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Strategic Forecasting: The Impersonal Dimension of Intelligence

George Friedman

Strategic forecasting is that portion of intelligence that focuses on events that have broad and fundamental effects on the international system. Examples of strategic events would include the collapse of the European imperial system, the Soviet attempt to change the global balance of power by placing missiles in Cuba, the American entente with China, the 2008 financial crisis or the current confrontation over Ukraine. Sometimes the center of gravity of this level of events is a single event that sets in motion other events. Sometimes it is broad processes. These are events that transform the way the world works, and puts nations at great advantage and disadvantage. They have lasting consequences on a broad range of issues.

Identifying such events provides consumers of intelligence an enormous advantage. These are also events that most intelligence organizations are uncomfortable dealing with. Intelligence organizations operate on the principle of source-based intelligence, by which they mean the penetration of the planning process of decision-makers in control of the event. Strategic forecasting deals with events that either are not launched by anyone's decision, or events that when put in motion have unexpected and unintended consequences. So, for example, conventional intelligence gathering information from the Soviet Politburo in the late 1980s would not have found anything that pointed in the correct direction, because no one, including the Politburo, had clarity on the course of events, let alone control. An intelligence agency might have discovered the decision of the Serbian Black Hand to murder Arch Duke Ferdinand, but would not have realized that a World War was linked to it.

A Broad Overview of the Method of Strategic Forecasting

Strategic forecasting is that class of intelligence that is most alien to intelligence services—events that cannot be understood through sources, and whose outcome was unintended and unanticipated by the actors involved. In addition, it does not allow decision makers to decide whether the events will happen, but confines them to preparing for broad shifts. For most political leaders, immediate issues subject to control are more attractive, while strategic issues, which after all may be in error, require enormous effort with political costs. Careers are not enhanced in intelligence by broad and long-term thinking even if completely correct. Given the frequent and radical shifts in history that challenge conventional thought, many strategic forecasts appear preposterous to the intelligence consumer. In this sense, it is a form of intelligence best practiced outside of government and state intelligence services.

Strategic intelligence is not source driven, but rather it is model driven. This is not to say that strategic intelligence doesn't depend on the inflow of information, but the level of information it requires is not necessarily information that is hard and dangerous to discover (although it is possible in some cases that it is). Nor does it consist of massive collections. The entire principle of strategic intelligence is to ruthlessly discard the subcritical noise that is being collected in order to identify the center of gravity of events. A tiny hint may sometimes draw attention to a major process, particularly in military affairs. Finding that tiny hint, however, absorbs huge amounts of time and effort and little time is left to understand the meaning. Moreover, in many cases, the process is in plain sight and the trick is to see it, and the even harder trick is to believe it.

We have a saying at Stratfor: be stupid. By this we mean do not be so sophisticated that you do not see what is before your eyes, and do not value the secret that is obtained at great expense over the fact that everyone knows, but fails to understand. Excessive sophistication and excessive love of the secret will hide the strategic processes underway. Therefore, for example, the fragmentation of the European Union that is of enormous importance today is based on the fact that Germany exports 50 percent of its GDP. This is a fact that everyone knows, but few understand the implications, which are enormous. The sophisticated dealt with levels of abstraction far beyond this simple fact. The truth lay in the open.

There are two foundations to the model. The first is that there is no distinction between economic, political, military and technological affairs. They are convenient ways to organize departments, but in reality, they are simply a different and linked dimension of the nation-state, and related social and political activities. The relative importance of each differs from time to time and from place to place, but they are always present and always interacting. Strategic intelligence must shape their view of things from an integrated standpoint.

Second, decision-makers are trapped in a matrix of forces that they must accommodate, or be broken. Successful decision-makers are those who understand the circumstances in which they find themselves. They make history, but not as Karl Marx put it, as they will. On the surface this is connected to a Marxist mode of thinking. In fact, Marx himself was not the originator of this idea. Adam Smith, and his notion of the invisible hand, in which men pursue private interests and, unintentionally in the course of these activities, increase the wealth of nations, preceded Marx. And Smith himself was beholden to Machiavelli, who argued that a Prince cannot lift his eyes from war, but must focus on the things he is forced to do by circumstance. The virtue of the Prince rested in ruthlessly doing what he must, not in dreaming of power he didn't have. Strategic forecasting and Marxism have similar views only in that they both believe the foundation of political life is necessity.

Necessity is predictable. This is particularly the case if you are dealing with rational actors, and successful politicians are extremely rational within the space they occupy. The actions required to rise and lead a million people, let alone hundreds of millions, requires extraordinary discipline and instincts. Few humans can even begin the climb and only the most disciplined achieve the heights. It is fashionable among journalists and academics to hold politicians in contempt, as they lack their learning or their cleverness. Thus they mistake a radically different mindset and soul as inferiority. This satisfies their need not to feel inferior, but does little to guide us. Barack Obama and Vladimir Putin have far more in common with each other than either has with their general publics. Each, in his own milieu rose to power, where almost no one else did.

If you watch a chess grandmaster play another, you will note that the game is rather predictable. Each understands fully the circumstance and knows that the apparent options are illusory. Each move is met with an expected countermove. On rare occasion a brilliant player finds a variation. Most games end in predictable draws. When lesser players play, anything might happen. A grandmaster is predictable in his game precisely because his understanding is so acute. An amateur is liable to do anything. Of course the amateur never gets the opportunity to play at the grandmaster's board. The same is true of politicians. The careless and random can't be predicted, but neither do they survive. It is the gifted and disciplined who survive, and who can therefore be predicted.

The task of strategic intelligence is to build a model that takes into account the wide range of constraints that limit the choices of a leader, and identify the imperatives that he must pursue if he is to survive as a leader, and if his country is to be safe. The obvious constraint and imperative is geography. Germany's location on the northern European plain, and its ability to produce efficiently and dominate markets to the east and southeast creates an imperative to both export and to maintain political domination in its markets. This has been true since the unification of Germany in 1871. At the same time, given its location and lack of natural barriers, it is an inherently insecure country. It must simultaneously maintain its export markets while politically or militarily securing its physical safety. This simplistic model allows us to predict a number of things regardless of who is Chancellor. First, to avoid domestic disruption Germany will export regardless of circumstances. Second, it will shape the political environment to facilitate this. Third it will try to avoid military confrontation. Fourth, in extremis, it must initiate conflict rather than wait for its enemies to do so.

This model, which I provide only for the sake of understanding the concepts I've laid out, begins with the internal political constraints on a German leader. It follows to the only effective solution, exports. It then shifts to other concerns, triggered by German success intermittently. Chancellor Merkel must maintain exports or face unemployment and political opposition. Germany must export in part to the European Union, and has shaped the European Union to facilitate this trade. Simultaneously, it must protect its national security by posing no strategic threat to anyone. Other options, such as cutting exports, allowing the EU to function under other rules or moving Germany from the North European plain are not open to her. Therefore certain policies are imposed upon her.

The model involves imperatives that must be fulfilled, constraints that shape the solutions, decision-makers that must be modeled in these terms, with the variables extended into multiple domains and interacting with similar models for other countries. To manage this the broad outlines of behavior can only be modeled, and the data that is used cannot be excessively granular, as it both overwhelms the analyst and obscures the point, which is to understand the broad patterns that are emerging. Without the existence of a prior model that controls the selection and flow of intelligence, the system collapses under the weight of random information. It is important to bear in mind that no attempt is made to engage in a psychological model of the decision-maker. This is not only because such a model is impossible to create but also because the psychology of power and powerful leaders tends to make them more similar than different. A psychology of power in general is more useful than a psychology of the individuals.

There are two keys to strategic forecasting. First, focus on the community, nation and state rather than individuals. Second, do not confuse the subjective intent of the individual leader with the outcome. It is important to remember that Barack Obama and George W. Bush both intended very different presidencies than they had. Obama, in particular, wanted to behave completely differently from Bush. It is extraordinary the degree to which the actions of Obama paralleled those of Bush while his wishes clearly ran counter. Obama is the classic case of a leader trapped by circumstances. The President of the United States is constrained to behave in certain ways, as is the President of the Russian Federation. Were either replaced by another personality with different intentions, only the details would vary. The strategic reality and process would not and could not be affected.

The Current Strategic Reality

Strategic forecasting requires a dynamic model of the international system operating on several levels. On the highest level, 1992 and the fall of the Soviet Union ended 500 years of history in which there were always one or more European global powers. From the broadest standpoint therefore, the fall of the Soviet Union was more than a matter of significance to Russia and other nations of the Soviet Union. It was also a European event, marking the end of European global power, shifting the center of gravity of the global system to North America and in its first phase, to the dominant power in North America, the United States.

On the next level, the post-Cold War period, history organized itself around three pillars. The first was the United States. The second was the European Union that appeared to be in the process of moving toward full unification, and would therefore counterbalance the United States. The third pillar was China, the successor to Japan as the world's low-wage, high-growth economy. This period ended in 2008.

To understand the contemporary world, it is necessary to understand each of these pillars and their fate, with particular attention to the United States. First, the United States produces nearly 25 percent of global GDP. In addition, it is a low exporting country, exporting a little over 10 percent of GDP. This means its economy is not only vast, but self-contained and not dependent on the economic well-being of other nations. In addition, with the revolution in energy the United States is nearly independent of energy imported from outside the Western Hemisphere. It is both the largest economy in the world, and the most self-contained major power. Its global activities are in this sense not driven by economic necessity, giving it freedom to maneuver.

Second, the United States controls all of the oceans in the world. This does not mean that at any point it is in control. However, it has the ability to take control of global sea lanes at will. This means the United States has the implicit power to control global trade. It does not use this power often, except in imposing sanctions on other nations. It has little motivation to do so. However it is an implicit reality that all trading nations must take into account. In addition, it can conduct military operations throughout Eurasia (I use that term to be the European and Asian land masses taken together) at will. It can invade Eurasia. Eurasia cannot invade the United States, lacking the ability to challenge the United States at sea.

This leaves the United States with one threat that has haunted it for a century. If Eurasia or the European Peninsula and a large part of the Eurasian mainland, particularly Russia, were to unite, they could threaten the United States. The combination of technology, capital, natural resources and manpower could construct a naval force that might challenge or overwhelm the United States. Therefore the core strategy of the United States is to prevent the rise of any European hegemon.

This strategy is applied in layers. First, the United States allows the Eurasian balance of power to maintain itself. If that fails, it provides political and financial support to the weaker power. In the next stage it provides military aid. In the next stage it provides limited direct military force. In the final stage it provides overwhelming force.

In World War I the United States was content to allow the balance of power to maintain itself until the Czar fell and it became likely that German troops would be able to shift to the west. The Czar abdicated on March 15, 1917. The United States entered the war on April 6, 1917. It moved up the scale of responses until a million men were sent across the Atlantic.

In World War II the United States was content to allow the balance of power in Europe to manage the situation even after Pearl Harbor. It moved to provide aid to Britain early and to the Soviet Union as war commenced. It involved itself in peripheral operations until June 1944, when it brought major force to bear, after the Soviets had broken the back of the Wehrmacht. The war undermined British power and ceded command of the sea to the United States.

In the Cold War, the hegemonic challenge was the Soviet Union. Here the balance of power was maintained through an alliance structure that surrounded the European portion of the Soviet Union. However the same model maintained itself. The front line countries were placed at risk, while the United States provided financial and military aid, and a limited military presence. There was the promise of more military intervention in the event of war and even the use of nuclear weapons, but as Charles DeGaulle pointed out, there was no guarantee of either. The U.S. kept its options open.

With the fall of the Soviet Union, there was no challenger for Eurasian hegemony. The United States shifted its focus away from alliance building against a single threat, to destroying emerging regional powers. Wars against Serbia, Iraq, Afghanistan, Somalia and others were aimed at neutering threats before they emerged. This involved disrupting emerging powers, and undermining sub-national groups like al Qaeda in their search for domination of significant nation-states.

It is important to note that the United States appeared to lose these wars. This is a misunderstanding of intent. In a military sense the goal was not so much to control these countries as to disrupt them, creating internal chaos and destroying any opportunity that they might emerge as a regional hegemon that might grow more difficult to control. These were not attacks, but spoiling attacks. The purpose of the spoiling attack is not to defeat but to disrupt an enemy so he cannot mount potential offensives. In that sense, they were wholly successful. Serbia ceased to be a regional threat as did Iraq. The United States used control of the sea to project forces unimpeded into these countries and then withdrew.

Subjectively these were defeats when you listen to the intents of Presidents in justifying them. Objectively, there was a consistent pattern of behavior, consistent since 1917. Shift the burden to allies where possible, achieve the goal of disruption, then shift the burden back to allies and withdraw to the extent possible. It is vital to note the obvious, and forget sophistication to understand the American strategic process, or those of other nations.

The fall of the Soviet Union did not simply elevate the U.S. to the dominant position in the world. It created two other pillars: the European Union and China, both of which were said to be not only challengers to American power but also countries that might surpass it. I have already discussed the core weakness of the European Union. At its center is a country addicted to exports, which created monetary systems and regulations making it impossible for members to protect themselves from the onslaught of German goods, or to engage in entrepreneurial activity that could challenge major

German companies like Siemens. The events of 2008 created a crisis that undermined the foundations of the European Union. Germany insisted on austerity and that resulted in a social catastrophe in southern Europe, with unemployment reaching 25 percent. This has generated massive divergences in Europe, and the European Union has stopped acting as a united entity, and instead is acting merely as a treaty organization containing fractious and diverse countries. As part of this process, NATO has been crippled and the alliance system that began in 1917 has been disrupted.

China, on the other hand, is undergoing the kind of cyclical downturns that struck Japan in 1991 and East Asia in 1997. Driven by a debt-based economy rather than an equity-based economy, China expanded for cash flow to pay bank debts rather than return on equity. The more it grew the more it hollowed out its financial system. At this point its growth rate (actual not claimed) is unable to support its economy, and lending to maintain full employment has fueled inflation. Today, Chinese labor in important regions more expensive than Mexican labor, hence the capital flight from China.

The deeper problem of China is this. Just over a billion Chinese live at the same levels of poverty as Bolivian peasants. The part of China that Westerners focus on, coastal China, is perhaps 300 million people, of whom about 60 million live a middle class life by global standards. These people are linked more closely to Europe and the United States than to the rest of China. This creates a political problem for Beijing. Reconciling the competing interests of the coastal and interior regions is impossible. Mao solved the problem by destroying the coastal national bourgeoisie. Xi is solving it by imposing dictatorship.

China poses no regional or global threat. Geography prevents major Chinese ground movements. The Himalayas, the hilly jungles of the south, the Central Asian Steppes and Siberia make the PLA a domestic security force. It cannot wage war. The Chinese Navy is constrained by the geography of the South and East China Seas, and by the fact that its navy has never fought a fleet action. Facing the United States with only one barely functioning carrier would be difficult. Its missiles will keep American ships at bay, but not American counter-missile strikes. But that is empty discourse. China will not be aggressive at sea. The United States has no intention of challenging China on land.

This leaves the re-emergence of Russia to consider. The emergence of Vladimir Putin or his equivalent was inevitable. The regime under Boris Yeltsin had created a national disaster. The only institution that had historically functioned in the Russian Empire was the secret police. Given the geography of Russia, maintaining an empire was a unique challenge, solved to some extent by an efficient secret police. This system held both the Russian empire and the Soviet Union together. It maintained its coherence even after the fall of the Soviet Union, at it was the only force that could draw the Russian Federation back together again.

The dream in 1992 was that Russia would enter the western economic and social system. Given the disarray of Russia that was impossible. It has been poor but powerful. Under Yeltsin it became poorer and weak. It was also held in contempt by the West. The Kosovo affair drove home the indifference the United States, in particular, had toward Russia. Not only did the U.S. go to war against Russian wishes, but it refused to honor the agreement made after a Russian brokered peace, that Russia would participate in the occupation and administration of Kosovo. The events at Pristina airport at

the end of the war signaled the depths to which Russia had fallen and made the rise of the security apparatus inevitable.

Putin's strategy was imposed by reality. Russia could not compete as an industrial power. Thus it would focus on the export of raw materials, particularly energy, to build its capital stock and reindustrialize Russia in a modern sense. Putin also intended to avoid the mistakes of the Czars and the Commissars concerning the empire. The empire and Soviet Union had never been profitable for the Russians. Russia had spent more money pacifying it and subsidizing it than any wealth it produced. In the end, the subordinate countries were one of the causes for the collapse. Putin's strategy was very different. He did not want to take responsibility for either the internal stability of these countries, nor for their economic well-being. He wanted only negative control over foreign policy—that they would not become a threat to Russia, and that they would not become a base from which foreign countries could operate against Russia.

The reemergence of the security apparatus signaled the end of the Yeltsin era, and the end of the unsustainable transition period. The rise also signaled a possible threat to newly independent states on the periphery of Russia, as well as to NATO, which posed a paradoxical challenge. NATO was without weight, yet expanded, assuming that expansion carried no risk. Around the periphery there were uprisings, supported openly by the West, that challenged Russian negative control.

The most serious of these occurred in Ukraine, which represents a fundamental Russian national interest. The base of the European peninsula is a line from St. Petersburg to Rostov. This is also the rough line dividing Russia from the Baltics, Belarus, and Ukraine. This line represented the minimal security buffer Russia had to have in order to absorb western attacks. With the absorption of the Baltics into NATO, retention of negative control over Ukraine and Belarus were fundamental to Russian national security. The Orange revolution from late 2004 into early 2005, perceived subjectively in the West as supporting liberal democracy, and subjectively in Russia as a western conspiracy, was actually the inevitable result of Russia seeking a low cost, low risk system of control. The peripheral countries, seeing the weakness of Russia and its economic dysfunction, had little motive to remain aligned with Russia beyond historic memories, not all good. The system that Putin created, the best that he could do, lacked control mechanisms. The periphery was inherently unstable.

The shift in Ukraine began two processes. One was the resurrection of the Russian military as an effective regional force. The second was formal destabilization strategies by Russia. This culminated in August, 2008, with the war with Georgia. The purpose of the war with Georgia was to demonstrate that the Russian military could no longer be dismissed as a force, and to demonstrate the emptiness of American guarantees. Boggled down in its wars in the Islamic world, the United States was not in a position to come to Georgia's aid. Those wars had opened a window of opportunity to Russia to exert power on its periphery. Georgia was less about Putin's dislike for Mikheil Saakashvili, than a message to the Ukrainians: "This is what American guarantees are worth."

This in turn resulted in the events of 2014, when the Yanukovich government was effectively overthrown. The Russians regarded this as a coup engineered by the Americans. It was also a massive Russian intelligence failure. The Russians failed to anticipate the events leading up to the new

regime, they failed to block it, they failed to undermine it, and when they tried to generate a rising in the east, they failed. They were left with Crimea, which they had always dominated, and a thin stretch of the East, for which they had to fight.

Ukraine represented a double threat to Russia. First, it stripped a buffer zone away from Russia that over time could become extremely dangerous. Second, it undermined the FSB's reputation for extreme effectiveness. That reputation had been one of the foundations of its strength. It was also the foundation of the current Russian regime. Ukraine was a problem in itself, but it was also a problem for the regime. In addition, and this must be emphasized, it was a failure to recognize the American imperative to undermine regional hegemony. The Americans were pursuing a predictable path. But it was a path that Russia was not in a position to block.

Russia's core economic problem has been its failure to transform its energy revenues into a new industrial and technological base. It has remained dependent on energy exports, which are volatile in pricing. The cyclical weakening of the Russian economy, coupled with declining oil revenues weakened Russia. This was compounded by the normal opening moves of an American intervention—financial sanctions. These sanctions compounded the other economic problems. Thus, while Russia found itself engaged on its exposed southwestern flank, it also had to manage economic problems. The Ukrainian crisis, economic cycles and American led sanctions intersected.

Under any circumstances, Russia cannot simply let the status quo stand in Ukraine. Ukraine is fundamental to its national security and its economy. A hostile government in Kiev, backed with military aid from the U.S., is a strategic threat of the first order. In addition, other countries on the borders of the former Soviet Union are moving to create a cordon sanitaire in the West. Russia cannot choose to ignore the challenge, nor does it clearly have the capability of reversing the situation.

Russian military would have difficulty occupying Ukraine. Ukraine is large and the logistical capabilities of the Russian Army are limited. It can act in locations along the border, but a deep thrust toward Kiev, even against minimal opposition, would be daunting. Russia can use energy as a weapon against Ukraine, but only by hurting countries farther in the European Peninsula. Most are less vulnerable than they might seem, and the action itself would potentially move German policy in a direction that Russia can't afford. Therefore, the most likely path is to foment a coup against the new regime. But at a time when the United States is far less involved in the Islamic world than it was, this risks a response. Therefore Russia will explore ways to divert American attention. But Russia has few options at this point.

Russia is therefore in an extremely difficult position. Its economic and strategic position has deteriorated, and its counters are few and uncertain. This will test Russia intensely. It is not, it would seem, the terminal crisis that confronts Russia, but it is a dress rehearsal. Given economic realities, and the unfavorable correlations of forces, can Moscow both maintain Russia's economy and territorial integrity? If not, the Federation itself is at risk.

The most important reality of the post-1992 years remains the overwhelming, but not omnipotent, power of the United States. It remains a unipolar world, where the United States can project

enormous power in a variety of ways. The unpopularity of the United States is not a factor in this calculus and the apparent defeats of the United States are far more complex than they appear.

With the European Union disintegrating, China shifting to a more normal mode, and Russia's reach for regional power facing its most crucial test, the centrality of the United States to global dynamics remains the prime determinant of outcomes. The United States has as its primary interest preventing the emergence of regional hegemony. Russia, unlike other countries, could become more than a regional hegemon. Therefore the United States will seek to disrupt it first by allowing local forces to act, then by giving financial support to local forces and on up the scale. Where China is no threat for expansion in any but an economic fashion, Russia is a genuine expansionary power. It must expand in order to secure essential buffer zones. It is therefore predictable that the United States will act against Russia. It also follows that Russia cannot simply concede. Nor can it reach an agreement, as the United States will not cede it a sphere of influence. It doesn't have to. Therefore tensions will both continue and to some extent escalate.

Therefore the danger of conflict in Ukraine is substantial, and could spread to the Baltics and Caucasus. How far up the scale it escalates is dictated by Russian success. However, the outcome cannot be favorable to Russia over the long run as American interest requires involvement, and there is a massive imbalance of power in all of its dimensions. The internal and external pressure on Russia increases as Russia seeks to find stability. Unlike the Russian Empire and Soviet Union, the buffers that absorbed threats is now in potentially hostile hands, and the rationalization of Russia's economy has left it exposed to market forces in ways that didn't exist in previous iterations. Therefore, Russia's only option, if it cannot find a basis for accommodation, is to increase the threat in the hope of bluffing the Americans. As a long-term strategy, this is not a strong option.

This is not said in order to denigrate Russia or praise the United States. Both countries are what they are, and they will do what reality dictates. The leaders of both countries are accomplished in the art of power and ruthless in its exercise. The outcome will be determined by the impersonal forces that govern nations, and not in personalities or accidents. Karl Marx was right in some ways, save that in focusing on class he missed the reality of modernity—the persistence of the nation and the geography and other realities that shape them. That was not a minor error, but his most important one. In the end, nations, interests and power determine the direction of humanity.

About the author:

George Friedman is Chairman of Stratfor, a private company he founded in 1996 that publishes geopolitical analyses and forecasting of international affairs. He is the best-selling author of books on national security and geopolitical forecasting including “The Next 100 Years” and “The Next Decade.” His forthcoming book "Flashpoints: The Emerging Crisis in Europe" will be released on January 27, 2015. Dr Friedman graduated with a Bachelor’s Degree from the City College of New York and a PhD in Government from Cornell University.