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## **GEPOLITICS AND GEOECONOMICS, FROM COLONIALISM TO GLOBALISM**

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I should have liked to limit my paper to the evolution of geopolitical practices in those countries which have more advanced economies and to the geoeconomical practices of their companies from the period of colonialism to the present day in order to recognise possible objectives for Italy and her industries in the new World scenarios which have come about from the end of the Cold War to the new conditions of global competition.<sup>1</sup>

However, following an up-date of my studies and after listening to other presentations over the past few days, I ought to premise those definitions which I think the most proper for the terms geopolitics and geoeconomics.

### **1. Geopolitics and Geoeconomics.**

The study of geopolitics came to the fore once more following the Seminar of geopolitics held in Turin in 1986 during the 24<sup>th</sup> Italian Geographical Conference which had Prof. Ernesto Massi (1986) as its leading member. This rekindling of geopolitics had also been noticeable in two publications run by the French geographer Yves Lacoste's: "Herodote" and "L'Etat du monde.

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<sup>1</sup> This is a pressing task of great importance which cannot be fully dealt with. Further deeper analyses are called concerning both political development and international relations and the development of capitalism and the world economical system, an analysis to which I could contribute, but which also requires the participation of other scholars and, above all, a widespread open intense political debate throughout the country.

Annuaire économique et géopolitique”. In Italy geopolitics became a reality with the publication of “Limes”, which, if it continues its early success due to the weight of its articles, must avail itself of a solid base of continuous studies and research if it does not want to end up as a simple commentary of political events.

What was restarted was not so much geopolitics as a practice, which was never really abandoned and existed before the word itself was coined, nor was it purely the use of the term geopolitics. There has been a reprisal of geopolitics as a science, which in the 1990s, on one hand, with the end of the Cold War and, on the other, with globalisation saw a need to give direction to national politics in order that many peoples were able to rediscover their own identities.

One of the most important recent studies is undoubtedly Carlo Jean’s “Geopolitica” (Laterza, 1995) which, following its success, went through a second edition just one year after publication. This work shows that there are still scholars who confuse analytical subjectivity, found in every science and human science, propaganda and ideological mystification. This confusion, which is doubtless very serious and which Jean’s work does not avoid, is common to all those who compare geopolitics (and thus geoeconomics) to political geography (and to geographical economy), labelling the latter, as with other sciences, the characteristics of an objective discipline and to the former the characteristics of a subjective discipline

Geopolitics is no more subjective than political geography or any other social discipline<sup>2</sup>.

In a lateral sense geographical knowledge applied to politics is a geographical *hand maiden* of politics, externally and internally, and in a strict sense closely tied to territorial development or rather politics of territory and international relations, in that it does not consider spatial and environmental values, but

points out directions and promotes changes to these values, which are not absolute despite a certain determination which is somewhat present in all traditional geopolitics, but always historically determining or socially relative. In other words, whilst political geography is a representation and analysis of the world's space-environment and its regional articulations, as a specific condition and product of action and political institutional order of human society and their relationship. Geopolitics is doctrine, it is a ruling discipline: it dictates rules of behaviour for such action and the reasons for the above order, on the basis of changing spatial and environmental values for each territory and of the world geosystem.

Moreover, for a distinction between geographical economy and geoeconomics, the first is a geography which deals with economy, whilst the second in order to lay down the rules of optimising spatial and environmental values of various places and territories is an economy which deals with geography.

A logical outlet and integral part of geographical economy, and more in general of economy, geoeconomics is a subject which recently is increasingly emerging:

- in national politics, internally and externally, aimed at supporting their own businesses, that is those businesses operating in their territories (not necessarily “national”) and more in general to render their own country-system (national geosystem) competitive and therefore increase spatial-environmental values and thus render it attractive for increasingly qualified company investments;
- in strategic practices of competition and company expansion, which often goes beyond the frontiers of the States-nations and exceeds their own political control (both on national and an international level);

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<sup>2</sup> The subjectivity which counterdistinguishes geopolitics from other geography and social disciplines, perhaps makes it an “honest” discipline, in that its scholars do not base their studies on their own premises of values but that they are aware of them and then carry them out.

- as a theoretical approach, in academic circles where economic geography is increasingly followed by scholars with a more economics base who aim their studies above all at defining rules for economic action and are therefore more interested in applications than geographical knowledge, at company management or political economy. Therefore various economists take the opposite direction, they approach geography, not for a paradigmatic generalisation of the system approach, but because they realise that to lay down valid rules of economic behaviour they cannot avoid the geographical differentiation of real markets and competitive advantages (Porter, 1998; Krugman, 1991 and 1995).

Under the first aspect, as a macroeconomical instrument, geoeconomics is confused with geopolitics: it is an integral part rather than being opposite it, as E. Luttwak would have it (1990). Indeed, it should be remembered that a policy able to increase territorial values, competitiveness of companies and the wealth of a country's citizens, increasing economic power, usually increases political power at the same time. Moreover, geopolitics itself is not a means to its own end, that is, pure power politics aimed at power for power's sake, and historically this was rarely practised, but in geopolitical actions and worries there are often mostly economical interest<sup>3</sup>. It is above all this common end that does not permit a countering of geoeconomics to geopolitics, rather the simple use of economy as an "arm" that is as an instrument to resolve political conflicts and to submit others to one's will, a use which involves all of the history of human society and induced C. Jean (1995, p.151) to counter simply geoeconomics to military geostrategy and, therefore, simply make it an "instrument" of geopolitics.

More explicitly, whilst agreeing with C. Jean when he rejects Luttwark thesis, underlining that geoeconomics is not a "substitute" of geopolitics, I believe his

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<sup>3</sup> Today, following the fall of the Berlin Wall, this Marxist theory, can now be accepted, without the fear of being accused of being pro-Soviet. General Carlo Jean (1995, p. ), who does not appear to be a hard boiled or nostalgic communist, stated "Not always perhaps – as scientific Marxism would wrongly have it (I would say a certain scientific Marxism ) – but more rarely wars have 'last' causes of economic nature".

view of geoeconomics is limited and unacceptable, not only because, as with Luttark's definition, it completely ignores geoeconomics as a business geostrategy, but also because often it is (and I repeat) geopolitics – or rather, its extraeconomic components – which is an instrument of geoeconomics and not viceversa.

On a microeconomic level, as business geostrategy, geoeconomics is the largest and central part of strategic management and evidently presents many affinities with military geostrategy from which derive various terms and concepts. It is due to these geoeconomic applications, as strategic knowledge for business, that economic geography has been included in university and accountancy school curricula since the institution of such courses. In Italy, for example, it was present both in high school curricula and in economic faculties.

Despite the fact that economic geographic seems to have made progress under a macroeconomic aspect, at least as far as academia is concerned, it is, in practice, at a microeconomic aspect that the rules and applications have proved most useful and efficacious. They are explicitly and implicitly at the base of territorial organisation of businesses and more generally in their dealings with the outside world, from which a large part of their competitive advantages depend. Moreover, marketing strategies and those for commercial investments, bank networks and every type of service cannot be excluded. Innovative technical instruments of geography, such as GIS, are very successful as means of company management, including, for instance, the growth of such areas as the wrongly named geomarketing – meaning quite simply the use of GIS to analyse real markets, rather than marketing of places (tourist resorts, towns, regions and so on).

It is more the request for geography (that is for a systematic and systemic representation of world spaces and various human cultures able to integrate or substitute real geography in each manager's or entrepreneur's experience) which is enjoying de facto growth with the increasing integration of markets and the globalisation of companies. It is not simply a question of the need for a deep rational

knowledge of real markets, but also of the competitive advantages on the whole offered by various places of the world's geosystem which are multi-faceted data often ignored by "normal" or "pure" economists. Nowadays, in an increasingly global world in which competition increasingly plays on creative ability and product quality it is obvious that competitive advantages of prime importance are no longer based on quantity and upon workers' meekness, but their quality, that is their knowledge and know-how, their imagination and creative ability.

This new need, of quality human resources, which are not found everywhere, but deep rooted in certain places and characterised by certain entrepreneurial environments, obviously not only derive from the integration of markets but by the passage to new capitalism, known as "flexible" compared to the rigid type characterised by the Tayloristic organisation of industrial labour. As conditions exist for the production of high quality goods in global competition, one new quality in high demand, be it from employees in the same factory or from suppliers, is a propensity to collaborate, rather than competition which has been the type we have been taught and used to to date.

One fundamental geopolitical objective today is to strengthen the advantage Italy can offer both foreign and Italian investors. The relevance of this objective, which obviously requires a radical change in the dominant ideology and the education system, may be understood later, following a short view of the large transformations being carried out in the world in which we live and those other geopolitical and geoeconomic objectives which are involved.

## **2. From colonial integration to globalisation**

The close ties between geopolitics and geoeconomics has been so strong and complex that the phases in human history, at least starting from the formation of the present world geosystem, are often indifferently opposed giving importance either to the political order or to the economic order of the system (colonialism, mercantilism, imperialism or oligopolistic capitalism). On the other hand, it is also evident that even "economic theories" have been, in effect, powerful ideological instruments: from Luttwark's biased geoeconomics

aimed at increasing the economic dominion of the proposer's nation. Among the supporters of such a view are, for example, the founders of classical political economy (which is British and therefore liberal) such as Adam Smith and even more so David Ricardo for his theory of comparative advantages which do no more than support the conservation of the status quo in the geography of specialised production and, if strictly followed, do nothing but condemn a country specialised in less technologically innovative (or advanced) products in the long run, to fall even further behind compared to those countries with more advanced productions.

Going through the main historical phases of the development of the world geosystem means attempting to identify the main geopolitical and geoeconomical practices which determined such a process and also, in order that such an exercise has some use, the explicit or implicit theories which are fundamental to such practices. This analysis will certainly be useful if it enables us to identify and understand those practices and theories which are at the base of development, in order to foresee changes to the structure of the geosystem and define a policy for "progress"<sup>4</sup> in the world geosystem and therefore, in this context, an adequate foreign policy for Italy.

This analysis assumes a capitalistic development as a process in stages. Even though this does not exclude breaks or jumps which can mark the limits of stages, this assumption means a certain continuity of driving force, of relative components and their aims. This begs the question as to what are the elements or aspects of continuity and what are the aspects of discontinuity or novelties of the present stage, between the second and third millennium A.D. – which might be called the Age of globalism, in as much that globalisation is not only an ongoing process but also an ideological and programmatic manifesto of the dominant economical forces and is more usually associated with a triumphant neoliberalism.

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<sup>4</sup> Given the present description (coherent with the dominant economic ideology) among the three distinct concepts of economic growth, development and progress, for development a structural change of the system is meant, whilst for progress it means development in the direction which is seen as being desirable and for which a positive value is expressed.

An element of fundamental continuity is the process of integration, both economic and otherwise, of the world geosystem, of which globalisation is but the present form. It starts with the colonial expansion of Europe, from the start of the modern era and determines the formation of a single geosystem on a world-wide scale.

As we know, European colonialisation started in the 15th century with commercial navigation and the geographical discoveries of Portugal and developed, along with colonialism, with Spanish conquests which then lost its dominant role as a maritime power to Holland in the 17<sup>th</sup> century, and then to England in the 18<sup>th</sup> century.

The main geopolitical interest in the formation of colonial systems, as with most internal relations in Europe, was mercantile and was aimed at the exclusive exploitation of the resources of others. The colonies worked in a system of accumulating commercial wealth in which the merchant or State itself (the colonising mother country) held a monopoly. Except for Great Britain whose colonial expansion came relatively later, above all when the economic bases of the feudal system had already fallen to pieces – the colonies did not increase the capitalistic development of the mother country, did not accelerate the process of breaking up the pre-capitalistic social relations and, in some cases (Spain and Portugal) perhaps slowed it down (Bairoch, 1971; Polard, 1989).

With the affirmation of capitalism as the dominant way of production in a first national geosystem, in Great Britain, following the agricultural, demographic, political, cultural and industrial revolutions the mercantile colonial system quickly gave way to a new colonialism, which is an expression of capitalism, if not imperialism as theorised (Kemp, 1969) by J.A. Hobson, R. Hilferding and above all by V.I. Lenin (1974) who made the concept famous and who exhorted the link between military and colonial expansionism and otherwise, and the competition among growing national monopolies and, briefly, the new oliopolistic capitalism, which at its time was quite evident. At the same time



the geographical central-peripheral model took its modern form, in the sense that the colonies were seen by the industrial middle class as a place for production and for the export of raw material and the import of the manufacturing industries' products.

Contrary to the old colonial mercantile system, in the new world economy of capitalism determined by capitalistic production became a reality. In the colonies or the new peripheral States (politically independent but closely tied to this economic system, as in Latin America) capitalism started a process of disintegration of the local pre-existing social formations, without, however, causing, in a first phase of varying duration, the substitution of the pre-existing form of production, which characterised export activity, with a new, more efficient, capitalistic form of production<sup>5</sup>.

The indisputable maritime supremacy of Great Britain, sanctioned by the Congress of Vienna in 1815, the huge size of its colonial system and its net economical hegemony supports the liberal view according to which capitalism in order to expand and prosper would not need new colonial conquests or wars. Indeed, British capitalism no longer needed to, as is evidenced by British support towards the independence of Portuguese and Spanish colonies. The same could not be said for other European countries, which often came late and were unable to compete in a liberal market.

Even though free trade principles were firmly set in Great Britain – in the mid 19<sup>th</sup> century, with the repeal of the Corn Laws (1846) and the abolishing of the Navigation Acts (1849) – the theory of British supporters of free trade was contradicted by Great Britain herself after 1870, when the British tendency towards new colonial expansions became predominant at the end of the century, as seen by the comparison of the elections of 1880 and those of 1900<sup>6</sup>.

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<sup>5</sup> This process of substitution was in general carried out through the export of capital from the centres at the edges of colonies or former colonies, and began in the second half of last century, with oligopolistic capitalism and the start of the imperialistic phase of colonisation.

<sup>6</sup> "In the first, Disraeli's romantic imperialism (which led to Queen Victoria being proclaimed Empress of India in 1876) was rejected by a huge majority, twenty years later the electors overwhelmingly supported Chamberlain's aggressive imperialism" (Hinsey, 1970)

This new colonial expansionism, which certainly characterised the imperialistic phase in the process of integration of the world geosystem, was not so much due to the passage from “competitive capitalism” to oliopolistic capitalism and to economic imperialism<sup>7</sup>, as to the development of industrial capitalism in continental countries, and in particular in those (Germany and Italy) countries which had recently become unified States, placed their need on guaranteeing adequate markets for supplies and outlets. In other words, the renewal of British colonialism was mainly stimulated by the colonial initiative of other countries or even the fear of such initiative, moreover, if for Great Britain, and a little later for the United States, it may be connected to a need to export capital, the same was not yet the case for other countries.

In the imperialistic phase – which, for the latter reason, the statement concerning industrial capitalism in England could be extended to the mid-20th century – the process of integration, clearly following the rules of capitalism, received an early boost and determined a substantial change in the structure of the geosystem. Despite the spread of protectionism of national economies, which became the general rule of international economic relations as a reaction to liberalism proposed by the first industrialised nation, is certainly the main one until the First World War, also despite the October Revolution and following the Maoist Revolution, which later took space away from capitalist development, thanks to the spread of industrialisation in a growing number of countries, a notable expansion of international trade was recorded. Furthermore, the crisis of 1929 and its consequences underlined: 1) that the Earth was no longer an ecosystem but had almost become included in a sociosystem; 2) that the dominant economy in the world capitalistic geosystem was no longer Britain but the USA, whose hegemony was sealed in 1944 by the Bretton Woods Agreements which gave life to an international monetary order regulated by the Dollar.

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These agreements and other instruments (such as GATT, IMF, World Bank, the Marshall Plan) all specifically set up to regulate the geosystem to the advantage of the USA and their big businesses, the new paladins of liberalism, opened up a period of intense development, of an increase of commercial and financial flows, of integration of the world geosystem. This period which, on the whole, bearing in mind political conditions, may be extended to the end of the 1980s, is that which is worthy of greater attention, as it is in that period that the conditions are created and those processes which characterised the present globalistic phase.

Considering the proliferation and large scale expansion of multinational companies, in Leninian terms, this period should be considered as an extension of the imperialistic phase. It is however, preferable to consider it as a new phase which might be described as being neo-imperialist. On one hand, a radical new world political order which was bipolar, came out of the Yalta Conference in 1945, and there was the consequence of the acceleration of the decolonisation process and the formation of new independent states. With the Cold War there came a new concept of armaments, seen as instruments as a deterrent, at least as far as East-West relations were concerned; whilst in North-South relations, as instruments of political and economical domination, which substituted the previous direct colonial action, there was a preferential use of secret agents supporting political allies and local armed forces, in addition to regulating the use of “economic weapons”. On the other hand, in the new situation with a net supremacy of America among the developed capitalist economies (O.E.C.D. countries) and for the large growth of investment in those countries, those tariff barriers (at least) which had characterised world economy in the preceding phase were notably reduced, despite strong resistance, and from the 1970s onwards, strong commercial differences and neo-protectionist worries (Adamo, 1992).

In the logic of the two blocks even those so-called non-aligned countries were included; except for China. For this reason China was the only real and proper

“Third World” country, according to Alfred Sauvy’s<sup>8</sup> original meaning of this metaphor. And in this logic geopolitics became practised above all by the two superpowers, USA and USSR, not only as they were the only ones to carry out world-wide policies and strategies, but also because the other powers which practised regional geopolitics, with neighbouring nations, almost always had a “sub-imperialist” role in this phase: their actions were somewhat protected, when not being promoted and supported, by either the USA or the USSR. An American foreign policy supporting these “second class powers” was requested by S.B. Cohen (1982), as a geopolitical rule for high tension areas, called “Shatterbelts”, such as Sub-Saharan Africa, the Middle East and South East Asia.

Western European governments, which are closer to us, limited themselves to accepting NATO and to moving themselves under the American umbrella: thus abandoning their own dated and geopolitical theories and practises, but they were not able to propose alternatives and even gave up any idea of a European Community defence policy. It was not important whether some countries maintaining a belief in their former power, and protested against certain American geopolitical practices (as did France for instance) or others showed that they were the “best in the class” and shared and zealously followed such practices (as Britain did) as if to show the world that Britain was a full member of the NATO decision making process and that they shared political power in the West with the USA.

Within the limits of this basic choice, that is from a passive subordinate position, the main geopolitical action of these nations may be considered to be the attempt to maintain their own spaces in market places and their political influence in those countries which in the preceding phase made up their colonial empire, using, to this intent, mainly the instrument of development aid, which benefited the dominant country’s businesses. It cannot be said that

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<sup>8</sup> First appeared, as Y. Lacoste recalls (1980, p.14), in “Trois Mondes, une planete”, 14 August, 1952 in the weekly *L’Observateur* (later *France Observateur* and then *Le Nouvel Observateur*).

this action may be described as neo-imperialistic as it does not seem to depend on or be governed by businesses and in diverse cases does not even be in their interest. It is obvious, for instance, the contrast between the international outlook of Italian businesses - which, among southern countries, has always favoured Latin America - and Italian policies of overseas development - which like European Union policy, has mainly been towards Africa. This was true also in those years in which the size of investments could have been instruments in favour of Italian companies in the markets of developing countries. In the light of continuous neo-liberal economy propaganda and the influence of the so called “scandals”<sup>9</sup> which would have swept away Italian cooperation, it would be all too easy to give a negative opinion on such contrasts. Going beyond opinions concerning the efficiency and efficacy of the achievements of overseas aid, such a contrast, which is common to other European countries, in particular in those where foreign policy was geared to peace, against poverty and threats to the environment - I maintain (and want to believe) that it is an expression of the democratic, anti-military, anti-colonial constitutional pact between those political forces which fought Fascism and Nazism, which for a long period, even in those years of great internal conflict, permitted a united foreign policy. The will to break from the past, on one hand, and the acceptance of a bipolar situation, on the other, explains the reason why most western nations in post war years do not cultivate old geopolitical theories and do not even develop new ones.

There is a different situation in the two superpowers and in their respective blocs.

As far as the USA is concerned, and this is what concerns us most, it is well-known that the main geostrategical theories to “check Soviet expansion” were based on mainly deterministic, classical geopolitics and involved “Americans” in a dozen or more wars on the edge of the “Heartland-Rimland” (O’Loughlin, 1984).

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<sup>9</sup> This refers not only to the phenomena of corruption and the illegal use of public funds, but

Moreover, it is perhaps known, but I have not found it explained in political geography or international relations scholarly writing, that American geopolitics with its more markedly economic finality is also basically inspired by classical geopolitics and in particular by theories of vital living space (lebensraum) in the nazi version. Indeed, what else is the theory of “vital interests” of the USA (or rather of their big businesses)<sup>10</sup>, if not an up to date version of this with which the Americans asserted or assert a legitimacy of their military interventions in any part of the world in which they feel their interests are being harmed? This is especially so when these interests include the control of those natural resources considered vital for American or world capitalism, as has happened in the Persian Gulf since the military intervention of 1973.

The neo-capitalism which characterised relations with peripheral countries in the post war years was not exclusive to the United States even though this characteristic was more evident for the USA, both for the above mentioned military interventions in support of their economic interests and for the greater importance and international role of their businesses.

Despite overseas development aid, which the USA “generously” hands out to some countries, other OECD countries also enjoy relations of economic domination with underdeveloped countries<sup>11</sup>, which derive from an unequal exchange of goods and from the excess profits of their companies. Economic dependency typical of the integration of these countries (this is why they are called underdeveloped) is also visible in some external political dependency. However, a fact which should not be ignored is economic dependency is the result of a class alliance between external economic-social forces and internal privileged classes to whom they owe their monopolistic advantages. And it is

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above all to the waste of money on useless or unfinished public works.

<sup>10</sup> Therefore the danger pointed out by Klaus Kost (1986), quoted by Ernesto Massi (1986), has a certain validity.

<sup>11</sup> More than their own ex-colonies and those countries receiving development aid, it is those which are more industrialised.

through this alliance at least up to the latest globalistic phase that some foreign companies have benefited in a number of underdeveloped countries.

In addition to being greatly intensified, these central-peripheral relationships tend to articulate the geosystem in imperial macro regions consisting of a hub or central sub-region and a peripheral region (Adamo, 1992). This regionalisation tendency, which has strengthened itself and has notably marked the present globalisation period, is not only an expression of neo-imperialistic process of integration of the geosystem, it also expresses the change of economic relationships between central nations and therefore of the structure of the central region of the system made up of OECD countries. This latter aspect came about in the neoimperialist phase which, in particular, in the first phase went from 1945 to the early 1970s, when, not only was there an end to the international monetary order created by Breton Woods, but in which there was a crisis for the century-old oligopolistic Tayloristic “rigid” capitalism, when a new, present “flexible” capitalism began.

The official declaration of the inconvertibility of the dollar, with which in 1971 President Nixon ended a situation which had been unsustainable since the late 1960s, was in itself an expression of a relative re-dimensioning of the importance of American economy, due to various causes. On one hand, in the 1960s in the USA there was a slowing down of rhythms of productivity growth (first of labour, then of capital) and therefore of the ability to guarantee a covering of increasing public expenses, of which the ever important military component became, at that time (the Vietnam War), determinant and unstoppable. On the other hand, the economies of other OECD countries (Japan, Western Europe, Australia, New Zealand, Canada) recorded great growth and notable progress, so much so that in the early 1970s the American government started to see Europeans as competitors rather than “partners” and declared a “commercial war” on them and Japan (Adamo, 1985) which has not completely ended despite the conclusion of the Uruguay Round (1994) and the

birth of the World Trade Organisation (WTO) in place of GATT (from January 1995).

The start of the present floating exchange rates, together with the relatively low American interest rates and the printing of dollars to cover the US public debt, were political choices which were fundamental to manage the “crisis” of capitalism and the transition to today’s flexible global capitalism. These American choices favoured the intensification of the integration of world economy mostly through the internationalisation of production, which was one of the main replies of big businesses to the crisis of Tayloristic capitalism. This crisis was typical of the central areas of development which at the end of the 1960s had exhausted one of the main abundances (Zorzoli, 1982), which had permitted the great expansion of the economy over the previous thirty years: the abundance of cheap labour<sup>12</sup>. International decentralisation of production, in particular towards some underdeveloped countries and towards real socialism countries, was soon an answer to the end of abundance of natural resources, most evident in the four fold increase of oil prices at the end of 1973 and the general emergence of the problem concerning the environment and the spread of environmental legislation.

A plentiful supply of money, which was also increased by the large availability of money created by the price rises of fuels (petrodollars), on one hand this permitted industrialised countries to “float in the crisis” increasing exports of primary goods and to transnational companies a considerable recovery of profits, on the other hand it permitted some underdeveloped countries to increase their own territorial infrastructures and intensify industrialisation and break the traditional central-peripheral model of the imperialistic world (manufactured goods/raw materials).

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<sup>12</sup> In those years, as is known, another answer to the growth of labour costs and more in general of rigidity of big businesses, was the decentralisation of local production and the proliferation of small and medium sized companies (Adamo, 1979).



It also created the problem of debt which for twenty years has conditioned the growth of many underdeveloped countries and in some is still serious. This exploded in the summer of 1982 when the Mexican government announced that it was unable to pay the enormous debt “service”. This was due, not so much to debts contracted, given the situation of relatively low interest rates and eroded by inflation and the devaluation of the dollar, but to the notable increase in interest rates<sup>13</sup> decided by the Reagan government, which together with the policy of deregulation and public spending cuts produced a boom in American bonds and permitted financing of the public expenditure and a block on inflation, and allowed a notable rise in exchange rates with the dollar.

Therefore, in the 1980s, following high interest rates, but also in the expansion of new financial products (futures, options, swaps), which reduce the risks of fluctuations in prices, a geographical inversion of international capital flow was obtained, mostly in favour of the USA. This change is mainly connected to new needs and competitive strategies of transnational companies (UNCTAD, 1996): in order to be more competitive it was no longer enough in various sectors (producing goods for medium-high income markets and above all in those sectors with a high concentration of supply) to keep to decentralising production to areas where labour costs were lower or the changeover from a multinational strategy (of production and/or sale of distinct products in different national markets) to a global or macro-regional strategy (of the same product in many countries and in theory the world over), it was necessary to intensify development and the spread of innovation which could increase productivity and the quality of products.

This physiological answer to the crisis of oliopolistic capitalism and Taylorist organisation of labour became intensified in the 1980s both with a huge spread of electronics in production processes, which increased productivity and at the same time permitted a diversification and improvement in the quality of

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<sup>13</sup> American interest rates passed from 10% in July 1980 to 18% in July 1981.

products but also with the spread of new types of labour organisation and new social relationships of production (Adamo, 1996).

All these ongoing revolutionary changes are forming a new socio-territorial system called “flexible” capitalism in which the structural characteristics and the perspectives it opens are still not clear and they are not fatalistically determined by companies’ decision making, but they largely depend on those internal and international policies which will be carried out by the most important northern (but also southern) countries, mainly the USA and the European Union. The perspective concerning the economic order and the world political geosystem is still open and will depend both on the concepts of globalism which will come into play and on the government policies of the globalisation processes underway. Under both aspects, in order to offer useful policies, which are obviously coherent with their own concepts of human progress, it is essential to find a dynamical connection between globalisation and flexible capitalism: the impact of globalisation on the development (structural changes) of the world geosystem and the territorial subsystems in which it acts.

Before analysing a few hypotheses, it might be useful to summarise the main changes to the economical and political set up of the world geosystem in the 80s and 90s when a new flexible capitalism and global strategy of businesses was strengthened by an effective tendency, albeit not spontaneous, to the liberalisation of markets.

American policy in recent years, marked by the commercial war between the USA, Europe and Japan, has clearly been oriented towards a recovery of full economic supremacy over the world geosystem, a recovery which in 1989 at the end of the Reagan presidency was practically a reality, despite worries for the end of the Welfare State and many doubts which according to commentators of the time was the fact that a re-conquest of American prosperity was based on generalised debt both public and private and internal and foreign (Toinet et al., 1989).

In so far as American political power may be considered an expression of the will of transnational monopolies (Amin, 1997), one may affirm, with ten years hindsight, that American economic supremacy has indeed grown. From 1992 the American economy has, as is known, been characterised by continuous growth, which thanks to the careful policies of President Clinton led to a net improvement of public accounts and to be able to ward off social dangers of a possible recession. In the same years, however, despite the advantages of the integration of market and the more recent single currency, European growth has been less and the European economic structure is behind in strategical fields, in the new economy generated by development and application of electronics and computer networks. Whilst the Japanese economy after decades of great expansion does not yet show any signs of leaving the recession which has lasted since the 1990s.

This lengthy Japanese recession may be connected to the recent crashes on Asian markets (Adamo, 1996). However, these episodes may also be due to big American investors who want a reduction in the Far East – the only large area of the southern part of the world which continued to expand in the 1980s and the first half of the 1990s – and a recovery of those amounts of money which were invested in large sums in those countries. The negative impact of American economic policy was less in this area, as in most of Asia; on one hand because there are some large countries with economies which are not so open to the world market (India and mainly China) and others have important natural resources and are less, or not at all, in debt. On the other hand because the so called “tiger” or “dragon” economies, belonging to the New Industrialised Countries of the first generation, founded their policies of economic development, from the 1960s, on an export-led industrialisation and therefore on products which had and have to be competitive on world markets and more particularly in the markets of the rich countries.

On the contrary, where industrialisation was based on import substitution policies – such as in most Latin American countries (and also in Eastern

European countries with planned economies) – and the competitiveness of companies operating in those markets (be they multinational or national, public or private) was based on protectionism, the impact of American politics was dramatic not only for the high levels of foreign debt in dollars but also for the low productivity. The sharp growth of foreign debt imposed policies of exports at all costs and therefore an opening up of home markets (elimination of customs barriers, clauses of a minimum number of national components, return of capital etc.), and policies of rapid deregulation (privatisation, elimination of legislation concerning workers' rights, etc.), in order to increase productivity. For this latter aim, in those countries where these policies were carried out there were new foreign investments, mostly in the late 1990s, when the illusion of rapid success of investments in the new frontier of capitalism opened in Europe and Asia had, by the end of the USSR, already vanished. For renewed investments in Latin America, for their continued expansion in Asia – where the great novelty is based on the huge growth of the Chinese economy and the growing Chinese opening up to Western investments – and of course for investment in the countries of the former USSR and Eastern Europe, in the 1990s investment flows are, for the first time, larger from the North to the South and in the North itself.

This expansion of foreign investment – a clear sign of globalisation, due both to the transnational companies' global strategies and to the process of market liberalisation – gives positive data, not only where it means expansion production for export and employment, but also where it means an expansion of plant renewal and reorganisation of labour, which leads to drastic cuts in jobs in a formal economy, as happened up to a few years ago for the plants of capitalist companies in the advanced countries of the world. Indeed, this restructuring would not only have not meant that the alternative of the closure of factories and the loss of all jobs, but is aimed at overcoming, in certain sectors, that technological difference which was one of the foundations of unequal exchanges (Emmanuel, 1969; Amin, 1973), in such a way as to obtain those levels of product quality imposed by global competition.

An observation and appraisal of this huge novelty – a reverse trend compared to the North-South technological transfer still prevalent in the 1970s, which was in effect “under-developed technology” transfer (Emmanuel, 1981) – does not mean justifying the lack of policy (a lack which confirms the crisis, if not an absence, of the Nation-State), at both an international level and at that of single countries, able to adequately face the devastating social effects of such processes and the violent conflicts which they have already generated and could still generate; graduating, for example, liberalisation of markets and carrying it out in a fair way for southern countries, favouring the creation of new jobs (for instance in those sectors which have little interest for capitalistic investment, in which not-for-profit companies could prosper) and develop some essential “social cushions”.

At an international level it is evident, however, that the policies of the Bretton Woods institutions (Amin, 1997) were strictly coherent with American needs and policies: first with the need to manage crisis and the excess of capital, and then with the will to see a return of those dollars in circulation. It is sufficient to consider , for example, those structural adjustment policies that the IMF, already responsible for having done nothing to prevent their indebtedness, imposed on the weakest countries (developing countries and Eastern Europe) in the 1980s and 1990s; to the work of GATT-WTO, which clearly contradicts liberal principals, when dealing with products of the southern nations of the world (textiles, oils etc.)<sup>14</sup>, or when guaranteeing free competition it would mean harming transnational corporations’ monopolistic interests and compromising America’s leading technological position. It is clear, for example, that the “security” reasons, upon which the Americans base their right to protect their own technology and to subsidise their own industry through military programmes, have since the 1980s increasingly had an

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<sup>14</sup> Against the free access of these products in their own markets, the northern countries have for some time been in close agreement.

instrumental role and today, ten years since the fall of the Berlin Wall (1989), are basically a pretext to defend their own monopolistic interests.

In Latin America, foreign debt, which is growing with the rise of American interest rate, and the policies imposed by international organisations have certainly increased poverty and unemployment, but have at least favoured – since the fall in foreign investment in the 1980s – a certain growth in domestic production and local employment in national companies (in informal economy where there was large growth and in formal employment) and therefore a strengthening of endogenous development, alongside that founded on transnational companies which should guarantee a competitive export base in the world market. However, in those Sub-Saharan Africa and in general in all countries with low levels of industrialisation, despite there being high levels of growth in the informal economy, prevalent in most countries, there is a worrying net decrease in pro-capita income. Natural disasters aside, in some countries the growth in the production of food stuffs is lower than that of the population, which is mostly in the second stage of the model of demographic transition.

The negative impact of the political economy of the United States and their subordinate international institutions did not only concern the **subsistence** conditions of millions of people, but also their conditions of existence and that of the whole human race. Despite the Stockholm Conference on Eco-development (1972) and the setting up of UNEP, there has been a worsening of the degradation of the environment in southern countries of the world. As is known, the typical ecological problems which can be seen in urban and industrial environments in northern countries, are much greater in the countries of the South. In these countries, moreover, there are the environmental problems typical of poverty and underdevelopment. For example, degradation of the soil and the waste of natural resources due to, on one hand, the poor harvests from traditional techniques and poverty in general, and on the other hand, the speculative uses of the land. Growing debts have not only hindered

those structural investments which are indispensable to increase harvests and permit, together with fulfilling internal food needs, an end to the exploitation of those marginal, increasingly less productive areas and stop the degradation of natural vegetation and soil. Growing debts have also given an additional political pretext to allow accelerated expansion of the extensive production of goods for export or industry. This is the case, for instance, in the process of deforestation and degradation of the soil in Amazon forests, which, despite the solemn Earth Summit held in Rio de Janeiro in 1992, continues to increase and sees the involvement of the Governments of the region – with Brazil in first place, where, among other things, it is clear how the geopolitical theories elaborated by the Military are cover for economical interests. The need to increase exports has also led to an expansion of the extraction of mineral resources, despite the low prices of the 1980s, and therefore to sell them off. This is also so for energy production, in public plants built with foreign loans in the years of abundant money: energy to be sold at a low cost to exporting transnational companies.

### **3. Europe faced with American globalism.**

The policy of the United States over the past twenty years, coherent with its aim to increase its dominion<sup>15</sup> of the world economy, has, as mentioned, serious political, economic and ecological consequences on the lives of other states, in particular those of the South.

However, it is certain that much responsibility in various American political choices in economic fields and in military fields are criticised and criticizable as they are contrary to the needs (of freedom and social justice, of peace and of a sound environment) of other societies and the whole human race, is still due to the political weakness from which the European Union still suffers. This weakness – in contrast with the huge steps forward already made in economic integration, even though there are but few really European companies – is the

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<sup>15</sup> Rather than regain an “hegemony”, which would mean assuming responsibility.

main brake of its economic progress, to the formation of European companies and the growth of their competitive ability.

Ten years since the start of disarmament and the end of the Cold War (1988-1991)<sup>16</sup> – and despite the self-dissolution of the “Empire of Evil” – European Union countries are not only giving a de facto delegation to NATO and the USA for initiatives of competence of the UNO, but do not have a common foreign policy and a common security policy and, in NATO, continue to delegate to the American component, the defence of their own territories. It is thus understandable, if not justifiable, that in other fields the USA carries out its own interests, to the detriment of our own, and that they can choose not to respect international agreements and disregard recognised rights and needs.

Only with the transformation of the European Union into a completely autonomous international subject and with a recovery of political autonomy of Japan and other large countries (for long humiliated by the bi-polar logic) will it be possible to overcome the present apparently chaotic international situation and give the world geosystem that international order that is required to guarantee peace, within nations, between nations, beat poverty and unemployment (also in industrialised nations), and not least to protect the Earth’s environment. In particular this is:

1. A radical reform of the United Nations Organisation ( a process which will not be made by by-passing its competence and de-legitimizing it);
2. Accept, with the right changes and necessary project definitions, some of the proposals made since the 1970s, including those in, for instance, the Declaration for a New International Economic Order and in the relative

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<sup>16</sup> This was due, as is known, to M. Gorbachev’s initiatives from when he arrived in the Kremlin (1985), as a reply to the re-start of the Cold War in the early years of the Reagan presidency with the “Star Wars” project; and the enormous difficulty, if not impossibility, of the USSR to compete with the USA in its mad race and the Reagan Administration’s need to limit, seeing the huge deficit, public spending,



Action Programme, which were approved by the General Assembly of the United Nations in 1974 (Guelfi, 1979)<sup>17</sup>;

3. Regulate the International Environment System – made up in practice by the actions that social subjects of each nation have on the earth's environment and therefore on other nations – respecting the environmental rights of every nation and individual<sup>18</sup>.

In light of this, to be seen as positive is the growth of a consensus around the idea of a political union of Western Europe and solid political initiatives for a common defence policy, processes which I believe should be completed and consolidated before any widening of the Union. Also positive are the ongoing changes in other macro-regions and large nations of the world, including the economic and political growth of China, and not least the European initiatives of economic co-operation with East European countries and above all Russia, which requires greater effort by the West.

Indeed, a Russia in misery and at the mercy of the mafia not only prohibits a prospect of a democratic polycentric global system, which is necessary to overcome the present contradictions, but runs the risk of an authoritarian involution which is dangerous for everybody (most of all Russia, but also for Europe and the USA) and contrary to the interests of the transnationals themselves. Other than removing a vast area of a potential market for the world economy and slow down globalisation, a closure of Russia (as with any other large region of the World, in the absurd hypothesis that this is still possible),

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<sup>17</sup> These were proposals which should have formed the base of the so-called “North-South dialogue” and that the developed capitalist countries, USA foremost, have always refused to discuss. They were questionable and debatable proposals, but were aimed at facing problems which still exist: the definition of rules of conduct of transnational companies and international institutions which were able to make them respected, the democratic reform of the Breton Woods institutions, which should have regulated and governed the international economic and financial system, the regulation of markets to effectively guarantee free competition and fairer exchanges.

<sup>18</sup> Conforming, for instance, to the proposal to set up the *International Environment Fund* (UNCTAD, 1990) to, among other things, to compensate “creditor” countries and “debtor” countries on an environmental level (Adamo, 1990), presented by the Secretariat of the United Nations at the “Earth Summit” in Rio de Janeiro and also rejected because of the opposition of the USA.

would slow down above all the growth of globalism, of a functional ideology to the growth of a consensus on the processes of transnational integration and around the present world system, the government of which, for better or worse, is de facto entrusted to the USA, rather than being carried out internationally, through agreements between sovereign states.

As it would be wrong for the West, in particular by Europe and Italy, to withhold collaboration for the rebuilding and revival of the Russian Federation and other new independent states of the former USSR, it would be equally wrong and dangerous, I believe, to attempt to exclude and isolate Russia from every relevant international political decision, above all for questions concerning security. It is in particular wrong, not only for Italy, Europe and the West, but for all humanity to widen membership of NATO (an organisation which has lost all sense) to central eastern European countries excluding Russia. Widening membership of NATO is not wrong because it could awaken (in those in Russia who still have imperialistic views) fears to see the loss of those areas which were traditionally considered to be in the Russian sphere of influence (if it were so, the widening would be no more than the spoils to the “winners” of the Cold War). It is wrong more as it not only awakens in Russia a traditional geopolitical syndrome of being encircled, but also because it would be an act against Russia, or, which is the same, would be seen as being such even by those who do not hold imperial hopes.

American globalism, which characterised the 1990s, is still, in concluding, a sort of economic and political imperialism, even though it is well disguised by increasing consensus (which is transforming dominion into hegemony) that the USA has recovered in these past ten years (that is after the deep crisis of the 1970s-1980s) both on a political and an economic level. This American recovery is due; on one hand, to the mentioned economic successes of that vast nation (which are obviously not in themselves sufficient to state that the American model is suitable and repeatable elsewhere) and to concrete political, and military, interventions, which have at least for the moment resolved

difficult conflicting situations which are also dangerous for other advanced capitalist countries. On the other hand it is due to the spread of American culture, alongside the huge expansion of new powerful international communication networks (e.g. Internet), in addition to numerous effective neo-liberal propaganda initiatives, promoted by powerful American cultural foundations which arouse interest in the large American business schools, where the political, managerial and entrepreneurial classes of many countries of the world are formed. Even under this aspect, and by increasing co-operation among European Universities, the European Union still has much to do.

Globalisation which is democratic, fair for the advantage of everyone and therefore aimed at dealing with the great social contradiction of today's world, requires an influential world Government to be truly "transnational", which has real autonomy in respect of single nations. This construction is only possible through a preliminary setting up of an international Government, which in turn implies a full recovery and, still for many countries, recognition and development of national sovereignty.

At the end of the second millennium A.D. in the present epoch of globalisation and triumphant neo-liberalism, the "economic weapon" has taken on planetary size and perhaps, as Luttwak maintains, a pre-eminent role as a geopolitical instrument, particularly with northern countries. Moreover, geopolitics, in that it tends to subordinate itself to geoeconomics of the big transnational companies, being an instrument of the interests of private individuals, seems certain to disappear<sup>19</sup>, thus, the *polis* itself tends to disappear: the State, collective interests and common good.

The State has not completely disappeared. Transnational monopolies still need the state (Amin, 1997) both at single nation and world levels (where it tends to be identified with the USA, even though this role is masked by the G7-G8

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<sup>19</sup> In Luttwak's mentioned thesis, geopolitics in the present day world tends to be reduced to geoeconomics. This view would be shared if he referred to companies geoeconomics and the subordinate tendency of national States policies compared to transnational companies.

meetings). Moreover, the use of economic weapons still does not exclude military intervention: by “central” States (or those which are capitalistically developed, that is the USA and the other member countries of NATO, directly or through the UNO) towards and among the States of the South. Lastly, even today, it is wrong to place private interests and geopolitics in a direct causal rapport. Even though it may seem subordinate in its overall effects, in general geopolitics needs, as does every type of politics, a certain consensus, so that it does not fail to answer to some extent “collective interests”.

It is this awareness – that between economy and politics there is no deterministic rapport – which leads us to hope and to continue to fight for a better world.

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