

The IMTeTM Reports

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Aspects of an Emerging World **A. Times of change ...**

IMTeTM Research Report – 2017

Contents

Introduction	4
World Developments & Trends	4
Policies	9
Social Positions, Conflicts and Cycles	11
Economics	14
Energy – Resources	18
Science & Technology	20
Security	22
Regions & Countries	23
The EU and Europe	23
Eastern Europe & The Balkans	29
Switzerland	29
Turkey	30
Russia	31
The Middle East	34
Africa	35
China	37
Japan	41
India & Pakistan	42
Singapore	43
Australia & New Zealand	43
The US	44
Latin America	46
Greece	46
I. The sociopolitical, cultural & economic scene	46
II. Shipping	50

Geopolitics.....	53
Art	60
Epilogue	61
Sources, References & Further Reading.....	66
Acknowledgments	68
Important Notice	69
Copyright.....	69

Introduction

Aspects of an Emerging World deals with issues of global, regional and country-specific interest which relate to the socioeconomic, political, cultural, demographic and economic backgrounds of a world on the threshold of massive change.

The way the entire report has been structured and written and the manner in which it conveys the compiled information is in bullet format. We deliver information and comments that we consider important to highlight and, in a *Closing Remarks* section, we provide our summarizing views on each specific chapter. We have not attempted to create a comprehensive coverage of news or developments outside of our scope and capacity, but merely to furnish a mosaic of information accompanied by relevant comments: this will create a background that will enable our readers to become more aware of the wide-ranging changes taking place or imminent in our world and their significance for and impacts on professional and social life. It is to be noted that the information provided may at times to some extent overlap, in the sense that topics addressed under one chapter might be dealt with in other chapters as well, from a different or complimentary angle, while a diversity of positions on one and the same subject may also appear throughout our report. Paramount attention has been given to such geographical regions and countries as the *EU, Russia, China, the USA and Greece*, in the latter case not because Greece is our home country but because we believe that *Hellenism* is an expression, an ideology and a civilizational ideal dating back to antiquity which will again play a significant role in our changing times. In addition, considerable attention has been paid to such topics as *World Development/Trends* and *Geopolitics*, as it is our view that major world trends can be traced through the latter topics. *Art* is a small but highly important section, since, through the deeper realms of human consciousness, it often foreshadows things to come and, particularly in our turbulent era, can reveal hidden aspects and underlying currents of a world in turmoil—but may also delineate visions for the future. At the end, the *Epilogue* contains our concluding remarks highlighting the main issues and the challenges our world is confronted with and will need to tackle.

The entire report consists of three consecutive parts. This is the first part. The second part will be electronically published within the current month of September 2017, the third and last during October 2017. As of this issue, our reports and publications will also be accessible on our website www.imte.gr.

World Developments & Trends

- ❖ The fourth industrial revolution (Industry 4.0) that is already in progress involves digitalization, artificial intelligence, robotics and nanotechnology. In the new emerging environment, all divisions of an industrial outlet will be networked and will cooperate electronically, connecting demand, supply, research and delivery of product. Networks will exponentially enhance productivity for developed economies while creating price-cost production advantages for developing countries, thereby stimulating developing countries to modernize rapidly and attain *developed* status for further utilization of the entire array of new revolutionary technologies. Meanwhile, in much of the present-day developed world, the trend of aging demographics and declining productivity has been layered and partially offset by technological innovation and labor mobility.
- ❖ The unrelenting force of technological and demographic change will enable low-wage workers in the developing world to be trained or re-trained to remotely

operate machines and perform services in richer countries, potentially tempering the pressure to emigrate. The digital revolution could lead to a significant reduction of employment, at the same time however creating a new demand for jobs where the human interaction link between machine and consumer becomes indispensable.

- ❖ The concomitant importance of innovation in the creation of monetary value in products/services has increased dramatically. However, the value that can be acquired through innovation generally only lasts for a limited period. In contrast, the coupling of digital technology with innovation will create the new job/business demand environment. In today's new digital economy, the US dominates the world with an approximate 50% share.
- ❖ Continuous waves of immigrants seeking an escape route from poverty, war and repression will make shrinking populations feel as if their national identities are slipping from their grasp. Meanwhile, automation and global trade integration will kindle the fear in many workers that their livelihoods are being wrenched from their hands. However, we have cause for optimism, for demographic and economic necessity will ultimately lead nations and larger economic blocs—such as the Eurozone—to integrate significant numbers of those same immigrants into their economic longer-term planning models, thereby eventually creating a win-win situation. On the other hand, this process will need to take place selectively, since an indiscriminate mixing of different cultures and religions can well create significant, racial, social and political friction.
- ❖ Demographics affect every sphere of human activity, from government policies to economics, technology and geopolitical positions. A potential rebound in fertility rates may have profound implications for the production and distribution of resources, especially as concerns the emerging African continent.
- ❖ The world's population is aging. Large families have become a liability in the urban world of tight spaces and high living costs. In such a context, pensions needed to support a rapidly growing pool of retirees will have to be drawn from a smaller tax base, putting great strain on younger generations trying to advance economically without becoming overwhelmed by debt.
- ❖ A new constitutional order is emerging of states that are more devolved and globally networked, that outsource most of their operations, though at the same time are more fragile and dependent on the instant use of information over digital networks. In this respect, developed and developing countries will have greater options to advance their economies within smaller and perhaps more politically compatible trade blocs in regionalized supply chains.
- ❖ A steady decline of trust in government is to be noted worldwide, though especially in the Western world, accompanied by a continuous rise of trust in business. A new mode of governance is called for whereby public and private leaders may develop a more utilitarian mentality with a higher degree of accountability to citizens. Social contracts will focus on the management of accumulated costs to unlock the productive potential of billions of underemployed people and guarantee a minimum welfare and income level, with the aim of collectively sharing in the wealth of a much richer global society. The welfare state will retrench and qualitatively reshape, placing emphasis on services offered by the private sector.
- ❖ Smaller government and a far more active and responsible private sector translates into increased corporate responsibility and corresponding action to replace domains traditionally dominated by the state.

- ❖ Education is becoming the new quality paradigm elevated to a geopolitical status parameter in world developments. *Collective intelligence* is the emergent paradigm resting on the synergy of: information, software/hardware, artificial intelligence systems, human expertise, networking and interaction, public participation and entrepreneurial innovative thinking.
- ❖ Four major trends are emerging in the present-day world: an aging population with Africa as an exception; China consolidating its position as a world economic power with an increasingly heavier leverage in world politics; urbanization, mainly in Africa but also in parts of Asia, with vast positive consequences for economic development; the growth in environmentally sustainable green projects. Next-generation growth themes include digital commerce, healthcare in Asia, Africa and China, global education and re-education as a strategic investment for enhancing productivity and industries addressing the needs to feed a growing world population.
- ❖ While large parts of the earth are affected by severe hunger/famine, one third of all food products on the planet end up in garbage bins and dumps. To counteract the former, new products are being promoted to fight hunger, including specific varieties of insects to be added to the palette of consumable food items, these being especially attractive due to their abundance and their high nutritional content. Initiatives are taken to reduce household food waste/loss, this particularly in the EU and the US.
- ❖ Infrastructure security, epidemiological surveillance and environmental protection will be promoted by states to an unprecedented extent.
- ❖ Corruption is inextricably linked with statism, but not always related to the size of the public sector, although there is a direct correlation between less state – less corruption. The focal point for an acceptable low-corruption country lies in the establishment of mechanisms of economic freedom to allow enough competing centers to operate within its economy at the public and/or at the private free market level, interacting but also complying with set rules and regulations, always with a clear distinction and independence from the overriding state legislative powers.
- ❖ A new worldwide anti-corruption trend can create conditions where countries under the direct or indirect influence of bigger powers can be pushed and pulled through anti-corruption protests and investigations toward broader internal as well as foreign policy ends.
- ❖ The population of sub-Saharan Africa could grow from 1.1 billion to about 2.8 billion by 2060 and 4.1 billion people by the end of the century. One of the advantages of this development is that the massive growth of an urban middle class on the African continent will co-evolve with diminishing political and ethnic conflict.
- ❖ In the Amazon rainforests, Brazilian mafia gangs and cartels are fighting for the establishment of new cocaine routes, creating a new wave of violence, while transnational drug cartels in Bolivia, Columbia, Peru and Mexico continue to provide most of the drugs to an increasingly addicted US public. Meantime, Europe is also confronted with an incoming tide of drugs. Cocaine consumer prices are higher in Europe than in the USA, making Europe a far more attractive end market. Europol fears that Europe may furthermore become the transit region for a massive distribution of drugs into Russia, China, India and even Australia.

- ❖ Today's world functions as a system of cooperating and co-acting or else clashing interests of powerful corporations which latter are resolutely and relentlessly intent on fighting for, acquiring and defending market territories, constantly intersecting or in competition with strong state interests. Relationships are made even more complicated as the modern state not only protects industrial and banking interests, thus distorting free market principles, but at the same time creates new financial interests, which in effect draw into its areas of influence additional banking and industrial interests.
- ❖ When the average American, European or even Chinese thinks about retirement, there is fear, and the level of fear is increasing. Although the world is overall a better place to live in than it was a century ago, when citizens today consider their current personal situation, they all too often pessimistically project that situation into the future. Moreover, fear drives political polarization throughout countries all round the world.
- ❖ Massive data storage for private and public institutions in a virtual cloud environment means huge steel-and-concrete data storage centers located in various parts of the world. Despite the necessity of these entities in our modern society, people's faith in the system of liberal democracy and freedom of thought must not be overwhelmed by an excessive dependency on the corporation and, importantly, its tendency to reduce all of its resources to mere 'data'. On the other hand, the inclination to elevate the corporation to 'sacred' status, to becoming the highest ideal and focal point for human life, is turning the human into an intelligent but spiritless entity in a vast corporate world.
- ❖ Populations globally are instinctively worrying that they are being downgraded from empowered citizens of national democracies to manipulated pawns under the governance of a new imperial élite in control of the media and communication networks. Further, various power centers are ever more frequently influencing electoral bodies, which development in effect constitutes an indirect intervention into democratic processes. In such a framework of "meta-political democracy" politics has no room to move other than within strict channels dictated by often seemingly "invisible" external power centers. Human rights, though in theory defended, are in practice undergoing ever greater restrictions worldwide, with allegedly representative democracy being pushed along paths dictated by a technocratic logic following strict monetary objectives. Such developments have given birth to new global social challenges and could trigger massive public reaction with unforeseen consequences for world order.
- ❖ Dramatic climate change opens up the unthinkable possibilities of global cataclysms, many of which may inflict severe damage on numerous territories and regions as well as even bringing about the complete extermination of a number of small countries. All this begs the question of what happens in political and legal terms when the very territory where a nation is located disappears and its inhabitants are forced to emigrate?
- ❖ Over the past 50 years humanity has lifted millions out of extreme poverty (with one in six people still remaining in abject poverty, as per 2013 statistics - the fight to eliminate extreme conditions continues), average life expectancy has continuously been on the rise, more than doubling since the beginning of the past century, scientific breakthroughs have been breathtaking, illiteracy in the developing world dropped from about 75% in 1925 to around 20% in 1970, democratically governed nations grew from 14% in 1950 to just over 60% in 2000, the planet is more than ever interconnected culturally, economically, scientifically and intellectually, man has traveled into outer space and is now

setting his sights on colonizing the frontiers beyond earth. Nevertheless, the media and social networks, which influence billions of people, stubbornly and continuously focus on the dark sides of human activity as if there is nothing positive around the world worth reporting. Negativity could become a self-fulfilling prophecy - even more so in times of change - especially if the fight to hold onto progress and promote the good side is being swamped by perpetual focus on gloom and doom.

Closing Remarks

The new world order is rooted in the evolution of the following interlocking forces: technology, global trade, demographics and connectivity, with connectivity, in particular, translating into power in the new emerging world. Over the past 60 years of the post WWII period, nations round the globe have benefited tremendously from interacting and mutually exploiting comparative economic advantages. The new trade and economic links across the regions of the world signal the birth of an even more highly interconnected global economy with multiple regionally participating nodes. Nations offering the highest connectivity will have the greatest economic leverage if they can offer security, adequate infrastructure and the products and services that global populations desire. The US will be one of the leading but not necessarily the leading power. A new economic order is emerging to ultimately dictate a new political order in a world where supranational organizations may have a stronger say in governance. The new principles are being shaped by a multicultural, multicentered world rather than by past Western ideals.

Knowledge and technology have spilled over from the rich world to the developing world, tracing out a new path toward economic prosperity. Deep structural changes unfolding in the world's economy will have technology as the base of a new paradigm. Countries that can weather the political pain of structural reform, overhaul financial planning to match their demographic outlooks and apply the necessary capital and technology to drive innovation from a diverse talent pool will be the best equipped to adapt to the new age.

Decision takers running many of the world's medium- to large-size corporations are unaware of or simply choose to ignore serious threats emanating from mounting global tensions that involve interacting geographical regions, states in disarray, political systems reassessed, social and religious positions in distress and massive confusion in the domain of public perception. Although geopolitics is today more than ever at center stage, geopolitical analysis only occasionally interacts with business. The fact is that the world presently finds itself in an unstable state, at a level, in fact, not seen since World War II, with the currents of change sweeping every aspect of human activity. Corporations are being run hierarchically, increasingly controlled centrally, while local managers play a far less significant role in the input of vital information to be used in strategic planning. Meanwhile, the expectation of material success and profit maximization cultivates a short-term orientation typically, but not only, in the West. This type of thinking rarely includes or encourages skill learning in geopolitical forecasting, resulting in people's minds often being fully absorbed by the running of daily business and the nearsighted needs of meeting conveniently identifiable business targets. Such an attitude is clearly inadequate for understanding unfolding global trends and could have wide-ranging adverse effects on both business and private life in our world.

Globalization means opening up to our world and encouraging an increase in the movement of persons and the transferability of products and ideas. When the velocity of mobility and transferability and the entropy of the system reach a critical point, a stage of saturation and destabilization follows, the old order

collapses and a new state emerges. That critical stage may have already been reached today, marked by the unsustainable levels of borrowing and indebtedness of nation states around the world. At the same time, the very nature of democracy is changing under the influence of a technologically 'instantaneous' world and the breathtaking advances in communication technologies. Moreover, the erstwhile political confrontation between right and left is fading away with not only politicians but also the media and financial élites seeming to have partially lost touch with the global pulse. The liberal American dream constituting the old order is guarding its lines of defense against such assailant notions as protectionism, populism and nationalism as the world struggles to find a new balance and thus heal itself of the effects of the excess globalization of previous generations. The current US administration was elected under a flag representing a direct challenge to the old order. Whether this is or is not validated in practice essentially makes no difference, as the underlying trend is what matters. Citizens in major economic blocs of the world seem to be striving for a redefinition of their nation states, a safeguarding of their histories and traditions. Signals from around the globe indicate that such movements have considerable internal strength and are an antidote to excessive globalization. A new sociopolitical and economic system is about to emerge and we are witnessing a transition period fraught with conflicts and uncertainty until a new equilibrium is established.

Policies

- ❖ The Shanghai Cooperation Organization (SCO), a Eurasian political, economic and military organization founded in 2001 in Shanghai, aims at a new model of geopolitical integration counterbalancing the influence of the USA and NATO in Central Asia. Among its members are China, Russia, Kazakhstan, Uzbekistan, Kyrgyzstan, India and Pakistan, with an additional number of nations from the Middle East to Asia having applied for *observer* or *dialogue partner* status. The SCO could be the forerunner for the development of the Asian Economic Union to include ten of the most populous countries in the world, accounting for 40% of the planet's population and controlling half of the world's natural gas reserves.
- ❖ More than a dozen Asian countries are focusing on advancing an alternative megadeal, namely, the Regional Comprehensive Economic Partnership (RCEP), a free trade agreement between ASEAN member states and those nations with which the ASEAN already has free trade agreements, including Australia, China, India, Japan, South Korea and New Zealand. The RCEP aims at integrating Asian markets with indigenous Asian corporations, in effect challenging market positions long held by US companies.
- ❖ The Trans-Pacific Partnership Agreement (TPPA), aiming to promote growth and transparent and efficient governance, support employment, innovation and competitiveness and enhance productivity and environmental protection, may move forward in a reworked format without the US (which has withdrawn its participation), but with its 11 remaining members, including such countries as Australia & New Zealand, Japan, Canada, Mexico, Singapore, all historically US allies.
- ❖ Russia is due to withdraw its signature from the Statute of the International Criminal Court (ICC), an intergovernmental organization/international tribunal based in The Hague, Netherlands. In addition, several African nations have recently expressed their desire to withdraw from the ICC as well, as being biased against the poorer African continent. Meanwhile, the OECD, as a transnational organization, is being transformed into a global intelligence brain, tasked with

successfully addressing international coexistence in a global web of cooperating or conflicting relationships and interests. Resistance to or rejection of the US-inspired modus operandi of transnational institutions is another element of change in the wider equation of the shaping of a new multipolar world.

- ❖ The Atlantic Treaty Association (ATA) is an umbrella organization acting as a facilitator in Euro-Atlantic relationships and beyond. It strives to further values set out in the North Atlantic Treaty drawing its expertise from such disciplines as politics, the media, academia and the military. The ATA is endeavoring to establish a new security framework in the relationship between Europe and the USA, based on a dynamically changing international landscape receiving the input of qualitative as well as quantitative factors.
- ❖ The military spending target set by NATO of 2% as a percentage of GDP is met by only 5 of the 28 NATO member states, these being the USA, Poland, Estonia, the UK and Greece.
- ❖ Approval of the new Comprehensive Economic and Trade Agreement (CETA) between the EU and Canada has been a milestone event, since it will successfully eliminate 98% of tariffs when enacted and will boost commercial relationships between Canada and the EU.
- ❖ Uganda is following a radical internal refugee policy, which may become the model for other African countries, by implementing a procedure whereby a plot of land, a work permit and the freedom to move and be free and active in his new African home country is offered to each refugee.
- ❖ In Japan, the government is determined to implement critical reforms and adapt its aging population to shifting global conditions. In Brazil and India, efforts to expose and combat corruption are expected to maintain their momentum.
- ❖ China may have increased its currency reserve allocation to the USD at just over the 80% level, potentially holding about 2.5 trillion USD in US Treasury Bonds, a sure and optimistic stand for the US Dollar and a strong vote for the US economy. The Chinese thus appear quantitatively and qualitatively to be on course in one sole direction, in effect placing most of their reserves under the direct influence of US Fed policy.
- ❖ India may become a critical case study for other countries, developed and developing alike, enticed by the benefits of a cashless economy. De-cashing, already adopted by Sweden, where only 2% of total transactions take place in cash, is the total replacement of bar by electronic transactions.
- ❖ The next step in European integration—political and economic—may involve a massive expansion of ECB credit for new start-up job creation. Within the ECB's governing council, the representatives of a loose monetary policy clearly have the upper hand.
- ❖ The appointment of a competent negotiator and mediator Swiss diplomat as Secretary General of the Organization for Security and Cooperation in Europe (OSCE) represents an endorsement of Switzerland's foreign policy by the 57-member OSCE participating states from Europe, northern/central Asia and North America. The OSCE is the world's largest security-oriented intergovernmental organization, created during the cold war as an East-West forum. It has an observer status to the UN General Assembly, providing routine briefings to the UN Security Council. Following accusations by Russia that the OSCE has become a tool for advancing policy interests of the West, the recent top-level appointment

may possibly lead to a reorganization and a refocusing of the OSCE on its statutory objectives in the political/military fields and in particular its commitments to conflict prevention and resolution, as well as the fields related to economic and environmental security.

- ❖ A new IMF working paper—a guideline for governments—analyzes the ways to a cashless society. However, while a cashless world will restrain crime and money laundering, nevertheless an issue of far wider significance may lie beneath the surface. Negative interest rates can become a powerful tool in the shaping of monetary policy. The withdrawal of physical money deprives citizens of their right of choice and opens the way to government and central bank authorities for frequent use of negative interest rates lasting longer periods of time, the objective being the gradual elimination of mountains of state and banking debt around the world. In such a situation nation states may thus be granted unlimited power over the *digitized* deposits of their citizens, which is in effect the freedom to confiscate, impose extraordinary taxation or execute haircuts to reduce national debt levels.

Closing Remarks

The Anglo-Saxon world, predominantly the US and Britain, versus the European Union—this will be the mega battle for the next 10 years between two huge economic blocs whose primary values are, respectively, freedom, democracy and corporate spirit vs ideals, solidarity, justice and social care. Thus, in total 400 million Americans and Brits possessing two of the largest financial centers of the world stand against 450 million Europeans, or in monetary terms about 20.5 versus 14.5 trillion USD, respectively, in economic activity. China and Asia will be carefully watching and adjusting their own positions accordingly while at the same time extracting whatever is needed for their own ambitious policies. Germany may be in a win-win situation as its high-quality products are indispensable for any successful growth story round the globe. Russia, following its own Eurasian vision could, if it were to form a future alliance with Europe, provide a radically different dimension in global economic interrelationships. It is our view that with or without confrontation, in the longer term Europe and the US will inevitably have to converge again in their visions and ideals, however under radically different conditions and in a far different world to today's.

Social Positions, Conflicts and Cycles

- ❖ The liberal world created through US leadership after WWII is being challenged by populist movements around the world. The widening gap in wealth between the economic élites and the public at large is a major parameter of dissatisfaction. If the established socioeconomic and political order collapses before having the chance to transform itself into a new governing paradigm, a claustrophobic economic environment—and even resultant war—could take a heavy toll on life on earth, forcefully opening the way to the appearance of a new sociopolitical and economic synthesis.
- ❖ Public distrust of politicians and a longing for a new type of honest, strong, selfless, decisive leadership are two faces of the same coin, important parameters in popular consciousness today.
- ❖ Nationalism is the means by which countries, particularly of the developed world, will interact with the international community and with one another. National interests may on many occasions outweigh global ones, even if such positions are often detrimental. The world is entering a new era of sociopolitical experimentation.

- ❖ The new face of right-extremism, vividly evident on the European scene today, likes to present itself as smart, subversive, young, sporty, polite, sophisticated, highly educated and distanced from the Nazi era. What the *new extreme right* movement specifically advocates is ethnopluralism, activism, cultural homogeneity, defining its role as being the carrier of *metapolitics*, as *the expression of the new spirit of our times*. It stigmatizes migration and prefers peaceful, so-called aesthetic, culturally documented argumentation, championing the nation state with its distinctive identity as the highest form of political expression. It proposes that each ethnicity has its own equal importance and the right to its own existence but within its own territory, thus defining a new anti-liberal order which contends that collective wellbeing is more important than individual ideals. Ethnocultural identity comes first, rendering its ideology clearly distinguishable from the social European movement. One important aim is the peaceful re-conquering of Europe from the perceived invasion of the Muslim world.
- ❖ Clashes among the lands, societies and religious dividing lines of the Muslim world have been going on for decades. Any intervention in the latter societies by Western powers and with Western objectives carries an increased risk of failure, since the history and traditions of the Arab world not only profoundly differ from those of the West, but may also not have been sufficiently understood by the Western world.
- ❖ Christian minorities are under severe pressure from extremism, radicalism and religious fundamentalism, with cases of persecution reported at an alarmingly increasing rate in countries such as Nigeria, Somalia, Iraq, Pakistan, The Philippines, Uganda, Iran, Malaysia, The Central African Republic, Indonesia and Egypt. Reported cases of violence have started spreading into the Western world as well.
- ❖ The dissemination of manipulated news within a vast global communication network, with thousands of sub-nodes, decisively influences the electoral body, a new reality threatening the exercise of modern democracy.
- ❖ The innovative technologies and massive credit creation in place today are the ingredients fueling the return from the depths of a long deflationary period to a reflationary recovery cycle. If the economic crisis since 2008 had its real underpinnings in technological stagnation, we may just be witnessing a new post-informational revolution as the world breaks out of an economic winter into a new era of growth and prosperity.
- ❖ Demographics are of profound significance for economic planning, since they represent a slow-moving force on the basis of which a current situation correctly assessed can provide an insight into future developments. Their economic impact depends on the workforce and not, more generally, on the size of a population in a given economy. Industrial economies today are confronted with not an old but a mature workforce, of a median age of about 40, with readings in Japan and Germany of just over 45. However, in the next two decades humankind will be faced with a historically entirely new and unique situation and cycle, namely an *old workforce* and its economic consequences and will thereby enter truly uncharted territory. The fast-growing workforce of baby boomers of the 1970s created growth, inflation and interest rate rises. The cycle that followed, namely the slow-growing workforce of the past 20-30 years, brought diminishing economic growth along with low inflation and interest rates. Thus, surprisingly to mainstream wisdom but not to scientific research and statistical analysis, the age of deflation is ending and old societies could prove to be inflationary.

- ❖ Population trust in all four key constituents—government, business, institutions and media—has been registering a phenomenal decline the world over during the last ten years. People's perception of globalization, the breathtaking pace of technological advances, eroding social values, a less discernible future for households and doubt that institutional pillars can offer protection from the various threats of an unstable environment instinctively turn into fears, fueling waves of populist sentiment throughout Western democratic systems. Feelings of profound unease surround such issues as rising immigration and the status and future of the family, this including pensions and social benefits. Disillusion is registered on both the left and the right of the political spectrum, giving rise, as mentioned, to populism which can be defined in simple terms as professed support for the concerns of ordinary citizens in the face of the increasing wealth and power of a privileged élite.
- ❖ Dark ages in human history have been driven by six forces: migration, disease, state failure, trade breakdowns, climate change and ethical degradation - crises that ended entire world civilizations, with each evolutionary step involving intense social turbulence.
- ❖ Western societies' views of world order in such areas as sovereignty, democracy, justice, economy and cultural issues vastly differ from respective views in Russia, Asia (predominantly China and India), as well as in other nations on the African and South American continents. Established order is being challenged by new norms and positions that the West will have to respect, interact with and interrelate to while at the same time safeguarding its own historical values.
- ❖ The OECD as an organization is displaying remarkable maturity and flexibility in following and co-shaping a path of global change.

Closing Remarks

A saeculum is a length of time roughly equal to the potential lifetime of a person or the equivalent of the complete renewal of a human population: it was first used by the Etruscans. By the 2nd century BC, Roman historians were using the saeculum to periodize their chronicles and track wars, defining its duration as 110 years. By overlaying the patterns of generations, saecula and human archetypes as they unfold through history, patterns that are invisible when considering any one case alone may emerge in an everlasting sequence of cycles. Crisis years are years of change that arise in response to perceived and actual survival threats in society. Leaders during such times possess the characteristics of the corresponding periods they represent. History teaches that they usually act in compliance with the psychological profile of the society they live in. Transitional periods are often characterized by war which, while destroying much, simultaneously unites and mobilizes collective public action, driving it in new directions. Within a cycle of change the climax shakes and transforms a society and its institutions and orientates it anew while leaving its imprint through the coming several generations. More generally speaking, the characteristics of a new era are the re-emergence of stable institutions, strong government with a firm sense of direction, family bonding and a new ascension of the middle class. A new emerging era in our present time, whether preceded or not by war, could be a time of glory or, equally, of disaster for major participating actors, such as the US, Europe, Russia, China and other major world powers. If the start of the latest world crisis began in around 2008, a transitional cycle could complete its course in the years 2025-2030.

The power of data has reached an almost sanctified state among many of the public throughout the world. The demand for 'instant gratification' has become a

fetish and a prime aim, leaving humans feeling desperately unfulfilled, this giving rise to widespread unhappiness throughout the world. The materialistic spirit of our age seeks either to 'conquer' nature and mold it to suit its aims; or else it tries to replace nature with abstract notions and mathematical formulae or computer driven representations generated in scientific parks in the US, Europe and Asia. Regrettably, all this creates a separation between nature and core human existence. Scientists are not providing answers to existential questions but instead attempt to reshape the physical world, inter alia, through electronic icons depicting an artificial reality, where life and death assume a trivial digital form. As a result of the latter, the public is dangerously misled into being absorbed by a rosy and problem-free digital world or, perhaps worse, a world where might is right and violence is king. Classical philosophy and especially Eastern Christian teachings place the individual in an elevated and sacred position. They offer historic wisdom and true-life directions, meaning instead of a void, hope and not despair, belief replacing naked numbers, the sacred and the eternal displacing the material and temporal in human life.

One avenue for the restoration of faith in the present system of liberal democracy is for the corporate and public domains, working closely with transnational organizations, to promote a new integrated model which will put people and the addressing of their concerns and fears at the center of any planning exercise. State and corporate policies should leave room for public participation; governments should guarantee the functioning of a free market economy; transnational organizations should be the coordinating bodies for global policy action, while non-governmental organizations would register and transmit the pulse of a new era as input for further action.

The coming years will show if democratic institutions are able to weather the strong currents of change sweeping the world and transforming it once again. Politics as we have known it could be giving way to something new. Structures and alliances that formed the basis of the status quo in the post cold war era are collapsing or reassembling themselves and are being replaced by or transformed into novel and sometimes surprising alignments, creating new dynamics and global areas of interaction. As to the future of Europe we remain optimistic. Concerning the US, its foreign policy frequently lacks a certain expertise, flexibility and perspective that would permit it to use history so as to correctly and objectively analyze and frame current concerns in the context of realistic viewpoints. At historical turning points, such as the present one, this could potentially lead to wrong assessments of and correspondingly incorrect reactions to unfolding world events. Despite the many pessimistic forecasts and the serious problems still to be addressed and resolved, Europe should continue on its successful path, remaining resilient to challenges to its peaceful project of political and economic integration, the most hopeful the world has ever witnessed.

Economics

- ❖ Central banks could shake up financial and real estate markets with a shift of their investment policies towards direct investments in major stock markets and property. The Swiss Central Bank percentage allocation of its reserves in stocks amounts to about 20% or more. It invests in the highest quality US and European companies (mainly in Germany) while maintaining a strong representation in the new digital economy. The Bank of Japan seems to be following in the same direction, while indications point to more than two thirds of the world's central banks intending to increase their direct share holdings.

- ❖ The largest state fund in the world belonging to Norway's Central Bank, the NORGES BANK—the Norwegian Government Pension Fund Global—, has a market value of approximately 7,750 billion NOK (August 2017). Its holdings represent an equity share quote of around 65.0% of its assets, the remaining 33.0% and 2.0% approximately representing fixed income and real estate respectively. They are invested in about 9,000 of the best companies of the world in 77 different countries, representing about 1.3% of listed companies worldwide and about 2.3% of listed companies in Europe. Its investment management motto is "*We work to safeguard and build financial wealth for future generations*". This is a glimpse in the directions and the way of future investing.
- ❖ If 1.2 billion individuals in China increase their consumption within the period 2015-2030 from 52% to 67% of GDP, then estimates for the import of consumer goods to satisfy the latter increase could be valued at between 2.2-2.7 trillion USD in total. This could have a dramatic effect on the demand for goods from the West that the Chinese economy does not produce, notably luxury and high-quality technology products.
- ❖ China's and India's share of world GDP has increased six-fold since 1970, while the share in global trade of G7 nations has been steadily declining, evidence of an economic power shift from the West to the East.
- ❖ Emerging markets are becoming less reliant on the developed world. Europe's trade with Asia, including China and Australia, already exceeds transatlantic trade. This is happening even before projected high-speed railways, pipelines and other transportation corridors have been built throughout Eurasia. China is a power that has been warmly welcomed in both Africa and Latin America, as it has provided the foundations and delivered the infrastructure of better connectivity. Germany is focusing on such regions as Asia and Africa, since its record exports cannot be absorbed within the Eurozone or by an increasingly protectionist America.
- ❖ Overconfident reporting and news about global economics coming out of banking and other financial centers are indicators pointing towards caution in financial planning. A likely change in the interest rate landscape could entail possibilities for significant corrections in world markets. In Europe, small cap companies should in terms of economic performance come to the fore and occupy leading positions over the next five years. In the US, the banking industry achieved excellent results in relation to recent stress tests. Nevertheless, a planned active dividend and share-buyback policy is disquieting, as it will leave balance sheets depleted and with a marginal safety net and will raise legitimate question marks as to the extent of remaining credit expansion abilities. World commodity markets seem to be launched upon a new longer-term positive cycle. Higher interest rates in the US may speak for a potentially stronger US Dollar due to widening interest rate differentials vis-à-vis currencies of the European and other economic blocs. Corporate debt to GDP is at historical highs, having recently surpassed levels preceding the last two recessions. US corporations are simultaneously more indebted, less profitable and more highly valued than they have been in a long time. On the positive side, strong growth in imports despite a weak US Dollar, due to robust domestic demand, spending, business investment and inventory buildup, are factors worth noting. Long economic cycle theories i.e Kondratiev waves, the Dow theory and sophisticated technical analyses indicate potentially higher market valuations ahead for the US market before the next correction takes place, although, in a complex world where a multitude of interacting factors and interrelationships shape economic outcomes, the above systems can only be taken into account as indicators and in no way as certainties. In Europe, past lagging profitability may be signaling far better future economic performances for banks, displaying in multiple cases discounts of up to 50% to intrinsic value,

though this remains a high-risk sector. The ECB continues to buy more bonds than required for the Eurozone member countries to finance their deficits. An ultra-accommodative monetary policy could in the end create misdirections out of which new financial bubbles are created, especially evident in real estate and stock markets. In Germany about 5.5 trillion Euros of investable money seeks solid assets, with a corresponding DAX investment quote having moved up from 6 to 10% over the past 18 months. In Asia, information technology is a strong key driver for the global IT industry, with China, South Korea and Taiwan in leading positions and India displaying the strongest future growth potential among Asian nations. Focus has shifted from electronics/semiconductors to a wide spectrum of software technologies, the social media, gaming and web marketing. In the global business cycle, Australia and the Asian region as well as the UK are poised at the start of a new upward cycle, whereas the Eurozone, the USA and Japan are at far more mature stages, maybe closer to the peak of their economic growth cycles. The interest rate landscape should be moving towards a normalization by 2018. Trade sanctions, if enacted by the US, may have a chain reaction effect, will slow down global economic growth and could trigger a much wider global systemic crisis. In today's economic environment an accident in global financial markets is a constant possibility but by no means an inevitability.

- ❖ The question that arises on a global scale is how can debt deleveraging take place, i.e. how can the world manage to reduce unsustainable debt levels without endangering growth prospects? A gradual reduction in central bank supply of liquidity accompanied by economic growth could be the simple answer to this question.
- ❖ The Financial Conduct Authority regulating Libor, the benchmark interest rate that major banks charge one another for loans, will, over the next four years, gradually cease to be used, to be replaced by another rate probably less dependent on expert judgment and more precise and market-oriented. This will have a profound effect on every type of debt worldwide.
- ❖ The shift from deflation to inflation will be one of the most exciting stories on the world economic scene, with banking and insurance institutions greatly profiting from such a trend.
- ❖ Once Brexit has been finalized, London could become the largest tax haven on earth.
- ❖ Huge oil and energy companies from the US, Europe, Israel and Russia are participating in the new multi-billion-dollar energy exploration investments in the South Mediterranean region, to be financed by the largest banking institutions in the world.
- ❖ Since the close of 2016, the intangible non-material share in the market value of the S&P 500 companies has been around 85% vs 17% in 1975. This raises the interesting question whether such a huge differential represents to a certain extent the value component of the innovation + digitization factors in a new economic era; or should it be regarded as the difference between bubble and true value? If the latter is true, then US markets may already be on very thin ice.
- ❖ Silicon Valley may at present still be the measure of state-of-the-art information technology progress but Europe is catching up fast. In Europe, in the field of computer programming, London, Paris and Berlin stand in the lead, with Warsaw and Zurich ranked as strong upcoming players.

- ❖ Fuelling the next boom in mobility and the growth cycle in the automotive industry are the rising Asian, South American and, down the line, African middle classes, as well as ongoing urbanization around the globe, the focus being on e-cars and autonomous driving. The number of cars per 1000 car drivers in India and China stands at 32 and 100, respectively, versus 920 in the US. The automotive sector, transformed into a "high tech" industry, is the huge upcoming world economic growth story.
- ❖ Money printing represents a monetary instrument of the past. Indicators of the new emerging forms of *money* are to be found within the global digital domain.
- ❖ The *power of compounding* should be regarded as the eighth wonder of the world. Some of the world's best quality businesses can, within the above concept, be termed as virtually "indestructible", even during grave crises periods.

Closing Remarks

From a financial planning standpoint, the present transitional period, probably stretching well into the next decade, demands alertness and caution. In an unstable global environment panics arising in reaction to war or unexpected financial distress exponentially increase volatility in financial markets. Investment options such as farmland and the primary agricultural production sector, uncorrelated to traditional and largely synchronized world markets, are interesting alternative directions that could coexist with conventional strategies. A successful investment process can only be one that achieves sustained growth in a dynamically changing environment, this through understanding the evolving global geopolitical background and cooperating or clashing industry forces as well as identifying the winners in an environment of ongoing structural change and emerging new trends. A strategic value-oriented approach always emphasizes the historically strongest and most stable of the leading corporations in the world. In today's environment strategies should incorporate hedging elements. The highest quality should be a prerequisite for any asset allocation strategy, which always needs to remain as simple and transparent as possible.

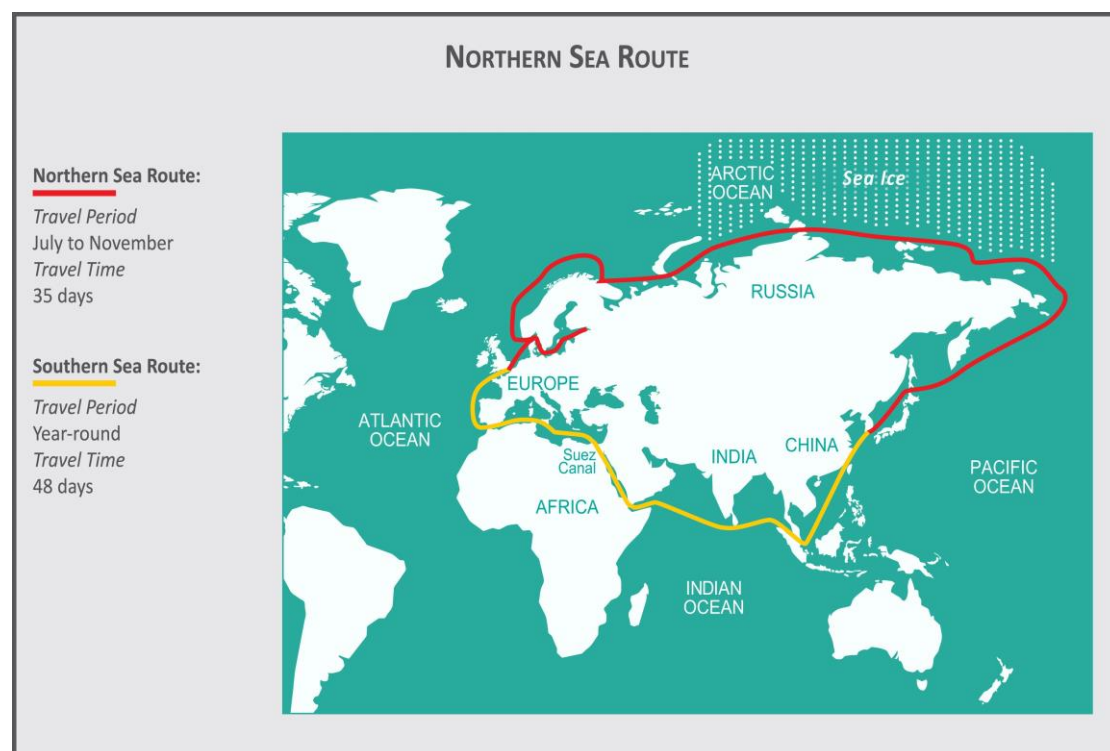
Technological advances will undoubtedly affect the future of money in terms of form and use. Contactless payments will gradually become the norm whereby mobile payments and peer to peer internet based transactions will increasingly become the means of effecting everyday transactions. Fintechs, i.e. financial technology operations, will offer various financial services through the sophisticated processing of masses of multifarious data and will be the carriers of the advanced technology era in the banking business. Blockchain technology will satisfy identification principles and allow safety in contactless financial transactions working together with Fintechs. The much-heralded revolutionary effect from the introduction of virtual, i.e. digital, money most notably Bitcoin, remains a debatable issue as to the achievement of a true breakthrough as a new form of money, since regulatory issues are yet to be addressed and issues related to macroeconomics seem at present to be unsolvable. Nevertheless, different forms of virtual money using Blockchain technologies will provide competition between not only new forms of money but also with the traditional banking and credit card industries which will become more efficient, cheaper and even more consumer-oriented, with assets and capital largely "digitized". Cash may be less and less in use, although we do not foresee the complete disappearance of physical money anytime soon.

A new global financial architecture, as bold in its own way as Bretton Woods or the creation of the European Monetary Union were in their day, could emerge incorporating a new active balancing role for the IMF. Within this context, the cashless society seems to be an unavoidable trend, in effect constituting an

indirect mandatory contribution of the private sector towards the reduction or elimination of the world's state and banking debt, all part of a potentially global new economic deal.

Energy – Resources

- ❖ The Northern Sea Route (NSR) runs along the Russian Arctic coast from the Kara Sea, along the Russian coast of Siberia, to the Bering Strait and into the Pacific. A major part of the route lies in Arctic waters and within Russia's Exclusive Economic Zone. The NSR will enable Russian LNG shipments from the icy port of Sabetta north-east of the Yamal Peninsula and the nearby Russian Yamal LNG plant (in north-west Siberia) to China to last only 18 days, instead of the present approximately 32 days taking the traditional westbound route, i.e. North Atlantic, Mediterranean, Suez Canal and into the Indian Ocean.



The NSR can only be navigated from July to September each year due to the thickness of the ice during the rest of the year. The Northwest Passage through the Canadian Arctic Archipelago is another alternative, however less navigable than the NSR. Arctic shipping routes could reduce transportation costs by 40% on key Asian-European routes and could attract up to 80% of the global maritime market during ice-free periods of the year. An 80,000 metric tons capacity, specially outfitted, LNG tanker completed its first NSR voyage while carrying cargo, one that recently started in Norway and ended in South Korea. An eventual 15-tanker, high-tech, Arctic navigation fleet will focus on transporting LNG from the Yamal plant in Russia, as well as Norwegian LNG facilities, using the Northern Sea route without an escort.

- ❖ In less than a decade, the Southeast Mediterranean has become one of the focal points of the world's oil & natural gas industry, thereby creating new geopolitical realities in the region. Huge natural gas reservoirs have been located in the region. The exploitation of these resources has attracted the largest of the world's

energy corporations and is shaping the foreign policies of major world powers such as the US, the EU and Russia while also reviving and/or strengthening relationships between the directly involved countries of Greece, Israel, Egypt, Cyprus and indirectly Turkey. Greece is becoming a vital strategic node through which several potential pipeline projects will be able to transfer natural gas from the Caspian region and the southeast Mediterranean to Europe, thus creating a European Southern Gas Corridor, as an alternative to the traditional northern Russia-Europe distribution lines.

- ❖ The Zohr gas field, discovered in 2015, is potentially one of the largest ever natural gas finds, located within Egypt's Exclusive Economic Zone in the Mediterranean Sea. It could cover the energy demands for Egypt for the first time in its history and open up a new chapter for the economically ailing country, solidifying Egypt's position as a major Middle East player.
- ❖ In the next decade, natural gas production could be sourced from permafrost hydrates associated with conventional gas reservoirs. Although energy recovery from hydrates may not yet be economically feasible, the potential to tap the Earth's largest hydrocarbon energy resources cannot be ignored. The Arctic, Siberia, Alaska, the Gulf of Mexico but also the South China Sea and the Southeast Mediterranean Sea are regions that seem to hold significant offshore reserves.
- ❖ China recently announced that it had succeeded in extracting gas from methane hydrates, also known as *flammable ice*, from drillings in the Shenhu area of the South China Sea, about 300 km southeast of Hong Kong. Methane hydrate, formed in abundance under low temperatures and high pressure in permafrost or deep under the sea, is a clean energy option with a high energy density and releases 50% or less carbon dioxide compared to oil and gas when burned. If it could be efficiently extracted it could completely change the global energy scene, revolutionizing China's and Japan's energy statuses, two countries that have invested heavily in this energy technology.
- ❖ Hydrogen fuel, whether to power vehicles or to supply electricity, will probably be one of several emerging technologies in the transition from hydrocarbons to diversified energy sources. Hydrogen along with lithium, silicon and other rare earth elements will play an important role in energy diversification and provide alternatives to the global dependence on hydrocarbons. The fundamental challenge for the derivation of energy from such alternative sources remains the cost element, which can still not be compared to oil or gas.
- ❖ Solar, other renewable energy sources as well as battery storage technology are elements of a new energy equation which could in the next decades create an abundant market of cheap energy and may ultimately displace oil and gas. By the year 2040 solar energy could generate 2/3 of the world's energy production.

Closing Remarks

New exploration technology points to staggering amounts of oil and gas reserves recoverable and less costly than ever before, signifying an abundance of low-cost energy for the coming decades. Shale petroleum fields are massive in the Americas and significant in the European, African and Asian continents. At the same time, the worldwide trend towards renewable energy sources will permanently depress demand for oil. The world may be entering a new era of energy abundance which could support an equally long period of economic prosperity.

Science & Technology

- ❖ The world is due to change more radically in the next 20 years than it has changed in the last two millennia, this attributable to digital technology. Areas that will grow exponentially include innovation in medical care, nanomedicine, sustainable energy, global communications, quantum computing, cyberwarfare technologies and commercial space flight.
- ❖ The electric car will be the new norm, gradually becoming fully autonomous, sensing its environment and navigating free of any human input. Meanwhile however, the introduction of Automobile-as-a-Service paid per-minute or per-mile usage may negatively impact automobile sales.
- ❖ The start of a new supersonic era will transport millions of people around the globe in minimal time and contribute towards reducing harmful emissions in the atmosphere. Space may become a place for massively producing energy as well as extracting raw material through mining on asteroids. Space technology will allow for climate changes to be monitored far more accurately so that natural disasters will be dealt with far more efficiently, with huge economic savings.
- ❖ Space is becoming more congested, staked out and contested. Thanks to several cutting-edge technological developments, space is becoming an area of intense competition for the world's most advanced militaries but also an open field of commercial exploration. Interplanetary travel and colonization of space may become attainable goals in the coming few decades through the utilization of reusable spaceships that may eventually be refilled while in orbit.
- ❖ Artificial intelligence (AI), deep learning, neuron networks and robotics are entering a new phase of applicability in all aspects of human activity, with artificial intelligence making many of the simpler professional tasks redundant, this meaning that a redirection of technically skilled individuals is urgently required, a major challenge for society. At the same time, the speed of development of the new digital economy may already be creating an inability of related university faculties to follow the latter technological evolution - ultimately creating a vacuum of unfilled positions in the areas of digital security systems. Advances in tele-robotics are shattering the geographic barriers of human-to-human interaction, enabling a variety of jobs in one part of the world to be performed in another without requiring labor to migrate. The challenge lies in the ability of economies to absorb a still-growing working class at a time when automation is reducing the need for large unskilled labor pools.
- ❖ After decades of promises and frustrating disappointments, artificial intelligence is starting to deliver tangible benefits to the corporate world. The fuel that powers AI is volumes of data and the world is just starting to produce multiple billions of gigabytes every day, by a variety of networked devices ranging from web browsers to mechanical sensors.
- ❖ Over the next few years billions of *Internet of Things devices* will be online, the catalyst of a huge digital transformation around the globe, resetting the ways goods and services are produced, ordered, selected, distributed and paid for. Huge productivity gains, reduced capital intensity for businesses and deflationary forces for the economy are embedded within a new paradigm, where *selling a product* is gradually transformed into *selling a service* or *selling a subscription to a service*. Tech-savviness, insight and management skills will characterize the outstanding corporate leaders and successful entrepreneurs in this new environment. The differentiation between small, medium and large blurs as all corporate sizes will have the same unlimited access to digitalized information

resources. In this environment *Internet security regulations* imposed by governments will to a certain extent influence but not determine the future of cyberspace.

- ❖ With technology accelerating at an exponential rate, progress could become virtually instantaneous. As computers advance, they will merge with genomics, nanotechnology and robotics. Microprocessors are the fifth paradigm of information processing. Quantum computing, neuromorphic chips and 3D integrated circuit stacking will exponentially increase the power of computing, rendering computers a thousand times plus more powerful in the next two decades. Robots will undoubtedly take on more tasks in commercial and military applications. Robotic ships without human crews, operating autonomously under control from onshore command centers could enter service as early as 2020. The editing of genes is opening up avenues to render viruses inactive, regulate cell activity, create disease-resistant crops and allow engineers to produce ethanol out of yeast to fuel cars. Teleportation technologies may also advance over the coming decades.

Closing Remarks

Artificial intelligence that can autonomously create, edit and implement software based on feedback from global sensor networks is a new technological development of historic significance. It will affect the entire world—as has the Internet but in an even more powerful way. It may be a factor of massive job displacement, but in the long run it is also feasible that lost jobs will be more than made up for in new working disciplines. Nevertheless, the speed and integration of technological change is so fast that in the medium term structural unemployment is a plausible future. Meanwhile, to prevent the risk of the combination of quantum computing, artificial intelligence and globally interactive sensor networks growing beyond human control, control systems will have to be designed operating at the human versus machine level. Societies will need to merge wisely with future technology so as not to lose touch with physical reality or the indispensable divine aspects of the human being, while simultaneously interacting with the growing presence of notional cyber-worlds.

When humanity becomes completely connected via the Internet of Things & Services and with AI integrated in every aspect of human life, every individual will have access to unlimited knowledge and its application. A new educational agenda needs to be established to adapt to the speed and positively direct the nature of technological development. Scientific breakthroughs in brain and longevity research make healthy life extension increasingly likely. As a result, programs will be needed to teach the elderly how to contribute in a technology-based society and create markets for their skills. Platforms for discussion between world leaders, experts and the public will be set-up to foresee the massive changes in societal systems necessary to address the challenges of the upcoming hyper-technology revolution.

Humanity has never before faced such immensely positive times but concurrently has also never before been confronted with such grave challenges. Despite all its advantages, AI could admittedly be the biggest existential threat for humankind. No one knows what might happen if a machine exceeds human intelligence. This could even signal the start of the end for the human race. Artificial intelligence could well take off on its own, use the advanced technology of our era to re-design itself at an ever-increasing rate and simply supersede humanity. Human beings would thus have been sidelined by their own egotism in attempting to exceed the limits of divine creation.

Security

- ❖ Terrorism has become an insurgent movement with a global reach, aiming at destroying the international order and rendering the more familiar dimensions of sociopolitical and economic planning virtually useless. It feeds on the clash of civilizations, the huge inequality between rich and poor as well as on injustice and corruption at the political and economic levels. Nevertheless, its major limitation lies in the loss of appeal at a point where predictions fail to materialize, especially in societies which are successfully addressing the root causes of reactionary behavior.
- ❖ Cybersecurity threats will dominate the world in every aspect of human activity. Manifestation of such threats mainly takes shape in attempts to infiltrate financial structures in the corporate world, infrastructure and information control systems in government and the military.
- ❖ As future technologies could well enable single individuals acting alone to construct and deploy weapons of mass destruction, global sensor networks will be needed to identify intent before action. This will heighten the debate between democratic individual freedoms being restricted versus enhanced public security.
- ❖ A surge in psychic illnesses calls for the contribution of mental health sciences and spiritually focused private counseling in order to reduce the number of socio- and psychopaths.
- ❖ Nuclear weapons in the hands of rogue states or terrorist groups will be an overwhelming challenge for the world's political and military leadership. An action plan with the accompanying measures to contain such a threat is becoming an immense and permanent political priority for the leaders of the world's big powers, who will need to act in concert with the coordinating input of supranational organizations.
- ❖ At a U.N. meeting on July 7th, 2017, more than 120 countries approved the first-ever treaty for the ban on nuclear weapons. The decision was boycotted by all (or assumed to be) nuclear-armed nations, the United States, Russia, Britain, China, France, India, Pakistan, North Korea and Israel, with the exception being The Netherlands, which has US weapons on its territory and sent a delegation to the negotiations. The treaty will be opened for signatures in September 2017 and will come into force when 50 countries have ratified it. This is indeed a historic success for the new contributory role of the UN in security and other global issues. As an alternative, the US and other nuclear states propose the strengthening of the almost 50-year old *Treaty on the Non-Proliferation of Nuclear Weapons*, aiming at the prevention of the spread of nuclear arms. Under this treaty, existing nuclear powers commit to pursuing gradual nuclear disarmament and to guaranteeing to non-nuclear states access to the relevant technology for peaceful purposes, i.e. production of energy.
- ❖ Transnational organized crime networks are becoming ever more powerful and sophisticated global enterprises, with a combined annual budget exceeding total world military budgets. Distinctions among organized criminality, uprisings and terrorism have begun to blur, while *crime* is targeting new markets and increasingly creating threats to democracies, economic development and security on the planet.

Closing Remarks

Cyberspace can become the most extreme form of global vulnerability as it interconnects in real time the entire planet. Terrorism, crime and the effective

utilization of cyberspace are becoming largely synergistic systems. Only a high degree of sociopolitical cohesion, inspired, honest and decisive leadership and the harmonious cooperative work of world nations and supranational organizations would be in a position to successfully address the above challenge.

Regions & Countries

The EU and Europe

- ❖ The European Union (EU) is a politico-economic union of 28 member states covering an area of 4,475,757 km² (1,728,099 sq mi), with an estimated population of about 510 million. Starting with the formation of the six-nation European Coal and Steel Community (ECSC) in 1951 and the European Economic Community (EEC) in 1958 and continuing with the establishment of the European Union (EU) in 1993, the gradual road to European enlargement and integration has been at the same time a long period of remarkable peace and prosperity. According to 2016 statistics, the EU represents 7.3% of the world's population. It generated a nominal GDP of about 16.5 trillion Euros, constituting approximately 22.2% of global nominal GDP and, if measured in terms of purchasing power parity, 16.9% respectively. Finally, if viewed as a single country, it is the second largest economy in the world. It has been a member of the World Trade Organization (WTO) since 1995. In 2012 the EU was awarded the Nobel Prize for Peace.
- ❖ The EU region is enjoying an upswing that is broad-based and resilient. Monetary policy remains highly accommodative and austerity measures have significantly decreased or been eliminated since 2015. Parts of the Eurozone are reaping the benefits of recent structural reforms. Meanwhile, high state debt levels in certain member states are being dealt with through drastic reform measures. European Central Bank (ECB) policy decisions contribute towards the gradual clearance of debt hurdles in the European south. The European market is the largest market in the world where, according to 2016 statistics, half a billion consumers are served by approximately 28 million businesses. European GDP growth could be anywhere in the region of 1.5-2.0% in 2017-2018, with a limited risk for a reappearance of serious inflationary tendencies. Europe is undoubtedly one of the leading pillars of world growth, while in terms of the qualitative aspect it surpasses every other major world economic bloc.
- ❖ Currencies used in global payments in January 2017 in approximate allocations: 40.7% USD, 32.9% Euro, 7.5% British Pound, 3.0% Yen, 1.9% Canadian Dollar, 1.7% China's Yuan, 1.5% Swiss Franc and 10.8% other currencies. If the US Dollar were to become a less secure asset it could co-share its role as a reserve currency with the Euro. Europe nevertheless needs to emerge as a true fiscal union to achieve *reserve currency status*. The door would then be open for the EU to finance its growth through structural deficits financed by other nations.
- ❖ The Comprehensive Economic and Trade Agreement (CETA), a free-trade agreement between Canada and the European Union, was approved by the European Parliament on February 15th, 2017. It is the most comprehensive trade pact the European Union has ever crafted and it includes the liberalization of trade eliminating some 98% of tariffs on goods as well as on a lengthy list of services between the EU and Canada. London has been watching the agreement's progress carefully given that it could someday serve as a model for the United Kingdom's similar deal with Brussels.

- ❖ The pragmatic outlook for the European Union's future is that Germany will re-elect a pro-European chancellor, while France will address its reform agenda decisively and re-initiate the Franco-German EU founding axis, the backbone of the European Union. Italy, Greece and, generally speaking, the south will continue in a difficult but forward-pointing direction. European relations with Russia are an integral part of European long-term policies, while Ukraine has boldly reinstated geopolitical thinking on the European agenda. The cohesion of the EU will prove to be far stronger than what the media portray, most opinions project, or think-tanks and outside observers seem to believe. This, very far from being *the end of the European Union*, may well be the beginning of a new and positive chapter for Europe.
- ❖ Labor market reform through the Agenda 2010 brought Germany into the lead position in worldwide competitiveness rankings. German private wealth is currently estimated at just over 5.0 trillion Euros or about 165% of GDP, out of which cash reserves are at around 2.2 trillion Euros or about 72% of GDP. In any future complete or partial lifting of sanctions on Russia, the main beneficiary will be Germany, who is Russia's largest trading partner.
- ❖ France has always been a pioneer in European and world developments. France is of huge importance to the EU as a founding pillar of the Union, a former colonial world power, the strongest voice in EU's foreign policy and a guarantor of military strength. A new line of French politicians is embarking on a journey to re-invent the nation. France will re-emerge with a deregulated economy to decisively close its productivity gap with Germany. A growing population, world-class infrastructure, low levels of private debt, a well-organized public sector and the headquarters of a multitude of leading multinational companies, could make France an economic powerhouse equaling or surpassing Germany over the coming years. Its advantageous demographics will allow it to naturally gain ever-increasing influence within the EU during the decades ahead. Germany currently stands mainly for economic power; it is nevertheless gradually also building up a considerable military presence. France together with Germany in leading roles, with the Benelux bloc in a complimentary role, may be the new concerted force pushing Europe forward for the next decade.
- ❖ France is the only country in Europe that has extensive northern and southern coastlines. Southern Europe, encircling the northern side of the Mediterranean Sea, is mountainous and lacks broad coastal plains and is thus poorer than northern Europe with its dense navigable waterways. France's uniqueness lies in that it belongs to both regions, northern and southern, and is the only country in Europe that can project power into all European directions and regions. The wealth gap between the European South and North may be the next issue on the agenda to be addressed by France's new political leadership.
- ❖ Outstanding characteristics of the newly installed French President are his highly intellectual capacities and impressive education in both general and classical disciplines—all making up a remarkable profile. He does not seem to derive his power from any political party but places his reliance on an extensive network of relationships, this giving him considerable political leverage and open space that will likely form a new political model with groundbreaking potential. The introduction of necessary reforms in the early years of governance would not leave room for the manifestation of any organized reaction from anti-European forces.
- ❖ France provides a prime example in Europe of how to deal with a security crisis, methodologically working towards reducing to an absolute minimum any extremist threat and restoring a sense of long-term security in the country.

- ❖ Germany's economic clout may, relatively speaking, decline in the next decade, while France's will correspondingly rise; meanwhile, Poland has the potential to become a regional power in the Central European region. The new Europe is likely to take shape along a strong Franco-German axis proposing policy to the periphery, a periphery which will surely still be important for the EU but may not decisively participate in all core policy issues.
- ❖ Up to the time of Brexit, the UK had the most dynamic economy in Europe, with a flexible labor market absorbing numerous skilled immigrants, limited bureaucracy, an efficient governing and state mechanism and state-of-the art armed forces. However, a questionable confrontational position among the British people towards the EU and the fear of a *German shadow* dominating over Europe have finally repositioned the UK outside the EU and firmly within the Anglo-Saxon bloc.
- ❖ The perception of a *German Europe* - which is not what we foresee Europe will become - has awakened historical memories and national reflexes in the UK's popular consciousness and is what ultimately led to Brexit. The United Kingdom will now attempt to return to its preferred long-term strategy, maintaining a balance of power in its foreign policy while at the same time developing a longer-term economic policy and a trade network that mixes regional with global partners. Brexit may short-term hurt the British economy but in the medium to longer term it could provide an opening to greater economic dynamism and a more efficient and autonomous crisis-response mechanism. The UK is likely to remain a vibrant and solid economy with a satisfactory growth rate. It will maintain close ties to European countries even if it has forsaken the opportunity to directly influence the evolution of the European Union from within. There are positive and negative scenarios for the future of the UK in the aftermath of the Brexit decision and it is too early to make any solid predictions on how the future will unfold.
- ❖ Britain's EU exit could bring a renewed dynamism in formulating the next steps in EU integration and a genuine EU foreign and defense policy. A large number of impediments to decision-taking in the EU have automatically been removed with the UK's departure from the Union.
- ❖ Europe's southern belt countries will be able to stabilize their economies by means of state deficit levels being allowed to go to 2% over and above Maastricht criteria, thus directly affecting consumer income and translating to about 0.5% higher growth for the Eurozone. Recapitalization of the Italian banking system and the completion of Greece's reform cycle will signal the beginning of the end of the debt crisis for southern Europe, where nations will be encouraged to manage their economies in a disciplined but more flexible way without losing their distinctive idiosyncrasies. Europe needs an alternative to the financing of budget deficits for the long term, replacing ECB buyback of debt. An EU mechanism in the form of a European bridge financing fund, independent of the ESM, with a financing capacity of up to one trillion Euros is one potential direction.
- ❖ Germany has long aspired to a working interrelationship between its industrial and advanced technology sector and Russian natural resources. Therefore, the decision of whether and how to support a strict US line, that includes sanctions against Russia, has resulted in some of the most complicated and crucial issues in German history, namely how to harmoniously cooperate with Russia and utilize its vast resources without clashing with the US in its geostrategic planning vis-à-vis Russia. A relationship with Russia on harmonious terms and not as an adversary

is of paramount significance and essential for the positive continuation of a new evolutionary phase of the united European story.

- ❖ A compromise will likely be reached between Germany's desire for strict economic reforms with political/economic unification to follow, versus France's position favoring a European superstate and then reforms to follow. An alternative view on future European integration concerns a bottom-up approach, namely the addressing of problems at their roots, i.e. at the nation state level, incorporating the mobilization of the collective European mechanism as and where needed for effective solutions. This harmonizes with the heart and nature of Europe, a pluralist Europe.
- ❖ Three major parameters will determine the future of European security. The first relates to the territorial integrity of its member states and its citizens. The second rests on the notion that the internal and external security of EU nation states is indisputably interconnected. The third parameter - in direct relationship to the preceding two - is the establishment of the principle of collective deterrence and defense, still in its infancy but gaining momentum on the European agenda.
- ❖ Among the new initiatives for cooperation between the group members of the EU will be: the formulation of a common foreign and defense policy and anti-terror and internal security measures, and the establishment of an effective bailout mechanism and a wider role for the European Central Bank. With regard to a new EU-wide economic policy, the European Union may opt for certain key common policies for the entire Union, emanating from its leading core, and individual economic policies for its member states, all these factors converging to ensure monitorable and measurable commonly agreed economic objectives.
- ❖ Poland has a population of about 38.5 million and is the sixth most populous member state of the European Union. Because Poland, historically tugged between west and east, has suffered more than any other European nation, most recently in both world wars, the strengthening of its relations with other, especially Central European, nations is truly vital. Poland is steadily asserting itself as a regional European power with the clear aim of guarding its sovereignty, which has been threatened and attacked repeatedly since the 17th century, caught in wars and confrontations between different European empires. Poland places considerable emphasis on the continuous modernization of its army and expansion of its military capabilities. It is emerging as a reliable and strong partner of the US in the latter's European geostrategic interests. With a predominantly Roman Catholic faith, it positions itself as a leading European guardian of the Western Christian faith. Similar nationalist views are also shared by other Central European states, which seem to display a clear understanding of Western values, are ready to defend them and view multiculturalism as a potential cause of such ills as civilizational, cultural and societal dilution.
- ❖ The *Three Seas Initiative*, a concept formed outside formal EU planning policies, represents a collaboration between several European states on the issues of regional integration and security. The vision entails a corridor of intense cooperation of states stretching from the Baltic to the Adriatic/Mediterranean and to the Black Sea. The initiative is spearheaded by Poland and Croatia and enjoys the full support of the US. It is viewed suspiciously by EU officials as a revival of the old *Intermarium* concept of a Polish lead bloc in Central and Eastern Europe, i.e. an independent power bloc counterbalancing German and Russian forces. If the EU embraces the latter initiative it could prove to be another connecting parameter in Europe's new identity; if not, it could develop into a disruptive force, with unforeseen future consequences, that could seriously undermine European integration policies.

- ❖ Inflows on an ongoing basis of ever larger numbers of immigrants, of an array of different ethnic origins, religions and cultures, is a historic experience for certain European nations, such as Hungary and Poland, and at the same time a perceived threat, as the process is seen to be directly affecting and transforming the social fabric, tradition, culture and character of these nations.
- ❖ An upgrading of the cooperation between Greece, Serbia and Bulgaria in foreign relations at the highest political level is a positive factor of change in the Balkan region.
- ❖ A projection of trends reveals that Europe's population could shrink to anywhere between 6-7% of the world population by 2050 compared to 25% at the start of the 20th century and about 12% in 2012. At first sight, refugee flows appear to be transferring instability from the European periphery and beyond to its core. However, if Europe is armed with the right set of integration policies, to safeguard the national identities of its states, and strict rules on who is accepted and who is not, refugees can become a pool of cheap and efficient labor while alleviating if not solving the future demographic problem in Europe.
- ❖ Past ethnic reflexes are being abruptly reactivated in Europe following terrorist threats and, among some nations, the feeling of having lost one's leading position, particularly in the case of France. *To the extent that European democracies will adopt decisive policies addressing national identity issues*, the populist extreme right movements should, within a pluralist European political landscape, remain contained in terms of their further growth. Europe is entering an era of profound socio-political change, the creation of new ideals and a more decisive and strongly asserted projection of inherent though dormant power, potentially a turn towards conservative values and national pride.
- ❖ Less leadership and military support from the US may have the effect of a huge impulse trigger for Europe, awakening sociopolitical instincts of survival, opening a window of opportunity for the EU to overcome political and economic problems, shaping a distinctive European foreign policy and defense mechanism. The current seemingly chaotic environment in Europe would appear to be, in fact, stimulating an increasing European consensus, a situation that may not, however, be easily analyzable to the far more straightforward and simpler American way of thinking.
- ❖ A clear change in political leadership reflects the desire of a nation, particularly its electorate, for a new direction. Meantime, the lack at any one time of farsighted leadership does not necessarily signify that visionary leaders do not exist: in fact, it is notably during times of great crisis that discerning and inspired leaders typically emerge and push nations, and even wider geographical regions of allied states, far beyond their theoretical achievement limits. They will appear exactly because people demand and desire their appearance. This is true of the EU as a whole, but also of individual nations in crisis such as France, Italy and Greece.

Closing Remarks

Churchill will always be looked upon as the ideal of the visionary leader, urging as he did European integration as far back as 71 years ago: in his famous speech in Zurich on 19th September 1946, he memorably called upon the French and Germans to reconcile and strive to create "the United States of Europe". Probably deep in his heart he foresaw that Britain would, in the longer term, play a role as just a friend and supporter of Europe with the US remaining a firm ally of both.

The EU has proved to be the largest political project in the world, a unique, highly successful project, a superb compromise system functioning between closely cooperating nations. We believe that this is the end and not the beginning of its gravest crisis period. A European vision is one of beliefs in ideals which, though having somewhat faded over the past few decades, are ideals which its citizens and its nations deeply sense are worth fighting for. The tension between nationalism and liberal democracy is not what haunts Europe today. Instead, what currently ails Europe is the presence of European élites, including the political establishment, that have failed to inspire people. Thus, reestablishing the EU and forging a European constitution that is truly worthy of its authority is the direction Europe may be heading in. Otherwise the European project may simply fail. Europe should in the end find its way to a political union of pluralism, of federally governed individual states, each possessing its own history and identity but all striving for a perfected European union and a great destiny. Europe will inevitably have to reconcile itself with civilizations reclaiming their place in history. Importantly, integrating the philosophies of ancient Greece and the glories of the Eastern Roman Empire (Byzantium) could well create a Europe far closer to its founding principles - thereby opening up the road again to the fundamental embracement of symbolic ideals.

We expect the French-German axis to soon enough take new historic decisions and proceed to those steps that will strengthen the cohesion of the EU. Cardinal parameters in such a process are flexibility and modularity with a strong central core. A new versatile and variable geometry may emerge where groups of countries choose on which matters they want to cooperate more closely and on which issues they may opt to take a more distant position. Such flexibility in no way implies a lack of solidarity: it merely signifies the acceptance that policies in the EU can be agreed upon depending on what each member is able and is willing to do in terms of efforts and sacrifices, which will also define in what decision layer in terms of importance ranking it will automatically place itself within the EU and what benefits it may also be entitled to derive. Europe, as a community of independent, sovereign nations, each zealously preserving its distinctive history and culture but equally honoring those of its neighbors, all under the federal umbrella of the European Union, i.e. not one but multiple identities under one roof, setting their sights on one visionary future direction - such can be the image of the successful Europe of tomorrow. The nations will still conduct their own policies under their democratically elected governments, responsible for their individual sovereignties, but the EU will at the same time protect and defend each and every nation state against outside threats. The present partially unsuccessful immigration policies, adhering to certain past failed principles of globalization, will need to be reworked at both national and European levels to safeguard the European states' national histories and to ensure a common future direction. European policies will have to be reshaped through reference to historical legacies reaching back to the origins of the Christian religion in Jerusalem and to our European roots in ancient Greece and Rome, thus offering a genuine awakening as to what the Continent truly is and how it will preserve democratic freedom for its children in the times ahead.

A dynamically changing world environment with new global challenges has re-introduced the geopolitical agenda into European thought. With a redefinition of its mission, the EU will take its historic position amongst the largest political and economic blocs in the world. Europe can only make its presence felt within the present highly competitive global environment if it speaks with one voice. This ultimately translates into a truly common federal economic and foreign policy with the related instruments for policy enactment. It will fight for a participating share in the opening of massive new market areas from Europe to Russia, as well as Asia and the African regions, thus creating new foundations for many decades of

growth. By 2020, Europe could well be a remarkably dynamic region with an excitingly diverse culture and a strong degree of social cohesion.

Eastern Europe & The Balkans

- ❖ East European and former communist states are, in terms of public support, losing their trust in market reform, the free market system and democracy itself due to the painful financial crisis years, internal corruption and the growing inequality between the poor and the rich oligarchies. Such trends are playing well into Russia's policies, which aims at increasing its influence over the above countries by displaying political will and a strong vision for the future.
- ❖ The reawakening of nationalisms in the west Balkans, the temporary inaction of Europe immersed in overcoming its own identity problems and the active role of Russia create a dangerous climate of instability in a region historically dominated by conflicts and wars. The west Balkan region provides an ideal playground for Russian foreign policy, penetrating as it is an unstable region and developing political ties that are crucial to Moscow.

Closing Remarks

- ❖ *Geopolitics have made a comeback in the west Balkan region creating yet another challenge for the European Union, i.e. how to stabilize a region parts of which seek access to the EU, while other parts flirt with closer ties to Russia. Russia, using Serbia as the stronghold of its foreign policy, looks for ways to detach the west Balkans from the West's sphere of influence and cancel or delay any potential new NATO alliances. Long term, the Russian factor should be viewed through the lens of Russia's historic deterrence policy vis-à-vis Europe and not as an assertive aggressive force.*

Switzerland

- ❖ Switzerland, thanks to its already established Free Trade Agreement with China, could become a key international *offshore renminbi hub* and play an important mediating role in the relations between China and the EU, especially in the evolution of the *One Belt One Road* project. The China Construction Bank Corporation (CCB) affiliate in Zurich, Switzerland established its operations in 2016 and is the only Chinese bank that has been awarded by China's Central Bank the exclusive status of a clearing bank in Switzerland for the Renminbi (RMB). Swiss corporations with business interests in China, including financial and insurance institutions, can freely hold accounts in the CCB to trade and effect commercial transactions in RMB directly with their Chinese counterparts.
- ❖ The wealthiest country in the world with the richest Central Bank, unperturbed by any small or large problems in Europe, continues to witness an unstoppable flow of funds from Europe and other parts of the world into the accounts of Swiss banks and into the foreign reserves of its Central Bank, the Swiss National Bank (SNB). The SNB holds approximately 720 billion Swiss Francs in foreign currency reserves out of which a rough estimate of 120 bill. Swiss francs in the highest quality blue chips, setting the investment direction for other Central Banks to follow.
- ❖ Germany and Switzerland, as the most efficient European economies, share a successful interrelationship of a truly special nature, distinctively different from

any other dual relationship between European economies, thus presenting for Europe lessons of efficient governance and transnational cooperation.

Closing Remarks

Switzerland is set to remain an oasis of political and economic stability due to probably the best state infrastructure and the highest standards of living in the world, a nation with one of the healthiest economies worldwide and a banking system which has a tradition going back centuries in serving in an exemplary and highly sophisticated way not only its domestic but predominantly a distinguished international clientele.

Turkey

- ❖ Turkey is undergoing a major transformation from a secular to a Muslim state. The latter process, however, has created friction and uncertainty in its foreign relations with Europe and the US. Western powers are no longer in harmony with Turkey's policies, even questioning its once reliable participation within the NATO alliance. At the same time, certain positions that are understandable in the west are totally unacceptable within Turkish long-term foreign policies, notably the creation of a Kurdish nation. The potential even slightest denial of territorial integrity to the modern Turkish nation, its origin going back to Kemalism, may create feelings of massive uncertainty in Turkey and, as a counterreaction, trigger expansionist action. Moreover, the possibility of Turkey's claim to co-governance of the Aegean Sea, to the largest extent encompassing Greece's island region, with, as an additional objective, the co-exploitation of deep sea hydrocarbon resources, could directly constitute encroachment on Greece's territorial status. Other expansionist aspects of Turkey's foreign policy may include an extension of power into the Middle East as well as the south-eastern Black Sea region, in the latter case colliding with Russian geostrategic interests, despite the current on the surface seemingly harmonious cooperation of the two nations. By the end of this decade Turkey will have the potential to emerge as a major regional power and Turkish-Iranian competition for regional dominance will increase too as a result.
- ❖ The Turkish government seems to be determined to further develop the country's indigenous defense industry. An efficient, capable and mature defense industry will help Turkey's internal military needs, assist its economy and further advance relationships with foreign nations. One obstacle is the country's dependence on advanced foreign technology.
- ❖ In accordance with the country's new strategic dogma, backed by domestic think-tanks and policy centers, Turkey may try to achieve a Turkish Sunni dominance extending well into the Middle East. The underlying fear that Iran could ultimately create a hostile Shiite belt across Turkey's borders with Iraq and Syria and/or support Kurds or a Kurdish state within Turkey's territory, further incites such projects. A Shiite Iraq will strongly oppose any Sunnis allied to Turkey on its ground. Wishing to revive its imperial past Turkey, may try to claim territories partly inhabited by Turkish populations in neighboring nations, such as Georgia to the east or Greece's Thrace region to the west, and/or expand into the Greek Aegean island region. An adventurous line of geostrategic thinking, planning and ultimately acting of this sort would entail the risk of major military upheavals in the wider region and could ultimately prove to be disastrous for Turkey itself.

Closing Remarks

Though Turkey may to the independent observer seem to be in a chaotic condition, below this apparent chaos strategic policy lines do exist that are powerfully pushing Turkey's interests in directions which, while not always clearly

discernible, are nevertheless very real. Turkey's grand objective, in our view unattainable, may be to establish itself as a major dominating regional power expanding its territorial reach outwards towards the Middle East, Central Asia, the Aegean Sea and the Balkan region.

Russia

- ❖ The Russian economy proved its resilience in the context of the economic sanctions imposed by the West, while it also withstood the collapse of oil prices: this latter represented a success for the Russian political and economic leadership which correctly foresaw that the present low oil prices at a range of 40-60 USD/barrel are here to stay for the long term. The macroeconomic environment is far less fragile than what it was some years ago. The Russian economy is well on its way to balancing its budget despite international sanctions and without outside help. 2016 was a year showing a marked improvement in Russia's economic indicators over the previous year, with only a slight decline in GDP, inflation at around 6% and industrial production stable. Meanwhile, though Russian citizens are definitely not faring well, the average monthly wage being below 450 USD, people on the whole feel a certain measure of freedom and great confidence in their leader, while they maintain their passionate love for and allegiance to their country. Sanctions are forcing Russians to substitute imports with indigenous products, which, on the other hand, beneficially promotes local production. Any future economic turnaround should be followed by increased employment, higher wages and enhanced government flexibility in its support of the social welfare state.
- ❖ Russia may well succeed in developing a sustainable export-oriented economy side by side with its historic oil/gas exporting revenues. Metals and agricultural products are abundant, while its supplies of natural gas cover a third of European demand. As of 2014, when Russia's Central Bank adopted a more flexible capital control policy and in effect abandoned its aim of defending the ruble, Russia's currency depreciation directly aided exports, while currency reserves - although currently on a declining course - continue to be supported by incoming oil revenues. Multinational industrial corporations in Russia, e.g. the automotive industry, are also benefiting by manufacturing finished products or industrial components for various world markets. Since 2009, Russia has had a committed policy to create a healthy modern export-based infrastructure independent of the oil revenue sector. Although progress may be slow and impeded by internal policy conflicts, nevertheless the strategic aims and the vision are there and the direction is set.
- ❖ A little-known success achieved by the Russian economy is that Russia has become from a net importer of grain one of the largest world exporters of this commodity thanks to the opening of new markets in Asia, this due to the cultivation of black-earth regions in the south. Russia's top exports in billion US Dollars in 2016 were: mineral fuels including oil & gas at 135 (47% of total exports); agriculture 17, military 15, iron/steel 14, gems and precious metals 8.9. Russia's total GDP amounted to 3.745 trillion US Dollars in 2016 with exports accounting for approximately 7.6% of the total Russian economic output. 55% of Russian exports by value are directed to European countries, while 35.0% are sold to Asia. Russia exports another 4% of its goods to Africa with about 3.8% going to North America. Given Russia's population of 142.4 million people, its total 285.5 billion US Dollars of exports in 2016 equates to roughly 2,000 US Dollars for every resident of the country. The above statistics validate the long-term export-oriented course of the nation and allow ample room for expansion.

Russia's unemployment rate was approximately 5.6% as of January 2017, slightly less than the 5.8% in December 2015.

- ❖ The St. Petersburg International Economic Forum (SPIEF) enjoyed huge attendance chiefly made up of major multinationals from Europe and the US, evidence that the Russian economy is indeed signaling an upturn and that international players are taking positions as potential investors. On Russia's side, the focus has up to now been predominantly in mega-deals with India and China. Important political voices underlining the continuous necessity for reform of the Russian economy were also heard.
- ❖ By the year 2050, 30% of Russian oil production could well stem from exploration in the Russian Arctic, assuming adequate financing requirements. The port of Sabetta in the Yamal peninsula, up north in the Russian Arctic, could export 15 million tons of cargo in 2018, with annual shipments expected to reach about 30 and 50 million tons in the years 2020 and 2030, respectively.
- ❖ As Russia solidifies its presence in the Arctic region, supplying its bases and maintaining access to them will become a major challenge. The harsh climate makes it difficult to move troops and vehicles, both on land and over sea, though the extent of the logistical preparations that Russia has been making on this region is considerable!
- ❖ Russia is investing heavily in economic partnerships with India and China through state-backed funds. On global economic issues as well as security, terrorism and nuclear arms Russia and the US cooperate surprisingly well.
- ❖ The Russia-led Collective Security Treaty Organization (CSTO) and the Eurasian Economic Union are slowly but steadily gaining stature and importance across Eurasia.
- ❖ A hectare of land to be acquired for free is an unconventional developmental project to bring life to Russia's faraway eastern regions characterized by arctic winters and hot summers, a region presently lacking infrastructure. The aim is to create out of nothing 400,000 new job positions via 800,000 new settlers.
- ❖ Putin's long-term strategy rests on the following pillars: stabilization of Russia's economy through a continuous rebalancing and strengthening of its export sector; ongoing engagement in the Middle East supporting Iran and a Shiite minority; gradually drawing the Ukraine towards Russia as a potential future member in the Eurasian Union; protecting and maintaining vital energy deals with Europe, i.e. existing and/or new natural gas pipelines as strategic relationship parameters; allowing for a continuing dialogue on politics and economic cooperation with Europe as an integral part of Russia's long-term foreign policy; and finally the development of the full potential of the Eurasian Economic Union. These goals define the long-term vision of a grand strategy extending from Russia to Central Asia and all the way to the Middle East, resurrecting Russia's political and economic supremacy in its ex-Soviet era region. As regards its Eurasian development aims, Russia may find itself at times cooperating but also competing with the *One Belt One Road* China program, in its early stages of development.
- ❖ Russia's Strategic Concept, defining fundamental security tasks and strategy, includes an important acknowledgement that the country's situation today is vastly different from what it was in 2013. From Russia's point of view, the United States and its allies are seen as trying to contain Russia through NATO's expansion towards its borders. The new doctrine reasserts Russia's right to defend itself against US and the Western alliance's action while maintaining

cooperation on nuclear issues. It has also reasserted its position as leader of an international coalition against Muslim extremism in the Middle East and North Africa. In its international relations and respective foreign policy Russia will only be dealing with the US on a clearly defined basis and most importantly on principles of mutual respect. In the new doctrine, the intensification of global contradictions is particularly prominent, allowing for new potential military conflicts of a regional magnitude and scope, possibly leading to an escalation of crises in specific parts of the world such as Central Asia and the Middle East.

- ❖ Russia's sophisticated hybrid warfare strategy, including political manoeuvring, propaganda, cyber technology and military preparedness, will continue to be a key component in Moscow's standoff against NATO member states, as long as the NATO strategy of assertive advances towards its borders continues to be in force and active. Russia will continue to bolster its defenses, preserve a superior position in advanced military technology and remain, even if in a limited way, tactically or strategically engaged in multiple theaters, from Asia/Central Asia to the Middle East and in Cyberspace.

Closing Remarks

Russia is an enormous nation of 17 million square kilometers with over 100 different ethnic groups, numerous languages and religions and 3,600 kilometers of borders with China. As to its historical background, the ancestors of modern Russians were East Slavic tribes (speaking Russian, a language of the Indo-European family), who had probably mixed with Finnic and Uralic peoples and with Volga Tatars: together, from the 9th to the 13th centuries, they formed the people known as the Rus with Kiev as their capital. Princess Olga of Kiev adopted the Christian faith in the 10th century from the Byzantine Empire. The choice of the Orthodox Christian faith was a landmark for the Russia of Kiev. The Pechersk Lavra (Kiev Monastery of the Caves) founded in 1051 gave Russia its first major Orthodox Monastery following the Byzantine order and has for centuries been a preeminent center of Christianity in Eastern Europe. The name "Moscow" first appeared in written historical documents in 1147 AC but only after the 15th century did the city start to take on the form we know today. The Russians became strong believers in the Byzantine Empire and the civilizational aspects it stood for, regarding themselves as the inheritors of the latter glorious tradition.

A keen student of history, Vladimir Putin has called the collapse of the Soviet Union the "major geopolitical disaster of the century." Nonetheless, Putin has succeeded in making his country once more a major power with a grand vision based on morality and devoutness and the reestablishment of core elements of a resurrected imperial Russia, extending its influence over the vast Eurasian region. Putin's vision entails a form of governance based on ideocracy, embodying the union of its citizens, in which the governing centers aspire to a specific worldview composed of strong Orthodox religious belief, with links descending and inherited from the Eastern Roman (Byzantine) Empire. Such views support Russia's strong geopolitical aspirations resting on geostrategic theories of a new Euroasianism. The archetype followed rests on the segregation of land-resource-based societies versus the sea-based Atlantic nations whose strong capitalist tendencies are thought to be eroding ethics, human tradition and history. The Holy Monastery of Stretensky in Moscow and the Holy Mount Athos in Greece are inspiring spiritual centers for a Russian leadership with a strong religious background. The dogma of a new Russia aims to replace communism with a fundamentally new system based on belief/ideology/vision, powerful elements that create a plausible and inspiring ideological platform for the country and its citizens, tapping deep into the Russian identity by appealing to the public's sense of moral virtue, its survival instinct and its belief in Russia as a global leader on a par with other major world powers. The above Eurasian vision along with the preservation of the Holy Trinity

Orthodox dogma and its direct references to neo-Byzantinism, form elements of a Russian grand strategy - which, sadly, is neither adequately studied nor properly understood by the West's strategic thinkers. Thus, those think-tanks in the west that, based purely on economic performance, foresee a demise of Russia, may well be refuted in their predictions.

While Russia still faces multiple challenges both domestically and abroad, there is cause for optimism. Russia's position in Eurasia will improve in the present and coming year as the United States is further established in its new administration and the European Union addresses various institutional challenges. Countries on the former Soviet periphery are already positively reassessing their relationship with Moscow. Ukraine and Belarus have historically been integral parts of the Russian empire. Russia may in the long run achieve permanent special treaty relationships with both states. As large economic and political powers enter a period of realignment of their global status and influence in a meta-liberal era, Russia will resurrect part of its past glory. With enormous stores of natural resources, a well-educated workforce, ingenuity and core ideological belief in the country's direction and a strong leadership, this nation may in the end surprise the world.

The Middle East

- ❖ Israel, a small but highly sophisticated country, is characterized by a vibrant entrepreneurial economy, possesses one of the foremost technological/scientific foundations in the world, has a powerful highly efficient military armed with the most advanced weapons as well as a nuclear arms capacity, possesses one of the best intelligence services in the world and boasts a state-of-the-art academic system. More and more within the wider region, not excluding the Arab world, states are turning to Israel as a safe anchorage and potential ally in the fight against extremism and terrorism. Israel, in close cooperation with Cyprus, Greece and Egypt, is focusing on the exploration and commercialization of vast hydrocarbon, notably natural gas, resources in the southeast Mediterranean region, an area which could become a major energy contributor to the European markets. At the same time, Israel is refocusing its diplomatic efforts towards long-term productive alliances with major Asian powers. Israel can objectively be regarded as one of the strongest pillars of stability in the Middle East, extending its influence over the south/southeast Mediterranean region.
- ❖ A recently signed massive military aid deal will see the United States provide 38 billion US Dollars to Israel over the next decade, the largest such military assistance package in US history.
- ❖ New lines of conflict for extension of power are emerging in the Middle East between key nation players that are in a state of dynamic flux in allied or else confrontational interaction. Turkey and Iran will not allow a Kurdish state to be formed that would claim territory from both nations. Both Iran and Turkey are struggling for dominance over Iraq. The US, however, in its fight against Islamic terrorism supports the creation of a Kurdish state, which out of historic necessity may well be formed at a point in time when the right circumstances arise. If Turkey were to lose territory in this process, a long-standing balance of power in the Aegean Sea could be fractured via a potential counterbalancing push by Turkey for an extension of territorial control in this region.
- ❖ The Sunni versus Shiite conflict in the Middle East has been going on periodically for hundreds of years, with power changing sides every few centuries. With Sunni power currently in disarray, Shiite power may have an open window for

expansion in the Middle East, although it is unclear whether, since it is a minority, it could establish a truly influential status.

- ❖ In the Middle East, a new and promising pragmatic US strategy may be focusing on the containment of Iran's drive towards regional Islamic hegemony as well as on the uprooting of terrorism through an effective political, military and economic coalition mainly with Saudi Arabia, Egypt, Jordan, in conjunction with a close cooperation with Israel, while at the same time maintaining an ongoing productive dialogue with the Palestinian Authority.
- ❖ Qatar is the fourth largest producer of natural gas after the US, Russia and Iran and the largest exporter of LNG in the world with a global market share of about 30%. Hydrocarbon revenues make up approximately 85% of the country's GNP. Politically, Qatar has a close relationship with both Turkey and Iran, which complicates US policy in the region.
- ❖ Egypt may be strong enough economically by the end of the present decade to formulate a foreign policy independent of Saudi or other interests in the region.
- ❖ The official announcement of the new 31-year-old crown prince in Saudi Arabia, son of King Salman, represents a power shift in politics towards a younger generation with a vision that includes reforming the state and the economy and diversifying industry - the ultimate aim being to make the Kingdom independent of oil sales by the end of the next decade. It may also mean a more pragmatic and conservative foreign policy, oriented towards regional safety and stability.

Closing Remarks

Borders in the Middle East set artificially after WWI are breaking down. To a certain extent foreign powers may be trying to hold on to these borders, while indigenous forces see themselves as defenders of a new liberating strategy. Poor and wealthy countries, the historic power struggle between Shia and Sunni sects, technological/military parameters and energy resources are all elements interacting dynamically in a wider region of great volatility. Such a climate of instability in the Middle East may persist until a younger well-educated generation enters politics and business and starts drawing up a new sociopolitical agenda, a process which may already have started.

Interventions in the wider Middle East, a region with 7,000 years of history behind it, by outside forces that are alien to and ignorant of the indigenous culture, are incapable of bringing about any truly revolutionary change. Iran is a large nation with huge reservoirs in natural resources and with a well-educated population. With one of the world's oldest major civilizations distinguished by remarkable continuity, with historical settlements dating back to 5000 BC or earlier, it is today one of the leading reference centers in the Middle East directly competing with Turkey's expansionary strategy in the region. Turkey views the chaos in the Middle East as a historic opportunity to ultimately unite and pacify the region, while exercising its old imperial role. In the Middle East, stability and a balanced sociopolitical and economic status are probably not realizable without major compromises among the key players. Conflict in the Arab world may in the short term accelerate destabilization of the entire region until a new historic balance has been reached.

Africa

- ❖ Future growth in Africa is likely to be underpinned by the most rapid urbanization rate in the world and a larger working-age population than either China or India within the next two decades. Accelerating technological change is helping to unlock new opportunities for consumers and businesses. Africa has abundant resources. If businesses and governments work hard to capture dormant opportunities and corruption and bureaucracy are contained, Africa could become the world's second fastest-growing region in the period to 2025. Africa is home to about 700 corporations, a combination of companies with local brands and foreign multinationals, in most cases growing faster and more profitably than their global peers. Top African companies have achieved their success by building a strong position in their home market and then diversifying geographically. They adopted a long-term planning view, integrated within their operational domain what they could have outsourced, followed a highly disciplined targeted marketing strategy and invested in and retained exceptional human talent. Governments will need to promote growth by focusing on the efficient use of domestic resources, promote large-scale infrastructure development, deepen regional integration, contribute to extensive civic projects, assist in the development of human resources and participate in efficient urbanization. Africa needs ethical political leadership, an institutional governance model and policies that are efficient and growth-oriented, serving this vast continent in a manner that is interactive among different nations. These imperatives demand the vision and determination to implement far-reaching reforms in many areas of public life, with public administrations capable of implementing these reforms. Interaction with other major economic blocs willing to invest in Africa is vital for the achievement of the above-stated goals.
- ❖ Most of East Africa's infrastructure development focuses on the region surrounding Lake Victoria and extends into the Great Lakes region. New transport routes are being planned from the east towards the continent's mainland, essential corridors for the transport of goods to international markets. China is actively investing in Africa as part of its wider expansive economic strategy.
- ❖ African agricultural output, the continent's largest economic sector, may nearly double by 2020 to 500 billion US Dollars a year. Overall productive development is likely to explode, supported by continent-wide electrification and the widespread advance in telecommunications, notably mobile telephony as well as other types of supportive technological innovation.
- ❖ The East African Community (EAC), with Kenya, Uganda, Tanzania, Rwanda, Burundi and South Sudan as members, is an integral part of the African Economic Community. The EAC is a potential precursor to the establishment of the East African Federation, a proposed federation of member states into a single sovereign state. In 2010, the EAC launched its own common market for goods, labor and capital within the region with the goal of creating a common currency and eventually a political federation, with further plans for a monetary union within 10 years. As of July 2015, the combined population of all six EAC member states was about 170 million. The EAC would have the ninth largest population in the world if it were a single state entity. Although the latter policies are gradually moving in the right direction, aspirations have nevertheless not yet been turned into tangible reality due to members' unwillingness to conform to set rules.

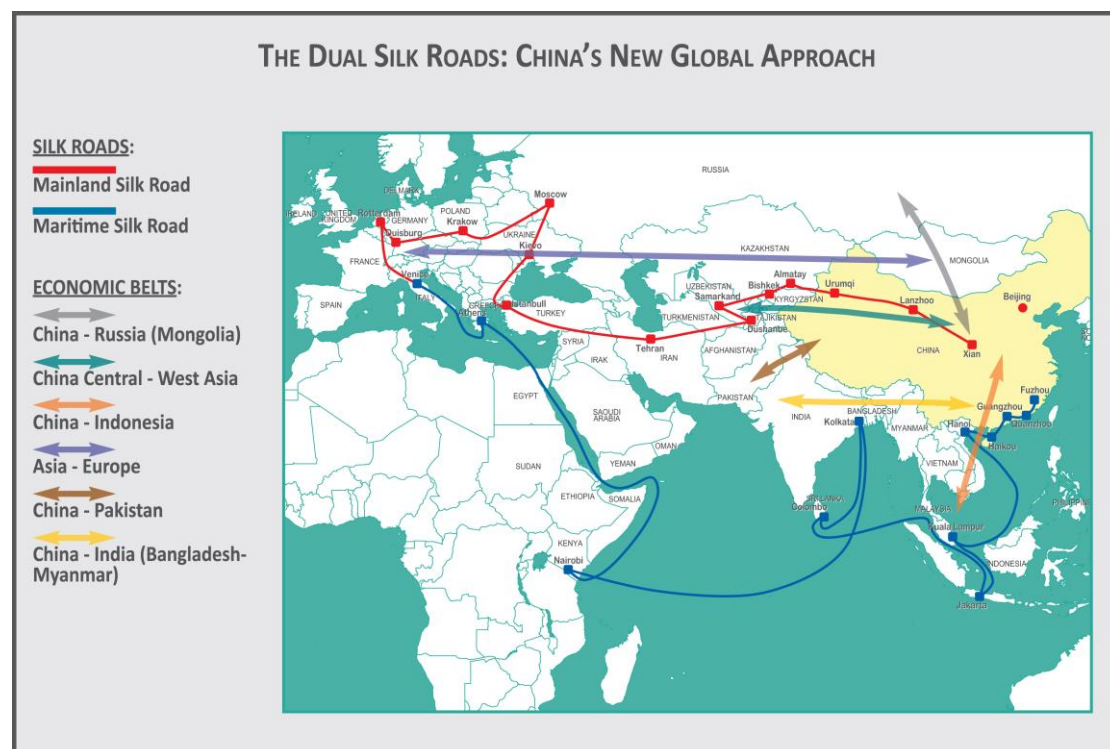
Closing Remarks

The massive continent of Africa has all the potential to become the new 21st century success story thanks to its slow but steady shift to political normality, a path in a positive direction, though nevertheless with ups and downs and worrisome conflicts. It presents the new frontier for competing international

economic interests as this huge new market area opens its doors to foreign investments and increased local economic activity.

China

- ❖ A new generation of leaders in China is charting a novel course on domestic policies with multiple challenges: to soften the financial inequalities in the Middle Kingdom and open massive inland regions to economic growth, while avoiding social unrest; to feed a vast population well into the next century; to ensure abundant availability of energy and lastly to exert control of the South China Sea waterways, the maritime routings in the new mega economic belt stretching from Africa to Asia.
- ❖ A visionary multibillion US Dollar program launched in 2013 aims at the establishment of the *new dual silk roads*, which, via highways and high-speed railway lines, will link the coastline and heartland China with the Middle East, Central Asia, Russia and Europe, in effect connecting the Pacific with the Baltic Sea. The *Silk Road Economic Belt* will pass through Central Asia, Russia and Europe while the *Maritime Silk Road* will, via commercial sea lines, interconnect the Pacific and Indian Oceans, the Red Sea and the Mediterranean Sea, bringing Asia, Africa and Europe together, turning land, sea lines and waterways into one vast interconnected network. In the same way that the old silk road greatly contributed to the opening of the ancient world and the evolution of human civilization, the *new silk belt*, both mainland and maritime, will substantially reshape the manner and form of interaction between East and West and will ultimately contribute towards human prosperity.



The *One Belt One Road* initiative - as this grand project is also known - covers about 65 countries, representing about 75% of the world's energy resources and about 70% of the world's population, involving a multitude of transportation, trade and energy routings and related projects. It will be supplemented by a projected EU-China Free Trade Agreement. The countries that are part of the dual belts correspond to about 25% of China's trade relationships. This may become

the world's largest economic development project since the enactment of the Marshall Plan for the reconstruction of Europe after WWII. Key priorities in Asia will be infrastructure development to enhance regional economic integration, mainly in energy and road networks. The completion of this project will not only contribute to international trade but will also foster peaceful co-existence between many different countries and even historically rival nations. Institutions that will play a key role in the financing and development of the *One Belt One Road* project are amongst others: The Silk Road Fund, China Development Bank, China Export-Import Bank, China Agricultural Development Bank, the Asian Infrastructure Investment Bank and the BRICS New Development Bank, as well as smaller contributing bodies such as Chinese provincial governments and other financial & banking institutions. Fifteen Chinese provinces will actively be involved in the realization of the project.

- ❖ In Beijing, in May 2017, China presented to representatives from over 100 countries its immediate plans in relation to the *One Belt One Road* project for the investment of over 100 billion Euros in highways, ports and other infrastructure projects, the most important policy aim being to improve connectivity between Asia and Europe. Ahead of the forum, Pakistan signed a number of infrastructure project deals with China to represent a small part of the multibillion US Dollars China-Pakistan Economic Corridor, envisioning the development of road, rail and energy infrastructure. Pakistan is one of the most enthusiastic supporters of the new *Silk Road* plan, as many of its sub-programs involve the development of urgently needed energy plants.
- ❖ Russia and India have also embarked on projects which, however, lack the grand vision and the element of uniqueness of the *One Belt One Road* initiative, since they merely rely on existing transportation, energy links and infrastructure and, most importantly, lack the necessary commitment and funding. Of major political significance will be any potential teaming up of China with Russia, i.e. the interconnection of the Chinese based *One Belt One Road project* with the Russian led Eurasian Economic Union.
- ❖ China's growing economic power may over time start encroaching on Moscow's vital interests in the Central Asian region. Other nations such as Japan, India, Pakistan, South Korea, Turkey and Iran are all participants in the latter vast region due to emerging growth opportunities and/or geostrategic interests. Despite rivalries and conflicting interests between the participating players in Central Asia, a common denominator will be the substantial economic benefit emanating from improved *connectivity*, commercial networking and new energy distribution grids; these various initiatives could ultimately act as a powerful connecting force that would counterbalance any major reactionary attitudes.
- ❖ China is strategically pushing for considerable investments in both the developed and the developing world (most particularly Africa, rich in natural resources), claiming a leading role in the global economy. Investments involve manufacturing plants, the financing/building of deep-water port projects from the Indian Ocean to East Africa, construction of pipelines and a transportation grid throughout Central Asia. Chinese investments enhance interregional connectivity and promote productivity. They will allow China to take advantage of comparatively low operational and manufacturing costs in East Africa and secure the awarding of large infrastructure projects for Chinese conglomerates.
- ❖ China's trade with Africa reached almost 40 billion US Dollars in the first quarter of 2017, i.e. more than U.S.-Africa trade. In Latin America China has become the largest trading partner for many South American nations.

- ❖ China is going through a vast economic transformation with services overtaking its industrial sector and a shift towards better-paying jobs. A universal health care system should be in place by 2020 - a 1.3 trillion US Dollar health services industry - to promote social stability and to assist domestic growth and the burgeoning of a broad-based middle class. Moreover, as its new middle-class mushrooms, China is becoming a dominant force in the global travel and tourism sector.
- ❖ Expansion of the *Made in China* label is the ambitious target for China's new industrial policy that is focusing on closing the technology gap with industrial nations in products that will be *entirely* manufactured in China. Industrial parks are being heavily financed to bring together top-quality production and research.
- ❖ Ratification by China of the 2016 Paris Agreement on climate change opens up an estimated 8.0 trillion Renminbi market with domestic energy and environment related players as beneficiaries. The focus will be air, water, waste and soil pollution accumulated over 30 years of breakneck industrial and urban growth.
- ❖ Barring a decision to loosen government controls on credit, investment and home purchases, China's housing and construction sectors may slow and could cause corporate defaults to rise in 2018. Although China's accumulation of debt seems unsustainable, most of the debt is within the state-controlled sector - enterprises, institutions and banks - which makes the settlement of debt issues far more manageable. Low inflation would allow the Central Bank to underwrite bad debt by expanding its balance sheet to prevent a major financial crisis. Beijing may in the short term be forced to trade its economic reforms for greater spending to keep its economy running.
- ❖ Unlike Japan, which moved from being a high- to a low-growth country without social upheaval, China may not entirely succeed in doing so. While Japan is characterized by a homogeneous, socially integrated society, China is not, being marked by profound social differences. This is a time bomb and a strategic internal risk which China will need to manage.
- ❖ A China-Israel free trade agreement will marry China's strong global position in manufacturing capacity with Israeli leadership in research and development.
- ❖ China's emergence as a global power is reshaping the cyber domain. It is relatively advanced in technologies that support national security, including aerospace, quantum-based technologies, biotechnology and cybersecurity, with the world's largest internet-user community as well as increasingly capable military and intelligence services. Harnessing these assets, China is pursuing a patient but assertive foreign policy that seeks to determine the optimal deployment of information and communication technologies, towards well defined national strategic objectives. This policy may have a significant normative impact for a global order that has been shaped by Western liberal democracies. Western policymakers will be struggling to effectively meet this challenge.
- ❖ The potential development of a manned mission to the moon is part of a joint space exploration agreement between Russia and China, to be signed during October 2017, according to which the two countries will pursue space exploration projects over a five-year period from 2018 to 2022. The agreement may cover lunar and deep space joint missions as well as Space Station advanced scientific programs, together with other projects concerning satellite systems, special material R&D and space sensing and communication technologies. China aims at capitalizing on Russian rocket space-station technology and manned spaceflight expertise, while Russia seeks to benefit from China's visionary space planning

strategy and its strong position in financing the above projects. China desires to become a global power in space exploration and is planning to launch the first module of a planned space-station in 2018 and potentially a Mars rover in 2020. Though the potential for a Russia-China space alliance may not be an imminent challenge to US domination in deep space exploration, it nevertheless unambiguously points to some of China's remarkably bold ambitions.

- ❖ Beijing is ambitiously expanding its naval, air and ballistic missile power to cover the East China and South China Seas. China and the Association of Southeast Asian Nations (ASEAN) reached an agreement on May 2017 for a code of conduct in the South China Sea, evidence of China's well-planned and persevering maritime strategy.

Closing Remarks

The People's Republic of China will in 10-15 years be a greater and certainly not a lesser power than it is today. It has the world's largest consumer market, an increasingly urbanized and well-educated workforce, an industrial sector pushing ever closer to the world's technological frontiers, a significant domestic natural resource base and powerful and sophisticated governing institutions. China is unique among the world's great powers in having maintained remarkably stable regional order for nearly two thousand years. China was the unquestioned center of gravity in East Asia for most of the period from the early 2nd century BC to the late 19th century AD, characterized in its ruling most particularly by hierarchy. Confucianism, the dominant political philosophy, envisioned domestic society as being composed of a solidly structured hierarchy of social roles in descending importance, from emperor to the simple peasant, i.e. emperor to vassal. In effect, China's rulers saw themselves as sitting at the center of a world in which non-Chinese states were merely extensions of the emperor's heavenly mandate, not in sovereign competition but in hierarchical and harmonious order. The Chinese empire sustained its ruling eminence through soft, i.e. civilizational power, while adopting a defensive and conservative military grand strategy in line with the Confucian value system. In more modern times, as China's economic and military power grew, the country was forced to enter uncharted territory in the chaotic structure of a globalized world. One way of reacting to this challenge has been by massively building up its military capacities, and especially its navy to control the vital sea routes which ship resources in and out of China through the South and East China Seas. China will do everything in its power to adapt to and cope with the risks and uncertainties of a very different kind of world order from that it so long dominated. An empire, once a superpower over the Pacific region long before the US was even established, is thus once again claiming a dominant role on the world stage.

China's long-term strategy is focused on the following objectives: development of the One Belt One Road global project, creating a powerful opening for conducting economic and foreign policy for many decades to come; domestically mastering economic growth while undergoing a critical transformation from a low value exporter to a mature domestic consumption driven and high value exporting economy and, lastly, the securing of adequate sources of energy. China's geopolitical interests, which are real and unfolding, may allow for the release of huge reservoirs of developmental energy for the entire world, may introduce new perspectives with alternative growth systems centred around or emanating from China and, finally, may ultimately allow China to peacefully influence regions such as the wider Asian region and the African continent. For the foreseeable future, the People's Republic of China, for all its constraints, will remain one of the few states credibly challenging the US political and economic supremacy and led international order.

China's economic policy has always been the product of a strict though adaptable plan resting on a long-term strategic vision. A profoundly disciplined nation, historically possessing a Confucian worldview reflected in every aspect of sociopolitical and economic life, cannot be interpreted based on Western civilizational measures, as European or US politicians tend to do, and, even less, will not become subject to Western-type socioeconomic governing norms. The West unfortunately still has a limited understanding of the four-thousand-year-old Chinese civilization and the unbelievable early work that Mao's follower Deng Xiaoping achieved. Confucianism, a philosophical life system aspiring to respect for hierarchy and harmony, has successfully absorbed countless upheavals throughout China's long history and may once again be successful into adapting to but at the same time also shaping a new world order.

Japan

- ❖ The period of crisis is coming to end for Japan with labor reforms being gradually introduced and technological advances leading to improvements in worker productivity, partially offsetting a shrinking workforce and helping Japanese industries remain globally competitive. Japan, though deep in debt, at the same time acts as a substantial creditor to the world. Its current account surpluses continuously attract money into the country. Hence, Japan's gigantic debt levels, while certainly not a positive economic factor long-term, should nevertheless be viewed as deceptive indicators of the real strength and status of its economy.
- ❖ Japan is working to position itself successfully at the forefront of the most advanced technologies in domains such as lifelike robotics, health care, medicine, advanced electronics and computing, an endeavor the country has both the financial power and the educational resources to achieve.
- ❖ Although in absolute terms Japan has a huge ageing problem and its economy may still be weak, in relative demographic and economic readings, as compared to an also rapidly ageing Europe, Japan may have started to compare more favorably, a trend which has positive implications for the future allocation of international investment capital in the country.
- ❖ Japan is on a steady path, building up its military and cultivating an offensive military capability that it has forgone in the past, thus signaling a new direction in its foreign policy and defense doctrine.

Closing Remarks

Japan is a remarkable nation, with social stability and in many respects in harmony with itself. It has a profound ability to change and adapt to radically different environments and correspondingly adjust its action as well. A chiefly agrarian society back in the 19th century, Japan industrialized rapidly and successfully and became a military power in the early 20th century with a fearsome military and naval organization, which, at one time, challenged the maritime world. In the period following WWII and till the present day, it re-transformed itself into a liberal democracy with a pacifist face. Apart from the sufferings of the two world wars, all the subsequent societal transformations notably occurred unaccompanied by any serious social stress or unrest. Industrial conglomerates and powerful corporations, in a sense the continuation of the past feudal system, swiftly spread their products across world markets throughout the second half of the 20th century. The working class both relies on and is protected by institutions possessing an almost sacred symbolic status. Bureaucracy as an institution goes back to the imperial era and therefore intertwines history,

tradition and a somewhat indefinable degree of prestige and respected authority. Education, in particular the university system, is based on meritocracy, creating added social bonding and providing the directions for future long-term employment. Japan's national debt is largely held by the public and has therefore a distinctive stable characteristic. Japan's powerful navy, which in the early 20th century challenged the entire Pacific for dominance, today has the objective of maintaining open maritime lanes for the control and delivery of vital energy resources so as to keep the nation's economy going, with the US being the ultimate guarantor of the latter unobstructed seas policy. Feeling the presence of its gigantic neighbor as well as other military challenges in its surroundings, Japan will transform itself once again from a pacifist to a challenger and pretender to self-evident national rights, especially if the US naval strategy in the region, for one reason or another, changes.

Japan, though on the sidelines in regional and global affairs for two decades, is today gradually undergoing an epochal shift that will enable it to re-establish itself as a leading power on the Pacific Rim. With vital interests in the South China Sea, although not entirely identical to those of the US except with regard to the protection of maritime routes, Japan's survival as an island nation rests on the maintenance of open sea lanes for uninterrupted imports, notably oil and gas, which are of existential significance for the very survival of the Japanese nation. Japan may inevitably have to delicately master its potentially overlapping regional policy objectives with those of China: this may not be an easy task and will certainly be one that entails the risks of serious conflict in the area.

India & Pakistan

- ❖ In India about 50% of public spending on essential services does not reach its population. Close to 700 million individuals are not meeting their essential needs and about 45% of basic services are beyond the reach of the average household. The potential for growth is huge in the areas of new job creation and productivity. Close to 600 million people could be employable up to the early years of the next decade. A 70% increase in agricultural yields could be feasible within the next decade. In health care, water related services and public utilities public spending should more than double from its 20% level today. In India, it is estimated that as much as 90% of the country's consumer transactions are conducted in cash, while the black economy may be close to 25% of GDP: meanwhile, probably only about 4% of the population are paying income tax. An explanation may be found in the fact that agriculture is tax exempt and two thirds of Indians live in rural areas. The Indian economy is largely informal supported by unorganized labor, meaning that taxes are very difficult to collect. About 60% of the population are not part of the workforce, about 25% are farmers, about 75% earn a miniscule income and are exempt from taxation and around 50% of tax payers are likely to be evading taxation obligations. The entire system definitely needs a complete overhaul, a process that seems gradually to be starting. India's appeal to potential investors will be more than just its low-cost labor. Manufacturers are building competitive businesses to tap into the large and growing local market. Further reforms and public infrastructure investments could make it easier for all types of manufacturing businesses, foreign and Indian, to achieve scale and efficiency.
- ❖ If India and Pakistan can develop a long-standing trustful alliance, then India can finally abandon the complicated task of maintaining circuitous energy and trade routes with the Middle East and Central Asia that bypass Pakistan. Instead, a

routing through Pakistan would be a faster, far more efficient, cheaper and mutually beneficial option, establishing a new geopolitical reality in the region.

- ❖ Since the establishment of full diplomatic ties with the Jewish state in January 1992, the relations of India and Israel in multiple fields, such as economic, agricultural, technological, military, space, security and diplomatic, have moved from strength to strength, marrying Indian talent with Israeli leading technological competency. The relations between the two nations have been upgraded to a strategic partnership with an agreed and committed policy against terrorism.

Closing Remarks

The main strategic relationship status in South Asia is quadrilateral, involving China, India, the United States and Pakistan with the India–Pakistan conflict over Kashmir and the US involvement in Afghanistan and Pakistan predominant issues. The relationships between these four nations are interwoven and complex. US dealings with India and Pakistan are more likely the result of America pursuing its own national interests and less an attempt to contain China. It is mainly Pakistan which remains the key to stability in the region. As long as Pakistan and Afghanistan remain unstable and provide a haven for terrorist groups, posing a real and acute threat to India, it will be difficult for the relations between these four actors to harmonize. Meanwhile, the Kashmir dispute is at the heart of South Asia's problems and until it is resolved India's relations with its regional neighbors, including China, will suffer. India's development of infrastructure, its efforts to alleviate poverty, economic development issues, trade and diplomatic linkages with the rest of the world and other domestic initiatives will continue to advance but may not be able to truly take off due to India's, till now, unfruitful efforts and commitment of resources to harmonize relations with its neighbors. China's grand initiative, The One Road One Belt mega-project encompassing infrastructure, transportation, trade and energy that will involve large parts of Asia, may in the end be the catalyst and pacifier, with prosperity and economic growth becoming an overriding priority among nations in South Asia.

A carefully crafted blend of nationalism that envisages the transformation of India into a powerful nation with 5000 years of history behind it and a strong Hindu nationalist and religio-philosophical identity, eventually to replace a secular state, are the powerful ingredients in today's Indian politics. In other words, this is yet another huge nation on the rise in Asia with a vision for renewed greatness under a cohesive concept of nationhood and a hoary tradition of philosophy.

Singapore

Singapore remains a leading economy, an undisputed champion of the Association of Southeast Asian Nations (ASEAN), an association aspiring to become an Asian European Union.

Australia & New Zealand

Australia will take steps to assume greater responsibility for regional peace and prosperity especially as regards its interaction with the Asian region, but its focus will remain primarily on its own strategic directions, that are chiefly based on continuing economic stability. Fundamental imperatives will discourage a drastic shift in Australia's alignments, despite uncertainty about US policy and other evolving interregional issues in the Western Pacific. Australia will most likely not tie its national security issues to power plays in the region from Japan in the Pacific Ocean to the Indian Ocean or to the policies of any Asian power.

The US

- ❖ Tax reform policies with tax cuts in both the private and the corporate sector, massive infrastructure spending and a less bureaucratic mode of governing, a combination of fiscal and monetary policies, will create the foundations for longer-term sustainable US economic growth.
- ❖ The United States is the only country in the world which stands at the forefront of research and development in almost all areas of science and technology. Its national wealth exceeds 30% of global wealth enabling the US to keep continuously outspending its competitors in R&D. And unlike much of the rest of the developed world, the population of the United States is set to keep growing.
- ❖ *Digitalization* and *Industry 4.0* are creating the norms and the standards of a new era of economic development. *Industry 4.0* is the developing state of automation and data exchange in manufacturing technologies, including the integration of cyber-physical systems, the Internet and Cloud computing. Financially speaking, the one trillion US Dollars to be expended on new investments throughout the US in optic cables and re-industrialization over the next five years, will comprise the largest ever investment outlay and is destined to bring US productivity to the world's top levels for decades to come. Most of that will be privately financed, which distinguishes the US from other economies around the world and creates unparalleled dynamism blended with a reinventive innovative spirit. 85% of US firms describe themselves as adequately equipped to face the challenges of *Industry 4.0*, whereas the corresponding percentage rate in Germany presently stands at 35%. Nevertheless, the German combination of know-how, creativity and disciplined planning is bound to catch up in the field of digital technologies.
- ❖ More than 85% of all foreign exchange trading involves the US Dollar. About 40% of world debt is issued in US Dollars. Foreign currency reserves were at about 64% in US Dollars versus 32% in Euros (2016). The US Dollar dominates world economic activity and, through its reserve currency status, the US government can create at will debt at low interest rates to be bought and held as reserve notes by national banks worldwide. Another competitive advantage for US corporations lies in the neutralization of currency risk, as oil and most commodities are being traded in US Dollars. The liquidity of US markets constantly suppresses interest rates and allows the US to finance its twin deficits at lower costs, which in effect are permanently subsidized by foreign nations. The Euro has indeed the potential to increase its reserve currency status in the future but at present still remains a currency without a clearly defined status, while the Renminbi is the currency of a rapidly improving but still over-bureaucratic and largely non-transparent state.
- ❖ Up to 2.5 trillion US Dollars of corporate reserves lie outside the US. If repatriated - which may become a top economic US policy priority - this constitutes a sum which, once reinvested back into the US, could have significant effects on the revival of US industry. Investments are picking up again across the entire industry spectrum in the US, with adequate job generation, which could signal the start of a trend that may last for several years.
- ❖ In the context of the new generation of electro-robotic cars, automotive corporations are in essence merging traditional car manufacturing with advanced information and digitalization technologies, thereby creating an entirely new ultra-high technology industry. The US is well poised to capitalize on and lead the latter trend.

- ❖ The US is selling military technology to Saudi Arabia worth 350 billion US Dollars over 10 years, the largest military contract of all times.
- ❖ The US is the third-largest oil producer in the world. US shale oil production has, through fracking technology, now achieved a profit-making level at an oil price of around 50 US Dollars per barrel. Oil prices are declining, while US oil exports are rising. The repercussions from this emerging trend will be multifold and global.
- ❖ Real median household income in the US, fueled by FED liquidity creation, has reached a historic high comparable only to periods prior to the dotcom bubble and the 2008 financial crisis. This is a clear signal of caution in investment planning and strategy.
- ❖ Many high-quality US companies continue to be cheap even in today's environment. A dynamization of US company earnings should make US companies continue to be priced attractively over the next few years.
- ❖ Unfunded liabilities of state and local government pension plans have increased from about 300 billion USD in 2007 to the staggering amount of anywhere between 1.0 - 3.0 trillion USD in 2016, a result of poor planning, subdued investment results and a partial failure to meet cash funding requirements. Fear about retirement is one of the top anxieties the average American faces today.
- ❖ The fighting of terrorism, including its financing as well as the securing of energy resources and distribution lines, will remain top priorities for US policy. Under the new administration, the US is likely to adopt a mixed foreign policy combining diplomacy with the projection of power, a pragmatic approach towards clear objectives.

Closing Remarks

The departure of the US from the 2017 Paris Climate Agreement may represent a new, more aggressive direction for US economic policy under which what comes first is what is seen to serve American interests first. A self-sufficient energy policy has been a major goal for the US since the 1970s. Today, shale oil & gas extraction has made the US not only self-sufficient in its energy needs but also has allowed the US to become a net exporter of energy. At the same time, the US can at will domestically increase energy production based on coal without being bound by any international environmental treaty. As the US will no longer be dependent on the Middle East to cover its oil needs, the directions of monetary flows from energy production and trade are radically changing, which will have global implications and may trigger wider geopolitical realignments.

The US remains the dominating force in the world politically, scientifically, economically and militarily. No large conflict in the world can be resolved successfully without some form of intervention or support from the US, and this reality has been and may to a certain extent continue to be the overriding parameter in US foreign policy for the coming years. A differentiation on the latter position nevertheless could well be gradually arising in a multipolar world, as the US may not have the will and/or the capability to intervene in every significant military confrontation around the globe. This does not signify the decline of American power: it instead denotes maturity, which comes together with the rational understanding that although the US should remain the only superpower militarily unchallenged in absolute terms for years if not decades to come, in relative terms, US power is likely to continuously decline simply because other regional powers are inevitably on the rise. Apart from nuclear Russia, a United

Europe and China hold the potential to reach superpower state, though are yet quite far off from attaining such a status.

Latin America

- ❖ An approximately eight-fold increase in the Merval Index since 2013 is not only attributable to the renewed growth prospects in Argentina, but also to one of the most successful amnesty adoption programs in the world's history for the complete legalization of black money. The result, although involving only 20% of undeclared money of Argentinian citizens, has nevertheless brought about 100 billion US Dollars into the country, thus directly supporting the state in balancing its budget and paying outstanding obligations. In April 2017, the S&P upgraded the country's rating to a "B", allowing Argentina to more easily raise money internationally, an option already exercised by state and local municipalities.
- ❖ In sharp contrast to trends historically prevalent in Latin America, Uruguay, a leading market-oriented economy, currently ranks first in the region in the exercise of democracy, prosperity, ethical governance, security, peace, state of corruption, quality of living and electronic governance. It follows a macroeconomic policy focusing on stability, balance and efficiency in debt management. A member of MERCOSUR with a Free Trade Agreement with Mexico, Uruguay has a well-run social security, health and educational system. It is a leader in renewable energy utilization, the latter accounting for over 95% of electricity produced, most of it from hydroelectric facilities and wind parks. Uruguay is self-sufficient and imports no additional energy. The country has a prime university system resulting in high-quality literacy and educational standards.
- ❖ The US, Russia and China have vested interests in establishing a certain level of stability in Venezuela, albeit for different reasons. The US is anxious to avoid violence in the region, whereas Russia and China are eager to protect their large vested interests in the country's oil industry and not to jeopardize loan repayments. Violently conflicting political/financial interests in Venezuela and the risk of a military coup indicate that there is no easy way out of the present crisis.

Closing Remarks

Latin America is growing again, while inflation is on the decline. Trade and budget deficits are retreating and reserves are rising. States and corporations are holding relatively manageable amounts of debt mainly in local currency and reforms are in progress. The only striking exception is Venezuela, a state that finds itself deep in a grave political, social and economic crisis. The region of Latin America needs to make further advances in removal of obstacles to competitiveness, pursuance of digitization, raising skills, fighting corruption, as well as to continue improving economic fundamentals. Latin America, together with Asia and Africa, is a continent on its way to achieving acceptable sociopolitical stability and substantial economic development which will be characterized by a reduction of poverty and corruption and an emerging middle class, parameters that are bound to contribute to positive world output in the years ahead.

Greece

I. The sociopolitical, cultural & economic scene

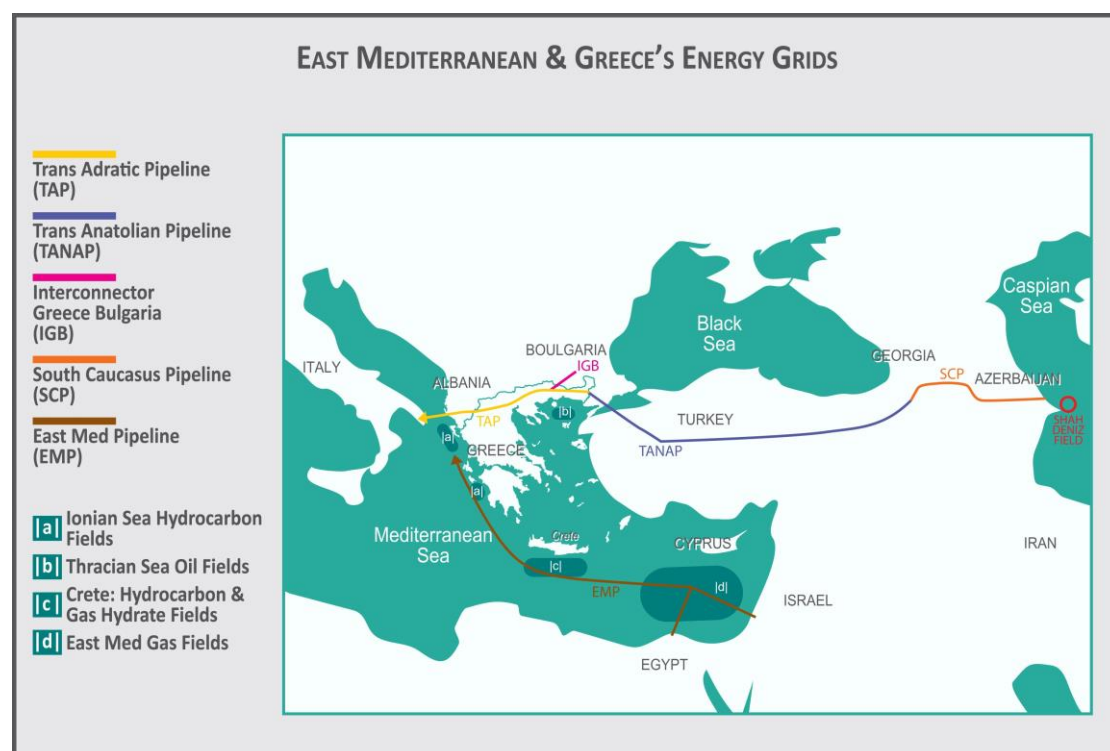
- ❖ Greek society has, over the past few years of extreme austerity, proven to be far more resilient than any other Western nation would have been in similarly

unfavorable circumstances. Greece historically flourishes after times of crisis and adversity. The nation has completed the most difficult phase of the most stressful economic period in its modern history. Having gone through 8 years of a severe economic downturn with the implementation of a harsh fiscal adjustment program in agreement with its European and international creditors (EU, IMF), Greece may now be close to the point of embarking on a new, exciting cycle of growth. Leaving behind the gravest national debt crisis since WWII, Greece has still to correct imbalances, such as high levels of overall taxation, state bureaucracy, implementation of planned labor market reforms and further adjustment of its economy to free market economic principles, ultimately creating a stable investor-friendly business environment. The new growth phase will rest primarily on a countrywide competitive labor force, an efficient production and services platform, a flexible labor market, declining levels of taxation, less state bureaucracy, a reformed high-quality education system and a much-desired stable political environment, ideally supported by a revised constitution. These parameters will become ever more evident as they are firmly put in place through important, though as yet incomplete, reforms and thereafter will gradually unfold. Economic sectors that should flourish are: tourism, industry (the formulation of a new national industrial policy is essential and needed), energy, agriculture and services including the high-tech software and hardware sectors.

- ❖ After 8 years of deep crisis, the property market in Greece may be one of the most undervalued in Europe, characterized by significant upside potential with additional strong support from a booming tourism industry.
- ❖ *Greece's heavy industry is its culture* - with tourism becoming the chief carrier of its ancient heritage. In this respect, Greece should greatly benefit from the rise of a Chinese middle-class eager to travel, as the Chinese have enormous respect for the small Mediterranean country with its millennia-old history.
- ❖ As a member of the EU and NATO, Greece is positioned at the intersection of four geostrategic circles: one is the North African, the second the East Mediterranean including Syria, Lebanon, Egypt and Israel, the third Russia/Central Asia and the Black Sea and the fourth the Balkan region extending to the European mainland. Greece is an important gateway for the supply of natural gas into the European markets as well as for the acceptance or rejection of the entry of immigrants from the African continent and Turkey into Europe.
- ❖ Areas of instability presently surround Greece, this state of volatility emanating from the Middle East in the south, from Turkey in the east and from the northwest where the Balkan region is entering a new phase of geopolitical realignments. The aspirations of Turkey to play the role of dominant regional power extending from the Balkans to the Middle East intersects with Greece's national interests related to indisputable Greek territory in the Aegean Sea and the exploitation of hydrocarbon energy resources in the south-east Mediterranean. At first sight, seemingly unconnected political issues of an unstable nature presently prevailing from the Balkans to Turkey and the Middle East are, on deeper analysis, indeed connected and may challenge Greece's foreign policy and even the safeguarding of its territorial integrity. Greece's foreign policy must therefore stay firm, with the clear objective of fostering all potential international alliances that could strengthen the country's regional position. On the multidirectional level, such a policy would give emphasis to Greece's membership in the EU and the North Atlantic Alliance while simultaneously acknowledging the resurrected Russian might to its north.
- ❖ Greece's alliance with Israel is based on multiple parameters, one of the most important being the exploitation of the hydrocarbon-rich south/south-east

Mediterranean region and the vital new role Greece is being called upon to play as the distributing avenue for natural gas to the European markets. The above cooperation is the start of a geostrategic alliance, with a long-term horizon, between the two countries extending apart from the energy, military and security fields into such other areas as tourism, industry, education, academia, science, technology and culture. The relationship could have wider positive implications for Greece, especially with respect to foreign policy/national security in an inherently unstable period, during times of significant geographical and political readjustments expected to gradually unfold in the region.

- ❖ The construction of the Interconnector Greece-Bulgaria (IGB) allowing the transportation of natural gas from the Caspian, Middle East and East Med regions, and the LNG floating terminal off the coast of Alexandroupolis with a storage capacity of 170,000 cubic meters and an annual supply capacity of 6.1 billion cubic meters of natural gas are large-scale projects of strategic importance for Greece.



They will upgrade the northern Greek region of Thrace transforming it into a strategic node that will channel natural gas directly to the EU. The LNG terminal will connect with the Trans Adriatic (TAP) and the IGB pipelines and is attracting the interest of international suppliers and energy concerns from the US, the EU, Israel, Qatar, Egypt and elsewhere. In the field of energy, research findings point to large-scale hydrocarbon fields south of Crete as well as in the Ionian Sea extending from the northern parts of the island of Corfu all the way to the western Peloponnese coast. Greece as a new gateway for natural gas supply to the central and south-eastern European markets is raising its profile as a European strategic energy node and contributing towards the longer-term geopolitical importance and economic stability of the country. In addition, the port of Thessaloniki in Northern Greece is destined to become the trade gateway to Eastern Europe.

- ❖ A small number of highly specialized and advanced Greek microelectronic technology concerns have for years been successfully supplying components to sophisticated aerospace and military organizations in Europe and the US.
- ❖ Greece, jointly with Inmarsat and under the Greek and Cyprus flags, has recently launched its new communication satellite Hellas Sat 3, the largest such European satellite, 7.5 m in length, weighing 5.8 tons, from the European Space Center in French Guyana to provide commercial TV and telecom services to commercial aircraft flying across European airspace. The satellite will be controlled from the Hellas Sat Space Centers in Koropi, Greece, and Cyprus.
- ❖ Due to its history, Greece is in a favorable position to respond well to an interactive geography, having long been a melting pot of different civilizations, the crossroads between West/East and the Middle East. It may be called on to fill an important gap for NATO and the EU as their effective Eastern border, since Turkey's position as a stable and trustworthy ally of the West is today in question. A rare geopolitical opportunity arises for Greece's foreign policy out of the unique geography of the country. In order for that opportunity to be politically and viably put into permanent perspective vis-à-vis its Western allies, notably the US, Greece has to show that indeed it has the political will to deploy a specific and sound policy fostering political and economic stability in the wider East Mediterranean region. This is a singularly strong signal for Greece's political leadership to map out a well-focused and decisive foreign policy.
- ❖ Greece as a maritime nation may not connect with Russia in strict geopolitical terms – Russia being primarily a continental power - but in fact does so based on a common Christian Orthodox arch, stretching from Greece through the Balkans into Russia. This dimension could indeed become more relevant as shifting geostrategic currents manifest themselves throughout Europe in the years ahead. Russia remains one of the most powerful nations on earth and may be going through its own awakening, with strong leadership and a supporting foundation resting on identity, vision and the Orthodox faith. Cooperation with Russia as a partner is highly important for Europe, and Greece can in that respect play a vital bridging role.
- ❖ Greece is the melting pot of different Greek cultural branches, some of them originating in the Asian and some in the Balkan regions. The remarkably homogeneous modern Greek race can therefore easily absorb populations coming not only from Europe but also from Asia and Africa. Greece may well use migrant flows during a new economic growth period where the critical question will be the newcomers' integration into and compatibility with the Greek identity and religion.
- ❖ During the upcoming *new renaissance period for Greece*, a major role will be played by the hundreds of thousands of Greeks abroad who compose a well-educated Greek élite possessing wealth, professional experience and the will to change their homeland. The Greek *Diaspora* is dispersed throughout the entire world, with concentrations of over one million in North America and major conglomerations in Eastern Europe/Russia and Australia. The Greeks of the *Diaspora* are in influential key positions within global politics, the academia, industry and research centers worldwide and they will greatly contribute to Greece's rebirth.
- ❖ Greek debt could be half of what it is assessed to be today by lenders if it is calculated according to international standards, i.e. not on the basis of its nominal value but on the basis of a time-weighted value of outstanding payable debt tranches, favorable repayment terms and lower prevailing interest rates.

- ❖ Revenue base is shifting from the decaying state structures to other forms of open networks, both tangible and intangible, such as the *Diaspora*, *shipping* with its multinational, multicultural character, *the Greek Orthodox Church* with strong ties to the Byzantine tradition and *education* with its epicenter grounded in classical Greek thinking. Such reserves and others still dormant are being re-energized and will greatly assist Greece in setting a new course amidst important realignments on the European continent. Greece stands at the forefront of rapidly evolving sociopolitical, economic, demographic and geostrategic currents and, most interestingly, has historically acted as an early beacon announcing emerging trends for all of Europe.

II. Shipping

- ❖ Greek shipping has characteristics which are highly compatible with today's fluid and rapidly evolving environment, such as swiftness of response, centralized control going back to the patriarchal role of the owner, trust amongst the family members but also towards parties belonging to different cultural traditions, e.g. the Arab and Asian. Greek shipping has exhausted the economic dimension of its activities and may now be called upon to exercise more of its as yet underestimated cultural traits and strengths. Greek shipping voices may start to be heard more often within various political, educational and cultural power centers worldwide as well as in think-tanks, something that will strengthen Greece's position internationally.
- ❖ The *economy of the seas* will significantly increase over the coming decades and, together with it, Greek shipping and its contribution to a new multipolar, highly interconnected world.
- ❖ Shipping is probably the most competitive and healthiest sector of the global economy, the best free market competition paradigm, where all market principles are ideally manifested. As an industry it is highly beneficial to humanity. If Greek shipowners were absent from the world trade scene the world's population would undoubtedly be paying far higher prices for their goods.
- ❖ During a depressed period of the world economy from 2009 to 2016, Greek shipowners increased the size of their fleet by about 70%, this evidencing the eminence of Greek shipping, its calculated acceptance of risks and its fundamental competitiveness. As of April 2017, the Greek-owned fleet comprised about 4,895 vessels with a total 291,735,000 deadweight tonnage (dwt), with Japan in second place with about 8,360 ships and 242,640,000 dwt, while third comes China with about 6,430 ships and 190,601,000 dwt. Greek shipowners control about 18% of the world's fleet in dwt. In tankers, Greek ship owning interests control about 25% of the world's fleet in that category. The value of the Greek owned fleet – in first place worldwide – is estimated at about 84 billion US Dollars with Japan in second place and a total value of around 80 billion US Dollars. About 2.5 billion US Dollars were spent on the purchase of secondhand ships by Greek shipping interests in 2016, representing 25% of all such transactions worldwide, while for the year 2017 another approximately 2.7 billion US Dollars was spent up till late June.
- ❖ The fourth industrial revolution is creating a radically different and challenging market platform for the shipping industry, with shorter travel distances and a potential drop in seaborne trade volumes due to the massive use of new IT technology-based manufacturing and production moving closer to and ultimately building a direct-to-the-consumer model.

- ❖ Uruguay, a Latin America model state, the history of which from its independence in 1828 bears certain resemblances to Greek modern history, could in a number of ways form a model country for Greece to follow as the latter exits the crisis years. Several renowned Greek shipping families are large long-term investors in Uruguay.
- ❖ The port of Piraeus is competing for one of the top maritime positions in the world, with China, owning a controlling stake in the port, becoming a major strategic partner for Greece. Greece has the opportunity to become the world's leading maritime center, attracting a variety of ship management and related services, once the regulatory and the tax environment become more competitive. A new national strategy should include a guaranteed longer-term stable regulatory, judicial/legal and tax environment, the support and promotion of maritime education, the upgrading of port infrastructure and related logistics and the closer integration and coordination between enterprises and public or private organizations, which are participating in one or the other form within the overall shipping networks around the main Greek port of Piraeus but also around the secondary ports, such as Thessaloniki, all within a stable political framework. There should be a steady and concerted effort for the upgrading of Greek ports and the promotion of their attractiveness internationally.

Closing Remarks

Since its independence after the revolution of 1821, Greece has relied on financial aid from foreign economic centers, in the form of free money or loans, to grow its economy. Using geography and geopolitical importance as leverage, politicians continuously exploited the above principle with international allies and creditors. Such an unrealistic outlook inevitably created a false sense of prosperity and, longer-term, diverted national energies from the production of true wealth: this led to the accumulation of debt and to repeated bankruptcies as well as short-term revivals, in a self-perpetuating vicious circle for almost two centuries. Another viewpoint, not incompatible with the previous arguments, traces the deeper roots and causes of the present crisis to the loss of the nation's anchors to past ideals, including religious faith and history, this again leading to moral degradation which, amongst other ills, allowed the mishandling of national wealth. Greece's economic élites will have to stand up to their historic responsibilities towards the nation and become part of the solution of the social, economic, state and spiritual crisis at a historic moment when the country is urgently required to fight and survive based on its own strengths and creative and productive resources.

The Greek nation has always been at the crossroads connecting the wider regions of East, West and Russian territory with the Mediterranean Sea. This is a geographical relationship intimately bound up with the history and fate of Hellenism since antiquity. Consequently, the combination of history, political reflexes and a pursuance of national interests have defined the territorial development of the Greek state while having little influence on Hellenism, the latter deriving its power from the magnitude of the diffusion of Greek cultural identity worldwide. Greece is not claiming a peripheral position in Europe but a central one, since modern Hellenism, sensitive to the transformations over the centuries, whether glorious or painful, of humanity, acts with its inherent civilizational diversity as a forecasting mirror for developments to come for the entire European continent. The increased global emphasis on networking and the exchange of information accord with the historical, universal values of Hellenism more than any other world culture and presage a new, creative era for Greece. Europe, engaged in the re-definition of its own reinvigorated identity, should make the most of its relationship with the Greek nation and Hellenism. Greece's

role is therefore not a secondary one but a protagonist one, central to the European idea.

Greece as a modern case study raises challenging conceptual questions. Greece's power has always rested on intangible values and a spiritual dimension transcending space and time. The millennia-long survival of Hellenism has proven this nation's resilience, which it owes in large part to the depth of its cultural and spiritual resources; history, language and religion remain pillars of contemporary Greece and constitute major assets in a world where the cultural and spiritual dimensions have largely been lost. The Greek nation is not confined to strict physical boundaries but extends globally, encompassing the Diaspora, within the wider context of Hellenism, dispersed round the world, a strong force creating a kind of universal alliance that has influenced and assisted the nation throughout its history, and especially during crisis periods. Greeks, within the country and in the Diaspora, represent a link between Europe and the emerging multipolar world where old civilisations will have an important new role to play.

Byzantium was the great Empire that formed the Eastern continuation of the Roman Empire after the Western Roman Empire's fall in the 5th century CE. It had the Greek language and the Orthodox Christian faith as its central characteristics defining the identity of its civilization and life. The same characteristics today define the modern Greek national identity. Thus, the definition of the contemporary European is he who is acquainted with ancient Greek thought and philosophy and the Roman judicial system and he who lives according to the Christian spirit. Rome, Jerusalem and Athens therefore represent historically and contemporarily shining models for the newly emerging Europe. The Eastern Roman Empire, Byzantium, saved Europe twice from conquest by Islamic empires. If the Byzantine barrier at Constantinople had not held twice in the 7th and 8th centuries, Europe might have been overtaken by Islam, with possibly a very different outcome for Europe and the world. In the present day, the Eastern Roman Empire is not only notionally topical but also vitally ever-present for the modern Orthodox Greek. The Empire's achievements in the socio-cultural, spiritual, civilizational and governing fields are today the inspiring forces for the contemporary civilizational currents in the developed world. The wide-ranging nature of the conquests of Alexander the Great continued with the Byzantine Empire, carrying within it the seeds of modern Hellenism. The end of the Byzantine era in 1453 marked the dawn of the European Renaissance, that period during which European civilization reached great heights, inspired by Greek scholars who had fled the conquered Eastern Roman Empire, and Europe made a deep imprint on global history through its multiple inventions and the great discoveries of 'new' lands, the most important being the Americas. During the 16th and 17th centuries, the age of the Protestant Reformation and a triumph of literacy and the new printing press i.e. a true media revolution, Europe established the structures and belief systems which would define the continent in the modern era; during the same period the West had grown much stronger and more resilient to invasions.

Today's vision for Greece signifies a new dawn for this nation at the southern-most tip of the Balkan Peninsula, surrounded by three seas, not only on the economic level, but also in the sphere of centuries-old ideals going back to a small country which planted the seeds of Western civilization. Greece may or may not go through one last awakening shock before the revival. Hellenism means a continuation of an old, but at the same time also the formulation of a new national identity. Culture is an essential component of the Greek DNA, one whose imprint gave birth to the West. However, Greece's cultural dimensions are carried throughout the world not only by history and tradition, but also by Greek Orthodoxy, the Greek merchant spirit and shipping: nations do not forget their

history! On the other hand, modern European civilization, formed out of the currents of the Renaissance, scholasticism and humanism, permeated with indispensable elements of ancient Greek thought, is also characterized by profound differences from Greek-Orthodox belief and with a radically different stance towards life, man and God. Greeks are neither entirely of an Eastern nor of a Western origin. Therefore, in the Greek-European relationship agenda there may always be friction on the surface as two radically different systems collide. A positive cross-fertilization for the benefit of a new emerging European identity is, nevertheless, undoubtedly possible. It rests with Greece to transmit eternal cultural values to Europe and with Europe to provide political and economic governing principles to Greece. The universal power of Hellenism has the ability to successfully absorb and transform many different foreign elements. Thus, despite the recent grave crisis, the new modern Hellenic identity may be standing on the threshold of its reformation in a world under transformation. Greece will never become a perfect example of Western governing principles; it could, on the other hand, become the shining continuation of a centuries-old culture, whereby it could provide Europe with the much-needed spiritual foundation and vision, the beliefs and aims that European populations long for.

Geopolitics

- ❖ A European transatlantic foreign policy should not be incompatible with an independent European foreign policy and a working association with Russia; to the contrary, the latter could be quite compatible with geostrategic networking in a multipolar world. Europe will ultimately have to respect the historic necessity, in its foreign policy with Russia, for the existence of a non-hostile neutral buffer zone along the central European plain and Russia's borders with Europe. A Russia that feels secure can only be in the best interest of Europe.
- ❖ European and Asian trade-linking and cooperation is the most important geopolitical issue and global change parameter for the next few decades. The combined continental landmass named Eurasia is today building up and may replace the old topography, with high-speed railways, highways and pipeline links, allowing fast interconnectivity of continents by way of maritime and mainland routes for trade and natural resources transfer. *The expansion of the wider connecting region between Europe, Central Asia, South and East Asia, Africa and the broader Middle East* is the single most significant strategic developmental issue of our times and one which the US will also try to influence in a number of ways.
- ❖ If Europe and Russia move toward a certain level of mutual understanding and cooperation, then the countries between the Baltic Sea and the Black Sea will become indispensable to United States foreign policy, with Poland being the largest and the most strategically placed country within that bloc.
- ❖ Although Germany is one of the most technologically advanced countries in the world, it has avoided using this technology to outfit its armed forces with weapons of mass destruction, although it participates and has been training in the NATO nuclear weapons sharing arrangements. Germany possesses the ability to create nuclear weapons but has refrained from doing so under Treaties on the Non-Proliferation of Nuclear Weapons. The development of nuclear military capacity for Germany in the coming decades may be another milestone for Europe on its way towards an integrated foreign policy and the capacity for independent projection of European military power. This may materialize or, on the other hand may not due to the potential of serious

resistance stemming from historical reflexes among other European nations and corresponding sensitivity to such reflexes by Germany.

- ❖ A distancing of the US from European policies and the UK's exit from Europe may be two events creating a historical impetus for a new beginning for Europe. Brexit could well have been a calculated move in the competition between the Anglo-Saxon world and Europe, along the long-existing collision lines between land and sea forces and major forthcoming worldwide geopolitical events and realignments.
- ❖ The *Intermarium*, a plan having its origins in the aftermath of World War I, is a proposed Polish-led federation of Central and Eastern European countries including the Baltic states (Lithuania, Latvia, Estonia, Finland), Belarus, Ukraine, Hungary, the Czech Republic, Slovakia, Croatia and, in a wider later version, the northwest Balkan region as well. Also termed *The Three Seas Initiative*, the concept ultimately aims at connecting three seas in an alliance of countries, from the Baltics to the Balkan and Adriatic regions and further East to the Black Sea, for the purpose of counterbalancing both German and Russian influence in Europe. It would in effect create a belt of countries separating Russia and Germany and preventing them from ever forming an alliance (in accordance with long-held US geostrategic policy thinking). This massive land area, the most stable part of the post-Soviet world, the last frontiers of Western civilization on the Eastern side of Europe, is a point of convergence of disparate cultures and a gateway to both East and West. The United States may strategically be focusing on extending and solidifying its influence and support for *The Three Seas Initiative*, whereas Russia views most parts of this area as traditionally belonging to its sphere of influence, creating a long-established natural buffer zone and providing guarantees of security through separating Russia from Europe. The *Intermarium* concept is resurfacing in different foreign policy discussions, as the European Union is endeavoring to establish its new direction, vision and alliances, another piece in the puzzle that comprises the new European identity map.
- ❖ The East Mediterranean, the overlapping plane for the commercial interests of East, West and Middle East, acts as a deterrence zone against threats that are building up on its periphery and at the same time is becoming an important region of energy supply routing. It acts both as a barrier and a screening zone for the massive entrance of migrants coming from the surrounding Asian and African land masses and seeking refuge on the European continent. The arch extending from sub-Saharan Africa all the way up to the Middle East, Turkey and the Balkan region and two other arrows reaching respectively from the Middle East and Turkey towards Central Asia, embrace regions with increased instability and plagued by such ills as poverty, crime, religious fundamentalism, corruption and the danger of the proliferation and use of weapons of mass destruction.
- ❖ The entire East European region is made up of a mosaic of geopolitical currents, of interacting but also colliding trends, which a new visionary EU policy must deal with. Turkey's strategic aims may involve a projection of power south into the Arab world, west into the Mediterranean and northwest into the Balkan region. Russia, an ally of the Serbs, is decisively intervening in this political game, since it is interested in establishing its own protective sphere of influence along its borderline with Europe and the Balkan region. The US is anxious to prevent any rapprochement between Europe and Russia as this directly touches upon core doctrines of the US's global foreign policy interests.
- ❖ Huge multibillion natural gas projects presently under planning or development may be the new long-term, key pacifying element in a region maintaining only a delicate balance but inherently dangerously unstable. Strengthening of foreign policy relationships between major countries in the south-east Mediterranean will

contribute to the development of an arc of stability and safety stretching from the coast of North Africa, Egypt, Israel, Jordan into the Mediterranean, to Cyprus, Crete, the Aegean Archipelago and Greece, further up into the Balkan region and all the way to Bulgaria. The latter notional direction is also defining the distribution lines of the new mega-energy projects.

- ❖ Energy self-sufficiency for the US raises certain important geostrategic questions and will undoubtedly trigger additional geopolitical realignments. An energy autonomous US increasingly exporting oil & gas will continue to be strategically interested in the protection of sea routes for the trading and distribution of oil, approximately 50% of which is transported via maritime corridors. The projection of political power by oil-producing Middle Eastern countries is shifting from producer countries to the large consumer nations around the world, with huge consequences for the new power map in the Middle East. If, hypothetically speaking, the US does not continue to be the de facto patron of oil markets and oil routings, then large consumer nations such as China and India may seriously have to consider building up their military maritime capabilities in order to assume part of this task, a process already under way: in this case, Europe has another strong reason for the immediate push for political integration, an independent foreign policy and *strong military presence on land and on the seas*.
- ❖ The race for resources in the Arctic has multiple interacting dimensions. Whether it is environmental science, commerce, policy or military planning, what happens in the Arctic reverberates throughout the entire world. Russia's push into the Arctic is a major strategic objective, often seen, however, by the West's strategists as merely another aggressive move. The opening and use of the Northern Sea Route (NSR) – the major Arctic shipping route - will position Russia as controller of one of the most important LNG maritime distribution lines and as one of the largest LNG exporters worldwide. With the Yamal LNG plant at Sabetta, north-east of the Yamal Peninsula in Arctic Russia, reaching its full capacity, together with the existing Sakhalin-2 LNG plant on the island of Sakhalin off the east coast of Russia and north of Japan in the Pacific, Russia will be producing almost 27 million tons of liquid natural gas annually, approximately equaling the amounts imported by China per year. The nation has multiple LNG projects to challenge the world's top producers, since its ambitious plans call for an increase in annual output to around 90 million tons by 2035. The opening of the Arctic region, apart from the shorter shipping routes, will provide access to untapped mineral resources and extensive commercial fishing, making the region a leading strategic link for the world's supply chain, with Russia in a controlling position. Dominance over the Arctic routes, of huge military and economic significance, is fast becoming a major global geostrategic issue.
- ❖ The most important emerging global security issues are: the battle for the domination of precious energy resources, the protection of maritime traffic, i.e. distribution lines for the world's resources, energy sufficiency and sustainability to satisfy the growing needs of humanity, the management of climate change, i.e. the avoidance if possible of and coping with super-catastrophic climatic events, cyber security in a world of vast interwoven data networks, regional military clashes and the probability of escalation of regional conflicts into a major war along the intersecting geopolitical interest lines of world powers.
- ❖ The US may shift its global foreign policy towards the Roman model of intruding only where unavoidable and in a precisely targeted way in order to avoid a waste of resources, while politically and economically providing selective military support as and where needed for the maintenance of a desired balance. In a not so distant timeframe this does, however, not exclude the possibility of major military interventions which could escalate to larger global military conflicts to

preserve the US's dominating world position and power. The United States will maintain for the foreseeable future its full capacity to project unmatched overwhelming global military power, unchallenged by virtue of its naval and air forces.

- ❖ Russia has clearly indicated that any rapprochement between the two superpowers will be on terms of equality, ruling out any acknowledgment of unconditional US supremacy. Russia will fiercely defend its southern flank and will not allow arbitrary changes in the wider region surrounding the Russian territory.
- ❖ NATO is being challenged by an integrated air and missile defense (IAMD) advanced Russian capability, which the Alliance is only currently beginning to address fully. In relative perspective, Europe's military forces are undercapitalized, with a paucity of modernization initiatives, making them weak and therefore causing them to lose their deterrent value. European allies may be spending on defense, but in relative conventional military terms NATO's power in Europe continues to decline, therefore creating a permanent gap between NATO's conventional and its nuclear deterrent.
- ❖ The use of small-scale tactical nuclear weapons, used by either the US, Russia or other major powers as a means of last resort, although in our view unlikely, nevertheless cannot entirely be excluded in future world conflicts, especially if rogue states threaten global security.
- ❖ The first European-Russian joint Mars mission, the ExoMars Project, is an example of highly productive cooperation in the field of space science. Successful scientific cooperation may act in a pacifying and interconnecting way, at times opening the door for political cooperation even between opposed nations and larger regional political entities. This is definitely a note of hope for the future.
- ❖ Throughout history great powers have fought battles in distant places, inter alia, as a means of displaying their power. As a new era is unfolding - its roots traceable to the start of the latest financial crisis - it lessens expectations that international diplomacy and democratic principles can keep the world out of trouble. The US will have to make a choice between possible military confrontation in the Korean peninsula, the acceptance of a nuclear-armed North Korea or another land war in Asia - all of these options entailing not readily calculable consequences. If South Korea ultimately realizes that aligning itself with the US in a US-North Korea military conflict would be a far riskier option than living with a nuclear-armed North Korea, then such a war could probably become less likely. The possibility of war is a much more complex issue than it might appear to be at first sight, potentially involving China in the background; if it takes place it could signify a truly devastating confrontation. Ultimately such a major geostrategic event could in reality become a confrontation between two global giants, namely the US and China. Other great powers apart from China, i.e. India, Japan and Russia, will undoubtedly be assessing such a potential situation, of the highest magnitude in world geopolitical order, and would take judicious decisions and proceed to well-calculated actions. The abovementioned scenarios are part of both the perceived as well as the projected power status of the US in a world seeking a new level of stabilization. We still hope that the window will remain open for a solution through targeted projection of soft power coupled with intensive diplomatic action at the highest political level.
- ❖ When a rising power challenges a de facto dominant power the result is systemic pressure that makes conflict almost unavoidable. The velocity of China's growth in power is not comparable to anything else in modern world history. China as a growing force is inevitably approaching a dominant

immovable giant, the US, unavoidably challenging its space and spheres of influence on multiple fronts. It will take enormous diplomatic skills, open lines of communication and the fine art of negotiating and policy exercise to be able to diffuse a potentially - in fact looming - future clash of giants.

- ❖ Ottoman/Turkish and Persian/Iranian spheres of influence have been colliding for centuries. As Turkey deepens its presence on Shiite territory, the competition between Iran and Turkey is bound to intensify.
- ❖ A Shiite arch, stretching from Iran to Iraq, Syria and Lebanon all the way to the Mediterranean Sea under Iranian control, firmly supported financially and militarily by Russia, will give Iran access to the Mediterranean Sea, one they have not had for over two millennia. It constitutes a geostrategic mega-challenge both for the Sunni Middle East but also for US global policy and as such is one which the US will try by any means including military might to prevent from materializing.
- ❖ A critical question concerns the future of the Joint Comprehensive Plan of Action (JCPOA), the nuclear deal Iran and the five permanent members of the UN Security Council (China, France, Russia, UK, United States) plus Germany and the EU agreed upon in 2015, prohibiting Iran from building a nuclear bomb but allowing it to pursue nuclear projects for energy generation and other peaceful purposes. The US sees in Iran an enemy of the US (and an enemy of Israel), acting counter to US geostrategic interests notably in the Middle East. The EU to the contrary regards the JCPOA as a historic agreement which has terminated one of the gravest nuclear crises of our times. It furthermore asserts that the world cannot open another front dangerous to world stability similar to the ongoing crisis with North Korea. In addition, major European multinational companies, most particularly those of French origin, in energy, aerospace and the automotive industries, have vested economic interests in Iran. Russia is a long-standing partner of Iran in nuclear energy. Even certain US multinationals have open commercial interests in Iran.
- ❖ Old rivalries are resurfacing in Asia. China continues to push forward on a number of projects, among them its New Silk Dual Belt initiative, including the China-Pakistan Economic Corridor, port projects in the Indian Ocean, large investment projects in East Africa and infrastructure projects with Nepal. India is worried that Beijing is penetrating India's spheres of influence. Control of the Siliguri Corridor, the Brahmaputra River region and dominating influence over Bangladesh would give China access to the Indian Ocean, thus bypassing the disputed South China Sea maritime region. About 2500 miles of border between India and China have constituted a decade-long line of conflict between the two largest Asian nations. India is pushing forward with its own developmental projects in cooperation with Russia, Japan and the US as well as direct investments in the African continent to counterbalance China's huge investment initiatives.
- ❖ The United States is safely isolated from the world's maritime oil trade choke points because of its geographical location, surrounded as it is by oceans east and west, bordering with peace-friendly Canada to the north and being largely unchallenged to the south. In addition, its multiple sources of energy supply plus its sufficient internal oil and gas production ensure the absolute energy self-sufficiency of the American nation. China and Japan to the contrary depend on open sea lanes, especially the Strait of Hormuz and the passages in the Indonesian Archipelago, to ensure delivery of vital energy supplies.
- ❖ As the Indian Ocean and the China Sea assume leading importance as energy and trade routes, tensions will continue to escalate in the South and in the East China

Seas. The United States' primary concern in the Pacific region is preventing the rise of any single state that could upset regional order, which in turn could challenge US maritime supremacy in the region and, ultimately, in the world's seas. China is indeed the ascending power which the United States undoubtedly will try to contain. Although global trade may in the end take on an importance that overrides other considerations and could hopefully connect peacefully small and large players in the region, nevertheless, as supremacy of world power remains an unchanged US grand strategy goal, the future possibility exists of a China-US military conflict in this region, drawing Japan into it as well.

- ❖ Large wars are usually unavoidable if they are rooted in geopolitical and geostrategic shifts in the global system. They relate to the rise and decline of nations that has gone on through several millennia of history. A new balance usually emerges after military confrontation.

Closing Remarks

At the end of the Cold War, the prevailing perception throughout the world was that danger and tragedy stemming from historical imperatives had come to an end. This view, however, overlooked the importance of geography, with its historical meaning as the point of reference for studying, understanding and analyzing historical, political, economic and cultural relationships between nations - and all this in a new and fast-developing technological context. Connectivity, driven ahead at lightning speed by technology, is altering interrelationships in a world under rapid transformation. The latter in turn indirectly affects spatial relationships between nations, while geography itself is affected by sociopolitical, economic and cultural transformations, in a way creating new frictions between individual nations, conglomerations of nations or even entire continents. The US as the single most powerful nation on earth is affected in the least possible way because of its advantageous geography, the result of its being a nation surrounded to the largest extent by oceans, which in themselves create a powerful insulating barrier. Ultimately, what dictates US foreign policy, including intervention in various regions of the world using diplomatic, economic and even military means, is the drive and commitment to preserve a hegemonial world status, together with the perception that the US is carrying out its responsibility towards other nations. One could argue that Russia, not blessed with such favorable geography, nevertheless displays a more coherent and intelligent strategy, albeit more conservative and to a large extent focused on its vital national interests, such as its relationships with Europe and the emerging Asian continent. In such a rapidly shifting environment of powerful geopolitically necessitated currents sweeping the world, war cannot and should not be regarded - in any careful longer-term analysis of a political or economic nature - as an impossibility. This frank admission in no way means that the world does not possess enough diplomatic, intelligent and peaceful ways to solve its many problems, conflicts, confrontations, challenges and realignments of a regional or global order ahead of us.

Europe has historically been characterized by its dialectic struggle between its maritime and mainland nature. As Germany started building up Europe after WWII, Anglo-Saxon sea-bound Britain, a historically seafaring nation, started gradually distancing itself from mainland European states. US strategic policy, consistent for a century, has pursued a single objective, which is the avoidance of the rise of a single power bloc that might be able to exploit Western European technology and capital coupled with Russian resources and manpower. If what seemingly appears as a crisis between Russia and the European Union ultimately results in political and economic convergence, this may revive the Anglo-Saxon geopolitical nightmare, namely Europe organized around a German-Russian cooperative axis, potentially challenging Anglo-Saxon global supremacy. Such a

possible outcome explains to a large extent the British and US attitude toward Europe over the last century. It is thus unsurprising that imperialistic powers within the American political classes view a strong, united Europe counter to strategic objectives for a US-envisaged order and control of the world. There are, however, other opinions within the US political élites which, in a multipolar world, recognize the merits of cooperation between the US and a strong Europe that would generate a win-win situation. The latter position entails US acceptance of the unavoidable ascent of other nations to regional power or even superpower status, without necessarily threatening the US's globally leading economic and military position.

Russia's geostrategic positioning historically rests on the maintenance of a vast protective buffer zone along its borders with central Europe, shielding Russia from an invasion from the west. This buffer, in the form of the landmass of the ex-Soviet Union states stretching from Ukraine to Estonia, is critical for Russia, given that no natural barriers, such as a major mountainous area, exists on Russia's frontier with the central European landmass. The current Ukraine crisis should be largely regarded within that context. Meanwhile, the United States has difficulty understanding Russia's fears, while Russia views American fears of it expanding into European territory as naive. A Europe that is reunited with a clear voice and transparent and steady objectives in its foreign policy can play a decisive historic role in bridging this vital and dangerous gap of misunderstanding between the two superpowers, especially since landmass and future stakes relate to Europe itself.

Over the past ten years, Russia has displayed an impressive degree of political-military organization and consistency in pursuit of its national foreign policy objectives. The expansion of Russia's military power is a coherent and purpose-driven activity designed to challenge Western dominance, which Russia's state leadership perceives as detrimental and dangerous to its interests and intrinsically vulnerable on the European/transatlantic side. Russia most probably nourishes political aims rather than entertaining intentions to forcefully change physical borders in Europe, notwithstanding the Crimea annexation. Russia will continue to use military and non-military means to strategically win points in a chess game with the West, as long as it believes that it has the capacity to consistently, be this marginally, score advantages. In order to meet this challenge, the West must, foremost, accept an existential nature of such well-defined objective on Russia's side. On the European side, deterrence has to become a well-defined strategy by addressing the threat to be deterred. Russia's aims may theoretically be to incapacitate NATO's forces in a pre-chosen concentrated theater of operations and force it to concede defeat. On the European side, effective deterrence is the approach which provides a clear signal to Moscow that even a short war could have huge costs for Russia through crippling its national economy and may even lead to a long war that Russia cannot sustain and could well lose. Western military strategy should focus on the neutralization of specific Russian military strengths via a well-defined deterrence strategy, an achievable goal. This ultimately paves the road to long-term maintenance of peace on the European continent and ultimately opens the door to a productive working relationship with Russia: the latter should firmly remain a permanent European goal.

In the late 19th century, the demise of the Ottoman Empire created a Balkan ethnic map of several states in conflict with each other claiming wider territorial control, with Russia having the overriding controlling influence over large parts of the region. In the 21st century it is imperative that Europe exercise soft economic and political power, addressing the needs, values, beliefs and aspirations of the Balkan populations who are emerging from a harsh historical environment,

thereby counterbalancing the Russian factor that is once again growing in influence.

A new reality is evolving and already unfolding in an accelerating timeframe. Tectonic shifts and realignments allow for geostrategic interests of large regional nations and superpowers to intersect on either common or opposing strategic planes. Once shifts are dynamically in motion and overlapping interests start interacting and colliding on the global geopolitical scale, policies cannot easily be rebalanced without major economic upheavals and, in frequent cases, war. The possibility of regional, or even major, wars with the direct involvement of the US is more likely in the China Sea and the Middle East where Iran is envisioning establishing regional dominance. In both scenarios, Europe may remain largely uninvolved and on the sidelines, strengthening its position as a united, cohesive political, economic and military entity. Its relations with Russia, under specific conditions already outlined, could improve, involving a common economic cooperation and political dialogue platform. The risk, though remote, of a devastating world war for the maintenance of global supremacy exists, especially in a volatile transitional environment as witnessed today. It is nevertheless our view that reason and the diplomatic means for finding intelligent, meaningful solutions to conflicting world issues, maybe by allowing smaller defusing regional military conflicts to take place, is by far the more likely direction the world will be taking on its way to a new equilibrium. The mindset of the new, well-educated generations now growing up, which shortly will be taking up powerful positions in leading economic and political posts, overwhelmingly oppose a militarized world. This is a highly important parameter and indicator totally contrary to corresponding pro-militant social positions recorded prior to the outbreak of the two World Wars of the past century. Consequently, today's leading social indicators point to – though cannot guarantee – intelligent, peaceful solutions to current global issues.

Art

Art and artistic expression can be important indicators of things to come, of incubating or emerging trends, especially in times of global socioeconomic, political and cultural change. Hence, art as an early indicator should be taken seriously into consideration by strategists or decision-makers, whether in politics, business or the social domains, as being equally important for understanding the current environment and as input for the medium- or longer-term planning horizon. Art and culture document actual ways of life and, through hidden creative and innovative forces, open up exciting new possibilities for life and human interaction. We have therefore deliberately placed this small though important section just before the epilogue of our global analysis, simply quoting, without any further comments, some of the questions and positions of artistic expression as recorded in exhibitions and other artistic forums around the world:

- *The world as a melting pot of wealth and poverty ... a world of extreme radical objectivity ...*
- *A question today of real freedom if existent ...*
- *The meaning of value on the monetary and ethical levels ...*
- *The global job market as a vast slave market ...*
- *The state is a machine fabricating a gender-oriented reality where citizens are beggars*
- *Every archive is a dead archive, a block of compromised anger*
- *To dethrone the world of winners means a first successful move of resistance*
- *A landscape of disintegrating worlds under the shadows of revolution ...*
- *Representation, perception, lies, truths and power, views projected on the global exhibition screen, defining another complex form of order ...*

- *How does power constitutionally manifest itself out of existing regimes?*
- *The problem lies in how to govern growing masses of discontented people*
- *Social death does not eliminate suffering ...*
- *Illusory subjects moving between transparency and invisibility in our social world ...*
- *A historical statue projects a form of power demanding to be heard*
- *Freedom relates to a principle of reality but who will convey to us this reality?*
- *Time of rituals (and tradition) ebbs (and returns) in a cyclical way*
- *We cannot feed our children with natural gas or oil*
- *Politics looks towards the warm living earth and monitors the tendencies of its citizens*
- *Hospitality should not be accompanied by debt nor should it be motivated by duty*
- *Emotional evolution relates to the global movement at the surface of connectivity and over the living differences of thousands of micro revolts ... it projects its power horizontally and will decisively challenge, influence and redirect the existing exercise of power!*

Epilogue

What we are witnessing today is the travails of a world that has come to an end. The dissolution of the Soviet Union and the neighboring Communist bloc enabled the US to assume a globally leading position in the economic, political and military spheres over the past several decades. The development of the nation state and national sovereignty that started around the 16th century saw its culmination after the end of the Cold war with another wave of smaller nation states being created, predominantly stemming from the breakup of the ex-Soviet Union and Yugoslavia. In an era where intervention by global powers often appears under a new "necessary", "legitimate" and sometimes "humanistic" pretext, we may be witnessing the end of the latter long-term trend and another leap into the "unknown" new world. At the same time, the gradual rise of regional powers — notably China and a re-emerging Russia — but also the strengthening of smaller groupings of developing nations economically and militarily is, in relative terms, eroding the United States' position as the default world leader. It is consequently becoming clearer that neither are US ideals universal and so should not be asserted as such, nor is the US in a position to impose its will and simultaneously engage itself militarily in multiple theaters around the world. The diffusion of global power creates a diffusion of global ideals. Domestic and international resistance to hyper-globalization is strong and the ability of the US to assert its ways and its very right to lead the global system is increasingly being challenged both internally and externally.

The new Russian foreign policy dogma shows in a profound way the differences in corresponding policies between the West and Russia. Russia is integrating into its foreign policy elements of a new multicultural world, while abandoning its former ideologically expansionary and confrontational attitudes towards the West, remnants of the Cold War era. Russia thus propagates a far more ideologically conservative dogma, resting on the principle that it is Russia that defends itself against the West's expansionist policies. Geography and cultural elements going back to the imperial era of the tsars are strikingly evident, a proof that geopolitics is returning into Russia's foreign policy. Europe must too accept the realities of a new era and upgrade its own policies to fit within the new geopolitical reality, elements which currently may not be sufficiently represented in leading European think-tanks. Such realities include the diverging directions between the EU and the UK related to the ever-present colliding policy lines between land- and sea-based nations. The danger of a European Union collapse has indeed been acting as a strong wake-up call, spurring a revitalized European manner of thinking. A

new Eurasian century is emerging with China in a leading role, a Europe resurrected despite all the gloom and doom scenarios – although it is not yet clear in what way or form - and a Russia boldly countering sanctions and regaining a powerful leading status based on a strong cohesive strategic vision, a novel economic policy, military might and an advanced technological platform.

Forced multiculturalism is leading to perilous divisions within European societies - as well as to separations among the countries themselves. If the West extends unlimited tolerance to those that, while being offered a helping hand, are attacking Western societies, then tolerant societies will in the end be jeopardized - possibly even destroyed. Added to this risk is the fact that the West, though heir to the Christian faith and to the Christian-European identity, is today witnessing belief, vision and faith being increasingly eroded, while its citizens feel wearied, unwilling to fight for values, as directions have become blurred and hazy and civilizational underpinnings have largely been lost. The emergence of enclaves alien to European culture, reinforced by élite policies of multiculturalism, group identity politics and the decomposition of Western heritage, is contributing to the fracturing of Western European nations and could endanger the European unity project. China and Russia are, in contrast, surer of advancing, since faith, ethnic feelings and vision are strongly represented within their societies and within political thinking. The West, in particular Europe, needs to rediscover the fundamentals, the roots of Western civilization, to once again create the conditions that will empower its citizens with a new sense of direction. A new "all-encompassing Western strategy" should be created to cement U.S.-European bonding and to encourage Russia to be a part of it.

Looking at the history of past glorious empires that in some way or form have left their heritage and descendants, China, Persia and France in particular stand out. China has always been a land power, its control never extending in a serious way beyond its mainland and with a territory that has not shifted much over several millennia. The Persian Empire, with its mountainous core, historically stretched north and west into Central Asia and parts of Afghanistan and Pakistan. Past Persian empires controlled most of present-day Iraq, a strategic imperative Iran is re-focusing on today. In Europe, another great nation, France, established two empires in more modern times: the Napoleonic Empire, dominating much of the European continent, and the French colonial empire. Within the framework of a reorganization of Europe's power structure France will have a significant role to play, remaining a major regional economic and military power in Europe. As a new world order unfolds, the descendants of all three historical empires are likely to have significant roles to play in their interaction, whether peaceful or confrontational, with the largest modern empire the US.

The Eurasian landmass is in crisis, this involving shorter-term upheavals and realignments while longer-term pointing to positive possibilities and opportunities. Crises between regions in Europe, neighboring Russia, the Middle East, Central Asia and around China may potentially create regional clashes, which could lead to larger conflicts. The mechanism regulating how the world has for long been functioning is changing. Landmasses may temporarily stay off balance with social and economic problems, internal politics within shifting landscapes and armed confrontations. Large-scale war between superpowers is a possibility as complexity increases entropy, with disarray of the world system subsequently reaching unsustainable levels. US power will grow in absolute terms, while its ability to affect political outcomes throughout the world will, relatively speaking, diminish. The hope is that during such unsettling times the nuclear military option will not compose part of policy decisions, far less translate into action. On the positive side, we believe that smaller crises and ongoing realignments will diffuse and absorb potentially larger shocks and allow the recalibration of the world

system to a new status and permanent balance. Such a potentially emerging state will, in our view, confer prosperity and renewed hope for planet earth for many decades to come.

Parameters central to the shaping of a new world reality include:

- a) a new quantum leap in communication/computing technologies and instant interconnectivity for the world – a new paradigm, which once again, is radically changing life on earth;*
- b) the projection of soft power by new economic forces and alliances – a positive development unleashing new forms of productivity, entrepreneurship and financial interaction;*
- c) the exchange of military force along conflicting geostrategic lines by regional powers, at times assisted by major world powers: the latter entails the danger of a global war;*
- d) a strong and competitively restructured European Union with its own foreign policy and independent military presence – a positive historic development for Europe;*
- e) Russia and China succeeding in their economic and foreign policy aims at the epicenter of an expanding Eurasian geographical plane interacting with Europe - the question remains as to what the tolerance levels will be for US power accepting such developments that challenge its historic world supremacy status;*
- f) the awakening of the greater African region interconnected with Eurasia: new positive growth opportunities for the entire world;*
- g) regions throughout the world – even within larger political or economic blocs – forming independent distinctive alliances that will reshape existing political and economic realities – a positive development changing the nature of politics and supporting a new golden period of growth for humanity;*
- h) a great environmental awakening due to large-scale catastrophic events related to manmade earth/climate distortions: the last chance for humanity to change its course and rescue its future.*

The move from the analog to the digital world is revolutionizing almost all areas of society. The frenzied collective drive for the assimilation of personal data seems limitless. On planet earth a nervous system is growing, transforming the world, as well as traditional values, into a multicellular organism. Data- and cyber-security are becoming increasingly important. The IT industry and academia are joining forces in this epic global transformation. In education the relationship between teachers/lecturers and pupils/students will, nonetheless, never cease to be vital because it involves emotional and inspirational interchange. More generally speaking, the possibility that machines may one day rule the world is not to be dismissed. It is therefore the most urgent task of science to guide society towards using the above potentials beneficially and not detrimentally. An example of the latter is the threat posed to digital democracy by populist action using computerized propaganda with artificial agents and thereby transforming the rules of democratic governing. Even today, more and more opinions are fabricated in serial and automated fashion and, with this, the danger is growing that the compounding of information will degrade the truth. The Internet could become an Armageddon of letters and numbers and, within this context, robots could eclipse humanity in the competition of ideas. The danger with artificially generated thinking is that a robot in conflict over two or more options never ends in a consensus: the dissent is perpetuated and the final template, far from being optimal may be catastrophic. If the impacts of artificial intelligence are not correctly anticipated and integrated by governments in educational and economic development agendas, unemployment may explode, aggravating political turmoil around the world. Technology is progressing at breathtaking speed: however, the way it is utilized may increase the dangers of a

manmade accidental catastrophe attributable to nuclear or 'biological' disasters or asymmetric terrorist actions. Global order could well deteriorate into a combination of vying nation-states, powerful multinational corporations, local militias, terrorism and organized crime. On the other hand, if the artificial intelligence parameter is understood and wisely integrated into growth policies, the frontiers of work may become more open to allow widespread self-employment options, leading to a new employment culture and a self-actualization world where other forms of human expression, including religious faith, art and culture, can flourish. Hence, since the tools we have today could give us enormous power to make the world a far better place, humanity should not descend into pessimism.

An interpretation of the world based on quantum mechanics and chaos theory shows that nothing is deterministic, and one cannot know for sure whether a certain outcome will or will not happen. All too often, the future is seen through either the lens of the past or through the distorted lens of the present. This comprises a flaw in human perception and largely stems from an overdependence on history. Constraints will always apply and probabilities have to be assigned to potential outcomes in forecasting exercises. History teaches that during crisis times various components at different overlapping levels correlate and resonate in such a way as to produce totally unexpected outcomes in form and intensity. Out of chaotic conditions simplicity may finally emerge, introducing a new paradigm, a new era.

The quite considerable difference between Western and Eastern European reasoning, namely secularism versus spirituality, human intelligence versus divine wisdom, the latter based on empirical knowledge of insight into the keys of cosmos and creation, accounts for their fundamentally different civilizational perspectives and deeper cultural and religious ways of thinking. Scholasticism of the West (Greece represents the Eastern European perspective) permeates all aspects of human life today and in essence creates a division between theology or true divine wisdom and materialistic human endeavors, prioritizing the latter and creating a metaphysical entrapment of a humanity that seeks escape routes in merely human intelligence and sterile philosophical discourse. Scholasticism thus breeds more scholasticism in a never-ending vicious circle, with the only solution being a quantum leap in humanity's ontological foundations, which is offered by Eastern Orthodox Christian thinking based on empirical cognition.

National borders are gradually being replaced by ideological or religious notional boundaries. Old civilizations based on tradition and religion (i.e. the Muslim world) are revolting against the attempts by the West to impose, on its own terms, a new sociopolitical order in their territories. Huge underlying civilizational differences, partly based on divergent religious beliefs, are creating ever deeper cracks in global collectivity. Dominant Western norms, with a growing void on the spiritual level, cannot be taken for granted. Enlightened political and spiritual leadership is required to diffuse an overloaded global situation – and, in fact, such a leadership historically arises as a consequence of pressing social needs at particularly stressful times in human history. A new agenda for the UN could be the prevention of international crises via mechanisms that would put in place early warning signals for their containment before they erupt. Other initiatives of the UN should be seen through the same contributory positive lens, such as the recent UN conference adopting a ban on nuclear weapons. International think-tanks are important constituents of a new world order benefiting from input comprising cultural, religious, political and economic perspectives. The war of cultures could thus be transformed into a much-desired dialogue of cultures.

Ecological disaster on a grand scale weighs heavily on planet earth, its true origin being the ignorance of the underlying interconnectedness of all nature and its replacement by a detached, anthropocentric, purely scientific mentality which predominates today. Over the past several millennia, the human mind transformed itself from accepting the divine as the center of all creation, towards seeking self-fulfillment in a materialistic, science-oriented, mechanistic worldview contributing to the fracturing of the human psyche and consciousness, dehumanization and cultural decay; today, this bringing about numerous heedless interventions in the natural world with disastrous consequences. As a result, there are fewer and fewer naturally arising physical disasters as we humans attempt ever more relentlessly to conquer the physical world - this being the culmination of hubris, excessive egotism and greed, something for which humanity may have started paying dearly. Human skills such as reasoning, analysis, logic and common sense supported by divine inspiration can, by contrast, prevent looming disasters of various forms in the coming years. The business and scientific worlds and academia are obligated to formulate an entirely new worldview based on the restoration of a sacred cosmology where the spiritual regeneration of humanity and the ecological regeneration of the earth are seen as deeply interconnected.

The coming pension and unfunded government liabilities hurricane is of such magnitude that the world can certainly not escape without great sacrifice and not without a new socioeconomic and monetary system in place. Widening inequality breeding social unrest throughout the world is one aspect of a bankrupt global society. This does not solely concern the US but almost the whole of the developed world. We live in a time of accelerated change and extreme prudence is required in financial planning. Geopolitical uncertainty focusing on clashing global geostrategic interests and a world faced with an enormous global debt burden are ingredients out of which financial calamities on a grand scale could suddenly emerge. If money/credit costs nothing, anything is possible in the world, as objective benchmarks are lacking. The widening of inequality in times of peace and prosperity is a common situation in history, as is the reduction of inequality in periods of disasters and wars.

Humanity is at present and will be in the years ahead continue to undoubtedly be confronted with massive change, which may signal either a new unimaginably positive or an equally inconceivably catastrophic future. Elements of history may repeat themselves but under a radically new paradigm. In balance, the grandiose developments of the 20th century may well continue in the 21st century. Inherent to every individual on earth is a creative, productive, entrepreneurial, inventive and sacred spirit, and there is evidence pointing towards activation of such traits, individually and collectively, to solve the Earth's acute problems. Ultimately, the world will find a new equilibrium through a combination of forceful and peaceful actions, via military and diplomatic means. What is certain is that the world which will emerge over the next few decades will differ vastly from what prevailing perceptions and conventionally imagined scenarios propose. Progress is unstoppable, possibly emanating from the primal need of every individual to strive towards a more responsible, free, secure and prosperous condition. Civilization is after all a process, not a state, a process that is subject to evolutionary laws with eternal waves of trial and error. If civilizational evolution is allowed to make the quantum leap from a material to a spiritual level it will propel human potential to unimaginable heights.

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