



The Canadian Institute of Strategic Studies

## Strategic Datalink

de L'Institut Canadien D'Etudes Stratégiques

# Geopolitics, Geoeconomics and Economic Intelligence

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Strategic Datalink #69, March 1998

### Geopolitics renewed

Since the beginning of the 1980s, the study of geopolitics has reappeared in the academic world and the media. Though the use of the term is currently widespread, few are able to define what geopolitics really means.

What is geopolitics? According to the French geopolitician Pierre Béhar "geopolitics is none other than policy necessitated by the constraints of geography." The discipline examines the relations between geographic space and political actions. Geopolitics is not a science but rather an intellectual process. A geopolitical situation can be defined by a rivalry of forces and by power relationships in a given space. Therefore geopolitical analysis is concerned with the control of a given space by power.

What is stimulating the renewed interest in geopolitics? Though the debate is far from over, arguments are growing about the discipline among academics, mainly because of its uncertain role during the first part of this century. The "new geopolitics" broke with the geographical determinism of "old school" geopolitical thought, inspiring a renewal of the geopolitical approach. The return of geopolitics is

a manifestation of the theoretical impasse contemporary social sciences face, and is directly related to the collapse of the 20th century's leading ideologies.

For decades the analysis of society's problems has been dominated by Marxism. Materialism, however, can no longer be used to explain very complex international developments such as ethnic conflicts, geoeconomic competition and the disintegration of the post-Soviet geopolitical space.

Examining economic factors is important, but not enough. Ideological questions, historical dimensions, the influence of geographical factors and the strategic motivations of the competitors are involved in effective geopolitical analysis. The real strategic objective of the 1991 Gulf War was the control of oil, indicating the considerable weight of the conflict's economic dimension. There was also a number of other factors which played an important role—the increase of American influence in the region (geostrategic and geoeconomic dimensions), the subjugation of Lebanon by Syria (historical, psychological and geostrategical dimensions) and the reaction of Muslim fundamentalists. The complexity of our world requires multi-dimensional analysis, based on an interdisciplinary and non-ideological approach. This is why geopolitics has reappeared in the academic world.

The field of research in geopolitics has broadened. Until the Cold War ended, geopolitics was regarded simply as the examination of the relationship between the conduct of power politics in the international system and the geographical framework in which it is applied. This theoretical frameworks sees the rivalry between states as the centre of analysis. Moreover, the proliferation of geopolitical questions since 1991 has made an evolution of the geopolitical approach inevitable and necessary.

First, geopolitical movements have been occurring within state borders. The Italian north faces the Padania movement for greater autonomy, the question concerning Quebec's status looms large in this country and Spain's separatist Basque minority makes frequent headlines. These developments reflect the concept of "internal geopolitics," introduced by one founder of the new geopolitics, French geographer Yves Lacoste.

Second, non-state actors are playing a larger role in contemporary international relations. Prominent examples include the claims of minorities, the strategies of drug cartels, the influence of major oil companies in Central Asia and the extensive international economic penetration by multinational enterprises.

The question of language use is also a consideration in geopolitical

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thought. The spread of a language often defines a sphere of influence not only culturally, but also politically and economically. Though the global dissemination of a language is indeed an important factor, it represents more than a simple linguistic dimension. This was apparent when French president Jacques Chirac noted that "the big linguistic zones will, in a full sense, be the structures in the political games of the coming years." Chirac made this statement at the opening ceremony of the November 1997 La Francophonie, a summit of French-speaking nations that intersects economic, cultural and political boundaries.

Africa, France and the United States stand opposed on questions of language. The rivalry between them is as much economic as cultural. In the Democratic Republic of Congo (ex-Zaire), a change in leadership has brought a change in language as well. Much to the dismay of the French, President Kabila opted to use English. It was no accident that major American mining companies signed important exploitation contracts with the new government.

These new geopolitical dimensions can open new horizons in the field of international relations research. The study of geopolitics is a multi-dimensional reasoning process that analyzes the conflicting strategies of different competitors (state and non-state actors) for the control of a given space. It takes into consideration the geographical dimensions and the internal and external factors related to the geopolitical situation in question. Lacoste states that an era's geopolitical characteristics can be defined by the rivalries and power relationships among different forces which present on a given territory. Often, he claims, the conflicting territorial claims are related to symbols and national myths—geopolitical representation. For instance, to understand Kosovo's status in the former Yugoslavia, one has to consider geopolitical represen-

tation—of two ethnic groups (Serbs and Albanians) claiming the same territory.

### **Geopolitics to Geoeconomics**

One of the new applications of geopolitics is geoeconomics. This new discipline was born in the post-Cold War era, from the work of American strategist Edward Luttwak. According to Luttwak, Cold War ideological rivalries have been replaced by worldwide economic competition, in which trade and finance overshadows military power.

The objective of a state's geoeconomic strategy is to attain and preserve a privileged position in the world economy. This means that geoeconomics questions the relationship between economic power and space. It also refers to a "virtual" space, in which the fluidity and intensity of economic exchanges makes it extremely difficult to define territorial boundaries.

The birth of geoeconomics corresponds to the new balance of power after the Cold War. The emergence of new economic players and the intensification of globalization has exacerbated commercial rivalries among different economic zones. Increased interdependence has fuelled globalization, and regional economic integration has been the response. The logic of geographical proximity and pressures of economic interdependence has formed the European Union (EU), North American Free Trade Agreement (NAFTA) and the Southern Cone Common Market (MERCOSUR), among others.

The significance of economics to the international system has been growing steadily. The divergence of interests between the Europeans and Americans during the GATT negotiations signal this importance. The recent merger between Boeing Co. and McDonnell-Douglas is another excellent example. This unification of the two largest American airplane manufacturers was a strategic alliance

intended to confront more effectively the future challenge that Airbus, a European company, poses in Asian markets. By 2000, Asia will have the greatest share of world airplane demand, and will account for half of the European aviation industry's exports. The geoeconomic competition between the American and European aviation industries has direct consequences for the prosperity of their respective states.

States can no longer justify the absence of a national foreign economic policy. They must take into consideration the increasing importance of external factors upon which the prosperity of a nation depends. Globalization has led to the blurring of national and international borders. Consequently, the state and its enterprises must have a geopolitical vision to develop geoeconomic strategies allowing them to develop or maintain worldwide economic influence.

### **Economic intelligence**

One of the most important components of a geoeconomic strategy is economic intelligence. Economic intelligence can be defined as the research, analysis and dissemination of economic information useful to different actors in the economy. This emerging field of study has recently been gaining importance in some European countries, but is already well-developed in Japan and the United States under the names "economic intelligence," "competitive intelligence," and "marketing intelligence." Indeed, information is of strategic value to the decision-making processes of economic actors.

Conventional intelligence activity does not follow the logic of geoeconomic competition. The approach is mainly defensive—control the economic activity of politically and militarily hostile countries, and protect national integrity by preventing espionage and other illegal activities. This is analogous to traditional counter-intelligence work.

However, economic intelligence is not limited to the research, analysis and dissemination of information. The application of this intelligence is often offensive. Lobbying, trade negotiation strategies and disinformation have become very important to deal-making in international business. The public circulation of extracts from an unreleased investigation report concerning the 1988 crash of an A320 (Airbus) aircraft illustrate the potential consequences of utilizing economic intelligence. Upon the announcement incriminating Airbus Industrie, internet newsgroups began spreading belligerent messages directed against Airbus' parent company, Aerospatiale. Unprepared, the Toulouse-based corporation was unable to effectively respond and defend its image. Further investigations showed that the internet newsgroups had been created by the company's main rival, Boeing Co.<sup>1</sup>

Many nations have responded to the increased need for economic intelligence. In France, the Institute of the Study and Strategy of Economic Intelligence was established by General Jean Pichot Duclos, a leading intelligence expert. Since 1995 a committee on economic competitiveness and security has been counselling the French government on economic intelligence and geoeconomic strategy. In Sweden, a global economic intelligence strategy is created through strong cooperation among government agencies and private enterprises. The Italian government too has sought a geoeconomic strategy, and a framework for institutional cooperation is being constructed.

The constant fluctuation of the international political and economic environment makes the adoption of flexible strategies indispensable for a state and its corporations. The mastering of economic intelligence is fast becoming a primary factor in building such strategies. Engaging in these activities requires the exploitation of

huge quantities of information that government and private entities must use to achieve specific economic objectives.<sup>2</sup> Defending a state's economic interests requires a new perception of its security needs. Competent economic intelligence will provide the scope and breadth of these needs.

An expansion of efforts in economic intelligence is necessary. This includes the following measures:<sup>3</sup>

#### 1. Countermeasures against:

- competition that hurts the interests of national enterprises;
- illegal commercial practices by foreign competitors;
- hostile acquisition of companies of strategic importance;
- disinformation or any manipulation of information hurting the interests of the nation's enterprises;
- economic penetration by Mafia-type organizations;
- money laundering;

#### 2. Monitoring of:

- foreign technological developments that could have negative impact on leading sectors of the national economy;
- the international financial markets, to prevent destabilizing financial effects upon the national economy;

#### 3. Vigilance concerning:

- mergers and acquisitions in the economic system;
- the behaviour of major multinational companies;
- energy sources and other strategic raw materials.

Economic intelligence should be applied on a national level. An important complication is the sharing of intelligence with political and military allies, as these states will remain economic rivals.

### Interdependence of geopolitics, geoeconomics and intelligence

Identifying the relationship between geopolitics, geoeconomics and economic intelligence in the international system is important for creating a functioning "system-country" relationship. Despite the obsolescence of time and space, the consequences of globalization and the increased competitiveness of the global economy, geoeconomics does not replace geopolitics. Conventional regional territorial conflicts are taking place in many parts of the world. As history has proven, economic competition between powers often leads to war. Economic rivalries contributed in large part to the onset of the First World War, and economic factors were catalysts of the French Revolution. The geoeconomic strategies of major oil companies in Central Asia are also illustrative. Some analysts are even discussing a possible future "clash of economies."<sup>4</sup> As a result, both geopolitical and geoeconomical factors should be taken into consideration.

In order to perform such an exercise, one has to have precise information. The importance of information is fundamental to not only providing the analysis, but also to implementing the consequent decisions. The success of a chosen strategy will depend to a great extent upon the objectivity and efficacy of any given analysis. Analyses of international relations can be greatly improved by using a geopolitical method.

Geopolitics, geoeconomics and economic intelligence are intimately related, and used by both states and private corporations. The strategy of certain companies in different parts of the world has been to focus strategic investments on areas pegged for expansion or traditional strongholds of economic penetration. Suzuki built an automobile plant in Hungary—in the proximity of the Austrian border to better conquer EU markets. Germany

is regaining its traditional sphere of influence in Central Europe due to its economic power in the region—it has been the first and largest investor in Poland, Hungary and the Czech Republic. The success of these ventures could have not been achieved without geopolitics, geoeconomical analysis and economic intelligence.

### A Geoeconomic Disposition

Globalization decreases state sovereignty and in some parts of the world it even challenges political legitimacy. The capacity of states to rule unhampered has been reduced; the internationalization of the world economy has rendered traditional regulative economic policies impotent. Rising unemployment weakens social-political cohesion and provides fertile ground for growing cultural conflict. The ubiquity of aggressive public frustration with policies in Western society are the consequences of the current economic world order.

The present world economic system is characterized by a power struggle. The invisible hand guiding the free market economy has been fading. Traditional economic theories on international exchanges are not reflecting the international economic reality. Economic decisions are fashioned more along the models of Sun Tzu and Machiavelli than conventional economic theory. Ignoring the new economic reality could hurt a state's power projection capabilities in the world system. Though states may be losing some ability to regulate internal affairs because of globalization, they still affect strongly their own geoeconomic disposition.

The geoeconomic disposition of a country results from the synergy among the tools of business and government that contribute to economic

success. These include education and training, research and development, commercial strategy, diplomacy, audio-visual strategy, economic intelligence etc. Grouping together each of these elements into a national geoeconomic disposition will determine to a large extent a state's influence in the international geoeconomic system.

One of the most serious problems in the analysis of a state's geoeconomic disposition is creating a new strategy for intelligence. Intelligence communities have been undergoing major transformations since the end of the Cold War. The sheer volume of information on all aspects of the state makes the task of intelligence services difficult. These agencies have been facing the problem of adapting to a new and rapidly changing international environment, due to the end of the Soviet communist system, the globalization of world economy, the explosion of information networks, the erosion of state sovereignty and the growing influence of non-state actors, among others. In many cases, economic intelligence activity is being carried out by private intelligence agencies, with staff recruited from conventional state security services.

A new national approach to intelligence should be established. This new approach must not only gather, analyze and distribute useful economic information to relevant actors, but also elaborate on the tactics and strategies necessary to improve the economic power projection capability of a state. The intelligence gathering abilities of state agencies, public corporations and private enterprises must be radically transformed. Coordination efforts among these three sectors is indispensable.

Geopolitical and strategic studies have largely been the preserve of military personnel, diplomats, academics and consultants. However, training in geopolitics, geoeconomics and economic intelligence should be offered at universities and companies, to prepare the economic and political elite for a new perception of international problems. Such a synergy among various sectors is the first step towards the development of a new strategic culture necessary to handle the challenges of a very complex and uncertain international system.

### Notes

1. Guisnel, Jean, Guerres Dans le Cyberspace, Paris: La Decouverte, 1997, pp. 231-232.
2. An estimated 70% of economic information comes from open sources (databases, specialized literature, official documents, etc.); 20% from closed sources like personal networks, informal meetings, etc; and 10% from illegal espionage activities. Source: Bloch, Alain, L'Intelligence Economique, Paris: Economica, 1996, p. 53.
3. This is not an exhaustive list. See: Fiore, Sergio, "L'Organizzazione Istituzionale per la Competizione Geoeconomica," in Savona, Paolo & Jean, General Carlo, Il Dominio Dello Spazio Economico, Milan: Franco Angeli, 1995, p. 66.
4. On this subject, see: Imbeault, Marc, & Montifroy, Gérard A, Géopolitique et Economies, De Rivalité Économiques en Conflits Géopolitiques, Paris: Science et Culture, Montreal, Frison Roche, 1997.

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