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EDITORIAL

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The Geoeconomic Turn in International Trade, Investment, and Technology

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Abstract

This thematic issue brings together a set of articles that empirically map the state of the ongoing geoeconomic turn in the global political economy from an international political economy (IPE) perspective. Changes in the modus operandi of the global political economy urge the development of new conceptual and theoretical tools to grasp the new geoeconomic reality of world affairs. At the same time, the contemporary study of geoeconomics remains theory-centred and focused on its security dimension, thereby underplaying the empirical nuances and variegated aspects of these developments. We therefore make the case for an empirically grounded study of concrete cases and instances of the geoeconomic turn, which can then deliver insights for further theory-building. Likewise, many aspects of the geoeconomic turn cannot be explained by security logics only, but have political economy roots that need to be brought to the foreground. Our thematic issue excavates these dynamics across four key challenges for the global economy: the role of states and firms in a geoeconomic world; global technological competition; the green transition; and implications of the geoeconomic turn for the non-Western world. Collectively, the contributions demonstrate that the geoeconomic turn is only starting to concretely (and partially) materialize and that these transformations, in many cases, tend to replicate existing power structures that prioritize capital(ist) interests related to profit-maximisation over societal interests, ecological sustainability, or social equity. We close by delineating prospects for further IPE research into the ongoing geoeconomic turn in the global political economy.

Keywords

geoeconomics; geopolitics; global economy; international political economy; investment; technology; trade

1. Introduction

The geoeconomic turn in the global political economy amounts by now to an established research program in the fields of international relations, international political economy (IPE), European studies, and economic geography (Babic et al., 2022; Herranz-Surrallés et al., in press; Poon, 2024; Rosén & Meunier, 2023). Following a period of rapid expansion in the 1990s and 2000s, the global economy experienced declining cross-border capital flows as well as slowing trade and investment growth in the aftermath of the global financial crisis of 2008 (James, 2018). This movement towards "slowbalization" (Linsi, 2021) coincided with the economic and political rise of China and other (re-)emerging powers, which chose to selectively integrate into world markets while at the same time rolling out alternative paths and rulesets to global governance, thereby challenging the notion of a universal liberal world order (de Graaff & van Apeldoorn, 2018). The global rise of economic nationalism and the coming to power of figures such as Trump and Bolsonaro, or the success of the Brexit campaign, further undermined teleological understandings of globalization. By the mid-2010s, these political tendencies had become increasingly pronounced: The US and China engaged in a trade and technology "war," leveraging tools of economic statecraft against each other (Germann et al., 2024); many European countries introduced inward investment screening mechanisms (Bauerle Danzman & Meunier, 2023); and state-directed industrial policy was resurging as a central element of economic policy-making in the OECD and beyond (Abels & Bieling, 2024; Bulfone, 2023; Gräf, 2024; Wigger, 2024). Compared to the preceding phase of neoliberal globalization, these aspects amount to a geoeconomic "turn" in the global political economy (Herranz-Surrallés et al., in press; Rosén & Meunier, 2023). In this thematic issue, we propose to unpack the contours of this turn in empirical terms and from an IPE perspective. We seek to bring to the forefront the global political economy dynamics that underpin and shape geoeconomic competition and hence drive much of the more security- and state-centred dynamics observed by other contributions.

Academic work on various aspects of this geoeconomic turn is proliferating but has traditionally centred on conceptual, theoretical, and historical work. Early contributions like Blackwill and Harris (2016), following the Luttwakian tradition, understood geoeconomics as a variation of economic statecraft, a re-articulation of the projection of state power across borders in a globalized economy. However, the political economy of geoeconomics is hardly reducible to great power competition. It involves a variety of actors other than states, including firms, social groups, and international institutions (Babic et al., 2022). More recent contributions have shifted focus on the regulatory aspects of the geoeconomic turn (Herranz-Surrallés et al., in press; Rosén & Meunier, 2023), in which state actors, however, remain central. They have introduced political and governance-related changes that potentially slow down or even reverse the logic of decades of economic integration. Yet, geoeconomic attempts at decoupling or derisking often clash with the realities of globalized economies, e.g., intertwined supply chains, complex corporate structures across multiple jurisdictions, or arcane financial networks reducing the effectiveness of tools of economic statecraft (see also Linsi & Gristwood, 2024). To more comprehensively understand the geoeconomic turn, it is thus necessary to complement a focus on the policy-regulatory level with the analysis of global economic structures. Such a re-thinking and broadening of the rubric of geoeconomics opens up a variety of new research avenues.

Our thematic issue picks this thread up and seeks to advance scholarship on the geoeconomic turn through an empirically focused IPE angle. In doing so, we endorse a diverse range of perspectives that allow us to assess the turn in light of the interplay between political and economic actors and changes (or the lack thereof) in the global economy. What does it mean when we say that firms, international institutions, and other non-state actors become more central to global geoeconomic competition? In which way do we see value and supply chains transformed and what does this transformation bring about for various actors, regions and countries, also beyond the US–China–EU triad? How exactly are economic policy instruments and related strategies being adjusted and with what implications? If security is not the only driver and objective of renewed global rivalries, what are the sources and consequences of concrete geoeconomic engagement? In which sectors and segments of the global political economy do we see historical continuities and where can we detect change as a consequence of these developments? By focusing on concrete cases and instances of the geoeconomic turn, the articles in this thematic issue can help to answer these questions in an empirically substantiated way. Thematically, the collection foregrounds four contemporary challenges related to the geoeconomic turn: the role of states and firms in a geoeconomic world; global technological competition; the global green transition; and implications of the geoeconomic turn for the non-Western world.

Taken together, the empirical IPE lens adopted in this thematic issue delivers two main results: First, we observe that, in contrast to the preceding phase of neoliberal globalization, the geoeconomic turn at the policy-regulatory level indeed signals a potential sea change in the modus operandi of the global economy. Yet, the political changes and material effects (e.g., regarding corporate re-organization) are still in the process of being realized. They are subject not only to institutional inertia and path dependencies but also to political agency and contestation by various involved actors. The "regulatory phase" of the geoeconomic turn thus does not translate smoothly into, or correspond to changes in, economic structures. Instead, we observe uneven and partly contradictory outcomes. Second, we observe that the geoeconomic turn tends to replicate existing power structures that lend more weight to capital(ist) interests related to profit-maximisation as compared to societal interests. Moreover, confrontational state relations and the rise of security concerns make it even more difficult to orient the world economy towards societal interests such as ecological sustainability or (social) equity in international relations.

2. Four Challenges of the Geoeconomic Turn and This Thematic Issue's Contributions

2.1. States and Firms in a Geoeconomic World

The role of (multinational) corporations and their relationship to nation-states is a topic at the heart of the field of IPE (Strange, 1991). The rise of (mostly American) large corporations as core actors in global politics at the end of the 1960s was consolidated in the post-Cold War world of neoliberal globalization, where multinationals became powerful global actors, sometimes on par with the financial might of nation-states (Babic et al., 2017). At least since the outbreak of the Covid-19 pandemic in early 2020, themes such as "nearshoring," "reshoring," "decoupling," or "derisking" have dominated debates around corporate restructuring in a geoeconomic world (Linsi, 2021). In contrast to what proponents of economic nationalism sometimes suggest, however, our contributions show that the geoeconomic turn does not necessitate that corporations lose power to nation-states. Corporate and state power transform slowly in specific segments of world politics and a geoeconomic lens helps us trace these changes empirically.

The article by Linsi and Gristwood (2024) asks how far the anti-globalization backlash is reflected in actual corporate re-organization. They look at cross-border investment data, collected from different sources and at various levels from firm-level ownership information to FDI statistics. The article focuses empirically on the evolution of US FDI positions in China, which the authors identify as the most likely case of contemporary deglobalization. Pushing back against conventional wisdom in news headlines and public debates, Linsi and Gristwood do not find compelling evidence for deglobalization or dwindling economic integration. Rather, their results reflect continuity and stability in this important economic relationship. Corporate actors seem to rethink and rewire their cross-border investments but create arguably "new forms of internationalization rather than the end of globalization" (Linsi & Gristwood, 2024, p. 1).

The contribution by Köncke and de Graaff (2024) complements this analysis by focusing on the China-EU investment relationship. The authors specifically focus on the Chinese ICT and automotive industries since 2000 and how their FDI and other collaborative ties with European firms developed under increasing geoeconomic competition. They draw on corporate data from Thomson Reuters and the Global China Investment Tracker and combine this firm-level data with a novel measure for the degree of party-state permeation of Chinese firms. Similar to Linsi and Gristwood, the authors find that the Chinese expansion into Europe is continuing, albeit in modified ways. More specifically, they find that the extent of adaptation is moderated by the degree of involvement by the Chinese Communist Party: Firms with high levels of state-permeation experience the geoeconomic turn much more directly than those with lower levels. These results again challenge simplistic narratives about deglobalization or decoupling between China and the rest of the world, and urge us to better understand empirical realities when it comes to studying the geoeconomic turn.

Germann et al. (2024) then bring together the geoeconomic "triad" of the EU, China, and the US by zooming in on a core case of contemporary technological competition, namely the German attempt to reconcile its "techno-dependency" on the US with its export-dependency on China. Drawing on firm-level ownership data, the article maps the German semiconductor network and finds strong ties to its domestic automotive industry—which is in turn highly dependent on the Chinese export market. This connection, the authors propose, helps to explain the reluctance of German policy-makers to comply with the US tech decoupling policies and illustrates the emerging complexity of global geoeconomic competition. The authors also empirically demonstrate the key role firms play as geoeconomic actors and how they wield power in variegated and cross-sectoral ways.

All these three articles deliver important empirical and firm-level insights on the state of the geoeconomic turn. Their findings suggest that the geoeconomic turn is a "work in progress," but also raise doubts about whether it will anytime soon fully materialize on the corporate level: scenarios such as deglobalization (Linsi & Gristwood, 2024), EU–China decoupling (Köncke & de Graaff, 2024), or derisking (Germann et al., 2024) are in reality fraught with tensions, contradictions, and complexities that render the feasibility of such political attempts questionable.

2.2. EU Industrial Policy in the Context of Global Tech Competition

The return of industrial policy in Europe and elsewhere constitutes one of the most visible signifiers of the geoeconomic turn. Existing literature has identified a notable shift away from the neoliberal market-making role of the state in policymaking (van Apeldoorn & de Graaff, 2022). Three contributions in the thematic issue deal specifically with this shift (Abels & Bieling, 2024; Gräf, 2024; Wigger, 2024), focusing on different—yet interrelated—aspects of the return of industrial policy in an EU struggling to position itself in the US–China tech rivalry (see also Germann et al., 2024; Weinhardt et al., 2022).

The contribution by Wigger (2024) points to the importance of the underexplored financing strategies underpinning the EU's (new) industrial policy. Offering a critical IPE analysis, Wigger places the financing of the EU's industrial policy in a broader historical perspective. The article emphasizes the role and interests of powerful financial and industrial capital and shows that the debt-financing strategies in contemporary EU industrial policy primarily benefit the interests of fractions of industrial capital in technology-intensive value chains and financial capital. In contrast, organized labor and wider society are largely excluded from these (re)investment decisions, which, Wigger concludes, does not bode well for the long-term ecological, economic, and social sustainability of the EU's new industrial policy.

The article by Gräf (2024) offers a complementary analysis which zooms into one of the new governance instruments in the toolkit of EU industrial policy: the so-called Important Projects of Common European Interest (IPCEI)—cross-country industrial policy projects in which firms from multiple member states collaborate on strategic key technologies and their value chains. Gräf interprets these IPCEI as novel vertical governance tools, representing a gradual and partial "regulatory-developmental turn" within EU industrial policy. Focusing on two Battery IPCEIs, the article unravels the complex interplay of public and private actors, funding, and governance instruments involved. The findings show how IPCEI can be seen as a novel type of state aid, yet also demonstrate fragmented and conflicting state activity across Europe. Moreover, the article illustrates how these novel governance tools can replicate asymmetric corporate power dynamics, benefitting lead firms in the automotive production networks while lacking strong social and environmental conditions due to their prioritization of technological and economic goals.

Abels and Bieling (2024) focus on strategic infrastructure policies in the EU. Highlighting their historical link to industrial policy, they argue that the new triad competition between the US, China, and the EU over strategic infrastructure has led the EU to adopt a more state-interventionist approach that aims to assert greater control over transnational value chains and related spaces, including land, oceans, airspace, outer space, and cyberspace. Using critical geography and IPE concepts, Abels and Bieling analyze how four logics (geoeconomic, capitalist, ecological, and social-integrative) influence EU infrastructure policies and examine the political alliances of state and business actors involved. Based on a comparative case study of two major infrastructural projects—Gaia X, a federated data infrastructure project, and the Hydrogen Strategy—they find that although a geoeconomic design logic has been primarily driving these projects, it has been both supported and hampered by a capitalist logic. Especially in the case of Gaia-X, the article concludes, European and non-European transnational capital(ists) have been able to shape the geoeconomic turn in their favor, while the ecological and social-integrative design logics in both of these infrastructure projects were largely sidelined and subordinated.

Highlighting multiple dimensions of contemporary EU industrial policy, these three articles provide crucial empirical insights into the regulatory advancement of the geoeconomic turn, with a focus on how this plays out in Europe. A common thread is their attention to how (public) policy-making is grounded in structures of capitalist production and finance and how these interplay with state agency. While the EU's revival of industrial policy in the context of the geoeconomic turn signifies potentially crucial policy shifts, it also replicates and reinforces existing uneven and exploitative power structures that tend to prioritize capital(ist) over societal interests, and economic growth and profit over long-term ecological sustainability and social equity.

2.3. Green Transition

The climate crisis results from deeper causes that clearly precede the historical period analyzed in this thematic issue (Paterson, 2021). Yet, a greater sense of urgency on behalf of states and societies to avert a potentially catastrophic climate collapse temporally coincides and intersects with the geoeconomic turn. For one, the escalation of geopolitical tensions in the wake of Russia's full-scale military attack on Ukraine in February 2022 has reshaped the geography of fossil energy markets. But also state-led efforts to accelerate the energy transition through investments in green technologies are tainted with geoeconomic thinking, frequently emphasizing national competitiveness, and global rivalries more than the common good they are supposedly designed to achieve. Together, as several contributions to this thematic issue highlight, these developments at the nexus of geopolitics, energy, and technology have contributed to reshaping states' internal (domestic) and external (alliance-building) strategies in a global economy.

Adopting a realist perspective, the contribution by Ufimtseva et al. (2024) focuses on the strategies adopted by the US, as an incumbent hegemon, to push for the green energy transition without becoming too dependent on its main challenger, China, which dominates processing capacities for several critical minerals (e.g., lithium, cobalt, graphite, and rare earth metals). As the authors show, the US state has adopted both internal (e.g., investment screening mechanisms) and external strategies (e.g., the strengthening of the Five Eyes partnership) to undermine and counterbalance China's dominant position. While the intention at the policy-regulatory level seems clear, it remains to be seen whether these strategies will also be effective.

The contribution by Jerzyniak (2024) shifts attention from the US back to the EU. Analyzing EU strategies to reorient their global positioning in markets for natural gas, critical minerals, and hydrogen in the wake of the Ukraine war, the article argues that energy derisking may trigger important transformations in EU foreign policy. Since the lack of sufficient local energy resources does not allow the EU to derisk through turning inwards (e.g., by adopting protectionist tools), Jerzyniak demonstrates EU officials' deliberate strategy to rebuild and manage its ("clean") energy relationships in a way that avoids overt dependence on any one supplier. At the same time, EU clean energy derisking still expresses desirability and intentionality rather than tangible results (Jerzyniak, 2024). Furthermore, as the article also empirically shows, the targeted new energy partners include various authoritarian regimes and states with close relations to China, potentially fomenting new tensions between the EU's energy needs and political ideals.

In addition to reorienting its energy suppliers network, the EU has also adopted policy instruments aimed at supporting European businesses in their quest to become global green tech leaders. One key effort is the setting up of so-called Industrial Alliances designed to strengthen public-private collaboration, which is analyzed in the contribution by Bosticco and Herranz-Surrallés (2024). Drawing from theories of governed interdependence, the authors compare this novel type of EU industrial policy in the batteries, raw materials, hydrogen, and photovoltaic sectors. Their findings indicate that the initiatives have had some success (to varying extents across sectors) in facilitating coordination and information sharing among partners. At the same time, they emphasize how the multilevel character of the EU poses significant obstacles to their implementation and identify tensions between the EU's geostrategic narratives and commercial realities.

Together, these three articles demonstrate how policymakers on both sides of the Atlantic pursue domestic and foreign policies with the ambition to derisk their energy relations and give their companies an advantage in shaping the clean energy technologies of the future. At the same time, they also emphasize the challenges that these strategies entail and how geostrategic narratives can clash with economic realities in globally intertwined economies. The vagaries of complex interdependence mean that attempts at derisking can, inadvertently, generate new risks. At the same time, the lead of China in critical minerals processing and green technology is currently so significant that attempts at decoupling may simultaneously hinder the West's ability to meet its climate goals (see also Hameiri & Jones, 2023).

2.4. Implications of the Geoeconomic Turn for the Non-Western World

Scholarly engagement with the concept of the geoeconomic turn has partly emerged from the observation that great powers increasingly use the policy-regulatory level to shape their power position vis-a-vis perceived rivals. However, we still know relatively little about how the geoeconomic turn plays out in regions of the world other than the US and EU. To uncover the global contours of the geoeconomic turn, scholarship also needs to become less Western-centric. The contributions of this thematic issue that focus on the Global South indicate that if we look beyond the West, political and governance-related changes and their impacts vary across regions and countries.

The contribution by Zelicovich (2024) points out that, in contrast to the assumption that only great powers can play active roles in geoeconomic trends, Latin American countries also make active use of economic statecraft. They use economic statecraft to promote values such as democracy and human rights, apply extra-regional sanctions, and resort to coercive strategies to exert pressure on third actors' policies that are perceived to contradict the strategic interests of the region. Precautionary defensive strategies are also emerging, as evidenced by Bolivia's president's call for a joint Latin American lithium policy in 2023. In contrast to the Asia Pacific, however, Latin America remains less involved in derisking and managing security externalities (see Breslin & Nesadurai, 2023).

Finally, the contribution by Weinhardt and De Ville (2024) reminds us that to assess the implications of the political and governance-related changes that take place in Europe, we need to look beyond great power relations. Many of the new defensive trade and investment instruments of the EU potentially impact trade relations with the developing world. Their analysis shows that sustainability-related defensive trade instruments such as the deforestation regulation or the carbon border adjustment mechanism are likely to be particularly detrimental for producers in (selected) developing countries. Yet, in their design, these instruments hardly include differential treatment provisions that could mitigate or offset negative effects on developing country exports to Europe. Reconciling different foreign policy objectives under this shifted geoeconomic paradigm has thus become more complicated, as new trade-offs between different goals may arise.

Overall, these contributions show that, at the policy-regulatory level, the geoeconomic turn is manifesting itself far beyond the West. Latin American countries have been using tools of economic statecraft and are beginning to enter the game of "defensive" geoeconomic strategies (e.g., in the case of lithium extraction). Moreover, the implications of the geoeconomic turn in policies of major trading powers, such as the EU, are likely to have consequences that—depending on the instrument at stake—may become costly, particularly for export-oriented firms in developing countries. Going beyond these insights, more empirical research is sorely needed to uncover the patterns of how the geoeconomic turn manifests itself beyond the West.

3. Conclusions: The State of the Geoeconomic Turn

As the contributions to this thematic issue collectively attest, the geoconomic turn is reflected in changes at the level of policy and regulation that seek to slow down and at times reverse the logic of decades of economic integration. Ultimately, however, the substantive importance of the geoeconomic turn is also contingent on the extent to which transformations in policies reshape material realities, and hence structures of the global economy. Here, the contributions paint a nuanced and more complex picture. While some sectors (e.g., semiconductors) are subject to ringfencing efforts, global levels of trade and investment overall remain at historical highs. Whereas industrial policy tools have been revived, their use and effects reflect as many continuities as changes.

The geoeconomic turn hence signals what we refer to as a potential sea change in the modus operandi of the global economy, whose political effects and material changes are in the process of being realized, yet are in this process subject not only to institutional inertia and path dependencies but also to political agency and contestation. As many of the contributions indicate, it will be the outcome of those power struggles and conflicting interests and values—not only between states but also with and between non-state actors such as firms and civil society organisations (e.g., labour)—at the global, regional, national, and subnational level that will shape the concrete outcomes of the geoeconomic turn in investment, trade, and technology. We hope to inspire a research agenda that unpacks these outcomes in a geoeconomic global economy empirically, including how they affect and possibly reinforce existing (unequal) power relations and the interplay between political and corporate actors, capitalist and societal interests, but also between states that are in structurally different positions within the global economy.

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Conflict of Interests

The authors declare no conflict of interests.

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