

Reflections on Geopolitics

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Abstract

The notion of geopolitics is widely used in public debates these days. This paper focuses on how the concept has evolved over time in the study of international economic cooperation focusing in particular on trade and investment policies. In light of international relations and international political economy perspectives, the paper discusses the origins of the concepts found in the early 20th century. It then describes how it was marginalized by mainstream theories during the Cold War period, albeit it was implicitly taken up by theorists in the tradition of offensive realism. The paper then maps the liberal turn of the 1990s in political economy and how power politics were further relegated to the background with increasing market integration. It was not until the 2000s when power politics made a slow return. Both academia and politics have been witnessing a surprising *renaissance* of geopolitics in the past 10 years. The paper maps out the contours of this new variant of geopolitics, a mix of superpower rivalry and economic nationalism, and offers some reflections regarding the danger of deterministic scenarios and ways to temper geopolitics going forward.

1. The Origins of Geopolitics

Geopolitics is back. The concept has re-emerged in recent years in wider academia and has become a popular buzzword in public discourse. The original meaning of the term geopolitics, when introduced in the late 19th century, centred on the role of the state as a phenomenon in spatial terms. The study focused mainly on the interaction between power, geography and territory.¹ Both geographers and political scientists were advocating a research agenda to better understand the effects of geography and the pursuit of power by nation states. Much of the early work was later heavily criticized because of an overtly reliance on how geography determines and legitimizes state behaviour.² Related concepts such Mackinder's "Heart Land" and later Haushofer's "Lebensraum" provided arguments for

¹ Friedrich Ratzel, *Politische Geographie* (Oldenbourg 1897); Rudolf Kjellén, *Inledning till Sveriges geografi* (Wettergren & Kerber 1900).

² Ratzel, 'Politische Geographie' (n 1); Kjellén, 'Sveriges geografi' (n 1); Halford Mackinder, 'The Geographical Pivot of History' (1904) 23 *The Geographical Journal* 4.

expansionism, imperialism and war.³ It was a time where political scientists and geographers often failed to keep sufficient distance from the policy-making world that was seeking for arguments to pursue expansionist and offensive policies.⁴ In addition, many of the early writers were later criticized for their racist views that found also expression in their writings at the time.

Given the results of expansionist policies and two World Wars, geopolitics as a field of study was repudiated and relegated to the background. The original work of authors on geopolitics was dismissed. Some of the elements of that early research agenda, however, re-emerged in disguise in prominent realist writings during the Cold War. In particular so-called offensive realists provided legitimacy for expansionary policies and made a case for hegemonic behaviour.⁵ During times of a bipolar world order, the east-west conflict and ideological and geographical divides shaped the rationale for international cooperation and economic policy-making. Joanne Gowa and Edward Mansfield (1993) showed in their work for instance that for most of the 20th Century, alliances were the key predictor for trade flow intensity and patterns and that systemic factors (bipolarity vs multipolarity) mattered for free-trade coalitions.⁶

2. Revival of Geopolitics During the Cold War?

It is telling that a new political science-oriented journal called “Geopolitics” re-emerged after the end of the Cold War which advocated a post-modern interpretation questioning old types of concepts, such as territory, boundaries and sovereignty.⁷ As David Newman writes “...Geopolitics, as a discipline, has undergone a major renaissance (...) from being blackballed and excluded from much of the academic discourse during the three to four

³ Mackinder, ‘The Geographical Pivot’ (n 2); Karlo Haushofer, *Geopolitik des Pazifischen Ozeans* (Kurt Vowinckel Verlag 1923).

⁴ Karl Haushofer stands out as he was instrumental for providing arguments for numerous expansionist policies under the NAZI regime. One of his students was Adolf Hitler’s secretary: Rudolf Hess. Haushofer turned previous analytical work into normative policy guidelines for action to increase the “Lebensraum”, see for instance Andreas Dorpalen, *The World of General Haushofer: Geopolitics in Action* (Farrar & Rinehart, 1942).

⁵ John Mearsheimer, *John J. Lidell Hart and the Weight of History* (Brassey’s Defense Publishers 1988); John Mearsheimer, *The Tragedy of Great Power Politics* (Norton 2001).

⁶ Joanne Gowa and Edward Mansfield, ‘Power Politics and International Trade’ (1993) 87 *The American Political Science Review* 2, 408-420.

⁷ David Newman ‘Geopolitics Renaissance: Territory, Sovereignty and the World Political Map’ (1998) 3 *Geopolitics* 1, 1-16; Similarly, in the 1980s, a journal was launched by mainly geographers titled “Political Geography Quarterly” which explicitly tried to encourage work that departed from idea of the nation state and geopolitical interests promoting a more critical approach, see Editorial Essay ‘Political Geography: Research Agendas for the Nineteen Eighties’ 1982 1 *Political Geography Quarterly* 1, 1-17.

decades following the end of the Second World War.”⁸ Different expressions and descriptions to stress a departure from old ways of studying geopolitics mushroomed, such as “new geopolitics or “critical geopolitics.”⁹

However, a new and also interdisciplinary research program was not able to establish itself prominently in the dominating field of international economic cooperation: international political economy (IPE). The study on the politics and markets was dominated alongside three paradigms in the 1970 and 1980s: Marxism, liberalism and realism.¹⁰ It is telling that Robert Gilpin’s leading text book in IPE for years, did not feature a single reference to geopolitics as if such notion did not exist. Other authors such as David Lake have described in their work three popular research programs aligned with grand paradigms characterising the 1980s research landscape, namely dependency theories (neo-marxism) hegemonic stability theory (realism) and increased attention to domestic politics and the role of lobbies (liberalism).¹¹ The mostly critical work on geopolitics did therefore not feature prominently in the political-economy of trade and investment.

3. Liberal Approaches Dominate Post-Cold War

In the late 1980s and early 1990s, the focus on interest groups and liberal institutions within a liberal approach started to dominate the scholarship. Under the label of Open Economic Politics (OEP) US-based scholarship worked with underlying assumptions of neoclassical economics and international trade theory and fused these with more explicit political variables.¹² It created the dominant analytical toolkits to analyse the emerging economic diplomacy landscape of the 1990s. Mainstream political economy was reluctant to engage directly with new work on geopolitics and only a shrinking group of realist writers kept focusing on the role of power and how territory shaped government’s economic strategies and in particular how free trade produces security externalities.¹³ Overall, the dominance of

⁸ Newman, ‘Geopolitics Renaissance’ (n 7) 1.

⁹ Gearoid O’Tuathail, *Critical Geopolitics: The Politics of Writing Global Space* (Routledge 1997).

¹⁰ Robert Gilpin, *The Political Economy of International Relations* (Princeton University Press 1987).

¹¹ David Lake, ‘Open Economy Politics: A Critical Review’ (2009) 4 *Review of International Organization*, 219–244

¹² Lake, ‘Open Economy’.

¹³ See for instance Joanna Gowa, *Allies, Adversaries, and International Trade* (Princeton University Press 1994). Also, the work by Susan Strange was a critical reply to emerging calls that the strongest economic power (the US), had lost its hegemonic position. She argued that markets and emerging powers had not changed the structure of the economic system, Susan Strange, ‘The Persistent Myth of Lost Hegemony’ (1987) 41 *International Organization* 4, 551–574.

liberal approaches rooted in neo-classical trade theory led to a relegation of the role of the state and foreign policy interests in explaining international economic outcomes.¹⁴ Interest-based explanations dominated and the role of domestic and international institutions were given prominence in explaining economic policy outcomes. In particular, security concerns and alliance politics that were important during the Cold War to understand economic policy-making were more and more de-linked from the field of economic policy making. The general wisdom developed that trade and investment patterns were mainly shaped by competition and innovation, while security regimes were functioning separate from markets and were losing direct relevance.

The dominance of liberal IPE scholarship under the label OEP was certainly driven by economic integration and changing market structures, in short, the realities on the ground. But also, international economic law supported this process and promoted liberal approaches.¹⁵ As markets gradually liberalized from the 1960s onwards assisted by international institutions (GATT, IMF, World Bank) and since the 1980s by preferential trade agreements (PTAs) and bolstered by a set of investment agreements, firms located in advanced Western countries took advantage of market opportunities. Further helped by lowering transport costs, alignment of international trade rules, progress in information and communication technology (ICT), “geography” measured as spatial distance, was losing more and more importance. The “death of distance” in communication and markets was announced.¹⁶ One logical result of market barriers being reduced, was that firms were increasingly operating globally and the outsourcing of tasks and production processes was a result of increased competition in what Richard Baldwin called unbundling processes.¹⁷ The end of the Cold War accelerated these processes and the opening up of formerly closed markets led to the creation of predominantly regional but also global value chains (GVCs). The WTO rules in place since the mid-1990s have further strengthened the rule of law and predictability on global markets, while reigning in many of the protectionist temptations until recently. While hard to measure empirically, the WTO alongside the IMF, the G20 and other institutions seemed to have tamed protectionist impulses during the economic and financial

¹⁴ Michael Hiscox, ‘The Domestic Sources of Foreign Economic Policies’ in John Ravenhill (ed), *Global Political Economy* 5th ed. (Oxford University Press 2016).

¹⁵ Oona Hathaway, ‘Positive Feedback: The Impact of Trade Liberalization on Industry Demands for Protection’ 52 *International Organization* 3, 575–612.

¹⁶ Frances Cairncross, *The Death of Distance: How the Communications Revolution Is Changing Our Lives* (Harvard Business School Press 2001).

¹⁷ Richard Baldwin, *The Great Convergence: Information Technology and the New Globalization* (Harvard University Press 2016).

crises in 2008 and 2009.¹⁸ This mix of liberal norms, more global competition, lower consumer prices relegated power politics to the background.

An underlying assumption providing support for further economic integration was nurtured by the so-called commercial peace hypothesis. The idea going back to Immanuel Kant was that the more states trade with each other the less likely they are to go to war.¹⁹ Inspired by its sibling's thesis of democratic peace, it was argued that wars become less likely with increased market integration. The argument rests on the idea that engaging in conflictual relations would be detrimental for all economies involved. The self-harm through conflict would outweigh the potential gains from war. This idea has further received credibility with the intensification of GVCs and the so-called "China factory" effect where all leading economies were producing parts and components as well as finished products in mainland China. It became conventional wisdom that economic growth would be substantially harmed if the markets underwent distortion through military conflicts. Whereas the commercial peace hypothesis had been largely corroborated through the low level of state-to-state conflicts so far, its empirical record related to intra-wars and domestic conflicts has been mixed at best.²⁰ While economic integration proceeded, the peace dividend became less and less obvious.

4. Re-Emerging Power Struggle – Is Old Geopolitics Back?

Today, we observe a backlash to a liberal world order and increasing calls for a diffuse idea of a deglobalization process. Post-Cold War criticism against an more and more established liberal consensus on market integration was first voiced by a group of low-income developing countries that saw difficulties in integrating into the world economy and fearing distributional losses.²¹ In particular the international financial organisations policy reactions to the Asia Financial Crises in 1997 lead to increased scepticism in the developed world

¹⁸ Daniel Drezner, 'The System Worked: Global Economic Governance during the Great Recession' (2014) 66 *World Politics* 1, 123–64.

¹⁹ Edward Mansfield and Jon Pevehouse, 'Trade Blocs, Trade Flows, and International Conflict' (2000) 54 *International Organization* 4, 775–808; David Bearce, 'Grasping the Commercial Institutional Peace' (2003), 47 *International Studies Quarterly* 3, 347–70.

²⁰ Gerald Schneider, 'Peace through Globalization and Capitalism? Prospects of Two Liberal Propositions' (2014) 5 *Journal of Peace Research* 2, 173–183; Gerald Schneider, Katherine Barbieri and Nils Petter Gleditsch (eds), *Globalization and Armed Conflict* (Rowman & Littlefield Publishers 2003)

²¹ The liberal consensus was largely shared by the IMF, the World Bank and the GATT/WTO. In particular the work by the IMF and the WB led to economic policy changes in various developing countries under a so-called Washington Consensus. For the origins of the term, John Williamson, 'Democracy and the "Washington Consensus"' (1993) 21 *World Development* 8, 1329–1336.

about austerity processes and need for liberalization alongside deregulation and privatization.²² The criticism in the developed world evolved gradually since the late 1990s both fuelled by concerns about de-industrialization and structural changes that led to distributional effects and by increasing concerns about the environmental impacts of global trade and investment leading to polluter heavens.²³ Finally, and in particular in the US, the electoral effects of redistribution become more visible and politicized.²⁴ Together with a so-called “China Shock”, an empirical study that documented a direct impact from market integration in China and deteriorating wages and income in former well-paid industries, these shifts started to dominate US trade and investment policies in recent US Administrations.²⁵

The increased Chinese competition and the need to safeguard well-paying jobs seem to dominate the evolving contours of new geopolitics. This modern form resembles therefore less old-type geopolitics but reflects a combination of two narratives: the idea of economic nationalism to protect against foreign competition and the notion of superpower rivalry with China as the main US challenger.²⁶ Today’s geopolitics deals with these two overlapping challenges and therefore blends two types of realist IPE.²⁷ It is influenced by a predominant international-relations-centric version where hegemonic stability theory still reverberates and by a more nationalistic, mercantilist version which appeases important interest groups linked to import-competing industries. Although Robert Gilpin in his later writings still avoided the term geopolitics, he clearly conjectured that politics to be an important shaper for the world economy of the 21st century. He conjectured the following: “The nature of the global economy will be strongly affected by the security and political interests of, and the relations among, the dominant economic powers, including the United States, Western Europe, Japan, China, and Russia. It is highly unlikely that these powers will leave the distribution of the global economic product and the impact of economic forces on their national interests

²² Dani Rodrik, ‘Goodbye Washington Consensus, Hello Washington Confusion? A Review of the World Bank’s Economic Growth in the 1990s: Learning from a Decade of Reform’ (2006) 44 *Journal of Economic Literature* 4.

²³ Matthew A Cole, ‘Trade, the Pollution Haven Hypothesis and the Environmental Kuznets Curve: Examining the Linkages’ (2004) 48 *Ecological Economics* 1,71-81,

²⁴ Leonardo Baccini and Steve Weymouth. ‘Gone For Good: Deindustrialization, White Voter Backlash, and US Presidential Voting’ (2021) 115 *American Political Science Review* 2, 550-567; Stephanie Rickard, ‘Economic Geography, Politics, and the World Trade Regime’ (2022) 21 *World Trade Review*, 3, 367–379.

²⁵ David Autor, David Dorn and Gordon H. Hanson, ‘The China Shock: Learning from Labor-Market Adjustment to Large Changes in Trade’ (2016) 8 *Annual Review of Economics* 1, 205-240.

²⁶ The new geopolitics remains a fuzzy concept. Most of the time experts and scholars alike refer to some diffuse way where power politics (in opposition to market forces) shapes policy outcomes. Also, the term geoeconomics has become popular, but it remains unclear how these terms differ in substance.

²⁷ Robert Gilpin, *Global Political Economy: Understanding the International Economic Order* (Princeton University Press, 2001).

entirely up to the market. Both economic efficiency and national ambitions are driving forces in the global economy of the twenty-first century.”²⁸

It was not until very recently that the term geopolitics has received increasing attention. Proponents suggest that economic policy making needs to be re-assessed through a realist-type prism centred around the issue of national security. As argued by Robert Gilpin, international trade and investment cooperation serves to a substantial extent also security objectives. What is often forgotten in this debate is that security-related policies, in particular in US economic-policy making, have been in existence for a long time.²⁹ For instance, the US has relied on investment screening for protecting security-relevant sectors and infrastructure since the mid-1970s.³⁰ The Committee on Foreign Investment in the United States (CFIUS) was created in 1975 to manage and oversee inward investments with potential security implications. It was prompted by the oil crisis of the 1970s and increasing investments from the Middle East region. Also prominently targeted were Japanese investments that started to surge with the recovery of the Japanese industry. In the field of trade, security-related measures had been in place since the 1960s with the Section 232 of the Trade Expansion Act of 1962 that provided the legal basis for investigating imports “into the United States in such quantities or under such circumstances as to threaten to impair the national security.”³¹ Finally, US-China trade on the basis of the most-favourite nation (MFN) treatment was subject to discussion in Congress on a yearly basis until China entered the WTO in 2001.

With the growing importance of China as a trade power and its ascent as a military power, voices in the US gradually increased to tack a tougher stance on China. Starting during the Obama Administration, the policy was designed with the objective of isolating or excluding China in future rule-making in mega trade agreement deals. The US also increasingly launching cases against China in the WTO. With the beginning of the Trump Administration the confrontation became much more direct and visible. The Trump Administration decided

²⁸ Gilpin, ‘Global Political Economy (n 27) 14.

²⁹ For a historical account on the trade-security nexus in the US approach to multilateral trade negotiations, see Mona Pinchis-Paulsen, ‘Trade Multilateralism and U.S. National Security: The Making of the GATT Security Exceptions’ (2020) 41 Michigan Journal of International Law 1.

³⁰ Sarah Bauerle Danzmann and Sophie Meunier, ‘Mapping the Characteristics of Foreign Investment Screening Mechanisms: The New PRISM Dataset’ International Studies Quarterly, forthcoming.

³¹ Some of the legal provisions to take measures based on security concerns go back to the war times, such as the Trading with the Enemy Act (TWEA). The TWEA was enacted in 1917 and provides the President with the authority to control trade between the United States and its enemies “during the time of war”, see also Kathleen Claussen, ‘Trade’s Security Exceptionalism’ (2020) 72 Stanford Law Review. A similar act, the International Emergency Economic Powers Act (IEEPA), was passed in 1977 to respond the “emergencies” developing from unforeseen threats to the country.

to impose unilateral trade measures in form of tariffs. As a result, China took recourse to retaliation.³² Direct talks between both parties led to a US-China trade deal which reflected US interests only.³³ The deal was mainly focusing on managed trade by pressuring China to buy more US products in selected sectors, whereas some other topics of concern to the US (state-owned enterprises, forced technology transfer) were relegated to a second phase that did not start yet.

5. Multitude of Shocks and Crises and the Revival of National Security

Besides growing tensions between the US and China, which follows some of the playbook of realist international relations theory, we have witnessed as well trends towards protecting markets from competition driven by zero-sum games considerations. There are both ideas of mercantilism and economic nationalism that drive protectionist policy incentives and support backlash against a liberal economic order. The mobilization in the UK for leaving the European Union (Brexit) was very much driven by nationalist concerns as well, the (false) view that trading with Europe was a zero-sum game and liberating the UK economy from unnecessary regulation. These narratives overlapped with a discourse on taking back control and sovereignty. Brexit has certainly led to a weakening of the EU as an international actor in economic policy-making.

As these different developments and systemic shifts were not yet enough, in the past years the trading system has further been weakened by a major health crisis (COVID 19) and the Russian war of aggression. They both had major effects on the demand and supply-side of international markets ranging from foodstuff, fertilizer, energy to personal protection equipment, vaccines and essential medicine. Both unanticipated shocks have further pushed nationalist and power-based agendas. In particular, they have called for widening of the definition of the concept of national security and have advocated for a greater role for the state, both in preventing and managing crises. National security concerns in trade usually referred to the protection of strategic infrastructures and sectors from foreign ownership (and control) as well as to the ability to produce sufficient quantities in essential products and

³² Many of these measures were executive-driven. They were based on presidents' authority and prerogatives defined in legal instruments describe above often bypassing US Congress, see Claussen 'Trade's Security Exceptionalism' (n 30).

³³ See Chad P. Bown, 'The US–China Trade War and Phase One Agreement' (2021) 43 *Journal of Policy Modeling* 4, 805-843.

services. The crises, however, have led to states expanding their potential activities to pursue national security interests as legitimate policy objectives. With OECD and G20 governments bailing out many sectors affected, the expectation was growing in political circles to prevent future crises by strengthening the domestic industrial and technological base. Suddenly, governments were focusing on national champions and industries that seemed pivotal for national competitiveness and assurance for future economic crises. In the US, the emphasis during the Trump Administration was directed at steel and aluminium, whereas the incoming Biden Administration also focus on technologies, such as semiconductors.³⁴ The European Union recently followed suit by announcing a new green deal industrial plan.³⁵

Some of these measures have been already challenged at the WTO and panels have found that US measures are not in compliance with the spirit and law of the WTO.³⁶

Notwithstanding these decisions, the US has in its reactions clearly signalled that it would not comply with panel findings and that the WTO as an institution had not saying in defining what is in the US national interest. This follows a general approach to disrespect international trade law since the Trump Administration as the US continues to resist the proper functioning of the WTO dispute settlement system.³⁷ Without a global arbitrator, there is no longer a check on how WTO members apply national security considerations to conduct trade policy, in particular in view of using this as a disguised protectionism. More general, geopolitical aspirations have little to fear currently from global trade rules agreed upon in the heights of the globalization period.

6. The New “Shoring” Conundrum and Block-Building

³⁴ The co-called Chips and Science Act was signed into law by President Joe Biden on August 9, 2022.

³⁵ European Commission, Brussels, Final Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions, A Green Deal Industrial Plan for the Net-Zero Age, 1.2.2023 COM(2023) 62.

³⁶ US-Origin Marking Requirement (DS597) and the US-Steel and Aluminium Products (DS544,552, 556, 564); see also Mona Pinchis-Paulsen, ‘Let’s Agree to Disagree: A Strategy for Trade-Security’ (2022) 25 *Journal of International Economic Law*, 4, 527-547.

³⁷ Gregory Shaffer, Manfred Elsig and Sergio Puig, ‘The Extensive (but Fragile) Authority of the WTO Appellate Body’ (2016) 79 *Law and Contemporary Issues* 1: 237-273; Manfred Elsig, ‘The Regulation of International Trade and (Democratic) Legitimacy’, in Daniel Bethlehem, Donald McRae, Rodney Neufeld, Isabelle van Damme (eds), *The Oxford Handbook of International Trade Law* (2e) (Oxford University Press, 2022). During the Trump Administration, the Appellate Body, the appeal instance for panel reports, was made dysfunctional by no longer appointing or re-appointing Appellate Body Members. The Biden Administration continues this policy and therefore panel reports are not binding, they can be appealed into the “void” and therefore become non-actionable.

What started out in political circles as a call for rendering production networks and GVCs more resilient was largely fuelled by a motivation to lament outsourcing processes and to bring back jobs. The idea of re-shoring as a solution to shocks to production networks was already aggressively advocated by the Trump Administration. The Administration demanded that the trade deficit needed to be reduced and trade flows had to be actively managed with the support of new agreements, leading among others to a re-negotiation of the North American Free Trade Agreement (NAFTA).³⁸ With the Biden Administration, the attempt to negotiate classical types of trade preferential trade agreements (PTAs) basically came to a stop.³⁹ In addition, to making the US industry more attractive for international investments through subsidies, infrastructure programs as well as climate measures,⁴⁰ the Administration continued to call implicitly for re-shoring.

In addition, the idea of near-shoring as well as friend-shoring gain attention in policy circles. All these terms are rather novel in economic diplomacy and it remains to be seen to what extent these calls lead to actual changes in firm behaviour. If we focus on friend-shoring, the Biden Administration has tested some new and broad initiatives which reflect the objective of creating platforms for like-minded club of countries.⁴¹ The first one was the organization of a “virtual” Summit for Democracy in late 2021 which was called to address the danger of authoritarianism, a process driven by the State Department. The second one was the launch of the Indo-Pacific Strategy in February 2022 which was followed by the creation of the Indo-Pacific Economic Framework (IPEF) in May 2022 which involves a mix of trade topics (including supply chains), decarbonisation, infrastructure, tax and combating corruption. While the trade part of IPEF is following the Obama strategy to engage with increasing trade and investment opportunities in the Asia-Pacific region and exclude China in this approach, the other areas are part of the Biden Administration strategies to advocate climate policies, invest in infrastructure and avoid tax evasion and unfair tax competition.⁴²

³⁸ It resulted in a substantially altered agreement called the United States Mexico Canada Agreement (USMCA).

³⁹ On PTAs, Andreas Dür, Leonardo Baccini and Manfred Elsig, ‘The Design of International Trade Agreements: Introducing a New Database’ (2014) 9 *Review of International Organizations*, 353-375.

⁴⁰ See the so-called US Inflation Reduction Act.

⁴¹ This also begs the question how to define “friends”. As the WTO Director-General Ngozi Okonjo-Iweala put it at the World Economic Forum Annual Meeting 2023 “Who is a Friend? You’re not too sure they’ll be a friend tomorrow” ... and “Friends should not just be in Asia, there is Latin America, there is Africa”. Reuters, 19 January 2023.

⁴² At the time of writing, no concrete results have been achieved through this new platform of exchange and interaction.

What is the underlying logic for creating like-minded platforms and clubs? Is this feeding into establishing actual blocks? Many of the most recent initiatives coming out of Washington DC suggest that we are already in the middle of some block building exercises.⁴³ While none of the three major trading powers (the US, the EU and China) has a classical trade agreement with one another, they have been developing a net of economic treaties differing in quantity, scope and approach. In the case of the US, this has centred very much on North and South America with/ some additional market-access approaches in East Asia.⁴⁴ The EU has developed one of the largest networks of PTAs across the globe being the least specific block-builder among the trade powers, while China has banked on its Silk and Road Initiative, which is infrastructure led and creates important dependencies.⁴⁵ Also, China was able to get a foot in the regional comprehensive economic partnership (RCEP) agreement.⁴⁶ These different approaches are overlapping with a set of new mega-regionals which are also pushed by Asia-Pacific countries (CPTPP) and African countries (AfCFTA) which exclude the participation of the key trading powers.

7. The EU's Unease with Geopolitics-Driven Economic Policies

Whereas, the contours of the US and China-led initiatives and potential positioning of blocks become increasingly visible, the EU has been caught in the middle and has been pursuing a mix of strategies. The EU has usually been reluctant to use coercive instruments in trade policy. The EU has seen and portrayed itself most of the time as a reluctant trade power favouring mostly the deliberate projection of soft power and civilian power.⁴⁷ This is a result of the EU experience itself and the European Commission managing trade relations among members and trying to export its norms and values. This export norm promotion has not been driven as much by hard power politics, but rather by projecting soft power and stabilizing

⁴³ E.g., Uri Dadush and Enzo Dominguez 'Prost Preferential Trade Agreements, Geopolitics, and the Fragmentation of World Trade' (2023) *World Trade Review*, forthcoming.

⁴⁴ TPP would have substantially enlarged the US network in Asia and part of the Pacific.

⁴⁵ https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/negotiations-and-agreements_en; Todd H Hall and Alanna Krolikowski, 'Making Sense of China's Belt and Road Initiative: A Review Essay' (2022) 24 *International Studies Review* 3.

⁴⁶ Julien Chaisse, Manfred Elsig, Sufian Jusoh, Andrew Lugg, 'Drafting Investment Law: Patterns of Influence in the Regional Comprehensive Economic Partnership (RCEP)' (2022) 25 *Journal of International Economic Law*, 1, 110–128.

⁴⁷ Manfred Elsig, 'The EU as an Effective Trade Power? Strategic Choice of Judicial Candidates in the Context of the World Trade Organization' (2013) 27 *International Relations* 3, 325-340; Manfred Elsig and Jappe Eckhardt, 'Support for International Trade Law: The US and the EU Compared' (2015) 13 *International Journal of Constitutional Law* 4:966-986.

multilateralism. However, the superpower rivalry has led to the European Union to reflect how it can also be more assertive in trade policy. This is reflected in the most recent EU announcement on its trade strategy, that advocates and “open strategic autonomy”.⁴⁸ The title of the strategy already describes the potential tension the EU faces. It pushes for openness and free trade while it also aspires to defend its values and interests more actively by using more coercive tools.⁴⁹ An example is the new strategy on foreign FDI screening which was actively promoted by the European Parliament.⁵⁰

The EU also aspires to continue trading with China and not being constrained by US pressures to re-shore. Although, the EU shares some of the US concerns about the way the Chinese economy is organized and influenced by the state (and the party) and how forced technology transfers have occurred over the years. In addition, the EU industries have voiced concerns for quite some time that the EU is very dependent on certain products, such as rare earth which could lead to important competition disadvantages in growing industries. At the same time, the EU aims to pursue its autonomous trade policy independent from too direct influence by the US. Yet, the increasing use of US sanctions that affect European firms has shown the limits of acting alone.⁵¹ This is a balancing act going forward.

The US as a reaction to EU criticism and signals to go its own way, has launched an intensified trade and technology cooperation with its transatlantic partner. The objective of the US Administration is to try to promote and organize alignment in the approach to technological advancement and coordination of activities vis-à-vis China. The Trade and Technology Council (TTC) serves currently as the prime platform for regulatory interaction with an agenda that is evolving. Yet, the US is also working with single EU countries, like the Netherlands, to implement its own export control regime when it comes to chip

⁴⁸ European Commission, Brussels, ‘Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions’, Trade Policy Review - An Open, Sustainable and Assertive Trade Policy (COM/2021/66 final).

⁴⁹ The European public in particular expect a more coercive EU in trade policy when it comes to the protection of the climate and human rights. In these areas, the EU is perceived by trading partners as an increasingly hegemonic actor exporting EU laws using trade agreements for ex-territorial regulation, see new initiatives on a Carbon Border Adjustment Mechanism (CBAM) to address carbon leakage through a special tax at the border or a new deforestation initiative that will oblige importers to apply due diligence that products do not contribute to deforestation, including palm oil, beef, timber, coffee, cocoa, rubber and soy and other derived products.

⁵⁰ Regulation (EU) 2019/452 of the European Parliament and of the Council of 19 March 2019 establishing a framework for the screening of foreign direct investments into the Union

⁵¹ Financial Times, 23 December 2020, European tech accuses US of using sanctions to shut it out of China.

production continuing its attempt not only to decouple from China but depriving China from essential technologies.⁵²

8. Weaponized Interdependence: Is the Study of New Geopolitics Deterministic (Again)?

Whereas lots of new terms and concepts have emerged, the contribution by political scientists Andrew Farrell and Andrew Newman has been a rare attempt to provide theoretical building blocks to better understand the typologies of evolving networks in the market place that generate power imbalances.⁵³ In their article published in an international security journal, they have laid some groundwork to better analytically understand how economic sanctions become more salient and how they work in highly connected and integrated market structures. Their concept of “weaponised interdependence” suggest that was in the past reserved for few sectors, such as energy, will become more common going forward. In particular, they hold that “States with political authority over the central nodes in the international networked structures through which money, goods, and information travel are uniquely positioned to impose costs on others.”⁵⁴ They further suggest that with the existence of “appropriate domestic institutions, they can weaponize networks to gather information or choke off economic and information flows, discover and exploit vulnerabilities, compel policy change, and deter unwanted actions.”⁵⁵

What is so far lacking in this research program is to better theorise and then test the conditions under which leading powers weaponize trade and use strategic oversight over important nodes in the network. Also, more attention should be given us to what can serve as obstacles to weaponizing trade, so that this does not become a determinist policy approach. A notable danger exists, as with the original work on geopolitics, that newer contributions on block building and the weaponization of interdependence are instrumentalized for policy strategies. There needs to be more work on the question how unilateral power politics in the realm of economic cooperation can be tamed.

⁵² Politico, 31 January 2023, EU sidelined in US-Dutch deal to block chips exports to China.

⁵³ Henry Farrell and Abraham Newman, ‘Weaponized Interdependence: How Global Economic Networks Shape State Coercion’ (2019) 44 *International Security* 1, 42-79.

⁵⁴ Farrell and Newman, ‘Weaponized Interdependence’ (n 52), 45.

⁵⁵ Farrell and Newman, ‘Weaponized Interdependence’ (n 52), 45.

An important role in providing an alternative narrative strengthening international economic law will need to come from a set of middle powers, countries that are benefiting from international economic cooperation and for whom the scenario of block-building represents a significant negative move away from the Status Quo. This new group of “friends of multilateralism and the rule of law” will need to more actively step in where the major powers (in particular the US) have left a vacuum. As the work by Duncan Snidal has conceptualized, a group of countries may to some degree replace the hegemon for providing public goods and therefore continue to invest into the management of the international system.⁵⁶ A good example, is the recent setting up of an alternative and provisional dispute settlement system (the MPIA) is a way to continue the system among likeminded. The MPIA provides for a two-tiered system of dispute resolution resembling the old WTO system with a functioning appeal body.⁵⁷

The second group to watch will be emerging large economies. Regional powers such as India, Brazil and South Africa are currently in a wait-and-see position trying to arbitrate across evolving blocks and attempting to carve out, similar to the EU, their own way where they can engage in frictionless commerce across blocks. This pragmatic approach may temper block-building and bring also powerful states back to the negotiation table. Yet, as we witnessed globally in democracies, it is essential that governments believe in the virtue of a rules-based international system promoting largely liberal values. However, if governments campaign on nationalistic positions and once in power try to weaken democracy by increasing authoritarian behaviour, then the prospects for international economic law will further weaken and the pragmatic strategies might turn into Realpolitik-type of foreign policy approaches creating increasing uncertainty for global trade and investment.

⁵⁶ Duncan Snidal, ‘The Limits of Hegemonic Stability Theory’ (1985) 39 *International Organization* 4, 579-614.

⁵⁷ Kholofelo Kugler ‘Operationalizing MPIA Appeal Arbitrations: Opportunities and Challenges’ In Manfred Elsig, Rodrigo Polanco and Peter Van den Bossche (eds.), *International Economic Dispute Settlement: Demise or Transformation?* (Cambridge University Press 2021).