020 but also the years to come, the pressure put on resources could lead to the restructuring of current national policies, which will consequently lead to a new global restructuring.

If the two facets of a geopolitical subject—its internal and external environment—would naturally intertwine, with no visible political brokerage, and if there would be no nation states, individuals alone would administer the supply chains. If interpersonal relationships were equivalent and if the ‘unseen’ elements that refer to relationships between individuals would not shape communities into complex systems, dependencies would develop only between individuals and not between societies. This is, however, not the case. Therefore, it is necessary to apply interdisciplinary methods in investigating the dependency records that the intersection of the two facets of a complex system gives us.

One of these is the hybrid method of information-based analysis—or of competitive intelligence analysis, built on the “diamond” model developed by Michael Porter in the ’90s. Using the rules previously outlined by Adam Smith and David Ricardo, which define the competitiveness of a nation state as its ability to produce a particular product or service more efficiently compared to other nations, Michael Porter looks at this capability of the nation state through the specific activities which can increase the nation state productivity levels. In his model, Porter defines these specific activities through five forces, all resulting from the specific production conditions within a nation state: the demand specifics, the power of support industries and of associated industries exerted on the production, the power of competitors and the national structure that facilitates production for a certain industry, sector, activity, or of a country (Porter, 1990). Porter later added the existence of efficient

infrastructure and of a good information flow (to ensure good communication between all stakeholders) as decisive factors for achieving national competitiveness, especially when we use the model for developing strategies, whether for nation states or for companies to use (Porter, 2008). His model has also been developed, through mathematical consideration and digitization, to serve for competitive intelligence analysis, done using various business intelligence applications which aim to determine dependencies, for specific markets or economic sectors.

For geopolitics, the Porter model is allowing us to *assign influence vectors on geopolitical subjects* and make sure we integrate all elements contributing to its static and dynamic existence. In short, for geopolitical analysis, the Porter model refers to *the subject's internal environment, to its external relations and all communication* (both internal and external) done for political purposes (campaigning or propaganda) that affects the subject's existence and evolution. For the *internal environment vector*, we must consider *resources and strategy*: each can be broken down and analyzed according to the specific functions of the system and considering the political, economic and security reference. For the *external environment*, we need to consider the *subject's suppliers and its customers*.

For example, suppliers may be those partner states from where a nation state imports certain raw materials. We may consider those nation states where the subject sells its products and services as the subject's customers. For the *communication vector*, the elements considered will be the civil society and traditional politics, each subject to further analysis based on documented research.

In order to develop a valid model that becomes complementary to the morphological model described in Chapter 3,

we need to use the same ‘unit of measurement’ for describing each vector, component by component. For instance, investors are usually companies, but if the other parameters of the system have been broken down into elements relating to nation states, we will consider the investors as representatives of their home state. We will also consider dependencies established through GDP in their dynamic, using the model drawn up for each level, so it is possible to establish the most important forces which influence the system. The speed with which these parameters change sets the pace of change and its direction—pointing to whether the geopolitical subject experiences an evolution or a regression.

Besides the fact that Porter’s model provides a model for how the system works, characterizing not only its parameters but also relationships between them, this analysis method also constitutes a social quasi-model, which can make up the basis for forecasting analyses. Therefore, the SWOT method applied at the end of this assessment will open up *additional questions, leading to strategic policy options*, depending on the interest and the imperatives of the geopolitical subject. A system of performance indicators, developed by the analyst based on past performance of the parameters (considered in the morphological method), may be attached to Porter’s model for information analysis, in order to apply the SWOT method at the right time. This means that all the information attached by the analyst, as status or flow variables, which are characteristic of the parameters in the system, are validated by the rules of logic.

We need to pursue continuous monitoring, in order to find evidence confirming (or not) the variables that characterize the systemic elements so we may maintain awareness on the evolution of the system. Monitoring is also a realistic need for the analyst, considering that the analyst knows not

all information may be true and that not all of information is equally important, at all times. Monitoring needs to be done in order to validate and re-validate the model.

How all pieces of information are linked, to convey specific relations or features, makes up the system's analytical archive, marking the evolution of each systemic element. Thus, as time passes, through systemic experience, the difference between a causation (a flow variable) and a dependency (a status variable) becomes obvious. The system's behavioral rules, seen through the analytic logic, are underlying such differences. In addition, by integrating the history of the system's functionality into the analytical, logical archive, it becomes possible to forecast decisions that may lead to systemic changes.

Key concepts

- Decision-making processes
- Systemic effects
- Level (status) variables
- Action (flow) variables
- Non-linearity of complex systems
- Systemic sensitivities
- Gross domestic product
- Net exports
- SWOT analysis method
- Porter's diamond method

CASE STUDIES

of analysis articles and essays

Why the US Can't Afford a Trade War With the EU

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When Donald Trump ran for president, he promised to protect U.S. industries from unfair trade practices. He focused on the steel industry, which he said suffers when other countries dump their steel products on the U.S. market. Now, the Trump administration is considering imposing new tariffs on steel imports, and while China is often the suggested target of such policies, another critical trading partner for the U.S. would also be affected: the European Union. The EU is the second-largest producer of steel in the world, accounting for 11 percent of global production. Increasing steel tariffs, therefore, could ignite a trade war with the EU – something that ultimately goes against U.S. interests. The U.S. is the fifth-largest producer of steel (if you count the EU as a single entity), but since the 2008 crash, the sector has been beset by problems. It's linked to many downstream industries such as automotive, construction, electronics and mechanical and electrical engineering that were hit hard by the crisis.

Trump promised to protect the steel industry in several ways, including by applying Section 232 of the Trade Expansion Act of 1962, which allows the president to impose restrictions on imports for national security reasons. In April, he asked the Commerce Department to look into whether steel could qualify under this section, and earlier this month, the department announced it had completed its review. The White House has 90 days from Jan. 11 to act, or not act, on the report's findings, which have not been released publicly. Imposing restrictions on steel imports

would have severe consequences for the EU. The European Steel Association considers the U.S. a key market, accounting for most European steel exports outside the EU.

Steel has long been a strategically important industry in the EU, one that has fostered innovation, sparked economic growth and employed a lot of people. An increase in tariffs would mean fewer exports to the U.S. and a potential cut in production for European plants. It could also mean some European steel workers would lose their jobs, adding to the already high unemployment rates in some European states.

Brussels would likely respond by increasing its own duties on U.S. imports. In theory, the EU could swiftly introduce additional tariffs on “certain imports” from the U.S. But in reality, it would take weeks because the European Commission needs to notify the World Trade Organization it is going to impose restrictions and establish the list of goods and services on which the measures will be applied. To understand the potential implications of a trade conflict, we need to look at how dependent the U.S. and the EU are on trade with each other.

In 2016, U.S. exports to the EU accounted for 18.7 percent of total U.S. exports, making the EU the top destination for U.S. goods and services. In the same year, EU exports to the U.S. accounted for 20.8 percent of total EU exports, making the U.S. the top destination for European goods and services. It is a fairly equal relationship, though exports are somewhat more important to the EU economy. In 2016, the exports-to-GDP ratio stood at 12.6 percent in the U.S. and 16.7 percent in the EU.

But when it comes to investment, the EU has more leverage over the U.S. than the U.S. has over the EU. The EU is the largest investor in the U.S., accounting for 60 percent of total foreign investment in 2016. Although the U.S. is also

the largest investor in the EU, it only accounted for 40 percent of total foreign investment in 2016. In fact, since 2006, EU investment in the U.S. has exceeded U.S. investment in the EU. Both countries are roughly equally dependent on foreign investment. In 2016, total investment as a percent of GDP was 21 percent in the U.S. and 20 percent in the EU. In both places, roughly 20 percent of total investment comes from foreign sources, according to the World Bank.

Import barriers don't just impede trade but also investment. Foreign companies that have operations and production facilities in either the EU or the U.S. depend on imports to run their businesses. A trade war could make it difficult for these companies to operate and hurt their bottom line. Higher import tariffs imposed by the EU will also affect American exporters, including those in the manufacturing sector, a critical industry accounting for roughly 12 percent of U.S. GDP. Eighty-four percent of U.S. exports to the EU are manufactured products. Of these, machinery and transport equipment account for more than 45 percent and chemical products account for 23 percent. These industries could suffer if the EU were forced to impose retaliatory measures in response to U.S. tariff hikes. In addition, rises in steel import tariffs would mean increased costs for sectors that are dependent on imported steel products. The automotive, construction, mechanical and electrical engineering sectors are all large consumers of steel products – some of which are only available from external suppliers. Trump wouldn't be the first president to raise duties on steel imports.

In 2002, President George W. Bush increased tariffs to 30 percent. The EU responded with its own trade restrictions. (Back then, the trade relationship between the two was not as strong as it is today, and the EU's share in total investment in the U.S. was lower.) The EU, along with Chi-

na, Japan, South Korea, Norway, Switzerland, Brazil and New Zealand, brought the case to the World Trade Organization. It took 20 months, but the U.S. was forced to lift the additional tariffs. And during those 20 months, 26,000 U.S. jobs were lost only in steel-related industries.

Trump promised to put America first. But before he makes any moves to increase tariffs on imports, he will have to consider how this would affect U.S. businesses and, ultimately, jobs. Since receiving the report from the Commerce Department, the Trump administration has imposed new tariffs only on imported solar panels and washing machines. The administration said China was the target of the measure, but the EU condemned the move as well. Implementing more moves like this one could force the EU to respond, and that could hurt the U.S. economy.

NATO's Diminishing Military Function

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NATO heads of state met to inaugurate the alliance's new headquarters in Brussels on May 25, and the two main topics of conversation were defense spending and the alliance's role in fighting terrorism. Both issues indicate that NATO is increasing its political role while diminishing its military function. The alliance's link to the national interests of its member states is breaking, meaning that discussions on strategy rarely take place within the alliance. Its military function is declining because alliance members no longer share a common interest as they once did. This is evident from the way member states decide to buy new equipment and prioritize defense spending.

In an ideal world, the U.S. would like Europe's collective military capability to equal at least 50 percent of U.S. military capability. Washington would argue that it is unfair

for the U.S. to account for more than 70 percent of NATO members' defense spending while its gross domestic product is only 48 percent of their combined GDP.

U.S. President Donald Trump has talked about his desire to see Europe increase its contributions and capabilities. The Europeans, on the other hand, have suggested that the fact that they spend less on defense should not be interpreted as contributing less to the alliance. Each side has presented the issue in its own way, focusing on how these statements will play at home. NATO has moved its headquarters into a new building in Brussels and that, along with these disagreements, seems to signal that it is shifting from being a primarily military alliance to a more political one.

Consensus Isn't Possible

NATO won't easily come to an agreement on defense spending because each country faces a different geopolitical reality and therefore has different needs when it comes to defense. They may be able to settle on broad political statements but not on specific plans. Portugal has different national interests than Romania – and not only will they disagree on the amount of money that they should be spending on defense, but they will also have varying military priorities and views on how to spend it.

The alliance was created during the Cold War, when members shared an interest: protecting Western Europe from the Soviet threat. Now, the alliance no longer has a common enemy, and so coming to an agreement on things like what military equipment and weapons are needed is impossible. These countries all face different levels of threats, which explains why defense spending varies from state to state – some members just don't see defense as a priority.

The lack of consensus is also apparent when it comes to the alliance's counterterrorism efforts.

During their meeting in Brussels, NATO leaders pledged to "do more to fight terrorism," which might seem like a promising sign. But members have made this commitment and failed to live up to it many times. After the 9/11 attacks, the U.S. administration insisted that its NATO allies contribute to the U.S. counterterrorism effort. But France and Germany, along with Russia, opposed the Iraq War.

The first Obama administration asked NATO to increase its troop commitments in Afghanistan to help fight the Taliban. But with the exception of the United Kingdom and some Eastern European countries such as Poland, Romania, the Czech Republic and Albania, European allies rejected Obama's request. Since 9/11, the U.S. has seen its counterterrorism operations, including the wars in Iraq and Afghanistan, as part of NATO's collective defense principle – the idea that an attack on one member is an attack on all.

Though there are many reasons the wars in Iraq and Afghanistan were problematic, Trump's insistence that NATO members help in the fight against terrorism shouldn't be a surprise. But the U.S. looks at counterterrorism operations differently than the Europeans do. For the Europeans, their priority is preventing terrorism in Europe, and NATO can do little to prevent terrorist attacks on the Continent.

Security in Brussels – A Case Study for Europe

In no other European city is the perception of the threat from terrorism stronger than in Brussels, not because Brussels has witnessed more terrorist attacks but because of the high presence of military forces. Special operations forces and military personnel are visible in other Western capitals

like Paris and Berlin as well. They were deployed after terrorist attacks were carried out in these cities, and even after a state of emergency was lifted, military forces remained deployed in most capitals. But in many countries, military forces are usually accompanied by domestic security forces. In Brussels, these reinforcements are lacking and the military is virtually the only force ensuring civilian safety. This is because domestic security is weak in Belgium. Some might question the efficiency of fighting terrorism this way, using military forces to patrol civilian areas, but the military presence is used as a deterrent and is intended to prevent another attack from taking place. It is also, however, a constant reminder of the terrorist threat. This is one of the goals of terrorism – to create the fear that an attack can happen at any time and in any place. And it is unclear if the presence of military personnel actually limits or contributes to this fear.

The military's effectiveness in combating potential terrorist threats in Brussels is also questionable because soldiers carry limited weaponry and are not allowed to go beyond the perimeter to which they're assigned. If they see a threat outside of their area, they have to call domestic security forces. To make things worse, there is also limited cooperation and intelligence sharing between the military and domestic security forces. In Belgium, there is a lack of confidence in the domestic security forces, and many hope that the military will break these rules and jump to the rescue during an emergency situation. This tension between the military and domestic security forces is common to all NATO member states. Alliance members share some intelligence between their defense departments, but they don't share any information at the domestic security level. And it's likely to stay this way, partly because of member states'

resistance to sharing intelligence at a more advanced level than they do now and partly because adding another layer of decision-making might actually slow things down. Fighting terrorism at home has become the top security priority for most NATO members and is more efficiently done at the national level.

NATO can do little to help improve security in Brussels or elsewhere in Europe. But it can issue a press release saying it wants to do more to fight terrorism. Such claims have been made before. NATO places terrorism in the same category of threats as propaganda and cyberwarfare, and it has established research centers to study these so-called hybrid threats. It has also discussed joining EU forces in combating these new challenges. But this will amount to little more than bureaucrats holding meetings, while little is done to actually prevent more attacks. Bureaucrats at NATO as well as the EU know the reality. They complain about the restrictions they face and the lack of action from politicians. But politicians have their own limitations – most importantly, their electorates. Above all, NATO leaders don't want to admit that the alliance is ineffective and would rather NATO remain in its current hopeless state. So would the bureaucrats who work there, since their jobs depend on it. This might seem like an absurd situation, but in politics, absurdity is a substitute for dealing with a reality that can cause great damage if it is acknowledged.

France and Germany Call to End Trade Talks

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German Economic Affairs Minister Sigmar Gabriel said Sunday that the Transatlantic Trade and Investment Partnership (TTIP) negotiations between the EU and the U.S. “have de facto failed.” Yesterday, French Foreign Trade

Minister Matthias Fekl added that France will call for negotiations to end. The TTIP as proposed would be a vast, complex economic agreement between the world's two largest economies. The failure of these negotiations is not surprising and confirms our prediction that the EU's power is disintegrating. Moreover, this turn of events, underscores the division between Western and Eastern Europe.

The TTIP negotiations started in 2013. The comprehensive trade agreement between the two major global partners was meant to both enhance the EU-U.S. relationship and help the EU overcome the economic problems that emerged after the European debt crisis emerged in 2009. Considering the geographical area covered and the substance of the agreement, the TTIP would take the concept of economic integration to a new level, with a potentially huge impact on the global trade. It has been considered the EU's most ambitious international trade project. But the EU's integration is not fully completed. The European sovereign debt crisis created socio-economic problems that put pressure on the political elite and fostered Euroskeptic sentiment throughout the Continent.

Both France and Germany will have general elections next year, and the TTIP has become a campaign topic. The German anti-TTIP camp (various non-governmental organizations, but also the nationalist party Alternative for Germany) has announced a large protest set for Sept. 17 against both the TTIP and the EU-Canada Comprehensive Economic and Trade Agreement (CETA). In France, National Front President Marine Le Pen has been the most outspoken politician against the agreement, calling it an "atomic bomb" for the French economy.

In April, Le Pen asked French President François Hollande to refuse to negotiate. As mainstream parties compete

with growing Euroskeptic parties for political support, they must adapt and respond to the public. Brexit taught political parties throughout Europe that they need to listen more closely to public opinion and less to the elites.

The major claims against the TTIP are the lack of transparency in the negotiation process and limited protection for national producers and consumers. The anti-TTIP camp has claimed that the U.S. would get more from the deal than the EU, and said the lack of transparency is meant to hide the fact that the agreement will force the Europeans to give in to American rules. Though they don't have specific data to support their argument, the opponents of the TTIP are still saying that the EU Commission is not properly representing Europe's interests.

With Europe's current socio-economic problems as the backdrop, protectionism is gaining ground. This protectionism is further propelling European disintegration. Politicians have changed their stance toward the EU. Not only are they ignoring EU policies, they are challenging Brussels to please their electorate.

In truth, since the negotiations continued over the summer, and taking into consideration the U.S. election season, they were not likely to yield any results until the end of 2016 anyway. But the campaign speeches didn't mention that, especially since the TTIP has become unpopular for the public and therefore an easy target. The TTIP negotiations are not the only European trade talks showing the weakening of Brussels' power. In the immediate aftermath of Brexit, we've seen the EU Commission shifting its stance on the CETA, following calls from France and Germany. The agreement will now have to be approved by national parliaments, instead of going through the simple ratification procedure, which would have raised the EU's

credibility and avoided a long process and potential vetoes.

CETA and TTIP were supported by the U.K., which already has strong commercial ties with the U.S. While Germany's leadership role in the EU has been growing as the economic crisis continues, it became even more apparent after the Brexit vote. Germany does not want to be seen as assertive, but it can no longer avoid it. Berlin needs to keep Europe together for the sake of the German economy, therefore it needs to lead. France is similarly interested in maintaining a functional EU, considering its own socio-economic and security dependencies on the other member states. Therefore, Germany and France feel responsible for the evolution of the EU, while also making decisions based on their national interests.

Just two days after the Brexit vote, the foreign ministers of the founding EU member states issued a statement recognizing "different levels of ambition amongst Member States when it comes to the project of European integration." The 27 member states will discuss the EU's post-Brexit future at a summit on Sept. 14. But Germany, France and Italy already discussed the future of the EU during a trilateral meeting on an Italian aircraft carrier on Aug. 23.

Meeting on an aircraft carrier was meant to tell the world that the EU still has defense capabilities without the U.K. But EU security is in fact militarily dependent on the U.S. through NATO. Calling for a halt on TTIP negotiations is supposed to convey to the German and French electorates that the EU doesn't bend to every American whim. On the other hand, most of the Eastern European governments in the EU – the Baltic countries, Poland, Czech Republic, Slovakia and Romania – support the TTIP. For them, the TTIP means enhancing transatlantic relations. For these countries, forging commercial relations with U.S. compa-

nies and investors is not only a boon for economic development, but also for ensuring strategic security and military relations.

The perception of security risk is increasingly different in Western and Eastern Europe. The west is concerned with internal security challenges relating to terrorism, while the east sees Russia as the main security threat. It is likely that the news on halting TTIP negotiations will be disturbing, though maybe expected, for the Eastern European EU members like Poland and Romania, which have each developed strategic partnerships with the U.S. These countries understand that the TTIP, or any other signed treaty, would not have created the economic ties needed to support strategic, long-term bilateral relations. Such treaties only facilitate the relationship. To the eastern member states, the news is not disturbing because the negotiations have “de facto failed,” but because such news relates to the de facto disintegration of the EU. The east perceives the west as no longer appreciating transatlantic ties – at least not to the same extent they do. They translate this into the potential for growing Russian influence and heightened security risk in their neighborhood.

The TTIP negotiations were expected to last for a long time. It was also expected that the ambitious agenda proposed at the beginning would not be fully realized. As with any trade agreement – especially one that aims high and covers such a large geographical area – optimism for rapid and efficient implementation is low. The EU’s problems – which the TTIP was supposed to help solve – were expected to make negotiations difficult. After Brexit, domestic concerns based on socio-economic problems have grown.

Calls for protectionism have increased national governments’ power and weakened Brussels. While political

calls to halt the TTIP negotiations may or may not have a real impact on the negotiation process, considering that an agreement was not expected to happen this year anyway, they mean much more as a harbinger for the future of the EU. And the way that the EU evolves will establish the relevance (or lack thereof) of the TTIP – or any other international agreement that the EU may choose to sign.

Brexit The UK Can Leave Europe but Not EU Regulations

Originally published by Geopolitical Futures on June 12, 2017

One of the major concerns following Brexit was that Britain's departure from the European Union would be detrimental for the financial sector in the U.K. and the EU, since London is a financial hub. Those who hold this view would see the European Commission's new plans announced on June 13 to regulate a very lucrative industry in London's financial sector as a case in point. But this fails to recognize that both the U.K. and the EU will be able to adjust to the new circumstances and do not want to see a massive shake-up in the sector. The proposed plan would allow the EU to regulate clearinghouses that settle certain types of euro-denominated contracts and which are located outside the EU.

Clearinghouses act as a middleman between buyers and sellers of derivatives; they ensure that transactions are completed smoothly and bear the cost if one of the parties doesn't hold up its end of the deal. They therefore help ensure that the effects of a default don't spread to the rest of the financial system. The London Clearing House, which is partly owned by the London Stock Exchange, is the global leader for the euro clearing business. It clears roughly three-quarters of all euro-denominated interest rate deriva-

tives transactions. Since this is a substantial portion of the global business, what happens in London could have a significant impact on the stability of the eurozone, even though the U.K. doesn't use the single currency.

For this reason, the European Central Bank insisted in 2011 that euro-denominated derivatives trading should take place only in the eurozone. Eurozone countries had argued that the LCH made the debt crisis even worse by raising its margin requirements (the amount that buyers and sellers are required to hold in an account as collateral against derivative contracts) on debt for Spain and Ireland. The U.K. challenged the ECB in court and won.

The European Commission's proposed measure is a way to ensure that, once Britain leaves the union, the EU will have some control over euro-denominated clearinghouses. Some have speculated that London may lose this lucrative business because the U.K. could refuse to accept the regulations. But that would be a politically motivated move by the U.K. government, and since it would go against the country's own interests, considering the value of this business to the British economy, it is unlikely to happen.

The London Stock Exchange will determine whether it will comply with the regulations, and it has no incentive not to. Ultimately, this move will not force clearinghouses to relocate to EU member states. The commission's proposal says that, when handling transactions denominated in currencies used in EU states, clearinghouses in non-EU states will need to respect requirements outlined by the central banks that issue those currencies.

These requirements can relate to liquidity, payment or debt settlement arrangements, or collateral margin requirements. The proposal does not, however, require that clearinghouses be located in the EU. The EU has no financial

incentive to force all euro-denominated trading out of London. London is where most currency derivatives are traded – larger clearinghouses can afford to offer better rates to their customers because of economies of scale, which explains why the LCH is more attractive for traders.

Having clearinghouses move to continental Europe would create a fragmented market, which would lead to higher costs for customers and less trading in euro derivatives – bad news for the EU. The proposed policy also mirrors the arrangement the U.S. has for the dollar-denominated clearinghouse business in London. Once the U.K. is no longer an EU member, the ECB can demand more oversight over the way London handles euro-denominated trade, as the United States does.

The commission's proposal still has to be approved by the EU member states. Once that's done, the U.K. will need to decide whether the proposed regulations are in its interest. The government doesn't want to be seen as giving in to the EU, especially while negotiations over its withdrawal from the union are still taking place. But 83,000 jobs in the U.K. are dependent on the euro clearing business, and the government wouldn't want to jeopardize these jobs. More important, the LCH already said last week that it is willing to accept more oversight from Brussels.

The EU may be using this proposal as a bargaining chip in its Brexit negotiations with the U.K., but it's unlikely that the U.K. will reject the regulations. It doesn't want to lose such a valuable business. Therefore, this move should not be interpreted as a sign that Brexit will have drastic consequences for the U.K.'s financial sector. It is merely proof that Brussels and London are adapting to the new post-Brexit reality.

German Exports, Banks and the Shipping Industry

Originally published by Geopolitical Futures on February 2, 2017

In geopolitics, events rarely occur in isolation. On Feb. 9, several stories about German exports, banks and the shipping industry appeared as stand-alone pieces. However, these stories do not gain their full significance unless taken together as part of a bigger picture. There is an inherent link between trade, the shipping industry and banks, given the interdependence of their operations.

The latest burst of headlines provides a clearer picture of how the exporter crisis we forecast is unfolding and now intersecting with another forecast on the fall of German banks. Germany reported on Thursday the world's largest trade balance surplus – its exports surpassed imports by 253 billion euros (almost \$271 billion). Germany's geography has allowed the country to become the leading exporter and one of the world's most prosperous countries. Its central location in Europe, access to the North Sea and unique riverbed formed by the Rhine, Elbe and Danube rivers have contributed to its success story.

Easy access to maritime shipping routes meant cheap transportation and helped create profitable exports. At the same time, an increase in German exports created the fundamentals for developing ports and other fluvial and maritime infrastructure. The development of the shipping business is synced with that of trade. Germany currently derives about 47 percent of its GDP from exports. That means that its stability is dependent on other countries' ability to buy German goods. The fact that the German current account registered the highest surplus in the world in 2016, surpassing China, underlines Germany's global exposure once again. A huge container ship stacked with containers sits at Hamburg Port on March 4, 2016 in Hamburg, Germany. According to the

most recent data, Germany has the highest trade surplus in the world. Its major exports include cars and other vehicles, as well as machinery, chemicals and pharmaceuticals.

The world hasn't fully recovered from the 2008 crisis. Considering the socio-economic problems in Europe, its largest market, Germany looked to increase exports to other destinations. Russia, the Middle East and China are struggling to keep their economies stable while the U.S. is the only country that has shown real but sluggish recovery since 2008. With the global slowdown in trade and investment, the shipping industry has faced immediate problems.

After 2008, there simply were too many ships and too little trade. In the short term, that seemed positive for Germany, as cheaper shipping rates promised safe profits for exporters. But what was good for exporters proved to be bad for German banks. Also on Thursday, Commerzbank, the second largest bank in Germany, announced that earnings had fallen by 5 percent in the last quarter of 2016 as the bank increased provisions against bad shipping loans. The bank expects its losses on shipping loans to be as high as 600 million euros this year after nearly doubling last year to 559 million euros.

This follows the announcement last week by Germany's largest bank, Deutsche Bank, that losses on shipping loans nearly tripled from a year earlier, to 346 million euros. This news points to a major weakness in the German banking system: its financial sector's exposure to the international shipping industry. Our 2017 forecast explains how the 2008 financial crisis is the root cause behind the exporters' crisis, which includes, but also extends beyond, Germany.

Also subject to the 2008 crisis fallout is the shipping industry, which has not recovered. A crash in the global economy meant a drop in demand for international ship-

ping, which soon saw a surplus of containers and ships. However, instead of scrapping members of their fleets, many companies opted to take advantage of low credit rates and reduced costs to invest in bigger vessels. In theory, this made sense given more cargo could be shipped at one time and the completion of the Panama Canal expansion would allow for larger ships.

Over the last two years, fleet capacity has increasingly outstripped trade demand. Again, a domino effect of consequences occurred. Freight rates began to plunge. By early 2016, major world shipping companies formed three trans-Pacific shipping alliances in an attempt to manage cargo share and have more coordinated control of fleet numbers. Both moves were geared toward helping freight prices recover.

Freight prices reached record lows in the second quarter of 2016, dropping by as much as 18 percent compared to the previous year. Many of the world's shipping companies reported heavy financial losses. For only the second time in the company's history, Maersk reported an annual loss in 2016. Cosco reported a loss of \$1.44 billion. The global shipping industry does not expect to see a strong recovery or boost in demand this year. As shipping profits decline, it will become increasingly difficult to service debt. This means banks will run a higher risk of writing off more loans.

For Germany, this translates into more bad news. According to the German Shipowners' Association, German banks and investors own about 29 percent of the world's container ship capacity. German lenders have been the biggest issuers of shipping loans. Based on Petrofin Global Bank Research statistics, German banks own one-fourth of all outstanding shipping loans made by large banks (about \$90 billion). That makes them vulnerable to the shipping

malaise. As the shipping industry faces bankruptcies, banks are seeing their losses increase. Besides Commerzbank, smaller banks like HSH Nordbank, NORD/LB and Bremer Landesbank have faced problems since 2010 due to exposure to the shipping business. DVB Bank also specializes in shipping and is experiencing credit problems due to the shipping industry. DekaBank had to cut its business outlook for 2016 by 20 percent because it needed to set aside large amounts for bad shipping loans in the first two quarters. German public broadcaster ARD published a report in January saying that up to 20 billion euros in credit guarantees may be needed to prop up banks in the northern states of Hamburg and Schleswig-Holstein with bad investments in container shipping.

So far, none of these shipping-related credit problems have been big enough to challenge the German banking system's stability. At first view, the announcements from Commerzbank and Deutsche Bank don't seem to be, either. But the rate at which losses are increasing year-on-year is worrisome, especially since the shipping industry is not expected to recover large profit margins anytime soon. The acceleration of bank losses due to shipping sector problems indicates the increasing vulnerability of the German banking sector to global markets. This is another issue that adds to the list of problems that the German banking system must deal with and another indicator of the increasingly fragile state of the German economy.

The EU: Powerless Over Russian Sanctions

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The U.S. House of Representatives has passed a bill to renew and expand sanctions against Russia that were imposed after Russia's annexation of Crimea. The bill, how-

ever, could also have a negative impact on some European energy projects that are linked to Russian companies. Since the initial bill was first approved by the Senate on June 15, the European Union has been lobbying U.S. lawmakers to revise the proposed legislation and reduce its effects on third countries. But lobbying is essentially all the EU can do at this point; it can't retaliate against the U.S. because such a move would require approval from all member states, which is unlikely.

The final text of the new bill hasn't yet been made available, but the initial version that was voted on in June would have imposed sanctions against any foreign person or entity that has significant investments in certain Russian energy projects. This means that even non-U.S. companies involved with Russian businesses could be targeted. It is this part of the bill that has drawn criticism from the EU, particularly Germany, because European companies are involved in several energy projects with Russian businesses. On June 16, a spokesman for German Chancellor Angela Merkel said Germany generally does not support sanctions that have effects on third countries.

EU efforts to convince U.S. lawmakers to revise the bill have had limited results. According to media reports, they did manage to increase the percentage of Russian participation required in an energy project to qualify for sanctions from 10 to 30 percent. But this still means that the sanctions could affect some functioning infrastructure projects like the Baltic LNG project (run by Shell and Gazprom), the Blue Stream pipeline (run by Italy's Eni and Gazprom), CPC pipeline (run by Shell, Eni and Rosneft) and Nord Stream 1 (run by various European firms and Gazprom).

If these European companies decide to increase their level of investment in these projects, they can be penalized

under the U.S. sanctions bill. The bill could also penalize companies involved in Nord Stream 2, a joint project between German and Austrian companies and Russia's Gazprom. Nord Stream 2 will enable Russian gas to be delivered to Germany without using the existing pipeline that runs through Ukraine. This project has been the subject of U.S. criticism before. It would make it easier for Russia to cut off gas supplies to Ukraine – without any subsequent effect on other European consumers – and allow Moscow to use energy as a tool to influence Kiev.

The European Commission has backed that argument and has repeatedly said Nord Stream 2 is inconsistent with European energy security goals. But Germany has a different perspective; it sees the project as another way to secure its energy needs, and it wants to protect the interests of German companies. So, while the EU and Germany both oppose the U.S. sanctions bill, they do so for different reasons. Germany has a direct interest in some of the projects that could be affected by the bill, while the EU just doesn't want the U.S. meddling in European affairs. The European Commission has said it will hold a meeting on July 26, after the House vote, to discuss retaliatory measures.

Representatives from the commission said the EU will respond to the bill in kind. But imposing any measures that could penalize U.S. businesses operating in the EU would be difficult – all initiatives proposed by the commission need to be approved by the EU Council, which would require agreement from all member states, and this is unlikely. Member states don't share the same interests when it comes to energy, and some will be reluctant to retaliate against a bill that hinders Nord Stream 2 because they don't support the project in the first place. In Poland, for example, the anti-monopoly agency blocked the formation of a

consortium between Gazprom and its European partners that would have run Nord Stream 2, forcing the companies to seek other legal routes to proceed. The Baltic states also have publicly resisted the project – they don't want to see Europe's dependence on Russian gas increase. Eastern European states, which view Russia as their main security threat, have not objected to the U.S. sanctions bill.

The main opposition in Europe to the sanctions bill, therefore, comes from Western Europe, which doesn't see Russia as a major threat and which has significant business ties with Russian companies. But given that Western European countries wield substantial power in the EU, the European Commission still wants to find some way to respond to the bill. One option is to file a complaint with the World Trade Organization, claiming that the sanctions unfairly disadvantage European companies, and to impose higher tariffs for U.S. exports to the EU. But the commission would first need to determine that imposing higher tariffs on U.S. exports would be beneficial for the EU – it's not clear yet that this is the case.

The commission would then need to gather a lot of information to compile a case against the U.S., and this would take quite some time. The commission could also encourage European companies to fight the sanctions in international courts. But the companies would have to decide themselves whether they want to take this step, and even if they do, a resolution could take years.

The EU ultimately can do little to retaliate at this point. The bloc's decision-making process and the level of bureaucracy involved prevent it from amassing a coherent response. And the ability of individual member states to respond independent of Brussels is restricted – as members of the common market, they can't act on a bilateral level

against a third party. Thus, agreement on how to proceed is required from across the bloc. But considering that European states can't agree on much these days, let alone their views on Moscow, it's unlikely that they will come to an agreement on how to respond to the sanctions bill.

Russia, Belarus and a Catch-22

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Russian President Vladimir Putin said on Wednesday that Moscow will “do its best” to prevent any destabilization that could cause a color revolution in Russia and its buffer zone in Eastern Europe. Putin's remarks come after the media reported that Russian nationals were arrested in Belarus for taking part in anti-government protests in Minsk on March 25-26. Belarusian President Alexander Lukashenko used the arrests to send a message to Putin prior to their meeting on April 3. Lukashenko wanted to make clear that he is still in control of his country, despite recent protests and economic problems. And Moscow needs to keep Minsk on its side.

Russia's essential strategic problem is its vulnerability on its western border. It is susceptible to invasions through the North European Plain and needs access to global trading routes via the Baltic and the Black seas. Therefore, Russia needs to push its frontier or sphere of influence as far west as possible, creating a buffer zone between Western Europe and its borders. Ideally, the Russian buffer zone would comprise the Baltics, Belarus and Ukraine.

The Baltics have integrated into the Western alliance system since the end of the Cold War. After losing Ukraine, keeping Belarus in its sphere of influence became even more important for Russia. Belarus is a key part of Russia's security strategy because the two countries share a joint air

defense system. They also have held joint military exercises every four years since 2009, and Russia hopes to strengthen its military presence in Belarus.

To maintain its influence over the country, Russia needs both a friendly government in Minsk and a stable Belarus. But to keep the government friendly, Russia relies on measures that can fuel destabilization. The poor state of the Belarusian economy has sparked anti-government demonstrations, which have continued for months.

The recent protests against the “social parasite” tax on the unemployed are some examples. After hundreds of protesters were arrested and 150 were jailed, fear has kept people from returning to the streets. But the economic problems remain. Belarus’ economy has been in recession for more than two years. Russia’s increasing economic problems since the fall in oil prices have had a negative impact on Belarus, which is heavily dependent on the Russian economy. Russia’s ability to support Belarus financially has declined. This has caused socio-economic problems in Belarus and forced Minsk to seek solutions elsewhere.

Since 2015, Lukashenko has tried to build better ties with the West, particularly the European Union. While diplomatic relations have grown stronger, financial benefits for Belarus have not followed. Allowing Belarus’ exports to enter the EU market by lifting sanctions in early 2016 helped little since Belarusian businesses had limited experience with this market; most of the country’s exports before 2016 went to Russia. But as Belarus got closer to the West, Moscow increased its pressure on Minsk, fueling more problems for the country.

Russia has banned agricultural imports from Belarus since the EU lifted sanctions in 2016. Belarus and Russia have also been entangled in a natural gas row since last

year. While the two countries failed to reach agreement on a new price for Russian gas, Belarus' debt from Russian gas imports grew and it now has \$720 million in arrears from gas supplies.

Refinancing the country's external debt has become more difficult considering the currency devaluations Belarus has suffered – the last one in 2016 was due to the Russian ruble's devaluation. Last year, Belarus got cash from the Russia-led Eurasian Fund for Stabilization and Development, a sort of International Monetary Fund (IMF) for the Eurasian Economic Union. But the two tranches – worth \$800 million together – of the full \$2 billion loan came in very slowly. This forced Lukashenko to discuss with the IMF a possible \$3 billion standby loan.

But the IMF wants reforms that he is not willing to carry out. They would require him to give up some of his power over the economy and implement full restructuring plans monitored by the IMF. Russia doesn't require any of these actions in exchange for its help. Nevertheless, Russia can trigger the collapse of the Belarusian economy simply by limiting oil and gas supplies or withholding the next bailout tranche for a few more months. Lukashenko is aware of these possibilities, and in February he tried to hold discussions with the Russian president at the annual investment forum in Sochi. Lukashenko was snubbed by Putin, who refused to meet with him at the time. Lukashenko's position appeared to weaken internally as anti-government rallies were spreading throughout Belarus. As they continued through March and the economy declined further, Lukashenko had to send a message that would be heard in Moscow. Clamping down on the March 25 protests and arresting Russian demonstrators in Minsk conveyed to Russia that he was still in control of the country.

Putin agreed to meet Lukashenko on April 3. The discussions in St. Petersburg – which took place as the city was on lockdown due to the subway bombing the same day – led to a resolution of the energy dispute and Russian agreement to refinance about \$800 million of Belarus' debt. Putin also promised to renew oil supplies totaling 24 million metric tons per year and to provide about \$1 billion in loans. Putin said Gazprom would give Belarus discounts on gas in 2018 and 2019. In exchange, Belarus said it will pay back its debt of more than \$720 million for gas supplies.

The list of concessions Russia made to Belarus is impressive, especially at a time when Russia faces its own socio-economic problems at home. This was not a gesture of goodwill toward Lukashenko or Belarus but a difficult decision that Putin needed to make. Putin knows his political opponents in Moscow will challenge these concessions. But keeping Belarus in Russia's sphere of influence is more important than Russian internal politics. Lukashenko doesn't face a powerful or united opposition.

Most of the businesses in Belarus are tied to, if not dependent on, Russian money, either through direct funding or the Russian market. If Russian support is reduced, Belarus will look to the West, which could lead to a change in government that would not be in Russia's favor. Therefore, this is a Catch-22 for Russia: It can't afford to continue spending money on Belarus while it faces problems at home, but it also can't afford to stop supporting Belarus since another government in the West might instead.

CHAPTER 5

SOCIAL INNOVATION AND THE DIGITAL AGE

5.1. Knowledge and decision, from theory to practice

The complexity of the forms and particularities of social systems is limitless, both in their construction and in their dynamic. For geopolitical analysis, society is relevant through its structure as long as the internal changes have a significant impact on the external environment of the system. In this dynamic, geopolitical relevance becomes urgent when a change in the system produces a quick reaction of other geopolitical subjects in the regional or global environment. This type of change has a strategic character if long-term effects occur for the system and its environment. The notion of ‘change’ shows a passage to the future. Because geopolitical analysis seeks to predict systemic changes, its end-purpose is to foresee the events which will happen next—the future.

Before Friedrich Ratzel talked about the political geography of the world, Georg Wilhelm Friedrich Hegel had highlighted the historical and social nature of human experience, laying the foundations of what it has in fact facilitated—the emergence of the term ‘geopolitical’: the theory of knowledge. The “social practice” - the concept Hegel developed in his “Lectures on the Philosophy of History”, refers to the essence of the human condition and, to the conditions of knowledge (Hegel, 2001).

The notion of *social temporality, defined by actions and their effects*, acts as a conceptual glue for history, clarifying how the past is included in the present, which in turn will be included in the future. Hegel thus offers, through the essence of the theory of knowledge, the theoretical stepping-stone for research into the exploration of the future.

It is without a doubt that the first attempts at building an image of the future of humanity go back to ancient times.

Empires were built considering the conqueror's strategy, that involved changing the newly conquered social system so they could dominate it. This meant that all social parameters needed to be investigated and considered. In doing so, the conqueror has always built for the future—life itself references the future and therefore anything that is built around individual and community life has to refer to the future. The religious books are probably the best known for containing the conceptualization of the society explained as a journey through time and founded on rules that are independent of time passing, as we explain evolution to result from humanity changing its parameters. These texts are at the heart of political and economic philosophy and, through their strong and yet incalculable influence on philosophy, they create the components of social systems.

In the XIX century and at the beginning of the XX century, works of political and economic philosophy, drawing upon Hegel's works, address the future scientifically, influencing decision-makers through the proposed ideas and models. Historically, this period marks the emergence and the development of the nation state as an important global player. The idea of nations, for the peoples living under imperial domination up to the middle of the XIX century, the strengthening interdependencies between them and the decolonization taking place at the beginning of the 20th century, were the leading drivers for the fundamental social changes which also led, eventually, to the two global conflagrations.

For social sciences, these events have led to concerns and preoccupations about how nations can increase their competitiveness, about how they can grow and develop internally, leveraging their external power. This is the time when the works of Adam Smith, David Ricardo, Jean

Jacques Rousseau, but also those of Pierre Joseph Proudhon, Mikhail Bakunin, Karl Marx and Friedrich Engels, dominated the political debates and, ultimately, became integrated into national policies. The transition from the “Europe of empires” to the “Europe of nation states” also meant the emergence of political debate as a source for social evolution, of right-wing and left-wing politics, and the ‘formalization’ of the political-economy as a social and scientific foundation for strategic thinking, at the national level.

After the Second World War, one interest of the social sciences has been to develop models to predict future crises and social unrest, to avoid conflictual situations and events of the magnitude of those in the first half of the century. The literature of the late ‘60s and the early ‘70s showcases several theories backing mathematical modelling, meant to help predict and plan future events.

In Oslo, in 1969, with the occasion of the first scientific conference on the science of the future, the Japanese Yujiro Hayashi distinguished between the future as an object of knowledge and the future as an object of conception (Hayashi, 1969). At the same conference, the German Ossip Fleichtheim highlighted that the science of the future provides a way of approximating future developments, supporting the thesis that the future can be programmed, starting from specific prognosis based on concrete criteria, founded on the objectives and specific motivations that the leadership holds (Fleichtheim, 1969).

In the ‘70s, the Romanians Mircea Malița and Pavel Apostol, concerned with the same questions about predicting the future, looked at the probabilistic conception of the future, both separately and in collaboration, explaining the limits of the models proposed until then (Apostol, 1977). Mircea Malița wrote, in 1971, that only the mathematics

of tomorrow may suit the demands of the social sciences, considering the nuances and peculiarities of human logic and the way it shapes society (Malița, 1976).

He was not the only one to believe this—the Dutch sociologist Fred Polak said that the reason we cannot know about the future developments, with certainty, is their alteration to utopias (Polack, 1973). The common imagination—which develops through a direct link between spirituality (values, beliefs) and the people's everyday ways of living—is the utopic form of what society will become in the future, and this is a barrier to mathematical modelling, through the cultural and political nuances it encompasses.

One example is how the utopian approach proposed by German philosophers Marx and Engels has actually transformed into reality, helped by the political vector that shaped society. Although ideology and its popularization play a fundamental role in shaping social perspectives, its mathematical evaluation was only possible through large-scale opinion surveys. In the 1970s, however, we can only survey small communities (Rhodes, 2018).

The French thinker Bertrand de Jouvenel conceptualized the future as a sum of scenarios and uncertainties, which together offer the possibility of action (Jouvenel, 1965). According to Jouvenel, freedom of choice is the only factor which limits the future—while knowledge determines freedom. This approach is taken-up in the work of Alvin Toffler, who introduced the notion of social change and the theory of adaptation in the study of the future. Even if his style is less technical, he insists in his works on the necessity for a logical (or even mathematical) model for approaching the future. (Toffler, 1990).

The interdependencies between social systems and their elements can be methodologically transparent. We also find

some of these concepts in the writings of George Friedman. He looks at the future, taking a confrontational perspective, following the causes and how global tensions form. In his works, the model is implicit, relying both on mathematical modelling (Friedman, 1991) but also on Hegelian, historical inferences (Friedman, 2009). In the same time, while Robert Kaplan uses in his writings the historical investigation method and the ethnographic method, the predictive model he uses is fluid and more philosophical (Kaplan, 2018).

Social innovation is a relatively new concept referring to prospective studies, mostly used in post-crisis policy-making in Europe. Social innovation was first defined in 1957 by Michael Young in his work titled “The Rise of Meritocracy” together with the concept of social entrepreneurship. It was no coincidence that this work was published after Young had written in 1947 the manifesto of the British Labour party, thus becoming a key character in the development of social policies and of the welfare state in post-war Britain. Possibly also because of his political involvement, the concepts addressed in his work were not considered purely scientific, bearing with them (still to this day) the vectors of political influence.

His model does not take national imperatives into account, but speaks of the importance of the individual in an ever-changing world. Leaving aside the political bearing of his speech (which has to be considered within the social realities of the UK in the 1950s), from a conceptual point of view, considering the theory of complex systems, social innovation must be seen as an important element of the study of the future, by involving the human factor as a resource for change within any complex system.

For geopolitical analysis, the relevance of the human factor is primarily linked to the decision-making process.

From the perspective of the decision-maker, we need to speak of choices and limitations. Of course we may have several scenarios for the future, considering all actions and directions taken by influence vectors within the social systems or outside them. Decision-making is however a rational process and considers the limitations for particular scenarios to come to life. Decision makers will choose a course of action from an X number of the possibilities, considering particular goals and the specific limitations of each course of action (Colibășanu, 2011, p. 111). The chosen course of action is the first step in establishing the influence vector (or vectors) used in the decision-making act. It is the last step in the analysis of the potential scenarios and when one of the many known scenarios becomes reality.

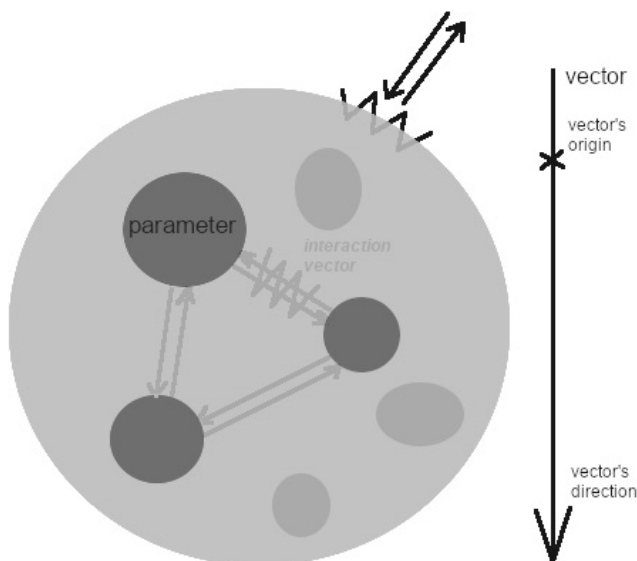
Therefore, the rationality of decision-making relates to two key aspects: first understanding the directional limitations, considering the imperatives of the system in which the decision-maker operates, and second—the fact that the decision is a consequence of knowledge, presented under the form of analysis (processed information). The decision-maker is aware of the social reality, of the political, economic and security elements, with the help of the analyst. The analyst goes through the specific steps needed for the information to be processed and analyzed, setting out his or her conclusions succinctly and eloquently. Although it is recommended that the analysis be done objectively, the decision maker will always consider that some subjectivity (call it bias even) is included, as well and will take the responsibility to diminish it through the decision-making process.

The geopolitically relevant decision only occurs if there is a tension in the system, when something doesn't work as it used to, or when the entire system has to react to outside

pressure. A decision is needed when relations within the system (the geopolitical subject) have transformed, or when relations with the external (other geopolitical subjects) are changing.

Systemic change is the driver for significant decisions, and it is what geopolitical analysis focuses on (as analysis is finding those elements that drive or could drive change). Change could result from systemic inconsistencies—where inefficient causations appear within the system as dependency relationships are no longer valid (e.g. in the case of a systemic economic crisis), or when the parameters are no longer valid (for instance, through migration), or because of a deterioration of one of the systemic functions, such as the informational or the structuring function.

Systemic interaction model



We translate the inconsistencies within a social system through conflictual situations or relational inefficiencies. Both scarcity and innovation can create such situations, through the psychological effect that both have on the population of a certain community - of a system. By using anthropo-geography, but also the method borrowed from the specialized area of psycho-sociology, the analyst tries to understand how individuals, and then the community which forms the system, react to the stress caused by the question “how will our world be tomorrow?”.

Time thus becomes a social construct, because of its relativity. For each community, time is important through the unique significance it has in the eyes of popular perception. Individuals, the community give relevance to the past, deciphering it in a certain way and giving it a certain type of value. By valuing the past, individuals point to what is important today, in the present, on which, in return, they build their future. Therefore, in analysis, the anthropo-geographical method and the ethnographic method must therefore consider the ‘stories of the future’, of how the community perceivers the good and the evil—these being important nuances in the psycho-sociological characterization of that social system. The potential and willingness to go in one direction or another, or the availability, having regard to the limitations of going one way or another, is what determines the future course and the aspects that the leadership function of the system, including the decision-maker, must further consider.

At the individual level, people use the force of influence and that of perception—i.e. through what we need and what we think we need. Their sum, considering the speed at which individuals act when confronted with problems, makes up the resultant force of the personal power within

the complex social system we live in. We can see this, using the information analysis method, in the way individuals coalesce in motion, coming up with solutions to systemic problems and contributing to change. However, it is important to differentiate between the signals of change or of coalescing (which may or may not evolve through change) and change in motion. For example, protests are signals of coalescing, while the emergence of organizations defending the rights got through protest constitutes change in motion.

The analytical process allows us to observe the signals and identify those ideas for change which can be put in motion. As Fred Polack said, utopia, the ideal of the better, is what convinces, through words, both man and humanity. For the geopolitical analysis, this is where the personality and charisma of the political leader (or leaders) matters. Without a good discourse and without a common denominator in spiritual values, there is no resonance from the community, and political leaders are limited in their influence. Context and natural constraints determine how a community adopts an idea or not, whether or not the community is influenced, and whether or not it reacts. Psychologically, the acceptability of a new idea (similar to that of a new product or service) depends on personal fears, which can be summed up through a simple question: is the expected benefit worth the effort to adapt to the new?

On the personal level, the fear that something will go wrong if we are to adopt a certain idea blocks the entire process of producing change. At the same time, fear of being locked-in, by continuing something that is no longer viable is the most decisive catalyst for change. Thus, individuals go from the inability to accept change to eventually accepting it, going through various stages, in direct relation to the personal perception of its future effects on their own life.

In the first place, people are afraid that because of systemic change, they will also have to change their personal behavior. This process may imply changing interpersonal networks, which would most likely lead to short-term inefficiencies. Second, people seek stability, and thus fear of what they could lose by no longer being stable, implies, by definition, an important loss. If the benefits of change are not significantly higher than the benefits of maintaining the status quo, people will be reluctant. Third, change could redefine values, the unwritten rules by which they live. Reforms often refer to changing mindsets, which evolve around a set of hard-to-shape norms. When changes are a sort of ‘logical life-raft’ (Colibășanu, 2020), the new set of rules will develop out of necessity.

Last but not least, change can equal displacement or even isolation—the worst thing that can happen to an individual in society. Interpersonal relations are, in fact, the network sustaining a deep system of governance, society itself being the sum of human relations. Breaking or changing interpersonal relationship networks is an extreme change, this being the strongest barrier to ideological (or other sort of) change. For instance, it is difficult to end a friendship simply because someone tells you it is not good for you, for various reasons - economic, ethnic or other. But if (and when) you are convinced to do so, it means that the person who convinced you holds a significant power over your psyche, against a complex background of circumstances. At the societal level, for instance, such changes occurred in the German society when it was transformed into Hitler’s Reich.

There are different types of changes, as their occurrence depends on personal barriers, and on the way we perceive personal strength. The easiest kind of change to follow an-

alytically, from the first signal to its implementation, is the evolutive change. Once a certain need is observable, at the systemic level, a change signal appears. The more necessary it is, the quicker the change - but always natural, with minimal tensions observed in the system. Another type is the revolutionary change, which is not expected, but because it is a visible and radical improvement in how things work, people adapt quickly. In contrast, disruptive change is hard to accept and to implement, because personal adaptation is not effortless, while the benefits are only visible after individuals change their behavior or their habits.

In technical terms, the vectors acting on the parameters of the system and creating stress, face inertia—this being the first ‘reaction’ to change if the parameters are in a state of ‘rest’. In addition, depending on the specific environment, inertia may become, in time, a force of resistance. The resultant of individual parametric resistance forces, which give the structural strength of the complex system, also determine its overall systemic resilience. At the strategic level, the most dramatic, disruptive change is given by the state of war and what follows it. With military warfare, the army must react quickly by mounting resistance and counter-attack. With a trade war, the state reacts through economic policies, using policy influence vectors at the sectoral or global level.

Technological wars are usually complementary to trade wars. It is usual that hybrid conflicts of today have two dominant dimensions: a technological and an economic one. Historically, all conflicts have been hybrid, touching on diverse areas which involve sudden and unexpected changes, which means the potential for tension is signaled in each of the three areas — the political, the economic and the military sector of the nation state.

Therefore, the signaling for revolutionary or disruptive change is essential for geopolitical analysis. Even if people's ideas are producing evolutive change, personal innovation is rarely associated or linked to solving the problems of entire communities. Revolutionary or disruptive ideas, associated with positive effects through their innovative character, may also cause short-term negative effects or side effects which may, in turn, lead to further changes. Therefore, the innovation or social change effort is generally concerted, and refers to a particular problem for which we seek practical answers, as a community. If the problem holds systemic importance, it is often that systemic change follows through.

For example, the internet has its origins in the research and development plans of the US military, which was looking for a practical solution for its tele-communication problems encountered in the theatres of operations of the army. Also, we first learned of climate-change from NASA. But surely neither the US Army nor NASA expected the impact of their discoveries on society. But the two issues have produced answers at the level of state and non-state communities, each shaping how our world is evolving and how we currently define development. The revolutionary nature of both innovations lies in how their underlying ideas have convinced and continue to convince individuals and groups of individuals. As for the internet, it is now more than a convincing idea; it has become, since then, a whole new type of infrastructure.

5.2. The new “religion” of flexibility

Access to the internet is an important aspect, setting and driving the contemporary communication habits. Just twenty years ago, this was not at all the case. The (chord-ed) telephone was still a viable and... fashionable means of communication. The telephone still exists today—being used more or less depending on where we are. However, for what we call “the modern people”, the internet is part of the daily arsenal of must-have tools. Having slowly but steadily replaced printed press, the internet, a revolutionary change on its right, encompasses three aspects of the social system that feature the information function: telecommunications, information systems and media. Therefore, the internet is capable to change how individuals and communities are influenced, and sometimes how they live.

For most of those living in a contemporary urban setting, enjoying time off email and not having to keep the mobile phone close by is... the condition for real relaxation. Those in their mid-40s, however, remember the time when having to check the map was actually synonym to... having a paper map in your hands and not the Google Maps application on your mobile. They are the ones that know that feeling of being surrounded only by some friends and only in one place, without being connected and therefore present in other places and not be easily reachable to other people than those surrounding you. Currently, you have that option if you switch off your mobile phone. But it is habitually normal not to switch it off.

The rather steep banks surrounding the archaeological site of Paphos, facing the sea, make you think about the old way of life, about those who used to live in the times of the Roman empire, or the Phoenicians. It was habitual that fam-

ilies and friends lived apart, without knowing of each other for months and sometimes even years, being in discovery or conquering expeditions, to charting the new maps of the world, throughout the power of sword and trade.

On the display of my smartphone I can now check the map of archaeological site—giving indications on how to reach the ‘40 columns’ fortress, the Roman Odeon, the house of Dionysos, the house of Orpheus, the house of Aion, and the Theseus Villa. Without knowing the names of their real owners, the names of the buildings speak about the art of mosaics. For example, the Theseus Villa is home to the most interesting mosaic collection on site, which besides its impeccable Roman geometry, paints in stone the story of a civilization that was both sensitive and merciless. One scene shows Theseus killing the Minotaur, and another shows the birth of Achilles. All mosaics appear as well-kept mythological dreams, while the archaeological site keeps alive the intersection of the Greek and Roman cultures in time.

Itself of little geopolitical relevance, besides the fact that it belongs to the eastern Mediterranean, Paphos has the provincial air of an island port. Home of tourists during the summer, it has its own small-town life for the rest of the year. Being too tired—or too comfortable to start a conversation and share a smile with the locals, asking for directions to the center,

I’m consulting, just as always in such situations, the Google Maps app on my mobile screen. It usually knows best. More, considering the phone (or its artificial intelligence) knows that its owner (me) likes to use shared workspaces for her online job, just as we arrive in the center, it notifies me that one such workspace is not too far from where I am. Just some steps away, one can pay a weekly

rent to get to use the workspace together with other fellow-colleagues.

The clickety-clack of the keyboards and the smell of a rather stale coffee replaced the buzz of the pedestrian streets in the old center. The place could have been a warehouse or some sort of shop before they turned it into a shared office space. White, tall walls, wide and industrial looking desks, ergonomic chairs, minimalist design—it is all designed to get you into a world that is so much different from that of the reddish streets outside, of the small but rowdy port, and particularly distant from the memory of the ancient deities, the archaeological sites or the aphrodisiac beaches (because legend has it that Aphrodite was born on the shores nearby Paphos, out of the foam of the sea). Once having stepped inside this workplace, you are transported immediately to the soul-less world of office spaces worldwide – they look the same in Vienna, in Paris, in Berlin, Bucharest, Belgrade, Moscow or Shenzhen. It is only the taste of the coffee here that makes the difference.

Just like elsewhere, these locations are meant for those without a ‘permanent office’ or for those that are constantly on the move. Entrepreneurs living stressful busy lives, sometimes working two or more jobs, young professionals, all typing on their keyboards in such places have one thing in common: they want to detach from the homely environment. Every once in a while, a joke originating from the social networks cracks smiles and comments, whether in English or in the local language, or in any other language which you do not understand. Applying the traditional rules that define a community, very few indications would confirm this is a community and yet they seem one, at first view. One can come and go at any time – there are no strong links between the ‘residents’ of a shared working space. Howev-

er, they all are confronted with similar problems, they often speak a common language (English, Spanish or Chinese, depending on the continent), and most of them are young professionals, having graduated the university and living in an urban environment.

Such places, regardless of their uniformity, seem to define a new social class, which is still in formation. The internet did not determine its emergence, similarly to how the internet did not determine the diversification and the functioning of the modern financial markets, although the internet is a keystone of this new social class, as it is for the financial markets. The changes that the internet has brought to the society's information function have facilitated the development of a new type of corporate management. Immediately after the '90s, companies saw and understood globalization as an opportunity to grow, to expand their activities, increasing their efficiency.

Through foreign direct investment, national corporations have become transnationals and then global corporations. This led them to become more attentive to the local culture, to details of the local markets, while seeking, at the same time, to increase their profitability by lowering the cost of materials and labor. Thanks to the increasingly cheaper and more user-friendly means of communication between distant locations on the globe, along with the internet-based communication tools and the technological progress available, corporations have outsourced tasks which did not relate to their core business, preferring cheaper labor from the international environment.

The relocation of production units meant a reconfiguration of the companies' information-flow systems. Keeping the information 'under control' meant corporations had to use various organizational arrangements. This has influ-

enced the global labor market as it increased pressure on the workforce of wealthy, developed states, who has seen itself in direct competition with the workforce of poorer states of the Globe. Considering all the transformations shaping the global environment but also the corporation's life, this is when competitive management was transformed into knowledge management, marking the transition from "labor" to "human resources" in the terminology used in business books and the international economy literature.

The rush for cheaper human resources also led to the reformulation of the rules governing transnational corporations. Leanness and flexibility were imposed in the internal organization of the entity, with a focus on specialization. The corporations have essentially rebuilt themselves through networks, in which efficiency is given by the cost of talent per unit of work invested for obtaining the finished product. From a social perspective, this did not mean equal opportunities—on the contrary, it led to imposing a 'hub order', in which the central hub is keystone, without which the company could not exist, and therefore the most stable one. Its members give its value, similar to the value of the other hubs (production, delivery, supply, sale).

Because of delocalization, it is hard to assess the dependence between hubs, as clusters from multiple places can make a hub, even though it is plainly clear which of these hubs is the most important: the leadership and coordination one. Therefore, time—the social construct which dominates social systems—is also an element of pressure for transnational companies, through the fact that the internet facilitates instant communication, and the coordination function requires instant communication, to achieve maximum efficiency.

The financial crisis of 2007, followed by the global economic crisis of 2008-2009, was the signal for massive changes and restructuring not only regarding the nation-state but also regarding the social classes. The crises have highlighted the increased importance of the 'social class' that transcends the national location, and which belongs to the new global infrastructure, to the internet. The financial markets, because of their deep deregulation, have highlighted, through their failures, the problems of globalization—a phenomenon inherently impossible to 'administer' and to govern in the classic sense of the word.

The labor market, because of the deep dependencies between the global transnational companies and also between the layers of these companies, has been affected dramatically, and the qualitative aspects of global unemployment have pointed to a new workforce structure having formed during the last decades. The crisis meant that the less skilled and highly specialized, cheaper workforce was let go, while those who could add to their job duties other than those for which they had initially been employed, were retained. Through this organizational 'leanness', corporations could become more adaptable, which helped them adjust more easily to the market requirements.

In the internet era, flexibility determines the value of the labor. Those less specialized before the crisis, especially those who belonged to the technocratic elite, working in stable coordination hubs, have been able to maintain their jobs because they have accepted the crisis' conditions, have become more involved and took over additional tasks, as they knew how to access knowledge and put it into practice. Knowledge management defines competitive advantage as access to knowledge and the ability of individuals to process the information. It is making continuous learning the

new trait that humankind has to have, in order to perform in tough situations. This places the education system in a transitional situation, in the context where technological progress, through digitalization, forces the redefinition of human resources.

In transnational, network-type companies, the coordination and control function refers to discovering best ways in which they can shape value hubs - to bring value added through their ability to use the information they have access to. The human resource is coordinated through a defined purpose, established by the corporation's goals. Human resource performance is calculated according to the speed with which it makes profitable decisions (for itself, the corporation or the nation state it belongs to), meaning individuals have gained an increase in autonomy, while their responsibility is higher under time pressure.

Without administrative routines, global productive networks risk turning into organizational chaos if the management in the central hub does not handle the functioning of the network in a coordinated way, yet this does not mean that it has authority over the entire organization. Such increased responsibility to make the overall activity more efficient means that often decisions are not followed through by testing periods and solutions are no longer carefully validated. Decisions are implemented swiftly. Pressure, through the psychological involvement of the decision-maker, is therefore increasing. The management system resembles more to crisis management than to a disciplined, planned-in-detail-type of management—the idea being that it should be possible to quickly fix everything that is not efficient.

This type of 'doing things', slowly imposed since the late '90s, through delocalization and outsourcing, has meant that people are more motivated by what they do, and are



less ‘controlled’ by management in their activities. Along with the global economic crisis, adaptability had to accelerate. The less flexible ones had to add new capabilities, and the flexible ones had to increase their ability to adapt to levels that resembled or became entrepreneurial.

Workspaces such as that in Paphos and those in other cities around the globe have multiplied, along with the increased flexibility of the human resource and that of corporations, of productive organizations. Those who work there manage several projects at the same time, and thus time spent on work is amplified. Professionally, performance becomes the ability to do several things at once, while we consider adaptability to change a personal value. All of these, while psychologically, humans, in fact seek stability: managing over one project at the same time and having several jobs means that the risk of ending up without an income decreases considerably.

However, digitalization, through the internet, does not forge communities. The social class of the flexible professionals, whether it is about the ability to work in over one field, or to work in more than one geographical location, is an additional layer among the old ones, which belong to nation states, complex social systems. That we can communicate on the same topic with someone of different ethnic origin, religion or nationality does not mean that we share common values or that we belong to a community. However, the simple fact that it is much easier for us to do this today, thanks to the technology we have access to, demands the consideration of a new geography. This requires a reconsideration of the aspects pertaining to the anthropo-geographical method, by adding access to the internet and specific educational factors which make up people’s capacity to be more adaptable, supporting the systems’ flexibility.

From a historical point of view, the fluidity and flexibility that digitalization and integrating communications offer are not necessarily a novelty. In the middle ages and in antiquity, geographical discoveries, along with conquests and the need to administer the conquered regions, cultivated the spirit of flexibility—first for the ones conquered, and to a certain extent also for the conquerors, who had to learn how to become the leaders of those that they were supposed to dominate. By discovering and learning through experience, the leaders of those eras sought, like those of today, to avoid the mistakes of the past. Technological advance meant, back then as it does today, stronger armed forces than those of the adversary and a greater capacity to dominate.

The Theseus Villa or the Dionysos house, both bearing the names of characters from Greek mythology, would not have existed today without the flexibility and adaptability of the Roman conquerors. The Roman villas treasured within themselves the local spirit and culture. The Byzantine Castle in the port recalls the historical evolution of the region, of the intersections between Christianity and the Muslim world, still all so present here. These to suggest that progress is only the fruit of imagination, while essence remains the same, embodied in the very “religion of flexibility”.

5.3. The new geography, interpreted from the decision-making point of view

The new geography, built on the internet in particular and digitalization in general, is creating freedom through cyber-space, precisely because its development is constant. Conceptually, the ‘new geography’ belongs to the time of discovery—the same time that was characteristic to the ancient Greeks or Romans, to the people of the Renaissance

or to Marco Polo. The search for additional features of the world, for life improvements, is part of the mission of humanity in any historical time. This search does not go by any rules, nor does it have limitations, other than those of creativity. Regulating imagination is impossible. The rules arise from the necessities imposed by the new findings, not because of the new findings themselves.

Cyberspace is just another metaphor for ‘change’. Therefore, it cannot be regulated—it is only its outcomes that may be subject to normative discussions. For example, data protection rules refer to the result of using certain internet applications, including digital payments, all these activities being characterized by the repetitive routine of specific actions which have already founded the rules themselves, through status quo. The crypto currencies market, however, is regulated only by the ‘invisible hand’ of trade, being influenced by the realities of the classical financial market. However, while not fully regulated, the freedom existing in cyberspace does not mean that the cyberspace is borderless.

The internet is not ‘the same’ everywhere—we are constantly associating faster internet speeds with a ‘better’ internet, thus highlighting the human need and desire for instant communication. Infrastructure limits this characteristic, suggesting borders. When we say that the speed of our cyber communications depends on the technology available, we are referring to several parameters. The span to the internet nodes is the first parameter to be considered when assessing internet speed. We define it as the physical distance between internet hosts and the distance between internet exchange points, which is given by the physical infrastructure through which internet service providers (ISPs) and content delivery networks (CDNs) are exchanging traffic between their networks. The greater the distance, the

slower the communication. (Colibășanu, 2020, p. 41-42).

Another important parameter is the quality of the transmission network: communication cables (including submarine cables), microwave transmission networks, and fiber-optic cable networks. On the map provided by the UN agency, the International Telecommunications Union, it is easy to observe that in ‘hard to reach’ – mountainous areas, such as the Western Balkans or Central Asia, microwave transmission networks are prominent. The more expensive fiber-optic cables were not deployed here also because of other geopolitical factors—those referring to political will, economics and security aspects. In the same time, Crimea, for instance, is currently a ‘blind spot’ on the map—although there was a fiber-optic infrastructure before 2014, following its annexation by Russia, the communication infrastructure has disappeared in the following years and Russia is likely to replace it.

Another measure for the quality of communication relates to 2G (GSM), 3G and 4G networks, and it is given by the distance between a specific location and the radio base station, and the features of the radio transmission network. In their case, topography determines communication speed both on the horizontal and vertical axis—the barriers between stations, be they mountains or skyscrapers, obstruct the signal. We link investments regarding the development of these networks to specific economic needs and to the density of the working population in a certain area on the map. The 3G and 4G technologies cover important urban areas across the globe, and are more prominent in developed countries.

Infrastructure is closely linked to the physical topography of the state and it is the basis for strategic decisions, particularly in the military (defense) sphere. The complex

social system existing in the 21st century points to the need for the state's defense capabilities to become more sophisticated. Considering the defense and security policies are no increasingly focusing on the rather "soft" areas of (foreign) influence operations or economic warfare, communication becomes a key vector to understand and control, for resilience's sake. Therefore, the communications' infrastructure, critical for the conduct of individuals' activities, is of utmost importance for national security.

Debates about the 5G technology are, therefore, about all the components of the social system. Perhaps the most important aspect of this technology is the fact that it is satellites that can bring communication to areas where terrestrial telecommunications providers believe that it is too expensive to invest in infrastructure. This means that satellites, which add to the geographical strata to be investigated in order to determine the significant parameters and dependencies within a social system, will serve not only military telecommunications but also civilian ones.

Examining the Earth from space, one cannot help to think that the Earth's orbit is rather 'crowded' with satellites (and space junk). At the beginning of the 2000s, nation states were the only ones that could send satellites to orbit. Today, the research community and private companies can also launch satellites—while respecting the rules imposed by nation states. Innovation is truly quick: satellites are becoming smaller and smaller (in the 2000s, we were launching satellites with the size of a bus, while by 2015 we started launching smaller satellites, some the size of a bag or even the size of a shoe), showing a generational technological change (Tucker 2019). Considering the technological progress, which is to a large extent due to the advancements in microchip technology, the imagination of the possible fu-

ture scenarios for how the world develops needs to consider how developments in outer space will influence society, through the applications of telecommunications and much more.

Both the cyber-space and the outer-space are theatres of operation agreed upon by NATO allies. But only one state has a distinct unit, at the level of the military, which relates only to the outer space environment—the United States of America created, through a regulatory act, the U.S. Space Force, by carving it out of the United States Air Force. Space will dominate telecommunications, which will dominate trade flows and the activity of individuals. One of the geopolitical imperatives of the United States is to maintain control of the world's oceans, and its dominance over the global trade routes. Considering the addition of the outer-space layer to the commercial infrastructure, the United States added in 2019 the above imperative and the outer-space control function.

This paradigm shift draws attention to the pace of change. Today, we update the map of the world daily from space, while, just five years ago, we updated it once a year. Considering that updates are now virtually done in real time, unknown places and communities could be (and have been) discovered. Entire constellations of satellites operate in the same orbit, in close coordination with each other, in order to discover additional elements on the surface of the Earth (Tucker, 2019, p 346). 'News' from space is increasingly important in forming the new information base for decision-makers, through the re-discovery of the demo-geographical 'body' of the Earth.

As a result, while decision-making concerns structural and relational problems of the social system, the new layers brought by technological progress - through digitaliza-

tion, force decision-makers to take a swifter, more flexible approach. Strategic thinking will become more focused through the flexibility used in defining the importance of interdependency hubs.

Technological progress, focusing on improving human capabilities not only in terms of the information function, but especially in what regards human health and our adaptive abilities, means that the next geographical layer, in the long term, will be imposed by educational demography. There is, after all, a wide gap between the ones having access to (better) education and the ones not having access. The differences between the rich and the poor, between the most flexible and the static population, are already widening. The links between individuals belonging to the same social class are more intense, at a global level, than those between different classes, which are becoming increasingly diluted. Considering the current world affairs, where the technology and the economic realities support this social development model, geopolitical analysis will have to investigate further the degree of isolation for particular social systems, be it nation states or not.

Key concepts

- social temporality
- social innovation
- decision-making process
- conceptualizing the future
- change signals
- change in motion
- typology of change

CASE STUDIES

of analysis articles and essays

How the Energy World of Tomorrow Reshapes Geopolitics.

2019: The beginning of the American withdrawal?

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To understand geopolitics we need to understand power, which in turn derives from the perception of national wealth. The way nation-states use their wealth to defend their interests helps to shape our perception of their place and their role in the world. Soil resources are among the most important elements of wealth. But it is the human being who evaluates those elements -- as such, the human resource is superior to them.

Hydrocarbons played a vital role in World War II, and the use of energy has evolved in the decades since. In order to understand the way the energy sector is perceived today, as well as the geopolitical consequences of this perception, we must understand how World War II redefined the world itself.

The strategies developed by the two opposing world powers during the Cold War, inspired by the lessons of the Second World War, were based on access to energy resources and the use thereof. This is no longer the case today, although energy security remains an important part of shaping a national strategy. What has changed is the way we perceive reality today. We're increasingly individualistic, which grows our importance as human beings and communities in defining the role of the nation-state in an increasingly "not-so-global" world.

Energy nodes: redefining the world

The end of World War II also marked the end of long-standing European empires. Among the winners, the United States was the most powerful. Their economy was the least affected by the global conflagration. From the military point of view, the United States remained the only naval force of global significance. If before the war America's geographical position had required it to invest in the naval capabilities needed to secure its borders, after the war, the United States made of this need a strategic advantage. The United States understood that in order to secure its borders, it would now have to secure the world's oceans.

In fact, Washington has since taken control of global trade networks. The security element of that control was the global presence of the U.S. fleet, and this was reinforced by the commercial policies derived from the Bretton Woods agreements that founded a new economic system. During the Cold War, if a country wanted to benefit from the free-trade system, it had to cooperate with the United States on a security level. Such collaboration underwrote the foundation of NATO and that alliance's international partnership networks. Thus, Bretton Woods was not just about the economy. It was more than anything about security. The United States used its position to anchor lasting alliances for a war with the Soviet Union -- a war that seemed likely to occur.

The economic system established at Bretton Woods not only made it possible for the West to win the Cold War, but it also supported the development of NATO. Because prosperity was created through the free-trade system, that system is what symbolically won the war. Symbols matter: They usually live longer than they are programmed to live in policy papers. Thus, the victorious system of free

trade constituted the basis for the globalization that ensued. Through trade networks that established deep links among communities, the risk of renewed global conflict would be reduced. This was the theory on which development models from the early 1990s were created.

The commercial network during the Cold War was supported by an energy strategy that aimed to ease access to global energy resources for all U.S. allies. They had to be able to purchase energy relatively cheap -- and especially oil, the strategic raw material for the global production of goods and services. Before World War II, Western European countries got their energy via long-established colonial routes. After the war, and especially after the Suez Crisis of 1956, when America refused to help the British and French to maintain their control over a key colonial trade route, Western Europe became completely dependent on the United States. A new supply chain had been established by expanding the network of partnerships of the North Atlantic alliance. The allies used this network to try to block Soviet influence even as they expanded their own.

With this, energy consumption increased. Throughout the Cold War, the relevant global producers worldwide were the Soviet Union -- whose exploitation of its resources was limited by difficult geography -- and the Middle East, which became the main source of oil for U.S.-allied countries. The United States, a world-class producer during World War II, became a net importer of hydrocarbons in 1973. The pressure imposed by the country's energy needs led to the establishment of strategic relations with states such as Saudi Arabia or Algeria, even though these nations did not share the democratic values and principles supported by Washington. Other Western countries followed suit.

Relaxation and optimism: energy security in transition

After the end of the Cold War, optimism for a better world grew. Free trade grew into something more than just a symbol that won the war -- it became the preferred system to increase national wealth. It was facilitated by digitalization, which was supported, in turn, by consumers' desire to transcend borders, looking for diminishing cultural differences. We all had the feeling, in the 1990s, that things could only get better. This feeling held despite the difficulties Russia and other states formerly in the Soviet orbit had in transitioning toward the new system. The transformative process was animated by faith.

However, hoping for the better didn't improve the map and the infrastructure of oil supply -- this was not simplified. On the contrary, for both Europe and America, it became even more complex. In the early 2000s, the list of top exporters to the United States was made up of Canada, Mexico, Saudi Arabia, and Venezuela. Europe's dependence on Russia increased after the Cold War, even though for Western European countries, sources of supply diversified and included countries in North Africa or the Middle East. Hundreds of contracts had to be closed daily, both on the spot and secondary markets. Increasingly complex realities caused new commercial risks to proliferate.

In 2001, the United States was the first country to wake up from the sweet dream of globalization. That was the moment when it became obvious that the end of the Cold War produced new risks. These risks had to be taken into account alongside those already present in commercial contracts and transactions on the global energy market. Large corporations, both private and state-owned, have had to manage more or less by themselves the political and securi-

ty risks associated with the energy supply chain, becoming active players alongside states in the global energy market. This, together with the reality of an increasingly complex world characterized by accelerated economic development and limited resources, has helped drive a trend of increasing differences in wealth among nation-states and among social classes. It has also meant increasing energy demand, which translates to an increase in the oil price.

At the same time, the founding members of the Bretton Woods system understood that while that system still existed, its operating conditions had changed. Under the new reality of the 2000s, states lost much of their control over the evolution of the oil price. The United States and American businesses realized that without U.S. coordination of economic flows, which was impossible in the new context, they might lose their competitive advantage in the energy market.

The financial crisis that began in 2007 further exposed the problems of an unmanaged economic system. The rules seemed too few, the dependencies too intricate. The European Union, due to its enlargement toward the east, had begun to understand the problem of energy dependence on Russia. At the same time, China's emerging economy was becoming a major energy consumer. Russia, after significant investments in the development of the energy sector, was growing in importance as a producer, both regarding the European market, but also regarding the potential for cooperation with China.

The rules that governed economic transactions were the same as those established at Bretton Woods, but the institutions and alliances established at that time and in the 1990s were becoming outdated. Old partnerships such as NATO no longer restrained new forms of cooperation. A collabo-

ration based on economic interests was emerging between Russia and Germany. EU member states in Europe's east prioritized regional dynamics, while those in the west were occupied with internal socio-economic issues and deprioritized the EU integration process. In the Middle East, Turkey has tried to grow into a regional power, although it risks domestic instability. The United States has become increasingly concerned with domestic issues, even if it does remain globally active.

Resettlement and disarray

The world is changing again. If in 2001 business realized that the United States does not control the world anymore, since 2007 it has been apparent that American society has begun to change. The same thing has happened in Europe. European society has slowly started responding to the negative effects of globalization, similar to the Americans. Differing geographical and social contexts mean that these responses have differing influences on the energy sector.

In America...

The price of oil has increased from approximately \$15 per barrel in 1989, to \$20 in 2000, to \$70 in 2007, and \$100 in 2011. Invoices for just about everything else have mirrored these increases. When the cost of living goes up because the price of energy is rising and you have no opportunity to increase your income, you think about lowering your expenses. Moreover, when you see the rising price of oil and you hear that pollution is slowly killing the planet, you think it might be better to consume less energy. You might consider buying more energy-efficient products. As con-

sumers make these demands, producers adapt their offers.

Of course, big changes do not usually happen from one day to the next. But when an adaptation must be made suddenly, as in the context of an economic crisis, the restructuring can produce energy efficiency. Of course, government policies also help -- especially in countries where the safety net and social policies are important. This is not the case in the United States, where dynamism is the rule for adaptation, but it is the case in European states. Consumer habits do not modify radically except under conditions that create a favorable environment for change, usually generated by economic shocks, which require less time to impact society. These changes, while important, usually remain marginal and become an inspiration for future innovations. "Marginal" in a market of 2 million consumers can mean that a niche of several thousand people came into being. But in a market of more than 300 million consumers, a marginal change influences production worldwide. Changing consumption patterns at the individual level in the United States have produced just such a global change, to the degree of constituting a new starting point.

More important is the way in which American society reacted to the challenges brought about by the financial crisis. For the first time after the end of the Cold War, society began to see America's global involvement as problematic for their country's stability. Among the sources of U.S. socio-economic problems, as perceived by the population, the political class's lack of concern for the needs of "ordinary citizens" became prominent. Increasingly, due to this perception, American foreign policy has begun to be seen as favoring the rich and powerful, while the "others," the vast majority of the electorate, see themselves to be contributors to the state's policies, rather than beneficiaries of them.

The U.S. business environment in the energy sector was among the first to react to the new international context, which was beginning to emerge as early as 2001. Due to price pressures and increased security risk for the development of business in the international environment (for oil companies in particular), energy companies returned to domestic investments favoring new technologies. Technological progress in the energy field has meant an increase in shale oil production. From 6.8 million barrels per day in 2006, to 13 million barrels per day in 2015, shale oil production is expected to turn America from an importer to a net exporter by 2020. This reality, together with the elements that have redefined consumption patterns in the world's most important energy market, creates a new basis for discussions on energy security.

In Europe...

The effects of the financial crisis have spread more slowly on the European continent. Nonetheless, they continue to produce long-term consequences. Socio-economic problems have returned nationalism to prominence. The feelings of the population toward its traditional political class, largely perceived as more or less damaged and corrupted, are similar to those seen in American society, but their effect is doubled. They not only influence the internal political life of member states, but also the operation and perception of the European Union. Brexit is just one of the effects of societal dissatisfaction, while EU integration serves as a mirror to it.

The Energy Union started as a solution to Europe's energy dependence on Russia -- and more generally, as a response to the effects of long-term socio-economic prob-

lems. The project is currently suspended somewhere between the economic mathematics and political discussions. Energy infrastructure projects are not necessarily the result of political will at the EU level, but serve the national interests of member states. The classic example, in this sense, is the Nord Stream II project. Socio-political problems of different member states supported by different economic realities have resulted in the formation at the EU level of regional interest groups: the states of Eastern Europe vs those of Western Europe, founding states vs newcomer states, so-called core states vs peripheral states, and so on.

In addition to these issues, the rise in the price of oil and the emergence of the politics of social responsibility and environmental protection, but also the increasing need for the population to grow its savings and rely less on the social contract, have fostered a similar attitude toward individual energy consumption. Like the American population, Europeans want to consume and pay less.

Shaping global disorder, from the market to the sovereign interest

In order to establish effective strategies in the new global context, we must understand the new attributes of the population. That's what defines the market. So who is the population? And what does it look like? Demographics must be taken into account in order to understand consumption patterns. One behaves in a certain way at 20 years old, otherwise at 40 and differently at 70. If the majority of a state's population is old, we can make a general geopolitical comment on the ways in which it can develop and on its specific security needs, which derive from the national interest but also depend on the demographic context. With

an eye on these variables among others, we can anticipate how a state will position itself in the market of consumer goods, services, and energy.

In the case of the two traditional energy consumers -- the United States and Europe -- demographics and other social factors indicate a natural decrease of energy consumption for the next 15 years. The older baby boomers started to retire in 2007. Their disappearance from the labor market will naturally yield a drop in energy consumption. Sure, the United States still has a healthy demography with a solid foundation, but consumption habits differ among generations. And due to the consumption habits of the children and grandchildren of baby boomers, trained in the idea of efficiency, the mentioned decrease becomes possible.

In Europe, the West has already begun to face a demographic problem. Its effects may be observed in the socio-political sphere, especially in national immigration policies. In the West, the refugee crisis of 2015 added pressure to a demographic environment that was already troubled. Eastern Europe, though with a better demographic, is not far behind the West.

The number of retirees has grown rapidly since 2013 in Germany, Italy, Greece, and France. Eastern Europe's pensions are under pressure, and a large proportion of the young population is working outside the region. The causes are thus different from region to region, but market contractions are expected just the same. In the long term, the generational preferences fueled by technological progress will diminish the demand from traditional consumers and increase the need for innovation.

New risks on a new map

All of these factors lead to a redrawing of the global map -- both of its energy resources, and its energy security needs. Energy producers will continue to seek new markets -- less in an effort to reshape retail markets, and more in order to support their development models. They will target Asia, and especially China, but that region's consumption capabilities are limited. In a period of anemic economic growth, countries such as Russia and producers in the Middle East will go through periods of economic instability. These can end by reforming the national development models, but can also lead to internal or international conflict.

The United States started to visibly withdraw from the role of global manager, including at the political level, as early as 2016. The protagonists of the 2016 presidential campaign were Donald Trump -- who proposed (and later put into practice) the renegotiation of all U.S. alliances and agreements -- and Hillary Clinton, who opposed the conclusion of all free trade agreements negotiated over the past 25 years, including those she had personally helped to negotiate. Moreover, the United States in 2015 reduced the presence of armed forces in operating theaters to values that had not been seen since before 1941. With domestic production on the rise, the United States no longer has the same interest in securing global energy-supply routes.

While the U.S. interest has shrunk, the entire world is dependent on the system imagined, managed, and protected by the United States after the end of World War II at Bretton Woods. Its withdrawal means that the world's energy exporters will have to find markets and secure their supplies, while importers will have to find ways to secure and streamline their energy sources.

The new context reshapes some of the key issues of global geopolitics. With the withdrawal of the United States from the Persian Gulf (unlikely, in full, in the very near future), conflict could escalate between Saudi Arabia and Iran. Both states have economic problems, and both are facing complicated processes of societal reform. Both have oil reserves, as well as complicated relationships with the United States. At the regional level, such a conflict would attract the participation of Turkey, a state that is trying to restore its role of regional power, a knot between Europe and Asia.

If tensions escalate in the Middle East, it will affect not only the energy markets, but also global stability. The United States will remain involved where they have an interest in doing so, trying to minimize their exposure to risk. Given the possible scenarios in the Middle East, America will act as slowly as possible - and the other powers (especially Russia, but also Turkey) will try to prevent a complete U.S. exit.

Due to the existing dependence between the United States and European states, one of Washington's geopolitical imperatives is to prevent conflict on the continent. It is possible that the aggressiveness of Russia, weakened by social problems and with an economy dependent on the price of oil, will continue. In order to discourage Russian aggression, the United States supports the establishment of a regional alliance in Eastern Europe. But a socio-political crisis in Russia would spread instability not only in its European neighborhood, but also in Central Asia. This scenario would attract the involvement of the United States, Europe, and Asia.

In a twist of fate, America's calculated withdrawal, which is predicated on the fact that it can ensure the consumption of its own energy production, can be to its detri-

ment in the long term. The multipolar world that emerged after 2007 does not empower the “regional players” by default -- they don’t become simple network administrators. Nor does it add any new attributes that enhance their wealth and make them stronger or more responsible. Further, the withdrawal of America does not mean a dilution of its wealth or power. However, the current resettlement will produce consequences that involve more complex calculations for risk managers in the private space and for the operationalization of national strategies.

2019: a new beginning

2019 announced a world without the United States as “global policeman” -- but Washington will continue to be the greatest global power. Geography has become more fluid. The energy map no longer simply includes hydrocarbon producers and consumers. Innovation has modified pretty much everything relating to the energy supply chain, from the extraction process to the build-up of infrastructure and consumption. Through innovation, the human resource has become more valuable than any of the world’s natural resources -- human intelligence and creativity determine the development of new models for the energy sector.

However, ideological divisions and geographical differences persist and will deepen. Sovereignty, supported by nationalism, is increasing, not decreasing. Over the long term, the nation-state will likely evolve, reshaped by social perceptions of politics and by the rise of individualism. It is likely that new states will take shape and others will expand their area of control.

Physical borders will continue to be diluted by digitalization, while infrastructure, by connecting emerging social

networks, will become part of physical geography. However, connectivity also creates claustrophobia and new fears, determined by the new challenges of society. As such, discussions about how human communities can reduce their dependencies will continue. And this will influence the way the energy sector in the world of tomorrow will develop, and the new types of geopolitical players that will emerge.

Macron Versus Eastern Europe

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French President Emmanuel Macron will meet with the leaders of Austria, the Czech Republic, Slovakia, Romania and Bulgaria on Aug. 23-25. To the local media, his visit is a sign that he has taken the lead in reforming the European Union, making it stronger and more unified. In truth, he has set his sights on improving his political standing at home and tackling cheap labor from Eastern Europe – and he has a paradoxical way of going about it. Macron’s Calculation During his presidential campaign, Macron argued that one of the causes of Brexit was the growing discontent among the British middle class with Eastern Europeans’ “social dumping” in the United Kingdom. Immigrants from the east poured into the U.K. in recent years, taking jobs for less pay than Britons would accept. Macron argued that this is a flaw in the EU: that labor markets are not adequately regulated to ensure that everyone in Europe is paid a similar wage for similar work.

For the French president, the matter hits close to home. In France, the unemployment rate is high – 9.6 percent in the first quarter of 2017 – but the country still attracts temporary workers from other EU countries who will work for less than French workers in construction and similar industries. Most of the temporary workers in France come

from Poland (16.9 percent), Portugal (16.1 percent), Spain (15.7 percent), Belgium (13.2 percent) and Germany (11.8 percent). The trend has sparked a nationalist backlash from French citizens who see the cheaper labor coming from other countries as a cause for the high unemployment rate. Eastern Europeans are often the object of their resentment.

Macron's calculation is therefore simple: Reduce or eliminate the competition from cheap labor, and French employment will increase. To do that, he argues, the EU should set rules to establish universal salary levels. Macron supports changing Directive 96/71/EC, the Posted Workers Directive, which regulates the salaries and permitted length of stay for posted workers – employees who are sent by their employers, on a temporary basis, to carry out a service in another EU member state. (France also lobbied for reducing the duration a worker can be posted from two years to one.) He isn't alone.

Last year, the governments of Germany, Austria, Belgium, the Netherlands and Sweden joined France in sending a letter to the European Commission asking to update the directive so that it respects the principle of "equal pay for equal work in the same place." Austria and Germany are also major destinations for posted workers from Eastern Europe. Austria, which gets 58 percent of its posted workers from neighboring Eastern European countries, is a staunch supporter of changing the EU directive. It's unemployment rate has grown as quickly as its nationalism. It's no coincidence that Macron began his trip there.

At home, Macron has launched a series of discussions among the government, the business community and the labor unions with the purpose of reforming the French labor code and creating a more flexible labor market, which Paris hopes will raise employment levels. The government will

present the results of the first round of talks this week. Macron has promised that these discussions will not only shape French labor laws, but they will also become the foundation for the new EU “social model.” But in reality, France can do little to protect its labor market from cheap foreign labor. The solution can come only from a change of the EU directive for posted workers. And it’s here that Macron has taken an unusual approach: He argues that Brussels should take responsibility for setting salary levels.

Ceding more power to the EU isn’t exactly what French nationalists have in mind when they call for Paris to do more to protect their interests. Options for Reform For Eastern European companies, cheap labor is a competitive advantage against Western rivals. To date, EU regulations allow posted workers to be paid in line with the wages of their home country, not those of the country they are posted to.

The labor market in the east is more flexible than in the west, and because of the lower standard of living, labor costs for Eastern European companies have been significantly lower than in Western Europe. This has attracted foreign investment to Eastern Europe and enabled the east’s companies to increase efficiency by sending workers west. Moreover, remittances from posted workers help fuel Eastern Europe’s economic growth. Poland is the largest source of posted workers in Europe, each year sending more than 460,000 workers to other states, mostly in Western Europe. About 3 percent of all employed Poles are working abroad, and their remittances constitute 1.4 percent of Poland’s gross domestic product. Latvia has only 1,400 workers posted around the EU, but their remittances contribute as much as 4.6 percent to Latvia’s gross domestic product. By comparison, Germany, the second-largest source of posted workers in Europe, sends only 240,000 employees to work

in other countries in the EU, and their remittances make up only 0.4 percent of Germany's GDP. It's not hard to see, then, why Eastern European countries oppose changes to the directive on posted workers.

The European Council has agreed on the need to change the rules on compensation. The change would leave it to the host government – not the country sending the workers – to establish the salary level for workers sent abroad. But before the change can be implemented, it must be approved by the European Commission and the European Parliament. This is where things get messy. If the European Commission rejects the amendments, the European Council could still pass them with a unanimous vote. For the reasons outlined above, however, unanimity is unattainable. But if the European Parliament modifies the text and passes it back to the European Council, the council could approve the final text with a majority rather than with unanimity, and the European Commission's opinion would not be legally binding.

This is the path of least resistance and the one Macron hopes to take. France wants a resolution on the salary levels and length of time posted workers can work abroad, and it wants these to be set by the European Commission rather than by EU member states. If the limits are not uniform, it will create a situation where Western European countries constantly adjust their rules to compete for the best posted workers. Eastern European governments don't want to see the rules changed, but if change is inevitable, the European Council's proposal has their support. As long as individual member states set their own rules, Eastern European governments can defend themselves against Western European protectionism by negotiating bilaterally with the host countries on the terms for their workers.

The Eastern European countries will not, however, accept a solution in which Brussels sets the price for their labor market. A supranational institution – even one like the European Union, which benefits from the best technocracy there is – can’t possibly calculate the evolutions of labor demand and supply in every sector.

Keeping Up Appearances

But Macron needs to appear to be doing everything he can to lobby for the French interest. This is why he is touring the eastern states, discussing the matter with their leaders and governing parties, seeking to convince them to back some of France’s proposals so that the text of the revised directive will go back to the European Council. He isn’t bothering to visit Poland and Hungary, countries where right-wing parties are in charge that have already publicly opposed his proposals. Another element of Macron’s tour of Eastern Europe is that it allows him to demonstrate his support for French companies established in the region. Romania, the Czech Republic, Slovakia and Bulgaria host more than 72 percent of the French companies with a presence in the region. Romania alone hosts 2,280 entities founded with French capital. Focusing too much on Macron’s stance on the EU directive for posted workers would be misleading.

French nationalism is gaining steam – partly because of the country’s economic problems but also in part because of the perception of a powerful EU whose policies are detrimental to France – and Macron’s solution seems to be to grant the EU more authority to dictate economic policies to sovereign nations. Macron is young, but he’s also savvy. He knows he doesn’t stand a chance of convincing the Eastern Europeans to give more power to the European Commis-

sion – he can't even convince his own people. But he needs to give the appearance that he's pressing for change and reform. This allows him to do two things.

First, it highlights that Western Europe can't keep behaving as though it's on equal footing with Eastern Europe when it comes to the labor market. The western states need more protectionism, and they will implement it. Second, by lobbying to give more power to the EU, Macron is in fact weakening the bloc's stance because he can put more blame on Brussels for the divergence between Western and Eastern Europe. Macron is heralded as a great reformer – and he's certainly carrying the flag of one – but his focus right now is on shoring up his position at home.

Will Artificial Intelligence Solve the Demographic Problem?

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Japan's Mitsubishi Research Institute said in its latest report that artificial intelligence will replace 7.4 million jobs and create only 5 million by 2030. At the same time, citing the Boston Consulting Group and AliResearch Institute, Chinese media reports that the digital economy will create about 415 million jobs by 2035, while artificial intelligence will replace an unspecified number of low-skilled and labor-intensive jobs. Both Japan and China are facing demographic challenges that will lead to a decline in the working-age population. And they are not alone. Most advanced economies will see population declines in the coming decades. Europe's population is set to decrease from about 700 million people today to between 557 and 653 million in 2050, according to United Nations forecasts.

The U.N. also says that between 2000 and 2050, the world's population will grow at a rate of 50 percent. Between 1950 and 2000, the world's population doubled –

from 3 billion to 6 billion. However, population growth decreased in advanced industrial countries. Traditionally, declining population has meant declining power. One of the most important sources of power for countries is their economies. Demographics influence economic growth because they have implications for the labor force, savings, investment and public sector spending. All these relate to economic productivity, which increases due to accumulation of capital, combined with organizational and technological change. This is why finding technological ways to counter declining population is key for maintaining political power, founded on maintaining economic growth. But technological advancement is not government triggered or controlled.

Aging populations make robots necessary. Faced with the prospect of a shrinking workforce, companies increase automation and use robots to maintain productivity. They achieve this through constant innovation, which, in turn, supports technological advancement. The use of robotics to increase productivity has been facilitated by the latest revolutionary innovation: the microchip. Since the 1980s, the microchip and computers have been an essential part of reversing the economic stagnation of the '70s and have been at the center of the digital economy. The fact that the microchip was invented in the United States has been the foundation of America's cultural and economic hegemony.

American businesses were the first to use automation in production and distribution processes, helping productivity rise. Since the 2008 financial crisis, U.S. productivity growth has diminished, and while automation is widespread, the perceived stagnation indicates that the microchip industry has aged. Robotization is either not enough or is no longer increasing productivity, since further technological innovation is needed to boost economic productivity again. Ro-

botization has been the solution for declines in productivity and the workforce in countries with aging populations.

The latest data released by the International Federation of Robotics indicates that worldwide robot sales increased in 2015 by 15 percent, the highest level ever recorded for one year. Five major markets represented 75 percent of total sales volume of industrial robots in 2015: China, South Korea, Japan, the U.S. and Germany. The industrial robots market is set to grow, and Asia will continue to be the strongest market, followed by Europe and North America. This data confirms that most companies in advanced industrialized countries with aging populations have changed their business models to leverage digitization and decrease their dependence on workers. Therefore, robotization is a response to social and economic conditions. It is used now worldwide, to varying degrees and for different reasons – either due to challenging demographics or the need for increased productivity.

Robots have changed the labor market in that the demand for skilled, educated workers has grown and the demand for manual labor has declined. The first generation of robotics used computer programs that could develop a perception of their surroundings and react based on specific instructions. The second generation involved the use of neural network programs, which are based on more sophisticated analysis. The third and fourth generations of robotics function on programs that create representations of the world and other agents, simulating what in psychology is called the “theory of mind” – the understanding that other creatures have thoughts and emotions that affect their behavior. The next generation aims at developing built-in systems that can form representations about themselves, which ultimately means machines will have consciousness.

These applications of the microchip turn machines into replacements for the workforce. But not in full. Machines need to be controlled by humans. Smart, talented human beings are key to managing the digital world of robots so that these robots benefit society. This is why scientists constantly try to find ways to improve quality of life and expand life expectancies. Therefore, developing cybernetic organisms (or cyborgs, for short) is key to solving the demographic problem. Retinal implants and prostheses that replace amputated body parts are some of the first cyborg applications that have improved quality of life.

Other artificial intelligence applications are direct brain computer interface implants or memory boosting implants that may cure patients suffering from Parkinson's and Alzheimer's disease or who have had strokes. Restorative technologies, which restore functions to the human body, is the part of cyborgization that is linked directly to solving demographic challenges. Many research projects and initiatives are aimed at going beyond robotization to make sure labor markets support long-term economic development; in this way, they tackle the larger demographic problem.

While all these projects are in essence international, with experts from various countries contributing to discussions, most are located in the U.S. There is little information on progress made in this industry in Japan or China, since media reports usually just highlight automation advances that are presented during industry-specific fairs in Asia. However, it is more important that demographic challenges that will define coming decades are met by technological innovation that surpasses microchip applications in automation. Advancements in medicine, natural sciences and information engineering will likely combine to offer the solution.

Russia Opens the Door to Cryptocurrencies

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Russia has announced that it will legalize the use of cryptocurrencies. Official reports from the State Duma and the Finance and Economic Development ministries confirmed last week that a bill is being drafted to create the legal framework for trading in bitcoin, dash, ether and other digital currencies. This comes just a year after the same Russian institutions said that people trading in these currencies could be jailed. This raises two important questions: Why has the government made this U-turn, and what opportunities does it now see in this technology? The answers lie in Russia's need to address serious problems in the banking sector and their impact on the economy.

The Russian economy has been under severe strain since 2014, when oil prices dropped and the United States and European Union imposed sanctions that have dried up foreign investment. As the costs of accessing money increased, the banking sector was also affected by the downturn. Against this backdrop, the Russian Central Bank has intensified its anti-corruption campaign meant to address dodgy, inefficient banks, some of which use money-laundering schemes to remove capital from the country. About 100 banks have closed in the last three years. Central bank head Elvira Nabiullina said the campaign would continue for at least two more years.

But closing banks is expensive – the process has so far cost the Deposit Insurance Agency (DIA) about \$50 billion. In addition, the central bank needs to act carefully to avoid a liquidity crisis caused by closing banks. Local companies depend on banks for liquidity. Extended cash shortages in the country's mono-industrial regions (many of these regions exist in Russia) could fuel social unrest, which the

central government wants to avoid. When Tatfondbank in Tatarstan was investigated in December, protesters called for the central government to force local employers to pay salaries, which were late.

The salary problems may have had other causes, as business inefficiencies aren't directly linked to the banking sector. But Russian business culture is personal, especially in the regions. Company owners are friends with bank managers, and these ties mean that what happens in the banking sector could impact how businesses operate. These personal ties between local businesses, banks and regional administrators are a source of corruption that Russian central authorities want to at least reduce, if not eliminate. The most common crimes the central bank found in banks it closed were lending to companies with no real business activities, providing fictitious loans to individuals and fraud involving tradeable securities. However, by the time investigators start looking into these banks, their owners often have fled, leaving a hole in banks' balance sheets, which the DIA must cover by paying back depositors.

The current credit system is opaque – central authorities have trouble identifying people involved in the regional banking system, and this allows small banks to operate more or less independently. But closing banks is not enough to limit fraud and its effects on the Russian economy – authorities must find ways to stop it from happening in the first place. One solution is to implement new technological applications that allow the government to identify people involved in the system in real time. This is why the Russian government has adopted a more positive stance toward cryptocurrencies. The use of digital money is not what excites the financial elite, but rather the technological platform that supports it.

Cryptocurrencies are not issued by the government. Unlike traditional currencies that are printed, cryptocurrencies are minted in the digital world. The most successful cryptocurrency is bitcoin, introduced in 2009. New bitcoin units are issued via algorithms that secure their issuance and future transactions. People can buy bitcoins with traditional currencies on bitcoin exchange markets or at their banks and use them to buy goods or services in countries that allow their use.

Governments' biggest fear of cryptocurrencies is anonymity that could facilitate money laundering. But bitcoin has less anonymity than earlier digital currencies, and the trading system it is built on, called a blockchain, facilitates tracking user transactions. Bitcoin's growing popularity and acceptance is due to the blockchain. People often wonder how and where digital currencies are stored. Bitcoins are not stored in a file or on a server. Their circulation is tracked using a blockchain, a secured ledger that allows transactions to be timestamped and verified. Bitcoin transactions, not the actual bitcoins, are tracked. This process provides a record of bitcoin users. The blockchain's technology is built on this logic.

Three main characteristics allow it to increase the efficiency of the financial and other sectors. First, it does not have a central database or server that can be hacked since the blockchain is distributed among multiple computers that host data. Second, it is accessible to network members who can see bitcoin transactions in real time. Third, it is encrypted. Like other technological applications, it can be adopted and adapted by a multitude of users, including those in the financial sector.

Governments and businesses can create their own versions of a blockchain or use the existing bitcoin platform.

The benefits of using blockchain technology, apart from the ability to track users, include increased processing speed, lower costs due to less bureaucracy (data storing and time-stamping becomes an automated process), and increased security once central attack points are eliminated.

These benefits are attractive to Russia's financial system. However, many details still need to be worked out. It is unclear whether Russia will adapt bitcoin's existing blockchain platform for the entire banking sector and regulate its use through new legislation; use the platform until banks develop their own systems; or approve the cryptocurrency's use to better understand how the blockchain technology application can help Russia's financial sector. It is also unclear if the leadership in Moscow will resist these moves. But one thing is certain about the recent U-turn on the use of cryptocurrencies: Russia's central authorities and elites understand the benefits of implementing blockchain technology within the banking sector. They are hoping to use this technology to decrease fraud and corruption, which in turn would decrease government costs.

Geopolitics and the Digital World

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The digital environment is borderless -- so runs the belief. Just as innovation is not bound to a location or culture, but it is developed by the universal human mind, the digital world, evolving through innovation, has no centered source. It is global and decentralized. It supports and fuels globalization. However, as we observe the downsides of globalization, and while technological progress rapidly makes of the digitized sector a main feature of the 21st century, we can see that it is neither homogenous nor systematically sustained worldwide.

The internet -- the platform that supports global digital development, may be “the realization of the classical theory in an anarchic, leaderless world”, as described by Jared Cohen in his book “The New Digital Age.” But it is also characterized by a geography that becomes more visible all the time, and its influence depends on nation states’ policies toward supporting not only innovation, but also their own foreign policies. As such, it is very much embedded into the classical concepts of national interest and geopolitics. There is growing evidence to challenge the assumption that the digital environment is not characterized by geographical or historical patterns. The evidence challenges its characterization as borderless.

The Logical Geography of Innovation

The development of cyberspace is driven by human innovation. Therefore its evolution is limitless indeed. It is through an analysis of its components that the borders we talk about are defined. Simply put, cyberspace is shaped by three elements: the physical, the virtual, and the human.

The physical component of cyberspace refers to all machines used for data storage, but also to the network systems that make it possible for data to be shared. In this sense, it means the fiberoptic cables, the space communications systems, the electronic circuits -- and the energy that all these consume, which account for borders on the physical side.

The virtual component that all these support is defined by the information environment shaped by all digitized data shared and stored. The software programs transformed into applications for end-users, but also all the statistics contained in databases, unseen but necessary for the people’s daily workflow, are all part of the virtual element of cy-

berspace. While this component is non-geographic, being linked to both human innovation and need, it is arguably affected historically, its development being dictated by culture and time perception.

The most important component of cyberspace is human. Individuals both contribute to the development of the cyberspace -- through their evolving cyber-needs but also through their innovative work in the technological field -- and, at the same time, are most affected by its evolution. Technology defines the age we live in -- one that we both embrace and fear, as the ease of adaptation is also dependent on biological factors or age. Information shared via cyberspace is useful to individuals, but also to corporations or nation-states. Spheres of influence are created with the help of technology, using the internet both as a platform of information and for conflict. It is us who drives it, so cyberspace is different from one culture to another, and from one area to another. Of all three components, the human element most clearly shows the geographic and historical borders of cyberspace.

The way the three components -- the physical, the virtual, and the human -- link to one another defines the characteristics of cyberspace in any given location. Depending on the population's internet access, there are different levels of and features for human need when using cyberspace. Considering the way doing business worldwide has changed since the mid-90s, the economic development of nation-states is today directly influenced by internet access. Politics are slowly becoming the most important element, directing how the three components should link up. This depends on the national interest.

For instance, certain countries limit or even prohibit popular access to the internet, while others implement pol-

icies to support the digitization of the economy in order to increase their international competitive advantage. Some nation-states support the development of alternative Domain Name System roots working in parallel with the internet and not attached to it (like the Iranian ‘halal internet’) or support the usage of their own programming languages, an evolution very much in sync with globalization fatigue and the return of international competition. All this considered, a mapping of cyberspace is needed in order to understand the various features and tools that countries may use in order to support their national interest.

Digital Power

Digital power embraces and enhances the three dimensions that traditionally define national power -- political, economic, and military. In order to establish how nation-states build digital power, it is essential to understand the developing factors for the digital environment and the way states facilitate, use, or impede evolution in the sector.

While the internet remains an important component of cyberspace, networked technologies that allow industrial machines to communicate with each other and with their operators are the defining features of the fourth industrial revolution that cyberspace now encompasses. It is these technologies that bring competitive advantages to nation states. Their goal is to increase efficiency, reduce downtime, and monitor quality. The way countries support innovation and promote technological advances, forging dependencies among themselves, will help shape geopolitical trends. Digitalization starts by affecting the economics of a country, forcing it to adapt its policies.

In early July, German Minister for Economic Affairs and Energy Sigmar Gabriel called for a European company or consortium to step up and buy robotics manufacturer KUKA AG after China's Midea put up a \$5 billion bid for the German company on May 18. Gabriel's main concern is that sensitive data could get into the hands of the Chinese government, as Midea is expected to receive funds under the "Made in China 2025" program, which emphasizes digitalized production, and thus to collaborate closely with the government. Midea's acquisition of KUKA is also being seen as a move by a Chinese company to tap into Germany's significant expertise in industrial and high-end manufacturing. Should China be able to replicate German success in heavy and high-end industrial manufacturing, it would represent a significant step in China's manufacturing evolution and would undermine German export competitiveness. Gabriel's comments were echoed by those of European Commissioner for Digital Economy Gunther Oettinger. But China is one of Germany's main trading partners, so there is a limit to what Germany can say about the potential transaction.

Current dependencies stand at the basis of future ones, and the German call for keeping the robotics manufacturer at home relates to a structural change in what are considered essential resources for securing development and growth. Human intellectual capital was understood to be essential for economic progress in the early 2000s. Now that idea is being enforced, and to it is added the technological element. The factors defining national competitive advantage emphasize the importance of access to digitalized data, and ultimately, to digitalized knowledge. Thus, the state's economic power is defined by various international dependencies and its own digital innovation efficiency rate.

Beyond trying to keep innovation at home so that it can advance the national economy, states have ways to politically influence the way cyberspace develops, increasing a state's political power through digitization. Cyberspace is not only a constantly new environment but also a completely free, in part lawless space. In this sense, countries -- and other global actors such as corporations or civil society -- have discovered a newfound independence in cyberspace, interpreting it as an area where they can build and use tools that are either not functional in the physical space or not suited to it.

Political power is the capacity to influence, condition, and control human behavior with the aim of accomplishing political objectives. With humans being the most important component of cyberspace, it is clear why, even though full control is impossible, seeking ways to influence and eventually control the new environment has become an imperative for nation-states. States have found ways to filter the information available to citizens, and they can propose policy and legislation regulating the telecommunication and trade sectors, which are intrinsically linked to the digital world. Copyright enforcement regulation is another tool the government can use. The policies states develop to support innovation contain control elements -- state funding for new technologies implies that the state has direct access to the production of such technologies. Direct communication and coordination with innovators gives governments more knowledge on potential technological advances.

States Embedded in the Digital System

In essence, the state needs to develop its ability to understand the industrial digital (r)evolution, so that it is able to

govern accordingly. The accessibility of cyberspace, which gives more power to the individual in democracies, could also empower central administrations. The binary language universally used for programming works across many varied operating systems.

It is therefore the system developers that give meaning to the IT language -- and it is those developers who set the cyberspace culture. The nation-state's culture is often embedded in the operating system. For example, Russia is seeking to increase its independence from American technology by 2025, hoping that non-Russian mobile operating systems will account for just 50 percent of total usage by then.

Russia's minister of communications has made explicit Moscow's support for local mobile operating system developers since 2015. Such a move is not unique, nor is it casual. National interest and culture go together, and as the digital age shifts cultures, states need to adapt, understanding and building on digital governance to serve national interests.

At a time when influence comes through the binary language of the digital world, perception becomes more important, as it is the most important filter for what we call "big data." In managing networks and webs of influence, states deal with two major questions: first that relating to the laws of innovation, and secondly that relating to censorship (and everything referring to cyberspace administration). It is hard for states to define what the legal boundaries or even the directions to limit or support innovation are. This legal void will likely persist, and that creates new risks to be managed by the state as it doesn't and, to a certain extent, cannot have a proactive attitude in the regulatory environment.

Censorship in cyberspace involves filtering at the internet service provider level. This is why the censorship profile of each country relates to both its policies and its technological infrastructure. In some countries there are several entry points for internet connectivity, while in others there is only one.

Some countries have developed regulations covering private and public telecommunications operators, while some only have a national internet service provider, making filtering and thus censorship easier. It is usual for states to put restrictions on the gateway router that connects the country as well as on the DNS -- domain name systems. This allows them to either block a website or process web content using special software allowing the router to look inside the packets of data passing through it. The more states invest in technology to improve data processing, the more censorship there is on the internet. Increased censorship can lead to internet balkanization, which would eventually transform the global internet into a series of connected nation-state networks.

The other important component for national influence is language. While the universal logarithmic language stands at the basis of digitization, countries' languages are still very important when it comes to defining markets and policies on the internet. This mimics the way in the non-digital world, consumer behavior defines how languages are used for transactions or cultural exchanges. Ultimately, the users have the power to influence language preferences online. They establish the commercial value of words that search engines are using worldwide, and through usage they establish political influence trends, contributing to building up a nation's digital 'soft power.'

Interconnected Utility and Development

The organic growth of digitization makes the human resource more important for the nation-state than any other resource. Even if robotization accompanies technological progress -- and is meant to solve the demographic problems countries face -- it is the human resource that makes the difference when it comes to analyzing processes and developing perceptions. The internet builds on and enlarges networks, sometimes transforming them into webs of knowledge. This ultimately brings power to civil society, which gains leverage over the political decision-making process, and at times this even translates into how governments decide to shape their international alliances. Thus through cyberspace, foreign policy is becoming more accessible to the individual. Such a fact poses opportunities and vulnerabilities from the national governance perspective. In the case of the new economic development models, based on more informational flows and interconnections, cyberspace not only supports innovation, but it is also a source of new risks -- some of which evolve rapidly and are not well understood by states, companies, or civil society.

In terms of defense, digital technology brings forth the question of satellite technology for defense purposes --a new technological layer attached to geography. The use of cyberspace for conventional and unconventional warfare is another issue that refers to the military domain. Military robotization is also a topic likely to appear in future defense programs -- the more robotization evolves, the more we will need to take into account the ethical aspect of robots fighting in the army, and whether ethics can be programmed or not (and if so, who takes responsibility for defining ethical codes for robots).

Technological progress therefore creates new challenges for the military domain. As Henry Kissinger put it in his book, "World Order": "[The] history of warfare shows that every technological offensive capability will eventually be matched and offset by defensive measures, although not every country will be equally able to afford them." Therefore, understanding the differences between developed/active and emergent actors -- the United States, Israel, China, Russia, and Iran versus the rest -- is key for understanding trends in military technological advancement. Political and economic relations between countries draw the background for influence projection and military developments, which at their turn are moved forward by the political forces within the nation-states.

The diffusion of networked communications into social, financial, industrial, political, and military sectors is creating new vulnerabilities around the world. The information revolution and the technological advances that support it have forced the political leadership to adapt, accelerating in many ways the decision-making process. If a terrorist attack happens somewhere in the world, administrations need to have a reaction within minutes and communicate it to the public through all communication means, social media included. The connections among all sectors needed to support a functioning society have become the critical ingredient -- but at the same time, this higher connectivity has translated into higher levels of risk and uncertainty.

While deep and strategic thinking is still a must for leadership (as it is for all of us), the speed induced by digitization makes humans behave more in a reactive manner more than proactively. We no longer write letters -- we write emails. We no longer make phone-calls -- we're more likely to use text messages. In such a society, dependencies among

nation-states are determined on one side by the intensity in communications among individuals, communities, and the government, and on the other side by the limits of those interconnections. Economic links are also forging those relationships -- trade policies and the financial sector integrate relations among countries or communities, but also determine the limits of that integration. Vulnerabilities relating to online purchasing, for instance, or those coming from the international capital markets are also forging specific bonds between countries. All these components are drawing up a map supported by digitization.

The linkages between the political, economic, and defense sectors that regard or involve technological progress in cyberspace build on the existing critical infrastructure that nation-states need to protect. The nation-state's digital power is determined by how those crucial national development sectors coordinate with one another and structure a national competitive advantage that helps establish the country's geopolitical imperatives.

CHAPTER 6

ANALYZING THE PANDEMIC: THE NEW WORLD?

6.1. Finding the certain within the uncertain

The pandemic has affected everyone. This is the phrase that has been repeated throughout 2020. However, nine months after COVID-19 has become a worldwide problem, we still do not know exactly how, in what way or manner everyone was, in fact, affected.

In previous chapters, we talked about the specific method that helps us understand national imperatives, being able to anticipate specific geopolitical changes, based on social and international evolution. Since we printed the first edition of the book in May 2020, I only mentioned the potential for a global pandemic a few times. As I was preparing the translation of the book into English, I started being haunted—just as the rest of us, I imagine—by the obsessive thought that the pandemic has affected everyone and the world has dramatically changed with the coming of COVID-19. So, a dive into the topic was a must.

At the time of writing, in November 2020, while we don't know yet the degree to which the global or national economies have been affected by the pandemic, we realise that the fear of becoming infected will last for more months to come, despite of the announcements that several companies have completed research on potential vaccines. Considering nation states as complex systems (see Chapter 4), formed, at their turn, of smaller complex systems, we may say that the change vectors—including those associated with social innovation have been, throughout 2020, modelled by two contextual elements: individual fear and the need for social adaptation.

The degree to which individuals, communities and businesses have adapted to the specifics of the COVID-19 pandemic varies. In the same time, while most nations have

adopted lockdown policies, some have also supported the “herd immunity” policy and have only later imposed restrictions meant to keep a physical distance between individuals. During the last months, social science related research not only refers to the economic impact of the pandemic (McKibbin and Fernando 2020), but also to how the state—through central and local authorities have been effective in limiting the spread of the pandemic (Dayrit and Mendoza 2020), focusing on control measures implemented. In the same time, cultural research has only begun in what regards establishing the factors that make a community be obedient or tolerant to control measures imposed by the authorities, no matter the government system that they belong to. There is a long list of academic papers and even a longer list of think tank and mass-media opinion pieces that talk about the effects of the COVID-19 pandemic on society.

A discussion on the geopolitical change triggered by the pandemic needs to encompass the political, the socio-economic and the military aspects—in an interdisciplinary manner, touching on the effects relating to the strategic layers of society. First, we start by considering the world to be a complex system (see Chapter 3) formed of nation states, of which some are major powers influencing other countries. We then have to understand that the major powers’ national imperatives require they maintain influence over their buffer zones and countries their power depends on. In the same time, those that are subject to such influence (the influenced states) may strive to increase their independence or, on the contrary, grow their benefits considering the dependence relationship between them and the state influencing them. This implicitly means they seek to satisfy national interests above those of allies or other countries. Under the current circumstances, all nation-states have to deal

with the COVID-19 health crisis, while anticipating a yet uncertain economic crisis to come. While tactical, we need to link the health crisis to the future strategic position of the nation state, considering the direct impact it has on national demographics (even if not yet a measurable effect). In the same time, as an economic crisis is likely to follow, nation states need to make sure they keep resilient and maintain their competitive advantage.

For a state to be resilient, in simplistic terms, the composition but also the forces associated to its internal components need to be interacting with one another in such a way that the entire state system achieves an equilibrium estate—in this case, the society within a nation state is in balance. That means that while interacting with one another, the components of the society are also reacting to external forces with a proportionate power to the pressure they receive. COVID-19 is a common force or pressure that all states and all social components feel. In the same time, this pressure differs from one state to another, from one social component to another, considering it is human beings that form such components and ultimately forming the state. The interaction of individuals, especially during the health crisis, has been first and foremost regulated by the individuals fear of catching up the virus and only secondarily by the authorities' push to limit the spread of COVID-19.

Maintaining competitive advantage, at an individual level, refers to resources and capabilities—both of which need to stay constant or, while put together, give similar if not the same results during a certain period. This is a hard job even when no external pressures apply on individual activities, let alone when you have COVID-19 around. During the pandemic, maintaining the competitive advantage requires that the threat of the virus either be ignored or that

the way production is being done is modified so it pushes back and manages the COVID-19 threat and uses both resources and production capabilities in such a way that the results are similar to those obtained before the pandemic has started. Maintaining competitive advantage is equal to being anti-fragile as defined by Nicholas Taleb in his book (2012)—making sure you end up in a better position than before the crisis, considering not only you have been resilient, but that your activity has been competitive.

Considering the so-far unmeasurable effect of COVID-19 on nation states, communities and even more so on individuals, it is equally uncertain how these may maintain resilience and competitive advantage. However, we know for sure that all components of the global system—from the individual to nation states, will work and strive to maintain both resilience and competitive advantage during the pandemic. This may appear to be an unusual contradiction. It is, however, normality - during the abnormal context of a pandemic: we are all trying not only to survive, but continue our evolution through adaptation.

Therefore, geopolitical analysis of the pandemic has currently two directions. The first direction refers to monitoring daily news, attempting to understand specific pressure points for the global system. Such pressure points may be international events, in the sense of nation states working together or, on the contrary, entering conflicts over specific topics of disagreement. In the same time, pressure points also refer to a nation state's social problems that may later become a reason for which the nation state needs to take a particular stance on international matters and thus creating an international event. The second direction refers to searching common patterns for the pressure felt from the COVID-19 health crisis. We relate such common patterns

to social, systemic reactions to both fear and the way fear is managed by individuals, communities and ultimately by the state's authorities, through specific legal effects. Considering the two directions and using the primary judgement function (the method described in Chapter 2), we can establish the major questions defining the pandemic and establishing the strategic layers defining the pandemic effects worldwide.

6.2. The specific and the common—a method for establishing the pandemic questions

During the first months of the pandemic, the commonality of the COVID-19 disease meant that the states' health systems needed to prepare for taking in as many persons as possible. In the same time, the authorities advised isolation or imposed lockdowns. That triggered an increase of the number of persons "working from home" and of online activities—shopping online has become less of an option and more of a necessity. Considering the pressure felt by the threat of COVID-19 translated into a fast restructuring of the economic day-to-day activities, adaptation became the rule for systemic resilience, both for individual and community (national) levels.

Essentially, both the infrastructure and the governing system (individual, corporate and government governance) were affected. In geopolitical terms, considering the political, the economic and the military components, we had both the economic and the political activities hit by the pandemic, while the military had to adapt to the situation. This translates into several aspects that are founding the most important geopolitical questions to tackle, as part of the analysis.

First, the infrastructure's functionality needs to be inspected. The critical infrastructure has taken priority for inspection—those supporting structures that contribute to the very systemic existence of a community, of a state need to work, particularly during crisis times. The health system—and the health infrastructure—has been, for the first time, publicly regarded as the most important for keeping the national resilience. Digital infrastructure and energy infrastructure, considering their incremental support for the health infrastructure and for any protective (economic) measures, is also key.

Second, we must take into account those dependencies necessary for the good functioning of existing infrastructure. What makes for a functioning health system in Romania? What makes for a functioning health system in Ukraine or Germany or France? Each country is structurally different, and the working components (like the health system) differ from one state to another. In the same time, countries depend on one another considering their working components: to have a functioning health system, one country may need specific import materials. What are the food items imported from abroad - for any specific country that we analyse? What sectorial dependencies exist, considering industrial production? The dependency details are important in mapping out the foundations for resilience.

Third, we need to investigate the specific features of the available human resource and the human behaviour during the pandemic. The national economic structure talks about the features defining the national workforce. For example, if agriculture is the predominant producing sector within the national economy, it is likely that 'working from home' is not really an option for the workforce, unless we're talking about an industrialised (or developed country). If, on the

contrary, the national economic structure points to services being the most important sector of the economy, it is likely that 'working from home' is an easy option for the majority in the workforce. As for human behaviour, we need to take into consideration the ethnographic method and imagine how communities living in specific countries will behave, considering what we know about them, under the invisible threat of a virus. The cultural mapping by Hofstede (1991) will also help to understand potential reactions to the virus, as well as reactions to the lockdown policies imposed.

Fourth, we need to consider how national security threats are changing, considering the specifics of the pandemic. Working from home translates into an existing digital infrastructure that uses the internet for both interpersonal and interinstitutional communication. That means that cyber threats become even more important when we discuss specific security risks. In the same time, legislation needs to adapt to encompass specific cyber activities that may pose a threat to personal wellbeing or institutional existence. In addition to new work location and modifications in our shopping behaviour, there were also deletions of positions, closing down of activities that could no longer be performed or limited demand during the crisis. Lockdowns may also translate into an increase of unemployment for those sectors where working from home is not an option, which may mean an increase in petty crimes or even the development of particular socio-economic problems that transfer into new security threats for the whole community or the whole nation.

Finally, no matter if we consider the nation state or a community within the nation state to be a complex system that we analyse, it is the interaction between its structural components that will set how it responds to the pressure, to

the force that the pandemic is challenging it. The cause for reaction may be the threat of the virus, but the reaction is, in fact, of a sum of reactions, interdependent on one another. While it is impossible to establish the frame for social innovation, close monitoring of specific actors clearly defined within the complex system helps establish the foundation for understanding their reactionary patterns. This helps us map out potential systemic changes within the community, at the national and even international level.

6.3. Establishing (potential) outcomes

Geopolitical analysis concludes into a forecast. As we've seen, while we analyse potential scenarios (as shown in Chapter 5), we need to consider what comes next, on the long term, considering all that the nation state or the community that we analyse has learned from previous (similar) experiences. Considering the world has experienced a pandemic in 1918, we could try finding similarities from the past. However, considering historical accounts, we realise that back then, the entire world hadn't really experienced the pandemic, even if most of Europe and the U.S. had. In the same time, the way we communicate today, the internet and the current global dependencies were all inexistent. All this underlines fear as a common denominator for both present and past.

While fear is one of the most important triggers for change, it is the ideas for protection against the perceived threat that are actually creating social innovation, therefore allowing us to imagine the future. To help society evolve, ideas must be implemented and, for that purpose, they need to be first promoted so that the public accepts them. Through publicity, they are, in fact, transformed into ideo-

logical patterns and potential new ideologies. At the core of such transformation is the manner in which the public translates the ideas into everyday life, into their activity and therefore, into the economy of the community that they are a part of.

While we have implemented protection policies since the start of the COVID-19 pandemic, as we seek the solution to the health crisis, we seek for a cure or a vaccine against the virus. In fact, we are looking for an idea to be researched and developed. Will that be the solution, however, to all the pandemic has produced so far? Considering the socio-economic scars that the pandemic has created, it is likely that we will need more ideas, and therefore more solutions, for leaving the problems behind and transforming the current health crisis into an opportunity. For their implementation, a key factor is needed: the population's support and the population's attachment for every idea to become a solution. Opinion polls give a marker for checking on the general support. During crisis time such as this one, the challenge for analysis is understanding the level that fear, subjectivity, may influence responses. There are also competing fears that we must be aware of - some fear losing their jobs, some fear the virus. An analyst needs to anticipate what may 'not hold' for a community, for a nation state, based on its specific culture or its structure.

In the same time, we need to keep in mind that both positive and negative emotions (fear being one of the strongest negative emotions) speed up reaction. If you see a car coming towards you and you're afraid it may not stop, you are likely to run so you may avoid the car. As you are fearing for your life, your reaction accelerates. The same happens to all systemic components in the face of a common threat—they all try to secure themselves and hurry their

activities, in particular those that are reactionary to the perceived threat. Communities, nation states follow the same rule. While making sure they secure themselves, remaining resilient is often not enough, so implementing tactics to faster achieve their strategic goals becomes the reality of state's action during crisis. The pandemic has so far confirmed this, too.

The full, calculated effects of the COVID-19 pandemic are yet to be available. We will not have them listed until the threat minimises and solutions that not only regard the health crisis but also refer to solving the socio-economic problems are validated and start being implemented. Until then, dependencies, links, and structures are all tested and adapted. Therefore, we need to regard the individual, the human being, to be the core element and the primary subject for analysing the outcomes of the crisis. This is where being able to frame reality into an abstract framework and later on contextualize is of paramount importance—switching from the individual to the group and from the group to the community and nation state requires the discipline of understanding both the commonalities and the differences featuring the analysed complex system.

While building scenarios is part of the analytical process, we must define the long-term trends for establishing specific outcomes of the crisis affecting the world today. In doing this, one must remember two things. First, that no matter how tragic the crisis may appear (and this is valid for a pandemic, but also for an armed conflict), not all outcomes are negative and therefore you need to keep an open mind for positive outcomes. An example of what may come that is positive refers to the fact that we might have greener international agenda, considering the public opinion seems to place a higher priority on environmental conservation.

The second thing one must remember is that even if it needs to give precise results, a forecast is actually about discerning the most probable of the imagined futures that might be. Envisioning what changes after an event such as the current pandemic is understanding both the emotional and the institutional reality of the society, of the international order. In the same time, as the outcomes of the pandemic are yet unmeasurable and some unknown, there is a known certainty: the world, while constantly changing, remains the same, as long as humans live at its centre.

A CASE STUDY: December 2020

The World in December 2020

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The close monitoring of events shows the pandemic having underlined specific trends under way before 2020. In the same time, features pertaining to the global system are underlining changes already taking place at the international and national level. It is probably no surprise that the pandemic has shown, once more, the negative vulnerabilities of globalization. The 2008-2010 economic crisis has shown the downsides of integration and the pandemic, hitting first the supply chains, has underlined the fragility of our current system, making the case for more national protection and self-sufficiency, when possible.

The post-Cold war era has been over for more than a decade now and so, the global order established by the US, after the World War II has also ended. While the US remains the world's global power and as it no longer sees a need to keep its "global policing" position, other regional powers seek leadership. China benefited from the system

established at the end of the World War II but as its weight grows, and even as its internal problems increase, it needs to establish itself as a rule setter, trying to engage globally, as its market has spread globally during the last decade, making sure it defends interests.

As the pandemic ends, China's role in the world will depend on how it manages its socio-economic affairs and its relations with the world. This ties directly into the manner in which it masters the pandemic at home and how the Chinese leadership resists criticism while building socio-political resilience. Externally, the Chinese stability translates into being able to influence decisions regarding global trade and investment, which ultimately speaks of the ability of China to set up and regulate institutions to its favour.

While the U.S. and China will continue their conflicting relationship, also because of their strong dependencies, we will increasingly see talks about the changing global order dominating geopolitical discussions in the coming years. In fact, they launched such talks a while back, as the economic crisis made it clear that while technology will facilitate globalization, dependencies will break it apart. The discussions about the Transatlantic Trade and Investment Partnership (TTIP) and the Trans-Pacific Partnership (TPP) underlined the need for renewed standardization and regulation for international relations. As the U.S. seized to be engaged into such discussions, it set the stage for increasing protectionism, leaving room for others (including China) to advance alternative ideas for global governance.

Global Considerations

While it is difficult to anticipate how the pandemic affects globalization in the coming years, with its defects ex-

posed, the system we live in will for sure suffer structural changes.

In the same time, the pandemic has already prioritized three global geopolitical aspects.

1) First, *the global power competition has accelerated, bringing forth new opportunities (along with extra risks) for regional powers*. As all countries have focused on solving the Covid-19 health crisis at the national level, the competition between regional players continued and has sped up. This has been visible in the borderlands, where the interests of the major powers have forced them to grow their influences during the last months.

We have witnessed increased instability in the borderlands. The escalating conflict in Nagorno Karabakh, with implications for both Russia and Turkey and having the potential to affect Armenia's political instability, is such an example. The continuous protests in Belarus, months after the elections results have not been recognized by the opposition, is another example for increased instability in the European borderlands.

In the Indo-Pacific, since April, the Quad (comprising Japan, Australia, India and the United States) launched several meetings meant to cement the alliance's goals, considering the complicated reality of the region in flux. The alliance has the potential to limit Chinese influence and deter China's attempts to establish military dominance in the region. If Singapore, Taiwan, and South Korea join, chances are higher for the Quad to play a role in deterring China's influence. However, the partners need to establish specifics for how the alliance will work - such details aren't available yet, even if the members have met more often than before during the pandemic.

2) Second, *the specific social needs brought by the health crisis have naturally speeded up systemic restructuring* in all economic sectors and nation states' governing institutions, even if in different amounts. Before the pandemic, we were talking about the need for *alternative governance systems* in line with the current needs imposed by digitization. We were also considering digital power to be a new domain for geopolitical research. The pandemic highlighted some systemic vulnerabilities associated with globalization and, as a result, cyberspace quickly became a central preoccupation for all.

During the first wave of the pandemic, in spring 2020, when most countries, all over the world imposed lockdowns, the supply chains were hit first. More, the dependencies that made both production and consumption efficient and effective until then, have since turned to be problematic, especially for the health system that needed materials and medicine to deal with Covid-19 infected persons and found a lot of those were imported. Besides masks and other protective equipment, medicines quickly became unavailable as demand was soaring. Digitization was no longer efficient in managing supply and demand—instead, it became a facilitator for information systems. Working from home became the new normal—cyberspace became the office space, but also the school's classroom and even the schoolyard. As our lives turned to the virtual cyber-powered environment, we started asking a new set of questions, relating to cyber risks and considering the legal infrastructure of each nation state. Some of them - referring to children's rights, but also to workers' rights, remain unanswered and will probably find their answers in the months to come. All this while we adapted to the new realities of life - meetings and even celebrations took place online for most of 2020.

Adaptation, however, became the new norm, while governing systems (of schools, companies, entire states) have apparently become more flexible. The restructuring process put forth the human being as the most important resource—with the two facets of the critical infrastructures to become most important to reform: the healthcare system and the education system.

If before the pandemic we had barely switched from human capital to human resources when talking about demographics, the pandemic made it clear that humans have become the most important resource for all nation states. Both the speed and the meaning (effectiveness) associated with systemic restructuring are strictly tied to the human resources implementing the reforms needed and thought through during the pandemic. This way, the human resources a nation state has (and invests into) is key to achieving competitive advantage through innovation.

3) Third, *because of the existing differences between classes, between the urban and the rural, between nation states, considering their development levels, the current pandemic will only deepen social polarization.* This, along with further insularization, will lead to increased protectionism and nationalism worldwide. However, solutions to manage it could lead to the discovery of governance models or, on the contrary, facilitate anarchic systems, giving birth to new kinds of risks and uncertainties.

Technological access, digitization is not the same everywhere on the Globe. Access to the internet and even the governing laws of internet access differ from country to country, underlying the characteristics of the new geography of the world, when it comes to integration and communication. Nation-states are using the internet to project influence while protecting their interests, companies are

using the internet to effectively run their businesses, and individuals are using it for daily information and communication. Each actor, each individual depending on its needs and interests, is using technology differently.

In the same time, accessibility differs from one place to another, depending on the terrain (in the very geographical sense) and the level of economic development of the specific area. While it is common for a Western European living in a rural setting to have access to the internet, it is less common for someone living in a rural setting in Central Asia to have such access. However, urban areas offer similar services to their inhabitants—living in an urban area in Canada is not much different from living in a Chinese urban area, considering the services available in both places.

The pandemic underlined existing similarities, but also existing differences. As economic problems are likely to follow the current health crisis, considering that less funding available for investing in the less developed areas, such differences will probably continue to deepen. The poorer regions will adapt their governance systems, considering their specific realities. Therefore, coordination and even communication of these less developed areas with the rest of the world could decrease as differences between them and the rest of the world grow, ultimately making it possible for “islands” of civilization to coexist with a world of similar urban areas. This will only make the act of governance harder than it was before.

Differences between classes will also grow. During the first six months of the pandemic, the statistics pointed out that the Globe’s wealthiest persons have become wealthier. In the same time, the U.S. registered a record high unemployment rate—and the U.S. is not alone in reporting such numbers. All over the world, adaptation translated into a

wave of unemployment - in some countries the wave hit early, in others later and in some it's preparing to hit. But the growing differences between classes have started long before the pandemic—the 2008-2010 economic crisis was probably the first time we realised widening differences have started eroding socio-political stability.

Just as it happened during the economic crisis, the middle class is likely to be most affected by the economic problems thought to increase in 2021, after the first pandemic year. The existing gap between the poorest and wealthiest classes will probably increase. Consequently, nationalism and radicalism will only continue to grow—with little common political views existing in between the classes belonging to the same society. This too will increasingly make the act of governance more difficult. The situation could, ultimately, build up support for alternative governance models that accommodate conflicting views—or, on the contrary, result in growing social instability.

Europe in December 2020

For the European Union, two events were supposed to define 2020: Brexit and the looming 2021-27 budget, which includes the so-called Green Deal. As the new leadership in Brussels announced at the beginning of the year, these developments would set the course for a new “geopolitical” European Union.

They would make the bloc stronger, removing uncertainty over losing a member and transitioning the economy to face 21st-century challenges. After a decade of instability, everyone in Europe looked to the visions laid out by the new European Commission and European Parliament as a chance for a fresh start.

In the beginning of 2020, both France and Germany seemed to have retaken political leadership of the EU. It seemed the two started a serious debate about its development, its structures, its rules, its goals.

The newly appointed President of the Commission Ursula von der Leyen had announced that the green economy and digitization will become the core of European development, proposing that the two sectors get most of the EU funding available. The Commission also regarded research & development as a key area for security related investments. Germany and France were both talking about ways to have the EU develop into a security (and even a military) alliance, considering the changes taking place within NATO and given the tension between the U.S. and Western Europeans.

Relations between the U.S. and the Western European countries have increasingly become tense as since 2009 the U.S. started asking that all NATO members increase their defence spending, considering the existing imbalance between the Alliance national capabilities. This followed NATO exercises and NATO operations where it became clear that the EU was heavily reliant on the U.S. for its security. In 2014, at the Wales Summit, NATO members have consensually agreed to increase defence spending to 2% of their GDP within a decade. Each member state was to consider its own shortfalls regarding NATO capabilities.

However, while France, Germany and other European states realistically admitted the need to increase their own defence capabilities, both their national political and socio-economic realities were keeping the defence sector among the least important sectors for government spending. There were always other priorities for them to allocate funding to. While there was no visible danger to their secu-

ity, these countries' population has been facing important socio-economic problems.

The 2010 economic crisis has slowly transformed into an existential crisis for the EU and its member states, considering the structural problems their economies have faced since then. However, it is not by chance that the U.S. started asking that its Transatlantic allies grow their defence capabilities in 2009.

But if the world didn't seem like a military threat from most European capitals, in the 2010s it began to look dangerous in other ways. Years of Chinese takeovers of strategic European firms and infrastructure, intellectual property theft, and China's general booming growth and confidence led the EU in 2019 to change Beijing's status from "economic partner" to "strategic competitor and systemic rival." Dependence on Russian energy gave it an uncomfortable degree of leverage.

Chronic instability in parts of the Middle East and North Africa could revisit the 2015-16 migrant crisis on the EU. And beginning with the Trump administration, the bloc was increasingly squeezed by the U.S. and between the U.S. and China. Following the U.S. withdrawal from the Iran nuclear deal in 2018, the EU could not sustain its trading relations with Iran even though its members' economic interests favored such relations. The U.S.-Chinese trade war raised costs and risks for European multinationals whose supply chains usually ran through either or both countries.

In 2019, China threatened Germany, Europe's largest economy, with punitive tariffs on cars to pressure Berlin into allowing Chinese telecom Huawei to build the country's 5G infrastructure. Washington regularly waved the threat of auto tariffs to try to win concessions on trade, particularly an EU-U.S. trade deal. Even Russia banned imports

of a vast array of agricultural products from Poland after the EU imposed sanctions in 2014 over Russia's annexation of Crimea. The pandemic accelerated these trends. China and Russia exploited Europe's early divisions by publicly sending medical supplies and doctors to hard-hit regions. Behind the scenes China even threatened to curb medical supplies to the Netherlands in April to force the country to reconsider changing the name of its *de facto* embassy in Taiwan. In March, Germans were upset after reports surfaced that the Trump administration had tried to purchase exclusive rights to a coronavirus vaccine under development by a German firm (reports that both Washington and the company denied).

Worst of all for the EU, the pandemic brought nationalism back to the surface. Though the EU boasts the largest common market on the planet, it lacks shared strategies or goals. Even before the pandemic, the start of negotiations on the next long-term budget, the Multiannual Financial Framework (MFF), was reminding everyone of the union's fragility, highlighting disparities between west and east and between north and south.

The northern member states, which also happen to be the most developed, were unwilling to pay for the development of the southern states. The old member states in the west – states like France and Italy, themselves under economic stress – were unwilling to accept that newcomers in the east needed EU development funding more than they did. Talk of EU “regionalization” – the *de facto* disintegration into geographic and/or ideological blocs – once a topic dominated by euroskeptics, has moved into the mainstream over the past five years.

When the coronavirus began to spread in Europe, EU member states' first reaction was to close borders to prevent

inflows of people and outflows of medical supplies. Protecting the population's health was a national prerogative, and Brussels could take only a managing role, helping to create structures in which member states could share resources. Early on, this system failed. Cries for humanitarian help from Italy, the worst-hit country in the beginning, were met by China and Russia before Italy's peers in the EU. The situation changed within a few weeks, and EU member states managed to coordinate their actions to help one another – including by sharing some medical stocks – but the lesson had been learned that protectionism prevails when national security is at stake.

In July, after the first wave of national lockdowns had ended, the EU member states agreed to allocate 750 billion euros (\$920 billion) to a recovery fund, dubbed “Next Generation EU,” to ensure the “survival of the EU project.” The fund's purpose in the short term is to help weaker European economies recover from the recession following the health crisis, and in the longer term to help close gaps between richer and poorer member states. It could even mark a turning point for the bloc, since it is the first time the member states will issue EU-wide bonds (so-called coronabonds) on the market.

The recovery fund is also a breakthrough for the creditworthiness of some member states and the sustainability of their sovereign debt ratings. In the most optimistic scenario, the agreement might even take the EU closer to becoming a political union, as the (successful) launch of coronabonds would bring the bloc closer than ever to fiscal union. The euro could also become a reserve currency, and central banks would have access to a new set of large, liquid bonds to buy. Other dramatic changes include the temporary suspension of EU rules on debt, deficits and state

aid; access to light-conditioned loans via the European Stability Mechanism; and access to a new unemployment fund called SURE (Support to mitigate Unemployment Risks in an Emergency).

All in all, the EU's decision-making process during the pandemic proved to be flexible and adaptive. Though there are several steps remaining before the recovery fund is fully formalized – EU treaties require member states' parliaments to ratify the agreement – Brussels has pushed through difficult decisions. Ultimately, though, it is the public that will decide what works and what doesn't, and how quickly the economy will bounce back. The sooner the EU pulls together and starts its economic recovery, the better the chances for it to truly play an important geopolitical role globally.

Eastern Europe in December 2020

Nowhere in the EU is the divergence in strategic outlook more different than between western and eastern member states. States like France and Italy look for their security threats in the Mediterranean and do not find Russia among them, but for states like Poland and Romania, Russia is inescapable. Occupying the middle ground, Germany considers Russia an economic partner, while recognizing its aggressiveness.

For Eastern Europe, the EU has been an effective engine for economic development. But it's the United States that is seen in Eastern Europe as the major ally against the Russia, with which most EU members have different interests. Therefore, as Western Europe and the United States have diverged on security issues, Eastern Europe must maintain a balancing act between Brussels and Washington. Forging U.S.-backed regional alliances such as the Three

Seas Initiative has also become an important part of Eastern Europe's defense strategy.

The pandemic exacerbated instability in the region. A war in the Caucasus and election-related unrest in Belarus confirmed both Russia's weakness and its aggressiveness. At the same time, the pandemic validated the notion that the Western – or American – line of containment against Russia has shifted from Central Europe to Eastern Europe, currently encompassing a triangle of strategic agreements with the U.S., Poland and Romania. In July, Washington announced plans to withdraw 12,000 troops from Germany in what it described as a strategic repositioning of its European forces. The U.S. is currently negotiating with Poland and Romania on further deployments, as well as on new lines of cooperation.

With so much of Eastern Europe in flux, the challenges facing the region become clearer if we zoom in on the latest developments in the Baltic and Black Sea regions.

The Baltic Sea Region

For Estonia, Latvia, Lithuania and Poland, Russia is the primary security threat. Russia has been waging hybrid warfare on the region since before 2010, but its efforts intensified after 2014, when Ukraine's revolution reinforced the sense in Moscow that it was under threat from the West. Considering that most of the Russophone community in the Baltics relies on Russian media for information, the scenario most feared by Baltic governments is that the Kremlin might covertly orchestrate or aggravate a domestic incident involving the Russophone community to provoke a crisis. Russia could then take advantage of the ensuing turmoil and intervene militarily in defense of the Russian minority.

In response, Poland has worked to secure its strategic partnership with the United States through the signing in August of an Enhanced Defense Cooperation Agreement. In December 2019, the three Baltic states agreed to establish a joint NATO brigade with Poland as a framework country, with the goal of strengthening the readiness of NATO's eastern flank. All the countries in the region have integrated new concepts into their national security strategies that counter hybrid attacks coming from Russia or elsewhere. Warsaw is also negotiating with Washington for an additional 1,000 U.S. troops to join the already 4,500 stationed in the country.

On the front lines between Russia and the West, though, is Belarus, which was hit hard by the coronavirus pandemic. After years of economic stagnation, President Alexander Lukashenko, who has held office since the country became independent in 1994, declined to take measures against Covid-19. Though the country of more than 9 million had over 70,000 cases and over 700 deaths by the end of September, Lukashenko held firm, denying the severity of the virus and clinging to his power. Amid this crisis, the country held an election in August that Lukashenko won under dubious circumstances, sparking persistent and wide-scale protests. Inaugurated for his new term in late September, Lukashenko is still in power, but Moscow can do little to improve the situation. Russia, after all, needs to make sure it controls Belarus without appearing to have violated its sovereignty.

Poland and the other Baltic states see the situation in Belarus as an opportunity to pull the country out of Russia's sphere of influence and into the West's. However, although Poland and Lithuania have supported the Belarusian opposition, there is little else that they can do – not

only because of the threat from Russia, but also because of their own socio-economic difficulties and lack of specific tools to help the Belarusian economy. Belarus has tried for years to forge closer ties with the EU, but it still depends too heavily on Russia to do so, especially on energy. The main challenge for Poland and the Baltic states is that Belarus' unstable political and economic environment will spill over into Ukraine.

The Black Sea Region

The Black Sea region is a flashpoint between the West, Russia and the Middle East. It was the site of two recent Russian ground combat operations, in 2008 and 2014, and is a critical transit area for Russian maritime access to Syria. Since 2014, Russia has expanded and modernized its Black Sea Fleet. The fleet now includes new cruise missile-capable diesel submarines and frigates, as well as deployments of air and coastal defense assets in Crimea. Russia has also deployed additional ground troops in its Southern Military District, which extends between the Black and Caspian seas and into the North Caucasus.

Turkey, on the other hand, aspires to become an important power in the Middle East and beyond via its neo-Ottoman policy. It has engaged in modest cooperation with Russia in the Middle East at a time when Ankara's ties with Washington and major European capitals are fraying. Russia also has acquired more influence with Turkey (and potentially Bulgaria) via its TurkStream gas pipeline. All the while, the U.S. is trying to depart the Middle East but can't ignore developments around the Black Sea. And because of the pandemic, the region is in flux. It has weakened the economies of both Russia and Turkey, making them only

more alert to potential dangers in their borderlands. The crisis in Nagorno-Karabakh is one such example.

Given its shaky relations with Turkey, the U.S. has put more emphasis on its military relationship with Romania. The Mihail Kogalniceanu air base near Constanta, initially a transit base for U.S. military operations in Afghanistan, has grown in importance in recent years as the U.S. stepped up its participation in regional exercises. The Black Sea port of Constanta has also received periodic visits by U.S. vessels. This trend has been accelerated by recent events in the Caucasus and the potential for new problems in the region (for example, the power transition in Moldova, where a pro-EU candidate defeated the pro-Russian incumbent) or in Central Asia.

In early October, the U.S. and Romania signed a 10-year defense cooperation roadmap and an \$8 billion financing agreement for the modernization for the Cernavoda nuclear power plant. The U.S. also announced another \$7 billion financing agreement to modernize and complete road and railway infrastructure linking the Black and Baltic seas.

Then in late October, the U.S. and Bulgaria signed a memorandum of understanding on nuclear cooperation, indicating that Bulgaria will probably use U.S. technology to develop its Kozloduy nuclear reactor. The two countries also signed a 5G security agreement. Though there was no mention of Bulgaria's Belene nuclear project, currently being developed with Russia, these announcements point to steps taken by the U.S. to limit Russian influence in the region. Indeed, this is one of the most important challenges for the countries of the Black Sea region: making sure that Russian influence remains limited and that, considering its weakness, Russia doesn't become more aggressive in trying to project power in the region.

The Challenges Ahead

It's still too early to know what Eastern Europe's post-pandemic future will look like. But we can already see three changes taking shape that will impact the regional balance of power.

First, U.S. engagement in the region will increase. Considering its growing ties with Poland and Romania, the United States will likely take on a bigger role in regional governance. This will present new opportunities for economic development and structural reforms that could lead to further integration within the greater Eastern European region, from the Baltic to the Black Sea. At the same time, however, it will also increase the potential for resistance in areas and sectors where Russian influence is strong.

Second, the EU's economic sovereignty will increase. The common market is the foundation of the bloc, and as protectionism grows across the globe – most notably in the U.S. and China – its member states will likely look to Brussels to impose protectionist measures to match those introduced by other global powers. Considering that Western and Eastern European countries have different economic interests, these measures could divide the bloc. If, however, its members come to a rare agreement on how to impose them, they could actually turn into a first step toward increased political unity.

Third, the energy sector will remain key for EU integration and stability. The EU has not given up on the Green Deal. On the contrary, support for it seems to have grown. The Green Deal advocates equal access to modern energy infrastructure for all EU members – which is especially important during crises like the one Europe is currently facing. However, the Green Deal also acknowledges the divide be-

tween Eastern and Western Europe when it comes to energy. It seems that some Eastern European countries – namely Poland, Romania and Bulgaria – have been looking to the U.S., instead of their neighbors to the west, for support in modernizing their nuclear energy production. Projects like Nord Stream 2 and Turkish Stream have also divided the Continent.

Europe's biggest challenge remains polarization, particularly of its eastern nations, its eastern neighborhood. The divide between rural and urban and between classes is likely to deepen as the pandemic continues. Anarchism will become an increasing threat, as entire areas within these states could become ungovernable.

But as these challenges become clearer, openness for reform could also grow. Leaders will need to adapt to the new realities and find creative ways to bridge the gaps, making use of the technological progress available. Eastern Europe has the human resources needed to sustain technological progress, but it remains to be seen how much of that creativity and adaptability will translate into political restructuring and whether it will ultimately lead to positive change for the region.

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