Introduction

The world’s rising nations such as Brazil, China, India, and Turkey are increasingly employing their growing economic strength and resilience to project global power and consolidate geopolitical influence. This so-called “Commercial Diplomacy” is reflected in a variety of ways, most notably in the restructuring of major global institutions such as the International Monetary Fund (IMF) and the G-20 nations. The purpose of this book is to examine how these and related changes are potentially affecting not only the world’s advanced economies such as Australia, the European Union (EU), Japan, and the USA, but also nations such as Iran, Saudi Arabia, and South Africa as they continue to develop from Factor- and Efficiency-driven economies towards Innovation-driven entities in an era of global hypercompetition. This investigation shall be conducted within the context of diplomatic and geopolitical realities which have acted as a catalyst for economic espionage from the corporate to the national levels beginning in the early 1990s that has largely entailed systematic electronic theft known as cybercrime.

Each year the World Economic Forum (WEF) ranks approximately 144 countries in terms of a global competitiveness index (GCI) which captures the fundamentals of an economy on a scale that ranges from 1 to 7. The GCI uses statistical data such as government debt, budget deficit, and life expectancy obtained from a variety of internationally recognized agencies such as the IMF, World Health Organization (WHO), and the United Nations Educational, Scientific, and Cultural Organization (UNESCO) to rank nations in terms of ability to compete on a global scale. Normally Switzerland, Singapore, and the USA top the list while members of economic blocs such as CIVETS (Colombia, Indonesia, Vietnam, Egypt, Turkey, and South Africa) usually fall in the median of the list. Other countries such as Chad, Nigeria, and Pakistan are generally near the bottom of the GCI list.

This global situation has a major influence on a nation’s standard of living over time. As such, national governments and corporations alike must do what is necessary to survive and succeed over time in contemporary globalism and hypercompetition. The weapons at their disposal include diplomacy and espionage in addition to productivity and corporate growth. Therefore, this book shall investigate these issues to provide a framework for further discussion and research beyond the scope of this publication. We trust the major contribution of this book is to show largely from a practitioner’s viewpoint the collective influence that corporate espionage, diplomacy, and geopolitics potentially has upon the long-term success of corporations and national economies alike for discussion among academics and practitioners involved in international business.
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**GEOPOLITICS**

Certain nations such as Egypt (Suez Canal), Panama (Panama Canal), Saudi Arabia (Red Sea), Turkey (Bosphorus and Dardanelles), and the USA (Atlantic and Pacific Oceans) possess natural advantages based on their physical location that can influence their long-term economic fortunes in international business. These advantages complement other factors such as economic or military strength, natural resources, and availability of food and water. However, certain regions of the world such as Europe or the Middle East represent special geopolitical concerns due to their ongoing economic or political troubles. Significant examples can include the Euro Crisis, the Iran-Saudi Arabia political rift, the South China Sea tensions, or the economic volatility in Japan. Therefore, within the realm of geopolitics there are other factors to consider with regards to international business. Two of the most critical issues include security and country risk. Each of these is covered below.

- **Security**: Stratfor is a Texas-based geopolitical consultancy that employs a methodology developed by the founder, George Friedman, to measure global security that entails issues such as military strength, nationalism, country expansion, and terrorism. Stratfor’s Annual Forecast for 2016 includes four major trends which can affect global security: the weakening of the Islamic State (ISIL), nationalism in the European Union, cheap commodities such as oil, and Turkish expansion. The Forecast also includes issues such as falling Chinese consumption and the political standoff between Russia and the USA. Global security is also related to basic concepts about conflict and peace that fall within the realm of Business and Peace (B&P) research.

- **Country Risk**: This is a multidimensional construct which includes numerous types of country-specific political and economic hazards that originate from the unpredictability of current and future governmental policies and other factors. Organizations hoping to expand successfully outside their home countries must pay close attention to this factor in their planning activities. Issues such as terrorism, political uprisings, and currency exchange ratios among others all play into country-risk analysis.

**DIPLOMACY**

Defined as the art and practice of conducting negotiations between representatives of sovereign states, diplomacy assumes different forms and has varied consequences. Borrowed from the field of international relations, diplomacy has several main types as described below which have been chosen considering the context of this chapter:

- **Commercial Diplomacy**: An emerging concept in management literature and describes corporate conduct in the international arena with regards to political and social environments.

- **Official Diplomacy**: This is related solely to the interaction between national governments that form a network in which countries are embedded and under the influence of each other. Official diplomacy has historically been the primary means by which sovereign countries have advanced their national interests. Official diplomacy entails the establishment of embassies and consulates in which diplomats conduct their duties ranging from visa issuance to economic research in the host country. This type of diplomacy is often referred to as “soft power”.

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- **Military Diplomacy**: Often referred to as “hard power”, this form of diplomacy adds a new dimension to official (or traditional) diplomacy short of armed conflict. Examples of this type of diplomacy can range from joint military exercises to military cooperation in civilian matters such as locating the whereabouts of missing Malaysian Airlines Flight MH370 in March, 2014. In times of strained official diplomatic relations between countries, military diplomacy established between senior military officers can assist in restoring good relations between the affected nations.

ESPIONAGE

Espionage is essentially a competition between spies and spy catchers such as the US Federal Bureau of Investigation (FBI). The profession today is embodied in a myriad of agencies throughout the world with perhaps the most well-known to be the US Central Intelligence Agency (CIA). Others include the Russian Federal Security Board (FSB), the Israeli Mossad, the British MI-6, and the Korean Central Intelligence Agency, among others such as the US National Security Agency (NSA).

Although these institutions exist to inform their respective governments about realities in other parts of the world for foreign policy-making, their roles to a large extent since the end of the Cold War has turned towards economic issues as can be seen in the activities of Israel’s Unit 8200. Following are some of the most critical aspects with regards to their influence on the fortunes of international business.

- Resource Competition
- Technological Breakthroughs
- Economic
- Diplomatic Immunity

SPECIAL CONSIDERATIONS

Within the context of this book one must consider several factors that lie outside the scope of those covered above but nonetheless influence the latter over the long-term, especially with regards to geopolitical realities. The first outlier factor is the aging of the world’s population. The second outlier factor is the growing global skills gap, and the last is productivity and innovation. These first two outlier factors are incorporated in the proposed theoretical framework below as mediator and moderator, respectively.

The rapid aging of the world’s population will bring unprecedented changes in the global economic environment that shall create both challenges and opportunities for businesses worldwide. Drucker (2002) warned of these major demographic changes in the last century, especially in the developed world, in *Management Challenges for the 21st Century*, along with four other “certainties” which would affect the world in different ways (e.g., redefinition of corporate performance, growing incongruence between economic and political reality). Chand and Tung (2014) outline a number of key factors related to global aging that will affect global business and political realities:

- For most of human history, the elderly who are those aged over 65 have never exceeded 3-4% of a country’s population. Today such persons comprise nearly 15% of the population in the developed
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world, but this figure could reach over 25% on average by 2050 which will place great pressure on public policies such as pensions.

- By 2030, the working-age population is expected to contract in nearly all developed nations with the exception of the USA.
- Aging has been identified as one of the four key “megatrends” that will shape the world in 2030 and as one of the five major global risks in the coming decade.
- The three major drivers of aging include declining fertility, increased longevity, and declining mortality rates which have superseded the decrease in fertility.

These factors are causing previously unknown changes in terms of workforce productivity, cross-cultural management, macroeconomic public policies, and corporate strategy among others, all of which will cause developing countries in particular less time to adjust and establish necessary infrastructures and policies to meet the needs of their quickly changing demographics. Therefore, it is very possible that developing nations may be in danger of “getting old” before they get rich.

Although the ramifications of these facts should be self-evident, specific examples can include reduced economic growth to 0.2% in the coming decades in countries such as the USA, poverty among the elderly, unsustainable public transfer systems (e.g., pensions), inefficiencies in labor markets, and generational inequity.

The growing global skills gap exacerbates the global aging issue since the number of skilled people to fulfill the changing job types worldwide grows smaller in an era of global hypercompetition among a shrinking workforce. Additionally, the changing nature of many job positions worldwide is requiring qualities beyond traditional skillsets such as computer literacy, business presentations, or quantitative analysis to also include cultural adaptability, initiative and leadership, objectivity and integrity, critical thinking and judgment, teamwork, and information integration. These skillsets are especially important with regards to innovation which drives economic growth.

It is worthy to note here that the first half of the 21st century will be the first time in 200 years when emerging-market nations such as Colombia, Indonesia, Vietnam, Egypt, and Turkey (also known as the CIVETS economic bloc) will contribute more to global growth than the developed countries. Therefore, increasing global skillsets becomes a critical factor to sustainable success on both the corporate and personal levels in developed as well as developing nations.

Productivity is directly related to global competitiveness as outlined in the Introduction. In fact, productivity remains the major determinant of long-term national growth which is impacted by the composition of a nation’s current and future workforce. Innovation research has gained considerable attention in many fields such as sociology, marketing, engineering, psychology, and economics not only because innovation is considered as a key to adaptation of a change, but also because it is related to the creation of something new. Both innovation and productivity are primary drivers of sustainable corporate and economic growth in the 21st century. Therefore, corporations and governments alike are susceptible to engage in corporate espionage to obtain a competitive advantage.

Anderson and Wong (2013) state that competitive advantage in the digital economy of the 21st century focuses on intangible factors including firm strategy and positioning, radical innovation and first mover advantages, intangible resources and competencies, organizational ambidexterity, network effects and externalities, transaction cost efficiency, and relational optimality. Global competition today is an entirely new game compared to the past, and the future of national economies, consumers, and workers are tied to the success or failure of corporate activity.
International organizations must sustain a competitive advantage to remain profitable over extended periods. In his Worldwide Threat Assessment of the US Intelligence Community in Washington, DC on February 9, 2016, the Director of National Intelligence (DNI) outlined global and regional threats he believes will affect a wide range of activities related to international business and security around the world. Some of the more significant threats include the following:

- Cyberterrorism
- Weapons of Mass Destruction
- Space and Counterspace
- Counterintelligence
- Human Security
- Organized Crime
- Natural Resources
- Russia and Eurasia
- Middle East and North Africa
- South Asia
- Sub-Saharan Africa
- Latin America

We trust this work shall provide adequate foundation for the establishment of a theoretical framework from which pertinent and meaningful future research can be conducted from both academic and practitioner viewpoints.

REFERENCES


ADDITIONAL READING

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