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# Nomos & Khaos

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on economic-strategic horizons*

Outpost for Strategic and Security Scenarios

**Nomos & Khaos**

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## *Table of Contents*

### **Introduction**

The long wave of continuity and the tide of change 9

*Vittorio Emanuele Parsi*

### **Executive Summary 21**

*Alessandro Politi*

### **Conclusions**

The Useless World Order 39

*Alessandro Politi*

### **Abstracts of authors' contributions 53**

### **Annex: the subjects of the previous volumes 61**

(2004, 2005, 2006)



# *Introduction*

Vittorio Emanuele Parsi



*Introduction*

# An enduring period of continuity and the tide of change

Vittorio Emanuele Parsi

The scenario for 2008 appears to be typified by phenomena which – for the sake of simplicity – we can group into two categories. On the one hand we have the most classic dynamics, tied to changes in the geo-political equilibrium as well as to trajectories traced by the key players (be they new or traditional) and to forecasts regarding the current crises or those which are about to erupt. On the other hand global issues are looming large and becoming steadily more important; these cross-border issues, which even cut across alignments, are capable of altering the framework and the background against which foreign policy actions and international relations take shape, influencing the hierarchies of interests and the preferences of the players in ways which are becoming increasingly significant. With regard to these latter aspects (but not exclusively), there is steadily increasing diversity both in terms of the type of players (states, international organisations – including non-governmental organisations – transnational corporations and terrorist groups), and the methods and strategies adopted for pursuing action (violent or non-violent, based on lobbying or seeking support from the public).

Without resorting to simplistic reasoning, it can be contended that phenomena of the first type and the traditional players are still the most significant over the short to medium-term in terms of altering the structure of the international system; but the weight of the second category of phenomena and players is growing, and their impact on the long-term transformation of the international system appears unquestionable. There is no need to decree, for the umpteenth time, the eclipse of international politics and the associated system of relations based on the role of nation-states, as was theorised during the 1990s with amazing superficiality.

It is rather a matter of understanding the meaning of and evaluating a trend going back to the final stages of the Cold War, and which sees the juxtaposition

of challenges, issues and players which are all very different from those typically associated with international politics. It is one of the repercussions of the increase in complexity, rather than a mere substitution of dynamics and key players. The working hypothesis which is gaining ground and taking shape from a reading of some of the papers presented here, is that the coming year will be marked by an acceleration in the process involving a mixture of the two different types of phenomena. If this process of intertwining should develop further, the first probable result would be increased friction between challenges which are beset by inertia, such as safeguarding the environment and de-contaminating air, water and the ground, and the syncopated rhythms of politics, constantly grappling with the need to take rapid decisions having a long-term impact whilst being aware of the short-term need to gain consensus.

Amongst other issues, the difficult task of ensuring that the various time frames characterising politics (planning, decision-making and establishing consensus) coincide, is not new, particularly with regard to the welfare democracies and on account of the increasingly significant role played by the mass media. But it is the fact that the above issue is entangled with the territorial conundrum which makes it a different kind of problem. Indeed, in terms of the ramifications or possible strategies to cope with the new issues, many of them defy nation-state demarcation. And yet, it is again at a national level (or at the most at a regional level) that it is possible to consolidate the consensus required to make these strategies actually implementable. After all, the costs incurred pursuing these strategies are not at all symmetrical: if anything the opposite applies. With the added complication that the perception of the harm occasioned by inactivity is just as symmetrical, but often as a mirror image.

What is the “natural arena” in which the various sides can be compared and in which the various pieces of the sacrifice/cost hierarchies can be put back together and mediated? Where is the public arena for appropriate discussion of these issues, all the more so when the term discussion is understood in its correct sense as the process of “clarification” necessary for subsequent adoption of a decision? And finally, what is the political arena within which the decision can be adopted and implemented and the decision-takers subsequently called to answer for the efficacy and correctness of their actions?

As can be seen, as soon as one recognises the procedural nature of politics and related decision-making processes, politics inevitably becomes entangled with the matter of representation and institutions which are capable of giving shape to the two concepts, as well as rendering the two areas harmonious (or at the very least compatible). Now, there can be no doubt that the current international system, is

undeniably intertwined as never before in an actual web comprising a network of institutions which might represent the bedrock or the starting point for a policy which “also” becomes global. Yet it is also true that the differences between national political types of systems and the actual level of support for many of the principles on which the international order is founded, make this endeavour much more complex than the sense of urgency and seriousness of the problems would actually require, and much more complex than institutionalist rhetoric is willing to concede.

More specifically, cooperation between democratic systems and authoritarian regimes is all the more problematical, particularly as a number of the latter are capable of demonstrating success stories in terms of their ability to ensure rapid development, reconciling political authoritarianism and economic capitalism. Sooner or later, if they succeed in consolidating this system, the advocates of authoritarian rule will demand that changes be made to the institutional fabric of the international system, in order to render still less effective any efforts taken to ensure that the matter of democratic principles and the supremacy of human rights are incorporated into their systems, such principles having been repositioned as the specific outcome of the Western world’s culture and development, rather than as universal principles.

#### TOWARDS A WEAKENING OF THE WEST’S CENTRAL ROLE: WILL 2008 BE THE TURNING POINT?

It is an incontrovertible fact that, in terms of great historical cycles, the contemporary international order is essentially the expression of the West’s centuries-old political supremacy. But regardless of the manner in which such supremacy was exercised; it is nevertheless the reality which accompanied the formation of the international system. More to the point, we could go so far as to contend that the very fabric of the international system, its order and its legal system, has been created in the West, and that Westerners have been exceedingly clever in building an international system in their own image, one which meets their requirements perfectly. Indeed by reason of the extraordinary concentration of power which for an exceptionally long period of time saw the West as its custodian, it is nonetheless obvious that sooner or later the West’s political domination is destined to decline, at least in relative terms. The growth of non-western powers, their importance and power in economic, political and cultural terms is causing the West’s supremacy to steadily taper off. Whether we like it or not, this is another incontrovertible fact; what is more, whatever action we in the West may decide to take, we can have very little impact on this trend.

Stating that the Western stamp on the international order has been its constant, chief characteristic does not mean however that we fail to recognise that, especially since 1945, its very nature has changed radically. The international order which was constructed after the Second World War has been the most institutionalised order that the world has ever seen, as well as being based on the rule of law; under the stewardship of the United States this international order has been capable of substantially reducing the anarchy which previously prevailed in Europe.

With the end of the Cold War, this “liberal” order widened its scope and depth. Thus, when considering possible geo-political developments occurring over the next few months and years, we must reckon that these changes will not take place in a vacuum, but within this area which has been highly institutionalised and which on account of its solidity (or due to its fragility) will be capable of (or incapable) of also directing, giving body to and overseeing redistribution of power at a global level.

It is more than probable that it will not be within our powers to change the course of or even to prevent China’s economic and political growth. It is equally probable that there would be no benefit in doing so, considering that over the last few years China has been one of the power houses of the global economic system. But it is still within our grasp to contribute to determine whether China’s growing role on the world stage will adjust to the network of rules and institutions created by the West or whether China will undermine them and, sooner or later, propose other models, going so far as to change the liberal essence of the Western system.

In order to solve this dilemma, we should ask ourselves how healthy the international institutions are, and if events taking place over the last few years have helped to strengthen their role, importance and prestige, or whether things have gone backwards. And this is where, largely speaking, the bad news begins.

#### DEMISE OF THE UNI-POLAR WORLD: OR DECLINE OF THE UNITED STATES?

In all likelihood, the long uni-polar period under United States domination, stemming from the end of the Cold War, is permanently drawing to a close, notwithstanding the endeavours of two consecutive administrations (Bill Clinton and George W. Bush) to ensure its continuation. What is worse, above all during the Republican administration is that the United States has failed to take action to reinforce the international institutions, precisely those institutions which represented the most important and most effective instrument underpinning the construction of the Western world order, within which the United States was able to exercise hegemony.

In the years following 11th September the United States failed to pursue the previous strategy of multilateral agreements and shared leadership. American presidents appear to have forgotten that particularly in a uni-polar world, in a world in which the resources of power are concentrated in a single pole, multilateralism, meaning sharing responsibilities and decisions is the *modus operandi* par excellence of democracies. Doubtless the rift between the Western democracies over the war in Iraq was the worst result of the mismanagement of the war on terror. The harm done to the role and reputation of the international institutions was probably the second adverse consequence of American unilateralism, in terms of impact.

In a certain sense, the United States has forthrightly declared that it prefers the logic of power and force to the logic of institutions and shared commitments. Whilst it is true that the United States has a long track record of behaving in a manner marked by intolerance of international law and a strong inclination to settle disputes militarily, it is just as true that, after the Second World War, meaning from when United States established world hegemony, this tendency had been inverted.

The United States now find that it has to face up to the growth of China which is becoming increasingly assertive and less inclined to let itself be “tamed”. In addition, and unexpectedly, it is faced with a Russia which is becoming steadily more aggressive, all this whilst the United States is beset by enormous difficulties and is in a position of relative weakness: without being able to count on international institutions and with its international prestige battered on account of the failure of its Middle East policy.

2008 might well represent a veritable *annus horribilis* for the foreign policy of the United States. There is a strong risk that America will have to pay a high price for its well-oiled presidential selection mechanism, “the highest elected position in the planet” as John Fitzgerald Kennedy recalled during his speech announcing his candidacy at the Democratic party primaries of 1961. For a period of one year there will be a lame duck president, whose power will be overshadowed by his mandatory retirement as well as by the failure of his foreign policy. And all the while in 1600 Pennsylvania Ave there will be a need for a man (or a woman) who is capable of exercising their full powers. 11th September has marked George W. Bush’s entire presidency, forcing him to adopt an international policy which is very different from the one he had planned during the election campaign and the one he had implemented during the first eight months of his mandate.

Unfortunately for the United States and for the entire world its foreign policy has been largely speaking a failure. Six years after the Al Qaeda attacks, America has

attained none of the objectives set: Al Qaeda and the other organisations inspired by it have not been destroyed, and neither has the threat from the Taleban in Afghanistan receded; democracy has suffered setbacks throughout the Muslim world. Lebanon and Israel, two states whose governments had Washington's blessing, went to war on account of Hizballah's actions; Abbu Habbas has lost control of Gaza in favour of Hamas, Pakistan is on the brink of civil war, if not collapse; the Afghan President Karzai is essentially pinned down in Kabul; Tehran has increased its influence over the entire Middle East; the matter of Mubarak's succession in Egypt is beset by risk, whilst Assad junior sits securely on the Syrian throne.

To be sure, Saddam Hussein is no longer the leader of Iraq, but the price which has been paid is a very high one and future developments are murky. Paradoxically, the only Moslem country which has continued to pursue democratisation is Turkey, which has done so thanks to a political formation which has Islamic cultural roots whilst since the outbreak of the Iraqi Turkey has resoundingly distanced itself from Washington.

#### WILL WE SEE CONTINUING MIDDLE EASTERN ENTROPY?

In 2008 we can expect yet more turmoil in the Middle East and the prospects for the peace process which was revived at Annapolis are poor. Israeli leadership currently appears to be too weak to make that courageous leap of faith which entails making a clear offer to the Palestinians, something which is a prerequisite for any serious move towards an all-round peace agreement with the Arabs. The fact that there has been a relative lull in terrorist attacks against Israel makes it all the more difficult to obtain popular consent for an audacious proposal. As has already happened on several occasions, this faltering sense of urgency with regard to perceived threats merely lessens the pressure on Israel to "accept the necessary, onerous sacrifices" in exchange for precise guarantees as to Israel's security. This process represents another swing of the pendulum with which we are now familiar. There is probably no reason to believe that this time things will be any different.

Considering that open conflict between the great powers continues to be highly improbable, we should recall that the matter of the change of leadership may however be exacerbated by the toll that events are taking on the American president's capability and will and by the fact that the declining hegemonic power is wasting away its resources in minor wars or in relatively low intensity wars. To some extent, this is the case in the Middle East where American authority has been tarnished following the 2003 Iraqi conflict. This war represents the reversal of the positive repercussions of the 1990-1991 war, which maybe represented the high water-mark

of American hegemony in the region, something which the Clinton administration culpably failed to exploit, except in the last year of the second mandate.

We can summarise the Middle East balance of power which came into being after the 1990-1991 conflict in three premises: Israel's military supremacy which was basically unchallenged, backed by the offshore presence of the United States and completed by the financial and political influence of Saudi Arabia. This picture has now been profoundly changed. The war in Lebanon in 2006 weakened the perception outside Israel of the strength of her armed forces, thereby increasing Israel's sense of insecurity as well as increasing threats to her very survival over the long period. The United States no longer has the region under its thumb, though it has become a regional power, albeit one whose prestige has been undermined by the endless bloody post-war situation in Iraq, and by the failure to avoid their key regional ally (Israel) and the sole successful case of democratisation in the Middle East (Lebanon) from finding themselves involved in a war. But this is not all. The consequence of the overall failure of the project to export democracy to the Broader Middle East is to make it increasingly difficult to influence the policies of countries which prior to 2003 had been fairly malleable: including Turkey, Saudi Arabia, Egypt and Pakistan.

But it is perhaps the increasing role played by Iran throughout the area which most dramatically signals the objective failure of American policy. As a number of leaders of the Arab world, including Sunnis have stressed, for the first time in more than 2500 years of history, the Persians have reached the Mediterranean coast, thanks to the extraordinary influence they wield in Lebanon (acting through Hizballah) and to their position as Hamas' main bankrollers in Gaza as well as to the support/blackmail which they exercise over Syria<sup>1</sup>. Together with the growing consensus gained by Ahmadinejad's radical message amongst the Arab masses, including sunnis, the above elements have been a great source of worry to the leaders of the member states of the Gulf Cooperation Council (created 27 years ago as a bulwark against Iran). However, it is very significant that along side clear attempts to reduce Iranian penetration in the area (such as Saudi Arabia's endeavours in Lebanon and through a policy of massive rearmament), these countries have also been cautiously seeking a possible understanding with Iran, spurred on by the perception that the power projected by America is no longer capable of offering an absolute guarantee against pressure exerted by Iran to establish regional hegemony.

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<sup>1</sup> Arab representatives explicitly refer to the conquest of Lebanon by Cyrus the Great (539 b.C.), but they omit that the Persian presence in the Mediterranean Basin is much more recent: 1985-86 (Iranian presence in the Lebanese civil war), 1501-1722 (Safavid empire), 601 (Sassanid empire) [Editor's note].

## THE MIDDLE EAST: A SUPERNOVA IN THE INTERNATIONAL SYSTEM

Precisely because the United States chose the Middle East arena, specifically Iraq, to reaffirm their status as sole superpower, the failure in this respect can not but have repercussions on the situation at a global level. We have already spoken about the adverse effects of this failure on popular perceptions of America's dominance and legitimacy. But the central role assigned to the Middle East by the American administration has had the result of vesting the region with unheralded powers of attraction.

To say nothing of the fact that the Middle East only manages to maintain order, albeit a precarious, unstable order, by importing power from outside the region: first of all the Ottoman Empire, then Great Britain and France, followed by the United States. And neither are we referring simply to the fact that the strongest powers or the emerging powers in the region and on the region's margins, are all extremely lacking in terms of soft power and are therefore ineligible if they wish to aspire to a real (that is to say accepted) hegemony: from Israel to Iran, Turkey. In this case constant (broadening) of the concept of the Middle East, including even countries such as Iran and Afghanistan, coincides with the region's capacity, through its troubles and disorder, to attract, like a supernova, newer planets into the international system.

Pakistan represents a clear example of this Middle Eastern excess. Indeed, there can be no doubt that the roots of this country's crisis go down deep and that the causes are internal, largely pertaining to its genesis, due to the fact that Pakistan came into being through surgical amputation from the enormous body of the British Indian Empire. Pakistan's foreign policy, at least up until the Soviet invasion of Afghanistan, had been much more influenced by dynamics which are typical of Central Asia and South Asia (an alliance with China and conflicts with India) than by the typical dynamics which we associate with Western Asia (referred to as the Middle East). But it is none other than the mess left by the Americans in Iraq which complicated the war in Afghanistan, making it politically very costly for the allies to support the American campaign, and more difficult to conquer the hearts and minds of the Islamic populations, whilst there are insufficient troops to fight Al Qaeda and the Taleban.

Pakistan has increasingly found itself on the front line in the war on terror and, at the same time, steadily more exposed to the toxins of fundamentalism, which it already produces on its own account within its territory. The fact that this nation came into being by combining populations which are very different in terms of culture and language, with only the faith in Islam to bind them together, makes Paki-

stan particularly vulnerable to all those forces which see Islam as their principal political resource. And it is precisely because the Islamic religion is in Pakistan's DNA that its antibodies are less equipped to destroy the infection represented by Islamic fundamentalism, so much so that Pakistan risks collapse.

Pakistan is the linchpin: on the one hand it represents the last country of western Asia, marked by instability and beset by a most serious crisis; on the other hand Pakistan is the gateway to the dynamic South Asia and Eastern Asia, where we find some of the world's most successful economies and where the struggle between United States and China to determine the essence of the international system over the next few decades, is being played out. To be sure, a Pakistan which is at least partially unstable can work to the advantage of the Chinese (notwithstanding the Sino-Pakistani alliance), as it represents a thorn in the side of the Indian giant, capable of preventing New Delhi from concentrating on containing China which is increasingly becoming an awkward presence in the area. It is no coincidence that in 2007, after carrying out important naval manoeuvres with USA, Japan, Australia and Singapore, India also carried out the first joint mini exercise with the People's liberation Army. In this case too, Pakistan's fragility, together with the perception that American hegemony is fading, appears to have encouraged India to adopt a more cautious attitude vis-a-vis its powerful northern neighbour.

But Pakistan's collapse would also have devastating consequences on Peking. Great efforts are being taken, on several fronts, to avoid this scenario, and much reliance is placed on the army and on its capacity to continue to represent the country's cornerstone. Let it be hoped. It should however be stated that the fact that Pervez Musharraf exercised power directly and the well founded suspicion that elements of the intelligence services and the defence force were involved in the assassination of Benazir Bhutto has rapidly tarnished the prestige and the image of efficiency and cohesion previously enjoyed by the armed forces. The fear that Pakistan may finish under a Taliban inspired government is probably excessive. We certainly cannot exclude the possibility that in future Pakistan comes to resemble Afghanistan's anarchic present, with a president who is increasingly isolated and an army which is able to control only certain areas of the country, whilst the fundamentalists create "autonomous republics" on the western borders.

#### THE SUN RISES IN THE EAST

The Middle Eastern crisis has distracted Washington from looking elsewhere, in the region in which over the next few years the decisive struggle will be played out for the world's balance of power and for the structure and the character of the international political system in the post-unipolar world.

South Asia and East Asia represent the area where the system's future will be shaped, and it is no chance that America's obsession with the Middle East has had the result of distracting the White House from events on the other side of the Indus River, or at the very least rendering its actions incoherent or incomplete. Whilst 2008 may turn out to be a decisive year for the decline of the United States' global hegemony, it may also be a decisive year for China as it affirms its candidacy as the leading power to reshape the post-unipolar world.

The Peking Olympic Games will probably not represent a milestone in the strategy which should have finalised China's convergence with the democratic West's values and conduct. Instead they represent an extraordinary opportunity for China to display on a worldwide level the Chinese alternative to the Western model. It is very much an alternative to our model, which contends that there is a necessary relation between democracy and the market, between development of liberal political institutions and capitalism. Thanks to its Olympic showcase, China will offer its own project for economic growth and political authoritarianism to all those countries which mistrust democracy as a "Western product" – the latest and most sophisticated instrument designed to perpetuate the West's cultural hegemony.

If China succeeds in accomplishing this, and manages to prevent the Olympic event from being disturbed by civil rights troublemakers, Peking will finally be able to demonstrate that it possesses that soft power which hitherto had prevented it from becoming a credible candidate for a position of leadership of the international political system. And there are many who are attracted by China's alternative to the Western route: from Africa to East Asia.

Many years have passed since the time when China's foreign policy was essentially directed at preventing turmoil in the international order from putting obstacles in the way of its ongoing internal growth. It is truly amazing how and with what timescale one of the economic systems which was least exposed to international interdependency has been transformed and has become the second locomotive of the global economy. In less than 30 years China has become one of the main markets for international investments (FDI) and, now, also one of the main creditors of the United States Treasury. The size of the Chinese economy above all and the huge margins for growth in the internal demand could make China less vulnerable than western economies to cycles in international markets.

All the more worthy of note is the fact that this incredible opening up to the world has occurred without undermining the leadership of the Communist Party (and the importance of the People's liberation Army). Many are wondering if and to what extent growth in the capitalist economy can continue without undermin-

ing the communist monopoly on power. This doubt is well justified, even if we must recall that the party has hitherto demonstrated great skill at influencing and directing the population; together with stamping down on dissent, the party appears capable of safeguarding the system's stability for a long time to come.

Over the long period of the chance of the United States' strategy colliding with China's is anything but remote; it is much more unlikely that such a struggle may take the form of direct armed conflict, unless the Taiwanese authorities resume the dangerous policy of making solemn proclamations of independence: but the outcome of the recent elections in Formosa would seem to preclude such a possibility. For the West's security, and in terms of transformation of the international political system, the greatest risk would be an alignment between China and Russia, which would potentially be capable of also attracting other important countries which are currently seeking their own positioning: India and Turkey first of all but also Iran post-Ahmadinejad.

The return to the international scene of a Russia which is particularly aggressive in expressing its own national interests is probably the most unexpected development of the last twelve months, and the delicate milestone of the Russian presidential elections leads one to believe that Moscow will not moderate the tone of its own nationalism nor attenuate the least liberal aspects of its domestic policy. It will be above all in Europe which will have to find a difficult "North-East passage", between the need not to bargain away those values which represent its unrelinquishable political identity and the need not to push the powerful eastern neighbour into the arms of Peking.

Obviously it is not our intention to set ourselves up as judges and neither to embark on a foreign policy the pursuit of which is both foolish and moralistic; instead it is a matter of being ready to recognise that Russia's national interests, as formulated in the Putin era, may not necessarily be in harmony with Europe's interests. Starting with his second presidential mandate, Putin has been pursuing a strategy vis-a-vis the West and the European Union which is based on a policy of divide and rule.

With regard to the anti-missile shield and energy supplies, the Iranian nuclear dossier and Kosovo, Russia has systematically endeavoured to exploit and exacerbate every possible perceived difference within NATO and the EU. Moreover Putin has made no mystery of the fact that his intention is to ensure Russia once more plays a role as close as possible to the role enjoyed by the USSR during the Cold War.

Irrespective of the fact that in the current multi-polar political system, Putin's dream appears to be highly unrealistic, it should be considered that whilst Europe can look with favour on the re-establishment of a solid yet dynamic order in the area of the former Soviet Union, it is not in the interest of the EU and its member states to see the rebirth on its eastern borders of an aggressive, hyper nationalistic superpower intent on settling scores in its foreign policy. Hitherto neither the strategy aimed at achieving "creeping integration" of the Russian giant into the European political area within the framework of a general partnership, neither the strategy based on "soft containment" of a resurgent threatening Russia have given the hoped-for results.

Russia's broadside against Europe on the matter of Kosovo will probably represent a crucial test for European solidarity and will indicate whether the time has come for the UE member states to adopt a shared position on international relations, even though the UE does not yet speak with a single voice. Russia's aggressive conduct and worries about a resurgent threat from Russia, have had the result of bringing the transatlantic partners closer. And in all likelihood, if Peking and Moscow should grow still closer, this could further strengthen the Atlantic alliance.

The desire expressed by the German Chancellor Angela Merkel and the report prepared by the former French Foreign Minister Balladur, who is an ally of President Sarkozy, should be interpreted in this sense. Both expressed the wish for greater economic integration between the European Union and the United States, with the prospect of extending such integration to the political arena. Cleansed of its somewhat strident tones, the matter of linking and coordinating the planet's major democracies will be at the centre of attention in the coming years, not so much in terms of a foolish revisiting of the idea of exporting democracy, but out of necessity, with the outlook for gradual global governance, that the nations' governments at least endorse the principles on which political action bases its legitimacy. "Democracy" between nations is not possible if it is not accompanied and guaranteed by "democracy within nations". The foreign policies of Italy, the European Union and the West should be directed at achieving this objective, one which naturally will be achieved gradually but coherently. The above is contingent on awareness of the fact that only by expanding acceptance and practice of principles, rules and procedure of liberal democracy, will it be possible in future to allow the world to enjoy the "luxury" of the invaluable institutional fabric built up over the course of the second half of the 20th century.

# *Executive Summary*

Alessandro Politi



# Executive Summary

Alessandro Politi

The upheavals which are rippling across the planet, the advent of new classes of leaders in important countries and the evolution of the Nomos & Kaos project have all encouraged us to alter the structure of the decision summary in order to relate it more dynamically to the needs of decision-makers.

The *Beyond the Horizon* section focuses on emerging trends which, with varying timescales, will impact on future strategic and economic decisions.

The *Global Priorities* section looks at aspects which, in accordance with the contents of the Report, have to be tackled in the short and medium-term, just as the following *European Priorities* concerns the European Union more directly and the section *Special Feature on Italy* focuses on issues affecting our country.

The summary is rounded off by the *Risks and Threats* section, the purpose of which is to link all the changes to a realistic assessment of risks and threats affecting security on a worldwide level.

## BEYOND THE HORIZON

- In the Pacific Ocean Beijing is assuming the role of linchpin for the entire area and hence a scenario is emerging where:
  - Washington's plays the role of adversary;
  - Russia is the aspiring co-star;
  - Brazil's conduct marks it as possible leader of South and Central America;
  - India can exploit its new position as the player which holds the balance of power, whilst the United States' traditional allies, such as Australia and Japan, have to begin taking China increasingly seriously.

- However, China's rural areas are beginning to suffer from an unprecedented hydrogeological crisis. The lowering of the aquifers, due to excessive exploitation and pollution, is creating vast desert areas, which in the space of just a few years could lead to: the collapse in the production of wheat, ensuing inflation due to an increase in the price of commodities which are essential for households, the need to import food on a huge scale leading to dependency on other countries, similar to events in the USSR during much of the Cold War. The crisis besetting the world economy, the dollar and the price of petrol can only aggravate the situation, to which China has reacted by placing restrictions on the export of foodstuffs.
- Hitherto the issue of dividing up the Arctic's marine resources has been marked by a tacit alignment of all countries with an interest in the matter. If global warming cannot be reversed, the fact that the isotherm reaches 10°C in July will have strategic repercussions among which: freeing up of Russia's naval potential from enforced use of restricted passages with the prospect of naval domination of the Arctic, increasing friction between Canada and United States over sovereignty in those waters, an increase in the importance of Denmark within the European Union as much of its Greenland territory would be free of ice, and the opening up of a trade route between the Atlantic and Indian Ocean, one which is theoretically more convenient than the Panama Canal.
- Assuming a series of restrictions left in place by the Bush administration and the United States' priority requirements, one can predict that the next president will effect a *mid-term hook*. In the first two years moderate restrictions will be placed on expenditure and it will be possible to create a social emergency fund in partnership with the private sector, whilst, with regard to military expenditure, attempts will be made to concentrate resources to favour ground operations. Subsequently it will become possible to grasp the favourable opportunity to wind down the war on terrorism, leaving open the possibility either of gradually reducing the deficit through a reduction in military expenditure or of implementing a structural adjustment policy. During this period efforts will be made to instil a new social climate in which the issue of funding society's future will be addressed in addition to the possibility of establishing a de facto anglo-hispanic pact.
- With regard to the foreign policy of the United States, we can speculate as to at least three realistic scenarios: the **Great Game**, **Neatlantic** and the **New Order**.  
In the bipartisan **Great Game**, an innovative spin is put on the outgoing president's great game plan. The Great Game sees a balanced agreement being sought

and concluded with Iran, one which is reinforced in the Indian Ocean through the partnership with New Delhi and completed by continuing development in Africa of the AFRICOM strategic command. With regard to Russia, the United States will endeavour to reduce friction, possibly with a few tacit on-the-ground concessions in the Caucasus and in Ukraine, thereby allowing the United States to focus on soft containment of China, a country which in any case has already been adversely affected by the squeeze on American spending.

The **Neoatlantic** scenario posits a possible isolationist streak whilst awaiting a comeback in the Gulf and in the Pacific. This scenario aims to give coherency to the United States' Atlantic bases, this time on both sides of the ocean, including Latin America, Europe and Africa. This requires credible partners such as Mexico, Brazil and the EU (if it is possible to avoid paralysing the EU and provided the EU does not paralyse itself), whilst in Africa although the principal candidates (Egypt, Nigeria and South Africa) are politically significant, they fail to fulfil several essential requirements.

Finally, the **New Order** presupposes 3+3 agreements between China, Russia and the United States with the addition of three junior partners which by agreement could be Brazil, India and South Africa, although in reality it is premature to decide on these countries as too many variables have not yet been determined.

- More specifically with regard to relations between the USA and Latin America, a president could exploit the *latinisation* of a sizeable portion of the United States in order to bring the southern partners closer, putting forward a new socio-economic agreement based on integration all the way from Alaska down to Tierra del Fuego. This would also require difficult decisions being taken with regard to issues such as: competing with the Chinese in infrastructure; changing economic principles and focusing increasingly on policies which are socially sustainable; reconsidering the fight against the drug trade; putting an end to the Cuba blockade; competing against the Cuban regime on cultural grounds; driving out populist caudillos on the grounds of social well-being and putting a symbolic end to the period marked by America's support for dictators.
- Brazil in any case is now a player whose weight on the international scene is inescapable and for this reason it is interesting to attempt to predict the foreign policy which President Lula will pursue in his remaining period in office. There are four scenarios for this country, which can be partly combined: *Internal Consolidation*, *Sino- American Triangulation*, *Multilateral Hegemony* and *Continental Block*.

*Internal Consolidation* sees the government deciding essentially to focus on reducing internal poverty and exercising full control over the Amazon Jungle, aim-

ing to become a creditor nation and shying away from involvement with the continent's multilateral and bilateral questions, apart from those which are really necessary.

*Sino-American Triangulation* sees concentration on the two major powers in the Americas and the Pacific and Atlantic regions, with Brazil endeavouring to become a key partner through mainly political, economic and diplomatic means. Brazil can gain from this by creating solid ties with Washington, exploiting disappointment with its Mexican partner, and thereby obtaining ample room for manoeuvre in its own region. The problems are that: as relations between Beijing and United States remain complicated, the two horses policy is difficult; India is more attractive for the United States than China; however in the final analysis, all this could come to nought if the Sino-American economic crisis should seriously worsen.

Through a policy of *multilateral hegemony* Brazil is keenly committed to reconstructing an effective multilateral position in South America, conceivably aiming for a seat on the Security Council. The investment required to get Mercosur back on its feet or to replace it with a more useful instrument can be recovered by focusing on integration into the ever shifting balance power between economic blocks (even if NAFTA does not constitute an encouraging precedent) and above all with the prospect of a gradual shift towards a new world order. The obstacle is due not only to lack of trust between Latin American countries, but also to the probable need to engage in a serious political confrontation with the Bolivian model, whatever its real political weight.

Finally, the *Continental Block* is a scenario which is closely linked to the increase in instability in the world. This could render all the more attractive the idea of implementing or directly imposing its sub-continental hegemony in a multilateral manner. Short of creating a preferential tandem with Argentina there is likely to be conflict at all levels, barring the use of force, with rival groups led by Buenos Aires and Caracas, supported to a varying extent by external players. It is highly unlikely that the Brazilian economy and society will succeed in solving their problems, considering that any surpluses are likely to be spent on the fight for supremacy.

- Precisely with regard to Mercosur and its difficulties, one can conceive of a scenario which sees constant injection of new political, social and symbolic contents in the institution (for example in the wake of a joint Parliament), so as to balance the modest trade results, also at the risk of a high institutional inflation rate. Otherwise there is the alternative of maintaining Mercosur as it is, as a customs union with many shortcomings or of watering it down into a free-trade area.

- As of 2003, in the Indian Ocean two possible developments are emerging. The first is that India and Iran will exert increasing influence on the area in terms of strategy. The second one is that there is a pragmatic and fluid *menage à trois* involving Iran, India and the United States.
- In Africa a possible cause of confrontation between China and United States, in addition to the obvious case of Sudan, is the significant Chinese presence in the Democratic Republic of Congo, a country which is still unstable but which has a wealth of resources and which Washington has hitherto considered as its almost exclusive reserve.
- Regarding African policy, hitherto exposed to Sino-American competition, another possible trend is Brazil's increasing presence in the continent; this is due to the fact that Brazil considers the Atlantic to be more a communication channel than an obstacle, and it is beginning to look beyond its traditional preference for ex-Portuguese colonies (amongst which Angola and Mozambique).
- Now that Yugoslavia's disintegration is complete, it is possible that other countries will give in to the pressure from destructive, self-seeking local political forces, partially influenced by the dubious example offered by the recognition of Kosovo's independence.
- With its never-ending government crises and serious linguistic and cultural troubles, Belgium could be a possible candidate over the medium term with worrying implications for the European Union.

#### GLOBAL PRIORITIES

- These sovereign wealth funds present real opportunities and risks. Amongst the latter it should be emphasised that these funds are managed by the same private managers who manage other financial products. Without doubt this exacerbates their conflict of interest as the managers are operating at the same time with private, public, national and foreign resources, with a corresponding increase in the risk of bias, pressure and corruption. Another risk which cannot be underestimated is the potential problem of mutual intelligibility in the interaction between the Sovereign Wealth Funds and the sharia'a compliant funds in what is known as Islamic finance, by reason of the extremely high level of specialisation and concentration of experts in interpreting Islamic law. In order to avoid another financial crisis with terrible worldwide ramifications it is necessary to put in place widely endorsed, transparent and consistent rules, precisely because the SWF are now presented as the saviours of financial positions which have been compromised by the sub-prime mortgage situation.

It goes without saying that there is a very real risk that the SWF may pursue objectives governed by economic and political rather than portfolio considerations.

- The Banco del Sur is an emerging inter-government bank in South America. Together with the growth in SWF, this type of bank provides a clear indication of how certain states, particularly those having the largest current-account surpluses, wish to regain control over the financial levers and therefore control of economic policy outside the so-called free market institutions, maintaining that their geo-economic rules are no longer compatible with their own priorities and interests.
- In the Persian Gulf neither the Iranians nor the Americans presently appear ready for open reconciliation, but both sides have an objective interest in reaching a tacit agreement. For Iran this would mean obtaining de facto acknowledgement of its role in the Gulf, steady loosening of the sanctions, the development of increasingly open relations with the Arab regimes and the possibility of controlling social unrest and political dissent. For the United States this would represent an honourable exit from the political and military defeat in Iraq in exchange for a symbolic long-lasting presence in Mesopotamia, a real presence in the Gulf which would no longer be hindered by Iran, final abandonment on the part of Iran of its potential military nuclear programme which would also be controllable – with the prospect of increased likelihood of peace in the Middle East.
- At the same time the international community's interest is to prepare for a gradual end to the war on terrorism, replacing it with a more rigorous yet manageable struggle against terrorism. Irrespective of American decisions, the main reason lies in the fact that Jihad has failed politically (no Iraqi Caliphate, complete subordination to the Taleban in Afghanistan, negligible political impact in Saddam and Somalia), in the progressive, tangible falloff in the significance of the messages broadcast by the terrorist icons, in the possible death of bin Laden and in the collapse of support for the Taleban in Pakistan. In the final analysis, the future of the war on terrorism lies in getting over this war and implementing policies and fighting terrorism with legal means which have strong popular, cultural backing and media support, based on winning consensus around modernisation of the *shari'a* in agreement with the sentiment of all social groups in the countries concerned.
- According to the British Stern Review an increase of five per cent in the world's temperature would be a serious threat for around 300 million people as well as

for the very survival of cities such as Tokyo, New York and London. The economic damage caused by climate change without implementing measures to combat it could amount to a reduction in the global PIL of around 20%. Similar eventualities lead one to place climate change amongst the great global risks.

- In the field of international trade agreements there is an ongoing redefinition of the balance of power between advanced countries and developing countries through regional trade agreements (RTA), the purpose of which is also to reduce the negative effects of globalisation and to compensate for certain aspects of multilateral trade agreements.
- The international community must work to render the multilateral and regional agreements increasingly complementary in order to reduce transaction costs, synergising regional dimensions and avoiding protectionist blocks. At the same time the parties involved in regional trade agreements must start rationalising the rag-bag of treaties, providing real contents to those agreements which are actually relevant, harmonising them in order to reduce their own transaction costs. In this manner the RTA may become development catalyses, allowing for more rapid integration of the countries into the world markets.
- Within the framework of the Heilgendamm Prozess, put forward by the Chancellor Angela Merkel during the last G-8 summit, a serious dialogue with Brazil, India, China, Mexico and South Africa must be started with regard to issues such as intellectual property, investment, energy and coping with the social implications of globalisation, overcoming initial reluctance on the part of these five countries.

#### EUROPEAN PRIORITIES

- The EU must shift its objectives and the mechanisms underlying its actions in order to move on from a policy based on constant enlargement (a policy which is now insufficient and time-worn) in favour of a more solid foreign and security policy. For this reason it must proceed to set out the details of a comprehensive European strategic approach which is capable of exploiting its strengths by reason of the fact that Europe is the sole political and security organisation having at its disposal a range of economic, political, social and military instruments greater than those provided to NATO under its more specialised remit and the UNO under its global remit.
- The EU must also achieve greater cohesion between the member states and the joint institutions in order to compensate the asymmetry which now works to its

disadvantage compared to players such as China, India, Russia and the United States. For this reason it is necessary to formulate a set of strategic objectives, correlated to real resources in order to be considered a credible player.

- The initiative put forward by the chairman of the commission, Jose Manuel Barroso, to prepare the signing of a new Partnership Framework (security, trade, climate and trans-national problems in the Pacific area) with Australia must also be vigorously supported by the European states in light of a negotiated solution to the North Korean problem.
- At the same time the EU must liaise effectively with South Africa in order to facilitate a positive outcome to the dual crisis in Zimbabwe which includes both the risk of racial persecution, and the risk of the electoral process being snuffed out, despite the defeat of the dictator, Robert Mugabe.
- The member states of the European Union must implement practical measures to reduce their debt, if necessary, breaching the Maastricht parameters, if they wish to create the conditions for real economic sovereignty and if, within the framework of the EU, they wish to engage in a credible policy of *conngement* in respect of the world's most powerful international creditors, China and Russia.
- The untamed Afghanistan front requires that futile disputes be set aside, if the intention is not to waste the efforts made since 2001. Ignoring the Pakistan factor (unstable and with permeable borders), it is fairly clear that the success of the ISAF and Enduring Freedom missions depends on factors which are essentially political and social, in the following order: virtuous Administration of Justice, a strong presidency supported by a strong clan, the ability to obtain consensus from the Pashtun families at war, compensation and suitable agricultural assistance to halt the cultivation of opium, a social system which is different in the north from the south, and between the cities and the country.
- There is a well-founded hope that Washington will attempt to replicate the Iraqi surge in Kabul, but the expectation of success depends essentially on the local political capability to aggregate forces following military successes. It is therefore necessary to have a coherent social or political line in Afghanistan in order to win, and for this there must be one entity which is integrated under the ISAF in order to manage the armed forces, otherwise there is the risk of a dangerous clash between those protecting the rear in areas now seeing less conflict and those believing it is necessary to fight until final victory, thereby triggering further recruitment to the enemy.

- The EU's African policy requires in-depth analysis not only with regard to the EU/African Union mission in Chad and the Central African Republic, but also with regard to the Indian Ocean's maritime dimension. At this juncture it would be beneficial for the Union, following in the footsteps of France and the United Kingdom which participate as observers, to take part in the regional IOR-ARC (Indian Ocean Rim-Association for Regional Cooperation), so as to set aside the old restrictions limiting it to the Mediterranean and the Persian Gulf.
- The member states of the European Union must realise that they belong to a group, a group which is geographically widespread yet relatively weak, of countries which are prosperous yet indebted with obvious repercussions in terms of economic and political sovereignty. It is certainly no coincidence that in the list of the chief SWFs, the countries with consolidated democratic systems represent scarcely 13.4% of the total capitalisation. The fundamental problem lies in the difference in the intrinsic political weight between creditor nations and debtor nations, a gap which is much more marked than the gap between nations having nuclear weapons and those without.
- In the shipping sector Europe and Italy are strategically weak, as, despite the fact that their logistics operators and ports occupy top positions, they have no strategic vision. There is no plan regarding: economic protection of their key assets; structural reinforcement both in terms of the network of internal connections and development of the territory and water resources; and finally, insufficient attention is given to the issue of projecting their interests at an international/worldwide level. Without this strategic plan Europe and Italy will become mere markets to conquer.
- Europe and its citizens must realise that the presence of significant Islamic minorities in an open society is creating a new Islamic development centre with the potential to create a new European form of Islam, one which is capable of improving relations with the Arabic world and with Islamic countries. For this reason it is necessary to ensure that there is collaboration between the elites and communities, including direct dialogue with democratic elements in Islamic countries as legitimate political forces in the international scenario and as important players to defuse the clash of civilisations.
- With regard to policies to promote innovation, in Europe there is a keen preference for the use of subsidies (market push); the limitations of this policy are well known as it is well-known that they do not promote further progress. However it is now important to favour market pull (public tenders, procurement contracts etc), making such a policy complementary in respect of targeted subsidies. Part

of the success of the United States' innovation-related policies is in fact due to the use of market pull, together with the capability to effect the pre-commercial procurement of innovation, linking the results of research and prototyping to the pre-commercialisation stage.

- The Common agricultural policy (CAP) in its current form is still based on systems for controlling supply which are still in use; the risk is not only that it is anachronistic, but that it actually has an adverse effect on European agriculture's tremendous growth opportunities in an international market characterised by strong demand. It is however necessary to rationalise the corporate fabric, increasing efficiency and competition and encouraging production for the market, supplementing the agricultural and food processing industries with supply chain agreements and possibly devising new insurance and financial instruments to tackle market crises or stagnation.
- In 2006 renewable energy sources' share of the total within the EU amounted to less than 7%, of which 66.1% was still hydroelectric energy. Wind power is just above 1% and solar energy has remained a tiny proportion. The EU objectives to replace fossil fuels, set at 12%, will not be reached by 2010, whilst updated targets are 20% in the year 2020.
- In order to import significant quantities of bio-fuel, in addition to overcoming the traditional agricultural protectionism of the PAC, it will therefore be necessary to develop a system for certifying bio-fuels which demonstrates the fact that they are sustainable in the country where they were produced. In this context the policies of the European Community and international and national policies to reduce the ecological impact and energy consumption must be supplemented with local policies conceived at a grass roots level in order to achieve transition to new social, production and ecological models which manage to overcome the obvious limits of consumerism.
- The Union must be ready to address the problem of the Arctic Ocean in time, first and foremost from the point of view of international law, spurring the next administration to have the Senate ratify the Treaty for the Convention on the Law of the Sea in order to ensure that all the players involved in the potential dispute (Canada, Denmark, Norway, Russia and the United States) are placed on an equal competitive footing. In addition the Union must start analysing the climate-related, political and strategic consequences of the changes to its borders as well as the implications on maritime communications.

- Again with regard to climate, the Rhine as a river transport system, of crucial importance for Europe, is in deep crisis, with the water level constantly falling. Should the situation worsen, the crisis would also affect the Danube with most serious consequences for trade and industrial logistics in Europe.
- The disintegration of the Balkans should by now be complete, but the most important lever for their integration into Europe remains the cultural policy lever which, amongst other things, facilitates communications and the movement of young people in the rest of Europe, including in the most controversial cases, helping people get over and move on from old nationalist stereotypes.

#### SPECIAL FEATURE ON ITALY

- Develop a negotiating stance within the European Community and the IMF with regard to sovereign wealth funds, in order to put in place national policies and guidelines which are appropriate to the purpose.
- Study the practical application of a rainy day fund (RDF), an instrument which is similar to a sovereign wealth fund, so as to be able to apply the Maastricht parameters using more flexible instruments and so as to prevent management of extra tax revenues from becoming sporadic and uncertain. An Italian RDF would need to have certain explicit limits placed on it in order to avoid opportunistic use of the sums set aside.
- In light of the coming Next-Generation Network, the next Internet phase and large-scale information communication technology applications, it is necessary for the government both to reflect on intensifying e-government and determining the details of the concepts and resources of noopolitics, meaning a political approach which differs from realpolitik, based on knowledge, on real-time interconnection within networks and on soft power rather than being limited to hard power.
- With regard to incentivising renewable energy the current policies are expensive and ineffective. They increase project costs, squander income opportunities through time seeking administrative authorisation, and uncouple the authorisation process from any assessment of the actual effectiveness of the project. Despite much higher margins, Italy's share of wind energy is less than Germany's (6%) and the growth rates are lower than in France and Spain.

## RISKS AND THREATS

- According to authoritative estimates 10% of global PIL is produced by criminal activities. The ways to reduce this incredible volume of criminal activity and unregulated activity are essentially two: combating reinvestment of dirty money in the legal economy by tracing, as far as possible, the criminal's final expenditure as well as their inherent vulnerability; fighting to reduce the consumption of drugs and cutting the drug value chain at its most profitable point. In fact the various intermediate stages through which drugs pass lead to price increases which render all policies based on prohibition ineffective, including eradicating crops.
- Up until the 1990s the phenomenon whereby cocaine and marijuana was supplied to the United States market was based on the "Conducto" (conduit), which setting out from the Andes, went north, passing through Central America and the Caribbean in order to arrive at the markets in the great coastal cities (Los Angeles, San Francisco, Miami and New York) or by crossing the Mexican border. Nowadays there is a virtual motorway (which we can refer to as a drug superhighway) which links Colombia, the world's principal producer of cocaine, directly to Canada which is used as an alternative route from the North to bypass American controls (after encouraging local consumption). Along the route a series of Central American states, amongst which Mexico and Guatemala, are seriously conditioned by the disintegration of the state and society, caused by the proliferation of criminal bands and mafia groups.
- Unfortunately the United States are continuing to lose the battle against the drug trade, one which was embarked on in 1988 by President Ronald Reagan. The flow of cocaine towards the north and towards Spain, the United Kingdom and Italy continues essentially unabated. The influence of organised crime is such that the four countries which are on balance most important in the New World (in this order United States, Brazil, Mexico and Venezuela) are all beset by serious mafia-type infiltration. However the other two Pacific leaders (China and Russia) also have similar problems. The repercussions on world security and European security are patently obvious.
- In the course of 2007 whilst the strategic centre of gravity of the Gulf remained Iran, the focal point of the crisis in the area known as the extended Middle East shifted to Rawalpindi, Pakistan's ex-capital and national military citadel. The initial weakness of the political and security situation after the political elections has not removed the risk that the Pakistan government might collapse in favour of centrifugal forces, forces which are more than capable of endangering the country's very unity. One's first thought goes to the security of the nucle-

ar arsenal, but this is maybe the only problem in which foreign powers (firstly United States and maybe China) may have a positive influence. The real danger concerns stability and the chance of peace in the neighbouring states with an effect on the entire Gulf area, something which is anything but idle speculation, though contingent on developments in Iran.

- With regard to Pakistan there are essentially four possible scenarios which are also connected to possible failure of the Iran-USA negotiations:

**Collapse with local consequences:** the absence of a functioning government or otherwise anarchy or still worse civil war, render peace in Kashmir impossible, the Baluchistan border between Pakistan and Iran highly dangerous and an effective NATO/USA presence in Afghanistan unsustainable;

**Collapse with extended effects:** parallel civil wars in Afghanistan and Pakistan with serious repercussions on Turkmenistan, Uzbekistan and Tajikistan;

**Swathe of instability:** Pakistan's profound crisis thwarts all efforts to stabilise Afghanistan, whilst the long-lasting hostility between Teheran and Washington prevents an internal political agreement within Iraq from being consolidated and further hinders all prospects for pacification in Afghanistan, creating additional negative repercussions in Turkey, Syria, Lebanon, Jordan, Israel and Saudi Arabia;

**Fourth Gulf War:** The failure of negotiations between the President Mahmoud Ahmadinejad and George Walker Bush leads to military conflict on the sea and in the air, a conflict which may last for an indefinite period of time, with a political and strategic outcome which is difficult to predict, but capable of giving rise to an "swathe of war" from Beirut to Lahore and/or to the breaking out of "pacific" Islamic revolutions in: the Levant, the Gulf, the Caucasus and Central Asia.

- The stability and sustainability of the Iraqi state, represents a cause for serious alarm due to the possible break up of the country. It is conceivable, also on the basis of what has happened in Kosovo and possibly in the future in Belgium (where the risk of the country being split is anything but remote), that the regional government in Kurdistan may decide that it is better to seek a Bosnian style compromise rather than formal independence. Nevertheless, essentially, there is little chance – within 10 years – of Iraq returning to be the influential power it was in the last 20 years of Saddam Hussein's regime without considerable outside assistance (China, Russia and the United States are the only credible candidates).
- With regards to the risk of jihadist terrorism in Europe, the Europol TE-SAT report (Terrorism Situation and Trends) highlights that in 2000 88% of all terrorist

attacks on the continent were up by ETA or were due to Corsican separatism, whilst though the risk of jihadist attacks remains high, only four attacks were recorded, all of which failed, against 201 arrests for jihadist terrorism crimes, amounting to 25% of all arrests for terrorism in the Europol area. In this period the most powerful political and religious response to jihadism can be seen in the document whose effects are in all likelihood similar to the joint prayers between Pope Benedict XVI and the Mufti of Istanbul Mustafa Cagrici in the Blue Mosque (30/11/2006). In the letter "A common word between you and us" drafted by 129 Moslem religious leaders, the common links between the two religions are clearly indicated, without overlooking the Bible's contribution, in terms of love for God and love and compassion for one's neighbour. This letter clearly undermines the cornerstone of the biased interpretations of the Koran by jihadist propaganda, and underlines the very strong constructive link which is inherent in all the religions of the book, explicitly inviting believers to look beyond polite ecumenical dialogue between specialists and to appreciate how much the two major religions have in common, religions which are shared by 55% of the world's population.

- The intense diplomatic activity undertaken by the Venezuelan president Hugo Chavez has led to what can be defined the "Bolivirarianian connection", meaning the multilevel (political, economical and to a lesser extent security) connection uniting, in the name of challenging the United States' global hegemony, countries such as Bolivia, Cuba, Ecuador, Iran, Nicaragua and Venezuelan. The greatest risk is a return of caudillism with the risk of squandering national wealth on projects with no future, not even for the classes which the leaders wish to liberate.

# *Conclusions*

Alessandro Politi



# The Useless World Order

Alessandro Politi

It comes as quite a surprise to realise how far apart yet how close are Samuel Huntington and Oswald Spengler, and how similar and yet how dissimilar are their perceptions, without doubt to the advantage of the latter. Both men are acutely aware of the advent of an era of decline, disorder and conflict, setting forth powerful, enthralling but ambiguous concepts of civilisation and Kultur. Both men are the forerunners of and witnesses to an epoch-making crisis whose outcome cannot be predicted, even though both men have their own preferred finale. With varying degrees of explicitness both men place religion amongst the drivers of their particular interpretation of the world<sup>1</sup>.

Huntington however is simply an American analyst whose vision constitutes a diagnosis, whilst Spengler was a towering European visionary who intuitively anticipated the contemporary world up to the year 2000, grasping the importance of key stages of the prognosis (the advent of political caesarism, appropriation of Western technology by Third World peoples and use of this technology to the detriment of the West, the decline of Western civilisation) yet, in all likelihood, getting his forecast of the outcome of the crisis wrong.

Rereading this diptych, without getting caught up in the title *Der Untergang des Abendlandes* (The Decline of the West), allows one, with virile courage, to welcome the fact that the world order as we have known it in our generation is destined to come to an end.

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<sup>1</sup> I would like to thank the following who assisted during editing of the working paper; Nomos & Chaos 2007 Inspirational Paper, *Liquid balance and shaping flows*, cited in the notes in the Vision of this volume, which has been reworked here: Michele Chiaruzzi, Germana Di Falco, Maria Grazia Enardu, Matteo Fumagalli, Giammarco Todesco.

Nobody enjoys being present at the end of an era, no more than the Romans enjoyed witnessing the beginning of the great migrations, but there can be no renewal without decadence, just as wheat can not be made into grain without crumbling.

Similarly human is the reaction which involves studying events in order to identify the salient features of a new order to replace the one which has been lost – with great nostalgia. How can we fail to feel empathy for a Dante Alighieri who, faced with the decadence of the Empire and the Papacy, strove to imagine a diarchy, balanced by the demarcation of its own competencies, in order to make order out of the chaos of 14th century Italy and Europe, forming a counterbalance for the control of Jerusalem?

“New World Order” is an expression which has been in use since 1991 when these words were uttered by the then president of the United States, George Herbert Bush, after defeating Saddam Hussein in Kuwait. For the last 16 years it has been a slippery concept, despite the great endeavours of his son.

So it is firstly important to try to see if what is being sought like the Holy Grail is nothing more than a mirage, more the consequence of a cultural stickiness than something rooted in empirical, historical observation or the capacity to conceive of and experience a different world.

In fact political science has more willingly taken on board sociological production than physical production, finishing by keeping alive models of international structures which have thrived since the 1700s up until the fall of the Berlin Wall.

If we replace the phrase “international order” with “international reference system” , we move on from old categories of thought in which there is an order, linked to a fair-minded exercise of power, contrasting with a dysfunctional barbaric civilisation, in order to enter a world in which there are different reference systems which are more diversified, flexible and changeable, without thereby degenerating into an untidy world of cultural relativism. Not all the reference systems are internally rigorous, not all properly fulfil the same purpose, not all are of the same quality, in the same way as a cheap compass is very different from a GPS.

Nowadays the world is constructing new reference systems in a confused, experimental and laborious manner, even if the leaders of the most powerful countries often believe that their guiding star could be changed and that maritime navigation is still undertaken by using a sextant.

Europe too it is in this state and it is right and proper to acknowledge Donald Henry Rumsfeld's intuition as to the existence of an old Europe and a new Europe under the same twelve star blue flag.

Old Europe is the Europe of politicians who are still obsessed by the Cold War, suspiciously awaiting the next one; they superimpose old revanchist illusions on new problems. It is also the Europe of politicians who delude themselves that they can conceive of a sovereign national interest, taking Europe to be a taxi which ferries around small-scale pseudo-power ambitions.

New Europe is the Europe of societies which, though afraid of the unknown and of the most hard-edged aspects of globalisation, actually live in a dimension where Europe constitutes that given area distinguished by movement, contact, vitality and economies which nowadays is obviously considered to be a homeland despite the nationalistic stereotypes and which is the natural starting point for people to change their lives and open up to conquer the world. Young people offer an example; they move from country to country in order to better their living standards yet they feel they are still in Europe, without the need to actually emigrate.

The crisis surrounding the constitutional treaty and old-style political integration has several causes, many of which are conditional on and due to the backwardness of the political classes, classes which harbour an antiquated perception of their role.

At heart, Europe's models, whether desired or feared, are always the same: a free exchange area, the superstate, federation, confederation and variable geometry/velocity groupings. They all revolve around the nation state as if this was an unchanging fact and not a transient creation of history. Those who are seemingly most iconoclastic recommend breaking up states into smaller states which perhaps economically are more desirable, though still attached to the same structures, and the same applies to macro regions.

Though its political classes are still generally fusty in their European ideal, Europe is nevertheless one of the world's laboratories for a new reference system. The global context in which this experience is being played out is disarchic multipolarism, meaning that condition characterised by an interplay between world powers, nation powers and often nongovernmental powers, in which there are many groupings in partnership yet in competition, without any real hegemony or even regulatory principles (imposed or willingly shared).

This is not a state of anarchy, because there are powers and rules of varying relevance and credibility, but it is a context in which there is an absence of that type of hierarchy with a main centre which we have become accustomed to over the last two centuries.

Having established this concept, it should be understood that, pending a new world order (considered merely a working hypothesis herein), Europe and the world are becoming increasingly organised around liquid balances which are not based on old balances of power or bipolar balances.

A liquid balance is that liquid state deriving from interaction between international players or regional players, whatever their status (government, private, criminal, religious etc) in a condition of marked internal instability, much greater than the one which characterised them 10-15 years ago.

In other words, these players, inevitably riven by the increasing social instability which so characterises our era, are forced to constantly adapt in a manner which is neither logical nor gradual, no longer having that inbuilt solidity which they displayed towards the end of the Cold War. This applies to any complex organisation: an industry, for example, a political party, organised crime or the Catholic Church.

Internal stability is challenged, metamorphosed and metabolised by three aspects:

- the liquidity of the contemporary condition (as illustrated by Zygmunt Baumann), which liquefies the traditional concept of static identity which is easily discriminatable;
- the principle of uncertainty (Werner Heisenberg), according to which in a given reference system it is not possible to simultaneously determine the position and the direction of movement of a particle, and similarly neither is it possible to do so in the case of a politician;
- The paradigm of the networks (Mark Granovetter, Jukka Pekka Onnela et al) which allows us to appreciate how different types of connectors are essential for a network of social, communicative and therefore political relations to function.

These aspects have applications which are very real in the European laboratory:

- Europe undeniably has its shared Kultur which is highly composite and recognizable, but it cannot be closed within a highly circumscribed, defined identity (for example one of its main religious identities), even less so within borders which are supposedly “natural” or “ethnic”;
- Just like the particle, Europe defies any all-embracing contextual categorisation because it can be identified by its three institutional, political and monetary cor-

nerstones or by its money, but this is not all, and sometimes it is just as complex to acknowledge where one is and the direction one is taking;

- Within the framework of states and institutions, there are numerous networks which shape European awareness and reality, much more than the presidencies and the summits of the European Union.

This different reference system makes it possible to appreciate to what extent the institutional debate has become fossilised compared to a method which conceives of the European Union as a network, as a collection of indispensable nodes and, potentially, as a network of networks. If we accept this premise, then we begin to understand that the idea of a strong core has an importance which is quite relative.

If we use for Europe the metaphor of a mobile telecom network we can distinguish (on the basis of experimental observations in the telephone sector) three types of links which cause information to circulate: strong, intermediate and weak.

The former are important for the integrity and identity of the system, but they are not really significant for purposes of transmitting information. They are condemned by their very power to remain in information circuits which are generally self-centred, in which information remains trapped (access to new information is rare, but there is a high rate of transmission). If they were removed, the overall connectivity of the system would not grind to a stop, even if its integrity were damaged.

Neither are the weak links good transmitters of information precisely because they are on the margins (they have access to fresh information, but with a low transmission rate); they represent however the connective tissue without which the system collapses, because there is no longer a network but a series of non-communicating islands. The intermediate links however represent the main channels along which information is transmitted and they provide a wealth of content to the system.

Transposing the conceptual results to Europe and the political system, we can see the following repercussions:

- Strong links create strong structures, meaning communities with deep roots and communities which are recognizable, but having low levels of innovation due to the fact that they have limited access to fresh information. One can see in this paradigm all the structures which are well consolidated, having a substantial administrative and structure and a well structured bureaucratic mentality. Within these strong structures there can obviously be a myriad weak links and intermediate links, which can prevent or slow down the process of fossilisation of same;
- Weak links find expression in a fabric which is out of necessity collective and

widespread. This fabric would once have been identified with an emerging working class and a peasant class, in search of that party-based self-awareness which is capable of creating strong links; nowadays they can be identified with the sectors of society and political parties which are lightweight, groups whose connections are insufficiently compensated for by the caesarism of its leaders;

- The intermediate links are however **euroglobal networks**, which in order to survive have to be rooted in the local territory, together with a presence on the European chessboard and an attitude which is open to the world. These networks tend to implement innovations, and their core tends not to be hierarchical, but they have a high transmission capability and access to information which is greater than the other two types of link. The 20th-century bourgeoisie is by now a vanishing species as its reference systems and values have been literally sublimated through the 1968 experience, but the euroglobal networks are the worldwide, wide-ranging heirs of the Third Estate and the intelligentsia of the last century.

Before conceiving of emerging political interaction in Europe, it is necessary to learn to view how, in practical terms the links and the forces which they represent interact with the problem of resources and flows.

A world:

- which is in a state of disarchic multipolarism;
- whose multiplicity of relatively unstable players creates liquid balances;
- whose paradigms are liquidity, the principle of indeterminateness, networks;

it is also a planet riven and shaped by seven shaping flows, meaning:

- the level of the sea;
- drinking water;
- food;
- migration;
- energy;
- capital;
- information and education.

What the various networks and the links within the networks are considering, is how to intercept the flows by using the stocks of resources which are available in order to change the relative advantages in the interplay between networks.

The most likely trend is to adopt a position which makes it possible to reap the best results from the “capture” of the positive aspects of these flows, reducing costs as far as possible and offloading any negative components elsewhere.

Unfortunately, this inclination, though theoretically efficient, is no longer effective in the short/medium term because interconnections in the global system makes it impossible to achieve absolute reductions in costs unilaterally or relative reductions in costs without an agreement, punishing the brutal offloading of unwanted aspects with a boomerang effect which is much more powerful and much more rapid than anticipated<sup>2</sup>.

Whether we like it or not, concentrative movements and distributive movements coexist in a network, both fulfilling a necessary function, but the network cannot exist without a strong distributive component, regulation and organisation of which is no longer, and can be no longer be the result of a state which is (no longer) omnipotent, or of a miraculous invisible hand (especially if it has monopolistic inclinations).

Whether we like it or not, the network as a real model confronts traditional structures, starting with politics, enterprises and the media, with two positive aspects: disintermediation and the possibility of going round obstacles. In the network there are centres, nodes, communications, and proxies, but there are no intermediaries capable of living off intermediation, and who are able to block or veto flows over the long-term. Whenever a person or entity attempts to behave in this manner, they find themselves sidestepped.

These two aspects bring us back to the problem of whose job it is to enforce compliance with certain rules (there are relatively few rules compared to the plethora of legislation in Italy), which are essential for the workings of society and therefore the workings of a network. Hitherto both the international system and the national system were accustomed to solicit supervision from a legal or de facto gendarme, claiming that this was the most effective solution, yet contending that the collective response was ineffectual at an international level (the League of Nations) or complementary, playing a subordinate role, in a nation state (for example associations of consumers and unions).

The network however is characterised by a collective reaction and not a hierarchical reaction with regard to rule enforcement, which translates into isolation and sidestepping of the node which is uncooperative and unresponsive to shared

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<sup>2</sup> It is interesting to note how the problem of the West can be summarised through the correlation between ecological limits of the Earth system and the end of its Faustian Kultur, defined by Spengler as the culture of the infinite. Placed before a new intrinsic limit on finiteness, meaning that consumption cannot be limitless, and neither can growth, occupation or wealth, the old Western koiné culture still struggles to find general responses, though knowing that sectorial responses such as ecology or technology are insufficient.

rules, behaviour and protocols. In other words, whosoever believes that he can establish a closed feud in the interconnected world, is progressively atrophied; whosoever endeavours to exploit a position providing a regular source of (unearned) income, maintains this position, but no one seeks to run the gauntlet any longer, and its function which was apparently irreplaceable, is superseded by another set of nodes which is more suitable. This means that in Europe we are already in a phase marked by a liquid balance between the various traditional players working for integration (Commission, Parliament, member states, inter-government bodies), whose future in terms of links will be decided by the interaction throughout the entire European network, including with regard to the entire set of worldwide networks.

A facile and consolatory conclusion is that, as all the types of link which are useful can be found in a network, the European network already exists and so, by definition, its interaction over time will result in the best possible order. Moreover the Greek poleis and the Etruscan or Phoenician city-states constitute an excellent example from the past; unfortunately they also constitute an overly fleeting example, which would be difficult to apply to an entity of 400 million citizens.

Today we have the basis (the links), a number of infrastructures (political, legal, material and immaterial), countless nodes, but there is no European network which is fully utilisable and whose salient features are open to interpretation.

Over the short term Europe is obliged to face up to the crisis of the nation-state (loss of taxation authority), the crisis of democracy (marked by the spread of caesarism and the crisis in the system of political representation) in addition to its own crisis by reason of the fact that it has come about through dynamics centred on new nation-states and on traditional democracy.

There are at least two conceivable scenarios:

- **the inertial survival of politics:** a series of strong links, finding expression in consolidated, traditional political structures, still claiming the right to represent a political decision-making centre, yet bypassed by the large-scale networks cutting across groups and representing regional and global economic interests, whilst the weaker links will continue for some time yet to believe in the lightweight parties and the intermediate links will endeavour to provide substance to a collection of more significant powers<sup>3</sup>, even though they will be squeezed between the contradictions of the strong and the weak links;

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<sup>3</sup> In popular language the temptation is to call them strong powers, but in absolute terms there are no longer strong powers and relative powers are in any case subject to internal instability.

- **new forms of participation:** born out of the powerful synergies coming both from above and below, between intermediate and weak links, in which the upheaval of new ideas and contents starts to transform the manner in which politics and society are represented, replacing the old collection of weak thoughts with a range of structured reference systems, which are consistent and open, but not all-embracing. In this system participation in the political decision-making process at the various levels is not completed merely at the ballot box by providing the newly elected with delegated authority to do as they please<sup>4</sup>.

In the second scenario the old nation-states will be superseded by a limited number of large administrative aggregations, holding appropriate authorisation to act independently, and with a demographic and contributive weighting which is more or less the same, each one being vested with a central government function which complements the other ones and which is marked by a mechanism to periodically rotate the capital.

If it is already difficult to fully imagine this type of transaction in Europe and in the nation-states, at a global level the problems are on the one hand greater yet on the other hand relatively simple. Administrative simplification of the same kind in other continents is inconceivable without that suitable social substrata which often has to be completely built up from scratch.

One can however conceive of a transition from a unipolar or multipolar old-style system to a system in which certain responsibilities which are concentrated in the hands of a single player and its allies are shared across a network which is relatively open to those who are willing and able. A practical comparison could be a monetary transition which goes beyond the conventional patterns involving the exchange of currency (real-sterling-dollar-euro) to the one established in a basket of currencies which is allowed to fluctuate as given economic and monetary parameters fluctuate on a long-term basis.

If it is possible to conceive of an agreement between a number of countries for a basket of currencies which becomes the next currency unit, so too is it possible to conceive of an agreement which reforms the United Nations in a much more resolute manner than the reforms posited by the then secretary general, Kofi Annan: moving on from those structures which are completely anachronistic and which

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<sup>4</sup> For example, this participation could be structured in a taxation menu where the taxpayer can choose beforehand to allocate part of his payments to transparent expenditure items, locally and translocally or at a European level, having the instruments and social organisation enabling him or her to keep track of the final allocation.

date back to 1949, redrafting the rules of participation and hence the rules controlling contributions and control over funds, also abolishing the principle of the veto, the political importance of which was rendered null by the wars in Kosovo and Iraq.

In this case the network of the willing and able would be much more limited compared to the totality of countries represented in the United Nations, but what could change is the political rationale of this restricted network. According to convention there would be a directorate, however the enormity and complexity of the problems to be tackled in the world would far exceed the powers held by any central group which did not want to put itself forward as the backbone of a network.

For this reason, which is still not clear to the political classes in many countries, the world order no longer serves any purpose: it cannot be achieved through conventional means, it fails to fulfil the requirements of this planet, it is a construct which is conceptually old and anything but open to the requirements of freedom and democracy (as the Cold War and the war on terrorism have amply demonstrated). What is needed is a new reference system, one which is open, transparent and secular, in order to reduce costs as well as the dubious opportunities afforded by hegemonic policies, and to allow increasingly wide sections of society to enjoy freedom from (hunger, illness, fear, the Malthusian demographic time bomb, war and poverty) and freedom to (enjoy dignity, choose critically, construct consciously and develop harmoniously etc).

The planet is increasingly aware of its fundamental limitations (its biosphere) within which it is still possible to achieve great progress provided mankind can move on from old paradigms. If they can be replaced by new paradigms, the area which has enjoyed peace over the last 62 years and which is confined to the rich northern hemisphere, may be extended and with it space to exercise all mankind's inalienable human rights, regardless of societies and cultures; the area of prosperity from which the Third World seemed to be excluded may similarly expand.

If mankind is to abandon old mentalities and customs, culture will flourish to a greater extent even than at the end of the Cold War, whereas if the old logic of *mors tua vita mea* prevails, under the guise of scarcity of resources, demographic disarmament (an astonishing rebirth of the old geopolitical saying "people without space, space without people"), the clash of civilisations and purity of identity, the risk of another era of world wars will always be present and with it a drastic reduction in life expectancy of *Homo insipiens*.





## *Nomos & Khaos 2007*

### **Links Matrix**

#### **Introduction**

The long wave of continuity and the tide of change

*Vittorio Emanuele Parsi*

#### **Part 1**

##### **Executive Summary and Strategic Overview of the current events**

Executive Summary

*Alessandro Politi*

2007 Strategic Overview: from disarchy to liquid balances

*Alessandro Politi and Ludovica Rizzotti*

#### **Part 2**

##### **1. The Themes**

1.1 What next Captain America?

*Paolo Brandimarte*

1.2 What will become of European Islam?

*Stefano Allievi ed Elisabetta Gnudi*

1.3 Realpolitik and Noopolitik: the frontiers of power

*Ferrante Pierantoni*

1.4 Towards a Common Agricultural Strategy

*Andrea Zaghi*

1.5 The “green” incentive roller-coaster

*Massimo Nicolazzi*

1.6 General Winter’s grandchildren

*Brando Crespi*

1.7 10% of the economy is illegal

*Gabriele Failla*

1.8 Ports, container the future: the EU all at sea

*Chiara Pelizzoni e Andrea Maria Migliuolo*

1.9 Multilateral RTAs: the new frontier

*Roberta Benini*

1.10 More contracts and less subsidies for European innovation

*Leonardo Bertini e Paola Savoia*

1.11 Time out for the European shipyards

*Bruno Dardani ed Alessandro Politi*

## **2. The areas**

2.1 A European Union for the new generations

*Gianni Bonvicini*

2.2 The kangaroo takes off

*Emanuele Giordana*

2.3 Brazilian Matrioshka dolls

*Roberto Nocella*

2.4 If Pretoria makes its mind up

*Arrigo Pallotti*

2.5 Kosovo: but is there a plan?

*Emanuela C. Del Re*

2.6 Korea: exploding myths

*Maurizio Riotto*

2.7 Palestina: Farewell to Arms

*Umberto De Giovannangeli*

## **Part 3**

### **Conclusions**

The Useless Global Order

*Alessandro Politi*

## **Part 4**

### **Attachments**

Authors

List of abbreviations and acronyms

Bibliography

# Abstracts

## 1. THE THEMES

### *1.1 What next Captain America?*

The foreign policy pursued by the next president of the United States, regardless of which candidate wins the 2008 elections, cannot fail to take into account a long-term trend, which is the fact that strategic interests are shifting towards the Asian macro region and towards the Pacific. Having extricated itself from the Iraqi quagmire, having shelved the question of Iran's nuclear capability, the United States ought to focus its attention on a key country such as Pakistan, around which the most important international issues revolve: from nuclear proliferation to the war on terror; from managing failed states to relations with the new Asian giants (China and India).

### *1.2 What will become of European Islam?*

In light of the prevailing interpretation of relations between Islam and Europe which sees them in terms of the dreaded clash of civilisations, it becomes increasingly important to emphasise the multiplicity of interrelations which the Islamic presence in Europe creates, produces and magnifies. This article aims to highlight the beneficial effects of feedback generated by this presence not only in terms of business, economic and financial relations, but also in areas of strategic interest such as cooperation to control immigration and defence against transnational Islamic terrorism. Finally the article stresses how, as the current centre/periphery equilibrium within the Islamic *umma* is being challenged, and as the European periphery is being turned into a new centre through significant progressive shifting of cultural borders, Europe will increasingly be an important stake for Islamic geopolitics. This new situation, provided it is analysed, guided and harnessed, could offer new opportunities for establishing a system of international relations which is more favourable for Europe, also contributing to the development of international interfaith dialogue.

### *1.3 Realpolitik and Noopolitik: the frontiers of power*

Whilst the first phase of the information society was focused on developing technology, the second phase will see a shift from developing technology to developing society. Innovations are also modifying the employment market in which analytical work, theoretical work and services are gaining importance. Development of technology ought therefore to go hand in hand with appropriate changes to the key public, private and institutional structures. Innovative methods of defence, designed to interfere with the flow of information, corrupting the environment or subverting its architecture, could cause profound changes to the ecosystem of global information. Internet was an excellent platform for innovation but today we are faced with the challenge represented by the broadband market which threatens internet's neutrality. At a global level, consumers are able to exercise ever increasing choice of contents and connection methods. Africa (+643%), the Middle East (+495%) and Latin America (+509%) are all in the initial strong expansion phase.

### *1.4 Towards a Common Agricultural Strategy*

The incredible increase in the price of the main agricultural commodities over the last two years can be ascribed, amongst other things, to two factors having a clear structural connotation: the huge increase in demand for agricultural products from the emerging nations (principally China and India) and the increasingly widespread use of certain agricultural commodities for non-food purposes (bio-fuels above all). After many years marked by an excess of supply and by public policies designed to reduce this supply, the outlook over the next few years is therefore for the situation to be reversed, an issue which the common agricultural policy (CAP) must help to address with new and updated instruments alike.

### *1.5 The "green" incentive roller-coaster*

The replacement of fossil fuels with other energy sources has barely begun; and there can be no foregone conclusions as to the way forward and the timeframe for implementing these policies. The EU objective for 20% of energy to come from renewable sources by 2020 is certainly most ambitious; all this whilst the cost of producing energy from renewables is so high that it becomes necessary to provide subsidies. Amongst the prerequisites for development of renewable energy there is the need to study the best way to grant subsidies, adopting procedures which leverage innovation rather than subsidies which merely provide unearned income; another precondition is to remain true to a scenario in which any decrease in the price of petrol can but be considered cyclical.

### *1.6 General Winter's grandchildren*

A series of international studies (the last one by the IPCC) released towards the end of 2007 confirms that the health of the planet is worsening. But what surprised the scientific community is the extent to which and intensity with which a series of environmental markers have worsened much quicker than the most negative forecasts.

The American and British armed forces have long realised that these dramatic changes represented a strategic problem and there has therefore been great concern both about the rush for resources in the Arctic regions and about probable wars over water resources as well as mass migration caused by desertification and by the increase in the level of the oceans.

The solution must include a top-down political system approach (consider Sweden) and collective awareness typified by the "transition city" phenomenon.

### *1.7 10% of the economy is illegal*

Colombia and the international drug trade have become a paradigm for the illegal economy: the production of coca as a vital factor for the native population, on the one hand, and, for the world's greatest super power, as a symbol of an evil to be uprooted, literally, on the other hand. In the middle, shady paramilitary groups which exploit the drug trade to fund their activities and which are in turn exploited as political cover. Far away, but not too far, Europe – as the other important outlet for coca and for the illegal proceeds which are reinvested in the legal economy, also thanks to Italian mafia organisations which are increasingly playing a managerial role. In the background nation states are falling apart.

### *1.8 Ports, container and future: the EU all at sea*

Waterways are key drivers affecting the global economic equilibrium. Transport infrastructure and shipping companies are the subject of great interest on the part of international investors, public and private alike, who thus manage to exercise economic and political control over vast areas of the world. What can we expect in the near future? The geo-economic outlook is extremely fluid, with investors rapidly changing the focus of their investments. From a European perspective, one consequence is that the Mediterranean area is regaining its previous pivotal role with obvious attendant economic benefits. On the other hand, wars – cold or otherwise – for the control of gateways and scarce resources must be monitored and interpreted.

Based on these and other findings, this paper draws a picture which reveals the absence of a realistic vision in Europe regarding concepts such as protection of its

key assets and the strengthening of structural networks and resources in order to identify strategic objectives to be pursued and resources to be mobilised. What also emerges is that the underlying change drivers are very heterogeneous.

### *1.9 Multilateral RTAs: the new frontier*

The multilateral approach, with the WTO at the centre, is increasingly coming up against exponential growth in regional agreements within the framework of increasing globalisation. The positive effects of regionalism indicate how this may become a catalyst to improve competition and facilitate investment and trade between countries. Nevertheless differences between advanced countries and emerging countries are also emerging within these regionalisation processes. The resurgence of a certain degree of protectionism to counterbalance the negative effects of globalisation is evident: the multilateral system cannot fail to take account of this. It is clear that we are witnessing a redefinition of the economic balance of power on a global level, as well as on a regional level, affecting the large geopolitical areas within them – and the advanced countries will probably emerge with their influence reduced over the long run.

### *1.10 More contracts and less subsidies for European innovation*

The instruments to promote market pull type innovation, used essentially in the United States (public procurement) seem to be more effective than the market push instruments used in the European Union (subsidies to enterprises). Indeed procurement can offer added value arising principally from the fact that the party providing financing is also the first buyer, thus very aware of the fulfilment of requirements and achievement of the requested performance levels. Given its importance with regard to the development of the European Research Area, in this paper we have also considered the EU's Seventh Framework Program (7FP), analysing the results and defining the research themes, with a particular focus on the security issue, which is included for the first time in a European framework programme. The 7FP lobbies still favour seeking resources through market push activities as the mechanism is less competitive and less subject to pressure and verification by the contract awarding body.

### *1.11 Time out for the European shipyards*

European commercial shipbuilding has chosen a hi-tech niche sector (cruise liners and ferries), which unfortunately requires continuous innovation with high costs and low profit margins. In the mid-term these shipyards must face a global setting characterised by a decreasing demand and an increased production capac-

ity of competing Asiatic shipyards. If the European Union is interested in retaining a commercial shipbuilding capability it should counterbalance the Far East competition with appropriate financial measures and invest more in research and innovation.

In the military sector, Europe is adversely affected by national divisions that restrain the EU from acquiring the due strategic importance at global level. A possible systemic solution, aiming at programmes with strong commonalities, must take into account that the less expensive combat vessels will remain a national prerogative. That said, an intergovernmental approach can be employed in the creation of what may be called a converging programme, where governments address a single European cartel for the most expensive ships on condition that common components will have a unitary fixed price, while countries bear the costs of the modifications required at national level.

## 2. THE AREAS

### *2.1 A European Union for the new generations*

The conclusion of the lengthy, troublesome matter of the reform of the 2000 Nice Treaty, which saw the EU member states deep in negotiation for almost 5 years, has left the European Union with an agenda full of unresolved problems. Future activities will therefore have to focus on attempts to solve some of the major crises overshadowing the union which in the meanwhile has passed from 15 to 25 and subsequently to 27 member states. The critical factor will be the EU's success at tackling external challenges: amongst these, the matter of energy security stands out, an issue which is closely linked to relations with Russia. In addition it will be necessary to renew relations with the new American administration, reconsider NATO's role, rise to the challenge of strategic cooperation with China and India and strengthen peace missions. In short, Europe must become a successful player in the international security arena.

### *2.2 The kangaroo takes off*

After Labour's victory in the elections, Australia appears to be pushing ahead for a new partnership with Asia, and with China in particular. Australia's calling, as a "Western" nation in terms of its origins, yet as an Asian nation in terms of its geographical location and geopolitical decisions, goes back a long way and has been pursued by conservatives and labourites alike with varying degrees of enthusiasm. Is Canberra's "Asian" option a geographical curiosity in a distant land or is it also an opportunity for the Western bloc, from the United States to the old continent?

At this particular time it also appears to be an attractive resource for Italy, which has traditionally had good relations with Australia as well as the presence of a significant community of people of Italian origin.

### *2.3 Brazilian Matrioshka dolls*

Imagine three matrioshka dolls: the first one is the smallest and represents Brazil; the second is Mercosur and the third one, the biggest, is South America. In the background, asymmetrical globalisation providing advantages to the industrialised countries and disadvantages to the developing nations. Why do we speak about three matrioshka dolls in the context of Brazilian diplomacy? Because Brazil appears to be moving on three levels with self-serving flexibility as it aims to develop its foreign policy and assert itself as the major power in South America. At the same time, Brazil has undertaken diplomatic initiatives which cut across the three levels in order to satisfy its ambitions, both old and new.

### *2.4 If Pretoria makes its mind up*

This essay explores South Africa's foreign policy during 2007. Generally considered to be an emerging power, South Africa is an economic giant within the African continent but its neoliberal vision of continental integration has met with the opposition of some countries within the African Union. In 2007 Pretoria continued its political dialogue with the G8 countries on political reforms in Africa and the implementation of the New Partnership for Africa's Development. In July 2007 the Assembly of the African Union considered a Libyan proposal for the immediate creation of an African government, but its adoption was successfully opposed by President Thabo Mbeki and other African governments, who requested further discussions within the African Union. At a regional level South Africa tried to address the ongoing Zimbabwe crisis through a multilateralization of its "Quiet Diplomacy". President Mbeki was mandated by the Southern African Development Community to promote political dialogue between the government and the opposition in Zimbabwe. However, the Zimbabwe crisis seems still far from being solved and Africa's integration within the international market has not yet solved the continent's social problems. Together with Chinese aggressive penetration of African markets, these are the main challenges for South Africa's African policy.

### *2.5 Kosovo: but is there a plan?*

This piece explores the process whereby Kosovo's status is defined, something which will have strategic repercussions locally, regionally and globally. Various possible solutions have been put forward but Kosovo finally decided for his uni-

laterally independence. All the players involved, from Kosovo to Serbia, from the EU to Russia, from the USA to NATO and the United Nations, have taken a stance and laid down their conditions with regard to independence. Russia's card is based on the claim that independence is illegal, irrespective of the fact that the United Nations and the EU have endorsed Kosovo's independence under international stewardship whilst the USA openly favours independence and Serbia is not willing to barter Kosovo for its membership of the European club, but may accept its independence subject to the conditions imposed by the EU and the United Nations with Russia's approval. But is there a plan for Kosovo? What is certain is that the rights of minorities in Kosovo must be clearly defined and it is essential to guarantee regional security, supporting whatever independent forces develop, but above all listening to the needs of the Serbs and Albanians within Kosovo.

### *2.6 Korea: exploding myths*

This essay explores the problems of and the outlook for the Korean peninsula from four points of view: politics, economics, environment and society. From the political point of view the most important event in 2007 was the meeting at P'yongyang between the South Korean President No Muhyŏn and the North Korean leader Kim Chŏng'il, helping to thaw relations between the countries, a process which began in February and confirms the positive trend of the last few years. From the economic standpoint, for South Korea, signing the free trade agreement with the USA is without doubt the main event; observers have noticed the first frail signs of a change of attitude towards the economy, something which South Korean investors are ready to target. The environment represents a negative note although South Korea is already investing huge amounts of capital in projects designed to restore the current worryingly high levels of environmental degradation to acceptable levels. Finally, regarding society, the citizens of the North are still to all intents and purposes closed within traditional cultural models; on the one hand, the South is starting to experience the typical problems of liberal and consumer societies, on the other hand, aspects of the country's modernisation, such as mixed weddings and hospitality to labourers coming from the Third World are making South Korea steadily more international, open-minded and a key player in the world's political and economic scenario.

### *2.7 Palestine: farewell to arms*

Palestine. A nation without a State. An open wound in the heart of the Middle East. 2008 as the year in which a peace deal is reached: hope reborn with the Annapolis Conference (November 2007); hope which has to be tempered against splits within the Palestinian side and unresolved strategic issues impacting not

only the sphere of politics, which is a minefield, but also involving identities overlapping areas which are similarly fraught with danger, relating to religion and the popular myths of a greater Israel or a greater Palestine. On the other hand, Israeli-Palestinian conflict cannot be decontextualised: it is undeniably an integral part of a struggle between regional powers, one whose outcome depends not only the new balance of power in the Middle East but also the matter of security on the two sides of the Mediterranean. Possible scenarios and the Iranian enigma: the many reasons why 2008 cannot be anything other than the year of the status quo.





## *Nomos & Khaos 2004*

### **Introduction**

Under the sign of globalisation

*Giuseppe Cucchi*

### **Part 1**

#### **Executive Summary and Strategic Overview of the current events**

*Alessandro Politi*

Executive Summary

Strategic Overview 2003-2004: Europe and its new strategic opportunities

### **Part 2**

#### **1. The Areas**

1.1 USA and EU separated at home

*Roberto Menotti*

1.2 West goes East

*Francesca Arato*

1.3 The Silk Road is back

*Francesco Sisci*

1.4 Waiting for Russia

*Roberta Benin*

1.5 De-balkanising the Balkans

*Francesca Arato*

1.6 Islam and the democratic utopia

*Roberto Aliboni*

1.7 Latin America is tempted by the Common Market

*Ludovico Incisa Di Camerana*

#### **2. The Themes**

2.1 Learning to live with insecurity

*Germano Dottori*

2.2 The Catholic Church in the third millennium

*Federico Eichberg*

2.3 Space is the future

*Alfonso Desiderio*

2.4 The ups and downs of oil

*Nicola Pedde*

2.5 An increasingly virtual world

*Umberto Rapetto*

2.6 The defence industry ... and the security one

*Carmine Gianluca Ansalone*

2.7 The routes of crime

*Olga Mattera*

**3. The Economy**

3.1 Stock Exchange trends

*Angelo Tantazzi (Interview)*

3.2 The banking system

*Luigi Guidobono Cavalchini*

3.3 Foreign Trade

*Piera Magnatti*

3.4 The infrastructural network after 9/11

*Gualtiero Tamburini and Andrea Giardini*

3.5 The enterprise of the future, the future of enterprise

*Andrea Maria Migliuolo*

**Part 3**

**Conclusions**

Future trends

Alessandro Politi

**Part 4**

**Attachments**

Authors

List of abbreviations and acronyms

Chronology

Bibliography

## *Nomos & Khaos 2005*

### **Introduction**

Globalisation and insecurity

*Giuseppe Cucchi*

Geopolitics of major areas

*Ludovico Incisa di Camerana*

### **Part 1**

#### **Executive Summary and Strategic Overview of the current events**

*Alessandro Politi*

Executive summary

Strategic overview 2004-2005: the crisis of Europe and global disarchy

### **Part 2**

#### **1. The themes**

1.1 Security: WMD, terrorism, vision of visions

*Germano Dottori*

1.2 Foreign policy, energy, Europe and nuclear proliferation

*Achille Albonetti*

1.3 Catholic Church, migration and wealth distribution

*Federico Eichberg*

1.4 Demography and migrations

*Ferruccio Pastore*

1.5 Defence industry, technology innovation and economic growth

*Gianluca Ansalone*

1.6 Public health and pandemics

*Marta Di Gennaro and Liliana La Sala*

1.7 The agri-food business: between new competitive stimuli and the new expectations of society

*Paolo De Castro and Felice Adinolfi*

1.8 Intermodal transports and communication networks

*Andrea Maria Migliuolo*

#### **2. The Areas**

2.1 EU: future prospects

*Lucio Caracciolo*

## 2.2 Balkans and Eastern Europe

*Emanuela C. Del Re*

## 2.3 Russia 2005-2006: year zero of the post Soviet era?

*Sergio Rossi*

## 2.4 The Turanic area and Caucasus

*Angelantonio Rosato*

## 2.5 USA: where does it go?

*Roberto Menotti and Paolo Brandimarte*

## 2.6 Transitions in Islamism and the Arab world

*Roberto Aliboni and Daniela Pioppi*

## 2.7 China: the race on the tightrope

*Roberta Benini*

## 2.8 Africa: the forgotten continent

*Gian Paolo Calchi-Novati*

## **3. The Economy**

### 3.1 Foreign Trade

*Piera Magnatti*

### 3.2 The international monetary system

*Marco Sassatelli*

### 3.3 Currencies and their future

*Marco Magnani*

### 3.4 Energy: oil and alternatives

*Davide Tabarelli*

### 3.5 The global instantaneous information society

*Ferrante Pierantoni*

### 3.6 Infrastructures and security

*Gualtiero Tamburini and Andrea Giardini*

## **Part 3**

## **Conclusions**

A difficult multipolarism

*Alessandro Politi*

## **Part 4**

## **Attachments**

Authors

List of abbreviations and acronyms

Chronology

Bibliography

## *Nomos & Khaos 2006*

### **Links Matrices**

Thematic matrix

Geographical matrix

### **Introduction**

Under the sign of power sharing

*Ludovico Incisa di Camerana*

### **Part 1**

#### **Executive Summary and Strategic Overview of current events**

Executive Summary

*Alessandro Politi*

Strategic Overview 2006: towards a Pacific Order?

*Alessandro Politi and Ludovica Rizzotti*

### **Part 2**

#### **1. The Themes**

1.1 Oil: time out for energy

*Massimo Nicolazzi*

1.2 International trade: disintegration or reintegration?

*Piera Magnatti*

1.3 Global Mafias

*Gabriele Failla*

1.4 Geoeconomy of the migrants: the delays of politics

*Sebana Pernice*

1.5 Water: before war breaks out

*Carmine Gianluca Ansalone*

1.6 Barrels, facts and PR

*Paolo Migliavacca*

1.7 Holy wars and cosmic war

*Emanuela C. Del Re*

1.8 The Catholic Church and the ethics in antiterrorism

*Ettore Balestrero and Federico Eichberg*

1.9 The art of war from Falluja to space

*Germano Dottori*

1.10 Telecommunication Networks: communion and sublimation

*Ferrante Pierantoni*

1.11 Manufacture: new trends and geographies

*Gianni Lorenzoni and Sergio Mariotti*

1.12 Is there a future for the World Bank?

*Vincenzo Resta*

1.13 Defence Industry: the advance of multilateralism

*Michele Nones*

I. Thematic chronologies

**2. The areas**

2.1 Americas adrif

*Ludovico Incisa di Camerana*

2.2 A European Union with almond-shaped eyes

*Emanuele Giordana*

2.3 Japan and the social tsunami

*Federico Failla*

2.4 Asia: geopolitics of the continent

*Gianni Sofri*

2.5 India: less Kim, more .com

*Giampaolo Cutillo and Claudio Pacifico*

2.6 Kabul: For Whom the Bell Tolls?

*Angelantonio Rosato*

2.7 The steppe of eternal Presidents

*Michele Chiaruzzi*

2.8 Africa: China thanks and Washington sweeps across

*Irene Panozzo*

2.9 Horn of Africa: war and peace at any cost

*Francesca Arato*

2.10 Forgetting Amalek

*Maria Grazia Enardu*

2.11 Which road to Damascus?

*Ermete Mariani*

2.12 Iran between bluff e shah-mat

*Emanuele Castelli*

2.13 The Euro-Turkish stalemate

*Matteo Fumagalli*

2.14 Mediterranean Sea: Mare Monstrum?

*Riccardo Redaelli*

2.15 From the Hindu Kush to the Mediterranean Basin: the illusions of unity

*Paolo Brandimarte and Roberto Menotti*

2.16 Europe: why should we integrate?

*Fabrizio Pagani*

II. Geographical chronologies

Part 3

### **Conclusions**

The strength of integration

*Alessandro Politi*

Part 4

### **Attachments**

Authors

List of abbreviations and acronyms

General Chronology

## *Outpost for Security and Strategic Scenarios (OSSS)*

The appearance of the Sovereign Wealth Funds (SWF) along with the subprime mortgage crisis, Kosovo's unilateral independence and the political crisis in Belgium, the electoral struggle among Clinton, Obama and McCain and Benazir Bhutto's assassin are a good example of that kind of unpredictable, rapid and contradictory news that a decision maker regularly faces.

Those reassuring models we used to organise events, to take our decisions and to which line up ourselves are over. With the creation in 2002 of its Outpost for Strategic and Security Scenarios (OSSS), Nomisma not only described the Khaos after 9/11 and its developments, but also started the quest for the Nomos: the new international paradigm which is arduously trying to come out. OSSS, founded by Lt. General Giuseppe Cucchi (already Military Counsellor of the Italian President of the Council of Ministers and Head of the Military Politics Unit under the Ministry of Defence) uses new analytical tools to conduct its strategic and economic integrated researches such as matrices of major events, mental maps and predrep charts (predictive reports). From 2006 onwards OSSS is directed by Mr. Alessandro Politi, strategic and OSINT analyst.

Nomos & Khaos 2007 introduces the notion of Liquid Balance to describe how the international order results from the interactions among all relevant global actors (public and private organisations, economic groups, social and virtual communities, criminal networks, religious groups) according to network dynamics.

Nomos & Khaos each year offers to Italian public and private decision makers a critical forecast on major international trends. OSSS works as a network-centric think tank during all the steps of the Report writing: from its conception to its realization. One of OSSS's strengths consists in its network of Italian experts: a research group that has evolved and has grown over the years so as to guarantee an original, proactive and diversified set of skills. Another strength is the Global Outlook that, through the analysis of the set of political, economic, social, diplomatic and military interactions conducted by major Oceanic or Continental chessboards (Pacific Ocean, Indian Ocean, Africa and Atlantic Ocean), each year detects weak signals and emerging trends. In this sense Nomos & Khaos has been able to anticipate: the disarchic multipolarism (2005), the potential clash with Russia (2005), the US defeat in Iraq (2005), the possible evolution of the deterrence system among Israel, Iran, India and Pakistan (2006), the coming crisis of the Pacific economic system and its potential consequences (2006-2007).

OSSS wants to further develop its methods and products addressed to decision makers to allow them to take advantage of the opportunities without waiting for the risks of an unpredictable scenario.



“Nomisma” is an ancient Greek word that signifies “the real value of things”. It is in this spirit that Nomisma, from its foundation in 1981, operates as an observatory on the main trends in the real economy and contemporary society. Nomisma engages in research at international, national and local focusing on production factors, on the economics of sectors and businesses, on development problems and – in general – on the trends that affect the structure, the behaviour and outcomes of contemporary economics.

Presently Nomisma comprises several research and consultancy units, each specialising in different fields and operating autonomously, but able to work together on the basis of an integrated approach. This allows the company to employ a cross-sectoral and flexible, yet targeted approach in addressing the requirements of its varied services.

Nomisma’s main research fields are agriculture and agri-food industry, industrial policy and territorial development, real estate, international cooperation programmes, public utilities, energy and sports.

The company’s staff is composed of about 60 between researchers and project managers, supported by administrative/support personnel, who provide a varied and complementary combination of skills and field experience as well as linguistic and cultural backgrounds. Nomisma’s research and management staff have university and graduate/post-graduate degrees in economics, political science, statistics, law, engineering, agronomy and international relations. Many of the research staff have strong sectoral and multi-sectoral backgrounds and are highly competent in their specialities, while being able to apply a cross-sectoral approach as well as work internationally in highly complex multi-disciplinary assignments.

