

The Art of Industrial Warfare

AMAR MANZOOR



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Preface



**Congressman Ron Paul:
Presidential Candidate 2012**

(Pic: Gage Skidmore)

‘This looks like where the real wars are going to go: they will be through trade, competition, currencies. The likelihood of someone attacking the USA militarily in the next hundred years is minimal. I really fear the financial time bomb we are sitting upon. We could be bought down by financial reasons just like the Soviets.’

CSPAN.org, December 29, 2011



**Jeff Immelt:
CEO General Electric**

(Pic: WRI Staff)

‘So we now have a new competitor [China] who runs a different play, and I have always been paranoid about competition. I think it’s good for the United States to be paranoid about competition, to study and say: “Do they have a way we should understand? How do we beat them, or compete with them and what they do?” And so I think we need to be reflective.’

Fareed Zacharia, CNN, September 18, 2011



**Professor Niall Ferguson:
Harvard University**

(Pic: Barun)

‘The IMF recently projected that China will be the largest economy in the world in just five years time! [2016] It has already overtaken the world as a manufacturer.’

C-Span, June 17, 2011 – The Munk Debates



Dr Henry Kissinger

(Pic: *US News & World Report* – staff photographers)

‘China’s quest for equal partnership with the United States is no longer the outside’s claim of a vulnerable country. It is increasingly a reality backed by financial and economic capacity.’

‘On China’, p.493.



Mitt Romney:

Republican Presidential Candidate 2012

(Pic: Gage Skidmore)

‘These guys [China] are after us and looking for ways to harm us.’

RT, February 19, 2012



Rick Santorum:

Republican Presidential Candidate 2012

(Pic: Gage Skidmore)

‘I want to beat China, I want to go to war with China and make America the most attractive place in the world to do business.’

RT, February 19, 2012



Barack Obama

US President 2012

(Pic: Ari Levinson)

‘Tonight I am announcing the creation of a Trade Enforcement Unit that will be charged with investigating unfair trading practices in countries like China ... This Congress should make sure that no foreign company has an unfair advantage over American manufacturing. I will not stand by when our competitors don’t play by the rules.’

State of the Union Address, January 25, 2012

Introduction

IN SPRING 2009, *Politico* magazine reported that the Pentagon had sponsored ‘the-first-of its-kind’ economic war game at John Hopkins University in Baltimore. Apparently participants were told it was the first time the Pentagon were conducting such an exercise. Three years later in his State of the Union speech, President Obama announced the creation of an International Trade Enforcement Centre (ITEC) to investigate unfair trading practices.

These were the government’s first responses to a growing realisation and concern that the industrial base of the United States was being eroded by competition from China.

More than a decade earlier, a small British company, 7Tao, had realised that the 21st century would be dominated by industrial war between an emergent China and a declining USA, and that the old Western rules would no longer apply. To counter the growing Chinese dominance, 7Tao began practising and teaching the art of industrial warfare® through a powerful Chinese methodology in 1999.

To the Chinese, competing in the global economy is a martial art, so what better way of dealing with the situation than using their tactics? This book reveals some of the most inspiring secrets of the Chinese practise of industrial warfare so that the West can compete again on a level playing field. We show how factories, markets, and whole economic regions can benefit from adopting the mindset of industrial and economic warfare.

7Tao has been conducting business to business, team to team, and individual to individual industrial combat sessions across a large number of companies for over ten years, implementing the industrial fighting system and actually preparing companies for what will be a difficult future. The results were not just enlightening, they were frightening. The Pentagon had not realised that economic war is fought by the entire spectrum of industries across a nation, not just a few specialist players locked into a ‘one room’ simulation.

Class by class, economic combat is being practised through a

powerful yet simple methodology called 7Tao®. The aim of the game is simple: To win in a fourth generation industrial and economic war. How to win is explained in everyday language that can be used in any business, trade or enterprise.

*

To appreciate the scale of change that is required, it is useful to look at the historical context. During the first half of the second millennium, while Europe languished as an economic backwater, China had reached a high level of civilisation and become a powerful trading nation. However, about the middle of the millennium China lost its way and began to stagnate and fossilise as the West is today.

As the sun was setting on Chinese dominance, so it was rising in Western Europe where the ‘new learning’ of the Renaissance was changing people’s mindset and sparking discoveries in science and exploration that were to lead to European domination of most of the globe over the next 500 years, creating effectively a global economy, with America superseding Britain as the dominant partner after the Second World War. The tables, however, are now being turned on the Transatlantic bloc, whose corporations appear to have no answer to the competition from the East.

This is a dangerous and intolerable situation, which needs to be remedied without further loss of time.

Unfortunately, the West’s policy-makers are gridlocked. There is a poverty of philosophy, driving the Transatlantic nations further into debt, and exposing our enterprises as hostages of fortune to the cash-rich Asian corporations and their sovereign wealth funds. The industrial base of entire economies are being depleted as transactions move towards the East. What Europe and North America took for granted thirty years ago is no more. China has not just taken the lead, it has taken on every single product that the West used to dominate, and is producing exports which reach every single market in the world. The growth has been astonishing rather like that witnessed in Europe after the Renaissance.

In three decades, China has grown from an agricultural backwater to an industrial giant. It has power: economic, military and, most importantly, industrial. Industries in the West which have been starved of orders may never recover. Unless, that is, either China disappears or the West changes the way in which its value-adding enterprises operate. Change entails new ways of thinking, and acting, all the way

from the shop floor to the CEOs. We have no choice but to get a grip on destiny and realise that we have to learn how to navigate a world in which the East, and specifically China, will be king

The Transatlantic economies wasted the last three decades by sustaining activity on the back of property speculation and house price inflation. Eventually, this led to a banking crisis because people could not afford to pay back their astronomical debts. This false economy fell flat on its face in 2008, first with the shock of Lehman Brothers, and then with the implosion of the whole banking sector. Governments had to bail out the banks at taxpayer's expense, forcing some countries to seek bailouts themselves and resort to austerity measures, cutting wages, jobs and pensions, accelerating the downward spiral. The Transatlantic nations are still in deep trouble.

The policy of austerity is cutting deep into the finances of every family, of every student and pensioner. Tragically, this is fostering the discontent that is driving people to protest in the streets. The risk is that the protest movements will morph into organised rebel groups mobilising against their governments in the search for an equitable economy. I fear that the longer the economic downturn persists, the more likely governments are to turn to repressive methods to maintain order. This will be divisive and weaken Western economies. The solution is to restart growth, but this time on a more inclusive and sustainable basis.

The Chinese, on the other hand, have mastered growth ahead of their competitors. They have focused their entire development around manufacturing. They have a ferocious method of thinking which overpowers the opposition. This thinking is based almost entirely around the capturing of the 'transaction'. They will do what it takes to shift the product. The system of thinking which guides them requires manoeuvres that have offensive and defensive constructs, the impact of which enables them to drive their competitors out of existence.

I have studied their methods, and assembled the Asian logic into a new system based on the ancient principles which have served their culture and nation for over 3 millennia. This is 7Tao – The Art of Industrial Warfare®.

7Tao is the business management system that bridges the chasm between the dynamism of post-communist China and the floundering economic paradigm on which Western enterprises rely. It deploys the ancient arts and philosophy of warfare which guide China's manufacturers in their assault on global markets. 7Tao delivers access to the secrets of China's success to those organizations that wish to survive

by combating the ruthlessness of the Asian intrusion. 7Tao's methods are designed to revamp the practices of Transatlantic businesses of all sizes, and in any area where obsolete managerial practises are threatening profits and market share. 7Tao's secret of success lies in the way employees at all levels of

the firm are mobilised to fulfil the purpose for which their enterprise exists – tracking and completing the transaction, from the first customer order to the cash till.

The traditional monetary instruments employed by Western governments, which are supposed to stimulate growth, are not working. Nor will they, as long as central bankers pour yet more debt into their economies. This is geopolitically very dangerous. It can lead to a dismantling of the international legal system; it can render entire blocks of countries irrelevant as 'might is right' becomes the organising principle of globalization. We need to avoid the stresses that could lead to direct confrontation between powers which command massive military firepower.

In my view, the only way to restore stability to the global economy is to ensure balanced growth for all nations, so that no one is left behind in the pursuit of prosperity. This will require a change of culture, a new way of thinking and operating. Above all, it requires a rejection of the obsolete management theories that once populated the corporate world of the West. And so, as my contribution to rebuilding and sustaining the great Western enterprises, I offer the reader insights into the methods of 7Tao.

CHAPTER 1

Decline of the Transatlantic Cycle

FOR 350 years the Transatlantic economic cycle has reigned supreme. Powered by industrial revolutions that began in Britain and spread to Western Europe and America, it came to dominate the rest of the world industrially, educationally and militarily. It established the terms and conditions of international trade and banking, the rules of the game.

The modern world was built during those 350 years. For much of the time the British Empire reigned supreme so that the characteristics of the Transatlantic cycle have a strong British input in law, governance and education. British inventions harnessing steam power to drive machinery, ships and trains transformed the cost of manufacturing, transport costs and the distance goods could travel, laying the foundations for the modern global economy. For much of the 19th century Britain was the workshop of the world and the City of London its financial hub. During the second half of the 19th century Western Europe and America industrialised, creating the Transatlantic economic sphere which dominated the world economy.

The peoples of Asia looked on the West in amazement. The difference between the two was enormous in every area that mattered. Wanting to catch up and enjoy the same standards of living, they strove to emulate Western technology and corporate organisation. The dynamism which once gave rise to the Transatlantic sphere has now shifted to the Asian sphere. The tables have been turned. Dominance is moving from the Transatlantic cycle to the East Asian cycle. The security and prosperity of Western nations will in future depend on how the East Asian economic challenge is confronted. Western multinational corporations must reappraise the economic landscape.

So far the complacent West has failed to read the signs. Asia began its ferocious rise in the 1960s with the Japanese driving their brands into the global marketplace. In the last four decades, Toyota, Nissan

and Honda have grown from scorned and belittled brands into international powerhouses with a reputation unparalleled among car makers. In comparison, General Motors, the Western giant of car manufacturing, has been wounded almost to the point of destruction, losing most of the brands it controlled. Scattered across the USA are the empty shells of abandoned factories. Understanding how this happened is essential to the survival of the Western corporation.

But the West has more to contend with than the Japanese giants. Many Eastern companies – from South Korea, Taiwan, Thailand, Malaysia and India – have worked hard to emulate the West's success. And then, hard on their heels, has come the transformed China. It arrived in the global markets three decades ago and since then has intruded into every area of commerce, deploying its huge geographic presence, a population of 1.3 billion and a mastery of the tools of industrial and economic combat. The network of economic power has changed dramatically. Table 1:1 compares some of the statistics relating to the Transatlantic and the East Asian nations.

TABLE 1:1 Transatlantic and East Asian Nations

Transatlantic Nations	East Asian Nations
875 million people	3,942 million people
12.5% of world population	56.3% of world population
Rigid, pugnacious, governed by law	Dynamic, assertive, driven by trade
16.3% of earth's land mass	14% of earth's land mass
Separated by Atlantic Ocean	Largely a single land mass
GNI \$42,131 billion	GNI \$19,975 billion
58.3% of world GNI	27.6% of world GNI
14.4% of oil reserves	2.2% of oil reserves
7.6% of gas reserves	5.6% of gas reserves
34.5% of coal reserves	21.5% of coal reserves

The Transatlantic bloc comprises the European Union, Norway, Switzerland, the United States and Canada, the East Asian bloc Pakistan eastwards to Japan, Korea and Mongolia, including Indonesia and the Philippines. Sources: World Bank (Population and GNI, 2012), Wikipedia (Land Mass), BP Statistical Review (Coal, Oil, Gas, 2012).

Flowing With the Cycles

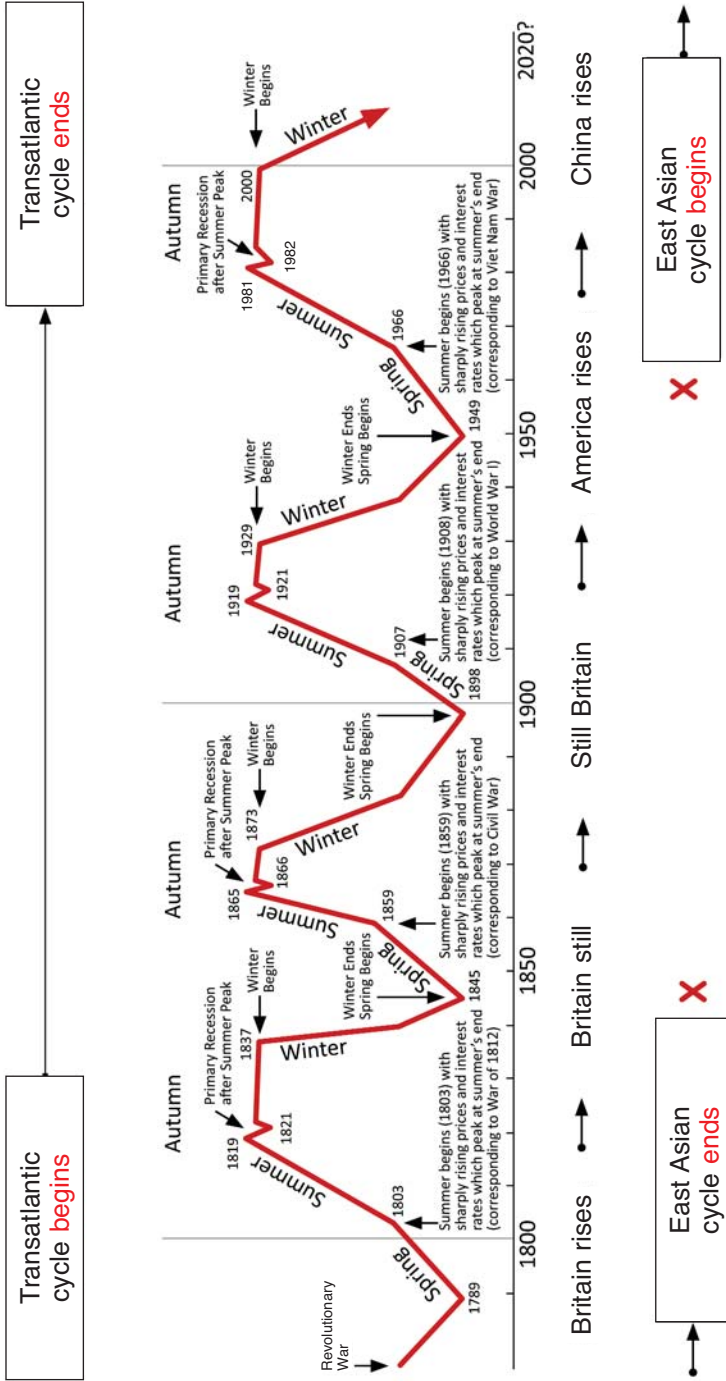
The rise and decline of geopolitical areas is cyclical in nature and within these longer cycles are shorter ones. The Transatlantic cycle is characterised by the industrialisation of production, but the development has not been a straight line progression. The first phase of the Transatlantic cycle began with the Industrial Revolution in Britain towards the end of the 18th century with the development of steam driven machinery and transport. This was brought to an end by the speculative railway mania about sixty years later. At the nadir of the first phase, a new cycle opened up with the repeal of the Corn Laws in 1846. A new era of free trade was ushered in and Britain became the workshop of the world, exporting manufactured goods all over the globe. This cycle came to an end as Britain faced stiff competition from manufacturers in America and Europe. The third phase was powered by the discovery of electricity and the internal combustion engine, but the centre of gravity moved across the Atlantic to America as Europe tore itself apart in the First and Second World Wars.

The fourth phase, beginning after World War II, is characterised by the automation of production and electronics. In this period America emerged as the world-dominating, hegemonic power, its powerful corporations operating globally but still essentially on the British model. This gigantism, however, has proved a liability as it failed to see competitors arising. No heed was paid to scientists and engineers who warned corporate heads of US businesses to change their ways. The biggest organizations in the world dismissed the theories of Dr Joseph Juran and Dr W. Edwards Deming. So this new breed of scientists, trail-blazers in the art of production-on-time and quality management, went to Japan to teach the theories they had developed.

The Japanese listened carefully, and adopted their production processes. As a result, Japanese corporations like Toyota began to outdo their American competitors, slowly but surely, month by month, year by year. That was the beginning of the East Asian industrial revolution. Today, Japan's automotive industry has overtaken General Motors, Ford and Chrysler. Multiply this redeployment of economic power by the population of East Asia and you will start to appreciate the sheer scale of the challenge facing the West. The spell of Western supremacy has been broken.

Korea, Malaysia and Thailand were next to pile into the global marketplace but the West's supremacy remained as long as the Chinese dragon slept, under the spell of communism. Once the Communist

FIGURE I:1 Industrial Revolutions 1800-2000



Source: Adapted from www.kondratieffwavecycle.com/kondratieff-wave/

Party decided to adopt ‘Capitalism with Chinese characteristics’ everything changed.

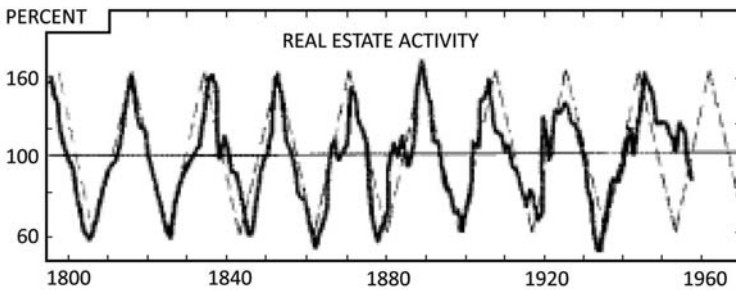
Figure 1:1 traces with particular reference to America how the industrial cycles unfolded as Kondratieff waves (named after Nicolai Kondratieff, the Russian economist who identified the cycles from the long swings in commodity prices). Each Kondratieff wave lasted between fifty and seventy years. Each contains certain industrial patterns which follow a spring, summer, autumn and winter pattern. The timing of each season is determined by an 18-year cycle in land prices, which rise for fourteen years and fall for about four years. The recessions and depressions have followed these patterns right through to today.

I will focus on these four industrial revolutions, three of them British and one American. What we are now witnessing is one of the most important changes in the last five centuries: the eclipse of the Transatlantic cycle and return to the East Asian cycle. This will be a watershed event, greater than anything which has challenged the West in the modern era. If the West is going to survive this tectonic shift of economic power, it will have to understand the dynamics of the business cycle.

The Four-Season Cycle

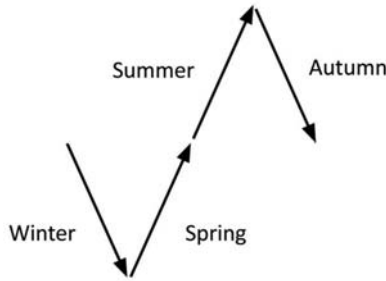
A four-season cycle, consisting of spring, summer, autumn and winter, is detectable in everything in the economic landscape. For example, there is an 18-year real-estate cycle which can be broken up into four seasons, each of 4.5 years. Figure 1:2 illustrates the real estate rhythms oscillating within the wider trends tracked in Figure 1:1.

FIGURE 1:2 Rhythmic Oscillation



Source: <http://ray.tomes.biz/ed-real.gif>

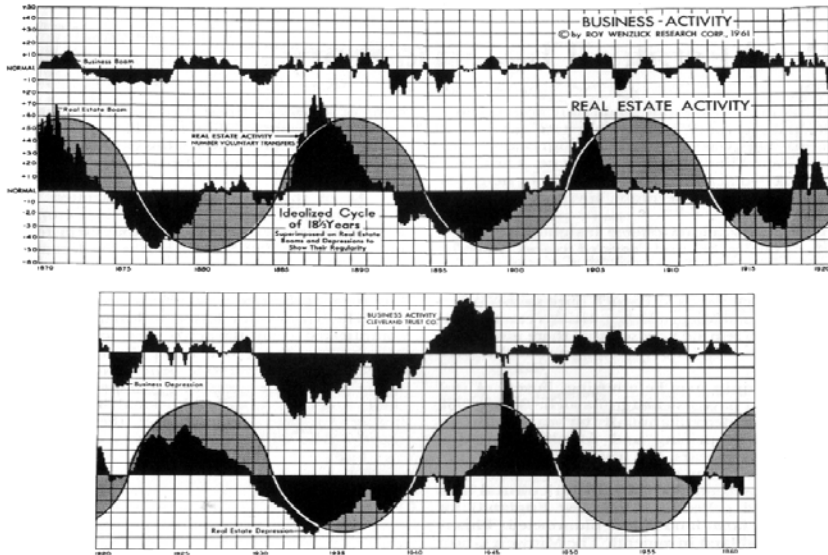
FIGURE 1:3 The Four-season Cycle divided into 4.5-year units



Source: TTao

This 18-year cycle is a consequence of the way in which the economic system was designed 350 years ago. It contains an unstable boom-and-bust mechanism predicated on property rights and methods of taxation enshrined in the political systems of Western Europe in the 17th century. These rhythms will continue into the future for as long as the rules of engagement in the economy remain the same.

FIGURE 1:4 Idealized 18½-Year Real Estate Cycle, 1870-1955



Source: Roy Wezlick, Research Corporation, St Louis, MO, USA.

Figure 1:4 illustrates how real estate cycles correlates with business activity. Note the greater amplitude of the real estate cycle and how downturns in business activity lag behind the collapse in the property market and upturns tend to precede property booms. The real estate waves are repetitive and consistent, though their intensity varies according to the way in which intricate day-to-day events in the different cycles play themselves out, just as some winters are very cold and others mild.

The Three ‘C’ Theory: Colonialism, Communism and Capitalism

During the 20th century three economic ideologies competed for dominance:

- 1 Colonialism
- 2 Communism
- 3 Capitalism

Colonialism

The beginning of the 20th century was dominated by rivalry between the European empires scrambling to lay claim to as much territory as possible, culminating in the First World War which knocked Russia and Germany out of the race. The basis of the colonial system was for the colonies to provide food and raw materials for the workers and factories of the imperial power and to be a market for their manufactured goods. If the likes of India, China or the Middle East wanted cars, they bought them from Europe or the United States. The factories of the UK overflowed with orders. Production lines were crammed to meet global demand. In South Asia, ‘Made in England’ was a phrase associated with quality. In Pakistan and India, all products came from factories operating within the UK, and the cultural patterns of colonialism did not end with the retreat of the empire. People continued to act, think and buy along colonial lines. Everything there was – and still is – British: the air force, the army, the navy, the medical system, the bureaucratic administration – and, of course, the English language still dominates the Indian sub-continent and much of South-East Asia.

American corporations, however, seized the initiative after World War II and expanded into every area as the American empire rose to

dominate the global economy. Some observers called it the ‘benevolent empire’ as the dominance was more commercial than political, but the United States did exercise considerable political influence through the International Monetary Fund and World Bank, the so-called ‘Washington Consensus’. Moreover, as colonialism began to recede, the masterly manufacturers of Japan and Germany came from the ashes of their military defeat to carve out their share of global trade.

Communism

After the Russian Revolution communism, with its so-called ‘non-imperialist’ designs on world domination, emerged as a competitor ideology which the Soviet Union sought to spread to developed and the developing countries after World War II. With an ever expanding agenda of land growth and domination, communism became known in the West as the ‘Red peril’. The Russians produced and exported tools designed for superpower dominance, but their chief victory was the proxy war fought in Vietnam. This was the height (and, as we now know, the twilight) of communism. Its bureaucratic, state-run industries did not prove a credible alternative to the equally aggressive march of industrial capitalism. The command economy was doomed to fail and communism was abandoned in 1991, two years after the Soviets left Afghanistan. The socialist paradigm was discredited. The Transatlantic cycle had triumphed. You had to be capitalist to succeed in this world.

Predictions of the failure of communism began as early as the mid-1970s. Surprisingly, the most accurate prediction came from inside the Soviet Union itself, from Dmitry Orlov. He witnessed the Soviet collapse in 1991 and the descent into a social and economic nightmare. He later predicted that the United States would go the same way. He did not offer a precise timing but was convinced that calamity was on its way.¹ Others jumped onto the bandwagon, predicting the fall of America as China’s economic power grew, threatening to replace the United States as the primary economic power on the earth.

Capitalism

The capitalist hegemony reigned supreme from 1991, it was ‘the only game in town’, or so the analysts in Washington believed. In the years leading up to this, ideologies and political relationships had been

1 Dmitry Orlov, *Reinventing Collapse*, New Society Publishers, 2008.

predicated on the basis of a bipolar order. No longer. Suddenly, the whole planet had to change the way it thought, aligned its armies and perceived everything, from education to pension systems.

America found that its Cold War industrial architecture was redundant. It had no longer had the same need for its F16s and other fighter/bombers. But the same logic applied in other countries, so at the moment of its ideological victory the US empire found its economic flanks vulnerable. How would it survive if no one wanted to buy what it made? The solution was developed within the framework of political strategy. *If you control the oil, you control the world economy.* The US moved aggressively into the Middle East to ring-fence the oil supplies which had been taken for granted over the past century. The threat of Iraq's weapons of mass destruction (which did not actually exist) mobilised much of the rest of the world in support of President George W. Bush's project of democracy in the Middle East and the Islamic world in general. American capitalism achieved its first surreal victory since the Vietnam failure in Iraq. Little did we know that this empty victory would result in unpredictable changes in the Islamic world twenty years later.

Meanwhile the whole world was buying into the capitalist growth model. Everything, both good and bad, was emulated. Other countries built manufacturing, agricultural and service industries on American models. The victory, however, was bitter-sweet. Some of the late-comers to capitalism decided to out-compete the West.

Asia focused intensely on developing its manufacturing industries. The number of containers being shipped around the world from Asia shows the extent of growth within the Asian sphere of business. This has created a massive shift in expectations within China and its allies. The Asian tigers were eclipsed by the dragon as it rose to prominence in Asia. But China was fighting for industrial dominance, with the entire world as its battleground. It outplayed every competitor in the ensuing industrial warfare. It didn't need to invade with soldiers, tanks and aircraft, it could do something much simpler: sell its goods to everyone who wanted to buy them, and buy what it needed from them. Theirs was the most ferocious industrial fighting force to be seen in the last two centuries.

The result is the revival of a now cash-rich East Asian cycle blessed with relative economic stability. The Transatlantic cycle is burdened with economic crisis and debt. The world has swapped the old lopsided global economy for a new one. How did it happen?

Chinese Dominance and Western Economic Dependence

China fully understood the concept of industrial warfare. It can be summed up in a brief statement by the Communist Party leader, Deng Xiaoping, in 1992: ‘The Middle East has oil and China has rare earths’. Through a policy of restricting rare earth exports and acquiring US-based supply-chain operations and relocating them to China ‘to receive a reliable source of rare earths’ needed for automated manufacturing and guided missiles, Chinese dominance in a crucial sector has been established.

More generally, its strategy has been to make products of an acceptable quality but cheaper, which could be produced and delivered to market quickly, thus becoming the workshop of the world. Their many shareholders found they had lost control of the businesses in which they invested. Employees, lulled into a false sense of security by the boom years that followed the recession of the early 1990s, rediscovered their expendability. Jobs were no longer for life.

The 2.6 billion inhabitants of the rest of the East Asian continent followed the Chinese. This has led to the biggest industrial revolution the world has ever seen – a global economic earthquake. They have mastered the capitalist process and their adaptation of it has been brutal. Theirs is a no-holds-barred, no-mercy form of capitalism. They have begun to suck the life out of their competitors.

To succeed, China realised that it had to set the standards. The formula is simple: don’t worry about the product, just make the transaction appealing. The mandarins of Beijing calculated that, if they could put enough effort into manufacturing, they could create an industrial revolution right across East Asia that would generate such an explosive force behind their growth curve that it would leave the West reeling.

In an attempt to survive, many Western corporations moved much of their production to China. Their logic was, ‘If you can’t beat them, join them’. The Chinese laughed all the way to their banks. They aimed to absorb capital and enterprise invested in Western factories, and Western corporations obliged them! This was an exquisite twist in the art of industrial warfare.

The West was asleep. Its financial sector had been bloated by the property market, and it convinced itself that value was being added to the Transatlantic economies. In reality, it was a game of acronyms and these represented nothing more than pieces of paper being shovelled

from one 'financial centre' to another. When the property market succumbed to the effects of the 18-year cycle,² the house of cards fell. The bankrupt world monetary system collapsed. The Bank of England, which had never before in its three-hundred-year history resorted to printing money to get it out of trouble, embarked on quantitative easing – a fancy term for just that: printing money. The collapse of the financial architecture was devastating: there were bank runs and monetary collapses, and the bankruptcy of Greece and Ireland as Europe followed the United States. Piece by piece the Western economy was falling apart.

The end of colonialism and communism, and the rise of a new form of capitalism, has empowered India and China. 2.5 billion people with an aggressive work ethic, important natural resources, and armed with nuclear weapons, are building vast networks of raw material supply chains across the developing world. They follow no rules, no code, no morality; they just want to 'sell, sell and sell' and don't care who they sell to. This supply-and-demand magnetism is destroying old relationships and building new ones.

The Shift of Trading from West to East

I believe that there is still time for the West to recover. However, responsibility for rescuing the economy rests not in the hands of governments, but with the industrial infrastructure. Unfortunately the people responsible for that infrastructure have little knowledge of how to influence a world which has already changed beyond recognition. They face the most competitive environment mankind has known in the last five centuries, yet approach the new challenges as if it's business as usual!

Many questions, much uncertainty, few answers ... Ask any of the established economic consultancies and they will offer you, for a very high price and in an eloquent but predictable manner, explanations that bear little relation to the realities of the emerging future. All the solutions offered rest on the experiences of the past. But the past is dead. Current theories were constructed by the previous three generations of business leaders.

Success in the future will depend on principles synchronised with the new world order. That world order is not capitalism based upon

Western principles. We now need to come to terms with a new kind of capitalism based on East Asian models.

Defending the Homeland – Protecting Factories, Jobs and Lives?

During the 1960s competition from the East Asian cycle was weak. Engineers in Birmingham (both England and Alabama) took their jobs for granted. In the 1970s competition opened up a little and people started developing what was called the total quality approach. During the 1980s competition increased, and attention was focused on new approaches:

Price:	Cost cutting
Delivery:	Just in time
Quality:	Total quality
After Market:	Customer care

In the 1990s these principles were enshrined in corporate methodologies such as Six Sigma, which focused on the quality of process and number of defects per million opportunities. Six Sigma was first widely used in the AlliedSignal Corporation; it broke into mainstream methodology with the help of Jack ‘Neutron’ Welch of General Electric. Both Larry Bossidy, CEO of AlliedSignal and Honeywell, and Jack Welch, CEO of General Electric, were idolised. Six Sigma was a huge success, becoming a ‘must have’ in any business. People built their careers around Six Sigma doctrines, which were applied to every process in industry.³ Jack Welch responded to the economic environment, cutting bodies out of the General Electric Corporation. He called it cutting waste, but there was another way of viewing this strategy: by axing jobs he was destroying middle-class lives (see Box 1:1).

Enterprises that arrived in this new economic landscape found local populations that did not fight by the Queensberry rules. Western corporations struggled to adapt. Some, deploying their sheer size and weight, survived. The trickle of outflow from the United States turned into a flood as firms flocked to India, China and the other growth centres in Asia, such as Vietnam. The migration was stunning: ‘Catch the Chinese train while you can’ was the motto. Factories such as the

3 <http://www.pqa.net/ProdServices/sixsigma/W06002009.html>

Box 1:1 Destroying Middle-Class Lives

As General Electric penetrated the rest of the world, host countries found that they had to compete with this goliath of industry or get mauled. Competitors emerged to threaten GE. Jack Welch's response was to dominate by throwing American capital at each country and exploiting its markets. GE grew from a market value of \$14bn to \$410bn. Welch achieved this by firing the lowest 10% of his managers and rewarding the top 20% with bonuses and stock options. The number of employees was cut from 411,000 in 1980 to 299,000 in 1985. Employees whose corporate employers emulated the GE strategy either had to move with Globalisation or lose their jobs. Most of them lost their jobs. Only the higher level employees were secure.

In interviews with the *Financial Times*, just after the financial crisis, Jack Welch said, 'On the face of it, shareholder value is the dumbest idea in the world. Shareholder value is a result, not a strategy ... your main constituencies are your employees, your customers and your products.' Many CEOs have distanced themselves from him, stating that he would not have made this statement while working for GE.

Francesco Guererra, *Financial Times*, 3 December 2009

British car manufacturer Rover were moved to China. They will never return, unless it is to China's advantage. The Chinese don't conform to the rules in which the West is steeped, on copyright, litigation, royalties and libel. They operate in a completely different world. They operate entirely upon the principles of industrial warfare. He who makes a transaction wins. They have land, they have population; nothing holds them back. They are truly ferocious in industrial warfare. They want to extract factories from the West and place them in the East. We in the West talk about 'positive migration', 'up-skilling', 'the post-industrial economy'; we have many complicated rationalisations for the capture and relocation of value. They talk about factories and jobs.

For us this is de-industrialization, though the process is spun with terms like 'positive growth'. Apologists claim: 'These old jobs are going to go and we are going to create new ones which add more value.' Translation: 'We are in deep trouble because everything we created has just disappeared and we are going to have to find you something to do because we simply can't compete with these people.' The state has failed to protect the capital base accumulated over 350 years of invention and sacrifice.

Governments have responded by replacing the muscle of manufacturing (value added exports) with the fat of public service (non-value-added), much of it funded through debt. One indicator of this debt was the massive explosion in house prices. Everything possible was done to keep the bubble floating. This was the age of hedge funds and Masters of the Universe, 'Much for the few and nothing much for the many'. The bubble has now burst. Few people realised that this false economy was subject to the 18-year property cycle. In 1997 Fred Harrison warned successive governments that this collapse was about to take place but of course they didn't listen.

The British failed to understand that the world was changing. This was not a conventional credit crunch (three months) or a downturn (six months), nor was it a recession (two years). It was not even a depression (six to ten years). This was the beginning of something far more horrific. This was a *depletion*: an event which sucks out the value of an economy and places it somewhere else, leaving 'Detroit-like' desolation behind it.

A depletion is permanent. Yet the people with their hands on the levers of power failed to comprehend what was happening to the fabric of their societies, let alone take action to put firewalls around their people. Once depletion sets in you can't recreate the economy. You have to run for your life. The edifice created out of thin air was celebrated by commentators such as Charles Leadbeater, who wrote a book called *Living On Thin Air: The New Economy*.⁴ That economy collapsed around them. They saw bank runs, riots and mass protests in the streets of Athens and Madrid, and the return of soup kitchens to Dublin as businesses died from the shock of the financial collapse.

The Bank of England and the Federal Reserve panicked. In their disregard for the value of their currencies, they started to print money. The result of the economic collapse was catastrophic. They were flying on vapour: there was no fuel in the tanks of the Western countries.

4 London, Viking, 1999.