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POLITICAL ECONOMY SERIES**  
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# The Political Economy of Geoeconomics: Europe in a Changing World

*Edited by* Milan Babić · Adam D. Dixon ·  
Imogen T. Liu



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# International Political Economy Series

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Editors

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of Geoeconomics:  
Europe in a Changing  
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# PRAISE FOR *THE POLITICAL ECONOMY OF GEOECONOMICS: EUROPE IN A CHANGING WORLD*

“This volume provides crucial conceptual framing of the geoeconomic logics that underpin rapid shifts in the ideational substructure of the post-Cold War global economic system as well as careful empirical analysis of the causes and consequences of these shifts at the domestic, regional, and international levels. By placing analytic emphasis on the role of Europe in this reordering of the global political economy, the contributing authors usefully move discussions beyond simpler US-China frames. A must read for anyone interested in the politics and economics of autonomy and interdependence in a new era.”

—Sarah Bauerle Danzman, *Associate Professor of International Studies at Indiana University Bloomington*

“The world economy has increasingly turned into a battlefield with banks and production networks serving as the foot soldiers. As scholars and policy makers try to grapple with this new uncertainty, *The Political Economy of Geoeconomics* makes a critical contribution. It is a must read for anyone interested in economic coercion and Europe.”

—Abraham Newman, *Director of the Mortara Center for International Studies and Professor at the School of Foreign Service and Department of Government, Georgetown University*

“In the context of the war in Ukraine and sanctions against Russia, a comprehensive book on geoeconomics and the role of Europe could



not be timelier. This path-breaking volume develops a novel perspective on how varieties of actors shape current rivalries in the global political economy.”

—Andreas Nölke, *Professor of Political Science, Goethe University Frankfurt*

“*The Political Economy of Geoeconomics: Europe in a Changing World* shines an International Political Economy lens on the growing blurriness between economy and national security. Thanks to an interdisciplinary team of authors from various field including geography and political science, Babić, Dixon and Liu are able to bring a fresh analytical perspective to the new era of existential challenges to the liberal international economic order, including in rapid succession the 2008 financial crisis, the reformulation of Chinese priorities under Xi, Brexit, the Trump administration, and the pandemic. While most recent studies of economic statecraft and geopoliticization emphasize the role of contemporary states, the contributions in this volume focus on how a variety of economic actors, including firms and society groups, are adjusting to this unstable ‘inter-regnum’ through cooperation, competition, and conflict. The volume also brings a welcome focus to Europe, which has a powerful role to play in the supposed Sino-American clash over global dominance.”

—Sophie Meunier, *Princeton University, United States*

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# Geoeconomics in a Changing Global Order

*Milan Babić, Adam D. Dixon, and Imogen T. Liu*

## INTRODUCTION

The global economic order is in flux. While neoliberal globalization seemingly survived the Global Financial Crisis of 2008, many of its characteristic features were rendered obsolete by political developments in the following years. Among others, Trump, Brexit, China under Xi Jinping, and the COVID-19 pandemic each contributed to the demise of old certainties and familiar modes of global governance. Brexit proved wrong the popular imagination of a natural progression toward an ever closer, deeper, and broader European Union. Trumpism demonstrated

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that dismantling seemingly given global institutions like the WTO or WHO is possible and desired by a significant part of the global population. The parallel rise of ‘Xiism’ (Mulvad, 2019) and its world-spanning political ambitions crushed liberal hopes of a ‘peaceful’ rise of China in the global economy. Finally, COVID-19 made it painfully clear that a highly interdependent, but unequal and unstable global political economy rather exacerbates than helps to contain the spread of a deadly virus. Hence, if the 1990s brought about the preliminary ‘end of history’ (Fukuyama, 1992), the 2020s are here to mark the ‘end of the end of history’ (Hochuli et al., 2021) as we know it. For the global political economy, this means that the decay of a phase of relative hegemonic stability during neoliberal globalization ushers in a new phase of relative instability. Long-neglected competition and conflict for power, domination, and relative gains are again becoming more relevant for understanding where global politics is headed in the next decade.

What does the revival of these rivalries mean for the future of the global political economy and especially Europe’s role in it? The ambition of this edited volume is to contour a set of answers to this question. We argue that after decades of neoliberal globalization, the global economic order is transforming. It is becoming more unwieldy, complex, and antagonistic. Since 2016, we are observing an advancing disintegration of the relatively stable phase of neoliberal globalization that governed the global political economy since the early 1990s. The advent of new hegemonic clashes between old, new, and aspiring powers is not only a theoretical, but a *realpolitik* phenomenon. However, we hold that different from earlier rounds of global rivalries, today’s battles for supremacy and hegemony will not have a mainly geopolitical, but much more a *geoeconomic* character. This means that beyond military, state-centered forms of ‘hard’ power contentions, today’s global landscape is being governed by more economic, network-centered, and complex forms of confrontation, competition, and cooperation.<sup>1</sup> Importantly, these interactions are not

<sup>1</sup> The Russian aggression against Ukraine in February 2022 might appear as disproving our point. We however deem the various reactions from Western governments as supporting our argument that international conflict is becoming more *geoeconomic*: from economic sanctions to energy embargoes, numerous *geoeconomic* instruments have been leveraged to counter the Russian invasion. Despite such an unprecedented economic warfare against Russia, a military intervention has been ruled out by any state, reversing a post-Cold War tendency for military intervention by various Western powers in international conflicts.

limited to states as sole actors in an international environment. Rather, the different chapters in this volume show how different types of actors—states, firms, social groups, international institutions, think tanks, and others—shape the newly emerging global rivalries across different spheres of the local, national, and transnational dimensions of global politics. They cover a variety of policies, geographies, and scales in which geoeconomics today transforms global economic relations. Together, they delineate a fresh and interdisciplinary perspective on the shape of the global political economy as we enter a tumultuous geoeconomic decade. The focus on Europe furthermore puts a group of actors (the EU, its members states, and institutions) center stage that often get sidelined in the grand geopolitical narrative of our time of a US-Sino clash about global supremacy (see, e.g., McNally, 2020). By excavating the complex and contested nature of European geoeconomics, this volume contributes to a differentiated and sharpened picture on current global hegemonic battles and transformations.

Recent scholarship describes these newly emerging forms of conflict through various concepts like ‘weaponized interdependence’ (Farrell & Newman, 2019), ‘economic statecraft’ (Aggarwal & Reddie, 2021), ‘geoeconomic competition’ (Gertz & Evers, 2020), or the ‘geopoliticization’ of trade and investment (Meunier & Nicolaidis, 2019). This volume uses the category geoeconomics to prepare common ground for these and further new phenomena in the global political economy. We thereby identify a set of three interrelated themes, where the chapters of this volume push beyond the existing landscape of geoeconomics research, and which help to define the contours of a contemporary political economy of geoeconomics. The first theme is an extension of the mainstream understanding of the nature of geoeconomics as the ‘admixture of the logic of conflict with the methods of commerce’ as Edward Luttwak put it famously at the end of the Cold War (Luttwak, 1990, 19). While we do not dispute the usefulness of the concept for international politics for the late twentieth century, ours is a very different world from the one Luttwak describes. Today, complex transnational economic connections, be they ownership, trade, investment, or other types of ties, govern the functioning of and power relations within the global economy (Oatley, 2019). Cross-border phenomena like global value and wealth chains allocate and channel power and opportunity in this complex environment (Horner & Nadvi, 2018; Seabrooke & Wigan, 2017). To reduce geoeconomics to ‘the logic of war in the grammar of commerce’ (Luttwak, 1990,

19) would fall short of describing this evolving multiplicity of structures and agency forms through which power is wielded in the contemporary global political economy. The variety of approaches, perspectives, and phenomena surveyed in this volume extend this Luttwakian perspective toward different actors, forms, and instruments of geoeconomics in today's global (dis-)order. Instead of a limited focus on conflict, we hence remain open for other types of geoeconomic phenomena, such as competition, but also cooperation. Take the recent example of Russian nuclear giant Rosatom and Dubai logistics powerhouse DP World, who began to cooperate on Arctic container shipping, opening up a unique transport passage that grants both (state-owned) companies an important edge in the emerging 'infrastructure scramble' (Kanai & Schindler, 2019) of twenty-first-century geoeconomic competition (Kolodyazhnyy et al., 2021).

Second, and related to the first point, this volume explores the many *non-state-centric ways* in which a political economy of geoeconomics can make sense of today's global political landscape. Recent research in geoeconomics has focused strongly on its relation to statecraft (Blackwill & Harris, 2016; Norris, 2016; Wigell et al., 2019). While states (and statecraft) play a crucial role for understanding geoeconomics, they are not the only actors wielding power in today's global political economy. The role of nation states as primary agents of global politics has been at least challenged by the power aspirations of large, multinational corporations and similar actors (Babić et al., 2017). Previous research in this vein has established that overcoming the 'strict national articulation' (Cowen & Smith, 2009, 43) of territory allows us to articulate geoeconomic phenomena beyond state-centrism: Geoeconomic strategy aims rather at market control and profit extraction than at projection of state power abroad (Babić, 2021). To be sure, the non-state-centrism we bring in is not a *negation* of the relevance of state power for contemporary geoeconomics. On the contrary, we believe that a de-centering of geoeconomics from an exclusive focus on the nation state as key actor opens up the possibility to understand the many other aspects of state power through its 'spatial flexibility' (Moisio, 2019, 8) as a modern geoeconomic phenomenon. As an example, states like Norway or China have gained a powerful position in the global political economy by becoming large-scale owners and investors. States often do so via vehicles which are state-owned, but market-oriented like Sovereign Wealth Funds. A

non-state-centric geoeconomic perspective can help to disentangle these seemingly antagonistic aspects of state power (Liu & Dixon, 2021).

Third, our volume introduces an understanding of geoeconomics that includes, but is not reducible to concerns of national security, especially in a narrow realist sense. Geopolitics is commonly defined as the projection of state power abroad (see, e.g., Markowitz & Fariss, 2018). Geopolitical analysis then fills this quite general definition by scrutinizing by whom, to what goal, and through which instruments and circumstances state power is projected cross-border. Geoeconomic perspectives tend, in general, to follow this geopolitical logic with a new emphasis on the “growing securitisation of economic policy and economisation of strategic policy” (Wesley, 2016, 4 as cited in Roberts et al., 2019). Others like Gertz and Evers go into a similar direction by defining geoeconomics in the sense of economic statecraft and the emerging ‘collapse’ of the distinction between economic and national security (Gertz & Evers, 2020, 177). Similarly, Scholvin and Wigell (2018) view geoeconomics as an ‘alternative form of power politics’ and emphasize ‘the way states use economic power to pursue geostrategic aims’ (ibid.). While our volume does not dispute these definitions—in fact, some chapters follow such a conceptualization of geoeconomics—we seek to broaden the scope of the concept to capture the many ways in which geoeconomic phenomena deviate from a wholly security-based perspective. Going beyond the idea of geoeconomics as state power projection via economic means is important because there are a multiplicity of incentives and instruments at the disposal of state and non-state actors that intersect with logics of state power projection. Examples of such phenomena are the strategies and motivations of the shareholding state and state financialization (see, e.g., Schwan et al., 2021; Wang, 2015), the varying geostrategic logics of state-capital hybrids (Dixon, 2022), the geoeconomic power resources of institutional investors and exchanges as new global power brokers (Fichtner & Heemskerk, 2020; Petry, 2021), or how ‘hard-wired’ power inequities in (sometimes arcane) global financial and security infrastructures determine both geoeconomic strategies of actors as well as their probability of success (de Goede, 2020). Untangling the origins and identifying the loci of geoeconomic power wielded through these processes, institutions, and structures requires an analytical toolkit that does not simply reduce an understanding of such phenomena to projections of state power abroad.

Taken together, this edited volume aims to delineate the political economy of geoeconomics in a changing global order by integrating