

stars Insights: 13 July 2021

The Summer File: Views on Leadership and Geopolitics



For your summer break we collected five articles on topics such as representation by lot, focusing too much or too little on the CEO, Biden, China and the Caucasus. Enjoy reading this package of articles!

*Prof. Dr. Dr. h.c. mult. **Bruno S. FREY**, Permanent Visiting Professor at the University of Basel and Research Director of CREMA, the Center for Research in Economics, Management and the Arts in Zurich, writes that it is time to rejuvenate the advantages of aleatoric systems of selection in politics. Most importantly, random mechanisms allow involving groups of persons into the political process whose representation otherwise is difficult or even impossible to achieve. Aleatoric procedures also reduce old boys' networks and corruption, as well as the huge financial expenditures characterising today's democratic election processes.*

*Who is at the helm is critical for any company. When organizations overfocus or underfocus on their leaders, their chances for derailment rise. Hubris, narcissism, and naked self-interest are given room to take hold, and in the absence of positive leadership, employees have little motivation to excel. Thus, beware of focusing too much or too little on CEOs, argues stars Alumna **Isabelle NUSSLI**, Chief Energizing officer of Leverage Yourself and Co-Founder/Chairperson of the Responsible Leadership Institute.*

*Aligning, re-aligning, believing Biden after four nightmare years when Trump reigned in the White House: an European perspective by former Swiss Ambassador Dr. **Daniel WOKER**, Co-founder of Share-an-Ambassador/Geopolitical Coaching.*

*Dr. **Hans J. ROTH**, Chairman of EurAsia Competence, writes that China and the USA will have to learn to be part of a cooperative multinational system – and not only speak about it. The time for a leadership of the one or the other is definitely over. But neither the Chinese*

nor the American government seem to have realized the changes. It is high time to do so now. I would basically agree with Ivo Daalder, the Chicago President of the Council on Global Affairs who gave a presentation to stars on 22nd June: the US and China are not really in confrontation, they are in competition. But without mastering the culturally different behavior patterns, competition will easily escalate into confrontation, a situation which we face at the very moment.

*Lic. iur. **Erwin H. HOFER**, former Swiss Ambassador and Lecturer at the University of Geneva, says at the end of the Cold War, Francis Fukuyama wrote his euphoric phantasy about "the End of History". The Caucasus proves that geopolitics have never gone away and that they will be with us in the foreseeable future.*

Representative of the People by Lot – Can Random Procedures Improve Government Behavior?

Prof. Dr. Dr. h.c. mult. Bruno S. FREY, Permanent Visiting Professor at the University of Basel and Research Director of CREMA, the Center for Research in Economics, Management and the Arts in Zurich



Decision Procedures in Politics

Democracy is commonly considered that kind of political regime in which citizens may determine via elections which parties and persons should represent them in parliament. This also indirectly determines the composition of government. In semi-direct democracies – such as Switzerland – citizens may moreover decide about particular policies in popular referendums. In authoritarian regimes a particular group or singular person imposes what is considered appropriate for society as a whole – while their own personal, often financial interests frequently play an important role. The opportunistic behavior of the ruling class is often hidden behind nice sounding names. Thus, Napoleon called himself the ‘Emperor of the French’. Other dictators do not even need to have such titles as they are entrenched in a most powerful position. An example is Stalin who simply called himself “Secretary of the Communist Party of the Soviet Union”.

In addition to democratic and authoritarian regimes there exist other socio-political decision-making systems. This contribution is devoted to a procedure largely forgotten in recent times but which played an important role in classical Athens and in many medieval cities, particularly in the North Italian city-states.

Political decisions can be taken in many different ways:

- The dual conception builds on the opposition between the decentralized market and the centralized political plan.
- There is also a duality between the market and voting. The market is taken to be the “economic” and voting the “political” mechanism to reach social decisions. Today it is

well known under which conditions the price system and popular referendums, respectively, do not work in a satisfactory way (these are the so-called “market failures” and “political failures”).

- The procedures of “exit” and “voice” delineate the basic possibilities available to individuals and groups when government performance is lacking. When a government takes bad decisions, people can emigrate (exit) or protest (voice).
- *Aleatoric procedures* – named after the Latin word “alea” (for dice) containing random elements are rarely used in present-day politics. Aleatoric decisions, also called *random choice* or *sortition*, have many desirable characteristics. As is the case with all other social decision-making mechanisms, it also has some negative aspects. Both advantages and disadvantages must be compared to those of other social decision-making procedures.

The second section of this contribution lists the most important advantages and disadvantages of social decision-making systems. The third section discusses possible applications of random procedures in politics. The last section provides concluding consideration about aleatoric procedures in politics.

Characteristics of Random Procedures

The term “random” is here used in terms of a statistical probability. It has nothing to do with arbitrariness but is based on mathematical logic. A random decision is constructed to push back undesired human influence.

Advantages of random procedures

Aleatoric procedures have important advantages over other decision-making systems:

- Random decisions allow us to exactly represent the underlying basic population. In an urn containing balls representing various characteristics of the population, each ball has the same chance of being selected. Random procedures disallow systematic discrimination, for instance, according to race or gender. The importance of each group is mirrored according to its importance in the basic population. As a result, those parts of the population otherwise disregarded in the political process are adequately represented.
- Random decisions prevent illegitimate influences on political decisions. This is of particular importance when well-organized interest groups want to influence social decisions in their favour. Aristotle already pointed out this property as being of great importance.
- As random decisions are immune to human intervention, it pays less to spend money to influence the political process and its results. In contrast, all other social decision-mechanisms, such as democratic elections or bargaining processes, are subject to the influence of particular interests via spending money, old boys’ networks, and corruption.
- Aspects and views disregarded or considered to be unimportant at the time of a political decision are automatically represented according to their importance in the basic population. In this regard, aleatoric choice is better than imposing quotas. Quotas can only be set when the corresponding dimensions (such as gender, education, age or nationality) are taken to be important. Random choice allows us to

take into account aspects previously unknown, and therefore impossible to represent by quotas.

- Random choice helps us to maintain the stability and continuity of government when there are strong conflicts between various groups in the basic population. Each of these groups sees a chance to exert influence in the future, even if at present the opposing group is in power. This aspect played a major role in the North Italian medieval city states. Without aleatoric procedures some groups run the danger of being suppressed in the political process. Under these conditions, the disadvantaged groups may be induced to use illegitimate force to publicize their demands. This may result in costly political uprisings and internal wars.

Disadvantages of random procedures

There are also several *disadvantages* of aleatoric decision-making systems:

- Aleatoric procedures do not distinguish capabilities and qualifications. Randomly selected persons may be incapable of performing the required tasks. For this reason, random mechanisms in most cases are combined with other selection mechanisms. For instance, the basic population from which the random selection is restricted to persons meeting certain desirable criteria.
- Random selection can reduce the sense of responsibility most importantly because the persons chosen need not take into account the need to be re-elected at the end of their term in office. This problem can be reduced, for instance, by only considering people in the basic population who revealed elsewhere their sense of responsibility. It can moreover be required that the persons chosen must justify their actions and are punished for illegal or badly planned decisions.
- It may be that randomly chosen persons refuse to take the political offices to which they were chosen. This problem can be overcome in various ways. It can be stipulated that every person should and must follow his or her citizen duty. In Switzerland, for instance, many communes require their citizens to undertake political duties if chosen. However, to impose a duty to accept a political office may lead to careless or bad performance. Alternatively, successive random choices can be taken until a sufficient number of willing persons are found. This procedure has the disadvantage that it may result in a social selection – for instance, that only wealthy people are prepared to accept a political position – and that not all interests are well represented. The best procedure may be to offer randomly chosen persons a financial compensation inducing them to accept the attributed political task.
- Decisions based on a mathematical probability may be considered “irrational” or “arbitrary” by the public, and therefore taken to be illegitimate. Random decisions do not take into account issues of content. For this reason, random decisions cannot be used in all instances but only under conditions for which a careful balancing of the advantages and disadvantages has been undertaken. Moreover, the population must be ready to accept the use of random procedures.

Aleatoric decisions have considerable advantages but can only be used to a restricted extent in the political arena. They must be amended by other procedures. Nevertheless, this social decision-making system should receive more attention than has been the case in modern times. But it must be acknowledged that other procedures also have their advantages and disadvantages.

The following section discusses some applications of random social decision-making in the political and legal sphere.

Some Applications

In politics the *members of parliament* can be randomly chosen from the population of citizens as a whole. This procedure could be used to determine the members of the US House of Representatives or the German Bundestag. The members of a second chamber would be determined according to the traditional election procedure. At the European Union, a second, randomly determined chamber of the European Parliament could be established in order to achieve a close representation of citizens. In analogy to the British "House of Lords" this could be called "House of Lots".

As is well-known and documented, interest groups and the established leadership of parties have a strong influence on who is likely to become a member of parliament. Only those persons supported by these dominant actors have a realistic chance of being elected. A random choice among all citizens would dramatically reduce this unconstitutional influence. In addition, the huge amount of money and time spent for entering parliament would be avoided.

An aleatoric selection can also be envisaged for the *executive*, provided a formal minimal qualification is secured. The members of the Swiss government, the National Council composed of seven members, could be randomly selected out of the members of the two chambers of parliament. This would over time guarantee a composition of the government according to the strength of parties, gender, religion, and regions.

International Organizations are another field where random procedures can be applied in a fruitful way. These organizations are subject to a fundamental democracy deficit. Giving citizens binding political participation possibilities, the right to start popular initiatives, and to call back members of the executive, reduces the effects of such failure. This can in principle be achieved by popular referenda. However, this possibility is difficult to apply due to the large number of citizens involved. A random selection of representatives who use these rights could overcome the democracy deficit.

Aleatoric procedures can also be used to select judges. In some countries – an example is Switzerland – the members of the highest court (Bundesgericht) today are chosen according to party affiliation. In Switzerland, an initiative has been started to have the judges selected by a random procedure in order to have more independent persons.

Concluding Remarks

It is time to rejuvenate the advantages of aleatoric systems of selection in politics, which today is largely forgotten. Most importantly, random mechanisms allow involving groups of persons into the political process whose representation otherwise is difficult or even impossible to achieve. Thus, it would be unnecessary to introduce gender quotas. The representativeness achieved by random selection also applies to ideas and movements newly arising in politics, and therefore are not yet included in party programmes. As a result, the diversity of ideas necessary in a dynamic society would be secured. In addition, random procedures overcome existing major conflicts in society. No group can over time be excluded from the political decision process. Aleatoric procedures also reduce old boys' networks and corruption, as well as the huge financial expenditures characterising today's democratic election processes.

Political decisions cannot be taken solely on the basis of random procedures. They must be integrated into suitable institutions and combined with other socio-political decision mechanisms. Aleatoric systems may well be capable to overcome the increasing disassociation with democracy visible in the public.

This article has first been published in [ZFO Zeitschrift Führung + Organisation, Leadership by Lot](#) in 2020, in a slightly different form.



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Beware of Focusing Too Much or Too Little on the Leader of Your Company

stars Alumna **Isabelle NUSSLI**, Chief Energizing officer of [Leverage YourSelf](#) and Co-Founder/Chairperson of the Responsible Leadership Institute



When Qi Lu, COO of the Chinese search engine company Baidu, announced that he was going to leave the company in May 2018 after a tenure of a year and a half, the price of the US-listed shares fell more than 10 percent, which accounted for the loss of market capitalization of \$10 billion.

Can a CEO be worth that much, even if the share price rose by 40 percent since he started, and he has an exceptional way of inspiring his teams to deliver top performance? And were the owners and the BoD aware of the risk embedded in this one leader?

Of course, “superheroes” in leadership have existed throughout human history. They lead organizations or nations into extraordinary outcomes. And they even do it with humility. At the same time, too many leaders come with their own inner kryptonite, usually fear manifesting in hubris, greed, psychosis, and/or neurosis. They are fallible, even malevolent, actors in the stories of corporations or countries. They contradict themselves by trying to take sole credit for success but finding others to blame for failures.

Leaders have a strong influence on the people, culture, and performance of their companies, but ultimately, they are only one component of a series of complex corporate dynamics. It is possible to overfocus or underfocus on the leader when analysing business performance, assessing negative outcomes, or making vital decisions about hiring or accepting employment. When organizations fall into either of these traps, they open themselves up to the possibility of derailment – such as fraud, corruption, and corporate scandal.

Overfocusing on the Leader

Leaders can bring remarkable perspective, vision, and success to the organization or conversely inflict egregious harm. They do set the tone for the culture and strategies, and they do make a huge difference. But, according to Matt Nixon's book *Pariahs*, focusing on leadership as the only indicator or cause of a company's success and failure is dangerous for several reasons. Firstly, it puts disproportionate expectations on what an individual or a very small group can achieve. It is unlikely that the engine of a large, complex, international system can be completely overhauled just by changing the attitudes, behaviours, and actions of a small minority of the participants in the system.

Secondly, viewing leaders as the only source of changes and solutions presumes that all other participants have no impact or right to be heard. It does not pay respect to those who contribute to the functioning of the organization. In practice, these people are the custodians of the company's spirit, heart, and soul. They are closer to the customers, process operations, and root causes of problems than any individual leader could ever be.

For example, the former CEO of the Royal Bank of Scotland (RBS), Fred Goodwin, was not the only person displaying hubris in the financial market in 2008 or in RBS. Placing the blame for RBS's crisis on him alone overlooked the context. It was the responsibility of the BoD and the regulators to control and handle Goodwin's power. If they failed to do so, they were also to be blamed, as they did not stop the hubris from developing and thriving. In fact, they rewarded it.

The general strong assumption is that leaders are very important for companies' performance in the long run. While this belief is not without merit, it is extremely difficult to establish the exact contribution of any individual leader to the success of their company. It is illogical, and even dangerous, to consider the CEO as the sole source of a company's ethical standing and economic fortunes.

Underfocusing on the Leader

The 2016 Gallup study *State of the Global Workplace* found that around 50 percent of all employees across all continents have once left their jobs because they wanted to get away from their bosses. This statistics about why employees leave reinforces the importance of the proactive, astute, thorough assessment and development of current and future leaders.

According to Gallup's 2017 *State of the Global Workplace* report, "85 percent of employees are not engaged or [are] actively disengaged at work. The economic consequences [...] are approximately \$7 trillion in lost productivity. Eighteen percent are actively disengaged [...] while 67 percent are not engaged."

There is huge, untapped potential in the two-thirds of the workforce who are not "actively" disengaged but simply not engaged. These people generally come to work with good intentions and a desire to contribute. They deliver reasonable performance. They give you their time – but not their hearts – because leadership hasn't inspired them or earned their loyalty or trust.

Motivated employees are a key driver for the success of a company. Reasons for disengagement are leadership issues such as micromanagement, bullying, conflict avoidance, shirking decision-making, stealing rewards for performance, withholding information,

blaming, lack of listening, not serving as a role model, slacking, failing to develop the workforce, and fraud.

When organizations underfocus on the leader, employees are often left rudderless. They do not thrive in an environment that doesn't actively nurture their talents, strengthen their relationships, and activate their passion. While a good leader may not be a superhero, they are still a necessary component of a thriving, on-track organization.

Who is at the Helm is Critical for Any Company

The goal of every organization is or must be to find the right leader who can interact with the BoD, increase profits, and improve on the quality and effectiveness of the workplace culture. This is especially true because in many corporate scandals of the past decades, the key players were CEOs and top executives.

Who is at the helm is critical for any company. When organizations overfocus or underfocus on their leaders, their chances for derailment rise. Hubris, narcissism, and naked self-interest are given room to take hold, and in the absence of positive leadership, employees have little motivation to excel.

Companies have a responsibility to hire the best leader possible, but they also have an obligation to focus on their governance and how they encourage the leader's growth. If a leader is willing and able to develop himself and his workforce and successfully lead through change, employees will be better prepared to follow suit.

This article was adapted from Isabelle's book [Beyond Corporate Governance](#).



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Believing Biden

Dr. **Daniel WOKER**, former Swiss Ambassador and Co-founder of [Share-an-Ambassador/Geopolitical Coaching](#)



At the conclusion of the one-week trip to Europe by President Biden the Europeans appear to believe in the necessity of a push back against the authoritarian China of Xi Jinping despite their mutual economic interests with Beijing and their fear of an eventual Trumpian renaissance in the US.

Contrary to Trump, it is relatively easy to believe in Biden. In his opening remarks of the press conference on his talks with Putin he went to great lengths to emphasize the central place of human rights issues in his foreign policy. Against Russia certainly with the Biden promise of 'devastating' consequences should Alexei Nawalny, leader of Russia's banned opposition die in jail. But the statement was formulated in general terms to include China, as the Geneva summit followed three European summits – the G-7 in Cornwall, the Nato annual meeting and the US-EU summit both in Brussels – where China came up as much as Russia. For the first time ever at a Nato summit, China was mentioned in the communique notwithstanding its character of being a transatlantic alliance.

Biden's argument, that no democratic government can afford to turn a blind eye to blatant human rights violations lest it would lose its credibility towards the world and its own people, cannot but resonate in Europe. Because Europe, and the EU as its institutional embodiment, likes to think that it makes up for a certain lack of united military resolve by being a value driven superpower. But also, because Xi Jinping with his totalitarian way of dealing with liberties and minorities within and naked aggression in its neighbourhood makes it impossible to not react, regardless of economic consequences.

Yes, it is true that economic ties between Europe and China are important and growing. Especially in certain areas such as the by now proverbial German car industry. But then again weighed against the risk of getting on the wrong side of eventual US embargo

measures, the choice is evident. After all, it will not be for a considerable time, if ever, that the Renminbi replaces the US Dollar as the gold standard for international payments. Not to speak of the ever-louder complaints by European SMEs about forced know-how transfer and outright theft of intellectual property in commercial dealings with China and the Chinese.

Nor are political views in Europe unanimous about dealing with Beijing. Yet here too, the signs are clear. The 17 plus 1 grouping, assembling Europe's Eastern front on a common negotiation table with Beijing, seen there as the successful wedge into a united EU front, shows signs of breaking apart. Lithuania, as the first Baltic state has quit, and others have downgraded their representation at respective meetings to insignificance.

The worst authoritarian outlier in the EU and steadfast pathfinder on the road to Beijing, Orban of Hungary, just got a real slap in the face by its own electorate when a great majority showed their disapproval to replace George Soros' University with the European main seat of China's elite Fudan University. The opposition mayor of Budapest renamed the respective street promptly 'Free Hong Kong Road'. Beyond Budapest, the incident clearly shows the losing battle of Chinese diplomacy for international soft power – no wonder given China's 'wolf diplomacy' since Xi's elevation to all powerful 'Great Helmsman'.

More important are the ambitions of the European heavyweights to pursue their own policy towards China. Seen in this perspective, the invitation by Biden for Angela Merkel to visit him in the White House as the first European leader is no coincidence. Germany as leading light in the EU must be persuaded that transatlantic fidelity still pays and will continue to do so. On the first count, Biden has cancelled Trump's retreat of US troops from Germany while calling the US commitment to Nato 'sacred', and on the second – the open question whether Biden's renewed love for its European allies will outlast his presidency – Europe cannot but take potluck. The scepticism, incidentally not just in Europe but anywhere else in the world, whether Bidens mantra will outlast him, is not due to old world cynicism but to the steady drumbeat by the finest US connoisseurs, such as FT's Edward Luce, that trumpism still lurks menacingly in redneck America.

Macron of France will first have to prove that his reign can withstand an assault from France' far right, ideological allies of trumpism; moreover, it can be safely assumed that under Biden the quiet American support for the indispensable French role of defending Africa both against Islamism and the Chinese juggernaut will continue. As to the traditionally first Premier to be invited to the White House, Britain's Johnson got a renewed 'Atlantic Charter' in a bilateral meeting with Biden before the G-7 summit, but it came with a stern warning by this American president with Irish ancestors, not to trouble the peace on the whole Island with another bout of Boris' well known Brexit shenanigans.

Oh yes, there also was a Putin – Biden summit at the end of this sino-centred first trip abroad by the new US president. Contrary to many speculations and wild theorizing, it appears to this observer that both have achieved their minimum target. No more but no less either. Putin was clearly basking in the limelight of traditional East-West meetings 'on the highest level' regardless of any concrete result. Interesting to see that President Obama's observation some ten years ago designating Russia as a middle power – true but for one all important fact: nuclear arms – had evidently rankled Putin far more than Biden's 'killer' remark.

On Biden's side he has achieved the first step towards a 'Cold Peace' with Russia. No hot verbal sparring, potentially spiralling out of control but clear red lines for Russian behaviour be it regarding Nawalny or further hacking. Coupled with his steadfast support for Nato in Europe over the days before meeting with Putin the East-Europeans should be reassured. Whether he could have and should have engineered a 'reverse Kissinger' – Henry Kissinger, at the time National Security Advisor of President Nixon led an US opening towards China in 1971, to spite the then USSR – preventing the cementing of relations between Beijing and Moscow is pointless. Biden is now too far down on a value-based path in its relations with China to stay credible should he even want to just overlook Putin's autocracy. It is the 1970ies in international policy no longer, nor can the Biden/Blinken team be compared with Nixon/Kissinger.

In conclusion, Biden can chalk down his European trip as a full success. Much as with his first internal initiatives this was heavily due to evident 'compared to what'. But beyond doing better than Trump he has convinced Europe not only that he can be believed, but that he is a believer – in value based international policy – too. What else can we in Europe do, again together with the rest of the civilized world, other than hoping that in the US, civility will win durably over what we experienced during four nightmare years when Trump reigned in the White House?



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Strained American-Chinese Relations are an Indication of Bigger Global Challenges in Our Century

Dr. Hans J. ROTH, Chairman of EurAsia Competence



A historical perspective should see the actual problematic US-Chinese relation on the background of a much wider challenge to the international community in the 21st century. The challenges should not be seen as a decline of the West either – this is wishful thinking on the part of certain nations. 1918 was the publication date of a work with the title “Der Untergang des Abendlandes – The Decline of the West” by Oswald Spengler. It came after the First World War – but did not stop the Second and its atrocities. In fact, scientific development was extraordinary in the interwar years. Just look at a particular field that is of high interest today as well: the development of quantum physics and the use of the nuclear bombs against Japan. Nothing of a decline, but rather a continuation of what had happened before, both on the positive and the negative sides. Spengler’s book built its view on doubtful historical and cultural assessments.

We seem to make the same mistakes at the very moment. We do not interpret history in the right way and have not got a better clue to understand cultural differences than Spengler had in his times. We are again in a period of massive misjudgements and miscalculations – this time on a global scale. We have never looked at the strength and weakness of civilizations, probably because the rest of the world was underdeveloped in Western eyes since the Spanish and Portuguese conquistadores. But the real cultural dominance of the West started later – with the Polish-German victory at the Kahlenberg near Vienna. The Ottoman invasion and the siege of Vienna in 1683 was the last questioning of Western supremacy. China at that time was too far away to be really known – and by the time the Western advances had reached the Middle Kingdom in the 19th century its power had declined dramatically. The positive China image of late Baroque times gave way to an image of decadence.

The first modern challenge to Western supremacy came from Japan. It is often forgotten that Japanese industrialization followed the Meiji opening in 1863. Japan participated in

the second wave of industrialization with countries like Germany and Switzerland and prospered very rapidly – unfortunately on a weak natural resource base. Hence the dream of a Greater East Asia Co-Prosperity Sphere with access to Asian continental resources, first in Manchuria and then in Southeast Asia that led to the overextension of Japanese power and its defeat in the Pacific War. The non-white start-up of Japan had surprised both Europeans and Americans. They did not anticipate that the Japanese fleet would defeat the Chinese navy in the Sino-Japanese War at the end of the 19th century and that the Tsarist armies would be beaten in the Russo-Japanese War at the beginning of the 20th century. Japan was accepted very reluctantly by Woodrow Wilson as the first non-white member in the League of Nations in 1920 – only to leave it in 1933 after Western criticism of the Manchurian incident and the setting up the Japanese puppet state of Manchukuo.

This establishment of Japan on the international scene with its implicit questioning of the West ended with the Pacific War. The strong recovery of Japan after the US invasion, however, not only led to a renewal of trade disputes with the US and with European powers which criticized Japan for the undervaluation of the Japanese Yen. The situation was finally corrected with the Plaza Accord in 1985, when the West forced Japan into a 100% appreciation of the Yen within two years – with devastating results for the Japanese economy from 1990 to 2010. It was also the time when values defended by Japan got under pressure as well, human rights issues were brought up by the US and its partners as is the case for China today.

It was this monetary arrangement which actually launched the economic integration of Northeast and Southeast nations. ASEAN has been a vain attempt of economic integration because ASEAN members all produced roughly the same agricultural goods and industrialization was limited to smaller scale productions. The Yen appreciation forced Japanese companies to invest more in South Korea, Taiwan, Singapore and Thailand. And it led to an appreciation of the South Korean Won and the Taiwanese Dollar, forcing these economies to invest in the Southeast Asian tiger states – and then with progress of opening in China in the nineties more and more also in mainland China. The Plaza Agreement was the key driver for economic integration of ASEAN economies into the Northeastern economic sphere.

I describe the Chinese opening steps in my new book “Chinajahre” (in German), having been a student in China at that time. There were setbacks in the development, smaller and bigger ones, leading finally to the Tian Anmen incident in 1989. Western governments and companies held back for some time – but then developments really started in Guangdong Province and in Beijing in the second half of the 90ies. Shanghai was still controlled quite strongly, its real opening came only at the turn of the century.

The speed of Chinese development has its roots in a number of factors. One is the near absence of industrialization until the first Five Year plan from 1953-57, which led the base for heavy industry development along a Soviet model. But then the following Great Leap Forward and the Cultural Revolution interrupted further developments and threw the country back. A broader industrialization of the Chinese economy took therefore place only after the opening of 1978. Another factor of Chinese success has been the strong central leadership since the end of the seventies. With the exception of 1989 political and economic developments went more or less smoothly since 1978, though with a strong increase in income and wealth disparities that lead to a Gini index today worse than that of the US – and the American index of 0.42 is not famous either. A third factor of Chinese

development was the positive attitude of Japan and the West to the first Chinese steps of opening up. They helped to integrate China into the international community, with its acceptance into the UN system in 1971 and into the WTO in 2001. In the meantime, however, positive attitudes have vanished on both sides. How did this happen?

It did not happen because of Chinese aggressiveness. It happened along the same cultural line as the derailment of the Japanese-US relations in the second half of the 20th century. Collectivist societies like Japan and China have a much stronger in-group/out-group behaviour. Either you belong to a group, or you do not. Obviously, the biggest in-group is the nation, Japan, Korea, and China all having ethnic national populations that dominate the political scene. Korea and Japan are both inhabited mainly by Koreans and Japanese. China proudly shows more than fifty minorities – but they make up only 8% of its population. The focus of these nations is on their national aims, often ethnically understood. They disregard trading partners in a way that is unacceptable in Western eyes. Win-win is a key slogan – but unfortunately it often remains a slogan and is not taken seriously from the Asian side – with the devastating effects to the Japanese image in the 80ies in the US and of China nowadays in the West. Chinese trade is not aggressive, but it is disregarding interests of trading partners, comparable to Japanese trade in the seventies and eighties of the last century. The US have started to voice this disagreement quite strongly – and met with complete misunderstanding from the Chinese side. China was not aware of any misdoing. Due to not understanding the roots of the American reaction, the Chinese reaction was obviously one of anger, which led to further actions from the American side. Within a few months the hate spiral started to operate on both sides – it suffices to look into opinion surveys or social media comments from citizens on both sides to realize the gravity of the issue at the very moment.

Other cultural factors increase the tension instead of presenting explanations to the behaviour patterns and way out of them in a general and global interest. The function of the press is seen in a completely different way. Western press is usually acting on the political left, revealing or at least hinting at problems in government and society, Chinese press on the other hand – especially now around the 100th birthday of the Communist Party in China on 1st July 2021 – is full of heroic stories that led to the Chinese nation of today. Of course, China has a lot of reasons to be proud. It had developed within a very short period to become one of the leading nations in the world. And the high professionalism of the Chinese leadership is an important part of the story. But rather than believing this herself, China tries to use her propaganda machinery to demonstrate the results to the wider world – and to hide the mistakes the party has inevitably made on the way to the top as well. Like China's newly rich, the country has the view that it is important to demonstrate its position by a massive propaganda effort. In order to understand what happens, it is important to be aware of the collective nature of Chinese leadership. There is a continuous competition for the sharing of power and the leadership is under constant pressure to justify governance within China in order to keep positions gained. Internationally, however, this competitive approach is backfiring massively in the West and will keep to do so in the longer run as well. The Chinese image is nowadays as bad as it was in the beginning of the 20th century.

Rather than choosing the way of trumpeting successes around the world, it would have been better to speak about mistakes along the road. There is no necessity for China to demonstrate that she is sure of her success and does not doubt at any economic turn. This creates exactly the opposite perception – nothing is sure yet.

A positive appreciation of China's position would also imply that the nation starts to cooperate internationally rather than trying to push her own positions and disregarding negative reactions created by doing so. China is a very harmonious society – but only for members of its own group. As described, this also leads to a strong competitive pattern within governing clans. It is the biggest challenge for China as the new star in the international community and it remains the biggest challenge for Chinese PR work abroad. Acting the same way internationally as nationally will lead into a dead end. It is actually not even sure that this is the right way inside China, as some critical voices in China itself have expressed in recent times.

The USA are unfortunately not better at this global game, though for different social reasons. US engagement in multilateral organizations has always fallen victim to internal political struggles as well. American retirement from this or that UN organization has been a constant headache for the international community as Chinese behaviour starts to be. All the official support for multilateralism obviously ends for the two nations when national interests are concerned. Look at the South China Sea situation. The US has signed but never ratified the UN Convention on the Law of the Sea. That does not keep the Americans from wanting to police these waters. The US should be asked by the international community to finally ratify the Convention before the community accepts American behaviour in waters they pretend to keep open. On the other hand, China had no problems in ratifying the Convention on the Law of the Sea. But when the arbitration based on the law drew a clear-cut legal line for Chinese demands and defended Philippine views, China just disregards the arbitration sentence. Both nations are still putting their own interests above anything else – and should be reminded that the UNO is a multilateral organization in which everybody is represented – not yet on an equal basis either – pointing to a lot of work to be done in the 21st century.

Both China and the USA will have to learn to be part of a cooperative multinational system – and not only speak about it. The time for a leadership of the one or the other is definitely over. But neither the Chinese nor the American government seem to have realized the changes. It is high time to do so now. I would basically agree with Ivo Daalder, the Chicago President of the Council on Global Affairs who gave a presentation to stars on 22nd June: the US and China are not really in confrontation, they are in competition. But without mastering the culturally different behaviour patterns, competition will easily escalate into confrontation, a situation which we face at the very moment.



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The Caucasus – Crossroads of History, Culture and Geopolitics

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The Caucasus is a mountainous land bridge between the Black Sea and the Caspian Sea. In its northern part, Ciscaucasia, Russia and Georgia as well as parts of Azerbaijan share the Greater Caucasus range. The southern side, the Transcaucasus, is formed by the Lesser Caucasus, belonging to several States, Armenia, Azerbaijan and Georgia. It further includes parts of northeastern Turkey and northern Iran. The region as a whole has some 30 million inhabitants, representing a worldwide absolutely unique diversity of demography, religion, culture and language. More than 50 ethnic groups live in the “Mountain of languages” as the Caucasus with its 40 indigenous tongues is also called. Russian is notably used as a lingua franca in the North Caucasus. Caucasians tend to be either Eastern Orthodox, Armenian Christians and Sunni Muslims. Adherents to Shi’ism are spread in the southeastern part of the region, comprising Azerbaijan and extending into Iran.

Ancient Greek historians considered the Caucasus as “the end of the world” situated, as Aeschylus wrote, “in the neighbourhood of the stars”. With the conquests of Alexander the Great that end was pushed far eastwards to the Hindukush. Subsequently, the Caucasus turned into a geopolitical battleground between the Persian and Roman empires. Above all, the then kingdom of Armenia became a buffer zone between the two – a very uncomfortable role, reminding us strongly of recent events in the region. Later, both exhausted empires were unable to resist Arab conquerors from the South who, subsequently, were pushed back and even subjugated by the forcefully advancing Turkish Ottomans.

Finally, an originally very weak, but steadily expanding Russia joined the Turks and Persians previously dominant in the region. Nevertheless, at the beginning, Catharine the Great was unable to honour an alliance, concluded with parts of the Georgian nobility to

protect them from ravaging Persian forces: Tiflis was burned down, and civilians massacred. After having expelled Muslim Khanates from the adjacent Crimea, it took the Czars more than a century to extend their control to the entire Caucasus. After the breaking up of the Ottoman Empire Russia reached the climax of her Caucasian outreach. Also, by defending it against the German Wehrmacht, this extension could be maintained until the largely peaceful dissolution of the Soviet Union in 1991. Before, the whole area had suffered under the brutal purges of Stalin and Berisha, the head of the Soviet secret police. As native Georgians both perfectly understood on how to manipulate and exploit the ethnic complexity of the region.

Compared with the embattled end of the British and French colonial empires, the unfolding of the Soviet Union occurred in a nonviolent way: Three decades ago, Armenia, Azerbaijan and Georgia regained their independence they had very briefly enjoyed already in 1918 in a period of extreme weakness of central Russia during her bloody revolutionary upheavals. On the other hand, as a direct consequence of the disappearance of a balancing superior power in Moscow, almost all over the area various internal and external frozen conflicts broke out, characterized by armed clashes and terrorist acts. In the Northern Caucasus, an integral part of the newly born Russian Federation under the Presidency of Boris Yeltsin, the focus was on Chechnya. After the "First Chechen War" a confused Kremlin had to grant a de facto independence to the former Soviet Socialist Republic, provoking ever larger troubles since this concession fostered attempts to re-establish Caucasian Emirates, wanting to expel all non-Muslim believers from their territory. In the "Second Chechen War" a former intelligence officer, previously totally unknown to a larger public, Vladimir Putin, was able to re-stabilize the region with somewhat "traditional Russian methods" paving his way as Yeltsin's successor.

Outside Russia, the newly acquired independence of Georgia faced enormous self-inflicted difficulties until the former Soviet Minister of Foreign Affairs and close friend of Michael Gorbachev, Edward Shevardnadze, returned to Tiflis to assume the presidency of his country. Shortly later, he was ousted in the "Rose Revolution" led by Mikhail Saakashvili, who had been formed in the United States. The latter leaned towards a NATO-membership and provoked in 2008 the "Caucasian Five-Day-War" against Russia which he lost. This, in turn, activated Switzerland's traditional Good Offices with a dual mandate as Protecting Power of both opponents. Since then, Georgia sailed into more stable political waters although it was forced to give up the control of its ethnically different provinces of Abkhazia and Southern Ossetia.

Preceding historically by far the Soviet period, contrarian positions between Armenia and Azerbaijan – whose population has ethnic Turkic roots – led in 1992 to the "First Nagorno-Karabakh War" during which Armenians moved into the heartland of the contested region as well as into a buffer zone surrounding it. A subsequent low-intensity conflict lasted almost three decades. But recently, Turkey, inspired by the former Ottoman empire, supported a gradual build-up of Azerbaijan's armed forces, allowing them to launch last summer out of joint manoeuvres the "Second Nagorno-Karabakh War" retaking most of the area occupied in 1992 by Armenia. The war ended on 10th November 2020 by a cease fire brokered by President Putin and secured by Russian military peacekeepers. Evidently, this outcome would not have been possible without a tacit approval of Turkey.

At the end of the Cold War, Francis Fukuyama wrote his euphoric phantasy about “the End of History”. The Caucasus proves that geopolitics have never gone away and that they will be with us in the foreseeable future.



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