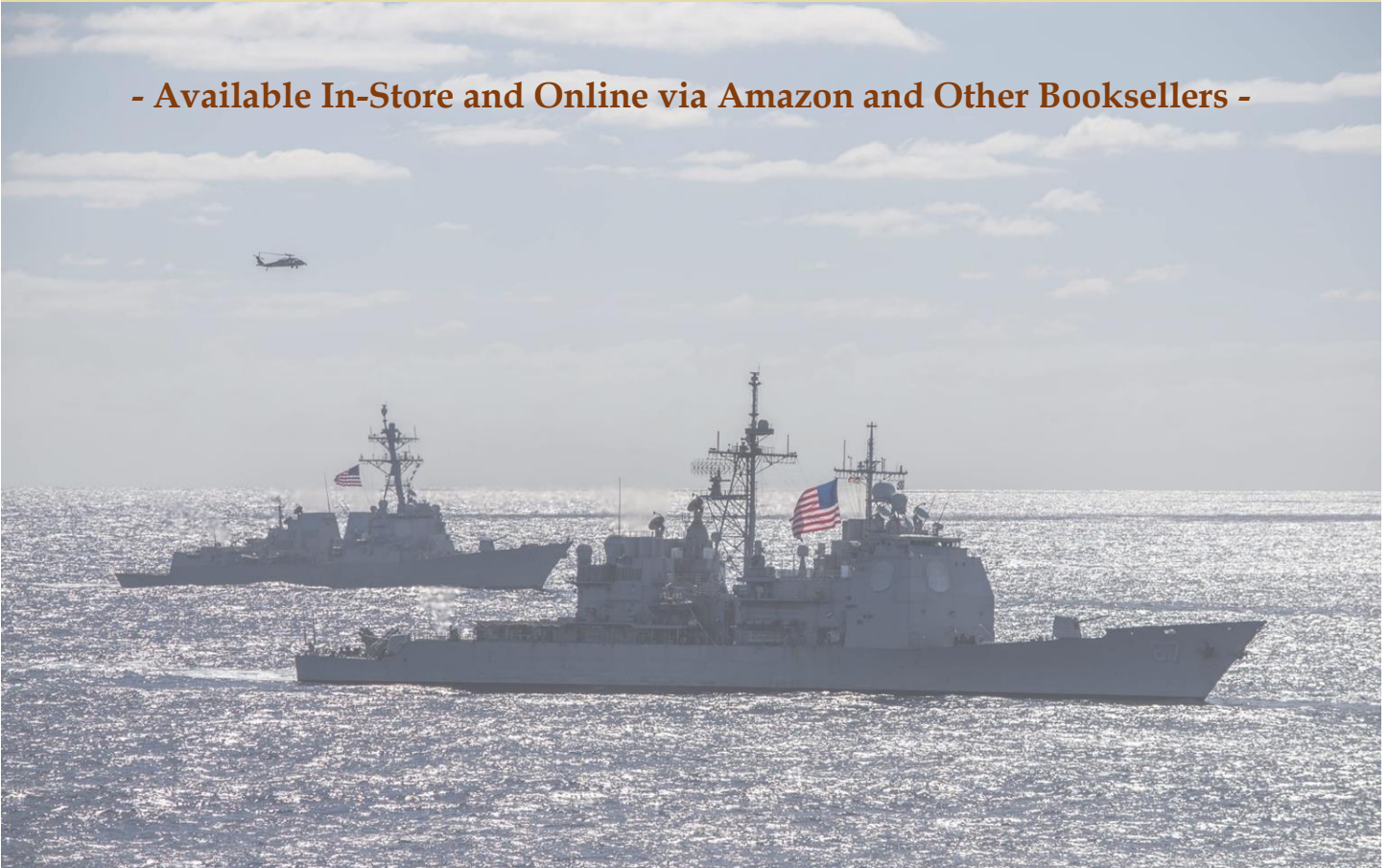


Book I of III of the *Geopolitics, Sanctions & Business* Book Series:

The Big Reshuffle

How the U.S.-China Rivalry Reshapes Global Trade, Wealth, and the Future of Nations

- Available In-Store and Online via Amazon and Other Booksellers -



Preview – Free for Distribution

HFA South America Publishing



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HFA South America is an independent research institute operating on all continents. Dedicated to supporting the Free World, its traditional core values, its nations, its businesses, and its legitimate interests globally. (For more on HFA South America, see end of the PDF.) Among others, we provide deep research for leading consulting firms like RSB International, where Olivier Scherlofsky is Partner. In doing so, RSB's clients, such as one of the largest financial institutions in the world, have been prepared for the changes unfolding. Changes that took and still take so many smart observers by surprise. In The Big Reshuffle we provide an understanding for the why and how – of both (a) the changes and (b) the reason these **fundamental shifts surprise most (being stuck in the post-Cold War paradigm)**.

Thereby Olivier Scherlofsky lays out and applies our geopolitical intelligence analysis tool GAST and its key findings about the most likely scenario for the U.S., Europe, and the world system. In doing so, **we have been able to predict** ("most likely scenario direction ahead", see preview PDF below) among others, that, how, and why the **United States will (a) internally return to conservative values and (b) externally leave its post-Cold War views** behind, returning to Realism and great power politics, with a long-term focus on countering the rise of China. In other words: In the 1990s the U.S. changed the course of itself and the world, driven by an idealistic "colorful world" paradigm. In the 2020s this recent and unsustainable "one world" model is becoming history – not least due to America's own frustration over the effects of what we call Idealism, and its moralism-driven attitudes.

Similarly, hereunder white book predicted and predicts that and why **Europe will (at first) feel overwhelmed and confused about such a new America and world stage, but then (eventually) fundamentally change and adapt to these new realities - while still remaining allied to the U.S.** Since, (a) even a more self-reliant Europe is incapable to replace the American nuclear umbrella or the U.S. Navy – while being even more depend on global security and the world's oceans (Europe economically survives based on large-scale overseas imports and exports). And since (b) on the other hand the U.S. will only be able to contain China, if the latter cannot split the West and pull Europe (in addition to Russia during the last years) into its orbit.

Understanding geopolitical forces and the (often informal/implicit but powerful) grand strategies of key powers, we hereunder identify drivers that will reshuffle the world. Such as that the U.S. – under any of its Presidents – will most likely eventually rearrange its relationship with Russia, in order to enable its long-term goal to stop China from becoming too dominant. While expecting Europe to (again, like during the last Cold War) become serious in matters of defense, as condition for maintaining the transatlantic alliance.

*Note: The following synopsis of the book was **added after the election of Trump 2 – an event the book predicted**, confirming its findings. Consequently, there was no need to revise the content: the deeper structural forces and trends in the U.S., Europe, and globally, as outlined in the book, still apply. Indeed, they are currently in the process of unfolding. For example: not only did our white book predict and explain the rise of certain European defense stocks, but even the shift towards 3.5% to 5% GDP defense spending in Europe. At the time of publishing considered "impossible" – for those many lacking the type of insights that our geopolitical intelligence approach produces.*

The Essence of the Book - In a Nutshell

History unfolds in cycles. We are at the beginning of a return to Realism, geopolitics, and the relevance of the nation state. From markets, to international relations, to culture. In this book, the author merges geopolitical intelligence analysis with business best practice – into a guide for navigating through the Age of the U.S.-China Rivalry. The rivalry that will reshuffle the world – and has become one of the key drivers dismantling globalization.

I. The Most Likely Scenario Ahead: The End of the Recent "Post-Cold War West" Is the Beginning of a New West

In the most likely scenario laid out in the book, a reoriented (conservative, Realism-driven) U.S. will first renew and readjust itself. Then, secondly (almost in parallel but lagging behind in the process), Europe will (have to) run through a phase of fundamental change and adaption. An adaption that on the long run will enable the survival of NATO ("NATO Adjusted") and a renewed EU. Resulting in a united Europe that is grounded in strong allied nation states. Nation states again focused on security, industry, as well as freedom and wealth of its populations – not global moralizing.

Based on that Western internal and external reality realignment, like during the last Cold War, this U.S.-led Free World will become prosperous, secure, attractive, and influential again. And eventually succeed in a new type of Cold War – this time after a very long struggle vs. China. A struggle particularly fought with strategic sanctions, tariffs and other anti-import measures, export controls, subsidies, investments, and industry & monetary policies. Backed by navies if necessary. And while international trade will remain vital, it will only be mastered by those prepared and positioned well. Billions will be poured into strategic sectors. And, like during the last Cold War, probably the next economic Kondratiev wave will be triggered. *An outlook of an eventually successful U.S.-led (renewed) West that makes it highly advisable to be on America's side. Recommending businesses, but also key powers like India and Russia, to consider well where they want to stay during the years and decades ahead.*

This geopolitical reorientation is accompanied by a shift in beliefs and politics within the West: A new, popular, version of conservatism is on the rise. A process that started in the U.S. And will soon grasp Europe too: Supported by the U.S., the EU will drift towards the thinking of its rising Eastern members like Poland, who admired the "old" West – and never gave up the traditional Western values of patriotic-democratic and pro-business nature. Western values that back in the first Cold War had brought security, prosperity, democracy, while defeating communism.

II. Grasping the Deeper Structural Forces Behind America's Geopolitical Shift

Trump 1 was not an "odd outlier". Rather, his first term represents the harbinger of a new age. Trump 2 will continue and consolidate what started under his first term. And this new reality will be lasting and bipartisan: Any U.S. President of the 2020s and 2030s will (have to) continue pursuing the underlying grand strategic U.S. goal of "preventing China from becoming Eurasia's hegemon".

III. Understanding the Logic and Character of Trump's American Realism

The foreign policy logic of Trump, his administration, and the renewed, successful Republican Party is rooted in (a) great-power-driven Realism (not Isolationism!) focused on what's best for America, but also (b) a commitment to, within the Western sphere itself, defend the traditional values of Western civilization – from democracy, the rule of law, free speech, and freedom of religion to market capitalism, patriotism, family, and the willingness to uphold all of this with a strong and credible defense. While at the same time (c) accepting and respecting other nations and civilizations, as well as their perspectives in a complex and non-uniform world. Initiating a shift in the center of the West that will also bring an end to the post-Cold War paradigm, where the West was moralizing while non-Western powers abused the West's Idealism ("Let's cheer on those Western forces who feel responsible for everything, want the West to pay for everything, or push for its own de-industrialization. While we do the opposite.").

Culturally, the origins of this Trump/MAGA foreign policy logic lie not only in the early United...

...States (from the Founders to Presidents like Andrew Jackson and William McKinley). But also (a) in the values of traditional American Anticommunism as well as (b) the related foreign policy school of Realism; both thriving between the 1950s and 1980s. At that time resulting in a paradigm that, among others, sustained the transatlantic bond during the first Cold War, enabling both NATO and European unity.

IV. A Europe (Forced by Reality) to Learn, Understand, and Adapt

Thus, this new American foreign policy still considers and values its European allies – but expects them to move in a similar, Realism- instead of Idealism-driven, direction; not least regarding defense burden-sharing. And since Europe has no other chance to survive geopolitically than to stay close to the U.S. and thus learn and adapt, in our most likely scenario Europe will eventually learn and adapt – to the new world realities and a new America.

V. Bottom Line for Businesses

From a business angle, we expect risks and opportunities unheard of in decades. After all, as a business being smart and daring during dynamic times is historically the right thing to do; while being too passive or sticking with obsolete world views becomes dangerous.

For FI and corporations, the following aspects are crucial:

- Analytical: Developing a minimum level of geopolitical intelligence (i.e., proper observation and interpretation).
- Operational: Ensuring commercial and legal-regulatory resilience (avoid compliance errors, especially serious ones, and at the same time steer clear of unnecessary, business-restricting “over-compliance due to ignorance”).
- Strategic: Having the ability to adapt accordingly in terms of positioning (investments, products/markets, etc.).

With respect to the specific consequences on the risk side, it is advisable to prepare for the following “weaponization of the economy” sub-trends in the coming years:

- Sanctions strategies and related export controls
- Tariffs and industry policies
- Use of currency power
- Other restrictions on trade and cross-border investment flows
- Increasingly extraterritorial investigations and actions by U.S. authorities
- A new “era of national security compliance”
- The reemergence of the age-old reality that it matters under which flag commercial ships sail
- Exceptionally high political risks outside the West (with decreasing rule-of-law reliability for property, operations, and personnel)

At the same time, it is important not to overlook major opportunities, which can be summarized as follows:

- Nations and blocs fostering trade and investment flows “among friends” (enabling trade pacts previously unlikely)
- Nations pouring billions into strategic sectors and supply-chain security
- Rivalry-driven positive developments at the micro level: Individual businesses having exceptional opportunities, such as (a) gaining market share from competitors who fail to understand and adapt; (b) receiving capital or contracts from Western governments now spending generously for strategic purposes; or (c) moving quickly to act on potential “swing events” in the near future.

Thus, we recommend to don't view this geopolitical reordering only as a risk but also as an opportunity. Companies that wisely align their strategies and processes can become more resilient than their struggling competitors; while unlocking new markets and possibilities. In dynamic times, the smarter and faster prevail, not (necessarily) the bigger. In light of the current upheaval, focus on both risk mitigation and opportunity seizure, based on a new paradigm understood!

Book I of III of the Geopolitics, Sanctions, and Business Series

The Big Reshuffle

How the U.S.-China Rivalry Reshapes Global Trade, Wealth, and the Future of Nations

Written by Olivier Scherlofsky
Partner at RSB International

About the Author

Operating at the crossroads of geopolitics, law, and markets, Olivier Scherlofsky is an international businessman, sanctions & export lawyer, and designated OSCE International Expert in that field. Being Austrian, who has lived across Europe, the U.S., and Asia, he thereby applies U.S. and Non-U.S. perspectives accordingly.

Paul Hatch about the author's related consulting: *"Olivier possesses both kinds of intelligence that I consider critical to success; I call them "book smarts" and "street smarts". He is not only extremely bright (in an academic sense), but he is savvy, observant, strategic and insightful. [...] Olivier is remarkably well-schooled and experienced in economic sanctions, this highly technical and somewhat esoteric discipline."*

(Paul Hatch is a U.S. strategic advisor and Washington D.C. lawyer/lobbyist with one of the best success records in the history of American political consulting.¹)

About **Paul Hatch**, who wrote the displayed recommendation regarding the author's consulting value (Mr. Hatch was not involved in creating, checking, or influencing the hereunder content; from joint projects he however knows the author's work and approach firsthand):

Mr. Hatch is a Washington D.C.-based lawyer and consultant. With an exceptional record and experience as a strategic advisor – navigating his distinguished clients through public and (geo)political matters of utmost criticality.

Among others, Mr. Hatch has been the executive director of the Republican Governors' Association (RGA), the committee dedicated to the election of Republican governors; during his tenure, the number of Republican governors increased from 17 to 32, back then the highest number in more than a century.

Besides being furthermore instrumental in passing U.S. legislation with profound impacts, Mr. Hatch supported key players in international politics: From a Prime Minister in a nation linked to vital U.S. interests to Kurdish governments during wartime years.

A recent global project of Mr. Hatch was the Nextlaw Public Affairs Network "[...] to help clients easily and efficiently locate and connect with public affairs firms around the globe. Under the leadership of Paul Hatch, the sophisticated technology platform has grown to include more than 220 high-quality public affairs firms in 155 countries. The network, now known as Dentons Global Advisors Network, will continue to utilize its extensive reach to ensure clients' needs are met through Dentons Global Advisors [DGA]." (Source: www.dentons.com)

DGA is the consultancy that, among others, acquired Albright Stonebridge Group and Interel (the elite public affairs firms in the U.S./EU). Dentons itself is the world's by far largest law firm, among others, covering major sanctions cases in Washington D.C. Recently, as Partner at Dentons Global Advisors (DGA), Mr. Hatch had built up their global DGA network, enabling DGA clients direct access to and in 155 countries.

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Second picture in each chapter cover: By German military

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HFA South America Publishing, the publishing house of HFA South America,
presents

The Geopolitics, Sanctions, and Business Series
--- Benefitting from the Comeback of the Nation-state, Alliances, and Trade Blocs ---

Olivier Scherlofsky

A series written by an international businessman and sanctions lawyer,
for international businesspeople and sanctions lawyers.
As well as others interested.

Neither speaking for the U.S., nor pursuing academic theories,
but rather providing the international business expertise view;
in order to provoke thoughts and provide a systemic framework
for identifying and assessing exceptional business risks and opportunities.

*May this epic rivalry between the two largest empires in world history
remain a Cold War without hot conflicts.*

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The content is not intended to be financial or legal advice. It does not replace legal, tax, or financial consulting services.

Inasmuch as Field Manuals or similar National Security content are mentioned or reflected hereunder, only open source content is covered. (Many of these manuals are published and free for distribution.)

About Our Author, Olivier Scherlofsky

Mr. Scherlofsky is a consultant/lawyer/lobbyist and external OSCE International Expert for U.S./EU sanctions law. For over 25 years, he has navigated through tasks that merge issues of security, law enforcement, international relations, and business interests. To this day, doing so while living and operating on different continents, from South America to Asia. Mr. Scherlofsky is a Partner in the American consulting and lobbying firm **RSB International** and in the Austrian consulting, investigation, and security company **Eventus CPI**. Two strategically aligned special service firms that serve distinguished clients; from corporations and banks to family offices and (West-aligned) government bodies. Among others, Mr. Scherlofsky is in charge of RSB International's **sanctions and export advisory**. Thereby, in vital projects collaborating with the Managing Partners and sanctions attorneys of some of the largest U.S. law and consulting firms, which partner with RSB. In this field, Mr. Scherlofsky is furthermore a **Lobbyist registered at the U.S Congress (LDA)**, author for the leading legal publisher **LexisNexis**, and external Senior Advisor for **Grant Thornton**.

Selection of Other Industry and Government Key Actors Addressing Our Author's Consulting Value

- *"[...] Olivier Scherlofsky (RSB Partner and sanctions lawyer) is in lead of the projects, excellently managing them [...] we are happy to highly recommend their quality work to others."* --- A CCO in **one of the world's largest financial institutions**.
- *"[...] it was an extremely helpful [...] we look forward to working with you again."* --- The Chief Legal Counsel of an **U.S. energy corporation**, providing feedback in matters of sanctions compliance services.
- *"REALLY GOOD AND NEEDED session. [...]"* --- An executive who attended a post-graduate academic program for international leadership in Latin America, where Olivier Scherlofsky is **guest lecturing geopolitics and sanctions**.
- *"[...] recommend Mr. Olivier Scherlofsky, Partner at RSB International, for his exceptional skills and experience on the topic of minimizing risks of U.S./EU sanctions."* --- An official responsible for economic cooperation, within an **inter-governmental organization** central to world affairs.
- *"[...] for governments, family offices and large corporations [...] in frontier markets. [...] He thereby has proven to be of utmost value and reliability [...]"* --- The CEO of a **U.S. business intelligence** firm.
- *"[...] attest the outstanding character and professionalism [...] Olivier is a consummate professional willing to do whatever is ethically needed to be done to ensure the success of the endeavor. His vision, drive and pragmatic attitude coupled with his integrity ensure a quality product delivered on time and on target."* --- A retired **U.S. Navy Commander**, speaking as Managing Director for a **U.S. defense firm** that supports U.S. partners globally.
- *"[...] I was able to truly appreciate the personal contributions and sacrifice made by Olivier in support of our collective defense. [...] I can think of no one I am happier to recommend for United States Citizenship than Olivier Scherlofsky."* --- From a LOR by a Director within one of **America's Special Operations (Component) Commands** (Note: Back then, Mr. Scherlofsky did apply for (and received) the Green Card, not for the citizenship. Thus, he is a friend/supporter of the U.S., but not an American. Which speaks for his ability to provide an external view on U.S. policies.)
- *"[...] outstanding performance [...] with his professional personal skills and with his academic political knowledge!"* --- A Colonel from the **Italian security state**, Commander of a **NATO** special unit.



The picture of our author that we consider best reflecting his character: Calm, determined, and always focused.

(Taken many years ago, at a business club residing in an old castle in the Alps, where Mr. Scherlofsky was holding a seminar. A shot from a long distance by the obviously skilled security staff of the castle's landlord, to whom we express our gratitude for the image.)

In memoriam of those who, during the early Cold War, saved Austria from a Soviet-Communist fate.



Women and men who, under the leadership of Franz Olah (top left) and backed by the United States, did what was necessary to prepare for – and at times actively prevent – Communist attacks on Austria's sovereignty. Such as when Olah's men, including my grandfather Theodor Scherlofsky, stopped a Communist coup attempt in Vienna in September/October 1950 – despite the threatening presence of the Soviet Red Army (top right).

Olivier Scherlofsky

Gratitude to Contributors

*Hereby I want to acknowledge my **utmost gratitude** to my family and business partners. And last but not least, especially to the following friends, who each double-checked different content components and provided the most expedient inputs (and who will know whom I am talking about...)*

- a former Goldman Sachs merchant banker and M&A analyst, now in private equity*
- a retired U.S. Navy Commander who is now a global logistics manager in one of the largest corporations*
 - a former Toyota and Boeing manager, now consultant*
 - a former top official of a Western European intelligence service*
 - a MIT graduate and crypto entrepreneur*
- an Austrian Armed Forces officer who teaches at the world's oldest (modern-type) military academy (Castle Wiener Neustadt)*
 - a partner-level attorney in a leading European M&A law firm*
- a European trade diplomat, currently representing his country's business interests in the U.S.*
 - an international oil/gas trader and transnational pipeline developer*

Olivier Scherlofsky

Pivotal Statements Identified within the Noisy Daily Skirmishes Coming Out of the Rivalry Between the Two Largest Empires in World History. A Rivalry That Will Decide the Fate of the World.

China has reemerged as an empire. After having accomplished the most successful economic growth path in world history. And its unchallenged leadership has a vision: Painting the world red, via a pacing strategy and a new form of communism. To succeed where the Soviets failed. Soviets, who in the eyes of Communist China, have been weak and dull.

2013 – the Year Xi Became China's President

*"[...] Facts have repeatedly told us that Marx and Engels' analysis of the basic contradictions in capitalist society is not outdated, nor is the historical materialist view that **capitalism is bound to die** out and socialism is bound to win. This is an inevitable trend in social and historical development. **But the road is tortuous.**"*
*"...Marxism is not to be kept hidden in Books. It was created in order to **change the destiny of human history.** To adhere to the ideals and beliefs of communists, just like Marx **we must struggle for communism our entire life.**"*
President Xi Jinping

But since the first Trump Administration America's counter is unfolding:
Slow, but not too slow. A counter that, as a side effect, is unwinding globalization.

2016 – Shortly Prior Donald Trump Has Been Elected as U.S. President (the First Time)

*"We're going to renegotiate or **we're going to pull out** [...]"*
Candidate Trump about America and the WTO, related to him pointing at China manipulating trade terms to defeat U.S. industries and long-term interests

2020 – During the Height of the Counter-Efforts the Trump Administration Had Successfully Initiated

*"China is engaged in a whole-of-state **effort** to become the **world's only superpower by any means necessary.**"*
FBI Director Christopher Wray

*"**America, under President Trump's leadership, has finally awoken to the threat** the Chinese Communist Party's actions and the **threat they pose to our very way of life.** [...] Under communism, individuals are merely a means to be used [...] in China, these ideas remain as fundamental to the Chinese Communist Party as the Constitution and the Bill of Rights do to us as Americans."*
President Trump's National Security Advisor Robert C. O'Brien

2021 – The Year the Biden Administration Took Over and Continued Trump's Path vs. China

*"[...] there is simply no reason why the blades for wind turbines can't be **built in Pittsburgh instead of Beijing.** No reason, no reason, none."*
President Joe Biden

2022 – The Year NATO Returned as an Effective Cold War Machine

*"This **Ukraine** crisis that we're in right now, this is just the **warmup** [...] The big one is coming."*
Navy Admiral Charles Richard, the U.S. Strategic Command's commander

2023 – The Year the U.S. Congress Got Serious in Developing a Counter China Grand Strategy

*"The **greatest threat to the U.S.** is the Chinese Communist Party."*
*"[...] **it's not a polite tennis match.** This is an **existential struggle** over what life will look like in the 21st century. [...] the CCP laughed at our naivety, while they took advantage of our good faith. But that era of **wishful thinking is over.**"*
Mike Gallagher (Republican), Chairman of the Congress' Committee on the China Threat

*"We need to ensure that our largest banks can withstand the **systemic shocks to the banking system** that a **sanctions war** would entail."*
Marshall Billingslea, as witness at the Congress Hearing
"Dollar dominance: Preserving the USD status as the global reserve currency"

The World's Future, During 2024 and the Rest of the "Decisive Decade"

"Prepare for it. The scenario path that we have laid out to our clients for years as being the most likely one is unfolding: The new Cold War between a U.S.-led West and Communist China has started. Other international theaters are becoming sideshows thereof, mixed with local/regional issues and interests."
Our author, Olivier Scherlofsky,
at the time of publishing on the very first day of the Year 2024.

Scenario Previews

Most Critical Geopolitical Scenario Mega Trends During the Decisive Decade (2020s) and Beyond, from a Western Perspective

America's grand strategic direction and leadership

a) U.S. Sticking to Post-Cold War Idealism

b) Geopolitically Focused, Realism-Driven U.S.

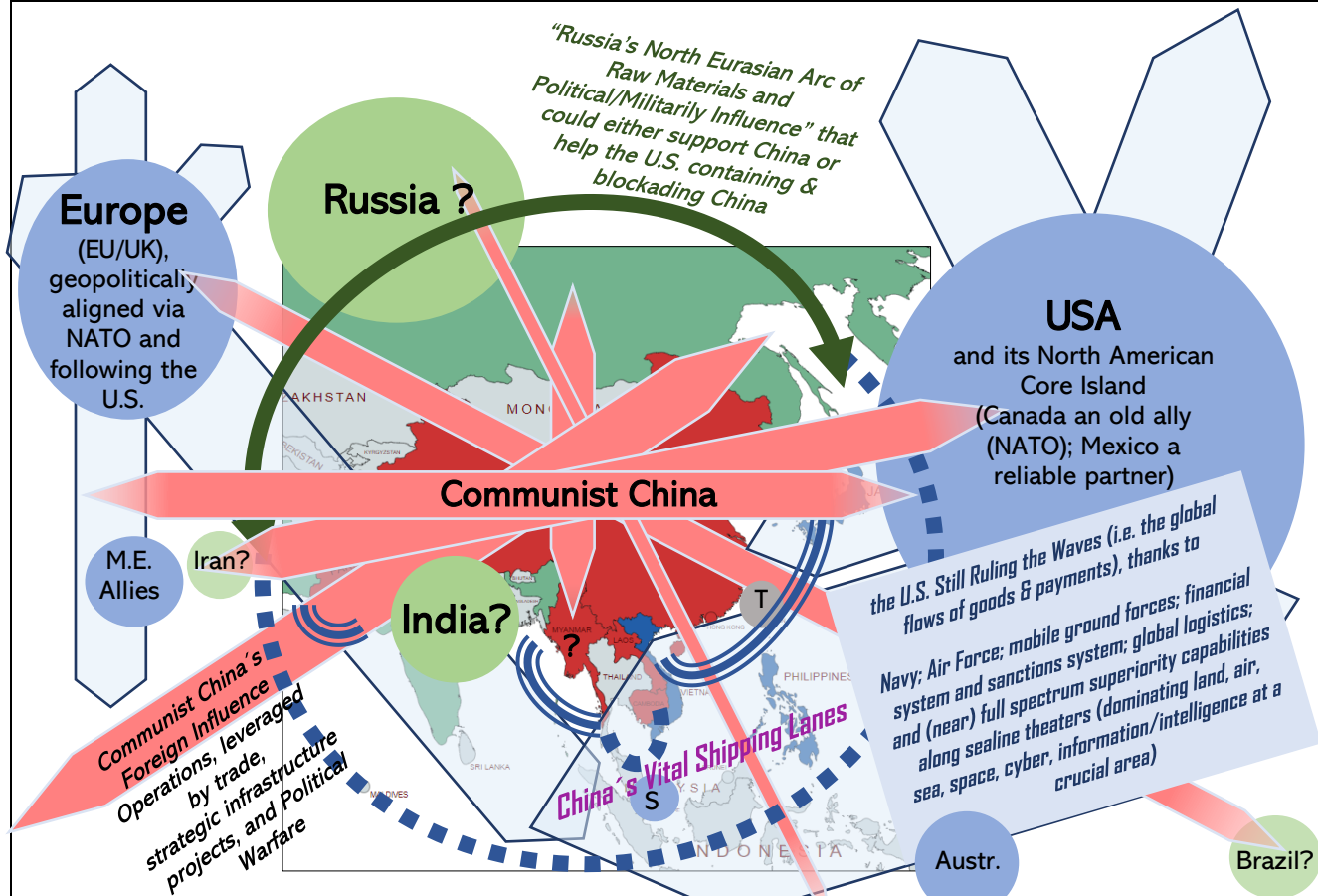
c) U.S. Retreating to Its Core Island

Likelihoods according to (a) means, (b) constraints, (c) vital interests (NOT: less relevant ideals)

<p>Possible "Transition Phase" Scenario Trend C</p> <p>West Is Late in Prioritizing</p> <p>West for some years first tries to hold on to old reality ("Scenario Trend A" direction); but at some point has to switch to "Scenario Trend B" behavior.</p> <p>Likely Consequences:</p> <ul style="list-style-type: none"> - Very high costs and risks for "late West" <p><i>West from about 2000 to 2022</i></p>	<p>Most Likely Long-Term Scenario Trend B</p> <p>West Focusing on Winning the Systemic Rivalry (New Cold War)</p> <p>Likely Consequences:</p> <ul style="list-style-type: none"> • West & allies adapt to New Cold War • Main Purpose: Countering Communist China. Everything else (Russia, India,...) will eventually depend on position/role vs. Main Purpose (function shapes form) • Global trade remains vital, but protection of business interests aligned with blocs • Revival of Cold War values in Western societies and corporations (patriotism pro West, its nations, its values, defense) • Europe: NATO will adjust and then stay the central geopolitical force; EU survives thanks to NATO and a fading-away of recent hyper-moralism -> instead, EU policies will be relatively more oriented towards Eastern Europe's thinking, focusing on survival, wealth, and security <p>After many years: Committed West wins New Cold War (e.g.: China feeling forced to give up its ambitions and direction) -> chance for a new realistic, sustainable, fair world system</p>	<p><i>Most likely Western direction (being a process already initiated)</i></p> <p><i>Most likely long-term outcome</i></p>
<p>Less Likely Scenario Trend A</p> <p>West Trying to Retain the "Post-Cold War Idealism"</p> <p>Likely Consequences:</p> <ul style="list-style-type: none"> • "Value ambitious" U.S. ever more committed globally <-> U.S. ever more driven by (a) others and (b) ever more crises • "Value ambitious" Europe increasingly let alone and overwhelmed -> threat of "EU: master of moral talk but functional collapse" • Easy play for anti-West 	<p><i>directions to be avoided at all cost</i></p> <p>Less Likely Scenario Trends D</p> <p>West Fails in Systemic Rivalry</p> <p>Likely Consequences:</p> <p>D.A. New Authoritarian World System Controlled by Communist China</p> <p>-> Outside North America: More or less socioeconomic colonies of China (politically, financially, socially (AI) controlled; having to provide cheap inputs for and buy from China; China setting the world's standards & norms)</p> <p>or</p> <p>D.B. (Any) World Order Falling Apart</p>	<p>Less Likely Scenario Trend E</p> <p>U.S. Retreat; West and World Order Falling Apart</p> <p>Likely Consequences:</p> <ul style="list-style-type: none"> • Everywhere outside North America: Ever more chaos, instability, piracy, local wars • Global trade breakdown • Europe: NATO dissolves; EU falls apart; high tensions; Europeans incapable to defend themselves against a perfect storm of geopolitical, economic, and social tensions and threats

Most Likely Setup of the Key Players During the 2020s

The Stage of Red vs. Blue. An Almost Landlocked Mercantilist-Communist Empire (Highly Depended on Seelines to Export as well as Import Food, Energy, Industry Inputs) Is Challenging the Established Global Maritime Empire



Key Allies Networks (Not Mere Political Platforms, Such As BRICS)

Most Likely U.S. Key Allies

- Canada; UK; Europe: NATO/EU nations (France as the only potential "third path" maverick within the EU, but Germany and Eastern Europe would ensure EU alignment with the U.S., since neither would rely on Paris instead of the U.S. in matters of defense or global market access)
- Middle East (M.E.) Allies: Saudi Arabia (*if* return works), Israel
- Japan; Australia; Philippines; South Korea; Singapore; Vietnam
- Taiwan (T): "ambiguous" relation; but U.S. actions in case of Chinese use of military means to be expected

Most Likely China Key Allies

- North Korea: natural ally
- Pakistan: Ally, but unreliable under pressure
- Cambodia; Laos: under influence
- Myanmar; but might be flipped via influence campaigns of Japan!

Key Players Whose Position in the Rivalry is Open

- **Russia:** During the 2020s, Russia *could* swing from China to West. Key drivers: (1) China is not helping Russia too much when needed (now); so why should Russia risk everything when China needs Russia? (2) Russia's geopolitical vital interests oppose China (an old geopolitical rival) winning over the U.S.: China would then dominate Central Asia and Mongolia, among others. Soon Russia would be an "economic colony" of China, as CIA Director Burns (who knows Moscow very well) puts it. (3) Most Russians don't want a return to communism - even less to one under Chinese rule. (4) The two countries that are in a latent land war conflict with China, India and Vietnam, to this day happily welcome Russian delegations that promote/deliver top grade Russian arms to them. This includes offering India the Sukhoi fifth-generation stealth fighter - an arming up that would directly and substantially reduce the geopolitical power of China. (5) To truly contain China, the West would need Russia as a partner. (Scenario: Acceptable Ukraine solution. Then, based on shared vital interest to counter China, a reconciliation U.S./EU with Russia slowly and below the radar developing.)
- **India; Brazil; Iran:** For Brazil and India a tendency towards not siding exists. However this might be costly for both. India is already considering siding with America. The current Islamist Iran is a problem for Israel/West.

Possible U.S./Allied Blockades in Case of Military Conflict (e.g. Should China Invade Taiwan)

Mix between close and distant blockades, with mostly U.S./allied "near stealth" submarines getting into waters under China's Anti-Access Area Denial reach for close blockades, while other vessels operate distant blockades

Possible "Close Blockades", close to coastal areas and ports (military force against traffic, within Law of Maritime Blockade)

Likely regional focus for "Distant Blockades", filtering ships at bottlenecks, such as straits

Preamble: Why and How Hereunder Approach Improved and Improves the Business Savviness of Many Clients

(added post-publication of the first edition of The Big Reshuffle, August 2024)

*“How Intelligence Is Put to Use
[...] progress has been made in assembling the elements of a given situation
in an orderly manner so as to assist our planners and policymakers.
It is possible, often, to indicate a range of probabilities or possibilities
and to isolate those factors which would influence [geopolitical] decisions.”*

Allen W. Dulles, fmr. CIA Director
in his 1963 book “The Craft of Intelligence”.

An American gentleman (with a special relationship to Europe and Vienna)
who understood the nexus between geopolitics, intelligence, law,
and business like few others.

Having been one of the masters of the early CIA and its operations.
As well as an attorney for a very discreet Wall Street law and lobbying firm,
that, to this day, is one of the oldest and most profitable law firms in the world.

Policy designers and implementers, as well as operators, should leverage the wisdom of Realists (conservative and liberal Realists alike). On both the macro and the micro level, this ***wisdom can help to foster interests and maintain peace*** through a shrewd understanding of a setting, the key players, and one’s own options.

With the following ***great Realist thinkers*** being the ones whose work I admire and recommend most:
Thomas Hobbes, Carl von Clausewitz, Klemens von Metternich, Max Weber, Gustav Stresemann, the Dulles brothers (John Foster and Allen), Franz Olah, Dean Acheson, Constance Ray Harvey, Clare Boothe Luce, Niklas Luhmann, George Kennan, Jeane Kirkpatrick, Andrew Marshall, and Henry Kissinger.

Olivier Scherlofsky

Prelude by the Author: How Does the Business Value Kick-In?

The publisher asked me to compose a revealing prelude that covers (a) how our approach helps businesses, (b) my very personal suggestion for the right mindset to stay focused and succeed during such dynamic years ahead, as well as (c) practical examples from our topic-related work with large industry and FI clients. Whereas thanks to the fact that this Prelude is written the year after the first version of The Big Reshuffle was finalized, I can even point towards some tangible results those have reaped (quickly) who have read and applied some of the specific ideas published hereunder. Thus, let me do so. Ruthlessly blunt...

First Up Your Defense, then Consider and Utilize Offensive Opportunities

On the defensive side, the hereunder offered benefit rests in being more survivable and sustainable than your competitors are. This has a direct and an indirect aspect. The direct aspect of this defensive side is developing and applying a good geopolitical (legal) compliance strategy and model. This is not only keeping one out of trouble, but mid- to long-term positioning one better than others, as we will see. The indirect aspect of this defensive side is to avoid bad business decisions, such as FDI (Foreign Direct Investments) in nations that can be expected to either suffer from conflict or switch alliances.

On the offensive side, historically, these periodically coming times of geopolitical turmoil offer the foundation for the business success of a lifetime. Even the establishing of private empires. Offensive strategies (related to the Risks/Opportunities laid out in Part V of this Book I) might particularly leverage

- the identification of trends (catalysts, e.g. episodes within the U.S. China rivalry) or swing events (e.g. when a current geopolitical focus becomes less relevant against the background of the U.S. China rivalry, causing the easing of sanctions policies); or
- the utilization of legal exemptions or case-by-case decided exceptions related to otherwise prohibited transactions, such as by applying for Specific Licenses issued by sanctions authorities from the U.S. (OFAC) or the EU (through dedicated member state national authorities).

However, the foundation for defensive and offensive success starts with having the right analytical framework, which preconditions nothing less than a paradigm change...

When a New Era Changes Structures and Logics, Developing the Capability to Succeed Starts by Adapting One's Paradigm

As always, when established realities change, on average, it takes observers a lengthy time until they understand and adapt. In particular, it is difficult to recognize the unreliability of assumptions provided by daily news, political statements, and assessments that are based on the

Prelude by the Author

logics of the still present past. An unreliability grounded in Idealism-driven rationales and over-moralistic language that took the ability to recognize the ***force of the (geopolitical) factual***, as I like to call it: A force that eventually tends to roll over weaker intentions, non-geopolitical calculations, statements, and normative “givens”. (Presumptions such as “the rational actor will not do this” – not considering that many more rationalities exist, than what was conveniently believed by too many between the 1990s and 2022)...

- To provide three telling examples from our (markets related geopolitics and sanctions) consulting. With regard to where the West is likely (not) heading towards:
 - **Example Biden Continuing Trump’s Course vs. China**
 During the Trump years, it cost us/me substantial efforts to convince European corporate clients that should a Democratic president be elected, he/she would continue “Trump’s economic warfare course” vs. China. Even further increasing the spiral.
 - Thinking that the U.S. is a “natural force for globalization” is often resulting from a lack of understanding geopolitics/geoeconomics or even from conspiracy theories (no, a skiing resort in Switzerland did *never* run the U.S.). Globalization was both a means and an effect of geopolitics, not an end in itself. Thus, with the late 2010s the U.S. had simply returned to its grand strategic defense mode (to protect the geopolitical position and economic wellbeing of itself, but also its allies). Trump was just the one who “broke the ice and delivered the message in unusually clear tones”. And that is what happened:
 - The Biden Administration and U.S. Congress Democrats have been and are “over-Trumping Trump vs. China”. Contrary to the sentiments and “predictions” among most political commentators.
 - **Example EU Not Going a Third Path**
 In the 2010s (especially under the Trump years) many experienced observers – in high political, media, and business circles – believed the EU would step by step replace NATO in European defense matters, and thus in European core geopolitics. And so business clients understandably calculated under the assumption of “an EU going a third path between the U.S. and China”. To us, this was a total illusion, for identifiable tangible and intangible geopolitical reasons. And we accentuated this *prior* to 2022:
 Explaining that NATO will become even *more* important, due to the return of great power politics and especially the U.S.-China rivalry. With Europe following the American path vs. China, eventually. And treated this as a near given (near certainty under all realistic and relevant scenario trends – not under EU papers produced...). Our/my efforts necessary to convince our clients about this “near certainty” had to be not less substantial...

- **Example Ukraine Not Reversing the China Main Focus**
Then, mid-2022 (at the height of the Ukraine war and related rhetoric) it again cost us/me substantial efforts to convince European corporate clients that Russia has not become the geopolitical main rival of the U.S. But that Communist China had and will keep this “honor”, independent of the Ukraine conflict. Again contradicting most (European) analysts.
A few months later, the U.S. National Security Strategy (a key concept that since 1986 any U.S. President is legally obligated to produce¹) and “its” U.S. National Defense Strategy came out. And confirmed our clear and reasoned assessments.

Thus, (a) luckily *for our clients*, we succeeded in convincing them. And (b) luckily for us/me, that I have a passion for our topics, and thus am happy to spend “extra energy” explaining the necessary logics. (Being (c) compensated by hourly/daily rates way above European consulting standards helps our motivation too. Luckily for both sides, our clients are happy to pay our premium prices. And know why.)

- There are similar pivotal examples with regard to non-Western actors. And why, e.g. it was a matter of time until the recent *West* European “post-heroic demilitarization approach” would fail. And would be replaced by a return to Realism (with all accompanying market consequences contradicting linear assumptions).
Something we during the last five years declared a “near given” on the mid-term horizon. Due to our assessment of the return of great power politics. And due to the ignored reality that the *others* decide which (1) rationalities and (2) means *they* apply, not oneself.
- While we did not predict that in the year 2022 Putin would attack Kiev in a large-scale tank warfare manner, we certainly did not (like others) assess that this would be a sign of Putin’s “craziness” (“this man did it out of ideas caused by his isolation and large desk...”).
 - Since whether something is crazy depends on the rationality one applies. And since it is Putin/Silowiki/Russia’s state and their rationality that actually decide whether Russia acts in such a way. Putin applied *his/their* geopolitical rationale. (This included, among others, the perception that the “post-heroic” and (nearly) de-militarized European societies

¹ The 1986 Goldwater-Nichols Act reorganized the U.S. Department of Defense and U.S. grand strategy development. In Section 603 it obliges U.S. Presidents to produce a **National Security Strategy** document, so that Congress is in the loop about through what geopolitical approach the President wants to serve America’s vital interests in the world. In general, this is a classified venture. However, starting 1987 each President is publishing an **unclassified version** thereof, as we will see. This master strategy then informs other key strategies, such as the **National Defense Strategy**, the **National Military Strategy**, or the **Quadrennial Defense Review**.

- would lack the means and will to do anything against the application of force.)
 - Yes, Putin – like the West itself – was surprised about the successful defense and fighting spirit of the Ukrainians in 2022, and thus had miscalculated this development. And Putin underestimated NATO. (Like many *in the West and East* making the mistake of thinking NATO had become dysfunctional – while actually NATO was still a capable machine in the garages, waiting to be reactivated, as will be outlined.) But applying rationalities does not prevent from making mistakes.
 - Thus, if one considers a geopolitical key actor who is applying a different rationality, being “crazy/sick/insane”, it is merely blinding oneself in strategic terms. Reducing the ability to develop realistic scenarios ahead. And it is an excuse – the too often applied “we are shocked” excuse. A rhetoric exercise applied whenever blindness (of willing or unwilling nature) caused ignorance and a lack of counter strategies and preparations.
 - All such “this man is crazy” assessments did, is to underestimate the Russian capabilities in 2023 and beyond. Thinking the too limited quantities of arms the West had been delivering would enable the Ukrainians (with a fraction of Russia's population and without Russia's defense industrial base) to retake what the Russian Army had conquered 2022/2023 – and with large efforts prepared for defense, since late 2022.
 - This, however, is *not meant to point fingers at those now in charge, since from any perspective the situation is utmost difficult*. And lacks any *simple* solution. (Which is one of the reasons we are not addressing the Ukraine question in the Books Series.) However, it was and is possible to better understand and prepare for geopolitical “grand directions”.
- Thus, in our geopolitical market assessments, we for years stressed out that at some (not too distant) point Europe will be forced to return to security and defense approaches and capability *re*-development. Since if nations reduce one pillar of means (force) while “declaring” all is now about the other pillar of means where they perform well (money, law, and moralizing), then this is merely soliloquy (i.e. talking to oneself). Towards the outside world, it creates *the opposite* effect: Inviting the ones who are better in the former pillar (force), to apply this former pillar. No matter how much one argues how rational and better, it would be “for everyone” (who is “everyone”?) to focus on (a) money and (b) rules that “rule out” other intentions and schemes. Rules that *would* help the ones who have something attractive to others, but are not prepared to defend it.

These are Realism basics understood by many power and business actors around the globe – basics that have been understood by most in Europe too until the 1990s. But then in *Western Europe*, *Idealism, convenience, and short-term thinking were rationalized as “new world reality”*.

However, even after 2022 *markets are still often too weak to understand geopolitical forces as most continue to perceive according to old paradigms*. We can offer a very tangible example of how hereunder framework helps translating this into profits: The book includes two “ideas” of stocks to look at, based on our assessment how geopolitical trends are underestimated (and thus effects still not priced-in properly): the German defense players Rheinmetall and Hensoldt. (Since, for several reasons, the book is not meant to offer specific stock recommendations, we called it something “*to reflect on re investment opportunities*”. See p. 411-415.) Now see where the two stand merely *9 months after the edit*. And we are not “picking in hindsight”. *These have been the only two ideas provided in the book's publication, thus they represent 100% of “the book's stock performance”*. (Note: These are no start-ups or “growth chips”, whereas Rheinmetall is even a DAX 40, thus a German Blue Chip. Charts are from: *finanzen.net*)

HENSOLDT Aktie Chart

Stuttgart ▼ Chart-Typ ▼ Optionen ▼

Für HENSOLDT ist der Dividenden-Chartvergleich verfügbar: Jetzt anzeigen ▼

Push Intraday 1W 1M 6M 1J 3J 5J Max



Rheinmetall Aktie Chart

Stuttgart ▼ Chart-Typ ▼ Optionen ▼

Für Rheinmetall ist der Dividenden-Chartvergleich verfügbar: Jetzt anzeigen ▼

Push Intraday 1W 1M 6M 1J 3J 5J Max



Prelude by the Author

In that sense, who could blame the many Western managers and owners who, regarding geopolitical assessments, lived the same idealistic, good-hearted (but geopolitically unrealistic) dreams their societies lived? *We certainly don't blame them. But help* them to develop the frameworks that make them more effective in navigating geopolitical realities. Which starts by

*lifting the stage curtain that blurs
the view on the play of geopolitics.*

It is a curtain of noise. Yes, *noise* can take a clear *view*...

A Curtain of Noise Blocking the View on the Stage of Geopolitics

While excellent open information services and media outlets that actually deliver adequate insights into geopolitics exist², distracting and disinforming noise is blurring the view. As a result, too many perceive reality alongside assumptions like

- (a) in 1991 communism was defeated (or democracy did win),
- (b) recent Western value approaches will remain as relevant as during the last 20 years,
- (c) the U.S.' geopolitical main concern is Russia,
- (d) Europe could stay out of a China-U.S. conflict,
- (e) WTO, UN, or trade could contain the U.S.-China rivalry,
- (f) China could challenge the U.S. Dollar dominance within the next few years, or that
- (g) doing business outside the U.S. protects from U.S. sanctions (law).

Making business decisions (and non-decisions) accordingly. *These ideas could not be more flawed – and dangerous for long-term decision making.*

What such observers see is rather the curtain, not the play. A curtain made of the screaming content and circus, that is created by the dynamics of the "Information" Age we are in. A merger of:

- daily news cycles that need short and shrill messages (with less and less actually investigating journalists and locally experienced (freely operating!) field staff);
- many good-hearted ideas about the world (i.e. wishful thinking);

² Such as Foreign Affairs, Foreign Policy, Le Monde Diplomatique, Deutsche Welle; or the geopolitical content in: Bloomberg, Financial Times, Wall Street Journal, Jakarta Post, Times of India, Eurasianet, or NZZ. And such as geopolitical intelligence service providers like: Stratfor or Geopolitical Futures (GPF). Whereas as always it is key to *mix* several of the *good* sources. Furthermore, one should *apply our Leitdifferenz and ask: "Is this purely cold analysis [Realism]? Or is this influenced* by "good meaning" moral and/or political considerations [Idealism]?" The more often one uses this Leitdifferenz in the sense the GAST Intelligence Approach suggests it, the better one gets in filtering and seeing through. Related to that capability, one should never take everything of relevance from one side only.

- tactical messages from government structures in order to support or create diplomatic, economic, or military effects;
- the entertainment world and parts of consulting striving for ever new "ideas" and the latest s**t to sell;
- aggressive messages and narratives from (whatever) interest groups, activism, political movements, and populism (left/right);
- the newest social media "trends" (in reality often enough not even that, but rather self-produced or overestimated bubble content).
- And finally geopolitical and/or terrorist propaganda that happily picks fitting fractions out of the sea of this infinite high-pitched online "content", mix it with some outright made-up disinformation, and glue it into narrating products.

Thus, from a geopolitical perspective, *most of daily news and political chatter is merely distracting noise*. Not least distracting from the fact, that we are already in the midst of a global battle Communist China vs. a U.S.-led West. Fought by both sides with all categories of the "DIME" tools (geopolitically useful national power approaches³):

- **Diplomatic Power**
(such as via a network of alliances on the U.S. side);
- **Informational Power**
(such as China's influence operations via certain media outlets, corporations, universities, and activists; or other activities by different actors (geopolitical, far-left, fundamentalist, far-right,...) who aim at undermining the self-confidence of Westerners and the trust in their societies, or try to push specific agendas weakening the West);
- **Military Power**
(such as by both sides in the South China Sea);
- **Economic Power**
(such as by China's directing of investments and bribing of foreign elites to influence political systems; or by the West via sanctions, export controls, a related reshuffling of trading relations, as well as bloc-reindustrialization policies, i.e. "re-shoring" and "friend-shoring").

As we will see, much of what provides better pictures about where things are heading can be found, if one knows the sources and how to read them. Especially businesses should know where and how they can listen to the U.S. National Security System and what it is expecting now, or telegraphing with regard to the future direction. With the right framework, one also learns to *see through the morality sugaring* many

³ The extended version of "DIME" (which we will use where helpful) being "MIDFIELD", which in addition explicitly names: **Intelligence** power, **Financial** power, **Legal** power, **Development** power.

politicians like to sport. And to stay focused on what matters for our purpose: The actual logics of the actual geopolitical players – a key focus of our GAST approach and this hereunder work.

Businesses are now living history – and this is creating both demanding responsibilities and supreme opportunities. Whereas being smart and daring during such rough times is the right thing to do. Not least because being too passive is dangerous during such eras. Thus, it is fair to say that this geopolitically dynamic and decisive decade is a period during which

- capable new or old entrepreneurs do make leaps forward, not achievable during quiet times, and
- private empires are established or consolidated; while
- some or many less capable competing owners and managers will drive even well-established giants into the ground. (Itself a great and fair opportunity for smarter competitors.)

Pick your side – great ambitions are allowed.

On that cheerful note, let me close this minor prelude with a mantra I recommend...

**To See the Beauty in the Ugliness of Realism
Or: Nessun Dorma**

Try seeing Realism as an ugliness that has its own embedded beauty.

For example, the beauty of pursuing one's realistically achievable interests and values while being better at maintaining peace in business, life, or politics. Thanks to strategies and tactics that can be found in the masterpieces of realpolitik geniuses like Niccolò Machiavelli, Thomas Hobbes, Carl von Clausewitz, Klemens von Metternich, Max Weber, Gustav Stresemann, Allen W. Dulles, Dean Acheson, Constance Ray Harvey, Clare Boothe Luce, Niklas Luhmann, George Kennan, Jeane Kirkpatrick, Zbigniew Brzezinski, Andrew Marshall, and Henry Kissinger. Their concepts can help to win in cold competition *and* prevent hot conflicts. By understanding the key players and knowing how to apply negotiation, deterrence, denial, and reconciliation. Peace through (1) eyes on the actors/systems, (2) balanced strength, (3) strategic posture and action.

It is also the beauty of being steadfast, calm, and decisive during stormy times, while others are constantly confused and in rage. (Pointlessly in rage: As if the world would have been better/peaceful in the centuries before. And rage, panic, or being depressed will make things worse...)

Whereas I recommend doing so with a hint of a smile on your face. The smile of the prepared professional, investor, or manager. The smile of playing a long game: Knowing that one will win decisively in the long run, instead of being a constant complainer about the world and current situations and pressures...

Ideally I suggest sporting these ugly but beautiful reflections while listening to J.S. Bach's Suite No. 3 in D major, BWV 1004 (Air), in the background. (If you don't know it, try it out. And don't be surprised when you are reminded of a Bond movie. It accompanies a villain in one of the older James Bond classics.) Puccini's tenor aria "Nessun dorma!" works as marvelous, in case your strategic thinking is most stimulated by classic operas. (From the opera Turandot, Sc 91, Act III. Whereas the irony that

Prelude by the Author

the story is related to draconian orders in the Chinese empire is coincident.) And “Nessun dorma!” (“Let no one sleep!”) is a fitting theme for geopolitical risk management⁴ – a reminder to always have someone's Realism-driven eye on the geopolitical variables most relevant to your venture. At some evenings I myself conduct this type of reflection in combination with a glass (or two) of excellent American Bourbon⁵, and adequate cigars from Latin America⁶. Of course while complying with U.S. sanctions laws on Cuba. Preferable I do so out of my favorite seat: An old castle in Europe with a history that shows both brighter and darker days. *The very castle from where I am typing these words right now.*

Yours sincerely,

A stylized, handwritten signature in black ink, appearing to read 'O. Scherlofsky'.

Olivier Scherlofsky, August 2024



⁴ Yes, “Let no one sleep!” sounds a bit too harsh for HR speech, but factor-out the burlesque of operas, and leverage it with an AI-supported geopolitical risk management system, and it is doable. Step 16 of our Process will lead us there.

⁵ Michter’s *Small Batch Bourbons*, as well as their Non-Bourbon (still American Whiskey) *U.S.-1 Unblended* fits, in case suggestions are needed.

⁶ All dark Joya de Nicaragua – not only because of their special story in relation to the U.S. National Security State.

The Book's Project, Purpose, and Leaning

Over the last 25 years, I have been able to observe the perspectives, strengths, and weaknesses of diverse power and business actors; while living and operating in Europe, Southeast Asia, the Middle East, Central Asia, the U.S., and South America. Thereby, particularly the geopolitical developments of recent years, have made the following evident to my partners and me:

A significant number of highly skilled managers in large corporations lack a practical framework to monitor, comprehend, and adapt to geopolitical trends. Most businesses around the globe are merely at the beginning (if at all) of developing the proper skills to tackle these realities of geopolitical markets – from managing the resulting sanctions and export controls to adapting strategies and business models. And the few with experience in the matter (many financial institutions) have to adapt and improve their legacy systems quickly.

Observations that eventually triggered the hereunder:

In general, I don't feel an urge to express myself in public. And I try to observe much more than to talk (talking as a means when helpful, not an end in itself). However, after years experiencing the above-described need of clients, I started to wonder whether one shouldn't publish a practical guide into geopolitical market and law analysis, tailored to business needs and processes.

Concurrently, I was requested by certain friends I work with (and who know my concepts and consulting results) to publish my approach, assessments, and reasonings. Eventually, and under conditions, I agreed. Which triggered hereunder **special project**: Consolidating, restructuring, and summarizing our business work related to the topic.

And once I decide to execute a project, I tend to do it ruthlessly resolute.

In that sense, essentially, it is **this project's purpose to shed light on business-relevant developments in the shadows of U.S.-China geopolitics**. And to support the identification and management of the related dominant trends, risks, and opportunities. Developments businesses will have to deal with – better.

Practically, the approach in this Book Series is meant to support **business functions: risk management, strategy, compliance**. Whereas it tries to bridge what is usually split: Merging (a) the business process level (legal trade compliance, strategic sourcing or portfolio decisions,...) with (b) the geopolitical structures and trends that again severely drive market and regulatory environments. Merging the worlds of comprehensive theory with in-the-field practice. Two worlds usually thought separately – not least because most often distinctly different minds cover them.

Disclosing the Methodical Approach, Purpose, and Lens

This project purpose requires the analyzing of geopolitical trends that drive markets and how geoeconomic trade laws and tools (or geopolitically driven industry policies) are designed, implemented, and enforced. In doing so, it is impossible to avoid being explicit about

“uncomfortable” geopolitical topics, questions, and labels. And their related instruments of geopolitical power that drive the years ahead. Not only in society but also in matters of business and trade compliance. Such as e.g. (again) the National Security-related dimensions of intelligence, propaganda, and ideology (“Informational Space”) which will play an even bigger role in business and law than during the last Cold War. The age of information and digitalization has catapulted these issues and regulatory countermeasures into the center of civil life, business operations, and investments. (Think about the increasing use of U.S. trade tools that counter especially Chinese IT products and services for National Security reasons. Such as the ICTS (Information and Communications Technology and Services) tool of the U.S. Department of Commerce, based on Trump’s Executive Order 13873 that is getting further applied and developed under the Biden Administration.)

In that context, while writing the first draft, I had to recognize that it does not work to beat around the bush. *If a writing code does not allow you to speak out what should be said to deliver value, it is the wrong writing code if you want to deliver value.* Enforcing this cognizance, those who recommended me to publish my assessments have stressed out that it would be most helpful to be open, i.e. to avoid diplomatic timidity.

So I decided for the value – thus frankness. And added a few clarifications to this Preamble. As follows.

Hereunder Is Geopolitically Pro-Western, and Sporting a Cold But Effective Realism that Contradicts Some Idealistic Worldviews of the Last 20 Plus Years – But It Is Not Siding in Matters of Party Politics

Geopolitics is at the heart of National Security Law, and thus, in the sense of the hereunder decision, is frankly included. Whereas, as will be disclosed, I do write from a/my **pro-Western** perspective, in legal and geopolitical terms. Having that said, I of course remain “apolitical”, i.e. **nonpartisan** with regard to political parties or persons. Which is credibly supported by the fact that I am neither a member of any political party or movement, formal or informal. Nor have I ever been. However, at some times the purpose asks to reveal “internal political” assessments, where they unearth critical insights about occurring or forthcoming changes in geopolitical and geoeconomic approaches. Based not on idealistic norms but on cold effective Realism (to be disclosed). And related to critical assessments such as, e.g., whether EU/NATO will follow the U.S. in the global match vs. Communist China. Which requires looking especially at (a) Germany and (b) the Eastern EU members, as we will see. (Since Paris *might* go a third path – but then without Germany and the EU Easterners. The two forces that will define and drive the direction and capabilities of the EU most.). This then, in part, creates assessments like: “not least driven by the need to survive, in matters of security/defense/NATO and the role of the nation-state, the EU will geopolitically and culturally drift more towards the approaches of the Eastern EU members”. (This itself is related to the reemergence of NATO and the struggle between the “new Westerners” (the EU East) vs. the idealistic “post-heroic, post-modern, post-geopolitical, post-national” worldviews sported the last 20 years by some political forces within the western EU member states. A struggle that since 2022 has turned the Eastern Europeans from allegedly being “backwards” to now being the avantgarde and ahead of the game.)

This decision pro forthrightness was part of a wider consideration of how to address the conflict between function and form. Or better: function and formality. And since I anyway decided on frankness and, as

mentioned, act decisively whenever I agree on taking over a mission, I beat form with function. Ruthlessly.

A Writing Style and Tone Ruthlessly Adapted to the Purpose

As a lawyer, I instinctively started to write the Book Series according to rules for writing a legal expertise (if not a doctoral thesis). I stopped doing so soon. That is, after I had reflected my first small draft from the fictive perspective of our typical clients. As a result, I radically changed the writing style and format. Oriented towards practical message delivering for businesses, not satisfying the lawyer in me (with cumbrous (or worse: pretentious) legal focus, talk, and write).

In general I do appreciate certain formalities – as long as they make sense. Not only legal formalities *where they matter*. (Speaking with a real life metaphor: Since my early 20s I do enjoy White Tie attire (tailcoat) events. And prefer my suits or safari jackets bespoke made by adequate Viennese tailors.) However, those who *prefer to win* (in business, sports, military action,...) usually agree with the following mantra:

Within the scope of legitimacy, whenever things are important
function should beat formality. Not the other way around.

To stay in the same metaphor: If it helps to win at a task, I have *zero* problems wearing a blue-collar overall. (Or the other way around: I have zero problems acting in a tailcoat as if wearing an overall, if relevant. Not only when fixing my headstrong English cars on the road... Whereas one can actually "get serious" (or act under pressure/threats) serving proper goals, and still do so with calmness, form, and elegance.⁷

Thus, hereunder purpose is not pursued through the approach of academic books or diplomatic attitude, but via a certain consulting and intelligence writing style and format: A ***"write as you would brief decision makers" approach***, combined with process development techniques:

- The whole writing style is much ***more "personal" and dialog-like than I usually*** pattern it in written products.
- At times, dryness is countered by adding a fitting anecdote or two from my personal experience.
- While sources are added, overall sluggishness from too much of a need to explain or justify everything is avoided. After all, it is an informed and experienced opinion to support the reader in her or his own processes and perceptions, not "the world's truth" or an ideological doctrine. I am no missionary. At all.
- The Series in general, and in particular the developed practical process, follows a tried and used business organizational approach. Speaking not in "opinion A, opinion B, speaking with C one might argue,..." but in ***Process Development Language*** ("1. Determine...; 2. Familiarize with...; ..."). While in its content

⁷ I was fortunate to witness this by masters of this category from early on, and thereby inhaled this life approach from them. First thanks to my grandfather, later in my early 20s among others from certain Cold Warrior gentlemen in Austrian military security functions (CI), who luckily retired late.

keeping the flexibility to change/adapt, tailor, and implement as needed or preferred.

Another outcome of this briefing-like frankness is that at times some ***hints of dark, dry humor*** will shine through. This is not cynical, but helps: The topic is serious enough, and getting humorless stiff from its sternness is not only less elegant but counterproductive. If not to say repulsive. To me, the topic of geopolitical risk management requires acting responsibly, while being humble – and staying sane. Not thinking or pretending as if the whole world stands and falls with one's thoughts, words, and actions. (That is even true on a political level: *Luckily* the world is too complex and dynamic as that single humans (or "conspiracies") could control it. And those who take themselves and their role too serious, often enough end up in bad places – joined by everyone who makes the mistake to listen *and believe*.⁸)

And then there is the mentioned reality that in human affairs it is ***impossible to apply "the one objective method" or to find "the one truth"***. After all, if geopolitical variables and rationales are part of the content, one is always applying certain subjective and objective (methodical) lenses. With always ensuing framings, presumptions, limits, and biases.

Thus, let's address this issue quickly upfront...

This Product Is Western-Oriented – But Neither Against China in General Nor Against Legitimate, Compliant Business with China

As disclosed, I know what geopolitical side I stand on (Western sphere and its friends and partners around the world); which is also why this publisher was the right choice. And this standing and the awareness about ***my own resulting biases, limits, and blind spots*** are plainly disclosed where relevant. But despite the clear "Westernness", it always was and is central to the hereunder applied approach to ***look at the world from different perspectives and rationalities***. And as a result, I have a certain ***"abstract respect" for every position***; even those of very different leanings. (It helped me that I grew up in a family with different positions within the broader non-extreme spectrums. Where no one believed/-s in narrow ideologies or political parties, but everyone held/holds some internally unique (geo)political and historic assessments. And every (non-extreme) view was/is welcomed – if reasoned well.)

For example: In my assessment and opinion, Communist China's leaders and officers are not less intelligent and deserve no less "mutual basic respect among all sides" than their counterparts in the West. One can only admire China's growth success story of the last 40 years. They (often) just operate under a different set of rationalities and perspectives – living in a different context and system. And from that angle, I do respect their positions, while still seeing the need for the West to balance against their ambitions and actions. They are the same (smart) human beings – just sitting on the other side of the board of the game we jointly play. A game of strategic competition. Ideally one that stays within clear limits. Ensuring the latter remaining in the gray/cold conflict zone, without hot escalations, is one of numerous reasons why cold assessments – and

⁸ Don't get me wrong: Having a *realistic* life mission makes a lot of sense. And wanting to do good is good. If it does do good. But once people become stern and driven about changing "the fate" of nature, nations, or the world, it can get cringy, quickly – or worse.

cold, calm minds – are key. Not least in the political world. Among others, political actors in the West have to ensure, everyone understands that the threat picture the Western National Security structure developed is about *Communist* China. Not "any China", not the Chinese people, and not people of Chinese heritage.

Furthermore, it is not hereunder approach to attack business in and with China, as long as it is compliant with trade law and not against Western National Security. However, as will be shown, business or investments in and with China will face rough winds, under all relevant scenario trends. If Western companies/investors want to continue China business they need to prepare even more than everyone else. And need a strong stomach. Particularly political risks from both the Western and the Communist Chinese side will increase – probably sharply, as will be shown. (Anticipating all of this, China business is even becoming increasingly non-insurable in terms of political risks. With the few remaining insurers reducing their maximum coverage amounts from billions to fractions thereof, as we will see.)

Thus, it is least possible to provide *generalized* recommendations with regard to whether one should cease business with or in China or not. Since *at least* for a good while, trade between the blocs will continue.

In the very long run, some of those who decide to stay in China despite increasing tensions might (or might not) do fine. This will overwhelmingly depend on

- (a) the sector,
- (b) the quality of their trade compliance capabilities, and
- (c) their geopolitical risk management skills and preparations, as well as
- (d) how they adapt their operations in China accordingly.

And once the struggle between the U.S.-led West and the communist regime in China is settled (after years of worsening relations and potential clashes), ideally a new, even stronger China-West business relation might emerge. After all, this is what happened with regard to Germany and Japan, despite the worst wars so far. And is one of the strongest proofs of the capabilities of a U.S.-led world system. Within a few years, turning adversaries of (worst) wars into long-term allies and ever more wealthy business partners. (Represented by the U.S., Japanese, and German warships on the chapter covers – since as will be shown, these and other allied powers started to jointly operate in the Indo-Pacific region, to protect their legitimate interests and rights.) Not many systems have ever achieved such historically quick turnarounds before.

In that sense, it is not the purpose of this Book Series to criticize legitimate business with or in China. And once this conflict is over, and a "new China" arises, it might become a lifetime chance to go back in. Especially for those who know China well and had been involved in China-business. But prepare for the ugly years until then.

Whereas, despite its potentially broad value effect, hereunder approach and the pictures it generates can at times (*wrongly*) come across as being nihilistic or even cynical. Thus, let me quickly warn post-Cold War idealistic readers...

**Hereunder Is Meant to Pursue Good Values – But
Through Cold and Frank Assessments That Create
Views Contradicting Some Idealistic Post-Cold War Pictures**

The hereunder supporting of functions, from compliance to strategy, means to serve values – from sustainable profit generation to stakeholder-oriented objectives of businesses where they make sense (be it clean water or patriotism). And the approach could also support the efforts of government organizations, IGOs, or NGOs.

Judging from personal (consulting) experience, for most Realists (declared or undeclared), hereunder will be an easy (but hopefully thought-provoking) read. Whether agreeing with hereunder assessments or not.

But despite the aim to improve value efforts, the concept does not fit well with holding tight to idealistic post-Cold War worldviews.

This is particularly important for “post-Cold War Idealists” from all leanings, since part of the key Western worldviews of the past 20 to 30 years are currently in a process of forced transformation. Due to a recognition that the post-Cold War time and its dreams are fading away, if not imploding. A learning process that is changing the way how post-Cold War Idealists of all leanings are seeing the world. Like most transformative learning processes related to big ideas, they are not based on choice but necessity (reality is hitting hard), while also being very uncomfortable and thus taking time. And this will impact the way Western powers address issues of geopolitics, trade, industry policies, and regulations. From a business perspective, it is environmental adaption exerting force on behavior, thus external forces pushing for adaptation. After all, the following (and other) Idealist presumptions had been driving the post-Cold War years – but are now undergoing forced rethinking:

- Idealists from the business side are forced to rethink their ideas like:
“it is all about abstract numbers, national and geopolitical characteristics matter little; and geopolitically significant leaders will act according to [our] economic objectives”;
- Idealists of multilateralism are forced to rethink their ideas like:
“IGOs and multilateralism will ever more steer the world”;
- right-leaning government Idealists are forced to rethink their ideas like:
“military interventions are the solution everywhere and for everything”; and
- left-leaning government Idealists or “social engineers” are forced to rethink their ideas like:
“we all want the same in one borderless world, and everyone will love the ever more progressive values we bring them”.

Which leads me straight to geopolitical intelligence analysis; the art that helped its appliers to avoid above traps of idealistic blindness. An art my partners and me sport with the following version thereof...

The GAST Approach and Mindset that Helped and Helps Many of Our Clients

Finally, as part of this comprehensive preamble I will quickly

- address the methodical approach, since those always shape one's perception and its findings. Findings that as a result, particularly in matters of geopolitics and business, can never be "truly objective" – but nevertheless can and should provide effective *orientation value for practical success*.
- And based on this, I will furthermore offer mindset suggestions for doing business during such turbulent times – so one can pursue one's values while staying sane, despite the dynamics and pressures ahead. Even making a fortune doing so.

As follows.

The GAST Intelligence Approach

Methodically, hereunder work utilizes GAST. GAST stands for geopolitical analysis (GA) and Systems Theory (ST). This approach to be outlined in more detail later (which I had developed over my 25 years dealing with and learning from related government and private sector actors and issues) merges GA and ST by

- applying (1) "**Realism-driven Geopolitical Intelligence Analysis**";
- and supporting it via (2) Niklas Luhmann's **Systems Theory**, inasmuch as the identification of actor logics (rationalities) and perceptions is central.

Whereas hereunder, these two methodical concepts are understood and applied as follows:

- **Realism-driven Geopolitical Intelligence Analysis**
"Realism-driven" is intended to stress out the focus on great powers and their Vital National Interests, instead of idealistic worldviews and concepts as they emerged after the Cold War across all Western political spectrums. (While not denying the relevance and importance of certain core values.) A meaning of Realism not standing for a specific theory (of International Relations) – although this hereunder approach is close to the core assumptions of schools of Realism.
The part of "**Geopolitical Intelligence Analysis**" just stands for a merger of practical approaches to geopolitical analysis, as I have learned and applied it over my years in the field.
- **Luhmann's System Theory**
Is hereunder applied as a *tool that helps to switch rationalities* and look at the world from other systems/actors (markets, political power circles, single actors,...). In order to reflect how they observe, shape, and drive each other.
For those into Clausewitz: Luhmann is in my mind the "*Clausewitz of the Civilian World*". Also parallels with the

breakthrough thinking of Andrew Marshall and "his" Office of Net Assessment⁹ in the Pentagon come to mind; the concept that with its non-linear, comprehensive, and qualitative thinking (that factors in organizational logics and perceptions) became a game changer for strategic planning and winning the last Cold War. See the chapter about Luhmann's Systems Theory in the Attachment.

And while the Systems Theory approach is per se very abstract, its application value can become very practical too. That is, it has proven to be *practically helpful in managing specific actor dynamics* – and it worked even beyond analysis or "comfortable soft negotiations". Over the last 25 years, the latter "looking at the world and oneself from the eyes and thinking of opposite parties" was not always a mere desk task.¹⁰ For more on this aspect of applied Systems Theory see the "PS" part of the preamble and the Attachment.

⁹<https://www.defense.gov/About/Office-of-the-Secretary-of-Defense/Office-of-Net-Assessment/>

¹⁰ At times I had to look hostile actors in the eyes – literally. Some of them indisputably ruthless (less ethical local political leaders; organized crime capos; secret police officers of worst regimes; businessmen with dangerous means, henchmen, and intentions;...).

I myself had the luck of being introduced to Systems Theory from early childhood days on (initially via Systems Theory-based strategy games), thanks to my father who had applied it as a political analysis tool for his doctoral thesis.

As a result, in my first NATO military mission on the Balkans, I was already able to practically apply it. (As at the time 21 years old Austrian Military Police team leader (Staff Sergeant); who studied law at the same time, based on a "hybrid model service/university" that certain supporters enabled.)

In these missions, I did apply Systems Theory in order to better make sense of my own observations about local actor behavior (organized crime, clans, radicals,...), and merge it with the intelligence we had. Something that turned out to be very helpful in tackling a *key issue among us Westerners*, I had observed: The difficulty to see the rationalities behind non-Western thinking. Such as clan thinking instead of acting according to state or economic rationales. I eventually started to remind my superiors: "***Sir, this is not irrational how they act, but based on a different rationality.*** ..." And this was very appreciated. Not least because it created (a) uncommon assessments, that (b) often enough fit better with the developments than the common ones...

During later missions, this operational application of Systems Theory and geopolitics led among others to an award from a commander of a NATO special unit, and the honor to guest lecture at a Special Operations School of the U.S. military (in the U.S. South, a long time ago, but a time I still love to remember). Since 2010 I started to apply and further develop these concepts for the private sector – although in fields where business and geopolitics / National Security merge directly or indirectly. (From **facilitating sensitive exports** as representative of U.S. corporations in SE Asia, to **sanctions consulting** for some of the largest financial institutions in the world or the OSCE and governments of large countries.)

In doing so, the resulting merger creates a conceptional approach that is "cold" but has actually a better track record with regard to our hereunder purpose.

- **The Better Track Record in Matters of Power Rivalries**
The Realism based approaches and related geopolitical intelligence concepts turned out to be the ones that predicted relatively well what others could not see: The increasing tensions of the great powers USA, Russia, China – and that economic coupling would not prevent conflict. As well as that globalization would decline because of great power rivalries, different interests, socioeconomic tensions, geopolitical instabilities, and regional conflicts. And that idealistic post-Cold War naivety denying these risks would only make it worse. Even the conflict theaters, such as Ukraine, were predicted 15 and more years ago by these approaches.
- **During Great Power Rivalries, the Key Actors Tend to Perceive and Decide According to Realism-Based Logics**
As will be outlined, within America's geopolitical and strategic elites, it is recognized that Communist China has become the one systemic challenger both capable and willing to oust the U.S. in the long run – or at least become the hegemon of Asia. Both scenarios being a vital threat to the U.S.-led Free World. This threat reality (and perception) has created a Cold War-like rivalry awareness (that is, however, regularly sweetened by post-Cold War value talk).
We will see that Western, especially U.S., foreign policy actors relevant to our purpose are increasingly looking at the last Cold War to learn. And are swinging back to Realism perceptions and logics. (Whereas we are not looking at (partisan) chatter and sported moralism, but actually relevant strategies and actions.)
- **The Better Track Record in Consulting for the Business Functions of Strategy, Risk Management, and Compliance**
As will be shown, and as the recommendations by leading government and private sector actors suggest, our related consulting (export/sanctions compliance) and special services (business intelligence, due diligence,...) created and create real differences for clients. Differences for the better.

And should an Idealist not like hereunder assessments, approaches, and/or attitude: Even better. Then the devil's advocate function (which is highlighted on the next page) would be most valuable.

Whereas from a very personal perspective (still being in the preamble after all), I would like to recommend Idealists and Realist alike to consider the following mindset when applying the GAST Intelligence Approach in their ventures. Without becoming philosophical (infinite debates about Utilitarianism/Realism vs. Idealism/Moralism), let me continue this Preamble on the "meta level". Tackling the very personal side of one's approach – since little is as close and personal as the utmost distant and abstract philosophy one sports towards life and the world.

Addressing Realists, Idealists, and everyone between with the following offer(s).

My Offer to Idealists: Help Your Agendas with a Quick and Sweet Trip into the Ugly but Beautiful Realists' World

If an Idealist came so far, then I have an offer: Should you try out hereunder methods in your daily business – and no matter whether agreeing with some/every/no content – you might be able to improve your Idealistic approaches and outcomes. By

- (a) being more capable of aligning good-hearted ideas and projects with rough realities thanks to a better (or at least additional, different) understanding of affairs and actors.
And
- (b) thanks to the (at times practically decisive) benefits of a Realism-based devil's advocate¹¹ function: If you explicitly reflect on and are able to address described trends, it will improve the future performance of your organization or agendas. Since, as every good lawyer or soldier will be able to tell you, you boost the outcomes of any “engagement” and operation when you prepare for opposing logics. To provide a practical example:

Understanding Realism and geopolitics, and looking for related goal alignments, can make your green business or NGO project being taken seriously by the relevant (geo)political actors. With astonishing results.

And no, I am not hereunder offering Idealists a Faustian Pact. Since I am neither the devil, nor his/her friend or actual advocate/partner. Talking in that language and in a personal way: I am actually from the “light/good” side, i.e. carry the good *in* me. But prefer to show this less through words and pretentious “good poses”. Rather, I wholeheartedly feel comfort and drive when pursuing actual good through bold and cold Realism. With a focus on good *outcomes*, while applying whatever creative shrewdness and means *legitimately* available. Which includes a calm and focused perspective when facing issues from light and dark matters – and (the most often existing) shades of gray between.

And I do see the value of and the necessity for Idealists and their movements, if they are balanced and reflect the net outcomes of their ventures. Actually, I grew up under influence of both real Realists and ideal Idealists. And, after all, not only do I carry some beautiful intentions behind my Realist's ugliness, but I probably was once idealistic towards the world/politics myself. (I just started so early with history, geopolitics, and strategy, that I had reached the “skeptical phase” in my cycle before I was old enough to join any idealistic ventures.¹² Other than volunteering

¹¹ In the 1500s, a Pope established this function. From then on, an “advocatus diaboli” had to be appointed by the Catholic Church itself, to take the argumentative counter side before a person could be declared a saint. Thus, this role had to question the “miracles” and similar reports and “observations” that would justify sainthood. Nowadays, successful organizations use devil's advocate functions against their own ideas, plans, and proposals. To filter their own ideas and improve their approaches. It is widely used among the most successful law firms, consultants, and strategic government bodies (such as when NATO militaries apply Red Teams).

¹² Thanks to especially my grandparents, discussing and reading about history, geopolitics, or strategic thinking (Machiavelli,...) had become my passion since I remember growing up. Witch led to the point that I was already “immune” to any form of ideological fire or lopsided believe in any political party when I had reached the “dangerous age” where people like to go to the street to “fight” for whatever “good cause”. But I try to be self-aware about the downsides of my own Realism (such as

for the Jaeger forces in the Austrian Army (ranger-type light infantry) and NATO/UN missions in very young years. Decisions that indeed have been driven by Idealism – as well as an old-fashioned thirst for adventure. Decisions I have never regretted...)

**My Mindset Suggestion for Business Realists:
Aim for More than During Stable Times – During Such Epochs of
Seismic Shifts, Business Empires Are Consolidated or Even Created**

My suggestion to business Realists is to mentally prepare for identifying and being ready to seize the historic opportunities such periods offer. After all, doing the right things is more critical during such periods than during other times of living history. And we now live history. Over the last centuries, well known (e.g. American, British, German, Indian,...) industry giants, shareholder families, and banking dynasties rose to success by doing the best during geopolitically dynamic and/or economically shaken times. The same was true for many clever small businesses or new ventures. Thereby not only helping themselves but also providing economic resources, growth, consolidation, and stability, that helped their own nations and societies.

As mentioned before: Being smart and daring during rough times is the right thing to do.

Let me now close this Preamble by offering first-hand proof that hereunder approach can be much more than a dry analytical desk tool.

**(Very) Practical Application of GAST:
Managing Standoffs with Hostile Actors, Based on the Concept
“Rationality Switching to Establish and Manage
a State of Situational Equalness”**

The GAST Intelligence Approach can help in even closest and most practical tricky situations. In case you are not already applying similar concepts, reflect on the approach on the following pages, try it out, and develop similar “rationality switching” and “controlled situational equalness” approaches for yourself. Whereas you will be able to recognize the fitting actor dynamic situations in your own business and other ventures – and how the hereunder provided rationality concepts might help.

But in order to show you the degree of how far the utility can go, let me finish with the following anecdote (that I have not shared during the almost 25 years since then)...

Over the past two and a half decades, I developed an approach to applying Systems Theory (and GAST more broadly) to handle “standoffs” with hostile actors. Thus, originally, this started around the year 2000:

Back then, I was both (civilian) university student (Vienna law school) and in the Austrian Military Police/Security. While I already had many years of Systems Theory behind me (thanks to the academic focus of my father and his way of teaching me the concept as a kid and teenager). And when preparing for my first NATO mission, I had an “unconventional”

being careful to not become nihilistic or cynical, which would contradict my own character’s core values)...

commander. (A Military Police officer, but originally from the actual Austrian Special Operations Forces (Jagdkommando), which might explain the mentality). He surprisingly promoted me to being a Military Police team leader in this NATO mission. Thus, to someone who in the field stand-alone has to lead an element with enhanced responsibilities and far-reaching legal authorities, based on his/her own decisions when facing other actors (military culture of Mission Command – Auftragstaktik). This MP Staff Sergeant position in the mission was surprising and unconventional, since I was 21 years old and had just recently become the at the time youngest Austrian MP Sergeant. (Especially considering that others would have had the experience/track usually asked for such a team leader but got the lower standard MP position I should have had. Which made me not popular with everyone since the mission salary was substantially different.) But *in foreign missions* Austrian bureaucracy can develop astonishing flexibility... As a result of this commander's decision, in the mission I had situations facing unclear and/or hostile actors while having to communicate with them – and by myself assess, decide, and implement *quickly*. With “no decision” or “reporting back” often being no option.

Thereby, I had also tasks far away from our own forces (in neighbouring countries), leading my “team” of two MP (thus me in charge, plus my second MP of another nationality, plus Glock/Steyr/H&K). Operating in a “transit nation”, in order to control the smoothness of “unmarked logistics” in less stable environments. And this most often included to pass checkpoints with not necessarily NATO-friendly gentlemen. While bribing them or risk losing any of our logistics (or the personal that handled them) was definitely no option.

Rather, let's say it like that (it is now almost 25 years ago, and I remember things very well, but don't want to be specific about methods or incidents): The idea was that things have been top-level arranged, so “not much to worry about” with regard to these actors we had to pass. And indeed, a few times all went smoothly – until it didn't. Since these local actors decided to follow their own rationality and will, which led to a “standoff”.

However, despite being two very young men in our first mission facing civil war experienced gentlemen in their country unknown to us, I was able to manage this “unplanned” incident pretty well. While luck is always a factor, there was more behind it that helped me “playing above my age/experience group”, with an “unconventional” responsibility relative to my service/mission years:

- What really helped me to (1) understand the dynamics and actors, (2) lead my buddy well despite the pressure, (3) be taken seriously by the “tough guys” in their country, and (4) succeed according to mission (thus, convince these gentlemen to stop their interference), was the following mental preparedness. A mental preparedness I developed for myself, despite the “all is arranged” information I had received prior to the missions. It was the preparedness of applying Systems Theory in order to understand others, run through scenarios in advance, and receive mental support in case scenarios become reality. As follows:
 - We had good “knowhow” about the leanings, tactics, culture,... of these actors. So I thought a lot about them, based on a Systems Theory framework that helped me to process the knowhow into mental “actor management” under different scenarios.

- Reflecting what type of rationalities they might sport, under what situational circumstances.
- These mental and conceptional preparations also triggered me to develop a fitting *mindset credo*. One I called “**von Herr zu Herr**” when literally facing dangerous others – without (effective/quick enough) close backup or alternative options. It had/has the purpose to
 - grasp and appreciate the key actors and the dynamic of the situation,
 - stay calm and controlled,
 - both *show and demand* basic respect, and
 - look at myself from the other side. Through the other side's rationalities. While also considering how the other side might switch between its rationalities – for the better or the worse (clan thinking vs. state organization thinking vs. economic thinking vs. nationalistic thinking,...).

In order to ***establish and manage a “situational equalness”***. Being a situational balance that neither triggers the other side to overreact, nor offers it the perception and incentive to go against one's own position and interests.

Whereas the German wording “von Herr zu Herr” can be translated as both “from gentleman to gentleman” (in such “armed standoff situations” it had been men I had to deal with) or “from master to master”. Internalizing the reality that in that moment, they and us/me are literally ***the masters of this present situation – and our all fate***. Don't provoke unnecessary aggression. But also don't give in or appear like a good target, *according to their rationality*.

It is a situational equalness that is not just understood verbally, but via the overall setup. A setup you try to understand, shape, prepare, and manage. This includes seemingly little details such as the initial handshake, and what each one sees in the behavior and especially the eyes of the other one (these things are real – grave actors “look through you” in certain situations, and they better see what helps you, i.e. take you seriously as a result of what they see).

The end purpose of this mental concept being to ***communicate what helps***. Such as between the lines calm but clear and credible transmitting: “Let's find the best for all of us – and avoid what we all don't want. We can lose-lose or win-win.” While also ***not saying more than necessary to create helpful effects***. And not getting nervous.

To me, these many years ago, it made all the difference in these above hinted (and other) dynamic actor situations. And back then, it *changed my view on the utmost practical applicability of Systems Theory forever...*

With the right mindset and preparedness, in such situations, the mind gets calm, sharp, and focused – in a totally unusual quality. While nervousness or fear comes after the situation (if it does) – thus, after it was already handled.

The rest is “resilience, reflection, and learning”. But here again, the mindset, preparedness, and post situational reflection makes all the difference: Learn, grow, and don’t take anything personal that you cannot change, anyway. Rather, understand how positive such experiences are, since you know that it helps you to grow.

Whereas I *know* from my own experience that such “calm under danger” schemes work *not* only for “reckless people” or “risk seekers”. Since I myself am neither reckless nor a risk *seeker*, but rather a “controlled handler of unavoidable or necessary risks”.¹³

Later, I experienced that these *analytical and mental actor preparations* can be applied very well in e.g. “*business standoffs*”. (It also changed my mental level in all other “pressure situations”. I e.g. from then on, felt *zero* nervousness prior, during, or past the most critical law exams. Written or oral. Which, however, can backfire too: Sometimes I felt I would prepare better and don’t come late to exams (losing valuable minutes), would I feel “normal exam nervousness”).

So yes, this is practical. *Very* practical.

For more on the theoretical background, see in this Book especially Chapter 2 on perspectives and rationalities (“Erleben/Handeln”), as well as in the Attachment about Luhmann’s Systems Theory.)

¹³ According to not only my self-reflection and track record but also to my intensive psychological assessments I had to undergo for my military missions/functions. I personally don’t like any *unnecessary* risks. Staying e.g. very controlled behind a steering wheel; despite (a) intensive special driving trainings, and (b) privately driving the same *sportive* British car brand since I am 20. And because of that (plus the always necessary luck) being completely accident free. I even stopped skiing and the like, since I went on certain missions – to “net balance” my risks. (“If I get hurt, then for a purpose/mission and despite good tactics and preparations – but not for fun.”) So that is not it. But I feel safe and calm enough when facing people that often make others nervous – which is substantially supported by above concept. It works definitely for diligent people too. (Maybe even more for diligent people than for risk seekers. At least I have witnessed risk seekers and “Rambos” who showed utmost nervousness, made the worst mistakes, and/or lacked a reliable character – in both the military/security and the business world. (Conflict and pressure, like power and wine, bring the truth of people to the surface.) Not least since many of them (and others) lack any skill in dealing with actor dynamics.) Furthermore, I feel a high degree of responsibility for both my tasks and certain others. Thus, being able to handle such situations in a calm and calculated manner is not a result of being “reckless” or a “risk-seeker”. Rather, it is about being able to operate under acceptable and managed risks *once necessary* – based on preparedness (where possible) and a systemic focus.

Introduction

Plus a Warning Upfront: The Form is Frank and the Content Cold



A Warning Upfront: For those Who Got Cozy With Recent "One Colorful World" Thinking, the Paradigms of Geopolitics and Realism Can Get Ugly

In the West, between the 1990s and today, the art of seeing the world in geopolitical terms got lost; outside of small circles in National Security, some universities, and certain businesses. It got replaced by idealistic ideas in politics and business. Applying these logics (idealistic worldviews or pure economic rationales), one tends to think that geopolitical questions (such as the future of NATO or the U.S.-China relation) are a matter of political agendas, current public moods, and industry interests. Following these logics and predictions, e.g. (a) the U.S. under Trump would have left NATO or (b) globalization (normal trade relations with China) would remain intact.

Then these observers are shocked and confused, when they realize that a Biden did change almost everything a Trump had set up – everything but the direction of the most relevant geopolitical policy: The one vs. China. Which was supposedly "the Trump piece" of U.S. geopolitics. However, Trump did not start the process of reacting to China's path either: The later Obama Administration started to lay the ground for the "pivot to Asia" – having been the preparations to prevent China from seizing hegemony over Asia, should that become a real threat.¹⁴

All U.S. Presidents have to serve America's Vital National Interests (of geopolitical and geoeconomic nature), and are embedded in a foreign policy and National Security System that reads them in, and fosters continuity where continuity is due.

At the end of the day, once (1) *vital* geopolitical interests of great powers are at stake, these vital interests (2) drive their politics (otherwise they would not be great powers), which (3) drive their foreign and trade policies, which (4) drive global markets, which (5) drive businesses and their models everywhere. Not the other way around. And not even the biggest corporations can change that, once a phase of enhanced geopolitical competition has been started.

So what to do with these "(geo)political paradoxes" that again and again surprise smart businesspeople – and hurt the results of their prior business decisions, such as investments? Well, "paradoxes", as the art of Systems Theory can prove and teach, result from applying logics and perspectives unfit to certain realities. It is like being in a dark forest, but using sunglasses instead of NVG [export compliance and military abbreviation for night vision goggles]. Then again, and again crying about the "sudden trees" one runs into. Thus, the repeated impression of such paradoxes as "how can there be a continuity Trump-Biden?!" is an indicator: For the need to adjust one's paradigms – or at least the angle on how to look at the world.

And this is no question of preference or morality – it is whether you want to understand what logics started to drive the long-term strategic actions (not the online messages) of those who run geopolitics. Since we can

¹⁴ And before Obama, *Bush junior's* Administration was actually already warning China about the dangerous long-term path it is on. This however was right before the terrorist attacks from *September 11th 2001 forcefully changed the developing East Asia focus* of U.S. National Security.

already see a return to Realism-driven approaches. Whereas understood the right way, *geopolitics and Realism* (like diplomacy) are not just about competition, conflict, and zero-sum. Quite contrary, they are even more about *achievable and sustainable* cooperation, balance, and peace.

Thus, while hereunder is neither a policy recommendation book, nor meant to judge about (geo)politics, it centrally will serve our purpose to appreciate geopolitical (Cold War) Realism, *because it is returning and reshuffling trade, wealth, and the future of nations*. Be it Realism under its name or “merely” de facto versions thereof. Welcome back to Kissinger’s world...



Some understood it earlier, that the West itself would eventually swing back to Realism – away from the failing Idealism approaches of the last 20 to 30 years:

“Neoconservatism has died, and liberal internationalism is discredited. Perhaps it’s time to return to the ideas of one of the last century’s greatest realists.” Michael Hirsh in Foreign Policy, 2020.¹⁵

Henry Kissinger, in my opinion the *greatest strategist of the 20th century*, was a true Realist. (So have been Kissinger’s strategic role models he admired most as strategically thinking practitioners of geopolitics: German/Prussian Von Bismark and (lesser but still) Austrian Von Metternich.)

Realism forces itself upon those in charge of powers during such periods in history.

- Unlike in the post-Cold War years, during the Cold War, **American Realism** dominated not only the academic elite in International Relations. But – much more important – drove the American

¹⁵ Recommended read in Foreign Policy, by Michael Hirsh, 2020:
<https://foreignpolicy.com/2020/06/07/kissinger-review-gewen-realism-liberal-internationalism/>

National Security State and U.S. Presidents (*Democrats and Republicans alike*). That is, it did so at least once these politicians had been in power, and thus "embedded into the National Security State". And they nominated "realpolitiker" in key positions accordingly; with George Kennan, Clare Boothe Luce, Dean Acheson, Jeane Kirkpatrick, Henry Kissinger, and Andrew Marshall as the, in my opinion, greatest U.S. strategists of that time. Greater-than-life characters (covering a balanced political mix of *Realists*), who *served* alongside numerous less known women and men, in Western and aligned non-Western societies around the globe.

- In Western Europe too, **European Realism** drove the thinking and acting of the political elites – from *Conservatives and Social Democrats to Liberals* (in the Western European meaning). Which resulted in the arguable *most successful period in European history*. Enabled and supported by the backing of America, the German, French, UK,... (geo)political "mothers and fathers" of
 - o (a) European unity and peace,
 - o (b) the economic miracle/ascent (with all the related positive socioeconomic effects, visible in rising real incomes, optimism, demographics,...),
 - o (c) the high-risk management of the USSR/communism threat (first deterrence and denial of infiltration, then management of the consequences of its implosion), and finally
 - o (d) the initial integration of the Eastern Europeans,

by and large have been Realists. Whether it was "conservative Realism" or "progressive Realism". (However, since it was Realism, it was in both cases overall balanced and thus productive and sustainable. Based on a healthy, democratic political competition "conservative vs. progressive" inside the West, and a geopolitical system competition vs. a communist bloc.)

- From a net perspective, they all did so to the benefit of their nations, the West, and all non-Westerners who sided with them. Plus, to the benefit of the populations in Eastern Europe, Russia, other former USSR nations, and China. Where people are much better off now, than under the West's old nemesis, the communist system of the last Cold War. They all have been winners along with this old, successful West.
- This ascent of the Free World after World War 2 was based on Realism-driven geopolitics and geoeconomics. Which is also why the *Eastern Europeans, who experienced the difference of both systems, to this day stayed true to the old Western approach of Realism*. And are now the biggest geopolitical and economic *winners*.

Of course, the post-Cold War period saw its utmost capable Realists too – like Condoleezza Rice. Who just had difficulties fighting uphill battles against the idealistic zeitgeist (from the right, left, and business world) as well as distracting world events. A *zeitgeist of Idealisms* that dominated the West from the *mid-1990s to 2022*. Until the bubble finally burst. Now, as Her Excellency Kelley Currie put it at the end of 2023,...

"The world is on fire."¹⁶



Kelley Currie (here at another occasion in front of the UN) makes the point ***that the U.S. and China are already in a Cold War, whereas "[...] China is also in a full-scale assault on the normative framework that underpins the United Nations across all three pillars: The security pillar, human rights, and development."***¹⁷ She is a senior fellow at the Atlantic Council and former U.S. ambassador-at-large for Global Women's Issues, and the US representative at the United Nations Commission on the Status of Women.

That is, the Western democratic model and global post-1945(!) order is at stake, according to current National Security assessments. And as a result, since 2022 the ***West is in a process of lessons learned.*** Reflecting its post-Cold War approaches and attitudes. The biggest and soon most consequential learning process since 1991.

Thus, if one wants to comprehend geopolitical markets, and how to anticipate and interpret related market tools/laws, one needs to understand the ***swing back to Realism that has already been initiated.*** Although it is a slow, pacing process of unfolding. Understandable, since sociopolitical learning and (democratic) complexity management are by their nature slow. One just needs to develop the ***capability to read and see between the lines.*** The logics and realizations of the transformation are identifiable. To do so, we leverage GAST tools that speed up the related development of one's Realism shrewdness. Whereas thanks to their underlying logics, some of these tools can even be visualized pretty neatly – which helps a lot to foster reflection and communication. Such as the tool of Diagonal Distinctions – and the master of them, the Leitdifferenz of a certain setup, key trend, or issue.

¹⁶ Her Excellency Kelley Currie in November 2023.
<https://publicpolicy.pepperdine.edu/events/2023/steamboat-institute-debate.htm>

¹⁷ <https://publicpolicy.pepperdine.edu/events/2023/steamboat-institute-debate.htm>

A Resulting New Leitdifferenz that Helps To Grasp Shifts Quicker

As we will see, the merger of (a) Luhmann's System Theory, (b) Realism, and (c) operational experience and best practices delivers us a few tools that come in handy for the hereunder purpose. One of these tools is what I call the **Leitdifferenz Key of GAST**. A key not to heaven, but to earthly benefits. (That might be applied to serve the material, immaterial, or even transcendent values of choice.) It is the **Leitdifferenz Realism vs. Idealism**.

Leitdifferenz (German¹⁸) in the sense we use it hereunder (borrowed from Luhmann's concept), should be translated as "*the leading and decisive distinction when observing reality/situations*". Diving into the abstract logic of "**observation operations**" that **create** meaning in the sense of Luhmann's Systems Theory cannot be part of this Series (here Luhmann has integrated the work of two higher mathematicians with psychological knowhow into his master theory¹⁹). But that is not necessary hereunder.

We will benefit from applying the Leitdifferenz to gain an edge in better and quicker grasping the geopolitically caused tectonic shifts in the world of international business, trade laws, and markets.

Example of applying the tool: If one takes the following "pure facts"...

Observing Pure Facts:	
<u>This policy will be implemented in the spirit of...</u>	
<u>Raja Krishnamoorthi</u> <u>Democrat</u>	<u>Mike Gallagher</u> <u>Republican</u>
<u>Obama</u> <u>Democrat</u>	<u>G.W. Bush</u> <u>Republican</u>

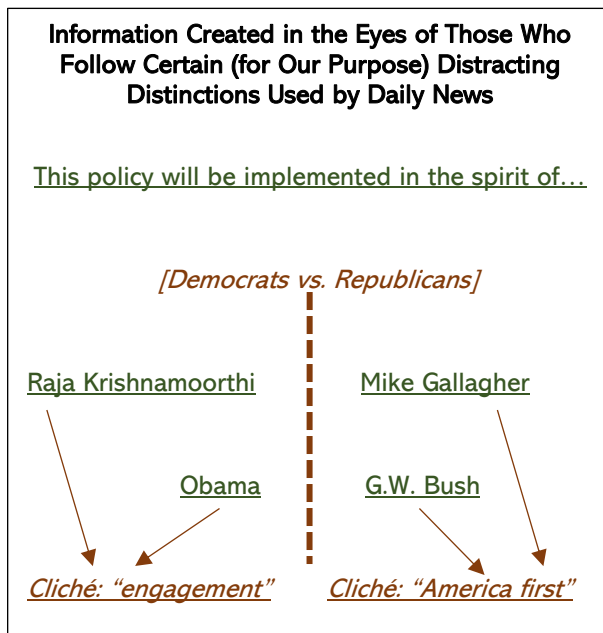
¹⁸ "Leit[en]" = leading/steering. And "Differenz" = difference/distinction.

¹⁹ The British higher mathematician George Spencer-Brown and the Austrian-American higher mathematician Heinz von Foerster. To get a quick idea about Luhmann's application of Spencer-Brown and Von Foerster, I can recommend the following scientific paper:
www.sciencedirect.com/science/article/pii/S2666721522000308
*"Luhmann elevated the Spencer-Brown concept out of the isolated, **abstract mathematical** sphere and injected it **into a sociological** theory. The **distinction presupposes the existence of an observer** and the operation of observation. Any observer is already a distinction itself, in other words observation is only possible due to pre-existing forms or distinctions. In his usage of observation as a core element of his theory, Luhmann connects to the stream of second-order cybernetics, i.e., the science of systems observing systems (Von Foerster, 1981)."*
The **mapping concept of our GAST Intelligence Approach**, that is included in Book III, is based on the so called **Laws of Form** logic by Spencer-Brown, and the way Luhmann has integrated it to leverage actor analysis.

In the following sense: A policy is expected to be influenced by one of the above four U.S. politicians (all having been or are/will be vital in U.S. vs. China politics, as we will see). Which in its raw content initially creates the above perspective (underlined words being the “meaning” created by an observer). It is a rather hypothetical example (Obama and G.W. Bush are not directly influencing policies on China any longer), but it is the quickest way to deliver the point. (We will have very practical examples for applying this tool. Such as what triggers moves of chip manufacturers (back) into the West, and how to gain business-/investment-wise better insights into this and similar substantial projects to be expected.)

In this example, the meaning created when hearing about such facts (“policies influenced by politicians X, Y, Z,...”) can be very different. Depending on the distinction scheme applied during the conducted “observation operation”. As follows...

When applying a certain distinction set, which usually happens without much reflection and either based on (a) the observer her/himself or (b) the “framing” of the messenger (media,...), a specific form of meaning is created. (*An observer does not “see” her/his own distinction schemes, unless she/he reflects and zooms out. And is capable of doing so.*) Such as when applying typical daily news distinctions to our example:



And now we apply another distinction scheme on the same factual raw material. It is our Leitdifferenz we, where relevant, utilize:



Important: Key for this analytical concept are neither the labels a third party observer uses, nor the labels such an observed politician herself/himself applies or believes in. Key is what rationality drives these decision makers. (Or to be precise: Their systems, such as legislative bodies.) And rationalities are (among others) driven by certain distinctions – may the ones using them be aware of them or not.

A Leitdifferenz that is recommended to be applied as the base case in the way laid out in the Books Series. Thus, we ask: "Is this actor/regulation /enforcement agency/... driven by the new China Rivalry Realism, or still by the old post-Cold War Idealism?!" And go deeper from there. Instead of thinking, the primary driver is Republicans vs. Democrats. (A distinction regularly overestimated with regards to the real effects (not chatter or ideas) on matters of Vital National Interest, as we will see. Especially in Europe, where U.S. party politics is "observed" via an unhealthy degree of overestimation of personalities (bordering on panic) , even among too many political scientists. Again: According to them and European news outlets, Trump would have destroyed or at least severely damaged NATO and Biden would have stopped the economic warfare on China. We are not interested in judging about these politicians. But we benefit clearly from assessing the geopolitical directions in matters of Vital National Security based on our GAST angle - not based on personalities, political pre-office programs, or Twitter.)

Thus, by using this tool we don't merely exchange "result values" and labels in our assessments (as observer usually do: "assessment result A" becomes "assessment result B" while maintaining the underlying distinctions). We go deeper and identify and apply rationality distinctions that run diagonally to certain post-Cold War distinctions. These post-Cold War distinctions might still have their justifications and benefits. And we don't even contradict these post-Cold War modes of observation. But apply different glasses. Since, for our purpose, some of these post-Cold War distinctions are not reliable any longer. Instead, we apply what we call **Diagonal Distinctions** in the GAST Intelligence Approach. With our

Leitdifferenz as the, in general, most important Diagonal Distinction of a broader issue focused on.

From a business perspective, these Diagonal Distinctions are best applied like an overhead transparency on top of key actor or other information analysis (e.g. understanding regulations and their enforcement *realities*). In order to better anticipate what is more likely to be decided on. And in order to better interpret what has been decided on. Supported by the right framework and processes, starting with such a concept can make a real difference in the bottom line informational value generated.

Bottom line:

The perspectives Western businesspeople (and others who aspire to be in the know) who “learned about the world” during the post-Cold War period, will have to be replaced by geopolitical Realism perspectives (understanding “National Security” rationalities of great powers). ***IF*** one wants to get better at grasping game changing shifts and vital geopolitical market trends.

And while these cold views on the world can be difficult, they can make a real difference for actual value outcomes. As I like to call and recommend it...

*...identify the beauty in the ugliness of Realism and...
...be aware of the ugliness in the beauty of Idealism.²⁰*

It is the approach of

- (1) identifying within a messy (geopolitical) context actually feasible and achievable wins for one's tasks and value pursuits, while
- (2) avoiding severe traps that good meaning projects can fall victim to, due to egocentric perceptions in complex realities. À la “it is all about our goodness and intentions”. No, it isn't, if the goal are sustainable good outcomes.

Of course, if one instead prefers to avoid such uncomfortable adjustments – having to question so many convenient recent ideas – one should look the other way. And ***stop further reading now***. These views can destroy colorful cozy bubbles. ***Otherwise***, if the above warning is neither scary nor disgusting to you as the reader, continue – and ***enjoy the journey***.

²⁰ To be fair and precise, the full version would have to be called: It helps to...

*...identify the beauty in the ugliness of core values-based Realism...
...and the ugliness in the beauty of one-sided, uncontrolled Idealism.*

Starting with a Business Mindset Fitting to a Geopolitical Era

As will be outlined (in the sub-chapter about hereunder applied working hypothesis, thus our base case scenario of the most likely direction ahead), step by step we see a New Cold War unfolding. Between a U.S.-led Western alliance (NATO plus Pacific allies) and a China bloc. All this converting the markets and regulatory environments ahead ever more into geopolitical markets and regulatory environments. Contradicting the logics of the post-Cold War globalization.

Among businesses, the related creeping realization that their post-Cold War rationalities alone don't help any longer when assessing the most critical market environments, left a conceptional void. A void that asks for a conceptional solution. Thus, frameworks and processes that enable businesses to develop and master the art of business-oriented geopolitical risk management. McKinsey even putting this art at the top of the agenda for successful corporate leadership.²¹ And it really does make sense, when you look at the bottom line, i.e. outcomes.

During the (last) Cold War, many of the most successful players in banking, investing, and industry understood geopolitics very well. And they knew what to do – and what not. And knowing with whom to side. To me it was always a pity to see that so many smart businesswomen and -men have lost a skill, that in business and society the generations before them grasped so much better. For example: Especially coercive instruments of so-called economic statecraft have decoupling effects, if designed geo-strategically. The related business risks of such effects are remarkably high for decisions related to

- Capital markets
- Direct investments
- Supply chains and sourcing
- Marketing (what markets, customers, and products to focus on)

At the same time, these decoupling strategies and effects carry a positive global trade and policy flip side too: They push for even better trade relations with other nations as well as national pro-industry policies even if (past) values would suggest otherwise. (Enabling the "impossible" to become possible, from free trade agreements to fiscal efforts, to pushing new technologies and/or solutions, based on what works and helps.) Geopolitical forces both (a) stall and (b) boost business like little else in history. And they foster revitalizing reforms of bureaucracies and mobilization of societies otherwise hard to imagine. At the same time, in severe geopolitical situations, one should prepare for surprising geopolitical turnarounds, such as geopolitical opponents of one phase becoming partners during the next one. For businesses meaning: Risks, risks. Opportunities, opportunities, opportunities.

Whereas geopolitical (National Security) thinking does not have to be a "secret art" that only small circles are proficient at. The problem now being that with the new interest and dynamics, all kind of geopolitical theories confuse the audiences. Such as different conspiracy theories and/or results of deliberate disinformation.

²¹ Recommendable for a quick dive into McKinsey's approach to geopolitics for C-level: <https://www.mckinsey.com/capabilities/risk-and-resilience/our-insights/geopolitical-risk-navigating-a-world-in-flux>

**Example of How Half Truths Create *Negative* Information “Value” for
Those Who Are Not Used to *Comprehensive* Geopolitical Analysis**

Audiences lacking geopolitical knowhow, e.g. tend to be quickly shocked by messages like:

“The U.S. has the interest to prevent that Europe/Germany and Asia/Russia/China [pick what you want] unite!” – “Oh, my god! Now everything is clear! This evil plan!”

[A real world example misleading too many in Europe/Germany, since they jumped from “zero geopolitics” to “geopolitics behind everything”; lacking the full picture and cool head when assessing geopolitics.]

Well, yes, that *per se* could be identified as one geopolitical interest of the U.S. according to Realism. However, that *“recognition” by itself tells as little* as assessing a chess game merely by looking at *one* token. Or like realizing that your co-shareholder does not want you to damage the partnership with other competitors. Get real guys: It is the same the other way around. Meaning: In setups of a few big powers, each power has the interest to avoid that the other powers unite without it:

- Europe (Germany,...) is as much interested in preventing that the U.S. and Asia/Russia/China could/would become a unit as the U.S. is interested in preventing above “unity against them”. Rest assured, past, present, and future Europe (Germany,...) was working against and would work against any such “Asia/U.S. alliance” without them.
- And the same goes for Asia/Russia/China: They do what they can to split any transatlantic unity.

Thus, this is not “evil America”, but a simple recognition of one of many vital interests that “evil” America, Europe, Germany, Russia, China,... had, has, and will continue to have. What matters for one actor X is not whether actor Y holds some (maybe) conflicting (vital) interest (something always existing, even among the best partners). But whether the respective actor X picks the realistically available best path for itself and the overall stability. And here, the “evil interest” of other sides can be turned into an advantage for the affected side. Which is what smart nations do: They sell their allegiance for a high price and benefits. If it is attractive for Y to have X on its side, not on the side of Z, then the smart X will push for preferred market access, maritime protection,...

Thus: All have the same types of “evil” vital interests. And whether and how one side plays this smartly depends on the realistic options, alternatives, and preferred effects. To again leave the abstract (and we will reflect these relations where they are relevant for assessing the geopolitical markets and geoeconomic tools/laws):

- The U.S. and Europe/Germany are each best off as close allies, with all the compromises it requires.
- However, at the same time, geopolitical Realists (in the U.S., Russia, and Europe) are also aware of the following: Russia and the West would be better off partnering to balance against an ever more powerful China. But this common interest is currently blocked by the situation in and with Ukraine. *Currently*.

By the way: Germany does not less pursue its own interests as coldly as China, America or Russia do. Germany just became extreme in hiding every interest behind “altruistic”, moralistic labels and flags. Such as: “For the EU!” – knowing very well that its industry and geopolitical influence/security benefit from the EU to a degree only few others (like Poland) do. Did you know that a key German World War 1 goal was to (where possible) create a (Central) European market/customs union? This German war goal became finally reality, but via peaceful European unity. A unity that was and is enabled by NATO/U.S. power backing. Which is also why **Germany is merely serving its own vital interests, when staying loyal to America** and having it in Europe. No other structure than NATO could uphold/defend this bloc, its security, and its single market. Or did you know that even during the now criticized period when Germany shrank its land forces (from the 2010s to 2022) it initiated the largest naval program since the end of WW2? To develop state-of-the-art warships specialized in, among others, global sea line protection and embargo/blockades (in which they have NATO experience, e.g. vs. Yugoslavia in the 90s). And is all this German development aid without an eye on the resources needed for alternative energy and future German industry needs? Well, compare the countries. Thus: They still pursue their vital interests – but learned to use a softer appearance. And (partly as a result of this “strategic softness”) they swing in cycles between loud idealistic proclamations, and quiet returns back to reality. ...I do not judge in any way, but merely observe. (Whether Germans or others succeed in their strategies is always another question. Whereas I believe Kissinger that Germany did/does best for itself and the world under Realists, and worst under the opposite.)* The point being: Powers having interests is nothing related to “evil plans”. At least Realists know how to comprehend that, identify interests (instead of being idealistically blind to the existing interests of oneself and others), and thus are able to better manage relations.

* If you want to get the quickest idea about this point and its utmost severeness, look at the last abstract hereunder (Kissinger has reasoned that often – and well):
<https://www.henryakissinger.com/articles/otto-von-bismarck-master-statesman/>

...Summarizing this **example of how Realism helps to analyse coldly** our important European dimension of the rivalry and its effects on markets, trade law, and regulations:

- 1.
(West) **Germany became a loyal US ally during the Cold War** (with the most capable army of all American NATO allies, according to CIA assessments, as will be shown). And it did so **pure and simple for its own self-interest**. America, and only America, enabled totally defeated Germany to re-rise - economically, militarily, and (geo)politically.
- 2.
Then, at the end of the Cold War, America, and only America, was able to push through German unification (against the geopolitical instincts of the UK, France, and the USSR).
- 3.
What followed was the “historically odd” post-Cold War period. During this phase of “free globalization” Germany could shrink its military, and related shared burden. And it found rationalizations for its behavior. Even selling this convenient behavior as “being the utmost moral nation” (“we are now a Zivilmacht [civil power]”). Almost as if saying “We use the stable world system for our business *plus* claim to be the utmost moral power, since we *contribute much less* to the order.” – totally credible “morality”, isn’t it?!).
- 4.
But that time is over. 2022 made it **impossible for current/future German** governments to **play this game of the post-Cold War era**. (Had Putin not attacked Ukraine in 2022, something else would have occurred eventually with the same effect. Such as ever more insecure shipping routes, threatening the survival of Germany’s economy and thus its political system. Putin’s 2022 move just made it utmost obvious that the post-Cold War “post-heroic, post-geopolitical” worldviews of the western EU members are not survivable.)

So **Germany needs America again**. And Germany (like the Eastern Europeans) will again become a loyal US ally, like during the last Cold War. This time not only so Germany has geopolitical security and stability in the EU (only possible through NATO/U.S. backing), but so that Germany can rely on America’s global system in a hostile, insecure world (not least to partner with the might of the U.S. Navy, that will have to focus on **protecting the trade** of Americans and U.S. allies). For this and other reasons to be laid out, in our base case scenario, particularly **Germany and the Eastern Europeans will ensure that the EU and NATO will follow the U.S. in its strategic competition vs. China**. With or without France. Berlin-Warsaw, more than Paris-Berlin, will be the European axis to look at.

Thus: **Neither is Germany as moral and altruistic** as many over-dogmatic Germans have an impulse to sport themselves. **Nor is Germany a vassal of America. It pursues its own vital interests – in a difficult position**. And thus, via allies and structures (EU, multilateralism,...). And like all powers, it at times goes too far, burns itself, runs through crises,... and has to readjust its worldviews, approach, culture, and model.

To put it bluntly: Germany just needs to mature in its new post-Cold War form, away from the still too dominant, annoyingly childish, and dangerous teenage instincts and impulses of both far-right and far-left nature. Far-right blunders like “We are victims of the U.S.! This is all against Germany!”. And far-left blunders like “America is the capitalistic devil! We need to create a new post-modern world by siding with the good anti-Western forces!”. Fortunately this time Germany is a stable democracy and integrated in broader Western alliance systems. Thus, modern Germany will be able to manage rough years, while holding its radical internal enemies (from the far-right, the far-left, fundamentalism, as well as all other forms of systematic crime actors, political or not) at bay.

Whether you worry about China business, or the affected market environment in general, getting ready for this Cold War-type environment starts with adapting the business mindset. Via both defensive and offensive strategies.

Preparing the Business Mind(set)

I don’t think anyone can say how the world, businesses, and the market landscape will look like in 2030. There is a level of both (a) uncertainty and (b) dynamic that never existed in the post-Cold War world. But what

can be said – if applying our GAST Intelligence Approach (and considering the perfect storm of geopolitical, technological, socioeconomic tensions and dynamics):

The world of 2030 will be a very different one.

- Then, people will think and understand the world based on a very different experience and hindsight about the decades before.
- That is, with the 2020s, we entered a period of historic change and a related reshuffling of power, trade, and wealth.

However, these **periods of change are normal** in history, and it does not help to be scared and/or try to ignore such historic cycles and shifts. Rather, start working on your mindset and processes so you can prepare your business to do better than your competitors. And one key capability to deal with such change is to focus on those trends, risks, and opportunities that actually can be identified and prepared for. For example – and this is our topic here – despite all uncertainty we have some givens. Such as the increased future use of sanctions and export controls in the (given and growing) U.S.-China rivalry.

In the end, **business is about winning** – within the law of one's jurisdiction(s) and with respect to one's environment. (Ideally, this winning should create sustainable win-win for all of one's stakeholders, as well as one's country and its allies. Even improving the world inasmuch as workable – and not mere naivety, or cynical deception, such as green washing.)

But you can only do so if you are (1) prepared to and (2) actually do **win**.

Thus, as a business or asset manager, *not* seizing legitimate opportunities offered by geopolitical dynamics is *not* "ethical". But – let me be frank where being frank is due – in my humble opinion, irresponsible and pointless.

It Is a Process Performed Via Certain Activities

In order to address the risks and opportunities resulting from the U.S./West vs. China rivalry it helps to execute the following strategic activities – which is basically what we develop in detail across the Book Series:

1. Grasp the Geopolitical Context of Geoeconomic Policies
2. Develop a Framework for Identifying, Monitoring, and Analyzing the Risks, Opportunities, and Related Geopolitical, Geoeconomic, and Legal Drivers/Variables Relevant to Your Current and Potentially New Business Model(s)
3. Shape Your Strategies Accordingly, in Order to Manage these Risks and Seize Opportunities
4. Design and Implement a Trade Compliance Program Tailored to Your Preferences, But Within the Legal Necessities – Being Your "Legal Defense Concept"

To Learn, Develop, Master, and Enjoy the Art of Assessing Geopolitics

Good academic works deliver distinctly valuable inputs – and across the Series I will stress out academics whom I explicitly recommend reading (many more recommendations can be found by checking for researchers in the think tanks I highlight). But for the business purpose such academic contributions need a framework that (a) puts them into a strategic portfolio and (b) links their content to specific processes. Without such business contextualization, a business-focused person can (1) read the best academic books on International Relations, (2) close them, and (3) don't know much more about what to do now business-wise. Or worse, is distracted by business-wise less relevant aspects (such as great moral or policy arguments, that bear little chance of being followed by the relevant power centers; with little relevance for markets).

Thus, what is recommendable *prior* to diving into theoretical/academic works on geopolitics, is a heuristic framework tailored to the processes and functions of business operations (best practice,...). Which then can be further developed and applied to one's own realities, priorities, and preferences. Hereunder is such a business functions-oriented framework. It focuses on a few highly important geopolitical key drivers – and links them to business functions. Thereby among others, piercing the (at times too thick) veils of morality talk and other *analytical* distractions.

Then, based on such a business-tailored framework, reading different theoretical products on geopolitics becomes really effective. Since then you know (a) where to look at, (b) what to focus on, and (c) how to extract takeaways for your processes and objectives.

In that very sense, let's begin with the first framework recommendation:

It helps to start by differentiating the management of hereunder addressed risks and opportunities into defensive and offensive strategies...

The Defensive Strategies Necessary: Avoiding Compliance Violations and Bad Business Decisions

On the defensive side, the *opportunity* is to be more survivable and sustainable than your competitors are. This has a direct and an indirect aspect.

The **direct aspect** of this defensive side is developing and applying a good **geopolitical compliance strategy and model**. This is not only keeping one out of trouble, but mid- to long-term positioning one better than others:

- Some in your market environment are likely to suffer, due to weak compliance – or the opposite, i.e. overcompliance (without any rational goal behind it).
- Contrary to that, being good at geopolitical compliance as understood in this Book Series puts one on a different level. Not least because it allows one to operate more confidently, while others eventually start doubting about some of their business operations (then turning into over-compliance and/or sluggish behavior).

And since over time stakeholders will develop a feeling for this new age and start to assess actors accordingly, they will take those who carry the aura of “geopolitical compliance mastery” more serious. This means better reputation with clients (“they know what they do...don't change their opinion later!”), better financing, better partners and B2B reputation, better employees, better press, better government relations and contracts. And so on.

The **indirect aspect** of this defensive side is to **avoid bad business decisions**. Based on bad decision making, such as e.g. calculating ROI for direct investment in Communist China, without factoring in the geopolitical side, and related geoeconomic tools. And in so doing blindly assuming that (a) the West is not sanctioning and embargoing, (b) China is not getting hard on Western businesses/owners and their assets in China, and (c) the markets are not feeling such a trend at some point. These are however open questions, thus high risk bets if taken for granted. What these and other questions of the geopolitical markets instead require are explicit strategies...

A central tool for both direct and indirect aspects of a good defensive strategy is Enhanced Due Diligence²²...

²² Such as conducted by the author's firms: See chapter about the author's background.

Assessment Summary of All Covered Hiring Risks
Page 1 of 2: Employee Sanctions and Export Control Risks

Indicator	Employee Sanctions Risk (U.S. or EU) (PIR 1)			Employee Export Control Risks (U.S. or EU) (PIR 2)		
	Currently sanctioned?	Indicators for becoming a future target?	Indicator for future evasion (supporting a target)?	Currently listed under any Export Control?	Indicators for becoming a future target?	Indicator for future evasion (supporting a target)?
Green Flag (counter indicator)	No Match or other Indicator for the Employee be currently under any U.S. or EU Sanction	- 1 strong - 2 weak	- 1 strong - 1 weak	No Match or other Indicator for the Employee be currently under any U.S. or EU Export Control lists	- 1 strong - 1 weak	- 1 strong - 1 weak
Orange Flag		- 1 weak	- 1 weak		- 1 weak	- 1 weak
Red Flag		0	0		0	- 1 weak
Critical questions that could not be covered yet		None	none		none	none
Net Risk Assessment		Lowest	Lowest		Lowest	Medium
Identified Problem Areas		none	none		none	xxx
Possible future monitoring						Xxx Xxx Xxx
SIR (What)						Xxx Xxx
NAI (Where)						Xxx
SOR (Who)						xxx
RSB deliverables		no	no		no	Briefing on Risk!

Assessment Summary of All Covered Hiring Risks
Page 2 of 2: Employee Insider Threat and Fraud Risks

Indicator Threat Risk (PIR 3)	Employee Fraud Risk (PIR 4)	
	Indicator for foreign government threat	
- 1 weak	- 3 strong - 2 weak	
- 1 weak	0	
- 1 weak	0	
xxx	none	
Medium	Lowest	
xxx	None	
xxx	Xxx Xxx	
Xxx	Xxx	
Xxx	Xxx	
Xxx	xxx	
Briefing on identified Risk!	no	

INHALT

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Assessment within the context of the client (corporate exposure and preferences), the mission and the case

company, (b) the position, (c) the candidate, and (d) all other context and mission factors, we see no higher risk for hiring.

risk are both related to the candidates relations to country XXXXXXXXXXXX, but overall low (indications, only general risk situation) to not block any recommendation for hiring.

candidate, but also out of general necessity (corporate business model) the design and at least minimum (basic adequacy for firm) Export Control Compliance Program

Some anonymized basic due diligence products of RSB International:

- **Preemployment Checks Level 1**, for a high-tech corporation. (Top; whereas depending on the results of the level 1 investigations as well as the sensitivity of the job function, tailored deep dives and similar corporate counter intelligence approaches are initiated, if relevant.)
- Basic case assessment as a form of **Sanctions Risk Prevention** recommendations. (Left; in this case, a corporation wanted to know how a criminal case against sanctions violators might have compromised former business partners, and how to ensure that future business stays away from related parties and risks. Here the first part is in German, for the group's C-Level. The rest is in English, for the global subsidiaries.)

Geopolitical Markets Ask for Enhanced Due Diligence; As Under Such Conditions, Some Deals and Actors That Appear Bright Are Poisoned, While Others Appearing Gray Can Be Clean – and Utmost Profitable

Ever more critical international sectors and market segments are becoming geopolitical. Creating unique *complex economic realities* as well as channels and relations. For businesses it is vital to know (1) how specific geopolitical actors, setups, and interests influence their sectors

or specific deals, (2) what jurisdiction they fall under, and (3) how to **stay clean and compliant, especially regarding any law considered U.S. National Security**. Once geopolitics shape business landscapes formally (sanctions,...) and informally (expectations, opportunities,...) not everything positions itself along the antagonism bright vs. dark. And even the appearance of such is not reliable. Rather, Enhanced Due Diligence and related tools, conducted by specialized consultants and law firms, are key. To make sure that one does not deal with the wrong parties. And to make sure that one does not shy away from legitimate good deals.

Third Countries and Unclear Middlemen During Geopolitical Times

Under such geopolitical markets, a lot of critical business in third countries or via (often necessary) third parties appears somehow gray – be it legitimate and compliant or not. To transform the abstract into the (very) lively. With an opulent example for the type of gray zone actors that cannot always be avoided in international setups, once deals become big and/or geopolitical enough – not only in the defense industry...



The picture shows a typical “**gray zone actor**” of the last Cold War, now publicly known (thus, we are neither violating anyone’s privacy/security nor revealing any secrets but merely utilizing now public history): An Austrian/German dual citizen and businessman who, according to different U.S. journalists and news networks (including CNN), allegedly was one of the favorite Cold War arms dealers of the U.S. military/intelligence for special transactions. Thereby not only “doing good for the West” but for himself too. (Since he “got very wealthy very fast”, resulting in adequate real estates from London and Switzerland to his 7000 acres residence in Virginia, USA, according to below CNN production, that was already aired in the 1980s...) Yes, it **pays off to serve the proper side during Cold Wars**. In different ways.

Picture from the 1980s CNN documentary “Merchants of War”:
<https://www.youtube.com/watch?v=KN9em4Oq8-c>

And in geopolitical settings, particularly **serious deals** in certain strategic sectors, from energy to defense, **require special care**. Whereby abroad, neither governments nor businesses can always avoid “gray zone actors”. (Or deal with girl/boy scouts only.) The key for businesses is to develop the capability to assess counterparties and legal aspects shrewdly. To avoid any liabilities, be it due to violations of sanctions laws, export regulations, or anti-corruption legislation (such as the American FCPA²³).

Those Who Can Avoid Unclear Middlemen Or Third Countries Have to Be Even More Careful, Since Bright Can Be Dark

Whether a deal or actor is “brightly looking but dark/illegitimate” or maybe the other way around, “dark/grey looking but acceptably bright and compliant/legitimate”, most often needs to be answered case-by-case. For example, a well-established corporation in a Western European nation (being, e.g., a corporate client) might all the sudden become a sanctioned party – without that it is listed on any sanctions list! (Since 2022 this happens more often than most think. Most notably due to so called “50% Rules” that cause a sanction effect on subsidiaries of certain parties, which we will cover in detail in Book II.) Thus, a “bright” target or partner is actually dangerously poisoned. (**Or not**: Depending on the type of U.S. or EU sanction, even when a party is sanctioned, a lot of relations and transactions might still be legal and compliant.)

Consequently, any entity owned in the aggregate, directly or indirectly, 50 percent or more by one or more blocked persons is itself considered to be a blocked person. The property and interests in property of such an entity are blocked regardless of whether the entity itself is listed in the annex to an Executive order or otherwise placed on OFAC's list of Specially Designated Nationals (“SDNs”). Accordingly, a U.S. person generally may not engage in any transactions with such an entity, unless authorized by OFAC. In certain OFAC sanctions programs (e.g., Cuba and Sudan), there is a broader category of entities whose property and interests in property are blocked based on, for example, ownership or control.

U.S. persons are advised to act with caution when considering a transaction with a non-blocked entity in which one or more blocked persons has a significant ownership interest that is less than 50 percent or which one or more blocked persons may control by means other than a majority ownership interest. Such entities may be the subject of future designation or enforcement action by OFAC. Furthermore, a U.S. person may not procure goods, services, or technology from, or engage in transactions with, a blocked person directly or indirectly (including through a third-party intermediary).

OFAC will incorporate this guidance as it issues regulations implementing new sanctions programs. In addition, OFAC expects to amend regulations implementing existing sanctions programs to reflect this guidance.

A cutout from a key OFAC document (“guidance”) almost any larger Western business, or anyone that conducts international business, should know and understand nowadays. The basic guidance on its “50% Rule”. **Take a close look at the warning** in the second paragraph in case you don't know the related document or the rule behind it. Whereas thanks to indirect realities we will cover (“U.S. Nexus”), in many **international transactions** **Non-U.S. businesses** have to take the same **caution** when potentially dealing with sanctioned parties, since a non-American business is otherwise quickly targeted by U.S. authorities for “causing” U.S. parties such as banks or IT providers to be involved in sanctions law violations. The document can be downloaded via the following U.S. government link:

<https://ofac.treasury.gov/media/6186/download?inline>

²³ Foreign Corrupt Practices Act of 1977
To be found in 15 U.S.C. § 78dd-1, et seq.
<https://www.govinfo.gov/content/pkg/USCODE-2021-title15/pdf/USCODE-2021-title15-chap2B-sec78dd-1.pdf>

Across the Books Series, we will cover different forms of legal risks stemming from the geopolitical tensions and related trade tools. But the most critical risks thereof are the sanctions risks. And here the related obligation to conduct so called (sanctions) due diligence offers a good example for the point made above:

Example: Obligation to Conduct Sanctions Diligence of Due Quality

Due Diligence:

To avoid severe punishments and exclusions from markets, businesses must **adequately and proactively try to avoid any sanction law violation**. Intentionally and credibly trying to do so, in the amount and quality expected, is *Due Diligence*. An activity that should be tailored, process-based, and documented (well).

Practically spoken, with regard to the most draconianly enforced trade obligations (i.e. sanctions compliance), businesses everywhere are challenged by the following (de facto and/or de jure) obligations and expectations – from a U.S. perspective:

1. **Identifying One's Jurisdiction(s)**

Understanding inasmuch not only one's home country but also "third countries" consider themselves having jurisdiction vs. one's operations. In international business, this is quickly the case with the U.S. as we will see. (Or increasingly even the EU when certain connections exist, despite the traditional claims of the Europeans to "not support extraterritoriality". Such newest legal details will be elaborated in Book II.)

2. **Conducting Party Due Diligence**

Understanding and identifying who of one's contacts is sanctioned – under what type of sanction.

3. **Ensuring Transactions Due Diligence**

Understanding when and to what degree any specific transaction would be sanctioned

- 3.1.
Applicability of a sanctions norm in case of a transaction (e.g. entering or upholding an insurance contract with a sanctioned party)?
- 3.2.
Do exemptions or exceptions exist? (Such as General Licenses existing that provide wind-down periods,...)

4. **Conducting Case Management**

In case any sanctioned party, asset, or transaction is identified: Differentiating among the different consequences and managing related behavior:

- Obligation to freeze accounts or even physical goods?
- Obligation to report?
- Actions in case of possible sanctions violations?

All this means especially, that prior to executing **large transactions or onboarding** critical customers or partners, businesses must conduct **extensive research into the background** of their targets, partners, customers. This itself makes it necessary to act risk-aware...

Risk-Based Enhanced Due Diligence for Sanctions Compliance: More than Checking the Immediate Counter Party's Name

The U.S. (and to a lesser degree increasingly the EU, UK, Australia, Canada, Japan,...) is expecting from businesses anywhere to be aware of U.S. (EU,...) sanctions and export controls. And to know whether the type of business they do is considered high risk with regard to compliance. They expect businesses to start with **tailored risk assessments** that reflect their

- region(s) and countries,
- industry sector,
- products and services,
- business model and processes, as well as
- customer base, suppliers, employees, third parties.

And for the U.S., “**high risk**” is more often given than most businesses are aware of. For example, being involved in the oil/gas sector **in the EU**. Since that means there is a good chance of running into the ownership relations of sanctioned parties.

If businesses operate in such fields considered high risk, then the level of Due Diligence expected is higher. They need to **dig deeper**. This is often called “Enhanced Due Diligence” (obligation).

Not least, depending on the size of the transaction, such an “EDD” goes beyond what most businesses or even attorneys can provide using standard procedures. Rather, special skills and access must be applied, whether developed in-house or via external service providers.

Asking very well:

- Who are the owners behind the counterparty?
- Who controls the business?
- With which regimes are businesses aligned with?
- Is this target, source, client, or partner likely to become a target of sanctions?

And it means to not just (1) run the immediate name of the partner through sanctions lists, but (2) in addition

- consider potential problematic ownership structures, direct and indirect;
- consider special types of sanctions that are not going by name, but by residency, type of position,...;
- look for red flags (suspicious indicators), such as
 - o Suspicious behavior (according to details, such as listed in the Red Flag Lists in Book III)
 - o Country sanction related regions, postcodes, cities, telephone country prefixes, IP addresses, top-line domains,...

Practical Applications of Applying GAST's Diagonally Running Distinctions

This *"hotter business environment" is itself a legitimate opportunity*. Out of insecurity, many competitors will leave legitimate money on the table. While some others will burn themselves. *Trade compliance mastery as a competitive advantage* in the very best sense. And that starts by *adjusting one's underlying distinctions* in the sense of Luhmann (and Spencer-Brown), as applied under the GAST Intelligence Approach. Since *otherwise*, if doing business as usual while markets shift towards Cold War-like and similar geopolitical settings, *one loses in two out of four constellations!*

Perspectives During Four Types of Business Constellations; the Pure Facts:

Actor/Deal A
("good impression")
according to old glasses

Actor/Deal B
("grey impression")
according to old glasses

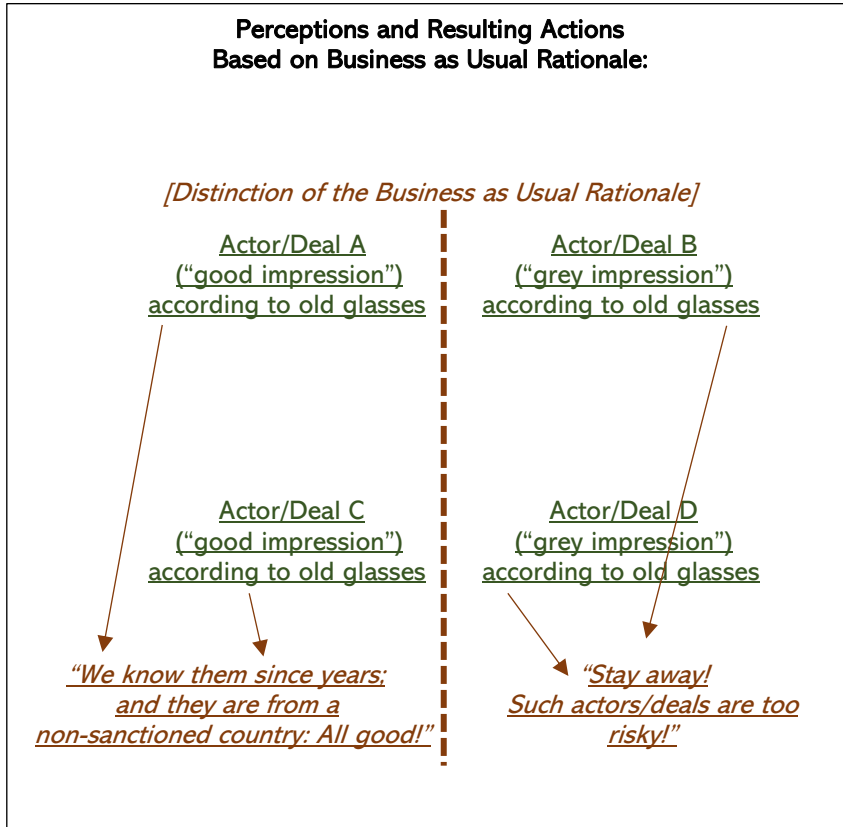
Actor/Deal C
("good impression")
according to old glasses

Actor/Deal D
("grey impression")
according to old glasses

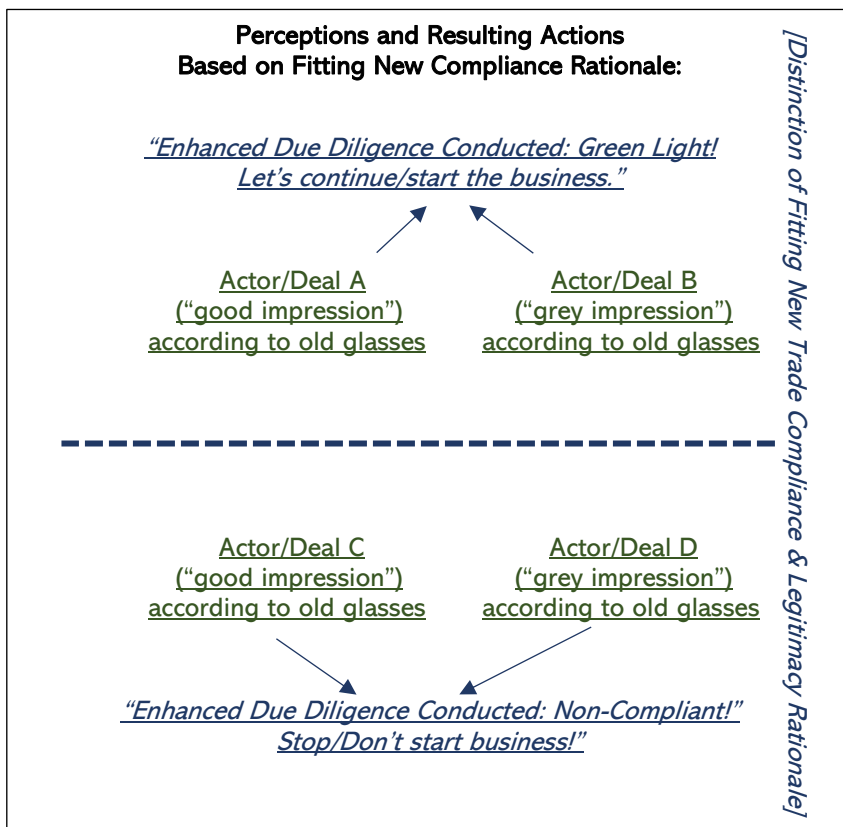
To use practically important problems related to sanctions compliance:

- The above "good impression" cases (A and C) could be existing, important, long time corporate customers, that have no direct relation with any "sanctioned country". (What countries are as such "sanctioned" is itself not as clear as it sounds, since only a hand full of less important countries or regions are "comprehensively" sanctioned. Russia, for example, is even now not completely sanctioned. Rather, only certain actors and transactions are sanctioned.)
- Above B and D could be e.g. corporations that are either from "sanctioned countries" that in reality are only partly sanctioned, while a lot of business is still legitimate and 100% compliant. Or these corporations might be on sanctions lists that rule out only some, non-relevant transactions. Or they might be legitimate businesspeople, who make a Western corporation purely "nervous" because they have no feeling for the country and the actors there.

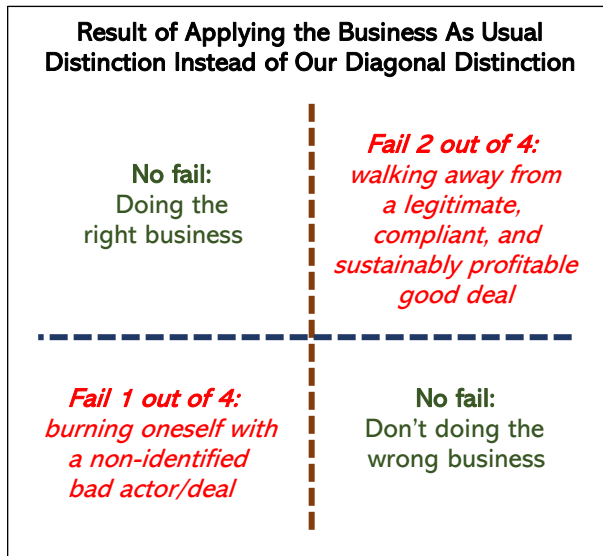
If business don't adjust their glasses properly (such as many of one's competitors once markets become ever more geopolitical), the effect can be visualized as follows:



If we now apply the proper Distinction, that runs diagonal to the old one, it turns out that A and B are good clients/deals, while C and D are not:



Thus, the business as usual behavior creates two fails out of four constellations:



One fail causes severe problems with sanctions authorities or courts (regularly *years later*).

The other one leaves *legitimate* good money (relations/accounts) on the table: Lost opportunity for such a non-“geopolitical compliance savvy” business. Which brings us straight to our offensive strategies for geopolitically driven markets.

The Offensive Strategies: Thriving During the Decade(s) of the U.S.-China Competition

Historically, these periodically coming times of geopolitical turmoil offer the foundation for the business success of a lifetime. Even the establishing of private empires. As (a) expansion of existing businesses or (b) buildup of new businesses. Based on offensive strategies.

Offensive strategies (related to the Risks/Opportunities laid out in Part V of this Book) can look like the following:

Identifying and utilizing trends and swings:

- **Benefitting by Better Understanding the One-Directional Geopolitical/Geoeconomic Trends**

In the short and long-term, benefiting from e.g.

- better and quicker anticipating geopolitically triggered market movements, such as triggered by geopolitically driven economic relation actions, like
 - Economic security pacts (such as the Mineral Security Partnership)
 - Strategically driven Free Trade Agreements
 - De facto or de jure cancellation of old trade agreements
 - CoCom-like export control alliances
 - Sanctions
- industry policies, pouring billions of dollar into industries, based on National Security (at times disguised by moral reasons, such as climate change policies)
- reshoring efforts
- anticipating shifting consumer preferences, driven by Cold War sentiments and related threat pictures

- **Making a Killing by Utilizing Swing Events**

In the mid- and long-term, benefiting from “Swing Events”, where sanctions vs. key corporations, whole sectors, or entire countries get lifted. Having related awareness, sketching scenarios, and then monitoring and reading the signs, will enable some businesses to be quicker in utilizing newly legal business. Be it directly, or via financial markets moves (equity, commodities, derivatives, bonds, currency markets,...). While this requires efforts (as described in this Book Series), it can enable a real “making a killing”, i.e. exceptional profits.

And don't forget: **This is neither illegal nor immoral or unpatriotic**, since when the U.S. (or European,...) government(s) decide to lift these sanctions, it is not random or against their nation's interest. But in times like these serving very central

foreign policy, geoeconomic, and National Security purposes.
The Western governments then want their businesses to move in. But it is not their job to do the job of every business, by knocking at their doors to discuss opportunities!
For example:

- **Venezuela Now?!**

At the time of the writing, the U.S. is showing signs of easing oil sanctions vs. Venezuela. Watch closely how the OFAC²⁴ is issuing General Licenses regarding oil and gold sectors, while the two governments are negotiating. There might be “structural swings”, i.e. lasting swings, behind it. Considering that the U.S. wants to regain a better position in its Western Hemisphere – and in the global energy markets.

- **Russia Eventually?!**

Being quick in case the relation between the West/U.S. and Russia gets better again. Considering (a) the long-term alignment of the Vital National Interests of both the West and Russia to stop China from becoming Eurasia's master, and (b) the growing need of the West for strategic raw materials/energy and the need for Russia to sell them – but for market prices, not for “stealing prices” by China. Furthermore, India (a clear geopolitical balancer against China) is a key power of the 2020s and beyond that, both the West and Russia want to keep close. Whereas India is very clear and self-confident in communicating the following point towards both the West and Russia – and acting accordingly: India wants them both as not only economic partners but as geopolitical partners in balancing against China. And that India will neither abandon the West for Russia nor Russia for the West. In the long run, the “triple interest” of West-India-Russia to balance against a new superpower Communist China is another geopolitical force to consider.

Thus, as long as Europe's defense/security can be ensured (credible defense, solution regarding Ukraine,...), an eventual reconciliation with Russia is something to consider well. Not a “given”, but definitely a possible scenario (even likely in the long run).

Being prepared and quicker in the months, weeks, days such a process unfolds will make a real difference for some.

These geopolitical moves are, however, strategies and related market effects that cannot be explained or understood through the lens of economics and globalization. In the case of geopolitical rivalries, such strategies serve deeper (grand) strategic objectives such as

- constraining,
- containment,
- internal pressure building,
- denial, and/or

²⁴ The leading U.S. sanctions agency: Office of Foreign Assets Control.

- deterrence.

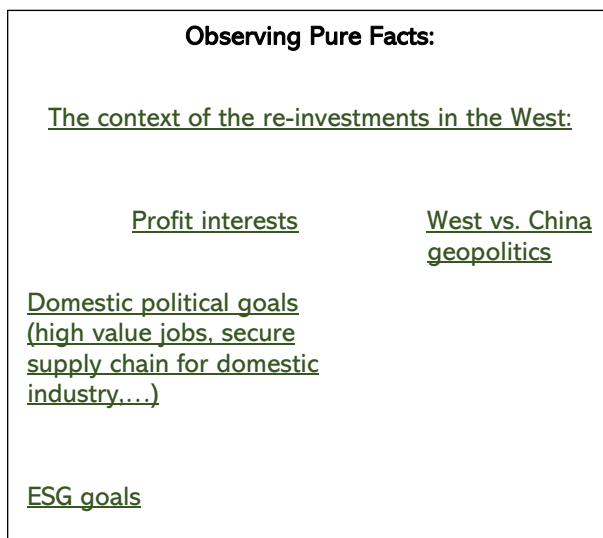
Or the reversing of partnerships.

(We will systematically look into such strategic objectives relevant for the 2020s in Book II, as well as hereunder in Book I to a certain degree in the scenarios related chapter.)

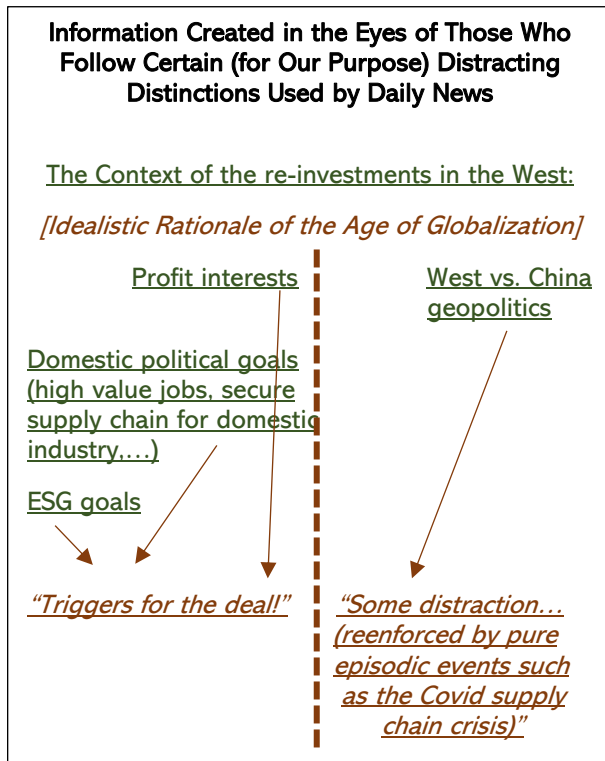
Example of How the West's Cycling Back to Realism Is Creating Structural Shifts in Industrial (High Tech) Landscapes

This focus on opportunities creates a good context for a practical example of applying our Leitdifferenz tool. Semiconductor ("chip") designers and manufactures are partially moving their manufacturing capacities (back) into the West (U.S. and Europe). We can use this trend as an example for applying our Leitdifferenz, as follows:

When assessing such strategic "moves back into the West", and asking what one can learn from them, the raw facts about what triggers such moves could be summarized as follows:



If we now apply the rationale that still most observers apply (at least openly and via news cycles), their rationality based distinctions tend to create the following perceptions:



If we now apply our Leitdifferenz instead, the simplified but still telling result would be visualized as follows – as I suspect much closer to reality:



Note: Based on that Leitdifferenz, the supply chain issues caused by Covid have been a mere catalyst within the West vs. China, not a cause. This is a key difference, since in the end, the Covid crisis did not even

make the difference: In such geopolitical setups, some catalyst episodes that further increase the split always occur. In whatever form. To speak in the language of Luhmann's System Theory: The Covid supply conflict West vs. China (or soon maybe a Taiwan crisis,...) was a "**Form**" that realized itself within the "**Medium**" of the rivalry. The problem in daily news cycles being that Forms are tangible and talked about, not the Mediums above and behind such popping up Forms.

Which directly brings us to our working hypothesis: A de facto (new) Cold War unfolding...

The Book Series' Working Hypothesis: A New Type of Cold War Is Unfolding and Challenging Post-Cold War Ideas of Businesspersons

"At WTO, growing disregard for trade rules
shows world is fragmenting"

... as Reuters is headlining it, citing trade experts about the WTO...

"[...] teetering on abyss of irrelevance"²⁵

They are spot on. Indeed, the post-Cold War order has already started to fall apart. And there is an identifiable geopolitical logic behind it. One that is growing and now becoming stronger than all other determining forces. Which allows to make certain assessments with regard to the most likely direction we are heading towards. Although many still lack clarity or frankness about it.

However, our proven models point towards a clear geopolitical pattern and resulting reshuffling. And as promised, I spare us the wishful thinking, diplomatic circumscriptions, and restraints of academic formality:

The Rubicon has been crossed.

*Step by step globalization (as we know it)
is getting replaced by a U.S. vs. China Cold War and its blocs.*

Whereas this evolving New Cold War will most likely not end all (a) **trade between China and the West**. And it will certainly not end (b) **global trade** and the importance thereof. But definitely reshape both.

Overall, this **new type of Cold War** is unfolding in partly similar, and partly different, ways than the last one. (One might alternatively call it Strategic Rivalry or Strategic Competition, depending on the emphasis of characteristics – and the avoidance of such. But that is a matter of semantics, since there are neither “perfect definitions” nor would any “perfect definition” fit to always unique complexities.)

With market erupting **sanction strategies** and related export controls, as well as **tariffs and industry policies**, as a central component on the U.S. side of the game. Whereas, sanctions (and to a lesser degree export controls) are those tools that directly affect most international businesses. They cannot be ignored, even when only a minor part of e.g. Chinese companies are targeted (as of now – something that is likely to change over time).

Thus, the legal risk environment is becoming significantly more challenging for most international businesses. Sanctions during a period of globalization are one thing. Sanctions during years of geopolitical rivalry are a different one. Thus, the practical vitality of this trend is not to be underestimated: Not understanding how the U.S. applies geoeconomic instruments across borders was even dangerous during the (long past) height of globalization.

²⁵ <https://www.reuters.com/business/wto-growing-disregard-trade-rules-shows-world-is-fragmenting-2023-10-02/>

- Back then, in the early 2000s, some Swiss and Chinese banks even died, thanks to their flawed perception of "we can do whatever works in our country".
- Some other banks in Europe have been slow to learn during the 2010s. It brought them dangerous stigmata, billions in penalties (one European bank alone 8.97 billion USD), and painful internal changes.

Now we are at the beginning(!) of a new re-geopolitization of markets. In practical terms, sanctions compliance in the 2000s/2010s was important in international business – to some. In the 2020s it will be vital – to most.

Furthermore, as a result of the re-geopolitization, even from a purely legal perspective, U.S. sanctions (and export controls) law and policies cannot be understood without a sharp eye on geopolitics. And related "National (Security) Interests". This being an official position of the authorities. The publicly stated mission of OFAC clearly makes the point [highlights by myself]:

"The Office of Foreign Assets Control ("OFAC") of the U.S. Department of the Treasury administers and enforces economic and trade sanctions **based on U.S. foreign policy and national security goals** against targeted foreign countries and regimes, terrorists, international narcotics traffickers, those engaged in activities related to the proliferation of weapons of mass destruction, and other **threats to the national security, foreign policy, or economy** of the United States."²⁶

However, this goes further, as I can confirm from practical experience. But even more important is what the true insiders can teach. Such as David Peyman²⁷ – someone who understands this more than most others [highlights again by myself]:

"[...] first step is understanding our laws and having expert advice on how to meet those regulatory requirements.

*[...] second step is to take a step back and to understand that sanctions are foreign policy tool, intended to achieve foreign policy objectives. So it's **not necessarily enough to be compliant** with the letter of the law. It's not enough perhaps in terms of your risk analysis and the health of your business for the long-term to only be concerned with the letter of the law. It's important to **understand where U.S. policy is today and where it's going** in the future."*²⁸

²⁶ <https://ofac.treasury.gov/>

²⁷ This insight provided by Peyman for how businesses should look at U.S. sanctions, carries legal and factual weight: Not only was he a U.S. prosecutor, but (at the time of above speech) he led the **Office of Economic Sanctions Policy and Implementation** and the **Office of Threat Finance Countermeasures**, at the U.S. Department of State. In addition, he like few understands sanctions compliance programs of financial giants, having led the **sanctions compliance for BlackRock** – the world's largest asset management firm. He had served with BlackRock, Inc. as Global Head of Sanctions. Running a sanctions compliance framework for over \$6 trillion in assets under management and offices in 30 countries.

²⁸ David Peyman at the Foundation for Defense of Democracies, March 9, 2020. See transcript under:

Beyond this legal/compliance function, there is a much broader set of related risks and opportunities resulting from geopolitical market effects to be identified and managed (well). Whereas the U.S. is just catching up with this geopolitical trade behavior: Since the late 2010s, we are at the beginning of the second player (U.S.) entering the match that the first one (China) has played alone, the last 30 years.

- Due to the geopolitical situation, from the 1990s to the mid-2010s, the West had widely stopped pursuing and manipulating trade policies according to National Security and geopolitics. (With exceptions.)
- Communist China, on the other hand, has never stopped using market influence as a weapon. As His Excellency fmr. U.S. Ambassador Robert D. Blackwill put it so eloquently: China is letting Philippine vegetables rot in Chinese ports, or making Chinese buyers shift away from Japanese cars, whenever it wants to force its geopolitical will on such nations.²⁹

In all more likely scenarios, these New Cold War developments will trigger seismic shifts in business environments and calculations. That in turn will erupt business perspectives, models, and operations.

Obviously, **geopolitics are back**, and even the most influential corporations start to feel the new pecking order of interests harshly:

"Apple is discovering that geopolitics drive business models — not the other way around"³⁰

Whereas despite the increased market interventions of governments to pursue geopolitical goals, every business will still be responsible for its own future. Under geopolitical pressure, most Western governments usually don't pick the winners, but rather support and utilize those that position themselves well. (It just appears often as if governments had "picked winners" arbitrarily. In reality, regarding geopolitical necessities, these **governments tend to "pick" those businesses** that have positioned themselves fitting to those necessities. The same goes for sectors and technologies, where we will increasingly see that the related support will be aligned with geopolitical interests, not the other way around. As will be shown.)

The Managerial Issue of Seeing the World Through Post-Cold War Glasses

But notwithstanding the now obvious return of great power logics, when trying to understand the future of their market environments most businesses still apply the economic lens only. Of course businesses now

<https://www.fdd.org/events/2020/03/09/us-government-sanctions-priorities-and-approach-in-2020/>

²⁹ At a discussion of the Council on Foreign Relations (CFR). His Excellency fmr. U.S. Ambassador H.E. Robert D. Blackwill is a member of the CFR and an expert on U.S. geoeconomics:

<https://www.youtube.com/watch?v=gZBzEyNmJoc&t=872s>

³⁰ Matt Turpin in the NYT. The U.S. Army veteran and academic Turpin served as the ***U.S. National Security Council's Director for China and the Senior Advisor on China to the Secretary of Commerce***. Shaping U.S. policies on countering China in the economic sphere. Turpin is with the Hoover Institution as well as a Palantir Technologies senior advisor. <https://www.nytimes.com/2022/11/07/business/apple-china-ymtc.html>

“know” that “we live in geopolitical times”. Nevertheless, when one analyzes the assessments and projections of various businesses, one still sees the handwriting of economic worldviews – that less and less rule the central strategies of competing powers.



U.S.-China Summit in November 2023.
(Picture from a White House video.)

Like during the last Cold War, (bilateral) diplomacy between the strategically competing world powers will be a central pillar in the efforts to maintain peace. And like during the last Cold War, at times (such as at the time of writing), these two powers will temporarily feel forced to put their grievances “on hold”, in order to first solve immediate domestic or foreign goals and tactics. But competitive pauses, agreements, and the (critical and hopefully successful) avoidance of military confrontations do not remove the structurally driven and growing issue of a geopolitical rivalry. As a result, the rationality that dominates the geopolitical players will increasingly be driven by power scenarios and calculations, and much less by (free trade/globalization) economic calculations.

Furthermore, most businesses and managers (for understandable reasons) focus on calculations about effects on the next few months and years. Rarely beyond five or more years. On the other hand, those who shape geopolitical grand strategies, who increasingly have the driver seat (such as the U.S. National Security Community), think long-term. Again changing the calculations – and thus the actions *they* actually do influence.

The point being: There are increasingly deeper drivers behind (geo)economic tools. These are geopolitical drivers calculated by geopolitical actors applying other (legitimate and necessary) rationales than (short-term) economic rationales.

What this applying of the wrong glasses does to businesses is

- It prevents from understanding trends and anticipating consequences. Example:
 - o Before Trump: “Globalization and quick profits define America’s strategies towards the world. WTO, trade, borders without effects,... is the highest goal.” Wrong. Rather: It depends. Once geopolitics shift, America shifts too – after a process of learning and adapting. As will be shown. Trump was just the loud

president who trumpeted it in ways clear enough to everyone.

- And it prevents from better interpreting present events and situations. Example:
 - o During Trump: "This is crazy. This is Trump and will change once Trump is gone."
Wrong again. There is a logic beyond Trump behind the turn in America's path. A turn not against "the world" and certainly not against trade or America's allies. But a turn against – seen from the U.S. logics – a dangerous rival that asymmetrically benefited from globalization and open policies. It is a certain geopolitical logic ensuring that America is not becoming a victim and declining. A (legitimate) logic of defense.
The same goes for America's allies – if they understand, stay even closer to the U.S. during times of geopolitical adaptations, and adapt themselves.

Whereas the most important thing from a practical business perspective is the following:

- "Seeing" in hindsight is one thing. (Better interpreting the past is important.)
- But what is even more important: The right glasses have provided the above proper answers prior to these events. Not in detail (that is impossible), but directional. And once the events unfold, the proper glasses ensure a much quicker and better clarity to jump on the right train – while others are dazed by all kinds of different interpretations. And mostly trust the ones offered by the old glasses: Their post-Cold War sunglasses – popular and fancy looking, but made for the hot beach days of post-Cold War business.

The Problem of Switching Rationalities

Indeed, it is difficult to zoom out of one's own rationalities and worldviews and "switch" to other rationalities and worldviews. In the usual restaurants, golf/country clubs, fraternities,... you can hear capable business tycoons trying to convince themselves and others that certain geopolitical or geoeconomic actions or shifts will not happen.³¹ "They would never do this ... they can't ... this would cost too much". Not considering the *geopolitical* costs and benefits of actions and non-actions and how these variables are factored in. By the actual geopolitical power centers that apply these tools.

Then such businesswomen and businessmen are surprised again and again about decisions and developments. Having miscalculated how great power machines calculate *their* moves based on *their* rationalities during such geopolitical times. Thus, weeks later, you hear the same

³¹ Thereby, I usually don't get into "table discussions" but just listen (well) with an expressionless face. Particularly if I recognize that they are currently not ready for other news or assessments (i.e. don't want to hear anything else). Unless they are clients or real friends – then I consider it necessary to perform the devil's advocate function. (See the first page of the next chapter "Revealing the Underlying Leanings" about the deeper mantra behind this attitude.)

captains of industry blustering about where the world is heading, or how stupid this and that move by this and that geopolitical actor would have been. Which might *or might not* be the case. Based on the rationale applied. But what is more important than such arguments are: Geopolitical actions *are* taken during geopolitical times. And change markets often in structural proportions. You either accept it, prepare, and benefit – or suffer ever higher states of blood pressure. To say the least.

Having the clarity about the historic turning point towards the development of a de facto Cold War, *that we have already crossed*, remains a challenge for many (savvy) business minds. Something we will help overcome by navigating through a sea of noise, via a map focused on the essentials behind this great power rivalry.

It Is a Managerial Issue that Hurts – or Helps

Thus, the 2020s start to create an exceptional complexity problem for businesses and lawyers alike, since these years merge (a) dynamic geopolitics with (b) unique (American/Western) National Security strategies and (c) little known but complicated laws and regulations.

To name one key aspect of the challenge: No U.S. sanctions or National Security-related industry policy (law) can be anticipated or interpreted *in practically helpful ways*, without a basic feel for U.S. National Security (Law) and U.S. National Security actors. And none of the former and the latter can be tackled *in practically helpful ways*, without grasping the geopolitical stage driving these institutions and players. Similar relations can be identified with regard to EU sanctions and industry policy laws (although with key differences, as we will see).

Now, if businesspeople (investors, managers,...) can *get better than their competitors* in linking the interplay between (1) the global geopolitical landscape, (2) the National Security options and strategies of the U.S.-led West, and (3) trade policies and law, they can tap a rare potential to outmaneuver their markets or peer competitors. For example, like back in the old Cold War, in affected markets, those who understand geoeconomic platforms like CoCom³² (special export control alliances)

³² CoCom...Coordinating Committee for Multilateral Export Controls.

A Western Cold War organization, that existed from 1949 to 1994, and was led by the United States. It had the goal of most effectively limiting exports of strategic relevance to the Eastern Bloc. Not only the NATO bloc and Pacific allies Japan and Australia but also *“West-leaning neutrals” like Austria sided with the CoCom and its enforcement networks*; which provided them access to modern technology. Enabling them to not remain on the technologically low level of *truly bloc free nations like Yugoslavia or Albania*, during the Cold War.

It covered among others items like electronics, aerospace tech, and special materials. And was mainly based on (a) the coordination of export policies (content alignment and preventing loopholes); (b) export lists (items requiring specific authorization for certain exports); and (c) enforcement support (information sharing and monitoring).

After the Cold War, other export control mechanisms, such as national export regimes and the Wassenaar Arrangement, succeeded the CoCom; but have never reached the strategic Cold War character of the CoCom. (The “Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-Use Goods and Technologies” was established in 1996, in Wassenaar, Netherlands.)

and their logics better than peer competitors can benefit substantially. The same can be said with regard to the effects of new economic bloc warfare tools to be expected: From "supply chain coalitions" (tailored trade systems to reduce dependence on adversaries) to "collective resilience alliances" (economic defense pacts, that trigger joint economic actions in case of economic attacks). And the same goes for being relatively better in anticipating and/or managing decoupling tools, like sanctions and export controls.

Thus, not just uncomfortable risks, but also substantial opportunities, are waiting.

In International Business, Existential Threats Meet Exceptional Opportunities

The opportunities will belong to those nations and private actors who are better positioned, informed, connected – and act on it. While knowing how to stay legally in the minefields of geopolitical trade laws.

International trade in general will not lose its importance. As before, it will just increasingly be channeled through and facilitated by a group of relevant geopolitical actors, hubs, companies, financial institutions, and professionals that can stand the heat – and feel comfortable there. Thanks to the right skills, insights – *and mindset*.

Traditionally, international business is not suitable for everyone. Prior to the long gone height of globalization, it was the norm that one needed insights, skills, and relations that only some in a given sector possessed. A norm that is reemerging. The historically unique and short period where it was sustainable (thus: beyond gambling) to just order the cheapest product from wherever is over. The same goes for marketing one's outputs globally, with little differentiation. Nations and their characteristics – again – matter a lot. Idealistically ignoring that ("we all want the same"; "it is all about numbers"; "we are one world";...) will almost certainly guarantee failure.

And like before, this smaller share of internationally capable actors and hubs will benefit even more. After all, less transparent, more dynamic markets translate into higher margins and larger market shares for that part of a peer group that can handle it. This being true for

- the producers (who need to source inputs and sell outputs across borders),
- the investors (lenders, shareholders, bondholders,...),
- the intermediaries (hubs, merchants, traders, and brokers, logisticians, lawyers, investment, and commercial bankers,...), and finally
- the consultants and intelligence providers specialized on the related topics.

While so far no formal or official efforts exist to reestablish a "new CoCom", it is our assessment that in our most likely Scenario Trend B (see end of Intro) a similar "tough Cold War" Western bloc export system should be expected to reemerge. Initially more informally. We can already see the proto structures emerging...

On the other hand, those other businesses that are primarily **nationally oriented** can benefit too: from quicker and better grasping the geopolitically driven national structural shifts to unfold.

Via certain processes, we will help to support getting a better feel for these trends and the forces behind them. Something that however first of all requires to shift perspectives away from the logics of globalization – and instead applying the logics of the most relevant forces.

The U.S. National Security Players and Their Core Imperative: Vital National Security

The markets of the 2020s are not just “geo-politicized”. From a business perspective, they should be understood as “**national securitized**”. Geopolitics is the framework and board. But as a business, the actual focus should be on the logics, perceptions, and actions of those key players that influence one's markets; via regulations, expectations, and other geopolitical actions. And with regard to geopolitical markets and regulations, for most businesses around the globe the player to watch and adhere to is the U.S. That is, the **U.S. National Security State** (in White House, Intelligence, Defense), its related economic and foreign affairs departments and agencies (Department of State, OFAC,...), and the **National Security Community** they are embedded in (esp. the U.S. Congress and the leading think tanks).

With a lag, under our most likely scenarios, the National Security Systems of (*at least most*) other Western powers will follow the American path. (France, e.g. being the only European power that *might* try to go its own path – which even then would not change the course of the other European powers to watch most (Germany, UK, Poland). The latter being committed to side with the U.S. in this global challenge.) Whereas these allies will follow the U.S. not because they would be “vassals” (they are not). But because staying on the American side is becoming the by far best option for them (a) in the long run and (b) under the realistic options existing in the real world, not some ideal utopia: Both the U.S. and its global allies are increasingly seeing a choice between a “necessary win-win” (jointness) or an “otherwise lose-lose” (if the allies would try to master ever more opposition, instability, and threats in the world on their own).

Thus, during these geopolitical years/decades, it is about these allied National Security machines, under American leadership. It is about

- **their** logic (*vital* geopolitical interests at stake),
- **their** perception (growing China threat), and
- **their** tools and strategies (sanctions, export controls, naval operations,...).

Not that the threat to the position of the U.S. and the Free World system it enables would merely be a matter of perception. It is real. Nevertheless, the art of quicker and better understanding geopolitical influences on one's markets and business models comes from: Asking what actions (policies, implementation, enforcement) subjectively “suggest themselves” to the most relevant Western National Security Systems. Systems that, like all human systems, are (at the same time) **closed** (their memories, perceptual logics, and decision rationalities) **and open** (being affected by what they observe in, and receive from, their environments). As Systems Theory will help us to reflect.

Thus, we should continue our introduction by getting an initial understanding about these threat and counter logics.

How (Primarily) Geopolitical Defense and (Secondarily) National Economic Objectives Drive a U.S.-Led West to Counter Communist China

To grasp the directions ahead, it is key for international businesses to first fully understand the related *China threat picture* that has consolidated itself in the center of American geopolitics. Since this threat perception will drive necessary American countermeasures. And will do so tenaciously. All these U.S. countermeasures, in tandem with further actions from China, will reshuffle global trade and wealth.

In order to consider China's position too (while as outlined in the next chapter not being able to do this in detail), we start with a summary of China's counter arguments. For those who use hereunder book in a devil's advocate role, this is basically the devil's advocate for the devil's advocate...

The Devil's Advocate for the Devil's Advocate

When China is confronted by the recent China threat claims of the U.S., it counters with arguments like the following:

- **Peace**
China claims to be peaceful and to have peaceful intentions only.
- **Non-Interference and Sovereignty**
China emphasizes in public that the sovereignty of all nations and their governments should be respected. [Something that, by the way, would centrally contradict Marxist-Leninist worldviews and schemes.]
And based on that claim, China insists that it may do as it pleases inside its own country or with regard to its own businesses, laws, and regulations.
- **Engagement**
China promulgates having a desire for productive international relations based on dialogue and cooperation in matters of business and diplomacy.
- **Opposition to U.S. Hegemony**
China sees the U.S. holding an unhealthy global hegemony that would have no future. Instead, China calls for a "better multipolar world". [That in effect stays contrary to key principles of the Free World Order the U.S. promotes and enables since the end of World War II.]
- **Win-Win**
China proclaims to look for forms of "win-win cooperation" via trade and its strategies, such as the Belt and Road Initiative (BRI).

However, the center of American geopolitical power and National Security perceives these matters very differently.

Eyes on Communist China

Now the National Security perception in the West is that a growing number of nations work on dismantling the post-Cold War order, and possibly even replacing the whole Free World Order, that enabled the life and structure known after World War 2.

And among those “new world order nations”, one power is both capable and willing to actually realize this “different world”. Communist China. One might agree or disagree with such an assessment – but what matters for our purpose is the realization in the U.S. power centers, that this is a confirmed fact. Or better: The one top priority confirmed “threat fact” to focus on in geopolitics and trade, in the years ahead.

In the words of the leadership of the U.S. Intelligence Community in 2023:

*“[...] perhaps needless to say, the People’s Republic of China — which is increasingly challenging the United States economically, technologically, politically, and militarily around the world — remains **our unparalleled priority.** [...]”*

***To fulfill Xi’s vision, however, the CCP³³ is increasingly convinced that it can only do so at the expense of U.S. power and influence,** and by using coordinated, whole-of-government tools to demonstrate strength and compel neighbors to acquiesce to its preferences, including its land, sea, and air claims in the region and its assertions of sovereignty over Taiwan.*

“[...] the CCP represents both the leading and most consequential threat to U.S. national security and leadership globally and its intelligence-specific ambitions and capabilities make it for us our most serious and consequential intelligence rival.”

Director of National Intelligence, Avril Haines



The five leading U.S. intelligence directors: Director of National Intelligence Avril Haines (lady in the front) as the central head of the U.S. Intelligence Community, flanked by the leaders of NSA, FBI, CIA, and the Defense Intelligence Agency. Testifying before the Senate Intelligence Committee on the biggest threats to the U.S. On March 8, 2023 (full testimony on C-Span).³⁴

³³ Chinese Communist Party.

³⁴<https://www.c-span.org/video/?526327-1/us-intelligence-directors-testify-global-threats>

And the citations from Avril Haines under:

<https://www.dni.gov/index.php/newsroom/congressional-testimonies/congressional-testimonies-2023/3685-dni-haines-opening-statement-on-the-2023-annual-threat-assessment-of-the-u-s-intelligence-community>

Thus, not least thanks to the U.S. National Security System, within the power centers of the West (below the radar of daily news), something very serious started to be recognized: The West "suddenly" faces a Communist challenger (the CCP's China) much more capable, stronger, and smarter, than the Soviet Communists have ever been. The USSR never had the truly global reach, depth, shrewdness, and power Communist China is developing.

- And the Chinese Communists consider the Soviet Communists as utterly inferior compared to them; looking down at the Soviets in general, other than Lenin and Stalin whom they tend to admire. In fact, China considers today's Russia even less as being on its own level. Whereas in 2023 China has already started to change its maps – now including first Russian territories in the east.³⁵ Something that should be considered telling. A Russia with a small fraction of China's population and economic power that is militarily bogged down in Europe could eventually lose its far and rich east to a superpower Communist China. And its national sovereignty too, due to possible Chinese campaigns (political corruption and information control) in Russia, as we will see.
- Thus, this time the West faces the outlook of a Red Empire that controls Eurasia, including Russia and the Middle East. And thus the majority of the world's future economic power, as well as most of its population and vital resources.

Yes, this Red Empire has finally achieved to get the full attention of the whole spectrum among America's National Security elite. (Not least thanks to a core of National Security and Realism avant-gardists who for years have "annoyingly" pointed to the evolving threat, as we will see.)

A China Threat Picture Has Consolidated Itself within the U.S. National Security State and Its Community

While Chapter 3 will provide a comprehensive Communist China threat picture, we hereunder start with a China threat summary from the FBI addressing American private actors:

*"China's efforts target businesses, academic institutions, researchers, lawmakers, and the general public and will require a whole-of-society response. The government and the private sector must commit to working together to better understand and counter the threat."*³⁶

But this direct threat to firms and societies is just a fraction of the threat reality that started to drive America – and will soon see the whole West following:

"[...] Chinese Communist Party's goal is to control entire supply chains and manipulate global and domestic market conditions."

³⁵ "The Russian Foreign Ministry has rejected China's apparent claim of ownership over a disputed island that has been a source of tension between Moscow and Beijing for decades."
<https://www.newsweek.com/russia-breaks-silence-china-map-disputed-islands-1823983>

³⁶ <https://www.fbi.gov/investigate/counterintelligence/the-china-threat>

*[...] **by far and away the greatest immediate and long-term threat** to our information, our innovation, and our national and economic security is the one posed by the People's Republic of China.*"³⁷

And the current FBI Director Christopher Wray himself delivers the bottom line threat message as clear as it gets:

*"China is engaged in a whole-of-state **effort** to become the **world's only superpower by any means necessary.**"*³⁸



FBI Director Wray at the influential Hudson Institute think tank. (In front of a leading National Security academic, Walter Mead.)

Whereas thanks to seismic shifts in global geopolitics, Communist China gets closer to realizing these ambitions. Since the West and the world order it had shaped turned from (1) being superior, secure, and globally admired (for its freedoms, wealth, power,... the West's Cold War success story), into (2) a shrinking bloc that gets increasingly challenged.

Now the alarm systems shrill inside Western power centers. Thereby American National Security actors listen to Xi Jinping very well – and start sharing what they hear. So in an official FBI video³⁹ from 2022, that is meant to alarm the U.S. business community and population about the Communist China threat. Therein offering insights in Xi's long-term strategy. Showing him holding speeches in front of cadres, about:

*"The eventual **demise of capitalism** and the ultimate victory of socialism will require a **long historical process** to reach completion."*

Whereas in order to avoid confusions what these applications of terms like capitalism or socialism stand for, one should be realistic too:

³⁷ <https://americanmilitarynews.com/2022/04/fbi-releases-movie-on-chinas-plan-to-steal-us-technology/>

³⁸ Hudson Institute on Youtube: China's Attempt to Influence U.S. Institutions: A Conversation with FBI Director Christopher Wray
<https://www.youtube.com/watch?v=6MM2N-EefW8&t=786s>

³⁹ "[...] Made in Beijing: The Plan for Global Market Domination sounds the alarm [...] Visit [fbi.gov/chinathreat](https://www.fbi.gov/chinathreat) to learn more."
<https://www.fbi.gov/video-repository/made-in-beijing-030722.mp4/view>

Reading Key Terms and Goals of Communist China

(Warning to Some Good-Hearted in the West: The Totalitarian "Socialism/Marxism" of Communist China Has Little to Do with Idealistic Western Dreams of Socialism)

While the democratic free markets West had its – so far – most successful period in history during the last Cold War, China had its steepest rise in history during the last 30 years thereafter. Driven by a determined "Chinese communist" leadership that cared little about Western sentiments. Such as human/individual rights, minorities, or democracy. A leadership that has also rediscovered the thousands of years old Chinese culture and wisdom. In that sense one has to read above terms:

Above "**Capitalism**" is meant to cover all forms of private property and free individuals-based markets, be it models from the "Western right" ("Reagonomics") or "Western left" ("social-democrats").

While above "**Socialism**" stands for a ruthless Communist Chinese version of control and power. Based on a core of Marxist believes (conveniently picked), ruthlessly applied via Leninist doctrines; adapted to modern effectiveness: "(ab)using capitalism" as (long as) needed. (Don't forget: The power players in the USSR or East Germany loved to be "coldest capitalists" *outside*, for their goals: Selling e.g. arms to whomever – for the strategic and personal joy of receiving *U.S. Dollars*. Then using these U.S. Dollars to buy support or "evil" Western products. Never trust ideologically loaded people and their systems; be they from the left, right, or religious fundamentalists.)

Rest assured, the *last thing this system wants is "progressive advise" from Western or Russian "socialist/Marxist sisters/brothers"*. What "success stories" would you like to tell them? Unlike Western/Russian Marxists, *they* had *success in terms of power and wealth* – and it was not based on softness or progressive humanism. Study what happened to "progressive intellectuals" in Russia or East Asia, once "their communist brothers" came to power. It was *worse* than horrific what happened to the "useful idiots" as communist functionaries call those souls that support them out of naive beliefs. (Starting with those whose "progressive private lifestyle", or ethnic/religious identity, was not considered "healthy" or "reliable".)

Recommended read on the new/old Chinese Communism and its ambitions for the world: Aaron Friedberg's book "Getting China Wrong", 2022.

The line from this above FBI video is from a secret speech of Xi that he held in the year he took over as leader (President's position in 2013) – thus, one should not make the mistake to think "Xi is out of control", that he "hijacked his country" or that he or his party would be irrational or less intelligent. They know exactly whom they have put in charge – for another phase in history. Based on *their* rationality (we will assess this shift back in China too).

Whereas it is interesting what else Xi said during the above speech:

"There are people who believe that communism is an unattainable hope, or even that it is beyond hoping for—that communism is an

*illusion.... Facts have repeatedly told us that Marx and Engels' analysis of the basic contradictions in capitalist society is not outdated, nor is the historical materialist view that **capitalism is bound to die** out and **socialism is bound to win**. This is an inevitable trend in social and historical development.*

But the road is tortuous.¹⁴⁰

Xi and his Communist Party are people with a mission, will, and power. Playing a very long game.

Thus, it is (again) ultimately about which model becomes more popular in the world: Societies with free individuals/businesses. Or societies of top-down ruled "red collectives" – where functionaries enter apartments and tell people what (not) to do/say/wear/think and where (not) to go. And that *they* (of course not the functionaries) have to sacrifice themselves for the "higher good". (All that is now increasingly the case in China – again.)

And this is less and less a "special audience topic" in the U.S. The U.S. Congress for example, **started to air these formerly secret Chinese videos** in its hearings. Showing Xi in front of young cadres:

*"...Marxism is not to be kept hidden in Books.
It was created in order to change the destiny of human history.
To adhere to the ideals and beliefs of communists,
just like Marx we must struggle for communism our entire life."*

Or Xi taking an oath of senior officials who are joining the "clan of the Marxist patricians", and their access to national power and bureaucratic wealth – which comes with certain strict mission goals and guidelines:

*"It is my will to join the Communist Party of China,
guard Party secrets, fight for communism through my life [...]"*⁴¹

At the same time, it does not appear to be anything like a "safe bet" that Communist China just "quietly fails", like some in the West now seem to hope...

Don't Underestimate Communist China Because of Internal Problems

China faces large structural problems. Such as its demographics and a lack of profitability across many sectors. But the resulting internal tensions are no guarantee for a quieter Communist China. Rather, they might accelerate an aggressive focus on geopolitical wins – in order to both (a) legitimize and (b) extract resources via outside power, and translate them into internal wealth (e.g. via ever better terms of trade, thanks to influence).

Furthermore, a large old population will not stop a well-organized and controlled authoritarian empire from leveraging its still potentially 100s

⁴⁰ From Xi's secret seminal speech from 5 January 2013. Discussed among others by the Hoover think tank:

<https://www.hoover.org/research/reflections-us-china-relations-0>

⁴¹ Shown and translated during a U.S. Congress (House) hearing in February 2023. Airing these telling videos is paradigmatic for the new bipartisan recognition and shift in the U.S.' political system. See the videos during the testimonies in front of the U.S. Congress: <https://selectcommitteeontheccp.house.gov/media/press-releases/pottinger-mcmaster-yi-paul-witness-testimony>

of million well educated, motivated, and disciplined workers, economic officers, soldiers, and sailors, as well as diplomatic officers. (Unlike many other nations today) having the will and the perceived mission of bringing their nation back to the top. Believing in and fighting for their nation-state, not in a One World model. Able and willing to produce and deploy ever more power in Asia and beyond. Living and acting as one collective mass unit, driven by Marxism and nationalism – where the “single” life does not matter.

And working on leading the next technological revolution: AI-driven systems. Which would enable them to not only create wealth superiority (that powers translate into superior military power). But this time being a technological revolution that can be used to influence and damage (demoralize,...) especially open (vulnerable) societies. Nothing easier these days for a communist society than pouring gas into the radical groups and internal divisions that exist today in democratic societies, via the information space (social media, entertainment business, controlled “news” outlets,... many targeting the easy to manipulate young age groups).

Empires existed and brought others to their knees with much less relative power. Particularly, no other authoritarian regime in world history came even near to the *sheer power* in the economic sphere that China was able to develop.

The key difference to any other authoritarian threat so far is the combination of

- (a) close meshed controlled authoritarianism;
- (b) utmost economic power and supply chain dominance in many areas;
- (c) global political-economic and informational reach (thanks to a global system established by others);
- (d) high-tech capabilities (soon beyond imagination, think drones and AI surveillance); and
- (e) currently (*almost*) overwhelmed vulnerable open democratic societies that just turned from unlimited global optimism into questioning the future of the world and democracy.

When did the U.S. and the Free World face such a structural, persistent, and existential threat the last time? During the *worst* days of the last Cold War....

**America Realized that the West Did Not Win
the Struggle for Systemic Survival in 1991;
and So Started to Turn the Ship**

In essence, according to this threat realization, the political system in **China did continue the old Soviet fight** to eventually replace the Free World order with a (Chinese Communist Party interpretation of a) Leninist-Marxist world. But has learned from the failure of the USSR, and decided to use a much more **subtle and Sun Tzu-type long-term strategy**. Based on political warfare (with eventual military backing) and focused on the opponents’ cultural characteristics that could be exploited (openness, freedom to “buy everything”, self-critical Western spirit, and lack of threat awareness) in order to “defeat capitalism with capitalist means and by (some) capitalists”.

And indeed, for a while, autocrats running resourceful powers can outsmart democratic systems by aggressively abusing this openness and

freedom in the economic and informational spheres. However, functioning democratic market societies, based on Rule of Law and individual rights, are economically, technologically, and militarily more effective⁴² and can “out-survive” its competitors in the long run. If (and only if) these democratic market societies have the necessary resources, self-confidence, awareness, and processes to defend themselves once challenged by strong regimes with directed economies. The U.S. has such a self-defense capacity, thanks to its National Security System. This system just needs time to recognize, understand, alert, mobilize, and direct the nation. And that is what we are witnessing.

Accordingly, for those who had a Realist view on geopolitics similar to the hereunder applied approach, it was not a surprise that the U.S. initiated a phase of internal and external transition.

Among others, the U.S. Congress – a key player in U.S. grand strategy development – has established a Committee on strategic competition with China. A vehicle that speaks out what kind of threat Communist China poses to the U.S. and the Western world. (While emphasizing that the Chinese people themselves, or people of Chinese heritage, are not the problem.)

Thereby, the Committee's chairman, Mike Gallagher (Republican), made a central point (in February 2023) with regard to the grand strategic shift ahead. Highlighting why the U.S. and the West are in this phase of dramatically changing course – as a matter of systemic survival [my highlights]:

"The greatest threat to the United States is the Chinese Communist Party. The CCP continues to commit genocide, obscure the origins of the coronavirus pandemic, steal hundreds of billion of dollars worth of American intellectual property, and threaten Taiwan. The Select Committee on China will push back in bipartisan fashion before its too late."⁴³

and

"[...] it's not a polite tennis match. This is an existential struggle over what life will look like in the 21st century. [...] Therefore, we must learn from our mistakes. [...] the CCP laughed at our naivety, while they took advantage of our good faith. But that era of wishful thinking is over."⁴⁴

Being a young and ascending (Catholic) Republican Congressman and U.S. Marine Corps veteran with a (Georgetown University) PhD on the Cold War – a concept of strategic thinking that is returning. (Gallagher might easily become U.S. President in some years. Thus I recommend businesses to follow this politician's political path and messages – and learn not only about him but a new and rising U.S. generation and worldview on the conservative side.)

But don't make the mistake to think this is about Republicans vs. Democrats. Rather, apply our Leitdiffereenz and see how in the field of Vital National Interests vs. China Realism, not Idealism, is driving even the Democrats. And since the latter currently hold the White House, it is

⁴² Responsibility/property resting with free thinking individuals, that have the possibility and incentives to act innovative and economically effective.

⁴³ <https://twitter.com/RepGallagher/status/1600856661492744193>

⁴⁴ <https://www.youtube.com/watch?v=f7iLP6QWNeU&t=282s>

best to look at what they actually *do* as U.S. Administration, i.e. the Executive Branch.



Left picture: U.S. Congress' Committee on China Chairman Gallagher, **Republican**. A good example for the American mastery in merging geopolitics with geoeconomics and national wealth generation – for itself and its allies.

Right picture: U.S. Trade Representative Spokesperson Adam Hodge (Biden Administration, **Democrats**), showing that Democrats like Republicans put the geopolitical future and wellbeing of America and the Western world above abstract “rules of globalization”.

Released by the Biden Administration in October 2022, both the U.S. National Security Strategy and the related U.S. National Defense Strategy declared that the “**decisive decade**” has just begun. Relating it to China as the single geopolitical power that is capable and willing to challenge the global position of the U.S.

And even under such a Democrat President the U.S. is ready **to abandon “pillars of globalization”**, such as the centrality and reach of the WTO.⁴⁵ In December 2022 this was made as clear as it gets publicly. Delivered by the U.S. Trade Representative's spokesperson Adam Hodge, showing that the current administration is as determined to push back China as the last one was:

“[...] the WTO has no authority to second-guess the ability of a WTO Member to respond to a wide-range of threats to its security.”⁴⁶

And this “Biden following Trump” or even “Biden expanding Trump strategies” (that only those who don't understand the logic behind the U.S.-China rivalry can be surprised about) does not stop with the above mentioned WTO issues. Rather, much more of “Trump Administration tools” vs. China will be seen in the remaining time of the “Biden Administration”. And any administration that follows. To deliver one more

⁴⁵ The U.S., like some other powers, is thereby especially pointing at limits of jurisdiction of the WTO and related “general and security exceptions” (Articles XX, XXI, GATT 1994; Articles XIV, XIV bis GATS).

⁴⁶ <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2022/december/statement-ustr-spokesperson-adam-hodge>

telling and critical market example (we will discover many more across the Book Series):

- Initially, among business circles it was discussed whether Biden would not use "Trump's" ICTS⁴⁷ tool, which can be utilized to restrict IT products and services of identified adversaries. A de facto "anti-China" National Security instrument the Trump Administration had designed and created via Executive Order 13873.
- In my opinion, expecting that the Biden administration would not use this (and other) vehicles against Chinese companies/products was wishful thinking. And/or the all too often existing overestimation of the relevance of political party programs and a President's personality or slogans. And indeed, the opposite has happened: The responsible Department of Commerce (its BIS agency) is further developing and using "Trump's" ICTS tool – under the Biden Administration.

All clear signals of a broader strategy that finds itself not only mirrored in the related tariffs but especially in other de facto anti-WTO and anti-globalization moves of Biden. Especially:

- The Chips and Science Act, and (even more so)
- the Inflation Reduction Act.

Strong pro American, but also indirectly pro U.S. allies, moves to turnaround the post-Cold War mantra of “move all manufacturing into China”. (We will cover these policies in Book II.)

Bottom line:

Rest assured that the one thing where Republicans and Democrats are ever more united is the direction and continuity of countering Communist China. This, among others, can be observed across administrations (Trump, Biden), as well as across the two policy developing government branches (Executive and Legislation). And America's industry giants that had been “biggest supporters of globalization” are already adapting to these moves. From General Electric to Intel.

This is bipartisan. This is American. Too American and grand strategic to be divided in the *actual*/marching direction, beyond partisan chatter. With Communist China becoming a vital threat, America is rallying under the flag. (While still feeling free to disagree within the space of the geopolitically non-vital.)

The main point for businesses around the globe being: Don't let yourself be confused by partisan talk – i.e. 90% of daily news. Once the U.S. is geopolitically threatened, the overall direction is driven by Vital National Interests.

The implications of what the coming years will bring are beyond what many Western businesses are yet prepared to "accept" mentally. To borrow the words of Navy Admiral Charles Richard, the U.S. Strategic Command's commander, when he addressed the need to prepare for the worst with regard to the China challenge (done so recently in front of

⁴⁷ Information and Communications Technology and Services

defense industry leaders, in a speech originally non-public, but then in parts released by the Pentagon):

*"This **Ukraine** crisis that we're in right now,
this is just the **warmup** [...] The big one is coming."⁴⁸*

Take a second and think about it.

⁴⁸<https://www.defense.gov/News/News-Stories/Article/Article/3209416/stratcom-commander-says-us-should-look-to-1950s-to-regain-competitive-edge/>

The Years-Long American Process of Adjusting to Long-Term Threats

Overall, this process of recognizing any severe geopolitical threat to the U.S. typically

1. starts with the leading National Security think tanks (part of the National Security Community) and some experts in the National Security State (dedicated government bodies). After a while, this then
2. influences the sphere of the U.S. Congress.
3. The White House tends to
 - a. partially react quickly in a few areas, based on the insights of the National Security State and Community,
 - b. partly slow in many more areas and ways, based on sustained pushes from the Congress. The latter informally (oversights, hearings,...) and formally (statutory acts of the legislation, approvals, ...).
4. Eventually, this shift towards “defending the nation” continues into the private sector and civil society – from industries, to Wall Street, to entertainment, media, and universities.

Since the U.S. is a democratic Rule of Law system, this process takes years to become effective and visible. And the market freedom and business pragmatism of the U.S. recommend that it doesn't stop good business too early. ***For a while, business goes first.*** And only ***once the threat gets big enough does the counter-game start*** to develop. But the U.S. is powerful enough to have that time.

With a lag, a similar cycle starts in the systems of America's key allies; eventually catching up with America – the avantgarde nation.

Short-Term News, Trends, Events, and Policy Volatility vs. Long-Term U.S. Geopolitics

As leading U.S. strategy analysts like Walter R. Mead lay out, for outsiders (and even Americans themselves) American foreign policy looks often random, if not chaotic. And in the short term, U.S. foreign policy actually tends to be very volatile. This was especially the case during the recent period of globalization, after the Cold War was won. Then the West believed in “everything goes” and that we live in a “natural” phase of “consolidation towards one world, with ever more open trade and democratization”.

Thus, in the West, this post-Cold War time was a period driven by coming and going ideas and agendas of different interest groups, fashionable at a time. Every few years, something new “needed” to be done/saved/changed in order to transform the world into an ever more happy democratic unit. But while ever larger enormous amounts of money and blood have been spent for idealistic concepts, the opposite happened: As will be outlined via data, since almost 20 years support for the Western model is all the sudden declining – after it was on top at the end of the Cold War and the first years thereafter.

But in the long run, these spasms of agenda politics and policies are often forgotten by the U.S. itself, once approaches turned out to be less helpful or even disadvantageous. Or once aggressive interest groups and activists become annoying, and politics shift away to the next ideas.

What is much more important for the future of the U.S. and the Western system it enables is the long run. And here Walter Mead and others with the right perspective and insights have identified a grand strategic American DNA. One that works beyond the (at times shrill) ideas, tones, and pictures of daily foreign policy news and activities. A DNA that ensures the geopolitical success over decades. One that especially gets unearthed, once the U.S. is challenged by a geopolitical threat. It is the DNA of a democratic, commercially oriented and maritime great power that (a) in general prefers open trade – but (b) is ready to switch from global openness to decisive defense, once necessary. The defense of a military superpower that has mastered the organizing of commerce structures and flows – and knows how to weaponize this once necessary. With different kind of effects.

Cycling Back to Geopolitics First

Historic evolution unfolds as a mix between linear progression and cycles (socioeconomic and geopolitical ups and downs, cycles between Realism and Idealism, as well as structural readjustments). And every few decades, because of structural reasons (and resulting “tectonic shifts”), the cyclical effects are much stronger than the linear ones – and at times revert the historical directions. As it is the case in the age, we have entered. So what we now see is the beginning of a (many) years long struggle for trade, wealth, and power – that will define whether democracy and free markets had won in 1991. Or not.

As a result, in the U.S. a phase of strategic, legal, institutional, and cultural readjustment has been started. Towards a revival of the “old” American Cold War approaches. Hidden behind a chaotic sea of daily noise. Approaches that – in alliance with the partners outside the West – will, under our most likely scenarios, again deliver the victory for the market-oriented, democratic nations. Right before democracy and market economy could have been ousted by authoritarian powers that preyed on Western naivety and a related lack of security awareness...

Ever More Geopolitical Hotspots Flare Up – But One Rivalry Will Drive Everything Else

Hereunder focusing on the U.S./West vs. China rivalry is not intended to deny the relevance of other geopolitical confrontations and issues during these dynamic years. But this U.S.-China (and broader: West-China) rivalry should be seen as the top layer. This rivalry is ever more contextualizing and shaping all other geopolitical and geoeconomic relations. As well as multilateral and transnational efforts. However, this structural reality is frequently obscured by the constant influx of news and the presence of other pressing issues.

Countering the Communist China threat is the one long-term top priority for U.S. grand strategic behavior. With an emphasis on – declared or undeclared – economic warfare, backed by military deterrence. The post-Cold War globalization, on the other hand, is dying a slow death. Increasingly, actual “free trade” will flourish within a free world bloc, separated from a China bloc. And it will get tough for those who (a) own

assets in, (b) source from, or (c) sell to the wrong places – again proving that globalization (as we know it) is soon history.

Which leads us towards the bloc building reality businesses start to face...

The Years-Long Bloc Shaping Phase of a Cold War Has Started

Like at the beginning of the last Cold War, we are now in the phase where (a) the long-term core blocs of committed allies consolidate. At the same time are (b) the softer partner relations in a state of flux – and will be decided over in the coming few years. While some nations will stay or become (c) bloc free or neutral. With a few of the latter existing as (d) “paper neutrals” with informal bloc-leanings. Which based on our most likely scenario trends could be summarized as follows:

- (a)
The **core alliance blocs** (serious alliances) have already consolidated themselves:
 - o **Western Alliance Bloc**
mainly: NATO (thus: U.S., more or less all EU nations and de facto the EU itself, UK, Canada), Israel, plus Japan, South Korea, Australia, New Zealand (Five Eyes), Philippines
(with France being the only EU power that might – like during the last Cold War – try to go its own path, although this would come with high costs and little real benefits; furthermore, NATO member Turkey might play a special role in the overall game – but that would not affect the European path);
vs.
 - o **China Alliance Bloc**
Communist China plus North Korea (less clear being ally Pakistan as the third power in the China core bloc)
- (b)
The **rest of the bloc** positions (e.g. Russia, many BRICS Plus nations, and some others currently close to China)
 - o are soft positions and open in the long run – and
 - o will ultimately be decided by a fit of vital interests and power politics (more than anything else).
- (c)
Like the last time, some will end up being “bloc free” or neutral countries. And like the last time, only very few of those will do well, since most of the neutrals will increasingly lack access to markets/wealth and technology, such as poor Yugoslavia or India during the Cold War. (Neutrals tend to do well when they serve a special role that all sides value. Such as Switzerland and its secret banking during the Cold War. Back then, the geopolitical forces of the West itself appreciated its below-the-radar banking services. Only once that function was not needed any longer did Western powers, notably the U.S. and Germany, “convince” Switzerland to give up this utmost profitable business model. (Applying tools from intelligence operations to beyond borders enforced criminal prosecution against top bankers of Switzerland, until the “autonomous” Swiss gave in.) A few years later, the Principality of Liechtenstein was convinced too. Although Liechtenstein was able to maintain a higher degree of

privacy. From banking to grain – ***geopolitics is a force one should not underestimate.***)

- (d)
And then, there will be countries that will (have to) declare themselves neutral but de facto side with one of the two blocs. Such as West-aligned Austria, during the last Cold War.⁴⁹

**Important Clarification Regarding How the
Emerging “Bloc” Will Tend to Look Like**

Hereunder, it is a necessary simplification to speak of blocs as if they were (a) multilateral and (b) united. This is owned to the geopolitical intelligence principle of avoiding unnecessary technical details (legal and factual) and complexity that are not relevant at a certain level. Often, the emerging new trade and security blocs will be sets of similar (while never identical) bilateral structures.

But the same applies to the existing structures, such as NATO or the EU. It is a hereunder necessary simplification to speak of NATO or the EU as if either of them were one centralized unit that acts like one actor. While they are different, both function as “roughly uniting platforms” – utilized where and as much as helpful. And indeed, as will be shown, both the EU and NATO fulfill utmost critical functions. Which is why both will survive the geopolitical storms ahead. But in their actions, they are regularly standing “next to” national and bilateral “coalitions of the willing”. As e.g. NATO did in Libya or the Balkans, where NATO partners initiated action, and then NATO as organizational structure stepped in, eventually.

This principle of flexible blocs will even be more important in the Indo-Pacific region. There, (a) agreements will mostly be “multi-bilateral” (U.S. with Japan; U.S. with South Korea;...), and (b) more ambiguous and flexible in their terms. (Certain Pacific U.S. alliances formally operate without NATO-like “Article 5” defense clauses,...).

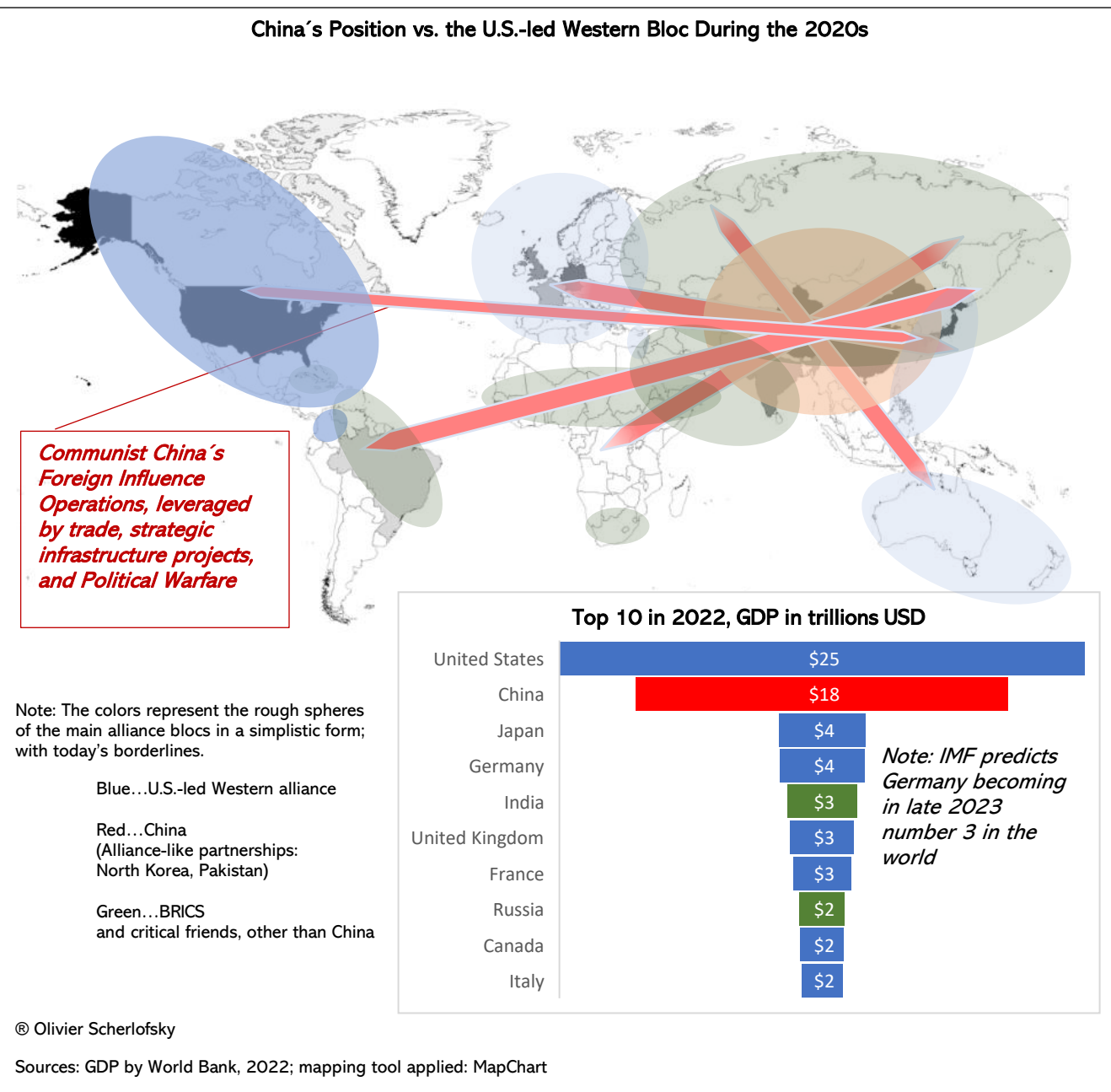
Whereas the Europeans will (1) complain about such developments (talking a lot about WTO and multilateralism), while (2) follow the U.S. lead. Eventually, the Europeans too will (3) find reasons to implement similar strategies to counter China, alongside the U.S. Such as limiting Chinese imports. In the case of the EU, this will be surrounded by a lot of “ESG language” – which helps the exceptional “European desire” for both legal and moral justifications, when acting geopolitically or geoeconomically.

And it should be noted that the “slowness” of the decoupling process is little driven by “goodwill and economic rationalities” on the side of the West and China or a “proof” that relations would still be good. A strong rationale behind the “slow, pacing” decoupling (“de-risking”,...) is related to conflict scenarios. Both sides try to become independent in their strategic production by building up their own capacities, so they are more

⁴⁹ Austria is sporting a formal neutrality since 1955, while being de facto (since 1995 even de jure) integrated into the Western sphere. And accordingly benefiting from access to European (i.e. German) and American markets and technology, as well as military and intelligence cooperation, even during the Cold War. (This is no secret any longer, thanks to Cold War archives opened recently.)

resilient when things escalate further. And this has to be a step-by-step process for both sides. Thus, we see rather a "Cold War rollout phase" on both sides, that will be further implemented year after year.

China's Position vs. the U.S.-led Western Bloc During the 2020s



For the U.S. a Shift of Focus from Russia to China Will Unfold Itself

Seen from this big picture, what we see between the West and Russia right now, is a transition phase – with an open end. There is a mid- to long-term potential of Russia even partnering with the West, in order to balance against Communist China; according to geopolitical logics. Logics that in the long run tend to overrule tensions caused by normative, situational, and personality related variables. (A structural logic best

summarized in the words of U.S. grand strategy advisor (MIT professor) Barry R. Posen⁵⁰, one of today's leading Realists in America: "...***India and Russia are inherent bulwarks against Chinese ambitions.***"⁵¹ And despite the war in the Ukraine the voices in the U.S. are getting louder who look for ways how the U.S. could protect and support its European allies while finding a ***long-term accommodation with Russia***⁵² – and in doing so supporting peace in Europe while being able to balance against the one capable and willing challenger, Communist China.)

Whereas the current Western efforts vs. Russia create(d) useful preparation effects for the China struggle, especially on the European and transatlantic relations side. Effects easily overlooked, but crucial for the necessary lockstep march of the Western alliance vs. Beijing:

- A strategic "re-consolidation" and "re-centralization" of NATO; and
- an operational/tactical/technical U.S.-European jointness for military and economic warfare (joint sanctions design, implementation, enforcement, and learning).

It is getting serious in the 2020s. Beyond anything businesses would have imagined after 1991. After all, this rivalry is increasingly ***shaping how trade, investments, and transactions have to be conducted...***

Corporations Are Again Becoming the First Line of Defense in a Cold War – and Victims If They Are Careless

Anticipating all of this, China business is even becoming increasingly non-insurable in terms of political risks. With the few remaining insurers reducing their maximum coverage amounts from billions to fractions thereof. And to be expected tough legal battles in case of claims, disputing whether certain political situations and economic losses are within the range of the contractual insurance obligations.

Expert witnesses Elisabeth Braw informing the U.S. Congress about this severe issue for the posture of corporate financial risk management:

"[...] insurance broker Willis Towers Watson [...2022...] found Argentina and China to be the countries where companies had incurred the most political-risk losses—a remarkable change from 2020 and

⁵⁰ Barry R. Posen is also member of the leading think tank Council on Foreign Relations (CFR).

⁵¹ Citation from: "Restraint: A New Foundation for U.S. Grand Strategy", 2014, Cornell University Press, page 137.

⁵² In academia, many Structural Realists (such as John Mearsheimer) openly point to the need for a certain form of accommodation or even alliance with Russia in order to focus on China. The same public openness can be found among some former top U.S. officials. With regard to leading U.S. geopolitical analysts, I recommend reading the following short but to the point report of George Friedman, Geopolitical Futures, about this topic:
<https://geopoliticalfutures.com/russia-ukraine-and-thinking-extreme-thoughts/>

*2021, when the list was topped by Iran and Venezuela and Egypt and Russia, respectively.*⁵³

And Braw, coming from one of the think tanks that shape U.S. National Security content (she is Senior Fellow at the influential think tank American Enterprise Institute⁵⁴), has much more to say, with relevance for businesses...

On July 28, 2022, in front of the U.S. Congress (House of Representatives Committee on Foreign Affairs.), Braw offered her leading assessments about the anti-Western "gray" tactics of China, during the hearing about "Countering Gray Zone Coercion in the Indo-Pacific".

There she, like others, has put Western corporations at the center of attention, as both (a) targets (affected by risks in and from China) and (b) players that should be expected to understand the geopolitical threats and consider themselves as being part of Western defense. As they did during the Cold War. When (as she rightfully points out) corporate staff and leaderships identified themselves with their nations and civil duties. And as will be shown, leading Western corporations already swing back to a culture of patriotic duty awareness. In the interest of their home societies and the interest of themselves.



Witnesses testimony of Elisabeth Braw, American Enterprise Institute, in front of the House Foreign Affairs Committee on Chinese gray zone aggression, July 2022.

Even more explicit is U.S. Army retired Lt. General H.R. McMaster, who had held the most influential position in the National Security State, having been a U.S. National Security Advisor recently. And who is still a true strategy developer for the U.S. Congress and related structures.

In a new policy recommendation book currently discussed in political Washington D.C. ("inside the Beltway"), which I highly recommend

⁵³From the witnesses testimony of Elisabeth Braw, American Enterprise Institute, in front of the House Foreign Affairs Committee on Chinese gray zone aggression, July 2022.

<https://www.congress.gov/event/117th-congress/house-event/115075?s=1&r=39>

⁵⁴ And similar institutions like the European Leadership Network (ELN) <https://www.europeanleadershipnetwork.org/person/elisabeth-braw/>

reading⁵⁵, he explicitly points to the corporations. And how their picking of sides will in the long run determine *their* fate:

"[...] one could imagine CCP [Chinese Communist Party] leaders evoking [...] 'The capitalists will sell us the rope with which we will hang them.' Except it is worse; the Free World is financing the CCP's purchase of the rope.

[...] the contest with China will not only change the shape of the world economy, but it is also already transforming the role of the American corporation in U.S. National Security and global strategy.

Those companies who understand and get ahead of that change will do well and those who continue to take on risk and hope for a fundamental change in the CCP will lose out."



Lt. General McMaster, fmr. National Security Advisor, informing the U.S. Congress about the threat from China.

In this policy recommendation book McMaster furthermore points towards the concealment strategies Communist China is using, in its efforts to oust the Free World in the long run:

- *"The [Chinese Communist] party's success depends on concealing its intentions and portraying its most egregious actions as normal practice.*
- *"Free trade" Xi Jinping signs a draft Comprehensive Agreement on Investment with Europe while shutting down market share for retailers who object to slave labor.*
- *"Environmentalism" Xi Jinping promises carbon neutrality by 2060 while China finances and builds scores of coal-fired power plants internationally.*
- *"Human rights" Xi Jinping gives speeches on rule of law while he interns million in concentration camps, extends the Party's repressive arm into Hong Kong, imprisons journalists and freedom activists, and holds hostages.*
- *[...]"*

⁵⁵ From the Foreword by H.R. McMaster, in: The Decisive Decade: American Grand Strategy for Triumph Over China, Jonathan Ward, 2023.

On a similar front of the U.S. National Security Community, former Assistant Secretary of the Department of Treasury, Marshall Billingslea, is pushing for **the defense of the U.S. Dollar system**.



Testimony of Marshall Billingslea, former Assistant Secretary of the Department of Treasury, June 2023, in the U.S. Congress (U.S. House Committee on Financial Services). Under the hearing titled:

"Dollar dominance: Preserving the U.S. dollar's status as the global reserve currency"

As witness in front of the U.S. Congress, he recently provided some key recommendations on how the U.S. should **prepare for a sanctions war against China**, to be ready for escalating scenarios:

"[...] to ensure that we could sanction Chinese banks, if necessary, we need to take immediate steps to reduce both the direct and indirect exposure of our financial institutions and our investors. According to the Atlantic Council, Communist China has up to \$5.8 trillion in liabilities to Western investors, or assets in China belonging to them. In comparison, China has around \$3.4 trillion in international assets that could be targeted by Western sanctions. In other words, China could potentially hit back as hard as we can.

*The market is already starting to react to the geopolitical tension caused by Chinese military provocations and bellicose rhetoric towards Taiwan, and is moving in the right direction.
[...]*

We need to look at ways to encourage portfolio managers to recognize this very real risk, and to take steps to mitigate it now – not after conflict is imminent.

We have also seen three of the biggest U.S. banks trim their exposure to China by more than \$9 billion between 2022 and the start of 2023. This is another area where Federal action will be helpful. To encourage further reduction, and to build a hedge against reciprocal sanctions, U.S. financial institutions with significant China exposure should face increased capital requirements. We need to ensure that our largest banks can withstand the systemic shocks to the banking system that a sanctions war would entail."⁵⁶

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<https://docs.house.gov/meetings/BA/BA10/20230607/116068/HHRG-118-BA10-Wstate-BillingsleaM-20230607.pdf>

Clearly, the international business community and their markets sit in the center of this rivalry. And have to prepare for a West swinging back to Realism. Causing the West to have its actual strategies focused on

- *national/Western interests* and the *functions that enable them*,
- not ever newer values and related moralism.

Whereas *values will be effectively pursued*, *where/when, inasmuch as, and as long as*, they *fit with the geopolitical* realities and central interests.

Yes, the 2020s bring seismic shifts in worldviews, geopolitics, and markets. Causing tensions and uncertainties for businesses and investors. But there are “*macro good news*” too, beyond individual opportunities, that can be found. For the economies of the Free World, as well as for solid values (where they fit to geopolitical realities)...

The Good News: Peaceful Competition and Cool Realistic Heads Can Even Create a Net Positive

If managed well by the U.S. and China, (a) as Realists point out such bipolar Cold Wars can even reduce the dynamics that cause hot wars. (*Avoiding hot wars will have to be the imperative number one*, during the years and decades ahead.) Plus, (b) as will be highlighted along the Books Series, the resulting competition is triggering strategic government spending and necessary reforms not imaginable without such a rivalry. Pushing new technological and economic long-term cycles.

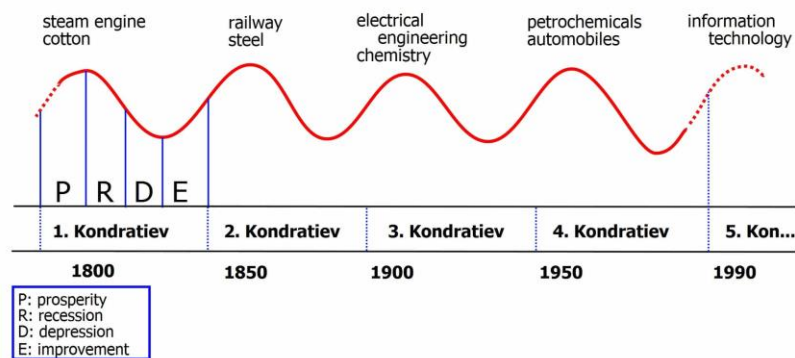
For Certain Strategic Functions and Long-Term Wellbeing (Realism-Based) Government Spending Is a Necessity

Not only for (a) *public functions* like defense and supply chain security but also for (b) the development and *wellbeing of the free market economies*, historically in certain sectors and during certain phases, *government spending has proven to be key*.

This is e.g. true in *developing new energy technologies* or improving old ones, *if done well*. Thus, if done reasonably and without too much Idealism. And if backed by protective measures against unfair competition – one of the key drivers behind the Western geoeconomic and legislative actions to counter China. But this runs even deeper.

Like it or not, the necessary *origins of the whole digitalization* (development of first semiconductors and then the internet) rested in decades of *long-term thinking and spending for U.S. defense* projects. Caused by the last Cold War. Back then, private money would have never spent ever larger amounts on lofty ideas like “ridiculously tiny processors for jets and missiles” or “futuristic long-distance military communication”. But without the resulting IT/digitalization, it is hard to see how economies would not have declined during the last 30 years. In human affairs, like in nature, *nothing is perfect. Not even markets*.

It seems that competition and the related Realism-driven behavior help not only businesses or individuals but (geo)political blocs/systems too. Of course, *the art lies in competing while not fighting hot wars*. But hot wars themselves can actually be the result of trying to avoid competition, i.e. of looking the other way for too long (and/or of being stubbornly idealistic). As will be briefly reasoned later, in order to understand the drivers behind the West's swing back to Realism. Compare, e.g., the *Kondratiev Waves* with the *phases of geopolitical competition*. It is astonishing. Or: Human. People are driven by both cooperation and competition. As Realism helps understand well.



(Illustration from: www.guildinvestment.com
Guild Investment Management Inc.)

As we will see, certain economically positive side effects of this rivalry can already be identified in the West. Be it

- the effects of the geopolitically and nationally driven CHIPS Act in the U.S. (in the eyes of Intel's CEO Pat Gelsinger the most important U.S. industry policy development since the end of World War 2⁵⁷).
- Or be it the fact that *de facto this new Cold War* triggered the largest FDI (Foreign Direct Investment) into Germany, in history. (30 Billion and thousands of high tech jobs with future, by Intel, for Magdeburg⁵⁸, as we will witness in the chapter on the European scenarios.) Into a German east that – like the rest of Eastern Europe – is on the rise. (While this Intel project is still in a phase of negotiation, both, its realization or its non-realization would push in the same direction. After all, should the project fail, a forced rethink and change in Germany would come quicker.)

Or in the words of U.S. President Biden, who despite all the rhetoric tries to imitate Trump in many strategic aspects:

"Folks, we need to make these chips right here in America [...]"⁵⁹

For the West, as well as for the world economy as a whole, this might be the beginning of the next 50 years cycle upwards – avoiding a decline and financial system breakdown that would get ugly quickly (it would get very ugly, first for the West, then for everyone else).

In the end, like during the last Cold War, the *results* of the systemic competition might even be net-positive for the world. If compared with the realistic alternative scenarios (as we will do). Not with utopia. Since we live in the real world, not in utopia.

A Long "Worldview and Order Cycle" Is In Decline and Will be Replaced By Something New (Re-Stabilization) – But Not the West/America Itself Will Be Replaced

To those analysts and avantgarde thinkers who are neither doom&gloom advocates or radicals (who constantly see "conspiracies" and/or declare "the end of XY"), nor "locked in their box" (like most people, who have difficulties seeing/grasping paradigm shifts), it is clear that we live in a time of fundamental change. (Thus, to me both are forms of naivety: The radical or doom&gloom perspectives who overestimate change and its effects, as well as the "mainstream" that underestimates change and does not see change until it already *has* happened – and even then need a long time to accept and process it.)

Related to that, I think the fact that many people – in Europe, Russia, China,... but also in America – tend to underestimate America and the survivability of its overall position as the world's number one is related

⁵⁷ Intel CEO Gelsinger at the recent Aspen Security Forum:
<https://www.youtube.com/watch?v=grp93s6QVOg&t=1003s>

⁵⁸<https://www.bundesregierung.de/breg-de/aktuelles/investitionsentscheidung-intel-2198332>

⁵⁹Biden delivers remarks at the groundbreaking of an Intel semiconductor manufacturing facility
Forbes Breaking News 09.09.2022
<https://www.youtube.com/watch?v=cJTwp9JAnk>

to certain long cycles. As I describe them under “The Logics and Timings of Worldview Cycles”⁶⁰. Such as particularly the thereunder mentioned “**Political (Economy) Order Cycles**” identified by Gary Gerstle (Cambridge University): He identified a “**New Deal Order Cycle**“, running from the 1930s on, and declining from the 1970s on. And a following “**Neoliberal Order Cycle**“ that rose to power from the 1980s on, and has been in decline since the late 2000s.⁶¹

Cycles of rise and decline of models/worldviews are not the same as cycles of rise and decline of empires. Rather, in my assessment (and the one of others I take seriously), not America or American power is ending, but

- a certain way of how America thinks and operates (globalization, over-optimistic/colorful post-Cold War Idealisms from right/left), and
- related global America-driven worldviews (the European versions thereof,...),

are declining/adapting/ending. And will be replaced by something new that is currently in the flux of evolving. We will just see a new cycle of “America in the world”. One grounded in more Realism.

Luhmann describes sociopolitical evolution via long cycles of

- **1. Stability**
(a “structural normal” exists),
- **2. Variations**
(the normal gets constantly challenged in numerous ways),
- **3. Selection**
(eventually something new becomes first stronger and then the strongest element, resulting in a dynamic struggle vs. the old and other variations),
- **4. Re-Stabilization**
(a new normal and related “calmness” eventually replace the struggle).

Such historic dynamics are understood by most in business, geopolitics,... But what, in my perception, many have difficulties understanding is that and how the decline and replacement of something is not the same as the decline and replacement of the dominant system/player. Rather, more often,

- (1) a certain model of the dominant player (the U.S. since 1945) and/or the related type of order is in decline. And this of course damages the player (and his/her reputation) itself. But this
- (2) then often leads to a new model/order again dominated by the strongest player. Which
- (3) reestablishes the reputation and stability of both this most dominant player and his/her related new order, model, culture.

And there probably is a similarity to how other looked-at countries like Germany are declared “done” whenever their model or key numbers

⁶⁰ In the sub-chapter “America’s Geopolitical Elite Swinging Back to Realism” of the Intro.

⁶¹ Recommended read from him:

The Rise and Fall of the Neoliberal Order: America and the World in the Free Market Era, 2022, by Gary Gerstle.

The Rise and Fall of the New Deal Order 1930–1980, 1989, by Gary Gerstle and others.

decline. (As mentioned, for our purpose it is relevant to look at Germany too, to assess where Europe is going in the rivalry, and how it and its markets will do.) Not understanding how certain societies/countries run through cycles where “a certain way of how the country thinks and operates” declines and fades away, not the country/society itself. They go through rough crises where they adapt and survive with a new approach and culture. Until they are up again. The Germany of 2030 will be different from the one of the 2010s/2020s. The Germany (business model, worldviews, political culture and mood,...) of the 2010s/2020s is different from the one of the 1980s. Which was different from the one of the 1960s,... In the case of industry-driven Germany (which often suffers from anti-pragmatic dogmatism from the left and right) I would point towards the rise and decline of business models (and related national cultures, dogmas, worldviews). See Chapter 9 on critical European key trends in the U.S. vs. China rivalry and the highly recommendable Berenberg Bank research paper by economist Holger Schmieding, who over the last 30 years has predicted and described German economic cycles and shifts in German business models as well as policies best.⁶²

Thus, I want to highlight that under our base case (Scenario Trend B – see soon) we hereunder see more likely

- not a lasting decline and replacement of the West, but
- a phase of (long) crisis management and adaption/adaptation.

That ideally, *eventually*, leads to a “new normal” stability that *works best for most in the world* (West and non-West), *relative to the realistic alternatives*. (Thus: In highly complex/dynamic setups, in my opinion one should never make the mistake of expecting/comparing with ideals and perfect concepts. Since this would create impossible expectations and related actions, that then could cause the opposite of what was intended.)

In that sense, I see the following market-driving geopolitical trends likely ahead.

Value Approaches Under a Different Reality

Realism is returning in the West, while (*fortunately*) certain *core values will continue* to be *honestly relevant*. *But* what everyone needs to understand in order to not be confused by “*value-sugaring moral talk*”:

Some politicians in the West will still love to sell their geopolitically relevant policies as “ESG agendas” – that (conveniently) cause and justify decoupling from China or geopolitical interventions as needed (probably just a coincident...). And love to push “Green projects” – that (conveniently) cause and justify national industry policies and increased independence from Non-Western powers, while (*ceteris paribus* only!⁶³) decreasing the treasuries of such regimes (probably just a coincident...).

This is not to say, that when applying such semantics, they are not believed in (at least in part). And it is indeed not cynical but precious to

⁶² The report is “exclusively” addressed to institutional investors and market professionals, but a download from the Berenberg’s research website was possible at the time of this writing.
<https://research.berenberg.com/report/1F2D7879F366F97B76F9E29341CA3D06>

⁶³ “other conditions remaining the same”, i.e. only looking at this variable, not e.g. considering other indirect geopolitical effects.

fight, e.g. forced labor (China,...) or the systematic suppression of women (Iran,...): The underlying force will be geopolitics and Western system defense – and where this helps values too, great. Not the other way around. And furthermore, the systemic defense mode is refocusing the West on its sellable core values. Those values which foster the (a) internal stability in the West and (b) generate external attractiveness (“soft power”). Bot having been necessary components for Western success during the first Cold War.

In the end, beyond talk, **value policies will actually be successful, where they fit with geopolitics.** It is “Value Realism”, as we hereunder will call it. A Value Realism that starts at home...

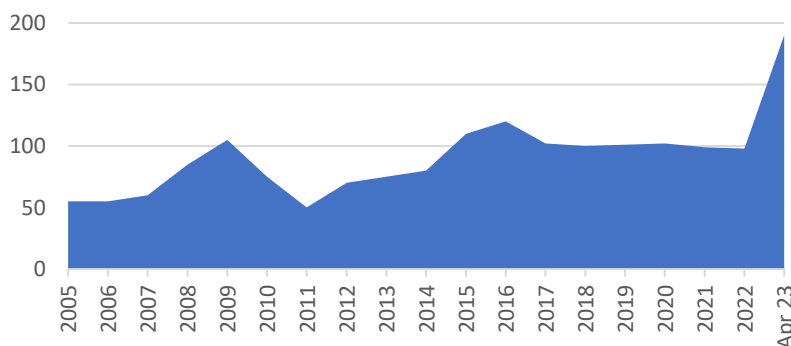
Long-Term Benefits for Western Economies and Other Values

Related to this U.S. shift towards a "grand strategy of systemic defense", the economies of (first) the U.S. and (eventually) its allies and partners (Europe and others) will find new avenues of economic ascent. After their political actors and businesses had time to learn, adapt, win in an environment that is structurally changing. After all, a "side effect" of this deglobalization and trade blocs is and will continue to be (a) **re-industrialization** (in traditional and new sectors) in the West. First in the U.S., eventually in Europe too, (*only*) where Europeans adapt. And (b) a “**further industrialization**” in non-Western countries that side with the West. Trump has initiated this process of American **re-industrialization** and Biden, as well as any Administration that follows, continues it.

A Western re-industrialization that furthermore creates a real (and needed) difference for the world's environmental health and other related values too: Every product needed in the West, that comes out of a regional high-tech factory instead of (1) being produced “cheap and dirty” on the other end of the world and then (2) shipped across the planet, is a true improvement for a greener planet. **The world still needs global trade and the West still needs non-Western supply chains,** but for geopolitical, socio-economical, and environmental reasons, it will not be continued the way it was done in the post-Cold War period.

In the U.S., this Trump-initiated re-industrialization process (which always takes time to materialize), has already started to deliver results.

Private Manufacturing Construction in U.S.;
(Average) Monthly Spending Rate
in USD Billions (Adjusted to 2022 Value)



© Olivier Scherlofsky

Sources: Data from U.S. Census Bureau and Bureau of Labor Statistics. (Monthly rate seasonally adjusted, annualized. Deflated by Producer Price Index for Intermediate Demand Materials and Components for Construction.) More on that U.S. boom and related statistics in chapter 4.

Whereas private capital in the U.S. overall tends to know what it is doing – compared to the performance of most other money spenders in the world. Thus, the notion that manufacturing does not pay dividends in the U.S., is just based on linear projections from the (past) age of globalization, and its related costs/revenues/risks calculations.

Europe's economic future might deliver some surprises, too. And here we should look at the engine of the continent's economy, Germany...

"Germany will decline economically..."

By: current **mainstream** prediction; now,
as in the 1990s, the 1970s,...

vs.

"No one should underestimate Germany's strengths."

By: **Goldman Sachs's** global wealth management⁶⁴
(family offices / billionaires)

Of course, all this depending on Germany (1) readjusting its course and (2) sternly reforming itself, fitting to the structural shifts. But that is what it accomplished in the 1990s/2000s, 1970s,... whenever *forced* to. A strategic flexibility related to Germany's thoroughly ingrained "Mittelstand" model and fiscal potential (financial ability to be among the winners at the reemerging game of industry subsidies and tax credits to foster *national* business, production, R&D, and jobs), as will be shown.

Many voices in the current global mainstream, however, tend to declare Germany soon being a picture of ruins – a prediction that is likely false. Considering the fact that dynamic times usually prove linear projections wrong. Not factoring in the force of (near) crisis that enables sociopolitical turns not possible otherwise. Thus, the idea that "Germany's business model is dying" just means that "it would die, if it would not structurally adapt"; and "Germany cannot afford its energy costs" just means "Germany will be forced to (a) adapt and support its production focus, and inasmuch as that would not be enough (b) become better in its energy strategy, whatever it takes (and regardless of what was said/decided before)..." And the same goes for the other severe structural challenges to manage. (Most notably, integration and birth rates. Although, as we will see two pages below, Germany is rather an average nation among the bigger powers in that regard.)

Thus, Germany has serious plus points on the left side of the balance sheet, and serious burdens on the other side of the balance sheet. Like most countries during the 2020s, they have to restructure. If not to say "rethink themselves". As they did/do every generation. German culture tends to create actors that tend to be stubborn and annoyingly principles oriented. But once they are forced to change, they start to surprise everyone (and mostly themselves) with their ability to create effectiveness through change. (This time, not least supported by to the rise of conservative politics and policies, as described in Chapter 4.)

This being central to the future of Europe, since Germany's economy (by the IMF now predicted to become the world's largest economy after the U.S. and China, from late 2023 on) is the key driver for the rest of the continent. For example: Ever more crucial and rapidly rising is EU member Poland. And its economic survival e.g. is exceptionally depended on

⁶⁴<https://www.welt.de/wirtschaft/plus248342586/Goldman-Sachs-Niemand-sollte-die-deutschen-Staerken-unterschaetzen.html>

exports (62% of GDP); and thereby on Germany (29% of its exports). Which is one of many reasons Germany and Poland will most probably form a future axis in the EU as we will see, based on geopolitical and geoeconomic realities: Berlin and Warsaw increasingly sharing more common vital interests than Paris and Berlin. Again contrary to many "news" and "sentiments".

In line with these assessments, a few weeks after the above words from Goldman Sachs, Siemens has already started with the game of surprises...

"Fiscal 2023 was a year of multiple records: In our Industrial Business, profit and profit margin reached their highest levels ever, and we nearly doubled our net income to a historic high. I would like to thank all our colleagues around the world for their tremendous contribution to these outstanding results. Our strategy is paying off, and we continue to accelerate the digital and sustainability transformations of our customers."

Roland Busch, President and Chief Executive Officer of Siemens AG
and

"In fiscal 2023, Siemens continued its path of value-creating growth and, for the first time ever, exceeded €10 billion in free cash flow. Our shareholders will benefit from this success, with a proposed dividend increase to €4.70, a corresponding dividend yield of 3.5 percent and our expanded share-buyback program."⁶⁵

Ralf P. Thomas, Chief Financial Officer of Siemens AG

(By the way: Siemens like some other civilian companies in Germany does not talk much about it in public, but they are serious players in the defense sector too. Not least for the U.S. Pentagon. And since corporate "culture" (actually rather PR attitudes) changes with the moods and needs of the times, while we have reentered a time of rearmament, soon such currently quietly treated projects will not be treated so shy any longer. After all, up until about the 1990s, German and other Western corporations have been proud about their defense activities. And as we will see, the tone is already shifting back. Realism soon everywhere.)

And the other spearheads of Germany's publicly traded corporations aren't less popular among investors. Obviously, capital markets don't see the top traded German corporations on the path to ruins.

UK vs. German Leading Blue Chip Stock Company Indices

	Dec 2013 (first Monday)	Start of war (Feb24 2022)	10 years Dec 2023 (first Monday)	10 years gain	Gain since war (about 21 months)
UK FTSE 100	6595	7207	7513	14%	4%
Germany DAX	9402	14052	16390	74%	17%

© Olivier Scherlofsky

⁶⁵<https://press.siemens.com/global/en/pressrelease/earnings-release-and-financial-results-q4-fy-2023>

German blue chip stock worth so far not only not declining but ***heavily outperforming*** the top stock corporations of other leading powers, such as the ones of the UK.

It is a new Europe emerging within a new West. One that is readjusting in order to prevent its decline. (A decline that would be ugly and dangerous.) Based on an emerging new Western approach that learns from its past success models.

Birth Rates: A Challenge the West Faces – Like All Powers Do

Nowadays a big topic, widely discussed among analysts with regard to any long-term assessment of the future of countries and economies, is demographics. Particularly, aging populations and birth rates, but also integration issues. While it is not hereunder focus (and I am definitely no expert on these topics), it would be negligent, not to mention it at all. Thus, while many statistics exist, a simple way to get a quick picture is to look at the key powers and their so-called Total Fertility Rate (average birth per woman), as the CIA offers it online with estimates for 2023.⁶⁶ (I have no other access to CIA data, than what can be found in public sources...)

Statistically, developed countries would need a so-called replacement rate of about 2.1 to sustain their population.

Unlike

- Africa (world's number one being Niger with 6.73),
- Middle East (Afghanistan 4.53), and
- some countries in Latin America (many roughly around 2),

the major powers do not reach this rate any longer. In addition, these average births per woman occur much later than before.

All in all, this is causing rapidly aging populations, among others. The related issues, scenarios, and possible answers are complex. But since **geopolitics is about *relative* values**, a few simple takeaways are eye-catching:

- Here too, the U.S. is far ahead of the three big powers.
- Europe is in a bad shape, but not everything is according to cliché: Germany is much better off than many Eastern Europeans. (This being the one strategic issue the otherwise successful Eastern Europeans have not solved yet. However, since birth rates change over the very long-run, while in developed nations they are related to real incomes and optimism⁶⁷, it is likely that a richer, more optimistic East will see socioeconomically healthier birth rates eventually.)

⁶⁶<https://www.cia.gov/the-world-factbook/field/total-fertility-rate/country-comparison/>

⁶⁷ In modern, non-agricultural societies, where getting children is based on *relatively* rational decisions, people need to feel that it makes sense and is affordable to have more children. Plus, they need to feel being on stable tracks. And during the sad and poor life of communism, plus the still relatively poor years afterwards, people in Eastern Europe (or Russia) often did not feel as if they could afford more children than roughly one. ***Only once generations feel like winners again, does the mood exist*** in modern societies to get more children, or not to wait until

- While China and even more so others in East Asia are in a much worse situation than Europe is.

Total Fertility Rates of key powers, plus some smaller countries in Europe and Asia for comparison (Source: CIA estimates for 2023)	
Turkey	1.91
France	1.9
United States	1.84
Brazil	1.75
Lebanon	1.71
Liechtenstein	1.69
UK	1.63
Hungary	1.59
Germany	1.58
Canada	1.57
Albania	1.55
Thailand	1.54
Russia	1.51
Austria	1.51
Croatia	1.46
China	1.45
Greece	1.4
Japan	1.39
Poland	1.31
Spain	1.29
Italy	1.24
Hong Kong	1.23
Ukraine	1.22
Korea, South	1.11
Taiwan	1.09

Of course, statistics are not everything. E.g., if certain portions of the birth rates come from out-of-region cultural immigration (Western Europe), countries have other issues to manage instead. (Then, increased efforts are needed regarding integration and education.)

Here the unforeseen inflow of millions of Ukrainian refugees help Germany, Poland, and others in Central Europe in a rare form, since these welcomed (de facto) immigrants are coming from an European society: Highly educated easy to integrate people in exceptionally large numbers

their mid/late 30s until they feel economically ready. (What is telling, is that in the West those that tend to have most kids are not only some of the people that live from welfare aid but also the wealthy: Rich and/or strategically thinking Western families, especially those that think long-term, still tend to have more than one or two kids. Which makes sense if you understand the dynamics and culture behind it. It is the Western middle classes of the recent 30 years that had more difficulties with regard to family lives – even when they earned better, since that then was often related to less private time and freedom available. What makes it worse is that the Western public educational system suffered. In many countries, like Austria, but also in some parts of the U.S., people did not feel that they needed to put their children in private schools to do well. In many more locations than today, good public schools existed. This changed too, i.e. the number of trusted public schools is shrinking. And this further raised the need to wait before feeling ready to have the income for the first or second child. Similar problematic effects for Western middle class family life resulted from the sharp decline in affordable urban rent space, and the rise in car and energy costs.

increase the Central European populations in a relatively simple way that nobody had planned for.

At the same time, do technologies offer certain relief for ageing populations – if they are and stay advanced and wealthy enough to benefit from them! (Fewer people are needed for production, security/forces, and services.)

But these are issues others (experts who are free of agendas) need to address.

Based on this initial characterization of the context for, as well as risks and opportunities resulting from, these utmost geopolitical markets and regulatory environments ahead, we now can initially reflect on the rough scenario directions we want to monitor well. With one most likely scenario trend becoming our base case for the rest of the Books Series (being positive for the West on the very long run) – while keeping a sharp eye on the most critical alternative scenario trends (that would be ugly for the West and the world)...

The Most Likely Scenario Trend That Serves as the Base Case for this Project and Its Assumptions

We will elaborate our most critical scenarios and sub-scenarios across the Book Series. Starting in this book in Part IV. But at this point, knowing what Western geopolitical leadership faces, it helps to now get the basic idea about where we see things heading. Since it defines the frame for the rationalities behind the rest of the Book Series.

Whereas this approach of considering scenarios is conducted by

- (1) having a **focus on the one most likely** geopolitical mega trend, while
- (2) considering **most critical alternative** trends and scenarios.

Thereby it needs to be stressed out (and this too will be addressed in more detail), that this GAST Intelligence Approach and its "predictions" are **not deterministic**.

- First of all, we map out a rough direction regarding the state of the overall "world system". It is a basis for grasping "sub-scenarios" and "sub-developments" for certain markets and nations.
- Secondly, from our perspective, practically helpful scenario assessments should try to
 - o (1) **estimate** critical and likely developments/trends, scenarios, and key variables (geopolitical drivers more than "ideas" and statements); thereby
 - o (2) **identify** the related indicators to monitor ("Named Areas of Interest"); and then
 - o (3) based on this, **continue to assess** the progress of the most likely, but also whether the situation deviates into the "less likely" or new scenarios.

Thus, first **sketch the most important**. Then **monitor and re-sketch**. **Monitor and re-sketch**. **Monitor and re-sketch**.

At the end of Book II (designing a Geopolitical Risk Management System) the above concepts will be processed along steps ("Identify the Operational Environment (OE) and the key actors", "Determine the impact of the OE on the key actors during the relevant phase",...). Based on an adapted version of the NATO/U.S. intelligence concept IPOE⁶⁸.

In that sense, the following diagram provides us with a rough summary of this most likely scenario trend we will use as our **base case (Scenario Trend B)** vs. the most critical alternative scenario trends this base case should be measured against (Scenario Trends A, C, D.A., D.B., E.). In the following way:

We are right now in the transition phase from Scenario Trend A (Western post-Cold War attitude) to Scenario Trend B (West moving towards

⁶⁸ Intelligence Preparation of the Operational Environment

systemic defense). A transition phase that *might* (less likely but possible) be delayed by Scenario Trend C (in case West tries to hold on to post-Cold War approaches for a while), before eventually being forced into B... Thus, we see the *Scenario Trend B as most likely* direction for the years ahead. *Just the quickness and directness for the full unfolding of Scenario Trend B is still open to developments.*

Most Critical Geopolitical Scenario Mega Trends During the Decisive Decade (2020s) and Beyond, from a Western Perspective

America's grand strategic direction and leadership

a) U.S. Sticking to Post-Cold War Idealism

b) Geopolitically Focused, Realism-Driven U.S.

c) U.S. Retreating to Its Core Island

Likelihoods according to (a) means, (b) constraints, (c) vital interests (NOT: less relevant ideals)

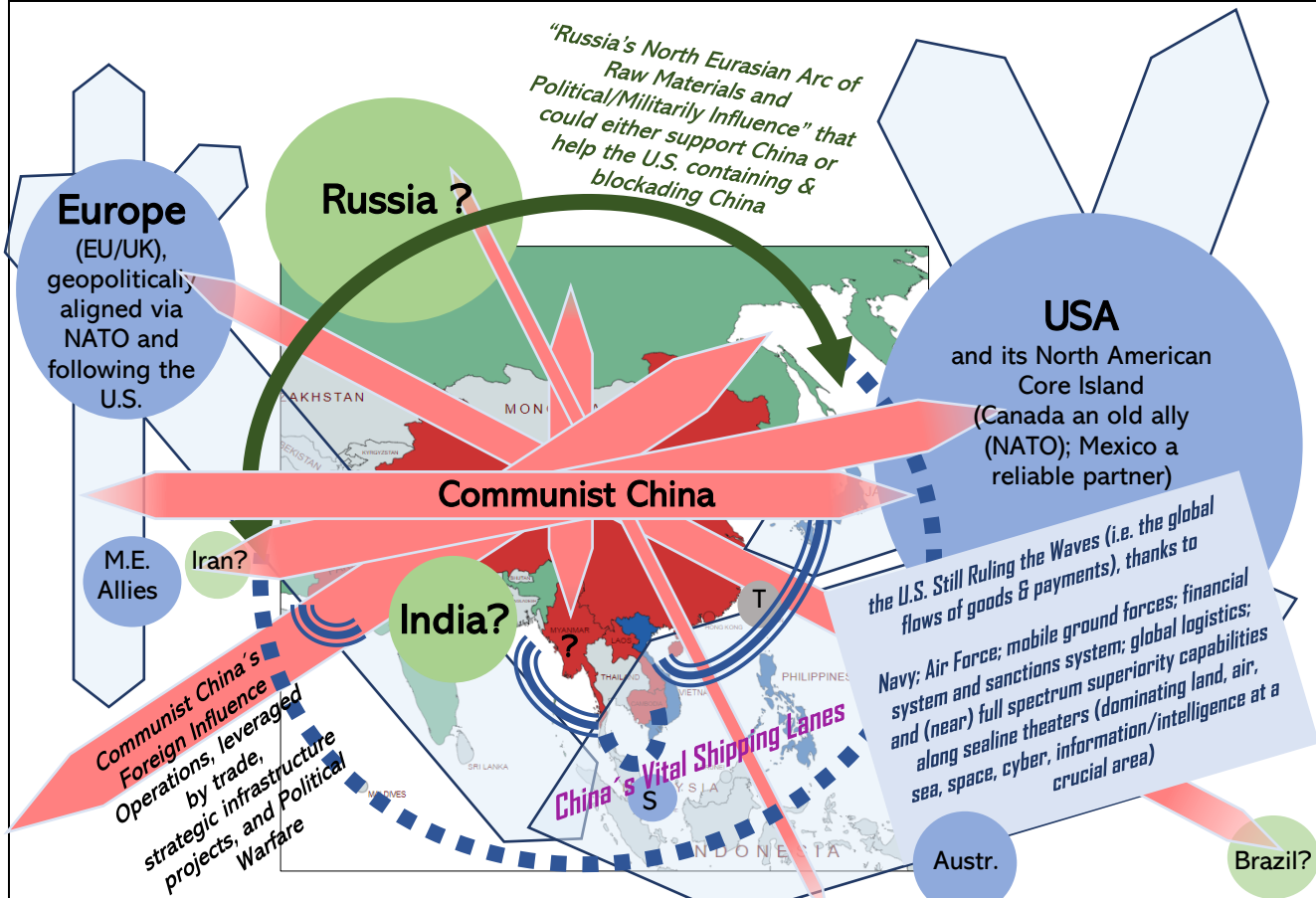
most likely

least likely

<p>Possible "Transition Phase" Scenario Trend C</p> <p>West Is Late in Prioritizing</p> <p>West for some years first tries to hold on to old reality ("Scenario Trend A" direction); but at some point has to switch to "Scenario Trend B" behavior.</p> <p>Likely Consequences:</p> <ul style="list-style-type: none"> - Very high costs and risks for "late West" <p>West from about 2000 to 2022</p>	<p>Most Likely Long-Term Scenario Trend B</p> <p>West Focusing on Winning the Systemic Rivalry (New Cold War)</p> <p>Likely Consequences:</p> <ul style="list-style-type: none"> • West & allies adapt to New Cold War • Main Purpose: Countering Communist China. Everything else (Russia, India,...) will eventually depend on position/role vs. Main Purpose (function shapes form) • Global trade remains vital, but protection of business interests aligned with blocs • Revival of Cold War values in Western societies and corporations (patriotism pro West, its nations, its values, defense) • Europe: NATO is the central geopolitical force; EU survives thanks to restrengthened NATO and a fading-away of recent hyper-moralism -> instead, EU policies will be relatively more oriented towards Eastern Europe's thinking, focusing on survival, wealth, and security <p>After many years: Committed West wins New Cold War (e.g.: China feeling forced to give up its ambitions and direction) -> chance for a new realistic, sustainable, fair world system</p>	<p>Most likely Western direction (being a process already initiated)</p> <p>Most likely long-term outcome</p>
<p>Less Likely Scenario Trend A</p> <p>West Trying to Retain the "Post-Cold War Idealism"</p> <p>Likely Consequences:</p> <ul style="list-style-type: none"> • "Value ambitious" U.S. ever more committed globally <-> U.S. ever more driven by (a) others and (b) ever more crises • "Value ambitious" Europe increasingly let alone and overwhelmed -> threat of "EU: master of moral talk but functional collapse" • Easy play for anti-West 	<p>directions to be avoided at all cost</p> <p>Less Likely Scenario Trends D</p> <p>West Fails in Systemic Rivalry</p> <p>Likely Consequences:</p> <p>D.A. New Authoritarian World System Controlled by Communist China</p> <p>-> Outside North America: More or less socioeconomic colonies of China (politically, financially, socially (AI) controlled; having to provide cheap inputs for and buy from China; China setting the world's standards & norms)</p> <p>or</p> <p>D.B. (Any) World Order Falling Apart</p>	<p>Less Likely Scenario Trend E</p> <p>U.S. Retreat; West and World Order Falling Apart</p> <p>Likely Consequences:</p> <ul style="list-style-type: none"> • Everywhere outside North America: Ever more chaos, instability, piracy, local wars • Global trade breakdown • Europe: NATO dissolves; EU falls apart; high tensions; Europeans incapable to defend themselves against a perfect storm of geopolitical, economic, and social tensions and threats

Most Likely Setup of the Key Players During the 2020s

The Stage of Red vs. Blue. An Almost Landlocked Mercantilist-Communist Empire (Highly Depended on Seelines to Export as well as Import Food, Energy, Industry Inputs) Is Challenging the Established Global Maritime Empire



Key Allies Networks (Not Mere Political Platforms, Such As BRICS)

Most Likely U.S. Key Allies

- Canada; UK; Europe: NATO/EU nations (France as the only potential "third path" maverick within the EU, but Germany and Eastern Europe would ensure EU alignment with the U.S., since neither would rely on Paris instead of the U.S. in matters of defense or global market access)
- Middle East (M.E.) Allies: Saudi Arabia (*if* return works), Israel
- Japan; Australia; Philippines; South Korea; Singapore; Vietnam
- Taiwan (T): "ambiguous" relation; but U.S. actions in case of Chinese use of military means to be expected

Most Likely China Key Allies

- North Korea: natural ally
- Pakistan: Ally, but unreliable under pressure
- Cambodia; Laos: under influence
- Myanmar; but might be flipped via influence campaigns of Japan!

Key Players Whose Position in the Rivalry is Open

- **Russia:** During the 2020s, Russia *could* swing from China to West. Key drivers: (1) China is not helping Russia too much when needed (now); so why should Russia risk everything when China needs Russia? (2) Russia's geopolitical vital interests oppose China (an old geopolitical rival) winning over the U.S.: China would then dominate Central Asia and Mongolia, among others. Soon Russia would be an "economic colony" of China, as CIA Director Burns (who knows Moscow very well) puts it. (3) Most Russians don't want a return to communism - even less to one under Chinese rule. (4) The two countries that are in a latent land war conflict with China, India and Vietnam, to this day happily welcome Russian delegations that promote/deliver top grade Russian arms to them. This includes offering India the Sukhoi fifth-generation stealth fighter - an arming up that would directly and substantially reduce the geopolitical power of China. (5) To truly contain China, the West would need Russia as a partner. (Scenario: Acceptable Ukraine solution. Then, based on shared vital interest to counter China, a reconciliation U.S./EU with Russia slowly and below the radar developing.)
- **India; Brazil; Iran:** For Brazil and India a tendency towards not siding exists. However this might be costly for both. India is already considering siding with America. The current Islamist Iran is a problem for Israel/West.

Possible U.S./Allied Blockades in Case of Military Conflict (e.g. Should China Invade Taiwan)

Mix between close and distant blockades, with mostly U.S./allied "near stealth" submarines getting into waters under China's Anti-Access Area Denial reach for close blockades, while other vessels operate distant blockades

Possible **"Close Blockades"**, close to coastal areas and ports (military force against traffic, within Law of Maritime Blockade)

Likely regional focus for **"Distant Blockades"**, filtering ships at bottlenecks, such as straits

Summary of Most Vital Scenarios

<p>Past:</p> <p>Stage -1 1990s to 2008</p>	<p>Current:</p> <p>Stage 0 2010s to Present</p>	<p>Scenario Set:</p> <p>Stage 1 Likely Next Phase</p>	<p>Scenario Set:</p> <p>Stage 2 Possible Escalating Phase Scenarios</p>	<p>Scenario Set:</p> <p>Stage 3 Possible Worst Case Scenarios</p>
<p>1. The Challenging Path of Communist China (According to U.S. Threat Perception)</p>				
<p>China’s “Hide & Bide” and Gray Zone Strategies</p>	<p>China Openly Challenging the U.S. and the Western System (Systemic Rivalry to Globally Pushback Democracy)</p>		<p>China Continues Path to Hegemony Over Eurasia and Global Systemic Rivalry</p>	<p>China Triggers War(s) Over Taiwan/Others</p>
<p>2. The Path of Growing U.S. National Security Reaction to Counter China: (hereunder focus on economic warfare dimension)</p>				
<p>No Counter: Globalization & Engagement</p>	<p>Start of Counters: Limiting the China Threat</p>	<p>Constraining the Path to Hegemony and Deterring Aggression</p>	<p>Containing China and Deterring Aggression</p>	<p>Blockading China</p>

possible
external
drivers for
Alternative
Scenario

Alternative Scenario being...

...less likely
(unlikely soon)

...more likely
(possible, long run)

Alternative Scenario:
Internal Breakdown of China's Current Regime and System
In case of a system breakdown, caused by the consequences of
(a) military adventures and/or (b) socioeconomic failures. Then
either some or all of the old party & military machine will fight
for their survival. By being aggressive internally, and maybe
also externally. Consequences to be expected:

- in China highest political & market risks
- Western sanctions and controls
(export/import/investments) on very high levels

Economic warfare role of Western actors and legal foundations



Stage 1 1990s to 2008	Stage 2 2010s to Present	Stage 3 Likely Next Phase Scenarios	Stage 4 Possible Escalating Phase Scenarios	Stage 5 Possible Worst Case Scenarios
Most Important Executing U.S. and Partner Key Actors (for Economic Warfare Dimension)				
(Passive presence of U.S. Navy, Intelligence,...)	U.S. Intelligence Community U.S. Cyber Forces OFAC, BIS, Dep. of Justice Homeland Security (esp. U.S. Coast Guard, U.S. Customs,...) Other U.S., allied, partner economic authorities Civilian Sector	-> plus additional actors: "Whole-of-Government Task Forces" U.S. Navy, Air Force, Space Force U.S. Joint Special Operations Forces Allied and Partner Naval and Special Operations Forces Allied and Partner Air Forces	-> plus additional actors: U.S., allied, partner ground forces (shaping the environment, close to key shipping lanes, ports,...)	-> plus additional actors: All U.S. and allied economic authorities Privateers? (Private parties contracted and equipped with "Letters of Marque" to hunt enemy merchant ships, receiving calculated "price money" from dedicated U.S. courts – legal under U.S. constitutional law and Law of War!)
Legal Status and Authorizations				
Peace Time Operations [U.S. National Security Law structured based on model of Bobby Chesney, University of Texas; similar legal structures exist in key EU nations.] Law of Overt Statecraft: <ul style="list-style-type: none"> - Economical means for geopolitical goals (covering sanctions, export controls,...) - Deployment of military force for actions "other than war" (includes, e.g. the use of the U.S. Navy to enforce U.S. sanctions law) - The use of criminal prosecution by U.S. prosecutors in international affairs, i.e. as tool for National Security, such as in case of U.S. sanctions law violations by foreigners anywhere in the world - Diplomacy - ... Law of Covert Statecraft: <ul style="list-style-type: none"> - Traditional so called Covert Action (in layperson language: "movie type" action by special operations forces and/or the CIA) - Cyber Operations - Information Operations (again in layperson language: countering enemy propaganda as well as trying to influence the perception of others) - ... Law of Intelligence [here: covering aspect of "collection", i.e. surveillance,...]			War Time Ops Law of War Law of Maritime Blockade; Conventions and Treaties; Int. Court Decisions and Jurisprudence; Customary Int. Law;... Treaties NATO (Article 5); ANZUS; U.S. Japan Treaty of Mutual Cooperation and Security; Philippines-U.S. Mutual Defense Treaty; Compact of Free Association;... National Constitutional and Warfighting Laws of U.S. and Allies	

What all relevant scenario trends have in common – be they good or bad for the Free World – is that they force the Western systems back to Realism. Some earlier, others later (the trends where the West at first refuses to “become real” will even more so force a tough Realism on it, eventually, in order to survive).

For most businesses, the resulting “back to Realism” transformation process is one of the ***critical underlying forces to watch***. Since it will directly drive *actual market-shaping* geopolitical and geoeconomic behaviour. From coercive means to industry policies. No matter whether this de facto Realism will be hidden behind (other) values (“we have to restrict the imports because of the environmental impact”) or accompanied with an open tone towards the public (“we need to do this, out of vital national/allied interests”).

Which is why we take a look at this Realism learning process – and how it has started to drive the pivotal change of direction, markets will increasingly feel...

America's Geopolitical Elite Swinging Back to Realism; While in Europe the Eastern EU Members Have Become the New Avantgarde

Behind the scenes, the smart structures (thus, the ones with future) in the power centers undergo a lessons learned. From hindsight they realized that over the last at least 20 years a parallel development took place, hidden for the eyes of Western post-Cold War Idealism: While the latter and related dreams dominated so many in Western politics, media outlets, universities, investment houses, NGO offices, and boardrooms, a rising Communist China started to work on a new world.

Of course, some are still struggling with such realities while others are reluctant to be open about it. But now more key players (from all political sides) start being *publicly* frank about it.

Here one can look at those key players in the U.S. National Security Community who have the ease and role of being upfront – and thus, vanguardists not only in terms of their actions but also in terms of being honest to the political audiences. Leading among them is the before presented young and ascending chairman of the U.S. Congress body that focuses on countering China, Mike Gallagher. Who as Republican leads Republicans and Democrats alike in his Committee – and feels free to talk frank. Remember his words about the centrality to learn and end naivety:

"[...] we must learn from our mistakes. [...] the CCP laughed at our naivety, while they took advantage of our good faith. But that era of wishful thinking is over."⁶⁹

As a highly intelligent U.S. Marine Corps veteran with a PhD from a world-leading university that could not fit better (Cold War, Georgetown), his words are not coming from a political marketing script. These words are as real as it gets and as relevant as it gets. (Yes, this now *sounds* like an advertisement tone. But (1) it is cold observation and assessment based, and (2) I would say the same if he were a Democrat. And there are indeed the same kind of top minds among next generation Democrats too, such as prior mentioned Krishnamoorthi.)

The Logics and Timings of Worldview Cycles

As laid out in the next chapter ("Revealing the Underlying Leanings and Biases"), America is currently in its cyclical crisis phase – and simultaneously, it is starting to struggle itself out of it. A "way out mode" which is also always accompanied by a change of political party landscapes, generations, culture, and attitude. (We will see the same type of cyclical, crisis-driven landscape change in Europe too.) Democrats like Krishnamoorthi and Republicans like Gallagher offer a glimpse into the contours of this next "post-crisis America" political generation on the rise. It is the America that I would pay most attention to. *They* will run the U.S. of the 2020s, 2030s, and 2040s.

Luhmann's Systems Theory, applied and used as an overhead transparency, put on the empirical developments (the actual events and facts related to the most relevant variables), delivers the following

⁶⁹ House Committee on strategic competition with China, February 2023: <https://www.youtube.com/watch?v=f7iLP6QWNeU&t=282s>

explanation for these cycles: It is human. Economic, political, geopolitical, cultural, technological,... structures and models establish themselves and work well – for a while. Whereas structural shifts are always difficult. Established structures run and run and run – until they can no longer. You see this in the stock market cycles. And you see that in the sociopolitical, cultural, national political, and geopolitical cycles. Or in the related cycles of “worldviews and big ideas” (such as the cycle of the post-Cold War Idealisms). Each type of cycle having its own temporal and rational logics. And effects. Some are relatively short (such as the infamous 7 years in the stock markets). Others long (geopolitical cycles, worldview cycles, cultural cycles, Kondratiev Waves of technology driven economic phases,...).

Since it takes time until people/historians/... can grasp long cycles, it is even more interesting to identify those experts and models that – however simplifying such models are – are actually capable of identifying and describing these long cycles. One of the latest examples of such an expert might be American historian Gary Gerstle (University of Cambridge) who credibly describes “*Political (Economy) Cycles*” that show political concepts become bipartisan worldviews over a *rising period of 20 to 40 years before they decline*. Specifically, he identifies a **New Deal Order Cycle** from the 1930s on that declined from the 1970s on, which was succeeded by a **Neoliberal Order Cycle** that rose to power from the 1980s on and has been in decline since the late 2000s.⁷⁰

The amusing thing is that each time during both the shorter and the longer cycles – whenever related to strong ideas or interests – the mood is: “No, this will never change! That is ever more going in the same direction. Reason being....”. Look at the stock markets before bubbles burst (there are always rationalizations why this and that valuation is justified). Or read party manifests before the directions of party politics and their “iron dogmas” as well as worldviews change. It is really entertaining. And telling. One can only feel sorry for those who believe too much in whatever zeitgeist – be it in business or worldviews. The former lose their money, the latter their sleep and idealistic innocence...

Better understanding this ongoing cyclical shift is *unavoidable* if we want to effectively contextualize the trends ahead. A shift that is always related to a lessons learned process. For our purpose, monitoring and understanding this ongoing sociopolitical lessons learned process is a *conditio sine qua non*⁷¹ to grasp the type of *fundamentally game changing return to a grand strategic culture we will experience* in the West. Not because it would be “cheerful”, but because of existential necessity. (See Scenario Trends A, B, C vs. D.A., D.B., E).

Then, one can get a better appreciation for the centers of gravity and approaches in the economic conflict ahead (national industry policies, export controls, sanctions, investment controls, open or de facto interventions in currency and bond markets,...). Which is one of the main reasons why the GAST Intelligence Approach considers these perception-driven aspects of rationality (switching) of geopolitics too.

⁷⁰ Recommended read from him:

The Rise and Fall of the Neoliberal Order: America and the World in the Free Market Era, 2022, by Gary Gerstle.

The Rise and Fall of the New Deal Order 1930–1980, 1989, by Gary Gerstle and others.

⁷¹ For the non-lawyers and non-historians: This critical old Roman concept (in Latin) stands for “a condition without which it [something] could not be”.

Lessons Learned Drives the West Back to Realism

Out of this lessons learned necessity, within the American National Security and foreign policy elite, we see a return of great power politics (Realism, labelled as such or not) under all more realistic scenarios. Step by step replacing the dominance of post-Cold War Idealism we saw the last 20 to 30 years.

ANALYSIS

Why China Is Stepping Up Its Maritime Attacks on the Philippines

Beijing's aggression threatens to disrupt friendshoring operations in the region.



By Elisabeth Braw, a columnist at Foreign Policy and a senior associate fellow at the European Leadership Network.



A China Coast Guard ship sails near a Philippine vessel (right) that was part of a convoy of civilian boats in the disputed South China Sea on Dec. 10. TED ALJIBE/AFP

An example for one of the many fronts in the New Cold War:
The South China Sea.

An article of the Foreign Policy magazine⁷² by already mentioned U.S.-European analyst Elisabeth Braw. A true Realist who gets ever more recognition in the center of U.S. geopolitics. For good reasons, since she is among the very best of the publicly visible new generation of American National Security experts, with regard to the West vs. China rivalry.⁷³

As Braw points out, China uses its new military might in the South China Sea to enforce broader economic goals, against the West and its friends in the region. Furthermore, large parts of the Philippines – literally – live off fishing. And increasingly in their own waters get –

⁷²<https://foreignpolicy.com/2023/12/13/philippines-china-maritime-conflicts-south-china-sea-vessels/>

⁷³ I am eagerly awaiting her newest book becoming available in 2024: **Goodbye Globalization: The Return of a Divided World**, Yale University Press, Elisabeth Braw.

literally – pushed aside by Chinese military power. An important related landmark decision in international law was the ruling by The Hague's international arbitration court (Netherlands) deciding against China's South China Sea claims in 2016. China however just decided to refuse to accept the ruling. (Back then, behind the scenes in Europe too, a different China picture started to (very) slowly emerge. Something e.g.

Germany now points towards as reasoning why it is joining naval operations in the Indo-Pacific. Supporting with its German warships American and Japanese Freedom of Navigation operations to show the illegitimacy and ineffectiveness of Chinese claims. As we will see in the chapters that cover Europe's role.)

This being a nonpartisan transformation within the U.S. National Security elite (for our purpose meaning America's geopolitics-focused foreign policy elite). It is a transformation that can already be witnessed in the most relevant pillars of the National Security Community. There, a new generation has become focused on Realism-driven great power politics to counterbalance China.

- Be it in the dedicated strategic bodies of the Congress (mentioned Republicans like Gallagher and Democrats like Raja Krishnamoorthi).
- Be it in the content shaping National Security think tanks (such as Elisabeth Braw or Elbridge A. Colby in conservative leaning think tanks; and such as Jennifer M. Harris or Jonathan D.T. Ward in liberal leaning think tanks).

And they start to see the last 20 years differently...

A New Way of Understanding the Last 20 Years Is Consolidating Itself

As laid out before, the global future of the West and its model is at stake. To again use the perfect "in a nutshell" statement of Her Excellency Kelley Currie in November 2023:

"Today it would be fair to say:

The world is on fire."⁷⁴

Whereas even China experts from the one leading U.S. foreign policy think tank considered following the school of Internationalism, the Atlantic Council, are getting ever clearer about the threat dimension – leaving the language of post-Cold War Idealism behind. So in 2022 China expert Michael Schuman (nonresident senior fellow in the Atlantic Council's Global China Hub), stressing out in below article⁷⁵ that Communist China

⁷⁴<https://publicpolicy.pepperdine.edu/events/2023/steamboat-institute-debate.htm>

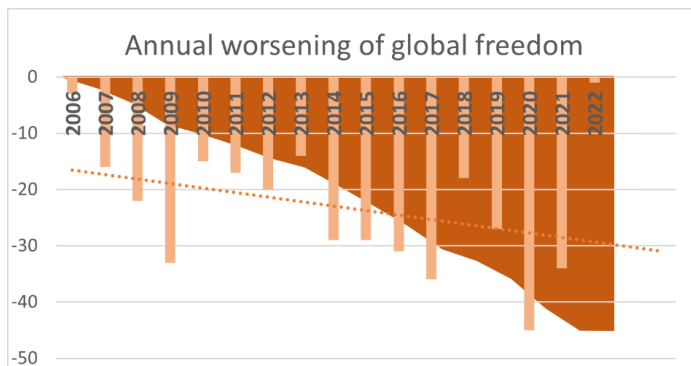
Kelley Currie is a senior fellow at the Atlantic Council and former U.S. ambassador-at-large for Global Women's Issues, and the US representative at the United Nations Commission on the Status of Women.

⁷⁵ https://www.theatlantic.com/international/archive/2022/07/china-xi-jinping-global-security-initiative/670504/?utm_source=twitter&utm_medium=social&utm_campaign=share

is now pursuing a **strategy to replace the Free World order** as a whole. To instead establish a Communist China-led authoritarian world order.



But, this global trend against the Western model started already in the early 2000s. And accelerated since then.



Graphic by the author by applying the statistics from Freedom House: It shows the annual balance between the number of countries where freedom improves vs. the number of countries where freedom declines. The dotted line is the linear long term projection.

© Olivier Scherlowsky

Sources: Data applied from Freedom House

It is however **bewildering how blind the Western world was**, considering the “public mood” inside the West (“we become ever more progressive... we make the world ever better... and the world will ever more become

like us!"). Since **2006**, on average Western-like freedoms and models are declining in the world. Becoming worse each single year.

Thereby it seems clear, that this cannot just be "evil dictators forcing the masses" – since only some regimes face real resistance (Iran, Venezuela,...), while many other authoritarian systems live from popular support (Egypt, Saudi Arabia, Russia,... – yes, oppositions are suppressed in these countries, and that is a shame, but the clear majorities stand behind these governments). It is a partly elite driven, partly population driven, growing support for authoritarian systems. Based on a feeling that the Western nations and their societies are failing, while China would become the new superpower that shapes the global order.

Thus, something is going on in the world, far bigger than it initially appeared to Westerners.

And a lot seems to be self-inflicted. A point perfectly expressed by Walter Russel Mead (Wall Street Journal U.S. Foreign Policy Expert and former Yale University professor) – one of the most influential American experts on long-term U.S. geopolitics (who is also among those who had predicted the U.S.-China rivalry):

"That fact that we and our allies allowed ourselves to go from a position of overwhelming superiority to one of contested superiority will rank historically as one of the great examples of human folly and blindness [...] it was madness [...]"⁷⁶



⁷⁶ Quote from Walter Russel Mead. He was not only teaching U.S. Foreign Policy and Yale, and is writing for the Wall Street Journal as U.S. Foreign Policy Expert, but he was also a Henry A. Kissinger Senior Fellow at the Council on Foreign Relations. The quote from Mead is taken from a geopolitical dialogue with a former Deputy Prime Minister of Australia:

"Conversations feature John Anderson, former Deputy Prime Minister of Australia, interviewing the world's foremost thought leaders": In the episode with Yale academic Walter Russell Mead, 2023:
<https://www.youtube.com/watch?v=Kybxa5FNOvc&t=627s>

Walter Mead (left). (Here at Hudson Institute, discussing with FBI Director Wray about China's hostile infiltration of the U.S. Ranging from strategic espionage, to manipulating universities, politics, and media.)

The powers of Europe/EU (to be precise: its western/old part) did not perform better than the U.S. – to put it mildly. Their recent fashion of geopolitical approaches (towards “defense”, long-term geoeconomic positioning,...), cultural concepts (“soft power and moralism”), and worldviews did not stand the test of time – as has become obvious in 2022. A recent opinion piece in the center-left *Berliner Zeitung*⁷⁷ delivers the point for Europe. Complaining about the decline in strategic leadership and security culture in Germany from the 1990s to the recent “Zeitenwende” (the “turnaround” 2022). Written by the young Austrian Muamer Bećirović, a Forbes journalist and political analyst, with an immigration background from a former non-Western nation – and thus the advantage of a broader, comparative view on Western Europe's path:

„[...] It is astonishing that German chancellors hardly made any strategic mistakes until 1989, while after 1989 they piled up to the ceiling. The circumstances of having to fight for existence seem to have had an effect that was missing after 1989, because only the ascent was known. [...]”

All this is slowly but surely condensing into in a **new mood and understanding among the shapers of Western geopolitics** that could be summarized as follows: On average, the recent idealistic approaches of the West towards the world turned out to be well-intended – but causing or at least fostering the opposite of their intentions:

- **Right-leaning Idealisms failed.**
Turning nations into Western democracies via military “solutions” did not work anywhere outside nations with fitting near-Western cultures, such as on the Balkans. Or the idea of defeating “global terror” (an intangible complexity of ideologies and tactics) with occupation forces in non-Western cultures, and by supporting corrupt, utmost incompetent local “partners”.
- **Globalization-, multilateralism-, and business-leaning Idealisms failed.**
“Ever more open trade will bring ever more democracy, peace, prosperity” or “norms and multilateralism [without hard power backing] carry the order” have been ideas merely abused by authoritarian systems to oust first Western wealth, and then Western power. And
- **left-leaning (moralizing) Idealisms failed.**
The approaches of recent years that tried to utilize the “soft power” of constant “value-driven change” and the related moral lecturing. Not only did such “moral soft power” ideas lack power, but they created a strong blowback of anti-Western sentiments

⁷⁷ <https://www.berliner-zeitung.de/open-source/deutsche-moral-eine-nation-fuer-die-keiner-kaempfen-will-ist-zum-scheitern-verurteilt-li.367117>

“Es ist erstaunlich, dass deutsche Bundeskanzler bis 1989 kaum strategische Fehler gemacht haben, während sich diese nach 1989 bis zur Decke stapeln. Die Umstände, um die Existenz kämpfen zu müssen, scheinen eine Wirkung gehabt zu haben, die nach 1989 fehlte, weil man nur den Aufstieg kannte.”

and propaganda. A windfall and invitation for the anti-Western challengers.

But let's be fair. It is of course not black and white...

**From Hindsight It Is Easy to Identify Failures, But
from "Frontsight" They Have Been Hard to Avoid
Due to Misconceptions that Evolved after the Cold War**

At this point, it should be stressed out that *correlation does not prove causality*. But it is hard to imagine that (a) the Western recent "idealistically engaged" attitude is independent from questions about its popularity, or that (b) we should just have done *more* of the same. This will remain an open discussion with difficult to find clear and valid answers (not least, since many will defend their past conduct and will want to continue their business of "doing good"). However, what the assessment suggests *independent of the causality discussions*, is that the above "correlation with or without causality" will further speed up the swing back to Realism and bloc awareness ("some are with us, others not").

Furthermore, the identification of the failures is not the same as judging about the "Idealists in charge". Since

- (a) while some fundamental things went wrong, not everything that went wrong can be attributed to Idealism; and
- (b) even less can be blamed on single actors believing in the idealist views. Which is *inherent in the "logics of cycles"* described above: It was the "reality" for most during these post-Cold War years. A reality that was often driven by short-term necessities. (See the last part about Luhmann's System Theory in the Attachment about 1st and 2nd Order Observers and their constraints.) And finally
- (c) a lot was done right. (E.g. large parts of the economies saw growth and prosperity – the overall realities just don't sustain the path any longer, without the Realism-based adaptations that we see unfolding. Also, the way the West took care of Eastern Europe is an *exceptional historic success. One that in the end will outshine the failures, if the Western model is capable of surviving, as under our most likely Scenario Trend B.*)

With this fairness in mind, let's try to unfold the paradox of 20 years of "ever more efforts for ever more/newer value lists and goals", paralleling 20 years of ever less respect for and ever more resistance against the West. Since an understanding for this *occurring* learning process will elevate the quality of policy analysis and anticipation substantially.

**Workable Value Approaches Work – Unrealistic Value Approaches
Eventually Create the Opposite of the Intended**

During the Cold War and in the first years after Western victory, the core of Western values had indeed mostly been globally admired, outside the spheres of fundamentalists (i.e. communist believers and religious fanatics). From Iran to Eastern Europe or South America. It was a secret admiration where suppressed, and an open admiration, where and when possible (such as via fleeing into the West). Even enemies of the West at

least respected Western force – since otherwise the Soviets would have utilized their largest land force in world history to avoid the implosion of their system by attacking Western Europe. But unlike 2022, attacking European countries outside the Eastern Bloc between the 1950s and the 1990s was not perceived as an option, thanks to a formidable NATO and its U.S., German, British, French, and other troops.

Indeed, *realistically applied* and geopolitically aligned value approaches succeeded (the integration of Eastern Europe; plus positive outcomes in a few military interventions, such as when freeing Kuwait or pacifying the Balkans).

**A Realist's View on
Value Approaches Like Nation Building**

“Democratization” Can Work Very Well – But the Question (a) What Society One Deals With, and (b) Whether Enough Security and Wealth Can Be Distributed, Is Highly Relevant in the Process

Rule of Law and democratic values can have success outside the West – but (1) for most people only inasmuch as they come with safety and success. And (2) with little options for “nation building” a non-Western society “into a Western one”. It has to come from them.

And it will take a long time, at least and especially where the tradition of a rules based nation-state never existed. Where democratization was successful after World War 2, from Germany, to Japan, to the Balkans and Eastern Europe, the people and administrations/elites have been (a) over generations socialized in (beyond clan) rules based, educated, and organized societies, and (b) the democratization phase was accompanied by security, stability, mass jobs, and rising incomes.

However, between the mid/late 1990s and the early 2000s, Western ideas started to become ever more idealistic – and from then on, with ever bigger ambitions, failed miserably. Such as the belief in colorful concepts, like “Arab Springs”. Or pursuing “nation building” outside the West.

In Western Europe, driven by ideas about the viability of “post-heroic and borderless societies, with an ever smaller need to think in terms of security and order”. Nations that then seem to lack any understanding for national defense (triggering sharp declines in the defense will and capabilities). Eventually causing adversarial states and private actors (terror organizations, criminals, radicals,...) to perceive that

“The Western nations and their Rule of Law systems are weak, demoralized, and can be exploited/abused or destroyed. Our time to be aggressive and take what we want has come.”

The Eastern members of the EU having been the exceptions, as mentioned and as will be assessed in more detail later.

It was the “Cold War West” that caused masses around the globe to cheer for democracy and open markets. Not the West of recently – as the facts seem to suggest clearly.

**Democratic and Free Market Values that Have Been Admired:
Values that Represented Better Life and Success
through Prosperity, Rule of Law, and Democratic Participation**

Back when the Western model was so popular, the admired or respected Western values have been "tangible" and (to most, not all) "universal": i.e. what was admired was security, Rule of Law, wealth, technology, power, good life, economic freedom, and democratic participation of the people, instead of a dictate of technocrats. (Each group or actor in a society put and puts the emphasis somewhere else: Elites value power, wealth, corporate freedom and/or an increase in legitimacy and stability thanks to participation of the population. While average citizens tend to prefer: The good life and Rule of Law, and some basic economic and social freedoms (if they improve more than they upset life), as well as "democratic participation that actually helps" (i.e. participation systems where elites listen to their vital needs, plus the right for national self-determination as the "higher order listening to them"), furthermore respect for their religion(s) and/or social culture(s).)

For example: This past admiration for the "successful West" of the 1980s/90s, its power, wealth, values, and approaches, includes many within today's clear majority in Russia, who now either directly support Putin or at least strong approaches with regard to Russian vital interests. They too have only later lost their trust in the Western approach and attitude:

In the early 1990s, even most Russians celebrated the end of communism – and looked at the West with either admiration or at least respect and openness for advice, help, and change. And in the assessments of myself and some others, the "old Realists" on the Western side, such as Bush senior, would have known how to *use this to the mutual benefit of East and West.*



Against all risks about 500,000 Russians demonstrated in Moscow in 1990, aggressively demanding the demolishment of the communist system.

(Photo by: Dmitry Sokolov)

However, the Western worldviews changed. With all consequences. The world experienced Realist Bush senior did not get reelected, and his successor Bill Clinton was not an "old Realist" among the Democrats. After that turning point, only a few geopolitical strategies turned out to be lasting success stories. (In my assessment, especially the eastern expansion of EU and NATO to its current state of members was necessary and a success.)

What many forget nowadays with regard to so called soft power (power from being attractive and influential without using force or economic power): In the long run, **relevant soft power comes from** admiration and respect, and thus at least indirectly from **military, economic, diplomatic, informational/cultural success** of a nation and group of nations/model. Others want to live similar to the West, or at least accept that the West has a more effective system and/or cannot be attacked or pushed aside.

Thus, real relevant soft power (i.e. the one that helped the West win the Cold War) does not result from moralizing ("you need to do this and that" – implying that they are bad people otherwise). But from (1) the "hard basics". And then (2) selling these hard basics credibly, which works via fitting narratives and self-confident, well-doing, and by and large united citizens.

All this was common Western knowledge during the Cold War. But completely lost out of sight in a "world without geopolitics" where "history was over". Overall, this recent Western blindness for long-term strategic (defense) questions was astonishing. As if living under a state of *autism*...

The Effects of Autistic Western Idealism – From the Right, the Left, and the Business Community

U.S.-Israeli geopolitical government consultant Edward Luttwak uses the term "**great state autism**" to describe a specific "problem of the powerful": After winning the Cold War, both the U.S. and Western Europe have been so strong and wealthy, that for a while they could develop and pursue whatever ideas. While ignoring the realities outside their bubbles.

I.e. key players and opinions in the West had ignored whatever contradicted their (egocentric) wishful thinking about the world. As a result, the post-Cold War policies were not shaped by a reality awareness, like during the Cold War ("let's do what works to ensure a good and secure future"). But by **autistic value policies** from both the left and right ("hurrah, we improve the world ever more – and the world will love it!"); and related interest groups pushing their agendas, since it provides purpose and income (salaries, bonuses, donations, subsidies, fees, contracts,...).

Among others, this autism (or however one wants to call it) enabled the anti-Western forces to partly successfully "deconstruct" the belief in the West and its model – outside and inside the West...

The Bad Performance in the Battle of Narratives Or: The Cultural Vacuum Anti-Western Powers and Radicals Utilized too Well

Now, an increasing number of populations and elites outside the West seem to feel that the authoritarian powers would have the more attractive

model and alliance to offer. This is in part a result of yearslong systematic anti-Western propaganda campaigns.



China Daily, the largest English language print news in China (and of course part of the Central Propaganda Department) happily picking up when/where the non-West is pushing back against latest/progressive Western values (in this case by the political left of the so called Global South)⁷⁸

These anti-Western propaganda campaigns come via messages such as claiming that the West would be:

"economically declining (de-industrialization), culturally broken (wokeism), internally divided (young vs. old vs. man vs. woman vs. black vs. white vs. ...), amoral and asocial (anti-family⁷⁹, anti-nature,...), corrupt and criminal – but forcing ever new moral rules on others (progressive values colonialism). While also ashamed of itself (attribute of losers), not even able to protect its own borders (helpless), and losing its military edge (not

⁷⁸ <https://www.chinadailyhk.com/article/345126#Brazilian-president-denounces-'green-neocolonialism'>

⁷⁹ A particularly problematic claim against the West with regard to soft power effects: Since in global polls, family is the *most universal of all values*. As for example measured by the WEF, out of 56 values, family is the top value around the globe, from Europe to SE Asia: <https://www.weforum.org/agenda/2020/11/values-graphic-care-behaviour-family-love-tradition-free-speech/>

*willing to fight, while China has the ever better military technology) – **all while lecturing others.***

Compared to China, which does not lecture, but moves into countries with **coffers of cash, airports to build, and military aid made available.**

In short, over the last 20 years, the perception of the Western model turned downwards, in (too) many regions. From being perceived as the winner model (“we want that”), to appearing as the worse choice among offered alternatives (“we don’t want that; but rather the authoritarian offer...”). Alarmingly enough, even in close ally countries and among young people.⁸⁰

However, not just outside the West is its model under systematic attack. The attacks aim at the very center of the open societies themselves...

⁸⁰ Korea’s leading East Asia affairs expert professor Jae Ho Chung (Soul National University), described this problem of the U.S. losing its attractiveness due to “pictures” of police or racial violence and similar “(social) media narratives” of a declining, chaotic and unjust U.S. democracy. Basically describing the narrative key problem: “Young people in Korea start to ask: Why should we want this democratic U.S. system?”. U.S. and Asian experts discussing geopolitics 2023: <https://www.youtube.com/watch?v=93e7U5j5dsA&t=3055s>

Attacks Against the West and Its Model Within the West, from Foreign Powers, Terrorists, and Western Radicals as “Useful Idiots”

Since democracies and free market societies are open and naturally self-critical, a precondition for the survival of democracies is to be functioning/delivering, self-confident, and resilient. Thus, to be supported by a well-doing, self-confident citizenry, ready to defend its system. However, that very resilience and belief in the Western model is under systematic attacks.



The Jerusalem Post and others in the West are ever more shocked about the failure of the West in the “I” dimension of National Security (values/ideology/cultural): *“In November, anti-Israel TikTok users shared Bin Laden’s 2002 ‘Letter to America’ with his justification for 9/11 across the platform, making the terrorist’s words go viral. Many believed the positive opinions of Bin Laden expressed in these TikTok videos were fringe, however, these polling numbers reveal that a considerable chunk of Gen Z does view Osama Bin Laden positively.”*
www.jpost.com/international/article-780061

In fact, more than during the last Cold War, the enemies of the Western open democratic societies understand their vulnerabilities – and found/find their “useful idiots” inside the West. In the best tradition of the playbooks about “how to destabilize democratic societies”, that communists developed and study since the days of Lenin, Stalin, the NKVD/KGB, and Mao. As well as Islamist terror strategies that aim at destroying Israel and the free societies of its Western backers. They apply a tradition of propaganda tactics that they use inside their societies and against their adversarial societies:

- Creating and increasing splits via hate, mistrust, shame, guilt... within targeted societies, by using whatever left/right/religious schemes help. Each targeted society, group, and (where necessary) individual gets played with according to their own cultural/ideological vulnerabilities (such as neurotic relations

with the past or a “vacuum in higher life meaningfulness” after traditional concepts have been abandoned).

- **Like fraudsters or cult leaders, the anti-Western forces are masters of manipulation.** Emotional manipulation that comes behind the **masquerade of rationality** (“experts” or “theories”) **or values** (“fairness”, “justice”, “freedom fighters”...).

Accordingly, anti-Western state actors and non-state actors have been able to use propaganda and organization (infiltration, NGOs, networks to bribe/contract people,...) to damage the fabric that holds societies together and is a necessity for functioning democracies. These anti-Western actors not least did and do so by utilizing so called Useful Idiots (traditionally so called by the communist intelligence services that (ab)use them):

- **Useful Idiots that anti-Western forces find among parts of the Western political right**
E.g. in Europe turning some of the formerly sternly pro-NATO right into loudspeakers of anti-NATO messages. (An *almost* laughable development for parts of the moderate right that (like the political center) once called itself anti-communist. Considering that without NATO Western Europe most likely would have become communist – under a red empire USSR that would still exist, based on abusing and exploiting the capital, technology, industrial base, and workforce of Europe.)
And of course, radical extremists on the right (like their radical colleagues on the left) directly serve anti-Western functions. In case of the radical right by their goals, such as being anti-state and anti-democracy. And by their means such as burning religious symbols or attacking people because of their color.
- **Useful Idiots that anti-Western forces find among parts of the Western political left**
E.g. some trying to split and demoralize Western societies (“we are not better ... it is OK what they do ...”) by (ab)using and propagandizing concepts like “wokeism”, “anti-fascism”, “identity policies”, “environmentalism”, or “anti-colonialism/anti-racism”. And by turning realities upside down: Painting the U.S., Europe, Israel, and their culture/traditions as the “evil, unjust, unfree places/cultures” that need to be replaced by a “better” anti-Western world, culture, and actors.⁸¹

⁸¹ Of course, fair critique of the failures/problems/historic crimes within Western nations is important. (As it is outside the West, since e.g. political crimes are no Western specialty; rather the West has overcome e.g. slavery, while others still apply “forced labor”, however one wants to call it.)

But turning realities upside down, where non-Western autocrats, terrorists, or fundamentalists are painted as better, is not only laughable but now threatening the stability and security inside the West. During a dangerous period of change.

Now e.g. even leading journalists of the most established European liberal newspapers are shockingly reporting about the consequences of an anti-Semitic far left, their growing influence at many universities, and how they use propaganda concepts (labeled as “anti-colonialism”,...) for their **dangerously destabilizing and interest groups-driven agendas**. Such as Hans Rauscher in Der Standard, Austria:

Whereas the idealistic post-Cold War moods in the West made these attacks much easier, since these anti-Western forces prey on the naive and good-hearted. Like the sophisticated “political fraudsters and cult leaders” these anti-Western state/non-state forces are, they abuse and manipulate their targets (ideally young and/or idealistic people that suffer from a cultural vacuum and want to believe in something) over years. The consequences of, e.g., radicalization are severe – in many forms. One of them is an astonishing decline in security for Jewish and/or Israeli people in the western members of the EU.⁸² See the official Israeli warnings:



Another dreadful problem of recently: While post-Cold War European politicians love to express how important Jewish life to Europe is (it is), and how much “never again” would drive them, the *western* EU nations now face unacceptable levels of insecurity for Jewish/Israeli people – a sharp decline.⁸³ Again: Ever more morality language was accompanied by ever more of the opposite effects in the real world. And thus, now a return to Realism is forcing itself upon the post-Cold War West.

<https://www.derstandard.at/story/3000000198864/kann-man-den-holocaust-in-einen-kontext-setzen>

⁸² For Jewish people in need for safety and a plan to rescue them around the globe, I can recommend the security company where an old friend of mine, an Israeli Army officer, is a partner: Magnus. www.magnusafety.com

⁸³ See the Dec. 2023 Israeli government assessments and warnings: https://www.gov.il/en/departments/news/news_public32

The West Realized that It Is Suffering a Cultural Vacuum and Disorientation that (a) Takes the Will to Defend the West and (b) Is Getting Filled by Anti-Western Propaganda

What made things worse in the I-Power dimension of National Security, are developments in parts of the West away from an understanding that and how democratic nations can maintain a will to defend their own positions, systems/nations, and culture. Thus, the dimension of mental and conceptional (psychological, cultural,..., however you want to call it) defense very well-known and addressed during the last Cold War. And now slowly but surely rediscovered in an increasing numbers of Western nations – although processes and effects take years in this dimension.

As especially leading academic Realists point out and as it was understood during the Cold War in the West, but then “forgotten”: In order to survive in the long run, *especially* democracies need both a critical spirit of freedom (“liberalism” in its best classical sense) and a democracy-fitting form of patriotism. Patriotism without a spirit of freedom becomes illiberalism. But liberalism without a healthy, proud “we-patriotism” (that integrates and motivates societies) and belief in one’s culture (that provides stability and confidence) eventually causes societies to break apart, and/or to get ever more manipulated and hijacked by radicals or outside powers. Or as systemic thinking, legal/constitutional science, and empirical social knowhow remind: In human affairs, it is regularly about balancing values – and any kind of “good meaning” focus that creates lopsidedness tends to destroy the best intentions and social peace over time.

Furthermore, with geopolitics – and tank warfare – back in Europe, the lack of patriotism values like they existed during the last Cold War is now threatening peace and the very survival of Europe, if not reversed quickly enough. Since the Eastern Europeans by themselves, having kept the traditional values (see below), are not enough to defend Europe if necessary. And that by itself could cause war: Weak nations (those that lack the will or ability to stop invaders) invite invasions and/or the breakdown of basic vital norms, laws, and peace. As leading Western defense experts and Realists point out.⁸⁴ Based on empirical assessments of the effects of deterrence – or the lack thereof. And you don’t have to go too far to understand that. Which is one of the reasons why Western European societies now swing back to old value terminology. Even among parties from the left, as e.g. Germany’s new defense minister (Social Democrats) proves. The latter and other German officials now call for a related “change in mentality” back to defense values that needs to be “carried into society”.⁸⁵ Values that existed in the societies of post-war Germany (in its east and west) too, until the idealistic post-Cold War phase started in the 1990s. (More on this will be covered briefly in later chapters related to the strong defense trends unfolding – not least in Europe too.)

⁸⁴ The most current historical analysis that stresses this out is the 2023 book “Conflict”, written by historian **Andrew Roberts** and U.S. **General David Petraeus**. It is the result of comprehensive research on all major conflicts between 1945 and 2023. Therein they among others conclude that “[...] money spent on deterrence is seldom wasted [...]”, since nations that are unable/unwilling to deter aggressors and/or defend themselves suffer from much higher costs – in all dimensions.

⁸⁵ A very telling example: The discussions that occurred during the NATO Talk 2023 of the German Atlantic Society, which included the German minister of defense and other top officials.
<https://www.youtube.com/watch?v=bDIqJOqOCEE>

Having now understood that the **"latest values without values" of recently are a dead-end street in years/decades ahead.** After all, ever fewer players in the Western political or National Security systems think that we will return to the post-Cold War era. It's the end of the end of history.

To be precise with regard to these problems of the recent 10 plus years, now realized, the West experienced a dual development:

- **The Old West: Increasing Vacuum and Tensions**
In the western part of the West (U.S. and Western Europe) "old Western values" have been publicly "forgotten/changed/questioned/..." (or whatever happened culturally – discussions are still ongoing), which created a dangerous vacuum. Losing trust in recent developments, or lacking the self-confidence and patriotism known during the Cold War, ever more Westerners themselves had lost a deeper belief in their systems⁸⁶ – and the capability to promote them. Which made it particularly easy for anti-Western propaganda and/or radicals and their ideologies from the right/left/fundamentalists.
- **The New West: Western Value/Culture Confidence Alive**
In the eastern part of the West (new Central, South Eastern and Eastern members of EU/NATO), the new West, this recent drift away from the traditional *Western(!)* values was successfully rejected. Since 2022 this "backwardness" (as often arrogantly labeled by Idealists from the western West) of the new West is increasingly recognized as enabling stability and other advantages bitterly needed in the years ahead.

Thus: **The new West is the new West.**

Again: It is a long learning process that has started...

**A New Threat to Corporations and Other Organizations:
Making Mistakes In the I-Dimension and/or Getting Hijacked by
Ideological Agendas (of Anti-Western Forces and/or Left/Right)**

The challenges and failings within the "I" (information/culture/ideology) of the DIME dimensions of power and National Security are now realized in the West, too. Discussions about Chinese IT service firms (apps,...) started under Trump and are continued today. Related tools like ICTS⁸⁷ develop new National Security restrictions against IT products and services identified as adversarial.

Not only societies but corporations, their products, and their partner relations too, are facing increased threats and scrutiny. Corporations

⁸⁶ Make your own research – like National Security actors are increasingly doing it. Which will cause National Security counter-measures. It is hard to ignore: E.g. when you look at long-term poll comparisons with regard to (eroding) **trust in institutions** (trust in media, universities, authorities,...). Or at long term poll comparisons with regard to the (eroding) **will to defend western nations and/or democracy.**

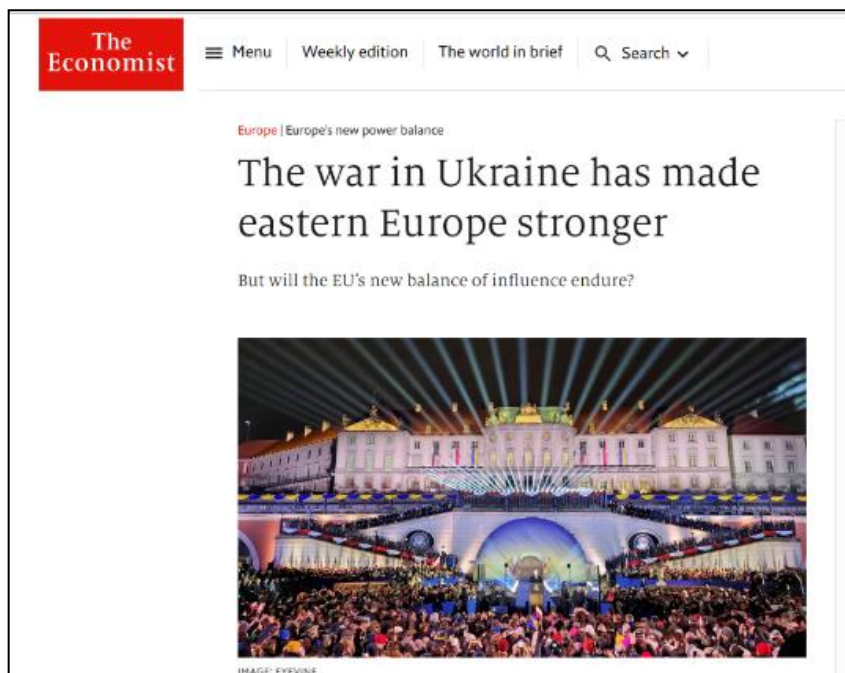
⁸⁷ The ICTS (Information and Communications Technology and Services) tool of the U.S. Department of Commerce, based on Trump's Executive Order 13873 that is getting further applied and developed under the Biden Administration.

need to become very careful with regard to how they position themselves and who controls or influences their information space, “values” (not the core values of business, but the politicized versions thereof), and culture. Or they could wake up burned. Be it in the eyes of National Security law and authorities or in the eyes of consumers and partners.

Risk Management in corporations need to scrutinize carefully what is going on in their broader corporate system and related ecosystems (such as platforms where customers, followers,... can make statements). And who is shaping their internal culture and external appearance/value statements. Avoiding any tendencies that might backfire one way or another. And avoiding to get hijacked by too politicized agendas.

A New Western Approach Is Slowly Emerging: “Core Value Realism”

All the above is now felt among those who design geopolitical strategies. Thus, we will see a Western return back to its core values and the realpolitik (Realism) culture, similar to (while not identical with) the last Cold War. One that focuses on surviving systemic competition. It again will be the Western core values the Western powers will stress out. Since these core values are both functional and sellable. This is also visible in the “surprising” success and geopolitical ascent of the Eastern Europeans, thus the “new Westerners”...





Four telling articles, that each summarizes other key aspects of how Eastern Europe is gaining ever more geoeconomic and geopolitical power within EU and NATO. A structural geopolitical shift unfolding, with economic and cultural dimensions too.⁸⁸ (The German headline saying “The Ascent of the East”).

The Eastern EU members maintained the classical Western (geo)political approach and culture, centered on a nation-state that maintains its traditional functions and thinks strategically: Eastern Europeans being proud members and *defenders* of a united Europe, while at the same time not giving up their national (security) focus. Appreciating the success of the traditional democratic Western values and Realism. Never having bought into flawed ideas about the irrelevance of geopolitics and security or the end of the nation-state.

Whereas the “post-heroic, post-modern” ideas that some in the EU pushed failed even in their alleged goal to “engineer better Europeans”:

The highest approval rates for EU membership can be found in the East – particularly in Poland!⁸⁹ Thus, in countries where national interests,

⁸⁸<https://www.ft.com/content/b7e2c18b-e1c9-452d-b9d6-13db4d28fb89>
<https://www.economist.com/europe/2023/02/27/the-war-in-ukraine-has-made-eastern-europe-stronger>
<https://www.telegraph.co.uk/business/2023/05/07/poland-europe-superpower-communism-putin-military/>
<https://www.welt.de/politik/ausland/plus247249632/EU-Bilanz-Der-Aufstieg-des-Ostens.html>

⁸⁹ Different quality polls exist. Such as shown under:
<https://europeelects.eu/eu-membership-approval/>

culture, and other traditional Western values have been upheld. (Whereas the related *national-plus-European* cultural confidence and geopolitical Realism in the East is not dependent on specific governments – typical for geopolitical forces, there is a consensus behind it that runs across the broader political forces. E.g. in Poland, where this traditional approach was present prior to the “Law and Justice” government, during its government, and will remain so now with the new government. It will now even be easier to convince others in Europe about the “Polish/Eastern approach”).

In the Western EU on the other hand, did the recent approach (2000s to 2022) obviously neither help the classical Western (democratic) values, such as the population’s readiness for defense. Nor did this “create” “better Europeans”. Rather, 2022 made a cultural vacuum visible in the Western EU. One that the Eastern EU can show how to refill with a productive spirit, pro EU and pro national interests/defense at the same time. Before the partly existing void gets (even more) filled by destructive propaganda and ideologies from anti-Western forces and/or radicals.

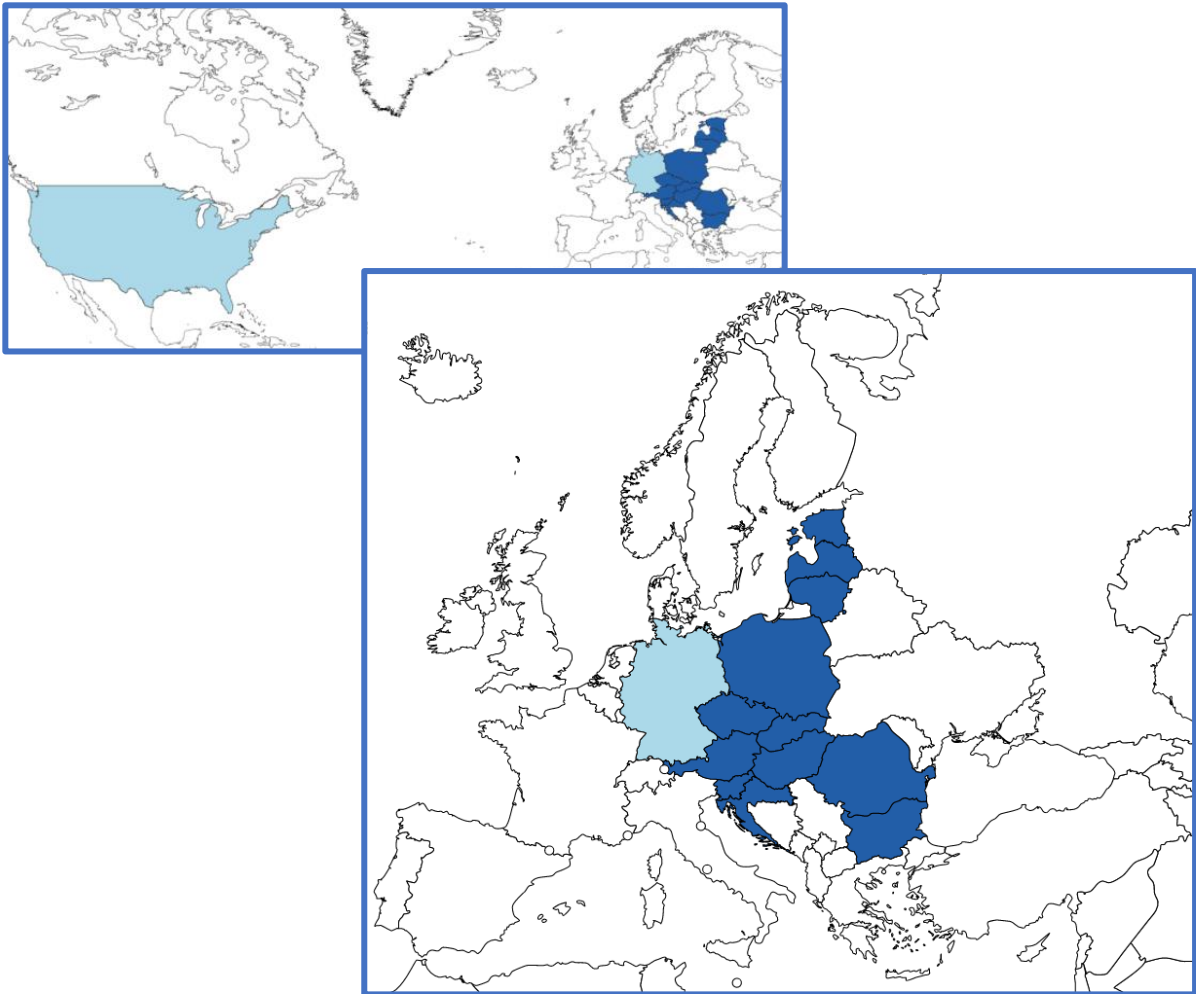
Unsurprisingly for geopolitical analysts, this ascent of the EU East and its values is also leading to a boost of the Eastern sub-structures within the West. Forces that will increasingly serve geopolitical and geoeconomic functions – and shape directions and trends accordingly. Such as the Visegrad Group. And even more so the newer Three Seas Initiative:

This Three Seas Initiative is particularly showing the new weight of the East and its approach. Totally unnoticed by the mainstream in the West of the EU, this concept was fostered among strategists of NATO, the U.S., and Eastern EU Europe since years.

It’s official role is being “a politically inspired, commercially driven platform for improving connectivity between twelve EU Member States allocated between Baltic, Adriatic, and Black seas. [...] strengthening EU cohesion and enrich transatlantic links.” With its “3SI partners” U.S., Germany, and the European Commission “closely involved”.

Don’t underestimate it. From a grand strategic perspective, this is much more...

The Three Seas Initiative – Paradigmatic for the Unfolding Inner European Long-Term Move Eastwards



The Three Seas members Estonia, Latvia, Lithuania, Poland, the Czech Republic, Slovakia, Hungary, Slovenia, Austria, Croatia, Romania, and Bulgaria.

Plus their two partner nations U.S. and Germany.

© Olivier Scherlofsky

Source: The Three Seas Initiative. Mapping tool applied: MapChart.

Yes, in the EU too, Realism is returning. And with it, the East of the EU and its approach rising. As well as the Realism-driven grand strategic structures, from NATO to Visegrad and Three Seas.

**The Bottom Line Being: In the U.S. and in the EU,
History, NATO, and Realism Are Back – Ensuring
the Survival of the West**

As a result of this “return of history”, in the years ahead, we will see a West that again fights for

- (a) systemic survival within its own sphere (democratic free market systems) and
- (b) beyond its sphere a rules-based order open to everyone else, fitting to (new) geopolitical realities. (At least inasmuch as possible, with clear interest driven priorities: Such as securing vital shipping lanes.)

This West will **side with more or less everyone that shares its vital interests**, be it authoritarian socialist Vietnam (highly likely) or authoritarian monarchic Saudi Arabia (rather likely). Thereby, the West will develop excellent relations with these partners based on such core interests. Realism-based win-win. And the West will be happy to offer classical **democratic values where asked for** (like it had been the case with the Eastern Europeans that are now EU members); not trying to push them. Since the latter post-Cold War Idealism approach proved to backfire in bad ways.

A West pursuing a strategic culture that will be closer to the one

- during the years under U.S. Presidents Truman/Kennedy/Carter (Democrats) and Nixon/Reagan/Bush senior (Republicans) than
- during the years under Bush junior, Obama, or Merkel.

The Resulting Recommendable Distinctions

The last point delivers an important insight when following hereunder approach – it continues the concept of the Leitdifferenz we mentioned at the very beginning of this book. The most pivotal fault line for our purpose does not run across party affiliations or rhetorical attitudes (“Bush junior style” vs. “Obama style”). It runs across eras and their worldviews – and how actors are driven by the resulting rationalities. The Leitdifferenz, our core Diagonal Distinction, is

- *Idealism vs. Realism*,
not
- *party X vs. party Y*,
and certainly not
- *political rhetoric A vs. political rhetoric B*.

And thanks to above identified trends we can name a few more helpful Diagonal Distinctions supporting the analysis of geopolitical New Cold War trends that are shaping the trade and industry policies and laws of the years ahead.

Distinctions that Are Common But Distract vs. Diagonal Distinctions that Help Our Purpose

Distracting Distinctions Used by Daily News
(driven by zeitgeist and the logics of the Media System that needs and sells attention, these different distinctions are in part relevant but will matter much less than publicly claimed)

Trump | Biden
on China | on China

Republicans | Democrats

Left | Right

EU | NATO

Good | Bad

Poland under Morawiecki | Poland under Tusk

The Long-Term Leitdifferenz of Geopolitical Forces to Watch, According to Our Model

Realism

Idealism

Other Critical Diagonal Distinctions that Help

Vital Interests and Core Values

Zeitgeist Values and their Enforcing Moralism

U.S.-Led Free World

Communist China's New World Concept

EU East European Strategic Wisdom and Culture

Post-Cold War West European Zeitgeist (90s - 22)

(Trade) Compliant & Legitimate

Non-Compliant or Otherwise Non-Legitimate

Bottom line of the Introduction:

Across all our most relevant scenario trends, from a business perspective, this is the beginning of a new era of geopolitical forces that drive markets. One that we are about to explore deeper. But before diving into the topic, due to the unavoidable subjectivity mentioned at the beginning, **I shall put my cards on the table.** Revealing my underlying leanings, limits, and biases ...

Revealing the Underlying Leanings and Biases – Or: Why I Prefer and Believe in the Free World, and Its Ability to Learn



Before starting with Book I, I consider it diligent to disclose my own positions. Avoiding the restrictions of formal writing and instead **talking straight from practitioner to practitioner**, so to say.

I Am No Missionary, But Simply Offering Some Observations and Estimates that Ideally Trigger New Thoughts and Improvements

While I had to learn (and did so in the U.S.) that once active in business you have to promote your work (since no one else will do it effectively for you, and no one will know what you do/offer with what value, if you are not clear about it), I still adhere to the reserved approach my Scherlofsky grandparents had raised me with:

Being a "thoroughly but distant *observer*" of affairs. Who *once necessary* steps out of the background and acts decisively; based on informed decisions and in a measured, controlled manner. Thus, someone who (1) observes and (2) reflects (much) more than he/she (3) talks.⁹⁰ An attitude best understood when considering a credo my grandparents had conspicuously positioned in their residence. Transported via a text in a golden frame:

*"Always know what you say;
but never say everything you know."*

Based on that "calm and distant observer" Scherlofsky stance, it isn't my "personal mission" or character trait to "change" the opinions or leanings of others, *beyond specific assignments and tasks (informing a client,...)*. Like my grandparents, and as mentioned at the very beginning, I am **no missionary** type. At all. (In my opinion, regarding world realities, people need to experience certain things themselves. That works much better than any theorizing without experience – because in theory or when moralizing, **most people/systems refuse to "see" anything they don't like to see**. No matter how "educated" they are, since the level of education does not tell anything about the quality and situational utility of the specific educational content someone would have available. This "resistance to see" **changes once their situation/environment changes**. Thus, in my opinion, you just have to wait until others are ready/open to understand. *Then* you can explain them certain things – and help. As well as continue to learn yourself...)

But if the hereunder is able to deliver **some new insights and relevant cues, provoke novel thoughts, and trigger helpful further deep dives** on your reader's end, I consider the work a success. And from my consulting experience, it will deliver this form of value to most.

Furthermore, I want to stress out hereunder limitations explicitly: We hereunder can neither try to explore "how China really is", nor cover transnational issues. As important as both sets of questions are.

⁹⁰ Since some people seem to think that their "stage abilities" would make it "necessary" to talk a lot, I consider the following relevant mentioning: This "less talk" attitude is not rooted in shyness or a fear to talk, but the exact opposite. It is about better observing, understanding, and not playing one's cards unless it makes sense. And it is about **preferring a tactical position (best for observation and effects), not the one in the center (of attention)** – unless the latter is tactically unavoidable or strategically required.

**The Series Does Not Focus on "Knowing How China Really Is" – But
It Highlights How the U.S. National Security Community
Increasingly Tends to Monitor and Recognize Communist China**

As laid out before, for our purpose, the identifiable U.S. National Security perception of China is one of the key variables to understand. While for the following reasons it is not the goal to try figuring out "how China really is":

- First of all, I am no China expert. I have even not lived in China. (The closest I came was two years of residency in Southeast Asia. In the field managing a project regarding National Security controlled U.S. exports to Asian allies of the West.)
- Those who design, implement, and enforce National Security policies (sanctions,...) are rarely "cultural/historic experts" about the target nation themselves. (This being the case in the U.S. as well as in China, or within the administrations of many other great powers. Only empires that had long control/administration in their periphery, such as the French, British, Austrian, Ottoman, Russian empires, tend to develop strong, broad and deep cultural expertise within their National Security States. Till today, all five examples remain knowledgeable and experienced in dealing with "their" former peripheries. Such as Austria today on the West Balkans; a fact not only utilized by Austria and its businesses (look at the banks there), but by NATO via having Austrian military components and soldiers in prominent NATO positions on the ground there.)
- This is not to say that China experts and China expertise are not vital in the unfolding rivalry. They are. But for our purpose they (only) matter indirectly: Inasmuch as their contributions find inroads into the U.S. National Security State. Such as via the National Security Community (U.S. Congress, the relevant think tanks,...).
- And then there would be the issue (that we don't need to further dive into), that actually no one knows "the one total truth about what and how country X is". As Systems and Complexity Theories help to model: Modern great powers, as complex and open social systems, are way too complex to "truly" (1) observe them, and (2) understand them completely. Leaders cannot have a total truth picture of their own country. Let alone anyone else. And computing power is only worsening the problem, since it is increasing the possibilities and dynamics. Ask financial institutions.
- But this does not need to be our concern, since it would not serve our purpose. To a certain degree, nations will always be black boxes with regard to the question what is internally responsible for their external behaviors. We look at potentials and behavioral tendencies – not trying to find "the truth" about "the causality" between internal situation A or action X and external behavior Y. (System behaviors are driven by "masses of causal relations", to simplify it. But there are patterns, i.e. logics

or rationales, that can be identified, and that actually drive powers under certain circumstances.)⁹¹

This is why we hereunder are interested in the *most relevant perceptions* about the China threat, that *the key players* driving Western (mainly U.S.) sanctions seem to have. Now and under certain scenarios.

Bottom line regarding insights on China:

There are many recommendable works on China out there – some can be found in the literature references in this work. If you want to learn about China, they offer much, much better insights than I could ever deliver.

What About the Environment and Saving the Planet? The Relation Between Transnational Goals and Geopolitical Struggles

The hereunder approach is not meant to deny the importance of transnational goals. As the current U.S. Administration puts emphasis on it:

"Today's challenges demand a new and broader understanding of National Security—one that facilitates coordination between domestic and foreign policy as well as among traditional National Security, economic security, health security, and environmental security."⁹²

However, our topic is about a geopolitical rivalry, and the question how international businesses should deal with it. What everyone truly concerned about transnational issues should consider well:

How (much) would a world dominated by authoritarian systems care about such concerns – and the *very Western* attitudes, scientists, NGOs, and activists that fight mostly for these issues? Again, this is not the hereunder addressed topic, but let me suggest reflecting on the following: How "clean" and "atomic-free" was the last communist empire? How "human rights-oriented" its conditions for workers or refugees? Or what does one think would happen when blocking streets in Beijing – or any other system that follows its political model? By the way, in case of doubts: There are videos out there from 1989, showing what tanks do to students in such situations... Or videos from recently.

Having that said, let me finish this disclosure of my motives, leanings, and blind spots (every observer has) by offering my own conclusions with regard to what currently thinkable world order serves humanity best. Based on hereunder approach and my own experience and observations

⁹¹ It is not necessary to try knowing whether a country has decided on something because of its leader's free will or otherwise. What is achievable and relevant is to figure out what rationalities stand behind such decisions. This *logic is what matters. Not whether the decision is a 100% result of the leader's thinking*, or: 1/3 his idea, 1/3 General X's idea, and 1/3 the advice of the leader's astrologist or mistress. Luckily we don't have to be a judge in court over such leaders, and thus don't need to worry about personal intent and responsibility. For us it is enough to identify a system (nation), its most relevant subsystems (military vs. sanctions authorities;...), and their likely logics (bureaucratic/legal rationale vs. geopolitical power rationale vs. economic rationale;...) during certain states/scenarios. Not having to determine what was going on in whose exact mind – and how the causalities inside the system played out. An impossible task.

⁹² National Security Strategy 2022.

(having lived in and worked with very different regions, regimes, cultures, and systems).

**Yes, the U.S. Is Defending Its Own Empire – But In My Opinion
It Is the Best Order the Human Reality We Live in Offers**

In my opinion, the term empire fits for the position of the U.S. in the world. First of all, a narrow definition of empire makes little sense to me, as most empires have unique characteristics. While it helps to understand the U.S. as an empire in the sense of

- being a great power,
- that is able and willing to project power externally,
- has substantial influence on others, and
- is guiding the characteristics of the wider system that is its environment (its region or beyond).

In that sense, the U.S. was a regional empire between 1900 (after its 1898 victory over the last regional competitor power, the Spanish Empire) and World War 2. And it became a global empire since the end of World War 2.

Thereby the U.S. is an empire that has strong similarities with (some of the Republican Roman Empires and) the late British Empire, but also some key differences.

- Unlike the British Empire
 - o the U.S. is democratic and republican at its heart (skepticism towards single rulers or unlimited periods of leadership; strong focus on rights and economic independence of individuals and private entities; the personal performance skills and wealth of people drives their positions and social status much more than static class positions); and
 - o the U.S. is neither formally nor informally a colonial empire. Unlike the old British Empire, with its heavy and mature colonial administration, the U.S. empire is not interested in ruling over other territories. (It expanded until before World War 1 and had reached its “ideal” geopolitical size then.) In the brief periods where it recently felt forced(!) to take territorial control (Iraq, Afghanistan) it feels now reminded that this is fruitless – to say the least.
- But like the British Empire
 - o the U.S. should be seen as driven by a geopolitical DNA (or code) of a maritime trade and finance nation; that generates its exceptionally large energy, technology, and resources from a society of business-oriented individuals, families, and entities. Who pursue success – in different fields, but with an emphasis on wealth generation. And a nation that aims at shaping and maintaining a certain world system. A system fitting to the needs of itself and those who side with it.

Caveat: By stressing out that the U.S. is a strongly **commercially driven power and society** – something obvious to most – many outside make the cliché mistake of thinking the U.S. or Americans are all about money (above other values). This **prejudice** is in my comparative observation wrong (having lived and worked in different worlds, as well as being close to people from very different backgrounds and positions, with economical means ranging from little to enormous).

- In my observation, many Americans – not least wealthy ones too – are strongly driven by *additional* values beyond money. From **honor** (U.S. military, CIA, foreign service, local/state/federal law enforcement,...) or **social objectives** (volunteer work, donations,...) to different **religions**. And they don't put money above the **law more than others**. Many, e.g. Europeans who think that Americans are more about money than other such named values, should think again – and make sure that they don't blame Americans for something that is much more the case in their own societies. (You see the difference once people have the choice. Not when they *talk* about the topic and *others*.) The same goes for other places.

As always, one has to be **careful with prejudice** – also against those who are in a more powerful or wealthier position, be it individuals or societies. (This is actually a relevant aspect of the systemic rivalry that is our topic, since it is driving **anti-American propaganda** from the far right ("Nazi style") to the far left ("communists style") and their **foreign state backers**.⁹³ Often mixed

⁹³ This will be addressed briefly under the informational and hybrid warfare component waged against the West, in Chapter 3.

Whereas Luhmann's Systems Theory also helps to understand how this difference between observing others and oneself happens, almost independent of education – causing these double standards, blind spots, and prejudices. See in the Attachment about Systems Theory and the difference between 1st Order, 2nd Order, and 3rd Order Observation. Such as far right/left/religious ideology-driven observers blaming Americans for being greedy – but themselves selling all their values once they have a good offer (salary or consulting fees or donations) in front of them.

Among the greediest and themselves **privately most anti-value behaving** people are regularly those who are functionaries in ideologically driven regimes, parties, or movements. You just only see it once they have the choice – and then, of course, they often can hide this fact from outsiders. To them, their **extreme right/left/religious moralism** is a mere self-satisfying, identity-providing, and income-generating tool. Whereas

with dull but dangerous anti-Semitism from both the right and the left.)

- From a *geopolitical* level, as will be elaborated in detail, the U.S. (like mature great powers in general) is actually much more aware of other *interests beyond money*, such as especially *power*. Interests that, once necessary, are put above business interests. (Being at the core of our topic and addressed throughout.)

As a result, among others, the U.S. prefers to shape a global system that fosters a rules-based order, with trade and openness for all participants – but only within the logics of stability and Vital National Security. Thus, like most established empires, the U.S. too does not appreciate it when its position or system (Free World order since World War 2) is challenged.

And yes, the U.S. is not a “holy” empire. But no human empire was ever able to be holy other than by name – no matter how much morality it claimed for itself. Rather, the more empires or powers speak of morality to justify their rule and totalitarian actions, the worse the systems tend to be. Ask the Iranians. Yes, the U.S. empire is using force at times. But no empire or great power exists without hard power. And most apply force much worse than the U.S.; while living from the land of the conquered – who get and stay poor.

And again yes, the U.S. (like all human systems) makes its geopolitical mistakes. But it is much more transparent, self-critical, self-reflecting, and eventually learning, than other great powers are. Plus, it has the wealth, strategic depth, as well as security, military power, and technological superiority to survive (as leader) its mistakes long enough to learn and adapt. The return to (more) Realism that we will witness in the U.S. of the coming years will be such a healthy learning process – necessary and good for the U.S. and the world.

In geopolitics, as with any political and economic system, matters are relative *to realistic alternatives*, and nothing is perfect. Only dangerous political snake oil salespeople (right/left/religious) try to sell their ideologies/concepts as “*the solution*”. Asking naive or cynical followers to destroy existing orders “for God / the planet / the fatherland / equality / justice / ...”. In the end, usually creating destruction and/or ineffectiveness that is the worst outcome for everyone, including their own values.

The only winners of snake oil ideologists and their political systems are their functionaries and those who get funds diverted towards. Until their system breaks down. Look at those places where the radical right or left or fundamentalists came to power...

the human power of **rationalization** helps them to ignore that subjectively, while **ideology** and **propaganda** help them to hide that from others (via “useful idiots” like true believers or journalists in their pockets, e.g.).

Don't Wish for the U.S. to Lose this Rivalry

In that sense, with regard to their effects, I see three kinds of empires: (1) better ones, (2) bad ones, and (3) horrible ones.

The U.S. is definitely among category (1): For example, the U.S. empire and the system it supports exceptionally fosters foreign parties – who support the system. They benefit from their allegiance with the empire, in ways only a few empires in history have ever offered it to those in their sphere – and beyond.

And if the U.S. empire and the system it enables would vanish, then we could either expect

- a) the lack of a global empire causing ever more wars among regional and local powers, and a related breakdown of trade and exchange, and/or
- b) a new empire replacing the U.S. One that is either (2) bad or (3) horrible.

What many of those who wish the U.S. empire and the Western system gone (or see it as evil) forget: One cannot design complex systems to one's wishes. Such as “Y as keeping the benefits of system X, without the “unjust”, “unequal” foundation of X”. You don't get your dreamed of “System Y”. But a *whatever*. A whatever that during times of dynamics and struggles is usually driven by the best organized, most violent, lying, ruthless actors. And the last ones who have a say in chaotic, violent dynamics are those who dreamed up “theories of a better world”...

The deeper problem behind this is the systematic anti-Western informational warfare (propaganda) that is waged since about 20 years, as stated before. But only recently recognized in the West. Well spread mis- and disinformation based on narratives that the West/U.S. would be the historic problem in the world. If you take the comprehensive perspective and look at the results, and compare it to other systems, a different picture should become clearer:

Without the U.S. power backed post World War 2 order, that the first time in history enabled save global trade, and without the technologies from Western corporations, multi-millions of people could not have been fed or lived so much longer (despite crowding their places like never before). For example, affordable cheap(!) food imports that secured and secure the survival of so many societies would be impossible. Before the spread of the Western system, large portions of the world lived in “ever poverty” – i.e. could not increase their living and education levels for generations. Also, prior to this unique American post-World War 2 order, many more wars have been fought, and many more people died during wars (relative to the populations).⁹⁴ It is hard to imagine, how the world could have had such a growth in population, living quality, and relative peace (compared to other periods in history) without this U.S. Empire. Especially between (1) the time the U.S. took over the global reach of the British Empire and (2) the 1990s. Thus, during the Realism years of the Cold War West, and the first years after the success they created. (Prior to the recent decline of the West and its order – that seems to be in part self-inflicted, in part driven by anti-Western forces.)

⁹⁴ Look at the many related reliable statistics, such as on the next page. Or e.g. read a summarized version on this *American order and its good effects on overall humanity*. I recommend Robert Kagan: “*The Jungle Grows Back*”, 2018.

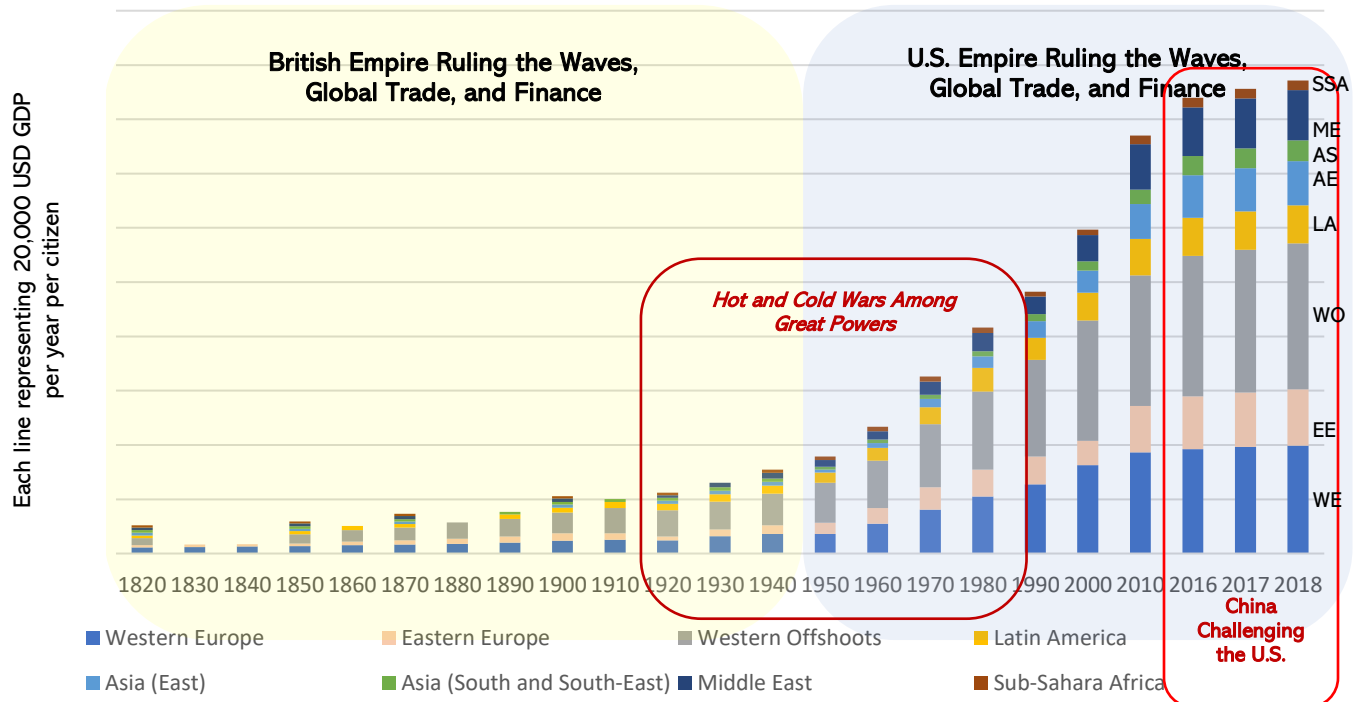
And of course there is more beyond these “mondain” numbers such as how long/good people live. No matter whether one considers oneself as being center, left, or right, whether one prefers a life under whatever religion or not, and/or whether one wants to “get rich”/run a business or not, hardly ever did other orders offer individuals or entities the freedom, enforceable rights, and security to pursue all such goals/leanings. (If you take away the extremes, which anyway should not be free options, since they prey on the wellbeing of others.) Yes, a lot can/should be criticized, a lot could be better, and a lot needs to change in domestic and foreign affairs. As always in all human systems over time. As we will witness in the years ahead. But even the fact that the U.S. empire eventually learns and adapts, and that it allows people to complain as aggressively as they wish, are a rare character trait in any human order. (Try doing that in other empires, powers, nations, or even local communities, Be they Western or non-Western.)

But let's look at some of the key numbers, i.e. hard facts. Although a complexity of technological and geopolitical reasons exist behind these numbers, it nevertheless is very telling how the world did in terms of national wealth generation and population growth once the U.S. had established a new type of open order, backed by its power – where it could.

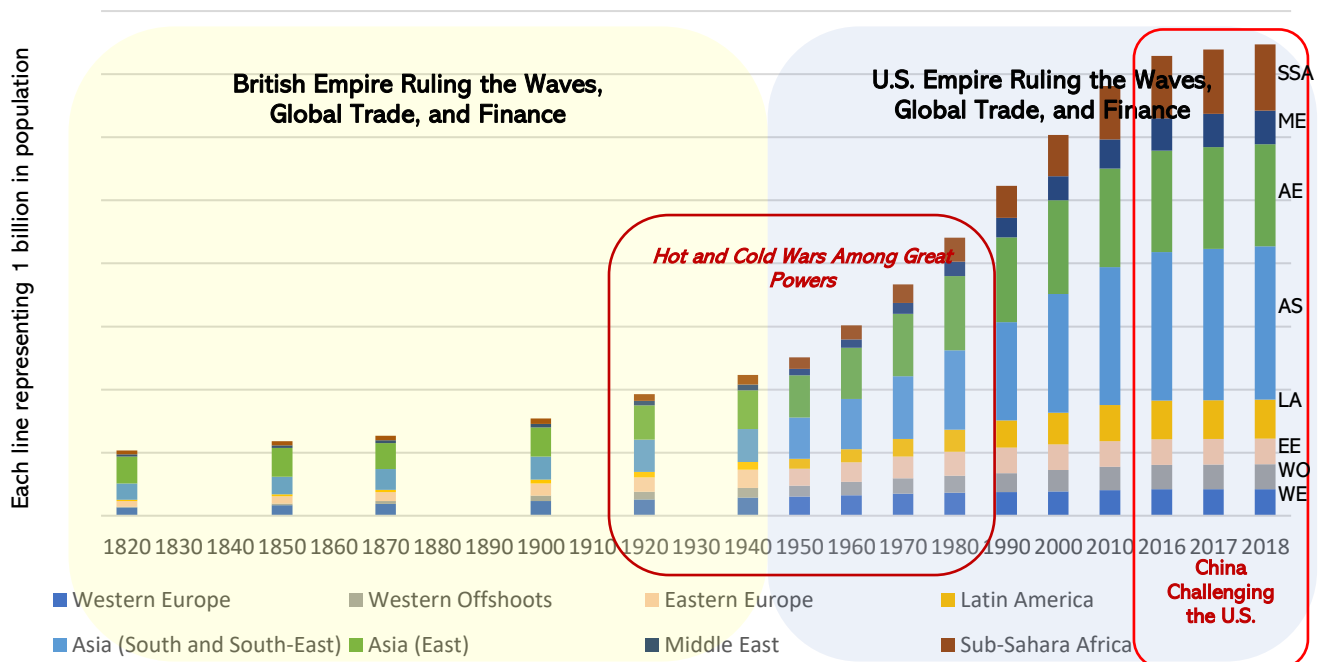
The Development of the World's Regions Under the U.S. Dominated World System

With the exceptions of some spots (and only some social layers within these spots), for 1000s of years populations lived dangerous and short lives. This changed the last 100 to 200 years. Human security and ever more distributed wealth became a new dimension around the globe. Especially once the U.S. had established the first ***open international system for trade and finance without colonial rule***. Open for everyone that wanted to participate – and who had not become a pariah. Communists, for example, did neither want to participate, nor would the U.S. have let them. With exceptions during the Cold War: Most importantly American grain for the USSR, and Soviet energy for Western Europe.

GDP (gross value of all nationally produced goods/services) per citizen in the world regions, in 2011 USD prices:



Rise in population: Size of world population in billions, split along the world regions:



Furthermore, by and large America leaves others more freedom to run their own countries than many/most other empires/powerful nations. And more than many think. Often, the complaining about/claim against "American influence" – on allies, partners, neutrals, or adversaries – is a mere excuse for failures of national actors or individuals. Yes, American influence can be a force, but the relations with the U.S. can be managed. For example, when anti-American propaganda or sentiments complain about their nations "losing their culture/soul/sovereignty" because of "American influence", then these nations/actors fail in

- (1) knowing and declaring their own vital interests,
- (2) delivering their value (e.g. as ally), and
- (3) "selling" this value (making clear what they bring to the deal), i.e. making the point that and what they want to keep/have/...

Self-confident U.S. allies, from Poland and Saudi Arabia to Israel, Australia, and Japan, or the geopolitically smarter (West) Germany of the 1980s, know/knew exactly what they want and how to negotiate it with their U.S. friends. The same goes for Western and *non-Western* partners of the U.S., even when they are neutral or have politically less optimal systems.

Know your interests, show your worth, and maintain what is dear to you. Don't cry about outside forces (or "conspiracies"), but be self-confident and get your own act together. Whereas the return to Realism we are witnessing will improve all these benefits of America, since Realism "forces" powerful nations to better consider the interests of others. And restrain the "too much" of moralism or interventionist tendencies of recent years.

Thus, like in all social, economic, and political affairs: Make yourself useful within the strongest group/market/system, use this to your benefit (i.e. make it a win-win), and you will do (very) well...

In the Long Run, Being a True U.S. Ally Serves One's Own Interests Best

Since they represent the longest and biggest cases of being key allies within the U.S. empire, the best example for how U.S. allies do are the old European allies. And Europe as a whole.

Before the U.S. effectively pushed for a Western European unity, Europe was in a state of constant power rivalry and wars. Only a strong and credible outside balancer that stood above all others (the post WW2 U.S.), could make European unity possible. Via NATO, billions of U.S. capital, and economic integration into the U.S. dominated world trade system. And it did so by not putting its former world war allies (UK, France) over its new allies (Germany and Japan). Most significantly:

- The Americans (de facto) forced its last war's allies UK and (especially) France to accept and integrate with a reemerging Germany after World War 2. A Germany that the U.S. wanted to see rearmed and economically strong again (and ensured that both happened).
- And later (end of 1980s) the Americans pushed these former war allies again, to accept German unification. It was the U.S., personalized in the likes of Reagan, Kissinger, and Bush senior, which pushed most for a larger and stronger Germany. A Germany that now was its ally. UK and France did not welcome

this historic geopolitical event – a resistance by the French against Germany publicly “sugared over” by later EU narratives.

That the affected (Europeans) themselves created more rosy narratives later (“French and German brotherly reason created the European integration”), is a normal (sociopolitical) process in all political systems. Without the American push for both a reemergence of Germany and a European unity, both would not have been possible – especially not in a peaceful manner.

Thus, the U.S. had created a system that helped those integrated to benefit – and took their need to compete and fight wars for access to resources and markets, as well as trade routes. No German/Japanese navy could have achieved the degree of geopolitical security and global trade access that the U.S. Navy and the NATO power enabled for Germany/Japan. Yes, Germans (Japanese,...) traditionally have excellent engineers, high-quality workforces, and capable administrations. But (a) without ever more industry specialization and thus need for cheap food imports (replacing the old agrarian sectors), (b) without affordable, secure supply of raw materials and oil, and (c) without large accessible and low/no tariff overseas markets for the exports, no “Wirtschaftswunder” (German phrase for the post WW2 “economic wonder”).

Whereas who thinks that “independence” or “sovereignty” could only exist when a nation can do what it wants, underestimates geopolitical realities. Surly (West) Germany and others have been integrated into NATO structures and not been able to just “do as they (might) please”. But first of all, this was in their own best interests in order to re-rise. And more importantly: No power, not even the U.S., is free of geopolitical constraints and obligations. And the few truly neutral, like Switzerland, quickly feel their limits too, when they try to act independently in ways that hurt other powers. Ask the Swiss banks: Some of these old, proud banks even died because of this misconception that they could do without worrying about other powers. All of those banks that survived learned.

And the U.S.-German alliance became a real win-win, since Germany actually became a true pillar of Western defense – before the strategic blindness and decline of the post-Cold War years started. Only since 2022, Germany is slowly starting to return to ensuring this mutual win-win, by again getting serious about delivering its share in Western geopolitical power backing. (See “The U.S.-Led Pushback Unfolding” in Chapter 5, plus the chapter on trends in Europe.) Doing so is not only of utmost importance for Europe but also for Germany itself: It will need the full U.S. support (only key allies receive) to not only be secure in Europe but also remain a globally successful trade power.

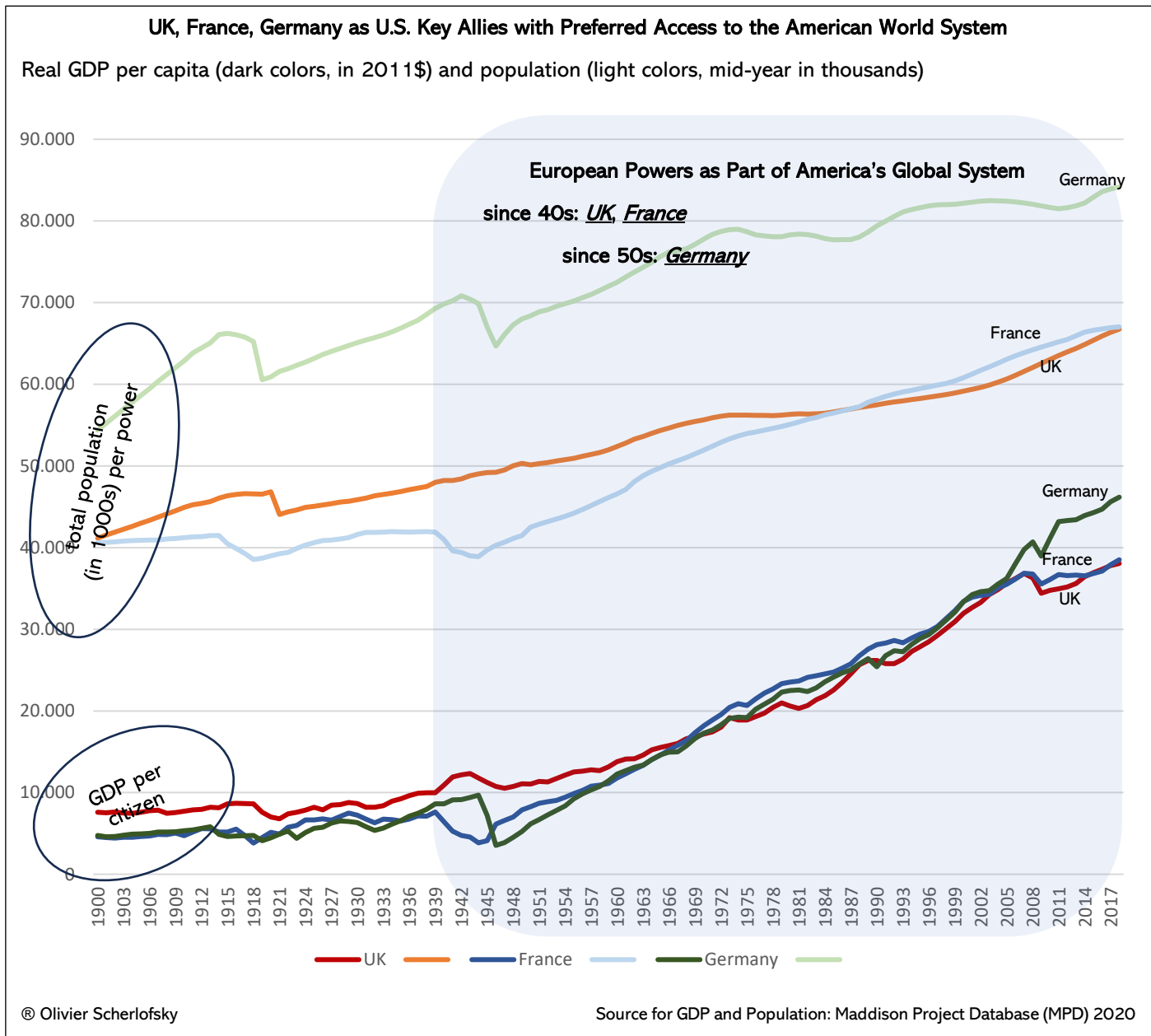
BTW: Against conspiracy theories, the U.S. was never “anti-German” – and even stayed neutral for the longest time during World War 1. Until “thanks” to the German leadership itself (which had lost the diplomatic smartness of Bismarck) stupidity of Germany had finally “succeeded” to push the U.S. into the war against them. Something the British themselves have not been able to achieve (the UK was not even able to convince the U.S. to stop trading with Germany). That is, after almost 3 years of Germany not understanding the neutral U.S. position and increasingly attacking its vessels as a result, the U.S. was eventually triggered to take sides and join the UK in World War 1. Which turned the direction of the war. (For more on that: See Chapter 9, sub-chapter about AUKUS.)



“Dropping the Pilot”. Famous English cartoon from 1890 by Sir John Tenniel. While I am no expert on Bismarck or the two World Wars myself, I assume that here too, Henry Kissinger (to whom Prussian Bismarck and Austrian Metternich have been most important historic role models) was right: The lack of a Realist-type spirit in Germany, after the Realist Bismarck had been pushed aside, put Germany on a very bad path. For the decades that followed. So prior and during World War 1. After World War 1, it was again the U.S. that had the most balanced position in Europe, but failed in trying to restrain the French and UK approach towards Germany. After World War 2, however, the U.S. was strong enough to push through a balanced relation between the UK, France, and Germany. This Realism-driven U.S. leadership (related to the birth of NATO) triggered the best period in European history.

The clearest net assessment proof of how well Germany did under the U.S. empire, despite having lost the largest wars in history, is however

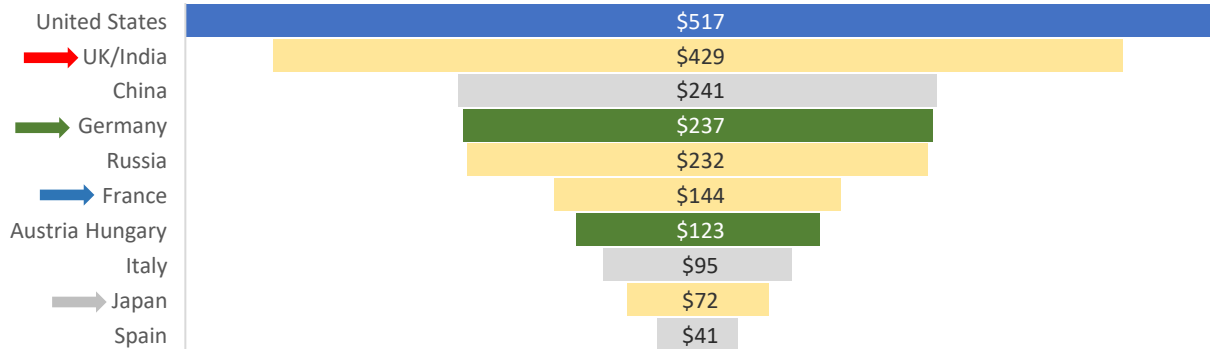
delivered when directly comparing how the twice defeated Germany did against the two times war allies of the U.S. in Europe. Compared per citizen, the average German was able to generate much more GDP than the average French or Brit – (only) once Germany had its global access, security, and stability as a key ally of the U.S.



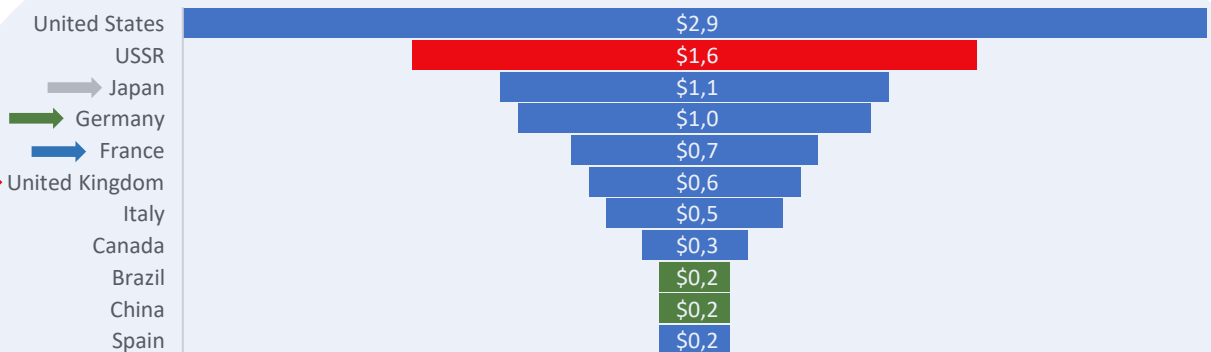
In the end, the new solution for Germany, to geopolitically become a member of the global U.S. system, created a Germany that became economically stronger than America's world war allies. As shown on the next page, even in absolute numbers (total economic power in GDP, not the GDP per citizen).

How Did the Great Powers Do, Once Becoming Key Allies Within the American Empire?
(colors of volume bars represent alliances of the time)

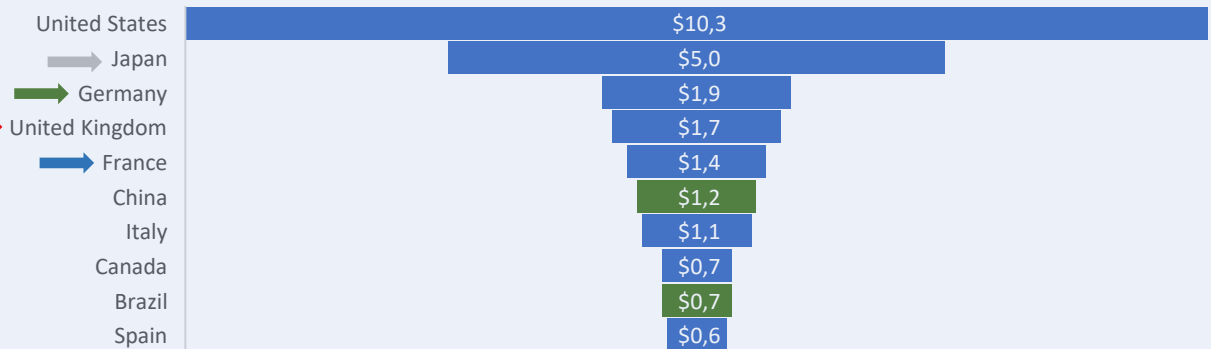
Top 10 at the Beginning of World War 1, GDP in Billions, in 1990 USD



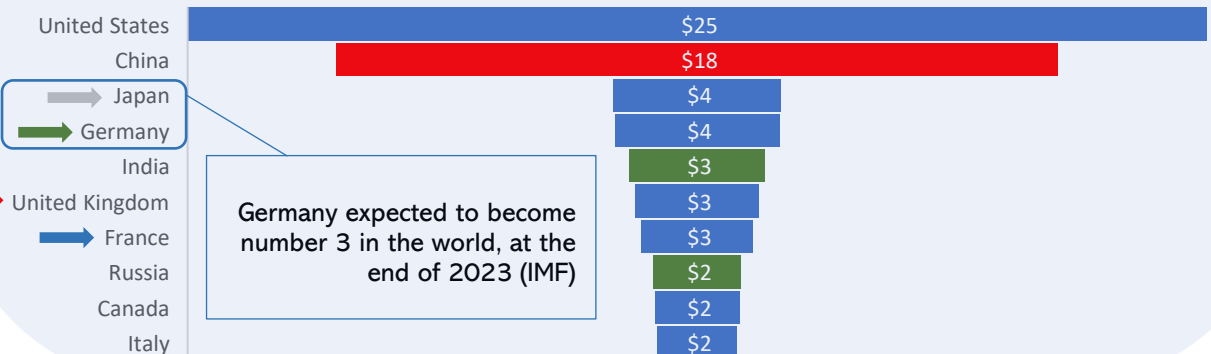
Top 10 at Height of Cold War 1980, GDP in Trillions, in Current USD



Top 10 at the Height of the America's Unipolar Period in 2000, GDP in Trillions, in Current USD



Top 10 in 2022, GDP in Trillions, USD



Note regarding path of GDP: It needs to be considered, that the U.S. territory offers a unique quantity and quality of geographic usefulness for growth: Vast lands of utmost quality for agriculture and settlements, with substantial raw materials and energy sources, plus ideal river and coast characteristics enabling low cost logistics. And this U.S. is attracting some of the most capable people and entities from around the globe. The resulting capability is unmatched. Which among others explains why it was/is impossible for e.g. any single European power to grow as the U.S. did/does. And will do in the years/decades ahead.

Bottom line:

Don't try to destroy this U.S.-led Western system and culture, without considering what it ensured – unlike anything before.

Thus, don't dream of a "better world" without the U.S. empire (or the West). And especially don't fight for it. You either pick the losing side, or you end up in hell – like so many before that goodheartedly helped to destroy an order, only to wake up in the worst (geo)political nightmares (un)imaginable.

Which brings me to my last related point: Never underestimate the U.S. It is a different type of system...

The U.S. System Is Inherently Dynamic – But Never Confuse the Periodic Bad Phases of the U.S. with Lasting Decline

Many outside the U.S. (and even young people in the U.S. who have not witnessed the American cycles described below) make a consequential mistake with regard to the U.S. They confuse reoccurring stages of socioeconomic crisis in the U.S. with an American decline.

After World War 2, while replacing the British Empire, the U.S. was able to gain a position of economic, military, and technological superiority – one it still holds so far. The "secret" behind this geoeconomic and geopolitical power and wealth is not least related to its inherent socioeconomic and capitalism-driven dynamics. Being a nation that generates its power especially from the large and diverse markets, as well as groups of free individuals, families, and entities. Pursuing business-, politics-, and/or science-oriented goals – generating true "*decentralized* bottom-up" as well as "*decentralized* top-down" energy and wealth. With all the characteristics that are related to such socioeconomic dynamism and relentlessness. Such as cyclical periods of internal unrest, turmoil in job and financial markets, and/or identity and cultural issues.

However, these are social crises that eventually get under control again, not least thanks to ever new challenges that reunite the nation – i.e. rally the vast majority of citizens and businesses under the flag. At the same time, (a) the dynamic generates so much overall wealth and technological as well as corporate superiority, and (b) the people and entities have so optimistic cultures and are so flexible in adapting, that it is easy to eventually find solutions.

Solutions that work for most (which from a macro perspective is enough – and Americans accept you cannot save everyone, "some just don't want to be saved", and "some areas are just broken"). This being cultural, but also geoeconomically and geopolitically driven in the very best sense –

after all, as will be shown, over time culture is merely adapting to structural realities: The U.S. (not counting Alaska!) has about 10 times as much land per citizen as, for example, Germany. And it is by and large in climate zones where people can live and work. (Unlike most other vast nations that offer large parts of land that cannot be used well.) Thus, over time for Americans, it is easier to accept dynamics – and literally look forward and move (on) with their family or business. (One can go deeper and then see the links to law and social rules: Sophisticated bankruptcy laws and "trying businesses several times" is part of the accepted U.S. culture – something different in most other nations.⁹⁵)

Which is why one should never make the mistake to interpret economic, diplomatic, and sociopolitical downturns of the U.S. as lasting "declines". These "declines" come every few decades – but they are part of a cycle (to a certain degree inherent in both capitalism and geopolitics). One might say: They are part of the game. Thus, such phases are always the bottom – before it goes up again:

These are bottom periods that

- (1) at first turn into years of a common struggle and
- (2) eventual victory, then
- (3) pushing the system back to the top again. Inspect the history of the U.S. (and there are structural logics behind it, that can be identified⁹⁶).

Yes, the state of the U.S. during the 2010s/2020s is so far not the best it has seen. Rather, it is a "decline" – when compared to the 1980s/1990s/2000s. But the problems of the U.S., its economy, its culture/moral/will, its politics, looked worse during the cyclical "bottom periods" before. Lasting an average of about 15 years each: During the

- 1820s/1830s, then
- 1860s/1870s, then
- 1920s/1930s, then
- 1960s/1970s.

Periods of American internal tensions have been overcome once challenges grew so threatening that the U.S. nation had to start (a) "getting its act together", and (b) fighting for its future. Eventually, the current bottom phase too will become history, driven not least by the necessity to focus on winning the contest against Communist China.

⁹⁵ And this U.S. approach makes sense in the end, since the benefits from the one business that eventually works often outnumber the losses from the ones that fail(ed) multiple times. While people who are just sad and paralyzed (or kill themselves) due to too much debt they cannot serve anyway, are not really of help to anyone – least to their creditors.

⁹⁶ One of the best ways to describe it is the model of leading geopolitical analyst George Friedman. He laid this out in his Book: *The Storm Before the Calm*, 2020.



Detroit Riots of 1967. This and more pictures and their stories can be found at:
<https://rarehistoricalphotos.com/detroit-riot-in-pictures-1967/>

After World War 2, the U.S. was striving internationally and at home like no other nation.

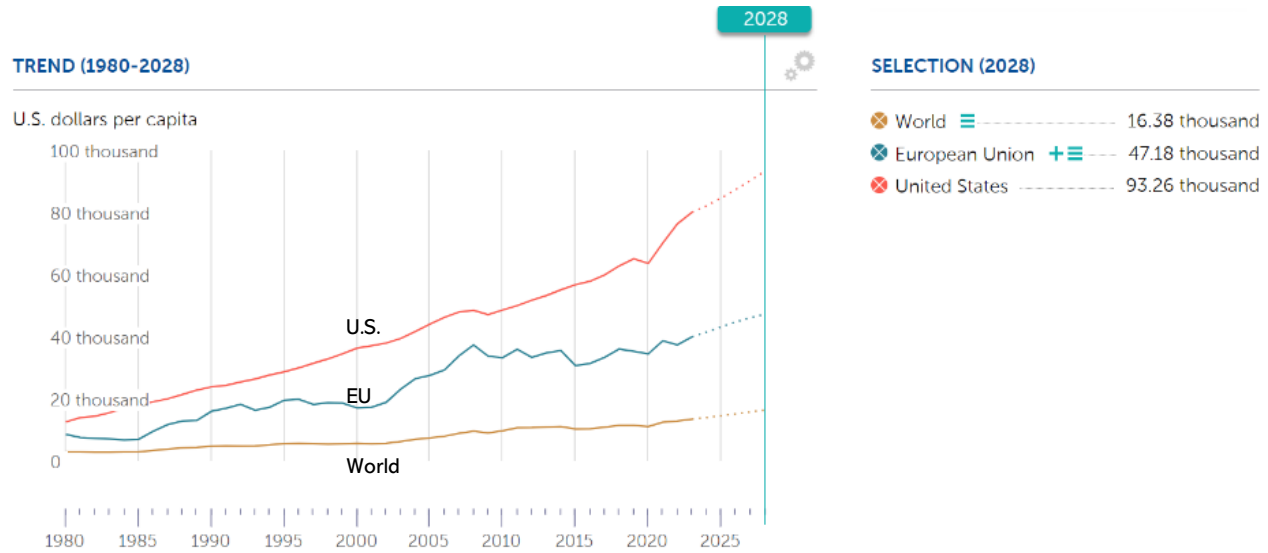
Then, from the mid/late 1960s to the late 1970s, the U.S. experienced its last **cyclical phase of internal socioeconomical tensions and low moral/trust**. The picture shows the Detroit Riots of 1967: Back then, not only the (Michigan Army) National Guard was sent into Detroit, but the U.S. Army's 82nd and 101st Airborne divisions. 43 people died and about 1200 were injured in that riot alone. Thus, the U.S. is currently not going through its worst crisis. **Being a good example of how most people overestimate the relevance of their experience/time** and the related characteristics, such as specific worldviews, values, and cultural fashions. Concepts that always move with the zeitgeist at a time. (Resulting in expressions or thoughts like "It was never as bad as now!"; or similar outcomes of this bias, like "This will never happen! This is impossible!" or "It will always be like that!")

After a phase of internal reconsolidation, linked to smart geopolitical moves in the Cold War during the time from Nixon/Kissinger to Reagan, in the following period (mid-1980s to 2008), the U.S. was on top again – in the world and at home.

Since "Lehman" (financial crisis of 2008) and the rise of China as an aggressive competitor, the U.S. is again in a phase of internal and external tensions. Made worse due to overoptimistic worldviews and approaches of the West itself, from the left, the right, and the business side (different forms of Idealism as we call it hereunder).

Now the U.S. system is working on its **cyclical period of learning, adapting, consolidating, and getting back up again**. Not least, based on a return to (Cold War-like) Realism – whether this will be labeled under this term or not.

**Based on Its High Productivity per Resident, during the 2020s
the U.S. Remains the Economic Power Number 1 – Not Least Because
the Pushback Against Communist China Starts to Pay Off**



GDP per capita, from 1980 to 2028.

Source: IMF online, applying the IMF Datamapper

The U.S. has the most powerful military (technology) in the world – while it also remains an economic superpower. Whereas the U.S. is (a) during the 2020s the only power with truly global naval capacities and (b) does not have to worry about being attacked by land forces.

Combining these two dimensions of national power (military and economic dimensions)
goes a long way in geopolitics...

Anti-Western propaganda of the recent 20 years as well as serious mistakes on the side of the West created pictures of a declining U.S. And now a real threat to the U.S. and the Free World exists. But don't make the mistake of thinking that propaganda and 20 years of problems are making it impossible for such an economic and military force to pushback and defend its position as much as needed.

Step by step. Year by year. Until the threat to its vital geopolitical position is managed.

At the end, anti-American narratives are just that: narratives. Not super carriers, technology, or wealth.

After this Introduction into the Book Series, and after having put my cards on the table, we can now start with Book I. Which begins with the practical purpose that we focus on: *Business* risks and opportunities, and how we want to tackle them via *business* functions and processes.

Book I, PART I: The Practical Approach, Underlying Framework, and Business Process

1. A Risks & Opportunities Focused Management Process Offered



Identifying Risks and Opportunities

Being able to design and manage the defensive and offensive strategies we mentioned at the beginning starts with the right Risks & Opportunities Framework. The types of business risks and opportunities we want to address (thus, the ones resulting from the West vs. China rivalry) can be summarized as follows:

A. Existentially Threatening Legal Risks in the West, Beyond Average Compliance Risks

General compliance with regulatory obligations is one thing. Companies tweak rules and wrestle with local authorities all the time about this and that.

Trade compliance in matters of National Security – especially U.S. sanctions and export controls – is something entirely different. You don't want to make mistakes there – or worse. Especially not during an age of geopolitical tensions.

B. Existentially Threatening Risk of Becoming a Target of Western Sanctions and Similar (De Facto) Global Blacklists

You might not at all violate any law – due to business that has no U.S. or EU nexus, not even some transaction clearing and settling in New York (as is the case in most international payments). But when you are a relevant partner of sanctioned parties, you might become a sanctioned party yourself. Very, very uncomfortable anywhere.

Similar "blacklist"-type consequences await anyone who appears abusing Western technology or commercial systems, such as when being considered unreliable as a buyer of U.S. high-tech items (export control lists).

Furthermore, (a) selling towards the U.S. or American supply chains, (b) permissibility for U.S. procurement or subsidies, and (c) investment flows, are increasingly dependent on not being considered contradicting with ever more National Security rules.

Whereas in (U.S.) administrative law, putting someone on such lists is a matter of agency discretion – based on "intelligence products" (or in case of visa/travel bans even on "diplomatic chatter"⁹⁷), not standards of court evidence and guilt. Related to that, once National Security is concerned, U.S. courts help less than usual – since National Security allows "extreme deference" to agencies such as OFAC.

⁹⁷ As I was able to learn from working with the leading attorneys of the U.S. law firms (we partner with) that handle the largest sanctions cases in Washington D.C., the lowest standards of information needed to get on sanctions/blacklists are the ones that create visa/travel bans. For both legal and factual reasons that become clear once you work on such cases.

C. Reputational Risks and Supply Chain Scrutiny in the West

Beyond, the legal consequences, consumers, banks, B2B partners, and governments consider it a Red Flag, when you become known as sanctions violator. Not good at all either.

Furthermore, while actually a legal risk, but closely related to the reputational issues, European businesses face a growing web of regulatory risks linked to supply chains involving China. These risks are primarily driven by the European Union's evolving legal framework and the broader geopolitical concerns surrounding China's global role. Recent legislative developments, such as the EU's Corporate Sustainability Due Diligence Directive (CSDDD), once legally implemented, are imposing stricter obligations on companies to monitor and address issues within their supply chains, particularly concerning human rights, environmental practices, and labor conditions. These laws are not limited to activities within Europe but extend to operations and suppliers worldwide, placing a specific focus on high-risk regions like Xinjiang.

D. Strategic Risks and Opportunities of Market Effects Driven by Western Strategies to Counter China

The (1) seismic shifts in geopolitics (2) drive Western strategies to counter China – led by the U.S. (Whereas the Europeans will talk a lot about the WTO and how some U.S. strategies would not be consistent with the related global economic order and norms. But eventually, the Europeans too will "find reasons" to implement similar strategies.) These strategies, in turn (3) cause seismic shifts in geoeconomics, which will (4) cause seismic shifts in sectors and competitive structures. Huge risks. Huge opportunities.

Example: Reemergence of Western Shipping Industry

- We will see a trend back to more national and bloc/alliances centric global transportation. As during the last Cold War: Back then, several times as many vessels sailed under U.S. flag. During globalization, this U.S. maritime fleet was slashed. So was shipbuilding in the U.S. Soon, however, it will be again not irrelevant how secure shipping arrangements are. And where they operate freely – which includes indirect effects such as who can be insured (here the West remained its utmost dominance: shipping is difficult/expensive, if you lose access to Western insurers – that latter happens either because of sanctions, or due to factual risks for “West-unfriendly” ships that are not under Western protection any longer).
- Western governments (especially the U.S.) can be expected to consider certain elements within these global transport means being strategic again. And thus worth to be supported – by subsidiaries and by regulatory environments that foster them. Or even create obligations to use ships under certain flags. The related discussions in the power centers have already started. Thus, considering investment themes such as

Western (commercial and military) shipbuilding might become interesting – when based on the right identification of winning criteria.

E. Strategic Risks and Opportunities from Overcompliance Regarding Western Sanctions

Not even Western governments want a denial of business where they permit it. Often good reasons exist, why sanction programs leave exemptions and exceptions. But out of sanctions law incompetence, many competitors will "comply" where no compliance obligation exists. Doing no one a favor – but the one competitor that picks up the legitimate business left on the table. And thereby even earning larger margins as otherwise possible.

F. Operational Risks and Opportunities from (Under-)Utilization of Western Licensing (and Similar Processes)

The above reality of overcompliance gets further extended, when considering that authorities actually offer a range of legitimate options for transactions otherwise prohibited – if you have the confidence and capability to talk with them, and go through their licensing processes. Again: Good reasons exist, why authorities provide such licenses (and similar instruments). After all, usually it is the case-based appreciation of "National Security and foreign policy" rationales to allow a transaction – or a whole group of transactions. Whom would you help to leave such government and National Interest approved money on the table?!

G. Risks and Opportunities(?) for Foreign Business and Assets in/with China

As mentioned, it is least possible to provide generalized recommendations with regard to whether one should cease business with or in China.

On the very long run, some of those who decide to stay in China despite increasing tensions might (or might not) do fine.

But when continuing China business, I cannot stress out enough to be even more prepared – and don't be surprised when things go south. Rather, (1) map the realistic (geo)political scenarios, and then (2) identify the to be expected regulatory and market consequences that create those effects where preparations make the difference. Including the risks stemming from China itself seizing assets of Westerners in China – or worse.

Furthermore, if doing business in or with China, you need to switch towards EDD ("Enhanced Due Diligence")⁹⁸ on your partners and projects: Don't be involved in the wrong business (such as anything that supports Chinese military developments) or anything with the wrong partners (such as shell companies

⁹⁸ A leading provider for such services:
www.rsb-international.com

owned by sanctioned parties). This is crucial – you don't want to make any mistakes in these regards.

H. Increased Risks for Businesses Anywhere, to Be Targeted by Chinese Actions, or Suffer Collateral Damage from Any Conflict

And then there are the risks of becoming a victim of the geopolitical rivalry, and/or political events in China, without operating in China. Either by being attacked (economic espionage, disinformation campaigns to support competitors,...) or due to shocks resulting from conflict scenarios.

In Chapter 12 we will dive deeper into these categories.

Whereas it is already obvious that the geopolitics-related complexity can quickly get overwhelming for any management: **What to focus on in this almost indefinite jungle of geopolitical questions?! And how?!**

This is where our Process enters the picture. It is a business process designed to help develop a Risk Management and Compliance Program fit for this evolving Cold War.

The Practical Process

Grounded in the to be laid out trends and its base case scenario (Scenario Trend B) this project and its Book Series focuses on merging the logics of geopolitical analysis with the logics of business analysis. Whereas Book II will be structured along this How To Process for individual business practitioners. This Process is supporting a structured path towards developing one's WHAT (geopolitical, geoeconomic, and regulatory content actually relevant) and one's HOW (e.g. how to (1) define, (2) identify, and (3) then monitor "Named Areas of Interests", such as via alert services of certain authorities).

The outline of the Process is designed as follows:

The Business Process (covered in Book II)	
1	Familiarize Yourself with the Main Forces Jointly Steering U.S. Geopolitics, and the Underlying Grand Strategy DNA of America
2	Understand When, Why, and How Europe By and Large Will Follow the U.S. Geopolitically
3	Start Mapping the Critical Scenarios Ahead, and Identify Their Main Drivers and Likely Key Effects
4	Familiarize Yourself with Variable 1 of America's Direction: The Emerging Communist China Threat Picture, and Its Geopolitical Context
5	Familiarize Yourself with Variable 2 of America's Direction: The U.S.' Geoeconomic Capabilities & Factual Options
6	Familiarize Yourself with Variable 3 of America's Direction: Likely U.S. Intention & Strategy
7	Understand the Legal and Factual Reach of U.S. Sanctions – the Primary Tool in the Economic Warfare of the 2020s
8	Understand the Legal and Factual Reach of U.S. Export Controls and Other Tools Useful for Economic Warfare
9	Understand the Portfolio of Industry Policies to Support National Industries, that Fit to the Strategies of Countering Communist China
10	Factor-In the Economic Warfare Power of the U.S. Financial System
11	Factor-In the Sanctions/Export Controls and their Logics Which Are to Be Expected to Come from the EU and Other U.S. Allies
12	Factor-In the Potential of Naval Action to Enforce Sanctions or Execute Blockades
13	Identify and Understand the Specific Sanctions Programs and their Provisions Most Relevant to Your Business and Markets [Includes: Case Study On How the Next Level of Sanctions vs. China Could Look Like: Identifying the U.S. and EU Obligations for European Businesses, resulting from Russia Sanctions]
14	Design, Implement, and Run a Sanctions Compliance Program; Tailored to Your Jurisdictions, Your Business Realities, and Your Preferences
15	Integrate Sanctions and Other Trade Compliance Functions into One Effective Trade Compliance System
16	Develop or Improve Your Geopolitical Risk Management System, and Its Intelligence Cycle

Considering all the sub-steps, the model presents itself as follows:

Complete Overview of the Process: The 16 steps with All Sub-Steps	
Step 1	<p>Familiarize Yourself with the Main Forces Jointly Steering U.S. Geopolitics, and the Underlying Grand Strategy DNA of America</p> <p>Sub-Steps will be:</p> <ul style="list-style-type: none"> • Understand the Centuries Old Geopolitical Code of the U.S. as Democratic and Rule of Law Driven Trade Empire, Willing to Fight for Prosperity, Freedom, and Security • Grasp the Resulting Hierarchical Order of National Interests – a Key Factor Hidden Behind the Morality Veil of Public Discussions • Monitor what Comes from the U.S. National Security Community – the Shapers of the National Security Rationale • Monitor what Comes from the U.S. Congress – the Shepards of National Security and U.S. Geopolitics • Get Used to the Key Players of the U.S. Government Who Drive Sanction Policies and their Enforcement • Be Aware of the Role of the U.S. Court System – Keeping Check on National Security Actions, But Hardly Interfering with U.S. Geopolitics
Step 2	<p>Understand When, Why, and How Europe By and Large Will Follow the U.S. Geopolitically</p> <p>Sub-Steps will be:</p> <ul style="list-style-type: none"> • Focus on the Geopolitical Role of NATO and Its Structurally Coupled Relation with the EU • Consider How a Return of Realism and Strategic Thinking Will Shape NATO, the EU, and Europe's nation-states • Understand the Reemergence of a Transatlantic Bloc in Both Geopolitics and Geoeconomics
Step 3	<p>Start Mapping the Critical Scenarios Ahead, and Identify Their Main Drivers and Likely Key Effects</p>

	<p>Sub-Steps will be:</p> <ul style="list-style-type: none"> • Get an Overview of Vital Scenarios • Look for the Grand Strategies in Great Power Rivalries • Familiarize Yourself with the National Power Categories of Great Powers • Understand the Logic of Political Warfare and Gray Zone Conflicts in Cold Wars • Understand How the U.S. Deploys Sanctions • Understand How the U.S. Deploys Export Controls • Grasp the Targeting Logic for Sanctions and Export Controls • Be Aware of Resulting Effects on Global Shipping (In)Security • Identify Other Key Effects, Such As On Markets in the U.S. and Europe • Grasp the "Three Variables Play" Driving the U.S.' Reaction to the China Threat
Step 4	<p>Familiarize Yourself with Variable 1 of America's Direction: The Emerging Communist China Threat Picture, and Its Geopolitical Context</p> <p>Sub-Steps will be:</p> <ul style="list-style-type: none"> • Recognize the China Threat Picture on the Rise • Understand the Comeback of National Security in the U.S. • Monitor China and the U.S. As Two Vectors Heading Towards Each Other • Look at the Vital National Interests that Drive the Swing States Russia and India • Be Aware of the Fundamental Differences in Decision Making in the U.S. and China • Get Ready for a West Swinging Back to Successful Realist Approaches of the Cold War
Step 5	<p>Familiarize Yourself with Variable 2 of America's Direction: The U.S.' Geoeconomic Capabilities & Factual Options</p> <p>Sub-Steps will be:</p> <ul style="list-style-type: none"> • Overview the Hard Power Setup in the Rivalry • Look at the Maritime Battlespace • Get to Know the European and Indo-Pacific Allies of Both Empires • Consider the Global Economic Power Behind U.S. Sanctions and Export Controls

	<ul style="list-style-type: none"> • Don't Trust "End-of-Dollar" Ideas, and Understand the Lack of Attractive Feasible Alternatives that Fortifies the U.S. Financial System's Position in the World • Grasp the Geopolitical Logic, Power, and Resilience of Democratic Trade Empires
Step 6	<p>Familiarize Yourself with Variable 3 of America's Direction: Likely U.S. Intention & Strategy</p> <p>Sub-Steps will be:</p> <ul style="list-style-type: none"> • Understand the Free Trade Sentiment of the U.S. as Being Pragmatic, Not Dogmatic • Grasp the Approach Behind America's Vital National Security Interests and the National Security Institutions • Familiarize Yourself with the Likely Strategic Approaches vs. China, such as Especially "Campaigning", "Building Enduring Advantages", and "Integrated Deterrence & Assurance", as well as Their Civil-Military Application Across the Globe • See the Reoccurring Historic Long Cycle Dynamics • Be Aware of the Reemergence of Western Economic Security Pacts, from the Minerals Security Partnership to CoCom-like Trends • Consider the Strategies of Western Governments to Bring their Private Sector Players Back in Line • Be Aware of the Cultural and Strategic Cycles in the Private Sector, that Follow External Developments with a Lag
Step 7	<p>Understand the Legal and Factual Reach of U.S. Sanctions – the Primary Tool in the Economic Warfare of the 2020s</p> <p>Sub-Steps will be:</p> <ul style="list-style-type: none"> • Grasp the Trend of the Ever Growing U.S. Sanctions Reach • Learn to Think in Two Very Distinct Types of U.S. Sanctions Reach: U.S. Primary vs. Secondary Sanctions • Understand the Power and Reach of the Global U.S. Dollar System – and How It Makes U.S. Sanctions Compliance to Your Responsibility

Step 8	<p>Understand the Legal and Factual Reach of U.S. Export Controls and Other Tools Useful for Economic Warfare</p> <p>Sub-Steps will be:</p> <ul style="list-style-type: none"> • Understand the Extraterritorial Reach of U.S. Export controls: Your Concern, No Matter Where You Do Business • Understand the Banning of Forced Labor Products: A Highly Valuable Strategy from Both a Moral and an Economic Warfare Logic • Consider Other Tools of Economic Statecraft Affecting Your Markets and Operations
Step 9	<p>Understand the Portfolio of Industry Policies to Support National Industries, that Fit to the Strategies of Countering Communist China</p> <p>Sub-Steps will be:</p> <ul style="list-style-type: none"> • Get an Overview of What U.S. and Allied Powers Have Already Initiated or Could Consider Feasible • Consider the Feasible Directions to Foster National Security Functions (Supply Chain Resilience; Protection of Strategic Sectors, Goods, and Technologies; Rebuilding Defense Industrial Capacities; Rebuilding Maritime Industrial Capacities;...) • Consider the Feasible Directions to Foster Competitiveness of Selected National Sectors • Consider the Feasible Directions to Improve the Job Situations for the Middle Classes • Consider the Feasible Directions to Foster the Research, Development, and Cost Efficiency of Young Technologies and their Sectors (Green; AI;...)
Step 10	<p>Factor-In the Economic Warfare Power of the U.S. Financial System</p> <p>Sub-Steps will be:</p> <ul style="list-style-type: none"> • Grasp How International Transactions Drive the Reach of the U.S. Financial System • Grasp How Investment and Reserve Functions Drive the Reach of the U.S. Financial System • Grasp How an Institutionalized Dominance Drives the Reach of the U.S. Financial System

	<ul style="list-style-type: none"> • Understand How Dollar Clearing and Settlement Trigger U.S. Sanctions Violations • Understand How International Banking Relations Trigger U.S. Sanctions Violations • Consider How the U.S. Is Targeting Central Banks, Financial Authorities, and Sovereign Wealth of Adversarial Nations
Step 11	<p>Factor-In the Sanctions/Export Controls and their Logics Which Are to Be Expected to Come from the EU and Other U.S. Allies</p> <p>Sub-Steps will be:</p> <ul style="list-style-type: none"> • If Relevant, Understand the EU Sanctions & Export Control System • If Relevant, Understand the Sanctions & Export Control Systems of the Other Western and West-Aligned Nations
Step 12	<p>Factor-In the Potential of Naval Action to Enforce Sanctions or Execute Blockades</p> <p>Sub-Steps will be:</p> <ul style="list-style-type: none"> • Be Aware of Sanctions Enforcement Executed Against Vessels, in National and International Waters • Consider Blockades by the U.S. Navy in Case of Escalation • Grasp the Legal and Operational Basics About U.S. Navy Blockades in Conflict Scenarios
Step 13	<p>Identify and Understand the Specific Sanctions Programs and their Provisions Most Relevant to Your Business and Markets</p> <p>Sub-Steps will be:</p> <ul style="list-style-type: none"> • Study Actual Cases of Non-U.S. Businesses Targeted by U.S. Agencies for their U.S. Law Failures • Identify Which Jurisdictions and Obligations Are Relevant to Your Operations • Familiarize Yourself with Current China Sanctions and Export Controls • Use the Current Russian Sanctions Program of the U.S./EU as a Fitting Dual Jurisdiction Case Study for the Scenarios vs. China: <ul style="list-style-type: none"> ○ A. The Specific Sanctions Regimes and Regulations Addressed

	<ul style="list-style-type: none"> ○ B. The Systems: Who Is Making, Implementing, Regulating, Enforcing, and Reviewing the Due Diligence Rules ○ C. The Jurisdiction Rules: Who Is Addressed By Due Diligence Obligations ○ D. The Rules Determining and Driving Liability, Due Diligence, and Related Compliance Programs
Step 14	<p>Design, Implement, and Run A Sanctions Compliance Program; Tailored to Your Jurisdictions, Your Business Realities, and Your Preferences</p> <p>Sub-Steps will be:</p> <ul style="list-style-type: none"> • Organize Your Sanctions Compliance Function and the Project of Establishing a Sanctions Compliance Program • Design Your Program • Implement Your Program • Prepare for and Manage Incidents
Step 15	<p>Integrate Sanctions and Other Trade Compliance Functions Into One Effective Trade Compliance System</p> <p>Sub-Steps will be:</p> <ul style="list-style-type: none"> • Identify Other Trade Compliance Jurisdictions and Functions • Integrate them with Your Sanctions Compliance Program Into One Efficient Trade Compliance Program
Step 16	<p>Develop or Improve Your Geopolitical Risk Management System, and Its Intelligence Cycle</p> <p>Sub-Steps will be:</p> <ul style="list-style-type: none"> • Identify and Understand Your Specific Geopolitical Risks, and their Related Indicators • Establish a Geopolitical Risks Monitoring and Alert System • Produce and Disseminate Actionable Geopolitical Intelligence to Business Functions • Prepare for and Manage Vital Scenarios or Crisis Events

And finally, let us lay out the GAST Intelligence Approach before we dive deeper into the actual topic. Or skip the next chapter, to avoid theory. Although this next chapter contains insights central to our assessments. Insights into how different types of *power actors tend to see the world*, their needs, and their options – contradicting the “feel” of the post-Cold War years.

2. The GAST Intelligence Approach



As mentioned, the GAST Intelligence Approach applies (1) "**Realism-driven Geopolitical Intelligence Analysis**"; and supports it via (2) Niklas Luhmann's **Systems Theory** whenever rationalities of actors and their systems (from markets to political spheres) are concerned. But the meaning of this approach obviously needs to be clarified, since many people understand many *different* things (or *nothing* at all), when they hear terms like Realism, Geopolitical Intelligence, or Systems Theory.

Our purpose is practical – what works (to help grasp geopolitical markets) works. Thus, we cannot and will not try to establish any theoretical rigidity, such as by applying definitions of academic International Relations schools. Having that said, it nevertheless is important to clarify what our "non-rigid, practical definition" behind hereunder "**Realism-driven Geopolitical Intelligence Analysis**" looks like:

- "**Realism-driven**", as mentioned, is intended to stress out the overall logic of focusing on great powers and their Vital National Interests.
- The part of "**Geopolitical Intelligence Analysis**" just stands for a merger of practical geopolitical analysis approaches, as I learned and applied it within my many years in the field. E.g. from U.S. Military and NATO publications or Field Manuals.⁹⁹ Or from private intelligence services that serve banks, governments, and corporations. Content wise, such a view on geopolitics can be summarized as
 - the relations and power plays between nations (and, where relevant, their structures from EU to NATO or the IMF);
 - whereas the play between the globally and/or regionally capable powers ("great powers") matters most, while smaller nations tend to react to these great power plays, via grand strategies such as "bandwagoning" (opportunistically siding with a great power as needed to and/or as being attractive doing so);
 - considering ends (vital interests), means, ways, and perspectives/rationales, along with the "DIME power dimensions" (Diplomatic, Informational, Military, Economic power tools), as well as
 - all related spheres and territories, from geography to demographics and economics to military technology.
 - Whereas unlike rigid theoretical approaches, these geopolitical intelligence analysis concepts are made to be tailored to a specific value-delivering question ("Intelligence Requirement"). For example, for some tasks ("consider the consequences for business model X with regard to likelihood and impact of geopolitical scenario A"), geography can be highly important, for others less so. The framework we will eventually utilize

⁹⁹ Reminder of the disclaimer: When Field Manuals or the like content is reflected hereunder, it covers ***only the open source content***. Many of these manuals are published and free for distribution. Book III will have links to relevant distribution-free Field Manuals and similar helpful open source material.

to accomplish this most critical tailoring is a business-adapted version of IPOE ("*Intelligence Preparation of the Operational Environment*"). A U.S. and NATO approach originally established during the end of the Cold War ("IPB") and further developed in recent years (with roots going back to the Prussian officer who has a monument in Washington D.C. for his role during the creation of the U.S. Army: Friedrich Wilhelm Baron von Steuben.¹⁰⁰)

- Furthermore, it should be clarified that (unlike some theoretical concepts of geopolitics or Realism) this "pragmatic-practical and mission driven" understanding of geopolitics does not create deterministic world views. But tailored frameworks of (a) givens (deterministic) and (b) openness (realistic scenarios, ...). Leading to trends and likelihoods. This "merely reduced uncertainty" being enough in business and investment, since beyond luck all successful business and investment decisions are merely based on better managing likelihoods with regard to future markets and competitor behavior (Porter's Five Forces,...). Thus, our approach unites the two opposites (a) geopolitical givens and (b) geopolitical openness:
 - o We will identify certain vital givens of geopolitics that create limiting effects (we will call **Geopolitical Channels**), that are stronger than ideas or plans. Such as constraints resulting from geographical and other long-term structural settings, plus some identifiable long-term Vital National Interests that drive nations, independent of their regime or internal situations.

Within these Geopolitical Channels, political choices and leadership make a difference. A difference that can be huge – at least on the short run. As do other factors such as luck. But again: luck and leadership only in some rare instances change or successfully ignore the outer frameworks of Geopolitical Channels. Often, luck and leadership tend to merely define the "how" of a path. Which might be vital enough for a business. (E.g. all U.S. Presidents will increasingly counter China, as long as Communist China poses a threat to Vital U.S. National Interests. But the approach towards allies, e.g., can make a relevant difference for businesses.)

¹⁰⁰ Wilson A. Shoffner of the U.S. Army Command and General Staff College points out with reference to the development of IPB ("Intelligence Preparation of the Battlefield") in the U.S. military, that this Prussian officer who commanded the U.S. Army in the War of Independence, was with his systematic „Estimate of the Situation extremely valuable to Washington and reflected von Steubens rigorous intellectual training received while serving on the staff of Frederick the Great.“ Although this system was lost out of sight in the 19th century, at the beginning of the 20th century, it became the core of the Army's leadership doctrine.
Wilson A. Shoffner, The Military Decision Making Process: Time for a Change (Fort Leavenworth 1999), 4f.

- At the same time, it will be shown that this "leeway" for political choices can be further limited for the purpose of developing likely scenarios. With what we call **National Security Channels**:

Different leadership systems (U.S. National Security Politics vs. current Communist Chinese One Leader System) create *different* National Security Channels" within the "Geopolitical Channels", as we will see. For example:

- The U.S. could theoretically do many things within its Geopolitical Channel (thus, the reality is not deterministic). However, the solid, reliable republican system and logic of the U.S. National Security System *de facto* ensured, and will further ensure, that no President gives up geopolitical assets such as NATO. But rather – based on shared interests between the U.S. and Europe – use them where and once relevant.
 - On the other hand, as we will see, Xi has much more internal leeway (such as "war or no war") than his more moderate predecessors. Coming closer to Mao's internal power. Thus, whether Xi e.g. wants to unite China with Taiwan by force, is *one* scenario that is possible but not given. Here, neither external nor internal channels create deterministic predictions. At the same time, the more the U.S. develops credible deterrence, the less likely becomes such a "forceful unification attempt" scenario.
- **Personal/Regime Survival vs. Channel Behavior**
Always a tricky question to watch is what happens when the survival of a leadership suggests actions that *contradict* Channel behavior. Particularly if against the Geopolitical Channel. In the long run, it is much more likely that the Channels are stronger (geopolitics "surviving" the leader), but in the short run, interest conflicts create tensions – and could cause havoc:
 - A leadership might, e.g., start or maintain a "losing war". This being particularly a risk for authoritarian systems, if leaders have no retirement option. Either because they don't trust the next strongmen to not harm them. Or when they fear the *personal* consequences of losing a war – thus, they protract a losing conflict.
 - Here, *functioning* democracies are in an advantage: If they work (and e.g. a resulting constitutional issue can be overcome within the

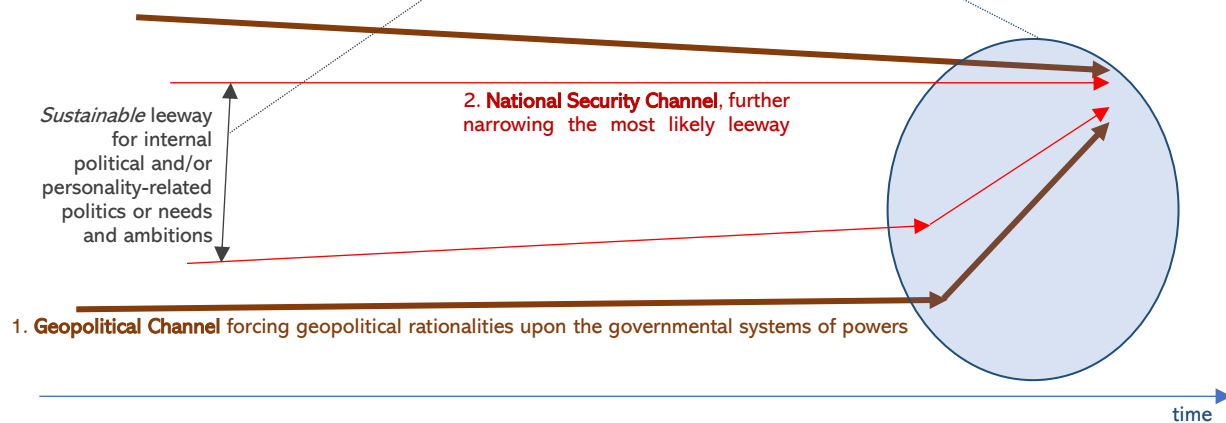
legal system) a leadership will rather (be forced to) step down, and be replaced by a leadership that fits to the “time and its Channels”.

The GAST Channels Boxing-In the Most Likely Long-Term Directions of the Geopolitics of Relevant Powers

Decisions that contradict Geopolitical Channels and their forces are possible, but likely to be miscalculations, likely to fail, and likely to be boxed in quickly again. E.g. losing a war, after starting structurally unattainable actions.

Decisions that stay within the Geopolitical Channel but are outside the National Security Channel, come with less geopolitical risks, but internal tensions, frictions, and resistance. Making such decisions on average less likely, less sustainable, and less successful.

Example: Structural interest conflicts or crisis events limiting the Channels and thus the leeway for other rationalities.



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(For more on the concept of the two Channels see at the end of this book a summary, in the Attachment.)

[Note: These Channels carry aspects of both (a) objectivity/system reality and (b) subjectivity/actor rationality. This is particularly important where actors think they adhere to geopolitical necessities/Channels but err so much that they actually operate outside the “objective” Channels. Elaborating this, however, would require too much of a deep dive hereunder. Which is why we simplify the Channels in the above sense. As a rough tool with an actual orientation value, these Channels can be applied like that. Examples in Book 3 will make these points clearer.]

This framework supports to (1) develop a portfolio of important scenarios, then (2) identify key variables, and (3) run estimate and alert mechanisms (with indicators to monitor). All this can make a huge difference with regard to good, bad, and horrible business decisions. (At the end of Book II we will map out a Geopolitical Intelligence and Risk Management System for businesses in detail – thus, everything before will lead to this point.)

Realism and Geopolitical Intelligence Might Not Be the Nicest Concepts, But the Ones that During Geopolitical Struggles Prepare You to Actually Do Good/Better

Good objective reasons can be identified to apply Realism-driven geopolitics and Systems Theory – thus, it's not just about my own good experience in applying them:

- The Case for Systems Theory

Systems Theory is an answer to the experience that the value of linear approaches (classical industrial management, such as "Ford-like organizational thinking" or linear market projections) is very limited when addressing actor-complexities (strategy, competitive scenarios,...).

It is a rather new field compared to political or economic science. Systems Theory dates back to cybernetics and similar complexity management concepts that, in their present form, started to slowly emerge at the beginning of the Cold War.

Over time, Systems Theory became ever more popular in military and civilian management and strategic analysis:

- The (open source!) U.S./NATO military and intelligence Field Manuals for strategy, tactics, leadership, and analysis provide Systems Theory ever more space.
- And so do managerial concepts in the civilian field, from aviation manufacturing to software engineering or stakeholder relation management.
- Whereas it is important to understand that different approaches towards Systems Theory exist, and especially early ones have been too mechanical (e.g. counting numbers of equipment in military analysis). Our applied concept of Luhmann is much more capable of addressing the comprehensive, human affairs related realities. Helping to map how observing systems (entities such as markets or states, as well as individuals) are driven by different rationalities and thus different perceptions.
- In that sense (Luhmann's) Systems Theory is not replacing political or other analysis, but is rather an interdisciplinary meta concept that bridges diverse fields of human and technical concern. From political science, to psychology and sociology, to engineering, organization, and economics.

It is fair to say, that the practical applications of Systems Theory and System Thinking are ever more relevant today. And will help us to better model certain critical factors.

- The Case for (Cold War-type) Realism

Realism, on the other hand has roots that go back to the ancient period in Greece (most notably Thucydides). During the Cold War it became the main approach of the U.S. geopolitical elite, as well as that of leading universities. And there are very good reasons to rediscover this angle and its art, for our purpose at hand:

○ Better Track Record

As outlined at the very beginning, Realism predicted that great power tensions did not end, and what that would mean if ignored. (From problems with Russia to an end of unlimited free trade.)

○ A Return of Realists Across Power Positions

In the months and years ahead, one has to prepare for a U.S. that is again led by Realists and realpolitiker.

greatest minds in the quality of "George Kennans", "Dean Achesons", "Constance Harveys", "Clare Boothes", "Jeane Kirkpatricks", "Henry Kissingers", and "Andrew Marshalls". Not all standing for the same policies – but all standing for pride in national service and utmost thoughtful Realism. That is, the U.S. will be led by officials who will try to learn from the great realpolitik men and women who served as leaders, civil servants, and officers during the Cold War. (Whereas currently the "old Atlantic bourgeois" attitude of a Dean Acheson is unlikely to reappear in highly public positions – although I would welcome a revival of his tweed and three-piece suits.)



Jeane Kirkpatrick, a Georgetown professor for political science who, among others, served the U.S. in leading National Security roles under President Reagan. She was one of the smartest Realist strategic thinkers during the Cold War. (And a Democrat who became Republican – fittingly: In geopolitics it isn't about Republicans or Democrats. And Realists are among the least party- or ideology-obsessed people. So switching can make legitimate sense.)

Strategies and doctrines like hers will again shape Western approaches in the world in order to (a) find new partners, (b) strengthen and retain existing partners, and (c) ensure the survival of the Free World bloc. Factoring in such a directional understanding into one's assessments will help to anticipate market-shaping moves better.

Such "Realism-shaped thinkers" of course don't sport the same opinions – and even different sub-schools of Realism exist. Furthermore, it is not about replicating a certain old strategy, such as "like Kennan in the first years after WW2", "like Kissinger in the early 70s" or "like Brzezinski in the late 70s/early 80s". Rather, it is the type of Realism-driven strategic thinking – the National Security logic – that in each time, setup, and situation results in unique strategies, tactics, and tools. With similar abstract strategic patterns.

But all these Realist- or realpolitik-driven actors share critical key assumptions that channel their focus and strategies – as will be shown.

Thus: Other concepts and approaches might (or might not!) be "in theory morally better", or whatever – but they will rarely shape the application of (geoeconomic) power tools. Rather, these arguments will tend to dominate some academic, public/media, or private discussions. And in doing so, distract from the

perceptions and actions of those who actually deploy the power tools.

o **Academic Realism Is Getting *Literally* Popular**

Interestingly enough, this return of and to Realism (and geopolitics) can also be witnessed “bottom-up”: Now Realist and geopolitics professors like John Mearsheimer (U.S.) and Carlo Masala (Germany) experience a broad and deep popularity (viewers/readers) rare in academia. Whereas here again, the variations need to be emphasized: Realist professors (and their different schools) operate based on certain common assumptions and basic models, that we also apply hereunder (great power behavior,...). But of course, they don't produce identical assessments and recommendations. Since the latter depends on the questions: “for whom and for what goals?”.

Which is why it is key to not only understand Realism/geopolitics, but to apply it via the right rationality and perspective of the actors/systems relevant to one's analysis. As we will do.

And not surprisingly, some of them attract strong critic because of some of their conclusions (such as above mentioned John Mearsheimer from the University of Chicago). But even then, they at least should be considered as devil's advocate (they help to ask oneself: “Are we too optimistic/idealistic? Are we missing something?”).

**Realism Returning as Necessary Precondition
to Maintain or Achieve Peace and Stability**

There is another – related – reason why the West will shift back to more Realism-centered approaches, as during the last Cold War: During geopolitically challenging times, the *outcome* of good strategies based on geopolitical Realism can be ***less war*** and more stability than the *outcome* of idealistic approaches. Since we hereunder cannot elaborate such academic and complex questions behind this justifiable reasoning¹⁰¹, I want to (over-)simplify quickly why the need to maintain/gain peace and stability is pushing Western power centers back to Realism:

Idealistic approaches too often, either

- (a) call for military interventions and “nation building” where military victories do not create long-term net wins (“**value driven Idealism**” from the right or the left);

¹⁰¹ A related thought-provoking academic book from a leading Realist, Stephen M. Walt (professor at Harvard Kennedy School, and prior Chicago and Princeton) I among others can recommend for this reasoning:

The Hell of Good Intentions: America's Foreign Policy Elite and the Decline of U.S. Primacy, 2018.

Another one – more from the grand strategic angle and like many Realists having predicted what others did not want to see:

MIT professor Barry R. Posen in: **Restraint: A New Foundation for U.S. Grand Strategy**, 2014.

And then there is John Mearsheimer's **Great Delusion:**

Liberal Dreams and International Realities, 2019.

- (b) block reconciliation (again “**value driven Idealism**” from the **right or the left**); or as other extreme
- (c) are “**radically pacifistic**”, either out of convenience or of principle, and thus create weakness and naivety that invite and foster attacks, invasions, and aggressions.

These value-driven concepts seem to “work” (like every venture that you start with big budgets and support, be it a startup or foreign policy approach) – until geopolitical forces make these approaches not feasible any longer. Which is the case in the years ahead.

Realism Returning as Necessary Condition for Soft Power

And finally, Idealism will be step by step pushed aside by Cold War Realism because of the reality that the former approach of an “ever more moralistic” West has created (or supported) anti-Western resentments not seen since the worst days of Western standing in 70 years:

- On one hand, the uncontrolled moralistic language of the post-Cold War years necessarily created a ***double standard*** (since it is always selective where one helps). This, in turn, damaged and damages Western credibility substantially. (Moralistic) “talk is cheap”, as the saying goes. But only initially. Over the years, it costs.
- On the other hand, as outlined, ever more progressive ideas of “how every person/society has to be/change” (based on trends and “latest approaches” that since the 2000s change every few years) created another surge of anti-Western sentiments, which the anti-Western powers joyfully leverage for their agendas.

Thus, a return to “Western Cold War core values” can be expected. It actually already started – in Eastern Europe, the new avantgarde of NATO, ever more powerful in the EU. Not as a question of choice, but of necessity. Since the West is fighting for audiences and support from both key elites and key populations around the globe. Again. In the Realism-driven Cold War, the West knew how to handle these matters of the Informational/Cultural battlespace – and did so very well. Like it or not. It will return too. (Under all likely scenarios.)

Modeling the Dynamics of Geopolitics, Economic Orders, and the Power Actors: Geopolitical Intelligence Does Not Have to Be a “Secret Trade”

Developing the art of geopolitical analysis (and its practical trade of related processes) starts by first being able to differentiate and switch between certain perspectives and rationalities – and (only) then focus on specific geopolitical issues. Thus, one needs to avoid mirroring.

Mirroring being a general human perception problem, strongly discussed in the intelligence community: The biased (non-aware) presumption that others are thinking as oneself does. Or otherwise being “irrational”. E.g. others being “as nice as I am” or wanting similar things. To a degree that is helpful in close social relations – i.e. very good where based on close relation experience and empathy. But not in the world beyond, where some people mean good, while others don’t. And where even “meaning

good” differs widely, based on different rationalities and cultures. Whereas naivety and Western egocentricity (“they think as we do... want the same...”) fosters tensions and increases the incentives to apply malicious behavior.

By the way:

The same problem of mirroring happens when business actors or politicians of weak nations try to understand geopolitical powers. Especially, they then tend to assume everything is a matter of economic calculations (“all is about money” for the country, its businesses, the party, the politicians,..) – just because they themselves lack geopolitical means and thinking. They tend to see everything via their non-geopolitical thinking, be it focused on money or norms/values/morality. (Besides the related “lower” personal ambitions and “politics” *all* political actors consider, i.e. developing political careers, managing media relations, winning/retaining popularity and the support of certain elites, playing power games in political parties,...)

However, those who play in the highest league of business or politics know that in their game it is about **both power and money** – but *in that very order!* Yes, power needs money and money needs power. But in the top league of business and power politics

- money without power (backing) cannot *effectively* buy power, at least (a) when operating in insecure areas, or (b) almost *anywhere* when facing true power actors; while
- power has the ability to trump (and take) money – in different ways, depending on the context systems and actors.

Whereas of course, law matters – but from a *factual* analysis (that is relevant in many places and situations) only inasmuch and as long as adequately and effectively power-backed...

Speaking with Luhmann (who was a learned lawyer himself):

The Question of Law, Orders, and Power from a Luhmann’s System Theory Perspective

The Legal System is a subsystem of the Political System. And the Political System is the system that functions via (collective) power, which it develops and applies.

Whereas power is not identical with force:

- Power, in Luhmann’s concept, is what shapes the behavior via binding communication/action. (The one who has and applies power is successfully creating verbal and non-verbal versions of “Do!” and “Don’t do!”. Without having to use the positive convincing instruments from other motivational means, like paying money or applying ideology/religion.) It is the capacity and application of effects that result from others anticipating or experiencing unwanted actions (consequences) and thus deciding to go along with the one requiring behavior.

Examples of this ordering/coercion communication-based concept of power:

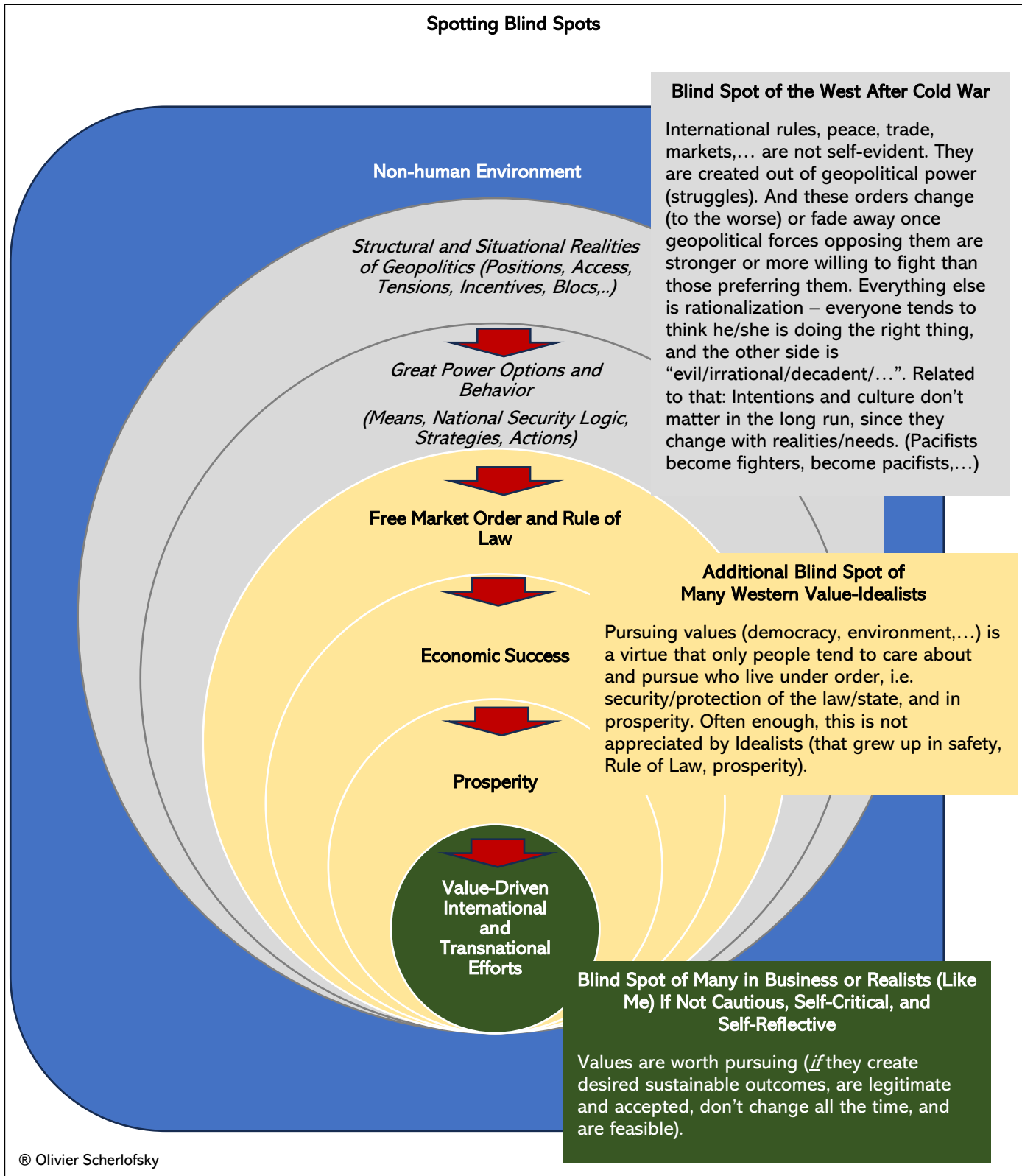
- **Power of Military Deterrence**
One nation deterring another one from attacking, because militarily the credible consequences of a war would be bad enough for the attacker;
- **Power of Applying Military Force**
Military *action* as *communication*: Motivating the attacked ones (soldiers, government,...) to surrender or at least stop fighting/resisting;
- **Power of Economic Dependence and/or the Ability to Enact Financial Punishments (Fees,...)**
A nation, NGO, company, or individual following rules or demands, because they fear severe economic consequences otherwise (herein lies the difference to money as a positive incentive);
- **Power of the *Weaker* Party Who Is Willing to Be More Aggressive!**
A (structurally) weaker party is having power over a stronger one, when successfully pushing the stronger party, based on different benefit/cost/risk calculations. Communicating: "I am weaker, but I don't care about the damage of a conflict, while you do. So you have to follow my demands."
This type of power exists/works *until* the perceptions and calculations of the stronger party change... (The employer who was "bullied" by an employee he/she did not want to lose says: "Enough, you are fired!")

Therefore, **law and order(s) are always a function of someone's power, i.e. someone's *credible* deterrence.** Ideally the power of a democratic Rule of Law state (micro-level) or the power of nations that back a stable, free world order (macro-level). Many just forget about this relation until the power reality (i.e. expectations/respect for rules/...) that enables their safe environment and rules system erodes...

Whereas, of course, it is another question whether power/order/law can be restored "as it was", and whether the costs and risks are worth it. Or otherwise, whether a structural shift is better. ("OK, new settlement of lines and rules... – but know that this is now a redline we *will* enforce" and backing this new redline with now credible capacities and a show of willingness to apply them.) A question that is central to Realism. (i.e. it does not help to destroy one's own system in the long run by trying to achieve/enforce every value everywhere – and with too little support by others...)

Layers of Enablers: A Systems Theory Perspective On How Geopolitics Are Shaping All Other Human Affairs – Something Forgotten Recently

Based on the merger of (a) geopolitical intelligence analysis as understood hereunder and (b) Luhmann's Systems Theory, the GAST Intelligence Approach helps to visualize some of the most problematic Western post-Cold War blind spots:



While each of the layers has an influence on each other (e.g. economic success fosters geopolitical power), immediate “enabler relations” exist, visualized by the dark red arrows. Enabling relations often overlooked or underestimated.

As shown in the rectangles, it is important – and pivotal to systems thinking – to appreciate that *everyone* has blind spots. Each “school”/leaning should try to become aware about its perspective-related biases – inasmuch as self-critical self-reflection (“zooming out”) allows such self-awareness. E.g., Realists (like me) need to ensure to not undervalue value approaches (see green rectangle). However, the clearest blind spots after the Cold War evolved in the West regarding geopolitics.

Based on that framework, it is helpful to reflect on the fact that different observers perceive the world (problems and solutions) very differently:

- Most Westerners (media, businesses, voters,...) have been socialized by the globalized world view of the last 30 years, and thus tend to think in “world problems” and “world solutions”.
- On the other hand, those who - under conditions of geopolitical competition – actually use tools of geopolitical power perceive very different needs and options.

Luhmann differentiates between the “erleben” and the “handeln” of observing psychological or social systems (individuals, groups, organizations, markets,...):

Such systems do both “erleben” (“experiencing”) and “handeln” (“acting”), but with varying logics, depending on different rationalities¹⁰². As follows:

- “Erleben”: Systems passively observe, experience, interpret their environments (the world, actors,...), and what they consider as actions and their effects (attribution of causality: “X caused Y”);
 1. be these actions what they observe in others doing,
 2. or be it what they themselves had done in the past but cannot change any longer (i.e. self-reflection and thus passively experiencing “what we have done/caused”).
- “Handeln”: Related to this “erleben” systems create ideas about actions and behavioral concepts (strategies,...) for themselves and the relevant others (“this is what they could do to serve their economic wellbeing ... this is what we can do... this is how...”).

Applying this concept, the GAST Intelligence Approach arrives at the rough and summarizing conclusions, shown in the next two Systems Theory diagrams.

¹⁰² We will cover more about how different rationalities are applied and how that drives different perceptions and actions, where relevant. Such as in showing how the financial crisis of 2008 created different perceptions and conclusions in the U.S. and in Communist China.

Typical Perceptions and Blind Spots within Large Parts of the Post-Cold War Socialized West (Globalization; Multilateralism)

Observers being individual or collective systems, such as: person X, population Y, business Z, market M, media circle C,...

A. Typical Forms of Perceived “Erleben” of the Observing Systems

- **Partly Applying a Morality Rationale of “World as One Unit” (Especially If Not Affected Themselves!):**
Perception: The world is one unit with common interests, and thus there is only one way to be “rational, reasonable, and right”.
 The actions of humans are responsible for the world – it is up to them how the world looks like.
 - o The world overall getting “more progressive” or “safer” or “richer” or “cleaner” or “less quickly warmer” must be the reasonable goal for all – everything contradicting is irrational and wrong.
 Everyone in the world will share these common goals and fight for them – unless they are bad people/actors.

- **Partly Applying a Globally-Oriented Business Rationale: “Calculating Economic Numbers Is What Drives the World”:**
Perception: What matters when organizing business and transactions is lowest cost vs. highest revenues according to the numbers on paper.
 - o Location or sociocultural background or political system or geopolitical position of the employees/partners/vendors/buyers and their countries don’t (really) matter.
 Authorities and politicians will understand that and will shape geopolitics according to economic goals (“Wandel durch Handel” – the common pre-2022 belief that based on economic relations, nations like Russia or China will become West-like; or that the EU just needs to pay actors in MENA to control borders or reduce terror;...).

B. Typical Forms of Perceived “Handlen” of these Observing Systems

- **When Applying the Morality Rationale**
Perception: What we do is the right thing, it will make things better, and it will be welcomed by others in the world. What those do who don’t follow our morality is evil: Their actions, contradicting what is good for the world, are not justifiable.

- **When Applying the Globally-Oriented Business Rationale**
Perception: Pick whatever cheapest vendor. Sell to whatever markets have the most people and budgets. Change location and employees to wherever, whenever costs can be reduced. In the end, all this will create high Returns on Investment.

C. Typical Blind Spots (What Tends to Be Overlooked When Applying these Rationalities)

- **Key Blind Spots Resulting from Thinking in the “One World” Morality Rationale**
 - o Humanity is not one rational unit – different people live in different situations and have different rationalities, perceptions, moralities, needs, and wants.
 - o Our own cultural rationalities and perceptions are shaped by unique historic paths, and thus cannot be expected to be present among others. (Westerners themselves are very different at different times!)
 - o Most people need to take care of themselves and their families or other units they are responsible for (their business, community, agency, military unit, clan, nation,...) – if “support the world” rationalities contradict their livelihoods and responsibilities, they will not follow the “support the world” concepts.

- **Key Blind Spots Resulting from Thinking in the Globally-Oriented Business Rationale**
 - o Ultimately, geopolitical powers and their logics determine the framework for and intervene into markets. For them, the economic rationality is just one of several: At (critical) times, other rationalities trump.

Above Erleben/Handeln should not surprise, since as discussed before, these rationalities have been dominating the West after the last Cold War. Especially when young and “free to idealize”, many people like to think that way (unless their own life or pocketbook is affected, then they know how to ignore and/or rationalize other behavior).

However, it is now interesting to compare this with how the geopolitical power centers most likely perceive “Erleben” and “Handeln”. As well as “actors without power” who try to influence those with power – and who think in geopolitical logics (i.e. who know the game). Such as “geopolitically mature corporations” or political interest groups trying to influence geopolitical behavior. Whereas, I have to disappoint conspiracy theorists. No private influence group can dominate mature great powers, once geopolitical forces are vital. No “oligarch” is steering Putin; no “Wall Street” is steering the U.S. National Security State; with regard to geopolitical key decisions. It is the other way around. Thus, such actors don’t decide about the “if” or the direction of geopolitical rivalries. They at times can only influence some components of the implementation. Such as some names or items on lists for sanctions or tariffs. (Even then they couldn’t, if this would contradict the whole geopolitical direction.)

By and Large Individual Interests Don’t Drive Vital Geopolitics – It Is the Other Way Around

Yes, there are always winners of geopolitical decisions – but these are “windfall winners”. At some times geopolitical realities are “better for banks but worse for defense”. At other times, they are “better for the defense industry but worse for banks”. Then they are “good for banks and defense, but bad for Silicon Valley”. The same goes for “powerful corporation or hedge fund X” or “political lobby Y”. Those “profiteers” don’t drive geopolitics – but the other way around: They by and large merely grasp geopolitical realities better, are opportunistic, and capitalize on circumstances. Particularly once Vital National Security is concerned. Exceptions exist only within the leeway – i.e. anything else in the long run tends to lose against the Channels in our sense.

For example: 9/11 turned Bush junior plans for deregulation into the opposite for Wall Street. Constraining financial business and burdening it with red tape. Thus, not even the strong Wall Street lobby behind Bush junior could work against this force of Vital National Security. And frankly, enough patriotic American bankers did not even want to resist. Rather, they rallied under the flag. (Recommended read from a true insider, and in my assessment very accurate: Treasury’s War – The Unleashing of a New Era of Financial Warfare, by Juan Zarate, 2013.)

One Should Be Careful Before Judging About “Opportunists” – Human and Other Life Is Built On Seizing Opportunities

And if one gets now upset about “these evil actors who [within the law] dare to utilize circumstances to their benefit”, in my somehow experienced opinion one should step back and reflect on the following:

- Who is not utilizing circumstances (within the law)?! Utilizing circumstances is more or less the most basic concept in human and other life... Are those who get upset about some making money when they can, themselves refusing to make money once *they* can?!
- Most of those who utilize geopolitics to “their” benefit, do so for a group of stakeholders (partner, employees, family, vendors,...). They are – by law and otherwise – obligated and expected to take advantage of opportunities.

I am myself a strong opponent of “asocial” behavior. But in general seizing opportunities is not asocial. While the opposite can quickly become asocial. I would just ask everyone who loves to put him-/herself on the moral high ground and gets upset about others, to self-reflect if they actually live and act like poor hermits... And if so: Is that really morally better?! Not being able to help others or pay taxes, e.g.? Other than “helping others” with great talk that “proves” one’s moral superiority?! Or whether it would be *social* to “help” by acting aggressively against the (daily) *work* of others and this work’s *products*?! Is that social? Or morally *superior*? And if a morality says so, is that the right morality?

Which brings us to the following perception framework for geopolitical rationalities (of different powers, from democratic to authoritarian or totalitarian), on the next page.

- Whereas our assumption is that real powers (such as great powers or smaller nations that take themselves seriously) by and large apply these logics whenever Vital National Interests are affected. Other rationalities are effective where a leeway exists. Thus, these geopolitical rationalities result from the effects of Geopolitical Channels in our GAST sense.
- If powers stop to apply these logics despite Vital Interests at stake, they have given up their identity as a power, and/or are imploding. (E.g. the historical cycles of strong centrality vs. centrifugal powers tearing apart empires like the old Chinese Empires. Or in case of a total defeat of a power. Although a total defeat might again see a power re-rise and reapply the geopolitical logics, eventually.)

Typical Perceptions and Blind Spots within Realism-Driven Centers of Geopolitical Power

Observing systems, such as: Heads of states (of nations where geopolitics matter), National Security agencies, oligarchic circles embedded in geopolitical regimes, geopolitically mature businesses or interest groups,... Inasmuch as they are operating in a context of geopolitical competition, their rationality and perceptions tend to be:

A. Typical Perceived “Erleben” Under the Geopolitical Rationality of (Real/Great) Powers

- **“Erleben” of the Status Quo Powers: Resulting from Applying the Geopolitical Rationality of “Pro Old Order”**
Perception: Those who are against the order are a threat if they have the capacity to change the order:
 - It is risky to trust in otherwise stated intentions – capacity is what causes them to be threats
 - Threats can be deterred or need to be contained otherwise – and defeated in case of direct attacks
 - We need to support those on our side and warn everyone else
- **“Erleben” of the Revisionist Powers: Resulting from Applying the Geopolitical Rationality of “Con Old Order”**
Perception: Those who uphold the order are a problem, as long as they refuse to accept our interests:
 - These old powers can be intimidated and/or the weaknesses of their societies exploited so they don't act against our ambitions effectively (corruption, dependence, demoralizing their populations, fear of us applying force,...)
 - Others can be mobilized to join our side – willingly or by coercion (dependency, threats,...)
- **“Erleben” of All Powers, If (Otherwise) Vital National Interests Are Affected Directly (Threat of Attack;...)**
Perception: This threat to us needs to be focused on; no matter what bilateral, multilateral, or transnational values and statements suggest otherwise.

Their perception of “Handeln” i.e. the perception of actions available to (a) themselves and/or (b) the other power players (adversaries, allies,...) tend to be as follows. All applying national power tools as grouped in the fields below (hereunder this time applying the extended version of “DIME”: “**MIDFIELD**”). Whereas the “**Programs**” (so called in Luhmann's System Theory) that are used to realize these rationalities are either

- (a) **national geopolitical doctrines** (doing what is known or perceived as being ordered and/or expected), or
- (b) **unorthodox creativity beyond doctrines** (“creativity under pressure” by those who dare or feel forced to do so): e.g. launching a risky attack against prior doctrine.

B. The Perception of “Handlen” Under the Geopolitical Rationality of (Real/Great) Powers

Utilizing <u>D</u>iplomatic Power <ul style="list-style-type: none"> - Strategic partnerships, treaties and alliances help to contain others, protect the order, or manipulate/change the order (actions related to UN/NATO/BIRICS;...) - ... 	Utilizing the <u>I</u>nformational Space and <u>I</u>ntelligence Services <ul style="list-style-type: none"> - Creating and supporting narratives to: (a) influence populations and partner nations in order to mobilize them for one's agendas; and/or (b) influence the populations and actors/supporters of adversary societies in order to cause them self-damaging their own interests <ul style="list-style-type: none"> o E.g. via: Hidden social media campaigns (AI supported); controlled or influenced media outlets; supporting activists/NGOs/populists/radicals to emotionalize, demoralize, increase splits in populations, create political pressure;... - Direct Action: To intervene in internal political systems of others. - ...
Utilizing the <u>L</u>egal Space <ul style="list-style-type: none"> - Law enforcement, national or abroad (Mutual Legal Assistance; focus of prosecution;...) - Lawfare: (Ab)using legal systems of others to: win time; create self-destructive effects in other countries via certain court decisions or expectations thereof; create pressure via claims;... - ... 	Utilizing <u>M</u>ilitary Power <ul style="list-style-type: none"> - Shaping the environment via deterrence; preparing for conflict scenarios - Controlling sea lanes - ...
	Utilizing <u>E</u>conomic/<u>F</u>inancial/<u>D</u>evelopment Power <ul style="list-style-type: none"> - Swap lines; loans; Investments; aid; development projects;... - Financial sanctions; export controls;... - Tariffs; other import barriers;... - ...

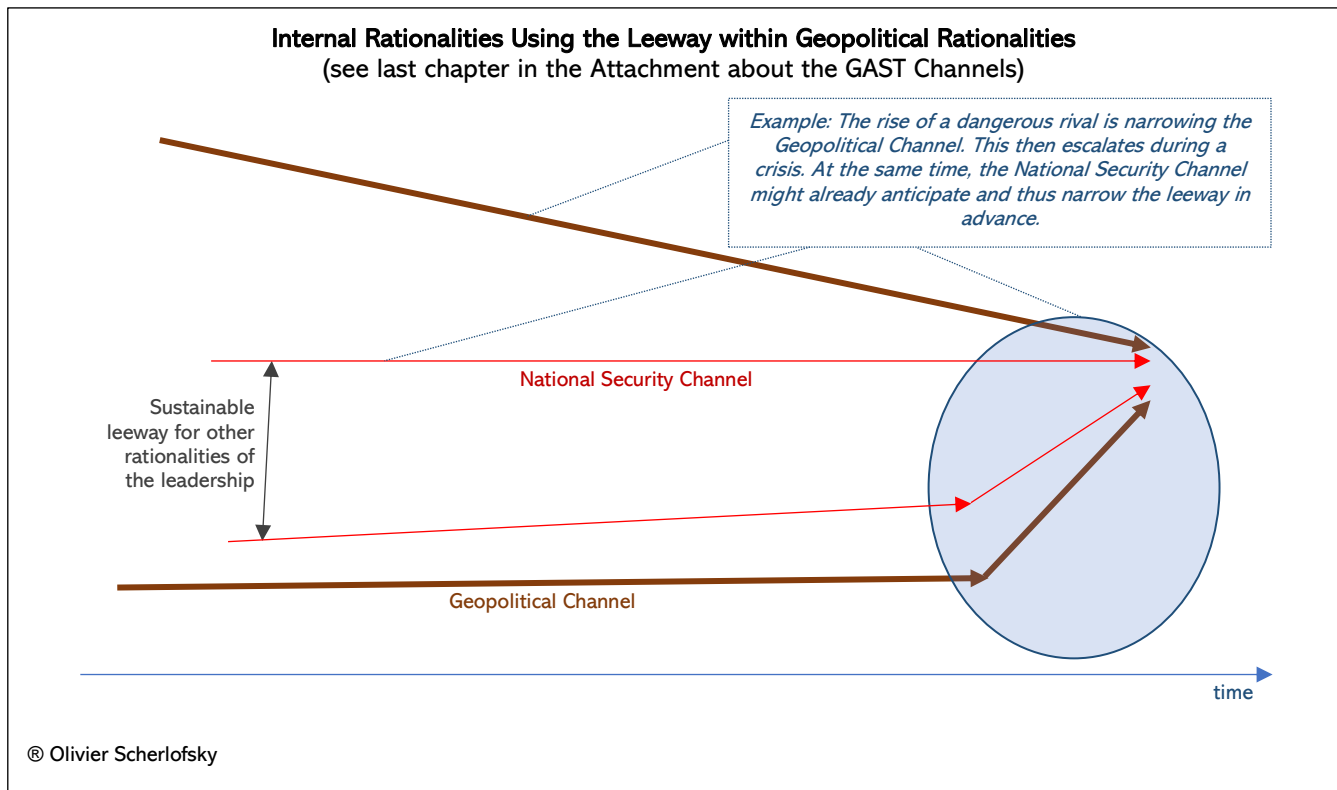
C. Typical Blind Spots (What Tends to Be Overlooked When Applying these Rationalities)

- Structures and effects of sub-national or trans-national nature; transnational issues;...
- The question whether such strategies are internally sustainable and long-term effective (costs; possible blowbacks; “unknown unknowns”, i.e. effects of variables/questions not thought about;...)
- Miscalculations

There are no perfect models and one can always complain about things being too abstract, too generalizing, or whatever. But it is a practical human (business) reality, that an **actionable understanding** about complex realities can be developed much quicker and with a higher quality based on **mapping key variables**. Not least, since it forces to systematically reflect on (1st) what variables exist in a setup, (2nd) which ones seem critical, (3rd) how variables could be related to each other, (4th) how to focus and monitor them, and (5th) how to manage risks and identify and seize opportunities.

Structural Coupling of Geopolitical Logics with Internal/Other Rationalities

Of course, not every geopolitical decision of political leaders and their systems is taken without being influenced by certain internal and/or personal rationalities. Instead of ignoring that (the choice of certain Structural Realism approaches), it has proven to be helpful to model the complexities of different interests (i.e. systems and rationalities). To remind us about the concept of the GAST Channels:



Thereby assuming the following:

When implementing above geopolitical rationalities, where a leeway exists, this leeway tends to be used to serve certain other (“internal”) rationalities – depending on the national system, culture, and current situation (stability, Rule of Law, degree of desperation,...).

Thus, it helps to look at how the geopolitical rationalities fit with the following other rationalities. In Luhmann’s System Theory this aligning of rationalities (caused by a structural relation between systems) is

described as the phenomenon of “structural coupling”¹⁰³. (All in the sense as outlined briefly in the Attachment, under the summary of Luhmann’s Systems Theory).

(Whereas I want to remind us about the above mentioned tricky question and effect of potential matters of *personal/regime survival vs. the Channel forces*. The Geopolitical Channel will at some point most likely force any leadership that fights for its own survival against geopolitically stronger realities to lose. Whether the National Security Channel (thus, the forces of the National Security elite and state) will be stronger than a contradicting leadership will depend on the setup.)

- Within Western powers, the geopolitical rationalities of different actors in charge tend to be structurally coupled with:

- o (primarily) the rationalities of the following systems (each having its own logic): *national law; internal politics* (election cycles;...); *economics; media*.

and

- o (secondarily) depending on the setup of a political system:

- the rationality of *personal ambitions* (political and bureaucratic ambitions, a career after the government such as in consulting,...); and the
- related *group rationalities that drive key actors*: In developed democracies rather Functional Organizations (e.g. political parties, where they control politicians, such as in many party-driven systems). Possible but rather rare in the West: Clans (e.g. *effective* political families or religious cults) or Closed Organizations (e.g. retired members from elite military units or intelligence – considering that “retirement” might mean not too much within certain structures).

and

- o (tertiary) in case of some political actors these geopolitical rationalities are also coupled with *true ideological* or *religious* rationalities. (However, as explained at several points, pure ideological or similar *language* does not account for a true application.)

¹⁰³ Such as **constitutions** being vital structural couplings between the political system and the legal system. Or **property** and **contracts** being vital structural couplings between the economic system and the legal system.

- Within authoritarian powers, the geopolitical rationalities of the different actors in charge tend to be structurally coupled with:

- o (primarily) the rationality of internal power logics (survival of regime and/or oneself; following actual and anticipated directives; considering expectations of a powerful elite; but not giving any law priority)

and

- o (secondarily) the rationality of personal matters: Personal/family (a) power and (b) wealth through bureaucratic relations and other networks and schemes. With (a) power being often underestimated by many in the West: For these actors it is even more important to become and remain powerful than wealthy, since wealth without power makes one a target, not a “happy rich individual” as many do assume, as long as they live in safe places and times under the Rule of Law.

“Rich but weak” is quickly a death penalty, where the Rule of Law is weak.

and

- o (secondarily or tertiary) the rationalities of the **Economic System, Media System, Ideology/Religion**. The hierarchies and relevance depending on the set-up. (But again: Mere ideological or similar *language* does not account for a true application of these rationalities.)

and

- o Depending on the setup of the social and political system, all the above could be mixed with certain group rationalities of the leader and other key actors:

- **Functional Organizations** (E.g. bureaucracies, political parties where they control politicians, such as Communist China, between the time after Mao and *before* Xi consolidated his power. Although certain party rationalities will still be effective under Xi too, just not controlling him like the years before.)

But even more likely in such systems is the application of some of the following group rationalities:

- **Clans** (e.g. political dynasties, “socially/kinship oriented” organized crime,.....) or
- **Family** (meaning close relatives only, as opposed to the broader structure of a Clan)
- **Closed Organizations** (e.g. elite military units, intelligence, “functionally oriented” organized crime,...).
- **Tribes, religious or ethnical factions**,...

Other/Emotional Drivers of a Leader or State Functionary of Interest:

In our geopolitical model, other personal/emotional drivers (such as caused by an inferiority complex, hate, love,...) should be seen as potentially merely *enforcing* any of the above rationalities. Thus, a leader’s love for her/his people, hate for others, or narcissism could push

several of the above rationalities; from acting geopolitically to pursuing personal ambitions (money,...) to following family logics.

Excursus into Assessing Non-Geopolitical Drivers Behind Hostile Actors

For non-geopolitical adversary analysis, we use the heuristic concept “**TRIS**” (**Think Red! System**)*. While not being tailored for geopolitical analysis, it may, however, become helpful as an additional variable in GAST, whenever the personal drivers of actors have significance within geopolitical setups. According to TRIS we ask (1) *WHO is it?* (2) *WHAT is driving him/her?*, and (3) *HOW does he/she perceive and act?*. This in turn can be used to get a feeling for actual or potential course of actions of relevance (for example when considering why and how a competitor is likely trying to harm another businessperson).

Thereby, as part of the above (2) WHAT question the following motivational drivers and logics are considered:

Potential Drivers Motivating Hostile Behavior

Attack Drivers, *dominated by rational thinking*:

- **Monetary Driver**
- **Strategic Driver**
- **Coercion Driver**
- **Rational Ideology Driver**

Attack Drivers, *dominated by emotional thinking*:

- **Emotional Ideology Driver**
- **Socio-Emotional Driver**
[acting out of love for and/or hate against others]
- **Ego Driver**
[mainly focusing on narcissism-caused actions, but also including any “insane” or other “deep character”/“psychiatric” behavior *if* not any of the above variables drive the hostilities]

* The TRIS framework is older than the GAST Intelligence Approach, but has similar origins and too is rooted in the application of Luhmann's Systems Theory on actor analysis. It is the concept I had developed in my years in the field, first in international missions, then in the private sector.

While hereunder is not the place to lay out the concept, we roughly cover these **Attacks Drivers of TRIS in the Attachment** about Luhmann's Systems Theory.

Picking Rationalities for Analysis:

Which of the above rationalities are relevant needs to be assessed case-by-case and situation-by-situation. For example, it might be that 3 or 4 of the above rationalities can be identified as critical, while each of them play different roles during different situations. And each of them could be triggered differently. This is practically highly valuable to (1st) reflect, then (2nd) map, then (3rd) monitor, and then (4th) adjust such rationality variables. Which leads to (5th) an ever better understanding. Furthermore, (6th) based on such a systematic reflection process, communicating observations internally becomes much more efficient.

Doing so or not is like the difference between orienting oneself in a forest based on either

- a written (necessarily very long) story about the right path
- or
- an effective map.

Even when the “written story” would be more “accurate”, at the end of the day the user using the map would be much more successful. Not only in the initial orientation but also in improving his/her understanding and communicating it to others, based on an ever more effective map.

We will have practical examples in Book III (GAST Rationality Matrix;...).

Power/Security Trumps Money

BTW: Due to the above hierarchy of power over wealth, in my clear assessment and experience it is a mistake to think that you can buy (relevant!) power if you are weak. Since if you go to those who have the power and “dark abilities” (secret services, corrupt state structures, organized crime,...), signal that you are weak and want to buy power, they happily take the money – but don’t serve you (long).

Which is why it was rather amusing to me, when I heard many in early 2022 considering how “the oligarchs could pressure or even remove Putin”. No, Putin can pressure/kill them, not the other way around. He can do so because (and as long as) he controls the power system, i.e. the Silowiki. Only the latter could remove Putin – although this would also be a very difficult (“palace coup”) operation.

The point being: Ultimately power enables money. Not the other way around.¹⁰⁴ George Friedman put it right, when he wrote “**the worst thing you can be in this world is rich and weak.**” (Don’t ask me where he wrote that – I have been reading it about 15 years ago in one of his many books or analysis products, and thought “finally someone who states so clearly, what many in the West have forgotten”).

¹⁰⁴ Under those circumstances where rich individuals (a) utilize the power of expensive attorneys or (b) bribe their way, this ability itself depends on orders (corrupt or not) that depend on power to function. Sure, there is a cycle: Money needs power and power needs money. But only the one with the short term maximum pressure tool (tanks, policemen, assassins,...) can literally pull the trigger, i.e. enforce the relation. There is a reason why, in ancient societies, eventually the “knights”, not the farmers, usually became the aristocratic classes; despite the fact that in the long run, each equally needed each other.

Another of these realities that too many overlook: It is *not easy to be (vastly) wealthy...*

- ...unless a wealthy person is spoiled and dull (thus, those who (1) have not made the wealth themselves *and* (2) are raised poorly). Only in this latter case do very wealthy people *act as/think that life is easy*. Until they ruin their family's wealth (a process that might take their children to finalize), and/or become victims of anyone inside or outside their environment (most often from within).
- On the other hand, those who are wealthy either
 - o (a) based on what they themselves have built up, or
 - o (b) as smartly raised successors/heirs (not spoiled into weak and/or self-destructive clowns,...)

are *for good reasons* very *cautious* people. With *a lot of variables to worry about*. No matter what system they live in or what trade they focus on.

Being one of many reasons why one should *not judge* about such people in categories like "they are arrogant"... Not only do overwhelming schedules and numbers of actual/potential contacts limit the time of such people, but they also have to start with a natural barrier, until they know that their trust in a person is justified. Which happens in a handful of cases, out of 100 people they deal with. They act in a certain way not out of fun or choice, it's for (a) necessary time/complexity management, *and* (b) *survival*.¹⁰⁵

¹⁰⁵ Which by the way is why I, e.g., never tried to befriend myself with billionaires we work for, no matter how good the relationship and reputation with them is. Such professional relations should always remain 100% within professional tracks and based on professional distance. And why not? Neither do I need new "friends", nor do I need any money from clients *other than the money we/I rightfully earn as agreed upon*. The latter is a nonnegotiable. Fortunately, I never had someone who afterwards tried to forget to pay us as agreed upon. And here again: Another international relations experience *contradicting cliches* that I can only recommend thinking about: The *smoothest international business relations with regard to agreements and payments* from partners have always been with "the greedy/untrustworthy *Americans*" (as some think Americans would be compared to others). At least with the type of partners I usually deal with, thus "strong traditional characters", be they businesspeople, entrepreneurs, lobbyists, or attorneys. (Many of them with prior military background and/or similar "old school" traditions/attitudes.) No matter how many pages of NDAs, Fee Agreements,... had/have been signed (or not). Once payments have been/are due, I am not exaggerating when I say that I receive(d) *immediate* calls from my American partners (not an assistant,...) with the notification that the agreed upon event occurred. And the question of where to wire the amount. Which then happens the same day. No need to remind someone. No waiting period. And no stupid games like later trying to reduce the originally agreed-upon sums/percentages. And (like most others with business experience) I know of many professionals or even managers who have to deal with such weak behavior. (After success, the partners or superiors are saying: "*Well, actually 3% is a lot. Look, XYZ Dollar is a lot of money too! Come on! Soon comes the next chance!*") I would get serious in such a case. Not

In the end, the above models for Systems Theory and Realism (i.e. the GAST Intelligence Approach) are meant to help to understand what was systematically ignored during the last 20 to 30 years: The existence and long-term power of power. Especially in the realm of geopolitics. In that sense, let me close this quick outline of the GAST approach with an anecdote. One about the well-intended but problematic post-Cold War attitude that blinded so many in the West. Until 2022.

It is a small and personal anecdote from about 20 years ago, but one that is hopefully a bit entertaining – and telling for our purpose. Since it supports the understanding for the transformation “back to Cold War wisdom” that is happening...

An Anecdote on the Post-Cold War Refusal to See the World as It Is

Back then, I was progressing with my studies in Austrian and EU law at an Austrian (civilian) university. At the same time, I served as a very young Staff Sergeant in the Austrian Military Police / Military Security, based on a flexible “hybrid duty solution” made possible by some senior people that liked my approach to pursue both: Service in the field and civilian university education.

Whereas with regard to the military police/security function, I had just accomplished my first NATO and UN missions on the Balkans and in the Middle East. Which, due to my positions and tasks, provided me with insights and actor-related experiences uncommon to most other young people at home. (See at the end of the Preamble for how that triggered the development of the GAST Intelligence Approach.)

In terms of my law school master program’s progress, after having passed the basic law exams in the years before, I back then had reached an eagerly awaited stage. Starting with my chosen emphasis: International Law and International Relations.

And here I was, holding an academic book in my hands that was supposed to introduce into International Relations (IR) and its theories. (I still see the cover in my mind, but don’t remember the exact title – but I anyway don’t want to blame an identifiable publisher.) At that time, I could not wait to get the latest academic insights into analyzing IR theories and especially geopolitics – a topic I took to heart, due to my background, my foreign military missions, and my future plans to somehow build a business related to geopolitical knowhow and issues.

Not sure where it was, but I remember coffee in my hand (a must) and – while looking at the book – the warmth of utmost pleasant anticipation. In an emotionally warm state not too far from what I otherwise only experienced when meeting with family, friends (I am strict with that term), or one of my admirable girlfriends from those early gentleman years. Having been brought up in a deeply history and literature loving family, certain books always had this effect on me. And this was one of them – until I discovered the content.

because of the money, but because of the *insulting* behavior. Unacceptable, because it is *not reasonable or honest*, but fooling someone. I can live with bad news if it is based on upfront/honest behavior. But I am too much a Scherlofsky, as that I could be *able* to accept being treated like a clown.)

Keep in mind, this was not some book representing the opinion of some professor, author, or even a school of thought. No, this was “the” IR overview and introduction from one of Europe’s leading university publishers.

Accordingly, when opening it, I could see that it covered even more schools of international relations than I had expected. More than 20, ranging from liberalist concepts to constructivist or postmodern approaches, and many more directions – and “globalization” was more or less the one “given” everywhere. The last chapter was “geopolitics”. Starting by stating that this was something from the 19th century and not relevant any longer.

At that moment I recognized for myself (I might have been mistaken and ignorant, but this was my clear conclusion):

Whatever the intended teaching purpose behind this “introductory literature” attitude towards geopolitics was, it could not have been to prepare students for world affairs.

Whereas – don’t get me wrong – my law school professors have been highly capable legal experts, many of them leading in their fields (such as my professors for Public International Law or for EU Law). I truly enjoyed their classes. It was just this weird sentiment in so many Western academic circles against Realism and geopolitics – which was neither the fault of my law school, nor its focus. In my mind, it was wishful thinking mixed with what I call “normative pedagogics”. I.e. “raising students to what they should think and preach in international affairs” over “making them able to assess things how they are, no matter how sweet or ugly the resulting pictures might get”. (Fortunately, the rest of my law school experience proved to be much more motivating, i.e. fitting reality, as I had been able to observe it.)

But I did not complain, or try to “change the system” (or the opinions of other students). Having always been used to divers points of views, I don’t take different opinions personally. Instead, I (1) said nothing, and just picked up my “A” in this and most other following law school classes. While (2) mixing it with elements of other university programs¹⁰⁶ (from economics, business administration, history, systems theory, political science) that suited the purpose. And (3) further developed the “trade of geopolitical analysis” through

- functions in NATO missions (analysis of actors and their systems in certain missions...);
- two Generals in the Austrian Army that became my personal mentors in geopolitics;

¹⁰⁶ Due to the lack of a geopolitical study program (and the lack of geopolitics in International Relations), I applied at two Austrian universities for having my own geopolitics/geoeconomics mix of classes accepted as an “individual master program”. But that bureaucratic effort went fruitless. In the end I ignored these rules of what I could or could not use for my master program, and just studied what I found fit, at universities where I found related classes. (Formally I eventually finished the general master degree (“Magister”) in Law. With an emphasis on International Law and Relations; which included a deeper dive in EU Law and International Business Law.)

- my time as a guest at a great university in the U.S. South for a while; and my exchange with a truly bright and admirable dean¹⁰⁷ at this university, who is specialized on geopolitics (and who is writing leading standard works on U.S. foreign politics & policies);
- U.S. private intelligence firms;
- my personal friendship and years-long work with some leading grandseigneurs of U.S. government lobbying (them being some of the most reliable and trusted characters one can meet in business and politics – very impressive personalities to me to this day; the opposite of loud voices and “much talk”...); and
- my time when I had the honor to guest lecture at a Special Operations School of the U.S. Government, in sunny Florida.

And from about 2010 on, I applied and further developed these skills in my private business ventures – being lucky enough to since then work with some of the brightest people in related practical areas, be they partners or clients.

Now, supported by that framework, it is overdue to start looking behind the curtain of noise, and observe the market relevant stage of the rivalry from the *perspective of geopolitical intelligence analysis*.

¹⁰⁷ Dr. Tom Lansford. I highly recommend his (many) books on U.S. foreign policy and strategy.

Book I, PART II: Summary of the Broader Situation in the Rivalry

**Or: Summarizing the Western post-Cold War Evolution
from Excitement to Ignorance to Confusion to Shock
to the Beginning of Learning, Adaptation, Decisiveness**

4. A West Conducting Strategic Lessons Learned



An Undergoing Lessons Learned Process in the West Is Readjusting Worldviews to New Realities

Now the Western power centers are already working on Lessons Learned. A key process of "reflected evolution" central in National Security doctrines, from the U.S. Department of State (foreign affairs), to the Pentagon, and the centers of other NATO powers. Of course, especially those actors who stand in public do not like to admit that they had been incorrect or naive, and thus publicly often maintain an old language. But behind the scenes one should expect things shifting. And when looking at actions that make a difference, one can observe the effects of these slowly but steadily emerging lessons learned effects. As if carefully preparing audiences and turning a big, sluggish machine...

This process of shifting worldviews that results from the prior described threat realities and scenarios is something we should quickly reflect. Then we can better identify and interpret the U.S.-led Western pushback, and its market-driving policies, unfolding.

However, the topic and content of this sub-chapter will not be easy for some Idealists. For those Idealists, my dear friends (and I have some dear friends among you): Let me again play the *devil's advocate*. Don't agree with anything below – but if you explicitly and honestly self-critically reflect on it, your future idealistic performance might even increase. (See the approach and offer in the Preamble.)

The U.S.-Led West Starts Abandoning too Idealistic Post-Cold War World Ideas

In 2022 and 2023 most observers in the West had their awakening, shockingly recognizing that some post-Cold War concepts that shaped Western recent thinking have been a bit too flawed. To put it mildly. (As if in diplomatic cable talk, where you have to read between the lines.)

At least now (very late but not too late), everyone within the West should reflect coldly how the West performed during the last 20 plus years. And be it only because the realization that a lot went wrong is starting to drive American (geo)politics. First this happened among some factions within the Republican Party, now it is driving a bipartisan majority of both Republicans and Democrats (see Biden's re-industrialization and counter-China policies already mentioned). And this awareness will become stronger, not weaker. Whereas for our purpose, I would group and summarize the most critical lessons learned processes into the following three categories:

- **Decline in Geopolitics and Global Standing of the Western Model**
(Related to a Problem of Post-Cold War Political Idealism)
As outlined, from a global perspective, the West and its political model turned from being atop to declining in reach and influence. With non-Western great powers challenging the current positions of the West and its partners. (See Chapter 3.)
- **Deindustrialization-Driven Economic Decline in Parts of the West**
(Related to a Problem of Post-Cold War Economic Idealism)
In Eurasia, economically, the power moved from the west and north to the east and south. Relatively away from both Europe and Russia to China and India. Inasmuch as this was/is a win-win

(all grow, some more than others as they catch up), it was/is welcomed. And it was, *in part*, a win-win.

But substantial parts of the West (in Europe and the U.S.) suffered a less attractive fate due to deindustrialization. And that has now become one among the key drivers of America's bipartisan geopolitics. In many areas of the U.S., the ever more low paying service jobs did not adequately replace the old model of the American working and middle classes. A model that said: Work in classical industry and related services (their lawyers, the teachers of their kids,...), and be able to pay for your house, car, family life, vacations, health care, and good education (including college) for your children. A salary of an American factory worker often provided more living quality purchasing power than what many now earn: In "service" jobs (coffeeshops where you get mostly paid by a "feel good atmosphere") but also the growing number of less attractive "white-collar" jobs. Ever more cheap retail toys did not compensate for that decline. (I would not wonder why the demographics suffered too, since if people want good education/life for their children, it takes a long time for ever more people until they feel economically far enough in life – if at all.)

- **In the long run, the Dollar Could Decline and the West with It – in a Fate Similar to the One of the British Empire**
(Related to a Problem of Post-Cold War Economic Idealism Worsened by the Problems of the (Geo)Political Idealism)

A growing number of economic and geopolitical experts I take seriously, as well as political key players critical for our purpose, suggest more or less the following (see the parts and sources about the U.S. Dollar across the Books Series). Which is again a return of Realism contradicting forms of post-Cold War Idealism:

Unlike what some post-Cold War economic idealists suggested, in the very long run, it is not irrelevant where production takes place.

- Yes, it is still true and vital that by far not everything needs to be produced in the West. Utilizing comparative advantages is a key factor behind the free market success story of both developed and developing nations.
- But a too deindustrialized West (merely following the economic Idealism of "just numbers on a globally equal sheet") at some point
 - lacks geopolitical power (no defense industrial base, no ship building capacities, shift of geopolitical influence due to leverage by those who control supply chains,...). And
 - the national production capacity variable in the very long run affects the power of a currency too (trade balance and economic stability). Plus
 - unnecessary environmental costs plus logistical risks (higher in the years ahead) are caused whenever goods are produced far away, if they could be produced (for decent costs) locally or regionally.

After all, the U.S. Dollar system (Bretton Woods 1944) emerged when the U.S. had been the military power number one and had half of the world's GDP, related to the largest production capacities.

(We will cover the U.S. Dollar position, especially the question of the geopolitical drivers behind it, in Book II in detail (related to Steps 5, 7, and 10 in our Process). In short: The U.S. Dollar could not be replaced soon, i.e. not in a few years. But it would be threatened in a creeping fashion, over several years, *if* the U.S./West would continue the idealistic post-Cold War path and not counter the direction.)

This being related to both of the above trends, since the status of the U.S. Dollar is related to America's geopolitical power, but furthermore this status cannot be maintained forever with uncontrolled trade deficits.

Would the post-Cold War trend against Western (key) industry production and geopolitical power not be rebalanced to a certain degree (especially in strategic industries) during the “decisive decade”, the continuation of this “idealistic post-Cold War economic path” could trigger a dire and ugly decline of the West. Similar to the path of the British Empire and its Pound Sterling. Whereas not only is the path downwards that Britain took less admirable, it would be worse in this case: The British Empire could piggyback on the U.S. Empire after 1945. But what would the West do?

Whereas I cannot follow any of the suggestions (and anti-Western propaganda) that such a decline of the “Western (U.S. Dollar) world” would be “fair” or “better for the world”. Be careful what you wish for – especially out of romanticism. It would get ugly. Very ugly. For life and business in the West and in most other places, too. (See the chapter “Revealing the Underlying Leanings and Biases” in the Preamble...)

However, under the hereunder likely scenarios, this will not happen, *because* the 2020s are the years where the U.S./West still has the ability to turn the ship and reverse / rebalance this development. Which the U.S. has started to do...

BTW: These above realities are also *aligning the interests of “Wall Street” with the ones of U.S. manufacturing and “Mainstreet”*. Another internal game changer in the U.S. While Wall Street is undoubtedly a key contributor to the overall wealth, power, and success of the U.S. and its citizens, during the post-Cold War years the fate of Wall Street and U.S. manufacturing plus related services took at times different paths. (Which is regularly the case within all economic systems: Different groups only at some times move in the same direction and with the same speed.) This is changing:

- After all, over the coming years, “Wall Street” would decline with the U.S. Dollar and U.S. geopolitics.
- And moving to an ever more self-confident Chinese Hong Kong in the 2030s, will not be a feasible and attractive option for most who now make their wealth in New York, San Francisco, LA, Chicago,... Besides: Among U.S. bankers, brokers, and investment managers one can find enough who are as much U.S. patriots as they are capitalists. More than a few having even volunteered in the U.S. military and its global operations.
- Wall Street too would like to see the West and U.S. (Mainstreet) flourishing and the Free World Order remaining in place.

Whereas in the center of these Idealisms-driven failures rests the weak performance in managing great power relations...

The Late Realization that the West Has Failed in Matters of Great Power Politics

As always, when an established system is losing ground, it's not just adversaries that are behind it. All systems make mistakes, and it is up to the West to reflect, learn, adapt regarding the fact that some things went wrong during the last 20 to 30 years.

And it is indeed one of the strengths of the U.S. and the Free World, to be self-critical and learn – *it just takes time and periods of crisis*, until this happens well enough. For good reasons, democratic leaders rarely turn ship, until the pressure/need is big enough. *Then* those democratic powers that have a survival instinct (like the U.S.), actually make even the (only seemingly) “impossible” possible.

Overall, the U.S. and Europe, have failed to succeed with their foreign policy approach and culture since the 2000s. As especially “Realist” academics¹⁰⁸ as well as geopolitical analysts stress out.

- In the 1990s, the West was wealthy and secure: Neither China, nor Russia, nor other powers (from Iran to North Korea) posed any threat to Europe, the U.S. or other key allies. And vital goods (from oil and grain to high tech components and finished products to market) could be shipped securely.
- 20 years later however, things look different.

Which is especially linked to a failure in great power politics with regard to China and Russia – where something went very wrong, while the West wasted too much resources and energy in too often fruitless nation building and similar idealistic projects outside the West.

Some projects or components thereof have been success stories, such as defeating the Taliban and Al Kaida in the early 2000s, or certain humanitarian aid or military local support projects. But overall (left/right/other) Idealism created little or bad outcomes, while distracting from realistic great power politics:

1. **The Recent Approach of the West Failed vs. China**

As outlined before, “back to communism China” has started to work on replacing the Western-oriented world order and the related dominance of democratic free market models.

2. **The Recent Approach of the West Failed vs. Russia**

At the same time, in the last 15 years, the West could not find a way to manage relations with Russia.

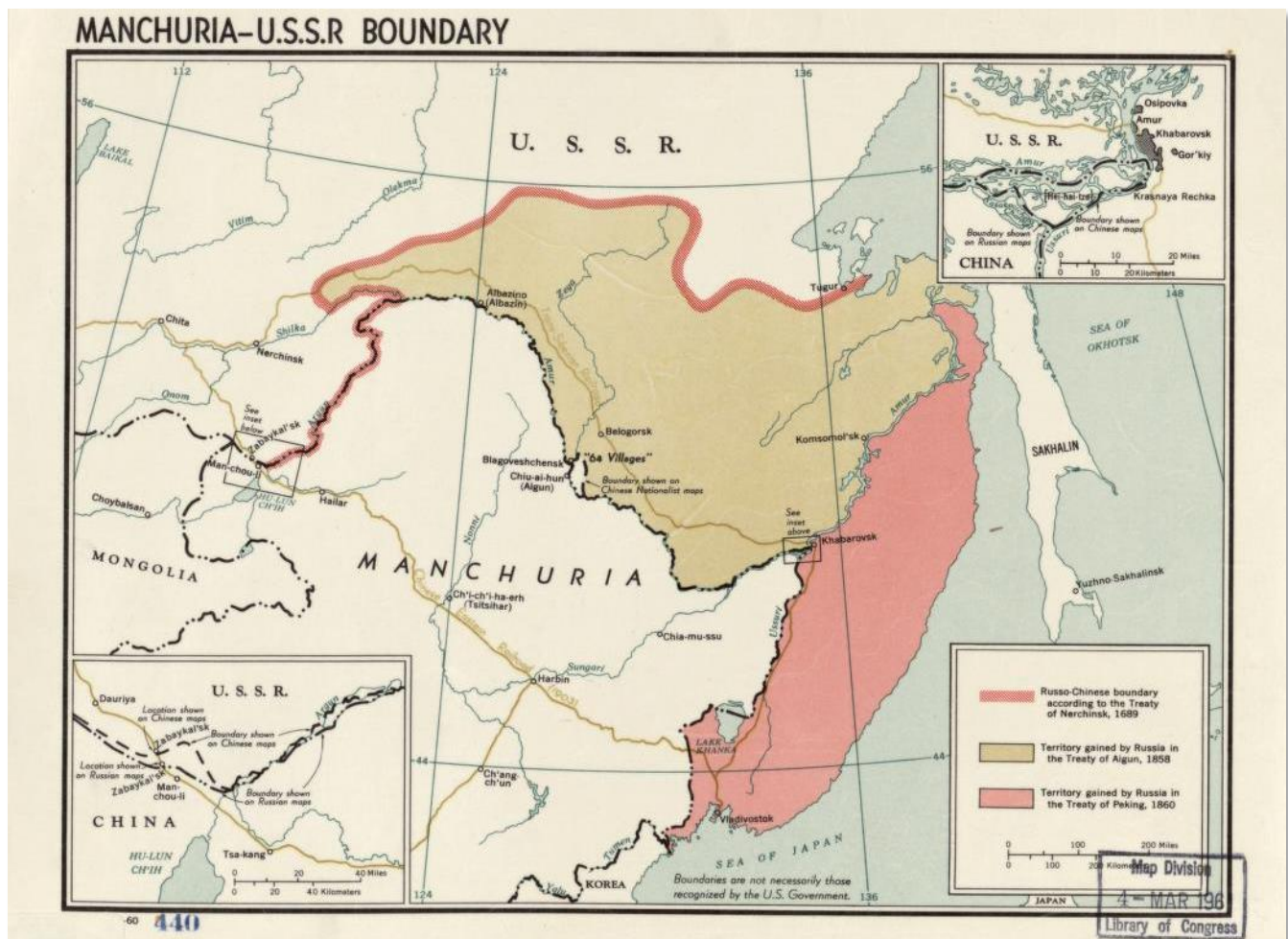
While this is of course only partially within the Western power to do, nevertheless did the West neither (a) win Russia as a reliable partner, nor (b) deter Russia from going as far as even using conventional military force in the center of Europe.

That too being an amazing stunt, with the West (mostly Europe) falling from peak to bottom. From being a bloc with geopolitical/military power, to *within its own region* being a dangerous vacuum inviting(!) aggression from state and non-state actors.

¹⁰⁸ Exceptionally good among Realists, especially in describing this failure of recent U.S. foreign policy, is Stephen M Walt, professor at Harvard Kennedy School. Here making the point in about 30 minutes in 2019 (at Chatham House, UK's leading geopolitical think tank): <https://www.youtube.com/watch?v=KsQYkvDB9L4&t=2494s>

All that despite the fact that Russia, like the U.S., has a vital long-term interest in joining the efforts of stopping China from becoming the hegemon of Asia. Since Russia is the great power most directly threatened by the rise of Communist China.

- Consider, e.g. how a Russia that gets ever more sucked into a Chinese economic-technological infrastructure sphere eventually loses the control over its population and elites – especially in the east. It would be clear that a superpower China, not an “attached Russia” that lacks any advanced alternatives and partners in the West, would deliver and control the IT technology (AI influencing news, social media,...) in Russia, as well as wield ever more financial power (deciding over bank accounts and income). And, since IT components are single sourced from China, China would be ever more able to constrain Russia’s military industrial base – and even the use of military systems/products (due to the increasing degree of digitalization and due to the lack of being able to understand/maintain products without the manufacturer). Should Russia get weak enough, it would even face a military superpower that might play hybrid warfare (below the nuclear escalation threshold). Remember: Even the USSR and Communist China had fought border wars in the late 1960s. And historic thinking China has not forgotten how Czarist Russia expanded into “China’s” East Asia.



A now declassified CIA map from the Cold War, that shows some of the territories that China had to give up vs. Russia. During the period when it was weak and under pressure from Russia, Japan, UK,...

Source: <https://www.loc.gov/resource/g7822m.ct002999/>

- This, not NATO, being an existential threat reality to Russia, eventually. And the *very* geopolitical and internal security thinking Russian elites know that. Which in the long run makes Russia, like India, a key “swing power” in the U.S.-China rivalry. One that might be ready to rather side with the West... Don't be surprised when another “Kissinger move” this time brings Russia to the Western side. Maybe after a “transition period” in the mid-2020s, based on a Ukraine solution. These questions offer no “geopolitical givens” (no Geopolitical Channels in our model) – but important geopolitical potentials/scenarios. The related AOI (“Areas of Interest”) that can be indicators for such seismic market shift scenarios should be monitored soon. (We will show how to establish such geopolitical intelligence processes with an operational value for businesses in Books II and III.)

3. The Recent Approach of the West in Maintaining Influence in the Global South Failed

This is, of course, a complex issue with mixed realities, but the net assessment and trend is dangerously negative. To pick and summarize key aspects to consider and monitor:

- As outlined before, outside the West BRICS is astonishingly quick growing in popularity and members, and creating a “counter reality” vs. Western policies at the same time.
- Related to that, in recent years, a negative trend accelerated in Africa and South America. And led to, among others, a series of not less than seven military coups in Africa. All of them contrary to Western security interests. Directly against French-European standing.
- One key aspect of the development is how much more effective China has become in winning others. Compared to a recent moralistic Western approach that had adverse effects – on both elites but also populations elsewhere.

- A story now increasingly told among those Westerners in the field of diplomacy, best nails this difference between the Chinese and the Western approach: An African leader supposedly replied to Westerners shocked by their lost position:

“You deliver us lessons. The Chinese deliver us airports.”

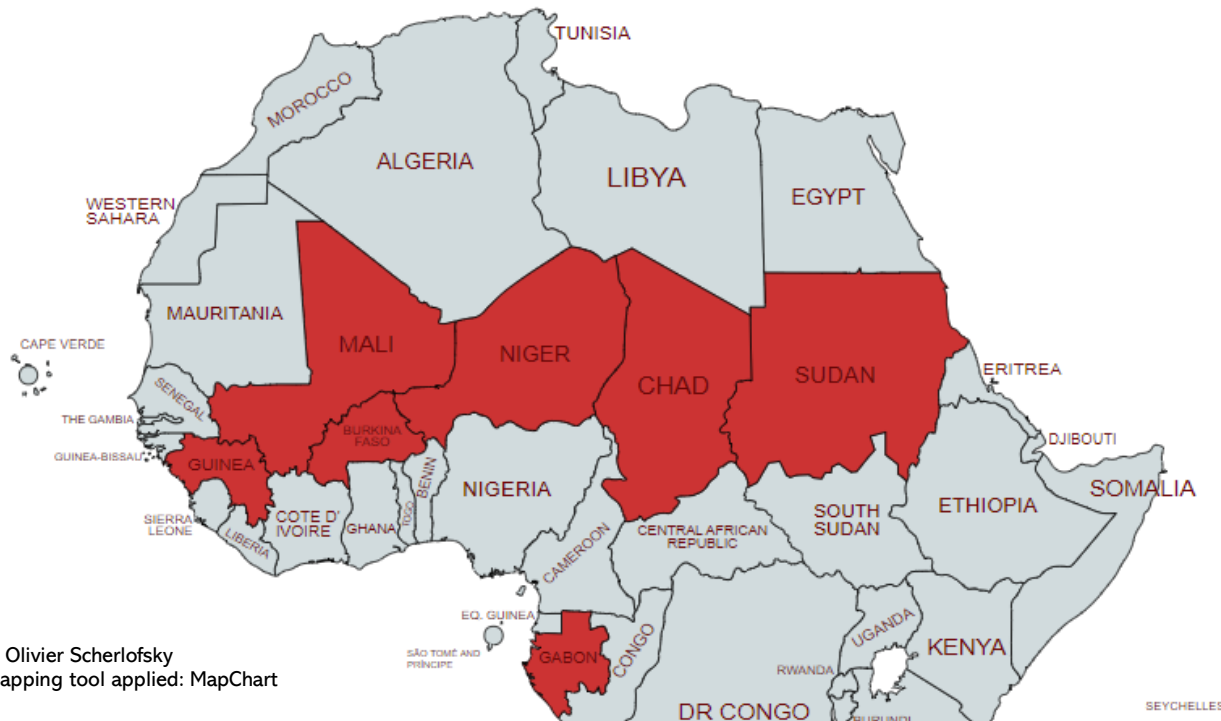
- I would like to add another telling anecdote that a friend and diplomat told me from his personal experience in the field: He had to deal with frustrated local officials complaining about how the West is spending large amounts of development money, that do not translate into effects for either the people or the government functions they are supposed to develop. Interesting is the reasoning this official has provided:

“80% (of a very large amount!) is spent for consulting and to train us concepts about how

to use systems we don't have, or ESG approaches that don't work here."

Again, one of many observations increasing the suspicion that Western Idealism has created self-centric ideas that are not likely to make the West win the contest against Communist China & Co. Nor help locally. (But this well financed Western Idealism has become good business for some – not all of them well intended, as e.g. the latest hold regarding Western funding for UN organizations indicates.¹⁰⁹)

**Global Worsening of the Order, Example Africa:
Anti-Western Coups 2021, 2022, 2023**



¹⁰⁹ <https://www.reuters.com/world/britain-italy-finland-pause-funding-un-refugee-agency-gaza-2024-01-27/>

Historic Cycles of Realism → Idealism → Realism → ...

Thus: Never before did modern societies (the West) spent so much wealth to “save the world” (on military missions in Iraq/Afghanistan, on NGOs, on development,...), focused so much on “world problems” and opened themselves so much. Backed by beautiful ideas. But at the same time, geopolitical and sociopolitical realities went south for the West – and many of the ones the West thought it would help. Lose-lose.

Too often wishful thinking and “good meaning” created the opposite of “good outcomes”. A well-known problem of complex human affairs. And one of the core phenomena that drives certain cyclical patterns in the histories of societies/nations (but also dynasties or corporations in a more abstract sense).

This can be simplified as follows:

1.A. Realism Can Build Stability, Norms-Based Orders, Security and Wealth Within and Among Nations

Realism-driven cultures are capable of building strong societies and economies, with strong and wealthy nations, as well as feasible world relations – since they focus on their own and mutual interests. Security. Wealth. Wellbeing. Stability. Positive cultural and social life and societal peace.

1.B. Tendency of political systems that lack security and wealth or undergo sharp declines

2.A. Security and Wealth Tend to Foster “Unbalanced Worldviews and Goals” Idealisms (Left/Right/Business)

The Challenge of Ever Loftier Goals:

Strong, wealthy societies and nations (built on *Realism*) tend to create *too value-driven and optimistic* cultures. Such as

- On the *right* e.g. **unrealistic adventurism or control obsessions**
“We are superior. We can conquer others. We don’t need to consider the interests of others. ...Let’s start wars!”
- On the *left* e.g. **“self-angry” ideologies**
“We are responsible for... why haven’t we saved... we need to stop doing... it is purely the fault of the “Haves” that others “don’t have” or are violent...”.

Example of Great/Rich State Autism Creating “Helper Syndrome Structures”:

It is good to have lofty visions and/or to focus on helping others. And to overcome structural injustice. As long as such ventures create positive net effects and are not just *hidden self-serving exercises*.

Thus, every value or good goal can be overdone; and then create the circumstances that destroy the foundation of the already much better life. Businesses, individuals, and nations can grow with big visions – but also break, if they go too far and ignore the countereffects of reality. Furthermore, every good system that tries to become too good while not defending itself will be pushed aside or replaced by the ruthless (and thus much worse places). Herein lies the main threat of “great/rich state autism” Luttwak has identified:

These *too optimistic while also self-angry ideologies and their followers then “help” degrade the foundation* of their good and secure lives that allowed them to be free, over-optimistic, and/or self-angry. In certain cases it also tends to don’t help the “Don’t Haves” since it pictures them as “structural victims” – which makes it very difficult for them to self-reflect, motivate themselves, and improve (“my discipline/performance works” vs. “I am a victim – it is the fault of others!”). Furthermore, inasmuch as such “doing good” becomes too much, it partly shows self-destructive effects: Then, a “helper syndrome” becomes a (1) business model and/or a (2) self-esteem provider for too many – both highly egoistic motives for “altruists”. This then, in part, becomes destructive for both the “helping” society and the “helped” groups. And in order to maintain this model against the factual experience, many “helpers” become increasingly ignorant, intolerant, and/or radical towards any contradicting message, reality observation, or group. This in turn, after years of growing “blind too much”, (3) deligitizes the entire approach, and drives ever more others against it.

2.B. or 4.B. A Lack of Security and/or Wealth Fosters Threats from Right or Left Wing Idealisms

Radical Right Idealism Rising:

Right wing Idealists offer “simple” pictures about “ways out” by blaming others inside and outside a nation. This then most likely creates utmost harmful attacks inside and outside the country.

Radical Left Idealism Rising:

Left wing Idealists claim “fairness” but (a) need others to take from, (b) rely on totalitarian control to enforce their ideas as well as the destruction of old values/culture, and (c) create utmost harmful effects at least inside a nation.

Both right and left wing Idealisms are in the end self-destructive. And in both cases, the worst in human beings comes to earth. Especially among those who claim to follow their “values”.

4.A. Degraded Security and Wealth Swing Societies to Realism

... which then eventually – after rough years – has the potential to lead to 1.

Way out

3. Flawed Idealisms Degrade Security, Wealth, and Social Peace

Making things worse

Right now, the West is in a slow process of moving from stage 3 to stage 4.A. And this direction (the actual “way out”) will continue, if our most likely (i.e. base case) Scenario Trend B develops further.

Driven by this and other trends, most likely first in the U.S. and then in Europe, political landscapes, parties, and coalitions will be reshuffled. A reality that – while not being any focus of this Book Series – is still relevant for our geopolitical topic, and recommends a quick excursion deserving its own sub-chapter...

The Revival of Conservative Values in the West, and their Increasing Success – on the Right, Center, Left

The intensifying geopolitical and geoeconomic tensions are not only a foreign policy matter. But – merged with related and unrelated internal politics and issues – also a catalyst for a shift in beliefs in the West. The recent ideological dominance of “progressivism”, as characterized by idealistic policies and post-national visions, is beginning to wane.

What emerges in its place is a resurgence of conservative thinking that prioritizes sovereignty, economic resilience, security, military readiness, and traditional social values, such as support for the concept of family. (That pro family policies help winning elections across the globe, should not surprise. In global polls, family is the most universal of all values.¹¹⁰)

This transformation is not confined to geopolitics but is fundamentally reshaping the political landscapes of both the U.S. and Europe. Conservative movements, which align naturally with Realism's focus on national interest and pragmatic governance, are poised to capitalize on this changing mood. Whether through new coalitions like MAGA in the U.S. or a revival of traditional politics and policies in countries like Germany (“pre-Merkel CDU/CSU”), we expect a shift in big perceptual concepts and ideas alongside the geopolitical reshuffle.

Whereas on the long run, this does not have to block Democrats in the U.S. or Social Democrats in Europe from regaining a stable position during the years ahead. Rather, the latter will depend on whether those parties can return to more moderate and centrist positions by abandoning some of the recent “world idealism” and progressiveness they sport nowadays, such as on matters like immigration, industry/energy, and culture (“wokeism”, “identity politics”, “anti-colonialism”,...).

In that sense, below we explore how the Return of Realism is most likely driving a broader belief system swing in the U.S. and Europe.

U.S.: A Conservative Resurgence Rooted in Realism

Although not understood by most when it happened, from the historic big picture view the election of Donald Trump in 2016 marked not an outlier, but a watershed moment. One that not least signaled a growing public dissatisfaction with the “world idealistic” thinking, approaches, and policies that had dominated the post-Cold War era. **Trump and the movement that is consolidating under him are a harbinger and symptom of the years and decades ahead. A severe counter reaction to too much Idealism that from the perspective of ever more people got out of control.**

Not coincidentally, with regard to foreign policy, under the Trump administration the U.S. adopted a distinctly Realist approach to global politics. This was evident in the 2018 National Defense Strategy, which prioritized great power competition, and in the recalibration of trade policies to counter China's growing economic influence. While these measures were controversial at the time, they resonated with an

¹¹⁰ As for example measured by the WEF, out of 56 values, family is the top value around the globe, from Europe to SE Asia:
<https://www.weforum.org/agenda/2020/11/values-graphic-care-behaviour-family-love-tradition-free-speech/>

electorate increasingly concerned about *personal* economic insecurity, cultural fragmentation, and the path and results of America's geopolitics.



Success through Realism on the (Center-)Right: Donald J. Trump – a harbinger and a symptom of the new Realism-driven age we are at the beginning of. He best represents and mobilizes the return to Realism on/from the conservative side. [Update second edition, August 2024: We consider him *most likely winning* the U.S. election 2024.]



Success through Realism on the (Center-)Left: In the U.S., Democratic politicians like **Joseph A. Manchin** (a businessman from West Virginia who became Governor and Senator) are most successful because they represent conservative values and resist against the recent progressive turn of their party – a turn towards progressiveness that is likely starting to severely backfire. [*Note from second edition, August 2024: The successful Manchin just turned from Democrat to Independent – confirming the effects of too progressive stances that in our assessment will harm the Democratic party dearly.*]

Other successful conservative Democrats examples can be found in the **Blue Dog Coalition of the Democrats** (logo in the middle), among others.

In the EU, conservative-leaning Socialists like those in Denmark are among the most successful European Socialists: Under the leadership of Prime Minister **Mette Frederiksen** since 2019, the Danish Social Democrats have implemented strict immigration policies while upholding Denmark's robust welfare state. The party has adopted policies to reduce asylum immigration and has supported sending asylum seekers to third countries outside Europe. They also emphasize Danish values, social cohesion, and protecting Denmark's national identity. Thereby undoing and resisting the turn towards progressiveness that is causing similar parties to lose ever more popular support. Parties currently trapped in their own zeitgeist and ever more shrinking sociocultural bubbles (such as "their" supporting media outlets that lose ever more credibility and reach), while not understanding what is happening, and/or refusing to execute uncomfortable reality adaptations.

Despite the change in leadership 2021, some key Realist foreign policy swings of Trump have endured. The Biden administration, while more restrained in tone, has largely continued the strategic focus on countering China and has even adopted certain protectionist measures reminiscent of its predecessor. This continuity underscores the growing bipartisan consensus around the principles of Realism in U.S. grand strategy.

Beyond foreign policy, the American public's appetite for progressive agendas has waned. Rising inflation plus perceived government inefficiency and incompetence (all attached to ever more government spending and agendas under idealistic labels) and public frustration with social policies perceived as overreaching have fueled a broader cultural backlash. Particularly new conservative movements are capitalizing on these frustrations, uniting diverse factions (and Americans of different heritage, from European, to Latin American, Asian, and Afro-American). And rallying around themes of cultural tradition and stability, economic self-interest, as well as national strength and law/security mixed with more restraint (less burden and military interventions) on the global stage. ***This cultural trend too is forcing a return to Realism, as it underscores the necessity of prioritizing national interests over "global ambitions".***

Looking ahead, the stage is set for a new conservative coalition to consolidate power in the U.S. The electorate's growing disenchantment with progressive governance, combined with the external pressures of systemic competition, creates a fertile environment for Realism-driven policies to take root. This shift reflects a ***deeper structural realignment in American politics***. As it is seen every few decades. The last time particularly during the 1980s ("Reagon Revolution": many blue-collar voters joined the Republican side, attracted by Reagon's charisma, economic policies, strong anti-communism, and traditional values), and before that during the 1960s (the majorities of the South shifting from 100 years of being Democrats to becoming Republicans). For more on this U.S. shift, see pages 362 to 365.

Europe: Realism Reshaping the Continent's Political Landscape

In Europe, the return of Realism is also making itself felt, albeit through different mechanisms. The EU of recent years has been defined by progressive ideologies, particularly in areas such as climate policy, migration, and global ambitions. However, as outlined in the related sections in hereunder book, Europe faces unique challenges that demand a Realist recalibration. The continent's reliance on external powers for energy and security, combined with the economic disruptions caused by global competition and supply chain shocks, has revealed the limitations of its idealistic agenda. This, combined with social and cultural issues, has fueled public discontent, creating opportunities for conservative parties and movements to regain prominence. In Western Europe, countries like Italy offer early examples of this trend. Such countries have recently elected governments with explicitly conservative platforms, emphasizing law and order, cultural preservation, and economic sovereignty. These shifts reflect broader European frustrations with progressive governance, particularly in areas such as immigration and economic policy.

Example Germany: Likely Turnaround in the Years to Come

Germany will likely present a future case study in this broader European transformation. The country is currently (more or less since the "Merkel

years”) riding a highly idealistic and progressive wave, exemplified by its ambitious climate policies, and liberal migration stance despite ever more growing tensions. Under the leadership of the Greens, the Social Democrats, and progressive factions within the FDP, Germany has positioned itself as a global leader in progressiveness, moral talk, and “we change the world” ambitions.

However, this wave is showing ever more signs of strain – and in our assessments is unlikely to survive the years ahead. For example: The energy crisis triggered by the conflict with Russia as well as Green and anti-nuclear policies has exposed the vulnerabilities of Germany’s new “progressive economics”. Public frustration is mounting as high energy costs, economic uncertainty, and industrial stagnation undermine confidence in the government’s progressive agenda.

As these challenges deepen into a structural crisis (happening every 20 to 30 years in Germany), Germany is likely to at some point experience a swing back toward conservative politics and policies. Since, the traditional values of the CDU/CSU prior to Merkel – emphasizing national interests, pro-business policies, and pragmatic governance – offer an alternative to the current administration’s Idealism. An alternative that is likely eventually realizing itself – after long and painful learning processes (within CDU/CSU and Germany) ahead. *Such a capability of Western democracies to swing and transition in their political directions as part of a “political learning and evolution process” being actually one of the strongest advantages democracies hold over authoritarian systems.*

Should (less likely but thinkable) otherwise Germany stick to a path of moralizing, deindustrialization (wealth destruction), and similar attitudes, instead of eventually adjusting course and recovering, it would become even more a driver for Realism: By turning into an unintentional bogeyman, repulsive warning, and living example for an Idealism-driven crashed society to everyone around them. Thus, it then would not only have lost much of its influence in Europe, but push others even stronger away from a Realism-denying “example”. This, however, would be bad for not only Germany itself, but substantially and structurally weaken and threaten the whole EU and NATO. Another reason why it is unlikely that Germany would not adjust, as it does usually after severe phases of crisis.

Example Eastern EU Members: A Revival of Old Values Retained by New Members

In assessing Europe’s ideological trajectory, one cannot overlook the critical role of its Eastern members. Since joining the European Union, nations such as Poland, Hungary, and the Baltic states have maintained a steadfast commitment to traditional Western values – those rooted in the defense of sovereignty, national interests, strategic thinking, as well as cultural continuity and related social stability.

After the Cold War, much of Western Europe embraced an idealistic zeitgeist. This worldview assumed “the end of history” and took the deepening of globalization and liberal internationalism as unchallengeable truths. The nation-state, borders, and defense were dismissed as relics of a bygone era. However, Eastern Europeans, having endured decades of Communist rule, joined the EU and NATO for precisely these “old-fashioned” values: sovereignty, economic strength and wealth generation, national pride, as well as robust geopolitical military commitments.

While Western elites often labeled their Eastern counterparts as backward for resisting the post-Cold War ideological fashion, history has vindicated the Eastern Europeans. As the progressive Idealism of the post-Cold War period loses credibility, the pragmatic Realism of Eastern Europe is emerging as the new avant-garde. These nations, having preserved their focus on functioning nation-states and vital interests, are now filling the cultural and ideological vacuum left after the recent years of progressivism.

The Eastern EU members are leading by example, whether through their role in NATO or initiatives such as the Three Seas Initiative and the Visegrád Group. Their contributions to strengthening European defense, ensuring energy independence, and asserting cultural resilience provide a blueprint for the continent. Poland's proactive pro-NATO and pro-military politics and Hungary's consistent emphasis on strategic issues like energy and border security are emblematic of the Eastern bloc's strategic foresight. These nations have not only positioned themselves as indispensable allies within NATO (this being even true for Hungary, which does not want to leave the EU or NATO) but also as the ideological standard-bearers for a Europe rediscovering its Realist roots.

In short, Eastern Europe is most likely to become the cultural and ideological compass of the EU, signaling the direction for the years ahead. Their approach resonates not only within the EU but also with transatlantic allies and business leaders seeking stability and pragmatism in an increasingly volatile world. *After all, a U.S. that we expect returning to Realism (and conservative values) will support a Europe, and those actors in Europe, that/who fit to its own internal and external course.*

Conclusion: The Ideological Landscape Is Undergoing a Profound Transformation

The West's ideological landscape is undergoing a profound transformation, driven by the imperatives of systemic competition and domestic discontent. The return of Realism is dismantling the progressive dominance of the past two to three decades, creating fertile ground for conservative movements to reshape the political future. Considered from our geopolitical topic, not least the U.S.-China rivalry itself demands policies rooted in pragmatism, power, patriotic values, and resilience. Conservative movements, with their alignment to these principles, are poised to benefit from this geopolitical mega-trend.

In the U.S., this shift is exemplified by the resurgence of MAGA and the enduring appeal of Realist policies that prioritize sovereignty and strength. In Europe, the cracks in progressive governance are becoming increasingly visible, paving the way for a revival of conservative parties and ideologies.

At the same time, most likely only those (center-)left parties and politicians in the U.S. and the EU will have a brighter future, which/who learn to adapt (and abandon recent "too much" Idealism such as represented by ever more unpopular "wokeism" or economic policies that deindustrialize and tend to eat the wealth of broader segments of the populations – driving working and middle class voters from the left to the right).

Whereas this Realism-driven return of traditional values is – as always – affecting the culture of businesses and their markets/consumers as well...

Rallying Under the Flag - Prepare for the Return of Old Values in the Corporate World

In the U.S., this learning process is driven by formal and informal institutions – in both the government and private sector world. In that sense, and as outlined in the respective sections across the book, the typical process of defending the U.S. nation against an upcoming geopolitical rival starts with (1) the National Security Community (think tanks,...) and the National Security State (CIA, Pentagon,...). Then continues into (2) the world of the U.S. Congress and the White House.

From there it then eventually (3) flows and trickles down into the private sector: First it tends to steer the Old Industry of Corporate America, then New Tech, then Wall Street. Eventually even the universities, entertainment, and media sectors.



Wall Street and
Corporate
America are
returning to their
traditional
patriotism
culture.

And the National Security Community is stressing out the importance of this **process to capture the private sector**. For example, U.S. Congress expert witness on Chinese gray zone threats, Elisabeth Braw (American Enterprise Institute), refers to the last Cold War as a period where businesses have been prepared to deal with geopolitical markets and threats, because their **corporate leaders identified with their nations** and saw it as a civic duty to be **patriotic** for their country and their allies (i.e.

the West). And she identifies this as again becoming the *role model* behavior that needs to be fostered and expected.¹¹¹

This old and new approach has started to work: The first leaders in traditionally “globally oriented” U.S. industries (thus, not just the defense sector or local business), from high tech developing to banking, already start to stress out how patriotic they are.¹¹²

In Europe too, all the sudden more and more of the largest corporations and consulting companies (“Big Four” among them¹¹³), but also media groups, heavily emphasize openly the importance of defense and defense industry – no more of the recent perception of “tanks being evil” or at least “a thing of the past”. And no more hiding of such topics from the public. National defense is becoming ever more sexy, again.

These first slow but eventually steady cultural change effects should not surprise. The cultures of systems adapt to changes in the structures of their realities, as well as to the expectations of their stakeholder environments. But (as Systems Theory and empiric observations show) these adaption effects lag: Social actors (such as businesses or individual managers) need a while (up to many years) to understand broad changes in the world, and re-stabilize their ideas and cultures so these fit to a new normal.

The Path of Corporate Culture – Always Following Geopolitics, Eventually

This “natural adaption” in corporate culture results in a counter-cyclical problem for those who are slow. A problem well known in other areas of

¹¹¹ So here in an interview with U.S. Congressman Dan Crenshaw:

<https://www.youtube.com/watch?v=qBJQdkEzYXo&t=8s>

¹¹² I recommend listening to the CEOs of (a) one leader in the software sector, Palantir, and of (b) the world leader in banking, JPMorgan Chase:

CNBC: Palantir CEO Alex Karp on Creating AI Advantage for the West

<https://www.youtube.com/watch?v=c21HmgqyMG4>

Bloomberg: JPMorgan CEO Jamie Dimon on China

<https://www.youtube.com/watch?v=O8s2mFAFFCs&t=777s>

Dimon stressing out how “*everyone knows I’m an American patriot*” as well as an absolute capitalist. And that while they hope for the best in and with China and want to continue their good business there, they would do what is necessary should it become necessary: “[...] I am an American patriot. I will do it. My government tells me – I’m going to salute like anybody else [...]” *Emphasizing the importance of National Security* for America.

And even talking about being open to possible future personal political roles for America (“I love my country”), while emphasizing that JP Morgan is helping Americans and others too. (This very good interview is almost 20 minutes long, and of course he says much more, especially with regard to how JP Morgan would like to do business in and with China as long as feasible and good business for them. Thus, to get the full picture, one has to watch the whole video.)

¹¹³ Look what they start posting in social media and on their webpages...

the economy (think about the famous pork (market) cycles¹¹⁴). Current perceptions, models, cultures, and organizational institutions fit to something that was needed years ago. While times (as always) change meanwhile. A chronology of these geopolitically driven business culture cycles can be summarized as follows:

- **The (last) Cold War:
Patriotism-Shaped Culture of Corporations**
During the Cold War, managers, lawyers, banks, businesses, and investors knew markets are geopolitical. And that they had to stay within the “bounded orders” of their system, and trade within their nations and group of allies/friends. (Otherwise they had either been (a) in niche sectors or functions, (b) adventurous risk-takers, or (c) illegal in what they did – being anything between smugglers and traitors.)
- **From the 1990s to the 2020s:
The One World Dream Shaped Culture
(in Order to Profit from Globalization)**
In the 90s and 00s businesses had to learn to become used to an open new world – a “post geopolitical world” so to say. Famously described by Francis Fukuyama as “the end of history”. It took these corporations years to grasp that new world, then more years to adapt their strategies, and then on top of that even more years to change their cultures.
Now many corporations have become great institutions for a “post geopolitical”, open world. Full of showcased morality (since they think it is what markets want and what helps their business). Finally, feeling “post-modern” and ready for globalization. The problem being: They are years behind. And now the unique period in history where the world was actually open, internationalized, and globalized, is transforming into a blocs world.
- **The Years Since 2022:
Return of Patriotism-Culture in Business
- National Security Is Sexy, Again**
More and more Western corporations shift back to their old culture of National Security being a top value. As always in in processes of adaption and adaptation, some being quicker than others.
 - I. Whereas, some of these avantgarde corporations relate this cultural adaptation to an actual “business among friends only” strategy; while
 - II. others within the same group of patriotism promoters try to stay in China for now, but stating that they are “patriotic and ready to

114 A description for a key phenomenon in certain markets: Where suppliers observe markets and adapt their production to the current supply-driven prices. The problem is, that they always lag behind: They increase production, because they see prices high thanks to a supply shortage. However, at the time they have more supply, too much supply is the problem and prices are low. Then they reduce production, just to be again surprised by high prices once they have their reduced supply available; and so on...

- do what they are asked to do, in case National Security needs it“.
- III. Whereas since businesses still need to follow profit rationales, this return of “patriotic business culture” will accelerate once (a) the geopolitical risks become too high (Chinese coercion, sanctions from the West, counter sanctions from China, risk of Chinese financial export prohibitions and expropriation in case of tensions or conflict, reputational damages,...), while (b) the new market opportunities in home and “friends” markets will increase. (These market opportunities are often linked to expectations and even legal obligations to be Western-oriented. E.g. to receive substantial subsidies, the supply chain has to be dominated by allied nations.)

Which brings us directly to the geopolitical pushback of the West against China which America is leading...

who are prepared for it will do better.

And this preparedness starts with (a) understanding and (b) managing the new quantities and qualities of global legal business risks. Which brings us to the first component of the chapter about America's hard power function and role in the rivalry.

7. America's Strategic Machine and How Its Answer to the China Threat Will Reshape the World's Markets



[PREVIEW CUT]

A Quick Dive into the Avantgarde Structures of the National Security Community: Its Leading Think Tanks

The National Security State is embedded in a broader National Security Community that provides continuity and coherence in grand strategic affairs. This community runs across the government, legislation (specific structures of the U.S. Congress), the National Security related business community, some interests groups and media outlets – and last but not least those top think tanks that shape the geopolitical information and policy content.

Think tanks are private organizations (“research circles”) with the goal of conducting focused research in order to produce practical policy content, knowhow, and recommendations. Whereas we – of course – are interested in the ones that focus on and shape U.S. geopolitics.

National Security Think Tanks: A Central Pillar of the U.S. National Security Community and America’s Grand Strategic Continuity

Some of the most relevant U.S. National Security think tanks and their political leanings. (*Most* of them are pretty similar with regard to defining Vital National Interests and the need to counter Communist China. Whereas I scan all of them from time to time – but have roughly five regular content providers. Here, one needs to find one’s own right mix):

- Council on Foreign Relations (“centrist”),
- Heritage Foundation (“conservative”),
- The Marathon Initiative (“conservative”),
- Brookings Institution (“liberal/left/progressive”),
- Hudson Institute (“conservative”),
- Hoover Institution (“conservative”),
- Center for Strategic & International Studies (“centrist”),
- Atlantic Council (“centrist/internationalistic”),
- RAND (“centrist”),
- American Enterprise Institute (“conservative/center-right”),
- Center for a New American Security (“centrist to liberal”),
- Center for American Progress (“center-left/progressive”),
- Carnegie Endowment for International Peace (“centrist”),
- Foreign Policy Research Institute (“centrist to conservative”),
- The Wilson Center (“centrist”),
- New America (“center-left/progressive”),
- United States Institute of Peace (“centrist”),
- Middle East Institute (“centrist”),
- Asia Society Policy Institute (“centrist/Internationalist”),
- Peterson Institute for International Economics (“centrist”),
- Belfer Center for Science and International Affairs (“centrist”),
- Chicago Council on Global Affairs: (“centrist”).

I have highlighted those that appear content-wise pretty relevant to me with regard to shaping current and coming U.S. grand strategy development. However, many of them I don’t know well enough – so I for sure missed some of relevance (above listed or not).

These few most influential think tanks are a true collective force of informal nature, since they shape and influence the overall knowhow and content of U.S. grand strategy development – but do so below the radar of daily news or social media (unlike activists and many loud interest groups that then blur the view of what actually matters grand strategically). These leading think tanks are a pillar of American strategic tradition. And guarantee a form of “collective intelligence” that is not to be underestimated. Learning from and about them is highly valuable for assessing where the geopolitical framework of global markets is heading....

Richard N. Haass, characterized this reality as follows – during his time as Director of Policy and Planning at the U.S. Department of State (in 2002, but no less relevant today):

“Of the many influences on U.S. foreign policy formulation, the role of think tanks is among the most important and least appreciated. A distinctively American phenomenon, the independent policy research institution has shaped U.S. global engagement for nearly 100 years. But because think tanks conduct much of their work outside the media spotlight, they garner less attention than other sources of U.S. policy [...]”¹¹⁵

Thus, these think tanks serve a central and old informal foreign policy role in the U.S., that in tradition and functionality is unique to America. In his report for the Strategic Studies Institute of the U.S. Army War College, Walter H. Leach summarizes five related critical functions:

“[...] think tanks serve civil society in five ways: generating ideas, providing talent to government, offering venues to gather policy professionals, engaging the public, and serving as a middle ground between opposing parties.”¹¹⁶

Think Tank-Like Structures to Be Considered

In addition, there are think tank-like structures to consider,

- sitting in the National Security State: Especially the research and education bodies of the U.S. military, intelligence, and foreign policy community. Such as the military academies: as well as
- in some bodies of some universities.

However: While academic structures are overall important for reflecting U.S. foreign policy and National Security, most cannot reach the practical level and direct policy influence of the leading think tanks. And that is inherent in the different characteristics they have and the objectives they serve.

And here it again helps to ask a leading insider:

¹¹⁵ https://ciaotest.cc.columbia.edu/olj/fpa/fpa_nov02_haass.pdf

¹¹⁶ From: THE NATIONAL SECURITY COMMUNITY, REVISITED
(Report Title: U. S. ARMY WAR COLLEGE GUIDE TO NATIONAL SECURITY ISSUES)
Strategic Studies Institute, US Army War College (2012)
www.jstor.com/stable/resrep12027.5

"[Think tanks] fill a critical void between the academic world, on the one hand, and the realm of government, on the other. Within universities, research is frequently driven by arcane theoretical and methodological debates only distantly related to real policy dilemmas. Within government, meanwhile, officials immersed in the concrete demands of day-to-day policy-making are often too busy to take a step back and reconsider the broader trajectory of U.S. policy. Think tanks' primary contribution, therefore, is to help bridge this gap between the worlds of ideas and action."¹¹⁷

So let's take a look at some of those actors and their products that matter most for our purpose...

Some Key Actors in the National Security Think Tanks to Watch

Numerous names come to mind, and some have already been named. We start with a key player that represents a relevant think tank on the conservative side - **The Marathon Initiative**:

From a grand strategic perspective Elbridge A. Colby (graduate of Harvard College and Yale Law School, having been active for the U.S. Departments of Defense and State, as well as in the Intelligence Community) is one of the key actors.

Since he (1) has shaped the American turn back to great power rivalry in 2017/2018 via the 2018 National Defense Strategy (NDS)¹¹⁸ (then as member of the National Security State: Deputy Assistant Secretary of Defense for Strategy and Force Development).

And since then (2) is getting ever stronger in pointing out that and how

- the U.S. should fully focus on one single top rival, in all civilian and military dimensions: Communist China. While especially militarily avoiding to be distracted by other issues.
- Not giving up Europe, but ensuring Europe covers its own share. (As he stressed out, Germany (the Western part alone) did so very well during the last Cold War, and is expected to do so again. For the sake of a mutually beneficial relationship.).
- Furthermore, Colby like other Realists is in general assessing that the U.S./West should "ideally have Russia as a partner" to balance against an Asian hegemon Communist China.¹¹⁹ Which, as outlined before, might become a development within this rivalry, in the long run.

¹¹⁷ https://ciaotest.cc.columbia.edu/olj/fpa/fpa_nov02_haass.pdf

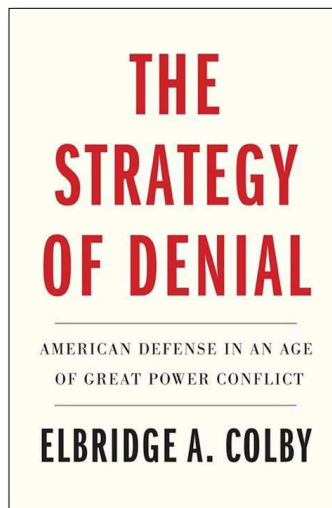
¹¹⁸ <https://dod.defense.gov/Portals/1/Documents/pubs/2018-National-Defense-Strategy-Summary.pdf>

The current one can be found here – and the similarities are clear (thus, the overall path is continued, from Trump to Biden):

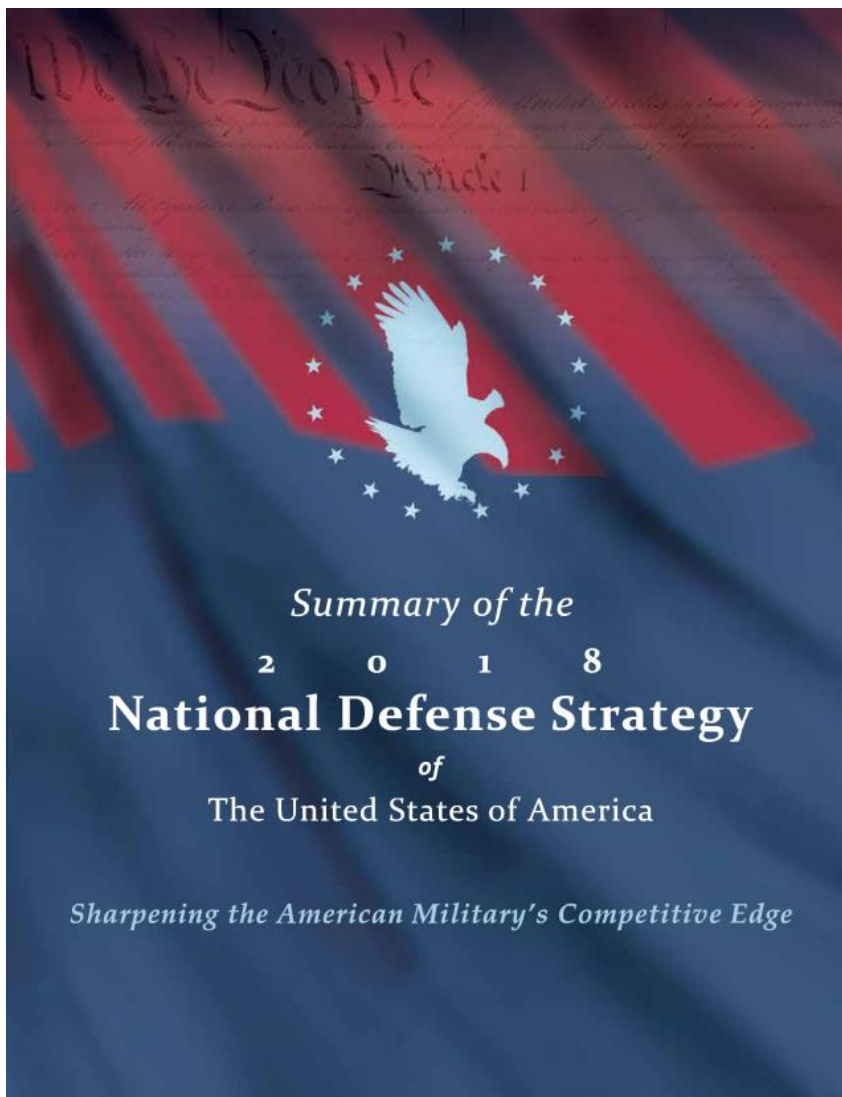
<https://media.defense.gov/2022/Oct/27/2003103845/-1/-1/1/2022-NATIONAL-DEFENSE-STRATEGY-NPR-MDR.PDF>

¹¹⁹ Such as during the following National Security Conference at the end of 2021:

<https://www.youtube.com/watch?v=GUT8W9fy7oM&t=799s>



Elbridge Colby and his recent policy recommendation book.



The NDS that had turned the ship, not least thanks to Colby.

Colby himself is the co-founder and principal of the named Marathon Initiative, a think tank with the mission to develop the diplomatic, military, and economic strategies that the U.S. will need to navigate a protracted era of great power competition. I urge everyone to follow his think tank.¹²⁰

Furthermore, while the military strategy of the U.S. isn't focus of this book, Colby's latest book (a defense policy recommendation) is an excellent aid for those interested in U.S. defense and alliance strategies: *The Strategy of Denial*¹²¹. If a quick podcast introduction is looked for, I can recommend Colby at the excellent show of a young and smart analyst for geopolitics and geoeconomics who receives ever more attention: Demetri Kofinas.¹²²

Now we look at the “other side” of the most relevant think tanks working on America's China strategy. Such as the **Center for a New American Security**; a think tank being considered as “centrist to liberal”. (“Liberal” in the U.S. standing for what in Europe would be called “center-left”, since “liberal” in Europe tends to be used for what is called libertarian in the U.S. A small difference in letters with a big impact in the meaning.)

Jonathan D.T. Ward works for them.



Jonathan D.T. Ward, receiving spotlight attention for his China policy book “*The Decisive Decade*” at the New York Stock Exchange, in September 2023. (Picture from Jonathan D.T. Ward.)

He is another “avantgarde content developer” on the China strategy, within the National Security Community. Especially with regard to the evolving economic dimension of the conflict, and how businesses are expected to take (proper) sides. (Holding a Dr. in China-India relations

¹²⁰ <https://themarathoninitiative.org/elbridge-colby/>

¹²¹ <https://www.amazon.com/Strategy-Denial-American-Defense-Conflict/dp/0300256434>

¹²² <https://hiddenforces.io/podcasts/elbridge-colby-american-defense-age-of-great-power-conflict/>

from Oxford University and actually having traveled China intensively; and being a consultant for the Pentagon on its China strategy.) In a policy recommendation book of him that was just published and is currently getting a lot of attention “within the Beltway”¹²³, he offers a glimpse into the direction where the economic warfare could go:

“[...] We have a kill switch to the growth of China’s economy. Economic containment is a matter of denying China the access and inputs [...]”

The Decisive Decade: American Grand Strategy for Triumph Over China¹²⁴:

“With a focus on the economic battlefield and in-depth analysis of the diplomatic, military, and ideological arenas, the world’s foremost expert on U.S.-China global competition offers a rousing, strategic call to action and playbook – harvesting all of our nation’s ingenuity, confidence, and will power – to out-compete the long-term strategies of China and its Communist Party.”

However, in order to understand the broader shift within the strategic culture of the U.S., it makes sense to not only look at those think tanks who are directly focused on the U.S. China rivalry, but on those think tanks and their minds who work on the big picture and long game of the U.S. And among those there is one think tank that in its importance for U.S. foreign policy grand strategy was, is, and most likely will remain different than all others...

Identifying the “Think Tank of Think Tanks” and Its Pivotal Role – Or: How the CFR Prepared America’s Turn *Years Ahead*

The preceding section highlights the latest initiatives from the U.S. National Security Community. However, the intellectual groundwork for countering a Communist China threat was laid years ago – not least crafted within the marble-clad, leather-adorned, wood-paneled rooms of some of America’s most prestigious think tanks. Thus, not only some leading *individual* experts (like John Mearsheimer, Peter Navarro, Robert Lighthizer...), U.S. Pentagon officials (like Andrew Marshall, Office of Net Assessment,...), and geopolitical intelligence advisors (many non-public), have predicted or recommended a pushback against China that contradicted the post-Cold War “rules” *a long time ago*. Some institutions of the National Security System, like think tanks, raised their influential voices too. And among those “*institutional early alerters*”, the *Council on Foreign Relations (CFR)* is most notable. For several reasons.

COUNCIL *on*
FOREIGN
RELATIONS

¹²³ As the area in Washington D.C. tends to be called, where government and private actors work within the U.S. political center.

¹²⁴<https://www.amazon.com/Decisive-Decade-American-Strategy-Triumph/dp/1635768454>

The CFR stands as the preeminent American strategic foreign policy think tank, embodying a legacy that intertwines deep intellectual rigor known from academia with practical thinking and influence in government and business.

Since its founding in 1921, the CFR has not merely analytically followed and described the currents of U.S. foreign policy but actively shaped them. Serving as the by far most effective intellectual bridge between government, big business, high finance, top law firms, academia, and the established media world. Its enduring relevance stems from its capacity to adapt to shifting global dynamics while preserving its mission to ensure America's geopolitical primacy (and geoeconomic interests) in world affairs.

The CFR's history is steeped in transformative moments of American foreign policy. Emerging from the post-WW1 milieu, the organization was established to counteract isolationist tendencies prevalent in U.S. politics at the time. By synthesizing the insights of intellectuals, diplomats, and wealthy business/finance/law leaders, it promoted a reasoned and pro-trade internationalism, while pragmatically adjusting to Realist necessities and National Security priorities when and where those emerged.

Its so called War and Peace Studies project, became one of the most important intellectual foundations of the post-WW2 order – while being unknown to most. It was conducted in partnership with the U.S. State Department during the 1940s, funded by the **Rockefeller Foundation**, and produced classified reports that laid the groundwork for the post-war Free World Order. From NATO to the Marshall Plan, CFR-originated ideas have consistently fortified U.S. leadership.

This impact of the CFR on U.S. grand strategy can be traced to several defining characteristics that – in their quality and/or quantity – set(s) it apart within the National Security Community:

- **Elite Membership:**
Comprising an exclusive network of policymakers, corporate executives, academics, and media leaders, the CFR offers unparalleled access to decision-makers. Its membership represents a microcosm of American power, blending public service with private-sector expertise to craft cohesive policy approaches.
- **Influential Voice through Education Cascades:**
Since 1922, Foreign Affairs magazine (see below) has served as the intellectual arm of the CFR, offering not only cutting-edge analyses that frequently precede or guide U.S. policy shifts, but insights into America's strategic thinking. Seminal essays like George Kennan's 1947 piece on containment highlight this. In order to educate (and thereby shape) the foreign policy thinking across the country, such and other publications as well as the mentioned elite membership create(d) an "education cascade" "top-down" (CFR groups educate their elite members; they educate their leading circles/organizations;...). But, as was experienced and appreciated, also "bottom-up", due to feedback ("mood and opinions outside Washington D.C. and NY") from across the country via partnerships and members in cities across the U.S.
- **A Strategic Nexus:**
Beyond generating ideas, the CFR fosters informal networks where government officials, business leaders, and scholars

convene. These discussions often prefigure formal policy shifts, exemplifying how think tanks can act as incubators for actionable strategy.

Not surprisingly from this angle, already years ago the CFR has adeptly responded to the rise of systemic challenges posed by Communist China. Among others, the CFR reinvigorated debates on the use of economic tools to sustain U.S. strategic advantage. This pivot reflects the CFR's historical ability to foresee and frame the contours of emerging global rivals – and, while in general preferring free trade, *being able to put National Security and American Vital National Interests over globalization* and its principles.

For example: Two of its members who are leading experts on U.S. power politics in the realm of global economics are **Jennifer M. Harris** and fmr. U.S. Ambassador H.E. **Robert D. Blackwill**. Since the mid-2010s, both experts recommend and promote (such as during the CFR event where the picture on the following page was taken) that the U.S. should *return* to its tradition of geoeconomics – in order to counter China.

"For most of its history, the United States has regularly understood – and exercised – geoeconomic tools as part of its strategic battery."¹²⁵



Looking ahead, after adjusting to new fundamental national politics and demands (such as formulated by MAGA, see below), the CFR's relevance will likely grow as the U.S. navigates the intensifying rivalry with China. Its role as a thought leader, particularly in outlining integrated approaches that blend diplomacy, defense, and economics, will remain pivotal. Moreover, its *ability to operate beyond the public eye ensures it remains a stable, behind-the-scenes force* in guiding American strategy

¹²⁵ One of the conclusions resulting from two years of institutional research on geoeconomics, by Robert D. Blackwill and Jennifer M. Harris, in "War by Other Means", 2016, page 153. In this book, they recommend the U.S. to return to geoeconomics in order to counter China.

through volatile times. In the context of the broader National Security Community, the CFR exemplifies the value of structured, informed debate in shaping policy for a protracted era of geopolitical contestation. While the CFR rarely dominates headlines, its influence persists where it matters most – in the quiet corridors where ideas are debated, refined, and translated into the policies that define an era.

Recommended Publication to Monitor: Foreign Affairs, the flagship publication of the Council on Foreign Relations, has been a cornerstone of intellectual discourse on international relations since its inception in 1922. With its blend of rigorous analysis and timely commentary, the journal has consistently served as a guiding compass for policymakers and scholars shaping U.S. foreign policy. And in doing so providing critical insights for everyone interested in the perceptions of some (not all!) of the most relevant U.S. National Security players.

www.foreignaffairs.com



However, as highlighted across the book, we are witnessing a paradigm shift towards (a returning) Realism – that on one hand fosters new versions of conservative thinking demanding change, while on the other hand (not least out of necessity and reality) will influence and shape some of the established forces, like the CFR. And in that regard, I recommend looking at the *Heritage Foundation and its Project 2025*. After all and as hinted in Chapter 4, in our assessment, the *next U.S. President (early 2025 to early 2029) will most likely be a Republican*, i.e. Trump again.

Which leads us first to the U.S. elections ahead, and then to the Heritage Foundation.

The Global Return of Realism and Its Side Effect of Helping Conservative Political Coalitions in the U.S.

In our assessment, the likelihood of a Republican/Trump returning to the White House for the 2025-2029 term is high. This expectation is rooted not merely in the ebb and flow of domestic U.S. politics but in a deeper, systemic trend that we observe globally: the return of Realism. This shift in international and national priorities favors policies that emphasize power, pragmatic interests, and survival over idealistic “global visions”. It is within this broader context that we argue the stage is set for a conservative American coalition to coalesce around a Realist agenda – one that resonates with the electorate’s current issues, moods, and sensibilities.

Thereby, not least the increasing fragmentation of the Democratic Party’s traditional voter groups (parts of working and middle class Democrats feel increasingly alienated by the progressives wing), paves the way for a unified conservative front absorbing former Democratic key voters and

“their” contested (“battleground”) states. This provides a newly rearranged Republican Party (i.e. Trump’s MAGA (Make America Great Again) which is consolidating its own institutional life as the new Republican Party beyond Trump) with a unique opportunity to present itself as the natural steward of America’s strategic and economic revival.

Policy-wise, it underscores a growing recognition of the need to prioritize core national interests: prioritizing national economic goals that help the broader population, securing borders, countering global rivals, recalibrating alliances to demand greater reciprocity. While also rebalancing against recent socio-cultural progressiveness that has no support within the majority of the population. These principles naturally align with movements like MAGA, which besides a focus on internal and cultural policies blend an Realism-driven foreign policy (always asking: “Is this engagement or policy in our American interest and worth it?”) with a strong emphasis on restoring the broader domestic economy and a more classic conventional military culture and doctrine.



MAGA in the 2010s/2020s and its successful “predecessor”.
Internal U.S. politics are not subject of this Book Series – but
we consider it likely and relevant for the U.S. China Rivalry,
that the next U.S. President is Republican. Republican in
a new form, adapted to the new age driven by Realism

Such a new Republican/Trump administration is likely to adopt strategies rooted in historical precedent: leveraging geopolitical alliances selectively while avoiding overreach, consolidating economic and technological advantages, and focusing on containing China as the primary geopolitical threat. These approaches are not only more closely aligned with Realist traditions but are also a direct response to the electorate’s fatigue with the perceived failures of Idealism-driven policies.

Such a coalition will, of course, build on the foundations laid during the previous Trump administration. From 2017 to 2021, America witnessed a strategic pivot toward great power competition – exemplified by the above mentioned 2018 National Defense Strategy and the recalibration of trade relationships to counter Chinese economic encroachment. This pivot was not an anomaly but a harbinger of a broader, bipartisan recognition of the shifting global order. Now, in the face of intensifying challenges, the next administration will likely double down on these Realist principles, offering a cohesive vision that is more in tune with the realities of a competitive international system.

Thus, while domestic political dynamics are not the focus of this book series, they cannot be entirely separated from the forces shaping U.S.

grand strategy. The return of Realism is not just a global trend; it is a domestic one as well. It manifests in the increasing prominence of pragmatic, interest-based policymaking – a hallmark of conservative platforms – and positions the U.S. for a reassertion of its strategic leadership under either Republican governance (more likely in the years ahead) or a more conservative version of Democrats (less likely but possible too, eventually, after a long and painful learning process within their competing internal camps and currently weakening coalitions).

The Heritage Foundation Offers a Preview into How a (Likely Coming) Republican U.S. Presidency Could Look Like

In such scenarios where the U.S. electorate swings conservative, the Heritage Foundation emerges as a critical pillar within the American National Security Community. Since its establishment in 1973, the Heritage Foundation has significantly shaped conservative policy frameworks, influencing administrations as far back as Ronald Reagan's.



The organization played an instrumental role in developing the Reagan Doctrine, advocating a robust anti-communist stance that extended U.S. support to insurgent groups worldwide during the Cold War.

Heritage is distinct not only for its intellectual rigor but also for its integration of public policy formulation and grassroots mobilization through its activist arm, Heritage Action. This synergy enables Heritage to bridge the gap between academic-level policy analysis and practical political action, a characteristic that becomes even more critical in shaping U.S. grand strategy during periods of Republican ascendancy.

In the (likely) event of a Republican return to the White House, the Heritage Foundation's influence is expected to rise again – significantly. Not necessarily explicitly, but via the positioning of its members and its policy ideas. For this purpose, the think tank is already preparing itself through its 2025 Presidential Transition Project ("Project 2025").

In short: The Heritage Foundation's intellectual and practical framework offers insights into an adapted U.S. grand strategy in a Republican-led administration. Thereby, for our subject particularly the following policy pushes are notable:

- **China and Strategic Rivalry:**
Consistent with its long-standing advocacy for robust National Security policies, Heritage supports economic and military measures aimed at countering the rise of China. This aligns closely with bipartisan concerns about maintaining U.S. dominance in key global arenas.
- **European Security Burdens:**
Echoing themes from Realist proponents like above mentioned Elbridge Colby, the Heritage Foundation has frequently emphasized the need for Europe to shoulder more of its defense responsibilities. While advocating continued U.S. engagement in NATO, it stresses resource allocation for countering China as a

primary global rival. An approach that will also cause America to reconsider a more diplomatic approach towards Russia.

Related to that, particularly the think tank's emphasis on recalibrating America's other international commitments, combined with a focus on domestic reindustrialization, as well as a strengthening of the military and the defense industrial base, are noteworthy.

But how will the new dominant thinking in the National Security System look like, once *both* (a) forces like Heritage demanding substantial change and (b) established forces like the CFR (sporting adaptation from a status quo position) *share* America's most influential spheres?

Realism as Paradigm that Will Help Mediating between MAGA and Fitting Parts of the "Think Tank Establishment"

Since we expect the return to power of Trump (MAGA, Heritage,...) and a related consolidation of their power and worldviews in the U.S., wrt the above it is of high relevance how the deep seated views of Trump/MAGA on one hand, and the most influential established think tanks on the other hand, could find some common ground. After all, *Trump/MAGA seeks for certain strategic change* in both (a) foreign policy related institutions (formal and informal) and (b) policies – against those in the current "foreign policy establishment" (often addressed by labels like the "blob" or "deep state") who resist such change in case of a Trump 2 administration.

In our GAST-driven estimate, it is most likely that during such a Trump 2 administration (and a rather likely Republican majority across all federal branches, from White House to Congress to Supreme Court) *Realism and the focus on National Security will be this common ground*. Moderating between MAGA and the part of the "foreign policy establishment" that has the potential to adjust without "imploding under ideological distress". In that sense we consider it likely that the most prominent foreign policy think tanks that stand in the center or on the conservative/right would learn to adjust to key demands of MAGA/Trump. Whereas in case of the "think tank of think tanks", the CFR, we expect the influence to go in both directions: (1) the CFR would over time become "more MAGA/Trump" and (2) in turn MAGA/Trump foreign policy would be open to Realism-based influence from a CFR that has learned to recognize central goals of MAGA. Which, intentional or not, *makes Trump/MAGA, in the likely case of their political victory, to a catalyst for the adaption of American strategy* to new world realities. As it happens every few decades...

Overall, these most influential think tanks carry the geopolitical rationale of prioritizing a long-term policy of "balancing against challengers" over short- to mid-term oriented logics. That role of rationale development defines this *120 years old elite club tradition* of geopolitical think tanks as the intellectual avantgarde of the U.S. National Security System. An *avantgarde that looks ahead and shepherds the strategic discussions and content production*. After all, someone has to shepherd the complexity of short-term driven actors into the future, so they can maintain their freedom, security, and prosperity. A true value of this National Security machine for America – and those nations that prefer its world system and/or benefit as partners. A net benefit aspect and outcome we should quickly characterize.

The Value Question About Such a “Strategic Elite System”

By and large, this National Security System worked well during the Cold War, and it has again a task that creates bipartisan support despite all other struggles between political factions. This community also attracts and leverages some of the *brightest people the U.S. has historically* to offer. Be they politically leaning towards Democrats or Republicans; be they socially “old elite”, “newly immigrated” or anything between. From George Kennan to Allan Dulles, to Henry Kissinger and Zbigniew Brzezinski, as well as General Norman Schwarzkopf or Condoleezza Rice – to name a few known names. And many more of America's best, outside the public eye.



Condoleezza Rice (nowadays running the Hoover Institution think tank at Stanford University) was National Security Advisor and Secretary of State in the Bush junior years. As arguable a true Realist, she had to fight uphill battles against the “un-Realist” post-Cold War zeitgeist. Would it not have been for her Realism and managerial skills in power, things could have been worse. (Picture from U.S. Department of State video of 2014.)

One might like such a “National Security and foreign policy machine” and see its existential relevance (as I do), or not. But not understanding it and its logic will guarantee getting burned during the 2020s.

And seen not from a utopian, but from a pragmatic, point of view, this National Security System of the American Republic is the structure that during times of geopolitical challenges enables superiority over authoritarian regimes. In the U.S., Presidents come and go; while once in charge and briefed, are embedded within an elite club of many National Security actors. *Like in the very best days of the (Republican) Roman Empire*, this U.S. system makes America immune to “unrestrained leaders” and their mistakes. And despite all dynamics and confusions on the short run (the daily chaos of America's hyper-political public society), in the long run, this *elite swarm intelligence* concept guarantees institutional brightness and national survival. Thanks to a *system-driven path management in the matters that really matter*. Slow, but decisive. (Speed is what the enforcers of this machine, such as its military units, apply, once tasked.)

And based on an elite club that is not least enabled by America's revolving door tradition, in government and (geo)politics. A tradition much more valuable than its (flawed) reputation suggests.

The Importance of the Revolving Doors Culture for the Effectiveness of the National Security System

Part of the effectiveness of this National Security System is grounded in the famous “revolving door” reality¹²⁶. Especially in the U.S. top talents switch between government and private sector positions. Ensuring a mutual embeddedness that helps both realms. A “pro private sector culture” and exchange that in the U.S. traditionally runs across (a) government, (b) politics, (c) think tanks, (d) academia/science, and (e) related businesses and other private actors. And it makes the U.S. strong and resilient.

While like every political reality this culture has its risks and downsides too, I personally (knowing among others the European and the U.S. systems and approaches) clearly assess the net benefits of the revolving door culture for the U.S. as a given:

For example, it helps the U.S. to avoid having less and less capable people in politics or government, since it allows to pursue both paths in life. This is not to be underestimated:

- **Talent “Capture” of “Old Europe” (Cold War)**
In the “old Europe” nations like Austria, Germany, or the United Kingdom had a tradition deeply ingrained in its upper and middle classes: Attracting their talents to serve the nation in government or politics. This ensured a high quality in these states and their political classes during the Cold War. Thus, back then, there was no need for revolving doors.
- **Post-Cold War Effects: Culture of “Values without Values”**
After the Cold War, Europe neglected these “outdated” values, and thus politics and the state started to lose many talents to the private sector. That is, there are still talents going into serving politics and the state, but their portion was shrinking. (Mostly “old school thinking” talents that could have made a top career in the private sector still decided for the military or foreign service, e.g.) This shrinking of the talent share is then frustrating the work of the remaining talents. A very bad development in the long run – that revolving door cultures help to avoid.
- **The good news for Europe/UK:**
On the other hand, considering the cycles of history, the turnaround that the crisis forces on the West – particularly in Europe – already start to help to revitalize these old values. Nevertheless, the revolving doors culture of the U.S. should be utilized in Europe too, in order to bridge the gap.

While this above effect is little reflected in the public (it does not fit well to idealistic concepts), there is another aspect that is counter-intuitive for many observers: This seemingly “chaotic” U.S. system is not only

¹²⁶ Good summary on the effect on the National Security Community, from a qualified expert: THE NATIONAL SECURITY COMMUNITY, REVISITED
(Report Title: U. S. ARMY WAR COLLEGE GUIDE TO NATIONAL SECURITY ISSUES)
Strategic Studies Institute, US Army War College (2012)
www.jstor.com/stable/resrep12027.5

- far more strategic in the long run, but also
- far more resilient.

Hostile powers can have spies and buy influence – but with regard to the net effects, it is even harder to influence the strategic direction of the U.S. than to influence the one of any “strongman power”...

The Publicly Little Understood but Essential Role of Strategic Infiltration Resilience of a Broad National Security Elite

As outlined before, the Western systems – by nature open and vulnerable to hostile intelligence and propaganda if not vigilant – are under systemic attack by state and non-state infiltration. Such as warned by the FBI

"China's efforts target

- businesses,
- academic institutions,
- researchers,
- lawmakers, and
- the general public [...]"¹²⁷

And as outlined, after years of work with big pocketbooks (to buy influence in media, universities, activist groups, corporations, movie producers, social media platforms,...) without resistance from an idealistic West, this created serious effects.

But – and Systems Theory helps here again – what the U.S. system denies to such hostile attackers is the *effective* infiltration of its National Security elite *in any relevant dimension*.

Since

- (a) in the U.S. in strategic matters, the whole system and its complexity of processes and contents cannot be influenced *in relevant terms* by a single “bad apple”; while
- (b) the National Security State and its Community is by and large grounded in old networks and institutions that are anyway difficult to infiltrate. You can buy yourself much easier into universities than into the *relevant think tanks*. And if one should be able to influence a think tanker or even a top think tank, if that think tank(er) contradicts Vital National Interest, it/he/she will be ignored at best.

It is the ***broad and deep “swarm intelligence and resilience” of an elite*** that, *as an elite*, cannot be hijacked by any external state or non-state groups – at least in any matter that matters. (A powerful corporation or business community can always create effects with good lobbying – but you don't turn the U.S. National Security System against America's vital interests, such as in great power politics, *no matter who you are*.) The best form of strategic protection a nation could ask for...

¹²⁷ <https://www.fbi.gov/investigate/counterintelligence/the-china-threat>

Make the reality test, by comparing where infiltration and propaganda seem to work, and where not:

- **Group 1: The National Systems Where Infiltration Can Create Damaging Impacts**

Where did Communist China win and the U.S./West lose in its standing?

- In some universities, activist communities and NGOs, media outlets, social media videos,... ("China's system is not bad"; "U.S./West/Israel are unjust societies and responsible for the bad in the world"; "Western order should be replaced by a fairer BRICS/China world";...)
- And with regard to the behavior of some corporations, businesspeople, or e.g. movie producers, who follow the repressive wishes of Communist China. Loving to stress out their "ESG morality", but then having no problem painting the West worse than the regime in China. A regime that they treat with careful respect, as if being little regime fangirls/fanboys or their minor sidekicks ...

- **Group 2: The National Systems with Strategic Resilience**

Where did the *opposite* happen? Thus, the defense against Communist China did actually grow out of?

- In the U.S. National Security State, U.S. Congress, and the relevant think tanks. Check U.S. policy recommendations and actions – no matter from what side.
Yes, there will always be people with special interests. And even some spies or corrupt persons – but these traitors are sorry losers that are a tactical and criminal law problem. And are **dealt with**. But thanks to this elite concept, they cannot create *relevant* influence on the overall standing vs. threats to Vital National Interest. Be it a politician that is bought or a government/contractor serviceperson that takes some data and runs.

As a normal citizen or business owner/manager you of course tend to witness the voices and moods of the first group (social media, universities, companies,...) much more than that of the second (unless you are a geopolitically savvy corporation/citizen and/or have fitting consultants). So you get the impression of "America being lost". But when considering the fact that the second group has the real structural power and serves as a guardian of the societies, you can see the actual long-term effects...

I once got an interesting opinion from a smart person not coming from the West that delivers a point in a way only (smart) outside observers can do it:

"There is corruption in every country. Governments pay too much, one way or another. But what in my opinion is the decisive difference, is that in the U.S., the soldiers have the best equipment and systems, while in other countries the corruption takes from the soldiers and their quality. This question of the effect, not whether corruption exists, makes the real difference..."

(Disclaimer: This is not making the case for corruption, but the observed difference in the effects is a point for our geopolitical reflection.)

Bottom line:

The above is counterintuitive to most observers, be they pro-democracy or con-democracy: having the bias that “democracies are strategically so much weaker than strong leader systems”.

- Yes, for smaller powers (democratic or not), it is a real threat to be bought, manipulated, infiltrated, and/or bullied by strong authoritarian regimes.
- But in the case of powerful systems with strong strategic elites like especially the U.S., this is not only not true, but the opposite is the case:

The swarm resilience and intelligence of the National Security System makes the nation in the long run **even more strategic than “strong leader systems”**. (Strongman systems that too often stand and fall with these leaders, their moods, and their mistakes – unless these systems themselves have capable elites that can remove those leaders if they have to.)

(Is this swarm intelligence free of mistakes? Of course not. It is testing out ideas and approaches, eventually feeling feedback/pressure, and readjusting over time based on what works and what doesn't. But in complexity management, this cannot be avoided.)

Coming back to the chapters on the Communist China threat picture:

***Who could ever revert Communist China's influence operations?...
...only the U.S.!***

...thanks to its National Security System.

In the end (i.e. after always necessary years of mobilization and adaptation), these distinctive American National Security elites are the guarantee that an open society like the U.S. can survive attacks from strong authoritarian powers with otherwise overwhelming means and ways of buying influence, creating economic dependencies, infiltrating societies to manipulate and break the will of people (cognitive/cultural warfare), and deploying military might:

If you push America hard enough, it will eventually fight back. Decisively. Not least by applying the market shaping power of a commercially oriented maritime empire. One that rules the waves of the global economic infrastructure and its bloodlines....

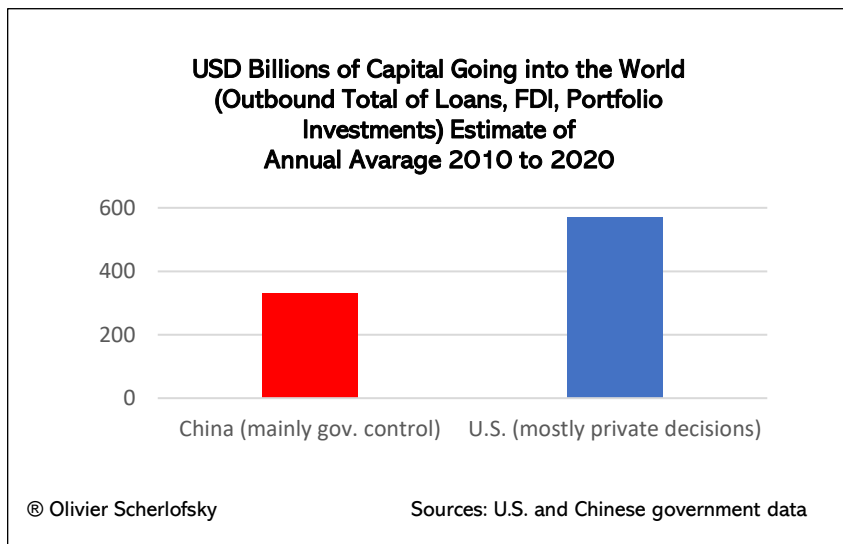
The Essence of America's Geoeconomic and Geo-Technological Pushback

The Chinese strategy to undermine the U.S. position worked very well. Until the U.S. recently started/starts to use its own strategic tools of economic power – especially indirectly via sanctions, export controls, import controls (at times dressed as “ESG”,...) and investment controls (in- and outbounds). And it is just the beginning.

Thus, the more the U.S. is applying geoeconomic tools and rules, the more this prior elaborated picture of a powerfully directed Chinese economy actually turns. Not that the U.S. would itself start to direct its whole economy. But the U.S. National Security agenda is limiting unwanted business, while incentivizing wanted business. As well as supporting strategic long-term trade projects. (Such as the “counter Belt and Road project”, the *India-ME-Europe Economic Corridor*. Launched in September 2023 by the U.S. together with India, the UAE, Saudi Arabia, France, Germany, Italy, and the EU as a whole.)

America's Potential to Counter Communist Chinese Global Pocketbook Power

And indeed, while China is using its authoritarian power of directing its economy in order to buy strategic assets and influence in an open world, the overall American investment in the world is still much heavier than the one China has to offer. From a U.S. National Security perspective, it is just that (a) U.S. money has to be fenced in where necessary, and incentivized where helpful. While (b) Chinese capital needs to be controlled/denied in what it is doing, in order to balance Chinese power strategies:

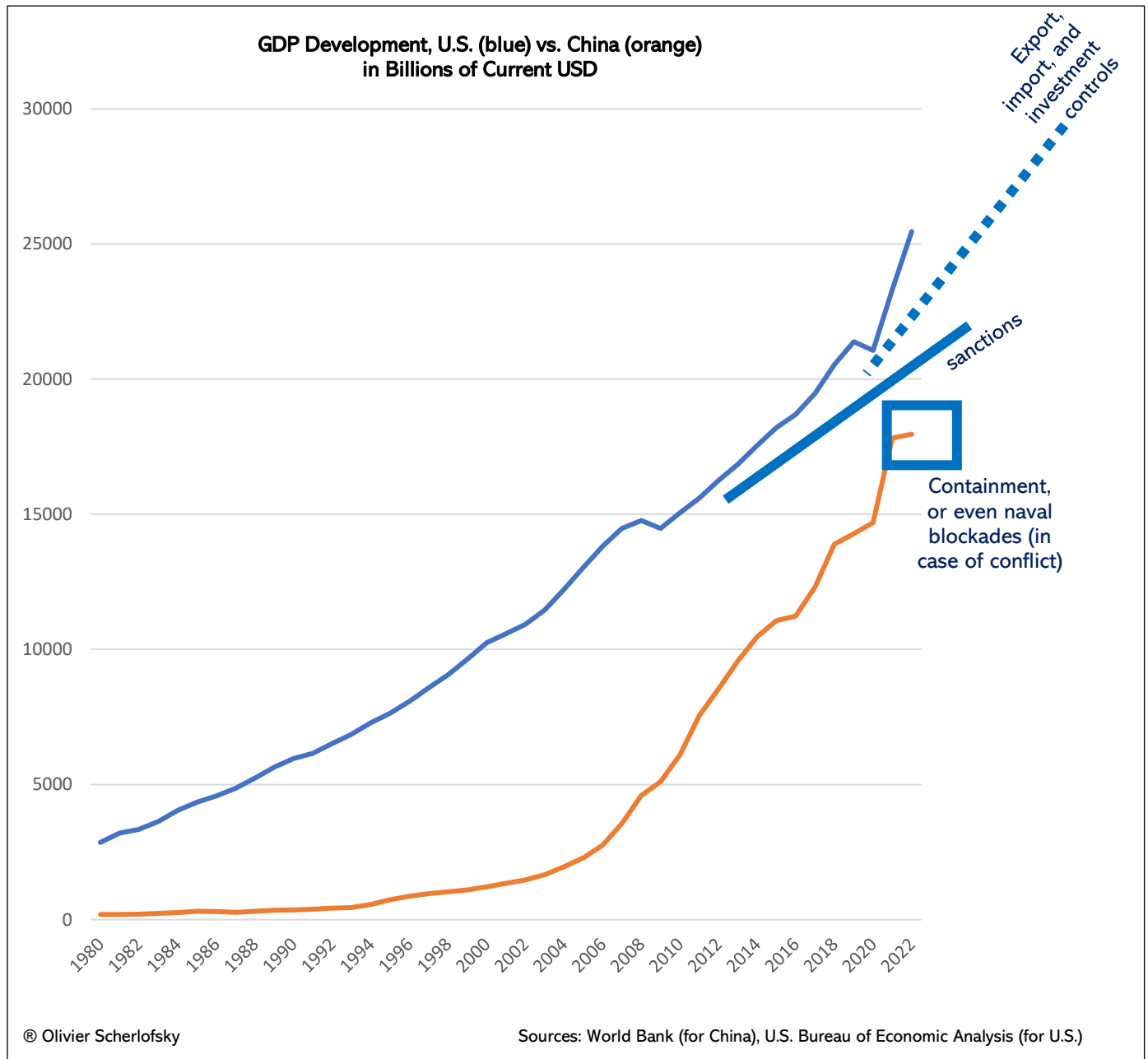


Related to this issue, Congresswoman Young Oak Kim (the chairwoman of one of the many U.S. House Committees now focusing on threats from Communist China) recommends as most important steps:

- (1st) “American money and technology that fuels CCP coercion and predation cannot keep going to China.”,

- (2nd) “Actions on tech transfers and subsidies”, and
- (3rd) the buildup of a network of allies and partners that adapt the same actions.¹²⁸

But there are more direct strategies available that, in part, have already been initiated, as we will see. These more direct U.S. National Security strategies against China's weaponization of its economic power might be visualized as follows:



¹²⁸ Subcommittee Hearing “Standing United Against the People's Republic of China's Economic Aggression and Predatory Practices”, May 18 2023.
<https://foreignaffairs.house.gov/hearing/standing-united-against-the-peoples-republic-of-chinas-economic-aggression-and-predatory-practices/>

When looking closer at these geoeconomic counter strategies, we can identify the most important actions of this counter strategy that have already been taken.

Actions under the Trump Years: Start of the Trade War to Counterbalance China

After some small tariff actions during the late Obama Administration, the Trump Administration broke the ice and started what various analysts consider being a trade war between the U.S. and China, in order to balance against a rising China threat. Most notably, the U.S. established:

- A series of tariffs against Chinese imports. (Covering hundreds of USD billion in volume.) Partly based on a so called "Section 301 investigation" against unfair trade practices (intellectual property theft, forced technology transfers).
- Additional export controls to target critical technologies (particularly related to National Security and advanced manufacturing).
- Sanctions against Chinese entities and individuals (reasoned by: human rights issues, South China Sea actions,...).
- Huawei and other IT providers have directly been banned from critical access to U.S. business, for National Security concerns. This then was also promoted among allies, which step by step did or do implement similar actions against Chinese IT providers. Now even Germany, e.g., is following the U.S. in that regard.
- The U.S. increased its scrutiny of Chinese investments in U.S. companies or the U.S. territory. (A critical vehicle to implement this is the so-called Committee on Foreign Investment in the United States (CFIUS).)

But did Biden change course, i.e. "un-Trump" the U.S. strategy vs. China? Of course not. Trump acted in the best national security interest of the U.S. based on structural realities, and no other president could change this path of the rivalry any more.

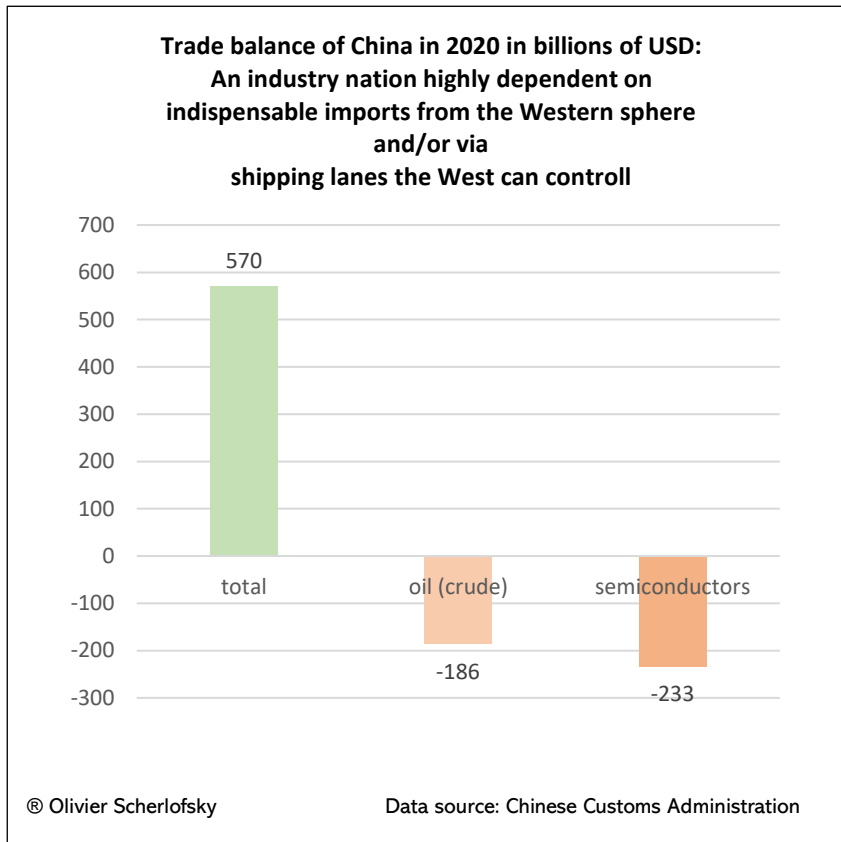
Actions Under the Biden Years: America Has Started to Counterbalance China where China Is Actually Most Vulnerable: Not Its Exports, But Its Imports!

Under the Biden Administration, the above direction has basically been continued. However, more than that, the U.S. has further started to counterbalance China where it is most vulnerable – even more than in regard to the exports (which it needs to maintain its economic and social model): Targeting vital imports. Something the U.S. has done before against a Pacific empire that too was dependent on imports, with severe effects.

When Imperial Japan started to conquer (in a gory way) East Asia in the 1930s, it, among others, increasingly pushed out the trade of other local and global nations – threatening especially the wellbeing and security of America's Pacific flank. To counter this, in the late 1930s the U.S. started to sanction Japan, which reached its pre-war peak in 1941: With a freezing of Japanese assets in the U.S. and an embargo on oil vs. Japan.

The latter really hit Japan, which was (and still is) totally dependent on these imports. Four months later, Japan made the fatal mistake of attacking the U.S. at Pearl Harbor.

China too is highly dependent on oil imports – imports that almost entirely have to pass Indo-Pacific shipping lanes. However, as an industrialized nation – with ambitions to become a leading power in IT, AI, and military technology – China is even more dependent on semiconductor (components and technology) imports.



While most people in the West “buy” the narratives about a China that has become a high-tech power comparable to the West (“they have so many more engineers and so strong programs!”), the reality is that the still Communist style top-down society in China is not capable to catch up with high tech: When you talk to high-tech semiconductor experts and buyers/sellers, they will tell you that China was years behind the Western economic sphere (U.S., Japan, Taiwan, South Korea, Germany, Netherlands,...). And still is. Thus: They don’t catch up.

Yes, China produces some strong high-tech products – but still by assembling imported high-tech components.

Merely producing engineers (in a “Communist-flair market economy”) and trying to copy others does not bring you to the top. Rather, you remain years behind. These years behind make a big difference in military technology, premium consumer goods, other IT equipment and the ability to become a leader in AI.

Knowing this vulnerability of China very well, the U.S. National Security State has now started to target China right there.

October 2022, the U.S. Department of Commerce started to strategically target the semiconductor, AI, and high-performance computing industries in China. Especially:

- More Chinese entities are put on export control lists, making it increasingly difficult for them to buy from U.S. companies.
- Fabrication facilities and high-performance equipment (such as GPUs, “supercomputers”, accelerators), plus related technology and software, are specifically targeted.
- Furthermore, U.S. individuals and firms cannot continue to work on developing related capabilities in and for China.
- The U.S. is increasingly enforcing its “reexport” rules around the globe: Any company in the world that “reexports” U.S. components or foreign products that use U.S. components or technology have to follow U.S. export limitations and rules (beyond “de minimis” exceptions). For serious companies, it is less and less an option to ignore that. It threatens the existence of these companies – and their management (more in Chapter 12).
- At the same time, the U.S. is increasingly coordinating with the few nations that are partly capable of replacing U.S. high tech imports – all of them tied to the U.S. in terms of security (leveraging power/security/diplomacy for economic effects).

Again proving that all of that is not about “Trump” or “Biden”, but about an unavoidable rivalry of the two largest empires in history. Contours of a Geopolitical Channel in our sense.

Some Strategic Technologies in the U.S.-China Rivalry to Focus On

As the above analysis of America's geoeconomic pushback illustrates, targeting China's vulnerabilities is becoming central to U.S. strategy. The semiconductor and space sectors epitomize this approach, highlighting the deep interplay between technological innovation and geopolitical rivalry. This sub-chapter delves deeper into these two interconnected arenas, revealing their strategic importance in shaping the competitive landscape.

The Race Beyond Earth: Space as the New Frontier of Geoeconomics

Among the most critical battlegrounds is outer space, where technological dominance extends far beyond Earth's orbit. China's **Beidou Navigation Satellite System (BDS)** underscores Beijing's ambitions to decouple from U.S.-led systems like GPS and assert influence globally.

The Beidou system, operational globally since 2020, serves as both a navigation tool and a strategic instrument. Unlike GPS, which primarily serves U.S. military and civilian needs, Beidou integrates directly into China's military strategy and the **Belt and Road Initiative (BRI)**:

- **Military Applications**
Beidou offers precise guidance for the People's Liberation Army (PLA), particularly in the South China Sea, where PLA naval operations depend on secure communication and accurate missile targeting. The system's encrypted signals also allow for operational resilience in conflict scenarios where GPS access could be denied.
- **Economic Integration**
Countries across Asia, Africa, and the Middle East are adopting Beidou-based infrastructure, from disaster management in Pakistan to urban planning in Kenya. These initiatives bind nations closer to China's sphere of influence while reducing reliance on Western technologies.



Rocket carrying last satellite of BeiDou Navigation Satellite System blasts off from Xichang Satellite Launch Center in southwest China's Sichuan Province, June 23, 2020. (Source: National Defense University Press; Foto: Xinhua/Jiang Hongjing)

However, China's ambitions face significant obstacles, particularly:

- **Data Security Concerns**
Beidou-enabled platforms raise alarms about surveillance risks, particularly in nations where Beijing already exercises outsized influence.
- **Semiconductor Dependencies**
While Beidou's technical capabilities are growing, its reliance on imported semiconductor components and Western software creates vulnerabilities. U.S. export controls, discussed earlier, are designed to exacerbate these weaknesses.

Beidou is emblematic of the broader strategic rivalry. Its success has enabled China to project influence across the developing world, but it also serves as a flashpoint for American countermeasures. Recent U.S. initiatives to expand Freedom of Navigation Operations (FONOPs) in Beidou-enabled zones further illustrate how space technologies now underpin geopolitical competition.

Semiconductor Sovereignty: The Core of Technological Competition and America's Semiconductor Pushback

While space exemplifies a visible dimension of the rivalry, the competition over semiconductors reveals the unseen infrastructure driving national power. The CHIPS and Science Act of 2022 is America's primary counter to China's reliance on foreign semiconductor technology, representing a long-term effort to secure economic and military resilience.

Semiconductors power everything from advanced weapons systems to artificial intelligence. Recognizing their strategic importance, the CHIPS Act focuses on three pillars:

- **I. Domestic Production**
Initiatives to reshore production have led to multibillion-dollar investments in U.S. fabs. For instance:
 - o Intel's Arizona facility represents a pivotal step in reducing reliance on Taiwanese fabs.
 - o TSMC's Texas plant ensures the U.S. maintains access to advanced chips during crises, including potential Taiwan Strait disruptions.
- **II. Alliance Building**
Collaborations with allies like South Korea, Japan, and the Netherlands have tightened semiconductor supply chains. By securing export controls on advanced lithography equipment, the U.S. has prevented China from manufacturing cutting-edge chips.
- **III. Targeting Chinese Vulnerabilities:**
 - o Export restrictions block China from accessing key components like GPUs and advanced lithography tools from companies such as ASML and NVIDIA.

- U.S. reexport rules penalize global firms that assist China in circumventing these restrictions, ensuring compliance through aggressive enforcement.

Despite U.S. actions, China has not remained idle. Rather, China already responds:

- Domestic firms such as **SMIC (Semiconductor Manufacturing International Corporation)** are attempting to develop homegrown capabilities. Recent breakthroughs in **7nm chips** – produced without access to ASML's EUV lithography – demonstrate limited progress.
- Beijing's **Made in China 2025** program continues to prioritize semiconductor self-sufficiency, but persistent technological gaps leave China years behind leading producers like TSMC and Samsung.

Where Space and Semiconductors Converge

The intersection of space systems and semiconductor technologies highlights the multidimensional nature of the rivalry. Semiconductors power satellites, drones, and high-performance military systems. The following examples demonstrate this convergence:

- **Space Systems**
Satellites like Beidou rely on ultra-precise chips for navigation and secure communications. U.S. export controls targeting these components are designed to hinder China's ability to enhance Beidou's capabilities.
- **Military Technologies**
Hypersonic missile guidance systems require advanced chips capable of processing immense data in real time. U.S. sanctions limit China's access to these critical technologies, while American firms invest heavily in next-generation designs under the CHIPS Act.

Conclusion: Technological Sovereignty as a Geopolitical Imperative

For the U.S., semiconductor dominance enables America to constrain China's ambitions across multiple sectors, from AI to space militarization.

For China, continued dependence on imported technologies limits Beijing's ability to compete in the long term. However, its aggressive push for self-sufficiency indicates a willingness to endure short-term setbacks for eventual strategic gains.

As the U.S. intensifies its geoeconomic pushback, the technological domains of space and semiconductors emerge as decisive arenas. China's efforts to expand Beidou and build a domestic semiconductor base demonstrate its ambitions but also its vulnerabilities. For America, initiatives like the CHIPS Act represent not just economic policies but essential components of National Security.

This technological competition underscores a broader reality: the battle for supremacy in the 21st century will not be fought solely with armies or economies but with innovation, resilience, and strategic foresight. Whether in the skies above or the microchips below, technological

sovereignty is the new currency of power – and the defining factor in the U.S.-China rivalry.

Some recommended sources and reads regarding these aspects of the technological rivalry:

- Rand Corporation
Reports On Space and Semiconductors
 - Congressional Research Service
Chips Act Analysis
 - Defense One
Military Applications of Semiconductors and Space Systems
 - Asia Society Policy Institute
China's Technological Strategies
 - National Defense University Press
BeiDou: China's GPS Challenger Takes Its Place on the World Stage
-

Bottomline of the Chapter:

Communist China has decided to become the dominant power of Asia and eventually the world's sole(!) superpower. And the current (still) sole superpower has started to deny China from doing so. By constraining the flow of economic assets and technologies via sanctions and the control of exports/imports/capital/knowhow.

And America knows how to translate this into internal economic wins...

While the Global Trade System Reshuffles, the U.S. Knows How Itself and Its Allies Will Benefit Economically

At the center of the U.S. grand strategy vs. China is the “integration” of the government authorities for finance and commerce into the core of the National Security State, i.e. the center of the machine that executes geopolitical power politics. (Under a “*Whole of Government Approach*”.) Matters and institutions of trade, commerce, technology, investments, and the U.S. Dollar again joining the like of the Pentagon and the CIA.

Not surprisingly, we see a return to strategic industry policies in the U.S., and slowly following in the EU (especially in France, being traditionally the most strategic thinking European nation). The U.S. main focus being “re-shoring” where possible and feasible. And secondarily, in a broader sense, supporting the re-industrialization of all *defendable* nations that side with the U.S. (“friend-shoring” and “ally-shoring”). And *the avantgarde of Corporate America is learning quickly.*

I highly recommend listening very carefully to the Intel CEO Gelsinger, the former U.S. Secretary of Commerce Penny Pritzker, and Semafor founder Steve Clemons, at the recent Aspen Security Forum. (One can even find hints about how the chips industry is talked about as targets for military strikes in a – hopefully avoided – military crisis in East Asia: Clemons is mentioning this issue slightly.)¹²⁹

For businesses and nations outside the U.S., learning from the U.S. – quickly enough – will become a matter of either winning or getting burned.

**If You Want to Win as a Business or Nation,
Look Closely at the Strategic Change in the U.S.
(and Ignore the Less Relevant Chatter and Excitement)**

The U.S. is showing others how winning the evolving New Cold War looks like. For example, by *utilizing the resulting de-globalization for national re-industrialization.*

In this New Cold War, *the U.S.* will attract ever more investment, and even bring back manufacturing:

- Much lower energy prices, geopolitical protection for its commerce (naval control of shipping lanes,...), better demographics, and strategic industry policies, plus procurement programs, will provide a sustainable long-term boost to the U.S. And that in turn has a double positive effect on the vitality of the U.S.: It will help those regions and sectors in America most, that had suffered in recent decades.

¹²⁹ Intel CEO Gelsinger, the former U.S. Secretary of Commerce Penny Pritzker, and Semafor founder Steve Clemons, at the recent Aspen Security Forum
<https://www.youtube.com/watch?v=grp93s6QVOg&t=1003s>

- Increasing risks for Western businesses and assets from within China, as well as sanctions and investment restrictions against China, will further redirect capital from China into the U.S.
- And even in the still “China dependent” U.S. IT sector, more and more American industry leaders can see the necessity of National Security policies. For example, in the eyes of Intel’s CEO Pat Gelsinger the National Security-driven CHIPS Act, is not only not “bad”, but rather the opposite: He considers it the most important U.S. industry policy development since World War 2.¹³⁰

And then there is a technological development unfolding that will boost manufacturing in both ***the U.S. and Europe:***

- Over the coming years, quality manufacturing will need less work force and thus compensate for demographic trends and higher labor costs.
- Energy efficiency will increase, easing the energy price pressure.
- At the same time, this high-tech manufacturing will become ever more tailored, decentralized, and (thanks to short and secure supply lines) closer to “just in time” principles, and thus less capital intensive for the buyers. Which will help the buyers and the manufactures – increasingly both sitting in the West.

How the U.S. National Security System Is Fostering the Reemergence of Certain National Industry Sectors

The need to protect National Security in this emerging Cold War is by its very nature linked to the wellbeing of citizens and the national economy. Like during the last Cold War, economic power and social stability are at the centers of gravity of the systemic match.

And while Europe geoeconomically still struggles to adapt to this post-globalization phase, the U.S. is – as always – quicker to see and seize the positive in all changes. Merging geopolitics with geoeconomics with national economic programs that foster structural change. Not least to initiate wealth generation. And based on a (bipartisan) re-focusing on the wellbeing of the broader middle classes.¹³¹ A merger of the international

¹³⁰ Ibid.

¹³¹ Who thinks that much of this sounds rather like a “Trump Republican” position, not the bipartisan U.S. direction, should think again. This is neither Republican nor Democratic, but American: It’s the new position on Republican side, but also explicitly what the Biden administration stresses out as central in shaping its *international* agenda.

Saving national industries and the wellbeing of the population, before trying to democratize or otherwise save the whole world. Specific interests over abstract, global values. Here the U.S. – again – takes the lead in the West. And the EU will unlikely be able to avoid doing the same: The EU too, in order to survive, will have to refocus on its own middle classes. Since this will be the only way to stabilize the pressure on democracies that nations on both sides of the Atlantic increasingly experience. See for example wrt the current U.S. Administration: https://www.brookings.edu/wp-content/uploads/2023/04/es_20230427_sullivan_intl_economic_agenda_transcript.pdf

with the national, not least the before mentioned House Committee on Communist China, focuses on. As a look at its topics quickly clarifies:

The screenshot shows the homepage of the House Select Committee on the Chinese Communist Party. The header features the committee's name and a navigation menu with links: ABOUT, COMMITTEE ACTIVITY, DOCUMENTS, MEDIA, CONTACT, ISSUES, and LIVE STREAM. Below the header, a 'Latest News' section displays three articles. The first article, dated September 8, 2023, is titled 'Select Committee on the Chinese Communist Party Holds Hearing: "Systemic Risk: The Chinese Communist Party's Threat to U.S. Financial Stability"'. The second article, dated August 30, 2023, is titled 'The Decline of American Industry is Not Inevitable' - Gallagher leads Wisconsin Roundtable on CCP Threat to American Manufacturing'. The third article, also dated August 30, 2023, is titled 'Wisconsin Roundtable on CCP Threat to American Manufacturing'. Each article includes a brief summary and a 'Read More' button. The website also features a sidebar with 'American Business' and 'CCP Economic Aggression' categories.

The Select Committee on the Chinese Communist Party (threat), and its focus on geoeconomic protection against Communist China.

And this growing bipartisan effort starts to work. Something that has been denied by many who think and project linear, and/or focus on global macro data only ("trade remains the same... this cannot be done... Chinese manufacturing cannot be replaced..."). The U.S. Department of Treasury knows it better – and (rightfully) celebrates the beginning of the receiving phase. After years of comprehensive strategic U.S. efforts, from tariffs, to warnings ("industry outreach"), to industry policies:

The screenshot shows the homepage of the U.S. Department of the Treasury. The header features the department's name and a navigation menu with links: ABOUT TREASURY, POLICY ISSUES, DATA, SERVICES, and NEWS. Below the header, a 'Treasury Releases Analysis of the Boom in U.S. Construction of Manufacturing Facilities Driven by Invest in America Agenda' article is featured. The article, dated June 27, 2023, discusses the surge in construction spending for manufacturing in the United States since the end of 2021, and the passage of President Biden's Invest in America Agenda – Infrastructure Investment and Jobs Act (IIJA), Inflation Reduction Act (IRA), and CHIPS Act – real manufacturing construction spending has doubled. As Secretary Yellen has outlined, the Biden Administration is pursuing an economic approach based on "modern supply side

The Beginning of the National Security- and Geoeconomics-Driven Reindustrialization Effects in the U.S.

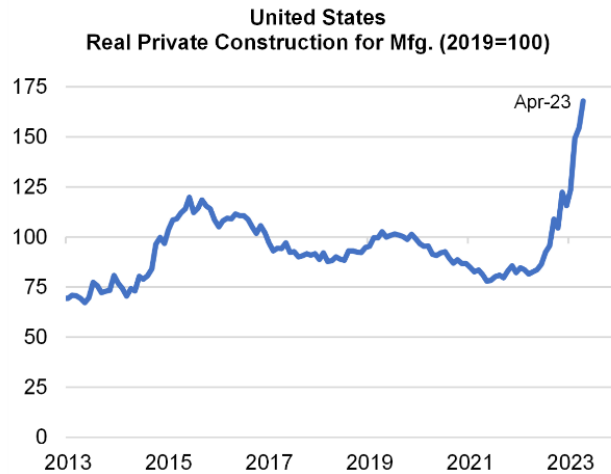
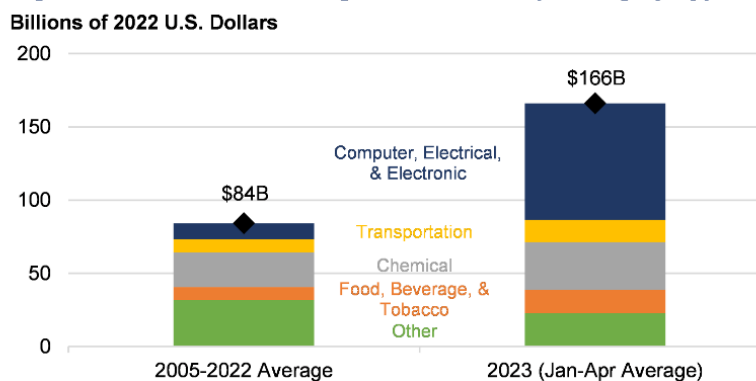


Figure 1: Real Total Manufacturing Construction Spending



Figure 3: Real Manufacturing Construction Spending by Type



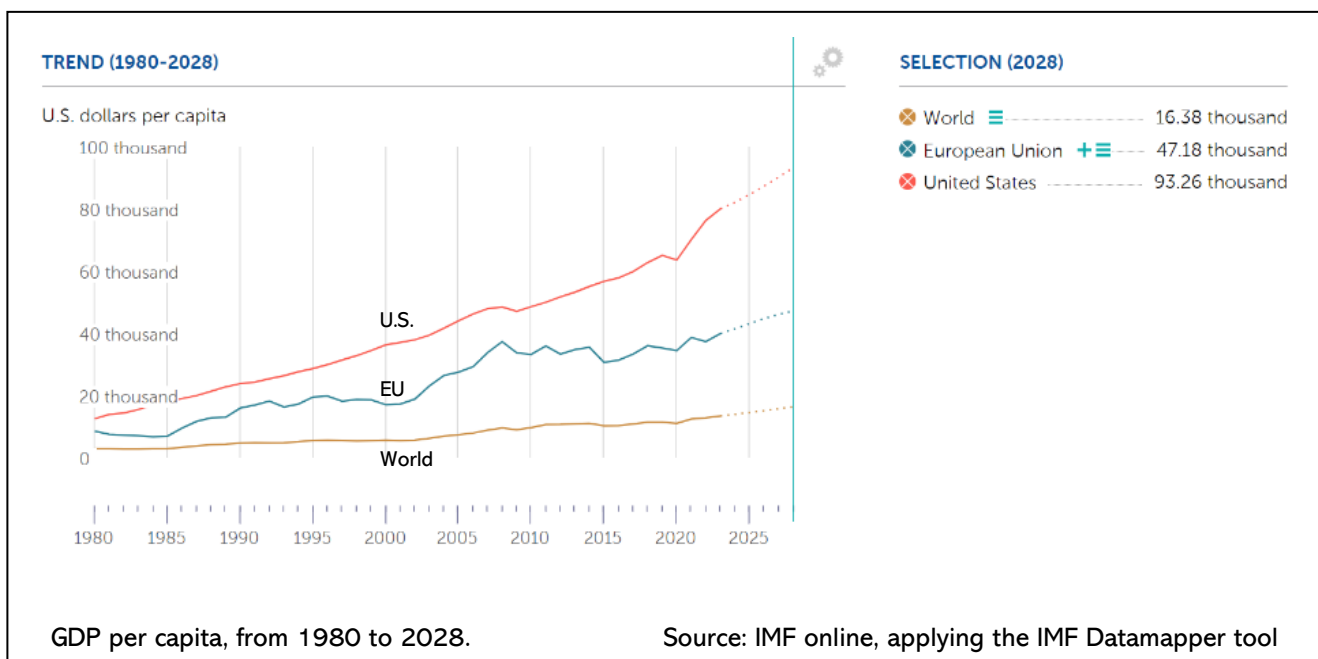
Source: U.S. Department of Treasury news:

<https://home.treasury.gov/news/featured-stories/unpacking-the-boom-in-us-construction-of-manufacturing-facilities>

But this is ***just the beginning*** of the effects. Most strategies behind the numbers are long-term oriented – they unfold with substantial time lags. For example, with regard to the reindustrialization it should be considered:

- Big U.S. corporations need(ed) time to (1) start getting the message and direction, and (2) initiate the long cycles of production friend- and re-shoring.
- Competitive policies in the U.S. take time to become effective, since e.g.
 - o government spending and subsidizing carry administrative work that needs time to generate payouts and effects – we are yet to see the billions at work;
 - o as shown above, electronics are ahead of the game (focus of sanctions and export controls). Certain other sectors are just at the beginning of the whole cycle (such as: rebuilding of a strong defense industrial base).
- In other industries, the Cold War will push sectors based on an increased blocking of Chinese imports – due to National Security and national economic interests (while also often labeling these efforts as “ESG” or under similar moralistic terms). E.g. the Green industry will benefit heavily, eventually. Based on a buildup of Green energy “redundancy” in the West (wind, solar, batteries, vehicles,... from the West instead of from China).
- Over the years, the West and its closest partners (esp. in SE Asia) will have ever more attractive industry clusters to source from, with improved infrastructure. It is the same process China had to run through, around 20 years ago.

Thus, much reindustrialization (factory constructions,...) is still to be expected. Fittingly (although owed to a complexity of variables), as shown at the beginning, the IMF is now predicting the income of the average American rising substantially. Measured in GDP per capita (while Europe will have to become better at looking at the U.S., in order to learn):



Europe Too Will Catch-Up and Shift Towards these New Cold War Strategies – While Often Hiding Behind ESG and Other Softer Language

Thus, for the U.S., the return of American Cold War strategies is paying off – strategically and economically. And in Brussels it is slowly starting to be understood that it is time for the Europeans to wake up, stop complaining (whether justified or not – it does not help at all), and side with America in its turn back to the future.

As will be shown, the EU will eventually find its way to follow this U.S. model. Less pragmatic as the Anglo-American political cultures enable it, but in ways that works according to the very continental (EU and “Franco-German”) approaches of bureaucratic processes: First discussing and assessing the issues, then identifying “unfair practices” of China, then discussing and assessing the actions, then designing, deciding on, and announcing EU rules and norms. And finally implementing these rules and norms.

The Leitdiffferenz Realism vs. Idealism Matters More Than the Confusing Labels – Believed In or Not

In 2023 the geopolitics related trend towards trading blocs is hopefully not surprising any longer, since it was already predicted by the brightest analysts as a possible scenario to prepare for (see, for example, the still excellent Goldman Sachs report on De-Globalization scenarios, from May 2022¹³²). But the interesting part is concentrating on how it is done – and via what (often indirect) paths (and at times “morally loaded” labels):

- On one hand, a at least partial de-coupling with China will unfold. In a slow and pacing (step-by-step) but continuous form. One that however might escalate quickly, under certain scenarios – such as a Chinese attack on Taiwan. Overall, this de-coupling will be caused by different measures. And the resulting effects among governments (action – counter action – reaction) and businesses (de-risking,...):
 - o May such measures on the Chinese side be called “anti-espionage laws”, “dual circulation strategy”, “global support for anti-colonialism”, “military-civil fusion” – or called nothing at all (attacking Western firms and interests while denying it).
 - o May the Western efforts to counter China be called “friend shoring”, “Inflation Reduction Act”, “Infrastructure Investment and Jobs Act”, “CHIPS Act”, “de-risking”, “Invest in America Agenda”, “more ESG-friendly supply chains” (such as anti-forced labor bans), or (in softest terms) application of “China Plus strategies”.
- On the other hand, a (re)emergence of some form of an “*allied transatlantic and transpacific trading and investment bloc*” will be one of the most relevant results of the 2020s’ path. Be it more multilateral or multi-bilateral. Be it more explicit, or under less overt titles.

¹³² (De)Globalization Ahead?
<https://www.goldmansachs.com/insights/pages/de-globalization-ahead.html>

Countering China's Global Infrastructure Strategies

The same can be said about geopolitically driven infrastructure projects with substantial ramifications that we are about to witness as one of the outcomes of this Cold War.

Part of China's grand strategy to oust the old system and establish at first dependence and then dominance, are the programs

- Belt and Road
- Digital Silkroad

Assessed by Western National Security, these approaches try to build a global system of China controlled infrastructure, access, and political influence. Now the West has developed and launched "counter programs"; especially:

- The American *Partnership for Global Infrastructure and Investment* program
- The EU's *Global Gateway Initiative*
- The *India-ME-Europe Economic Corridor*, which was just launched by the U.S. together with India, the UAE, Saudi Arabia, France, Germany, Italy, and the EU as a whole

These recent strategic projects aim at fostering Western business outside the West; as well as access and supply chain security, especially with regard to key resources.

Again: Opportunity, opportunity, opportunity.

On the Publisher

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