

Book Review: Geoeconomics

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ABSTRACT

This article is a book review and critique of the book “Geoeconomics” written by Klaus Solberg Soilen. It gives a critical insight into the world of economics and geopolitics, by describing the movement from geopolitics to geoeconomics and showing how multinational companies as well as Nation States are influencing the world today.

The author describes the purpose of this book as “The idea with this book is to show how the study of intelligence can be an alternative approach for the study of economics when the aim is to understand the competitive advantage of nations.” It is divided into six chapters.

KEYWORDS *Geoeconomics, geopolitics, Realpolitik, nations, multinational enterprises*

BACKGROUND

Prof. Dr. Klaus Solberg Soilen is professor at Halmstad University in Sweden as well as at the Nordic International Management Institute(NIMI) in Chengdu, China. This book is most relevant in the context of larger strategic entities, such as nations

and multinational enterprises, which constantly face global competitive issues. The field of geoeconomics is an alternative multidisciplinary direction for the study of economics.

Chapter 1: From geopolitics to geoeconomics

Geoeconomics is described as “the study of spatial, cultural, and strategic aspects of resources, with the aim of gaining a sustainable competitive advantage” (Solberg Soilen, 2012, p.8). The concept of Geopolitics is applied to the globalization process and is therefore interesting to nations as well as multinational enterprises. It is advised, that large entities like these need to focus on intelligence as a discipline, gathering information in the micro- and macro organism. The role of China is used as an example for a state, that is more active in charge of economic activities. In China it is the Chinese government itself which is in the driving seat when Chinese companies move into new countries, for example in Africa. Both USA and China sharing the economic logic, that a national competitive advantage can be achieved only through a wide range of freedoms conferred on private-sector actors. There is a movement in the understanding of power, leading from the military power to the economic power which is described as the “golden process”. In geoeconomics the management of natural resources is leading to a competitive advantage. This leads to the main question of this book: How can we understand what makes some countries more competitive than others?

This forms the starting point for the study of geoeconomics. In the next section the author shows how the study of geoeconomics builds on a dynamic approach to the social sciences which can be traced back to the theory of evolution. This is the way from classical economics to geoeconomics. The influence of culture is very big in geoeconomics. Some theories can be applied to other cultures but most often they cannot. Therefore, culture has a big influence on competitive advantage of nations.

The author speaks about competitiveness that can be replaced by sustainability and that these issue becomes more popular in the consumers' minds (Solberg Soilen, 2012, p.10). Today this process continued and lead to the fact, that more and more companies concern more about sustainable issues and put the economic factor more in the background. By doing this, they answer to the customer's need of a healthier and conscious life.

It is described, that the competitive nations of tomorrow are shifting their resources towards science, education, production and trade, and away from war as a geopolitical instrument (Solberg Soilen, 2012, p.11).

As a main question in this book, the competitiveness of countries is reviewed. Reasons why some countries are more

competitive than others are manifold. The author asks for the reason why a country with the most experts in the field of economics, the USA, has such large and fundamental economic problems, without being able to solve them. In contrast to that, countries like China, that do not have that well known business schools are doing so well (Solberg Soilen, 2012, p.12).

The author asks whether there is more to be gained by leaving the teaching of more history behind. It is stated, that we had already abandoned the historical method, and with it we abandoned appreciation of economic history (Solberg Soilen, 2012, p.14). This is still an up to date topic. What we can see in the present is, that a rise of a „politician” in the USA, that shows attributes of leaders from old times. People seem not to learn from history by supporting his approach.

Chapter 2: The legacy of the discipline of geopolitics

In this chapter, the term geopolitics is explained. The initial scope of geopolitics included issues about the size, position, borders, natural resources, infrastructure, business structure, and population of countries (Solberg Soilen, 2012, p.21). Several scientists that influenced

geopolitics are presented, for example Rudolf Kjellén (1864–1922), Friedrich Ratzel (1844–1904), Carl Ritter (1779–1859), Alexander von Humboldt, Karl Haushofer (1869–1946). The process of maintaining geopolitics is influenced by the fact, that decision-makers in private and public sector are working with two different types of documents. One including intelligence and strategic research, the other one covering a story to tell the mass media and shareholders to make the decision acceptable to the public. Geopolitics as a subject, that seems to be overseen in western universities nowadays. This may be related to the military root of it and the associations and the memories we have of what geopolitical theories led to when adopted by the ideologists of Nazism, in Germany and elsewhere (Solberg Soilen, 2012, p.25). The seduction of maps is an important part of geopolitics. It is about the way maps were used in the past, i.e. to divide America or Africa. Competition and possession of land are the ultimate expressions of our struggle for prosperity (Solberg Soilen, 2012, p.30). The seduction of history includes that historical facts can be used in one or another way. Depending on which theory should be supported, you can find facts, relations, data and graphs for everything. If you choose the right ones and put them in the right connection, almost everything can

be proved. In this chapter, there are always examples in history given to make assumptions to the future. In the focus here: Germany, WW II, and the Vikings.

The way decision-makers present different documents to different audiences seems realistic. For external use, everything has to be polished and shiny, as all this is part of the image of a company. For the internal use, some other things are important for success. Sometimes this includes information that should not be public. The fact, that geopolitics is not in the focus of western universities and that it is related to its roots, might be true, but this needs to be overcome to stay competitive. A reason why it is not in the focus can be, that the people are scared to teach things, that can be provocative and might be politically incorrect. The people in charge afraid to work and teach in that delicate field of study. When it comes to the usage of historical facts there is a lot of space for manipulation. Just by changing the scale in a graph for example, the result can be totally different.

Chapter 3: The Renaissance of Geopolitical Thought

Many social scientists, including economists, have begun to question the fruitfulness of modern economics as a

science. Public companies are supposed to be more efficient than either private partnerships or state-controlled companies. The emergence of a new paradigm for economics can now be seen with the financial crises in the Western world and the rise of China as a superpower. Consequently, in reality our policies are more effectively designed to keep the poorer countries indebted, to control them and make them dependent, to justify our own protectionism and subsidies to our own voters while appearing to be doing good. Therefore, it can be stated that everything is politics, and politics is ultimately all about economics. In chapter 3.2 the conflict between Western and Asian values is reviewed leading to the result, that geoeconomics is gradually taking over from geopolitics.

The idea, that our policies are designed to keep the poorer countries indebted to justify our own subsidies needs to be seen critical. On the one hand politicians should make decisions, that are good for the country and at the same time care for the environment. The majority of Europe is democratic. Politicians compete against each other and get elected. This process already leaves not much space for the kind of altruism, that a government would need to think globally and not nationally. So why should a politician after he is elected,

change his personality and behaviour? And after they got elected, they just want to get reelected. Therefore, processes can be slow and drastic decisions may not be taken. They do not want to give up their position of power.

Chapter 4: Elements of geoeconomics

The author focuses on the role of China in the field of geoeconomics. With its involvement in Africa, China is making sure their supply of raw materials. It is presumed, that the competition between nation states in the past is nothing compared to what we can expect from the multinationals in the 21st century. The normative intelligence analysis is presented. We make decisions using less than fully rational analyses of incomplete information, based on generalizations and a particular set of personal and cultural values (Solberg Soilen, 2012, p.60). „Instead of production and trade, the Western world has more or less voluntarily destroyed its factories and opted for an economy built on services and the service economy, more in line with the growing financial sector.“ According to the author, this has probably been our biggest strategic mistake as a professional group. „Services are important for the economy, but should not be allowed to dominate.” (Solberg Soilen, 2012, p.61). The countries that are

keeping a certain level of productivity are those, who did not fail, for example Germany, Sweden or Switzerland. When it comes to productivity and efficiency, the author states, that we do not want to spend all our time working, so we have people work faster, and on the other hand apply new technologies and new management theories to make our existing time more productive. (Solberg Soilen, 2012, p.64) As the number of individuals on planet earth is extremely increasing, the author suggests, that we need a more sustainable way of providing a good life for all. Companies are forced to think international and for example execute their production in other countries. If they would not do so, their costs would increase and they would lose their customers due to cheaper prices of the competition. This is caused by the fact, that consumers are not willing to pay a higher price. So companies simply adapt to consumers' choices. Therefore, the problem lies within the human behaviour. If firms do not move their production abroad their costs will increase and they will lose customers. This happens not because the firms want it, but because we as consumers are not willing to pay a higher price than we have to. The author speaks critical about the procedure of publishing in established journals and that these journals are functions more like a private club.

It is described, that the society's wealth is the sum of its members' individual economic performance moderated by the degree of modernity of the region's infrastructure. Furthermore, a nation is an organic rather than a static entity, fragile, dependent; it has to be recreated every day (Solberg Soilen, 2012, p.77 ff.). Finally, both subjects, economics and political science, have become weaker as disciplines. They are not able to describe and understand the reality we observe. To ensure a competitive education to a country's citizens, a nation follows two different strategies. Either they are educated themselves or they are bought from other places. Europe is an example for the first possibility, where a lot is invested into university. The USA in contrast, is an example for the second strategy, where intellectuals come from other parts of the world, mainly Asia.

As an example how nation states are controlled by multinationals, the author refers to a meeting of the Barack Obama and his Chinese counterpart, as well as a meeting of Angela Merkel in China, both went there to ask for money. The author describes this as "The entire Western world has now capitulated economically in front of China" (Solberg Soilen, 2012, p.92). It is presumed, that China will surpass the Western world in political

strength in the second half of the present century. Some areas have become increasingly independent on multinationals in terms of taxes, so the power is more to the side of the companies. In China for example, where the State is currently the owner of most major businesses and can impose very strict rules on the market. The author predicts, that if this movement goes on like this, the western world will soon be a thing of the past and we will be out competed by more authoritarian states. „The era of globalization has marked the end of the dominance of the nation state” (Solberg Soilen, 2012, p.97). There is a movement in which the focus is on the regional centres, no longer on the state itself. The author advises that „we should make our citizens feel more responsible for the nation's future. We should make clear that citizenship means not just that one has rights, but that one also has obligations, duties. To achieve this, we need a new political structure. This can come only through a period of new crisis” (Solberg Soilen, 2012, p.103). In Chapter 4 page 76, the procedure of scientific publications is explained. By including other author's names in publications, although it was written by just one, scientists bump up their publication rate. Besides this, the journals are described as private clubs. To be able to publish there, it is necessary to cite the authors that run the journals, to

provide them with a high citation rate. This procedure let students think very critical about the scientific work. Is it still reliable, independent research, if it seems necessary to play after the rules of the journals? The issue of an EU membership of Turkey, which is discussed in chapter 4, p.86, needs to be updated. Regarding the events in the last years, Turkey is going to the opposite direction. It remains to be seen in how far this issue will develop.

The prediction of being out competed by more authoritarian states with more effective models of public management (Solberg Soilen, 2012, p.96), is even more true today. With the speed for example China is growing in economics, will continue and it is hard for states like Germany to keep up with them.

Chapter 5: Geoeconomics in Relation to Evolutionary Theory

Following the author, there cannot be any politics without political realism, and economic issues lie at the core of politics. The person, company, or nation, which possesses economic wealth, has resources, and resources are power; where power is defined as the ability to control the actions of others, thus increasing one's own opportunities for creation of further and future wealth. Ever since the end of the Cold War, geoeconomics as a national

strategy has gradually become more relevant than geopolitics. The organic view says in essence that we human beings are not so much in control of our behaviour as we think we are. We are predominantly emotional and not particularly rational creatures. We learn not by theory, but by trial and error, that is through failures.

The study of economics has two objectives. First, to develop theory to attempt to explain and predict human economic behaviour (economic theory), secondly to provide economic actors or agents with tools enabling them to conduct business and public operations more efficiently (applied fields).

The power of geopolitics is strongly influenced by the geoeconomic power of nations and companies. Resources are power, and therefore most political decisions are caused by the loss or win of resources. The Iraq war for example can be seen as a political intervention, or as an attempt to control resources. The concept of trial and error is presented. The observation of a lack of learning from theory but through trial and error is used very often. At universities a lot of theory is taught. The problem is, that these theories can not always be applied to the real life experiences and therefore politicians as well as businesses learn more from trial and error. This leads to the question, why

theories are taught, although they can not be applied directly in the real world. The author of the book stated, that we are predominantly emotional and not particularly rational. Therefore why do we create and teach theories that are based on rationalism?

Chapter 6: Geoeconomic maxims

In this chapter, particular literary tradition in the field of geopolitics is presented. It is presented in the art of essentialism, that can be described as the reporting of complex social facts by observing individual and national characteristics and actions, in a realistic and succinct form. This method is different than the methods used for industry and country reports. In those industry and country reports, a lot of assumption are based on *ceteris paribus* clauses. To understand major world events this *ceteris paribus* clauses are not accurate, because major changes do occur (Solberg Soilen, 2012, p.140).

Geopolitical statements flourish in all circles of power, although they can often be considered politically incorrect, but they are used to make decision by the leaders in public and private organizations. The statements handed to the media is often different than the real sentiments of

the statesmen and leaders about the same matter (Solberg Soilen, 2012, p.144).

In the field of geopolitical writing, conclusions often follow one another, without an apparent discussion or explanation. You will get clear statements, but they risk to be false. The geopolitical writing is by nature provocative and is made to attract attention. That's the difference between geopolitical writing and sociological writing (Solberg Soilen, 2012, p.145).

Intelligence is not about methods, it is more about guesses and facts relating social life and social behaviour. Every effective organization, whether private or public needs at least a clearly defined strategy. The intelligence of an organization cannot be evaluated without a strategy. Strategies define what kind of information is nice-to-know and what kind of information is need-to-know for an organization (Solberg Soilen, 2012, p.146).

In this last chapter, different maxims are presented. It is divided Intelligence Units by dimensions and issues and Intelligent Units by countries and regions. In the first section, there are three different dimensions: economic, political, and social (Solberg Soilen, 2012, p.147).

The maxims within the economic dimension are multifaceted. There are general statements about how the half of the world's economy is illegal or hidden,

or about how the satisfaction of the people and the youth looking for a good life will lead to slower growth and this kind of people will be replaced by ambitious people from the east or other immigrants (Solberg Soilen, 2012, p.148).

Another statement is, that financial strength become more important than military strength and the distribution of this financial strength will lead to a new world order (Solberg Soilen, 2012, p.151).

Realpolitik is an important term in the segment about the political dimension. Realpolitik is politics based on realities and material needs, rather on morals and ideals (Solberg Soilen, 2012, p.16). All in all, politics now is more crisis management than anything else and the real political statements are never written down (Solberg Soilen, 2012, p. 162).

A big aspect within the political dimension is the mass media. As the media, mostly is run like a business, they want to produce information they think they can sell. Commercial interests playing an important role, that can lead to less accurate information about different issues, because of the danger of losing money (Solberg Soilen, 2012, p. 173).

Another key point in this segment is the education. It is stated, that there is something like a “educational inflation”.

That means that the numbers of students and universities increased, but the worth of a university degree decreased (Solberg Soilen, 2012, p.182 ff.).

In the middle east, the religion is important. There are two types of thinking: irrational and rational. The main influence in this region is the Islam. The geopolitics is all about the logistics of oil. That’s why the USA is present in this region. But Iran is waiting to fill the power vacuum after the US leave. The US invasion of Iraq served to strengthen the power of Iran in this region (Solberg Soilen, 2012, p. 248 ff.).

In Asia, there are no real democracies, but there is also no proven correlation between economic success and democracy. Asia is no more dependent on us, either on technology or investments. China is the cornerstone of Asia (Solberg Soilen, 2012, p.270 ff.).

China is in the transition from Communism to capitalism and they are doing it well. Advantages in this process are the hard-working and disciplined mentality of the population. They will become the largest economic power in the world and surpass the USA in the next 15 years. China transitioned from the factory of the world to the most important consumer market (Solberg Soilen, 2012, p.272 ff.).

The introduction of chapter 6 is essential for understanding the statements in chapter 6. The author of the book explains the nature of the statements made and that they can be provocative and politically incorrect. There is also a good explanation why the author chose the art of essentialism. In this context, it makes sense to use that kind of approach. The *ceteris paribus* approach, used in industry and country reports, just do not reflect the reality.

Solberg Soilen states, that leaders in public and private organizations use the geopolitical statements to make decisions. This can lead to the understanding, that those leaders just decide on their gut feeling, instead of numeric facts. This can be seen as critical, but one can agree, that there will be differences between the statements handed to the media and the real sentiments.

The statement about that the today's youth is looking for the good life and do not want to work hard and their place will soon be overtaken by ambitious people from Korea, was on the first sight exaggerated and ridiculous. But after reflecting over this statement, truth can be found. It would be interesting to elaborate the reasons of this behaviour of today's youth and if the people from the East will reach this point as well in the future.

The aspect of the influence of the mass media on the people is highly interesting and a present issue. This issue appears clearly visible in the USA. Trump's election to be the President of the United States of America was mainly due to the power of the media. President Trump realized the power of the media and tried currently to damage their reputation and accused many media station of spreading fake news.

The statement made about the "educational inflation" should be seen critical.

Everybody should have the right to educate themselves to the maximum of his abilities. It is the university and their founders task to keep the level as high as necessary. But the trend mentioned above can be connected to the development of the Western society to a service-level society, as nobody wants to do unpopular jobs.

Overall can be said, that the book gives an interesting approach to the topic of geopolitics and geoeconomics by using a wise and appropriate approach. Some of the statements are outdated and have to be revised, especially with the latest changes in the USA.

References

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