

The Geoeconomics of the European Green Deal

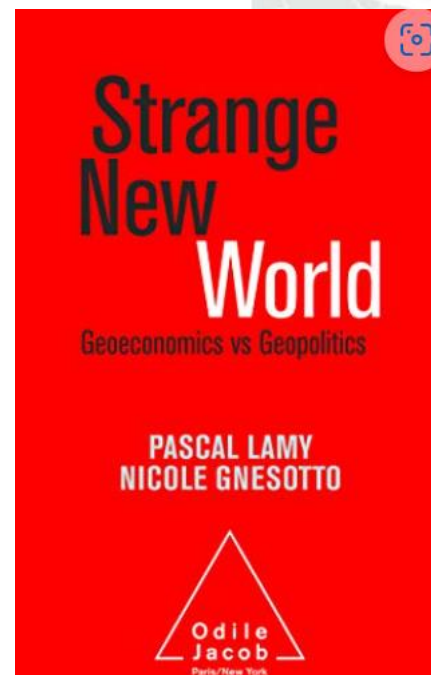
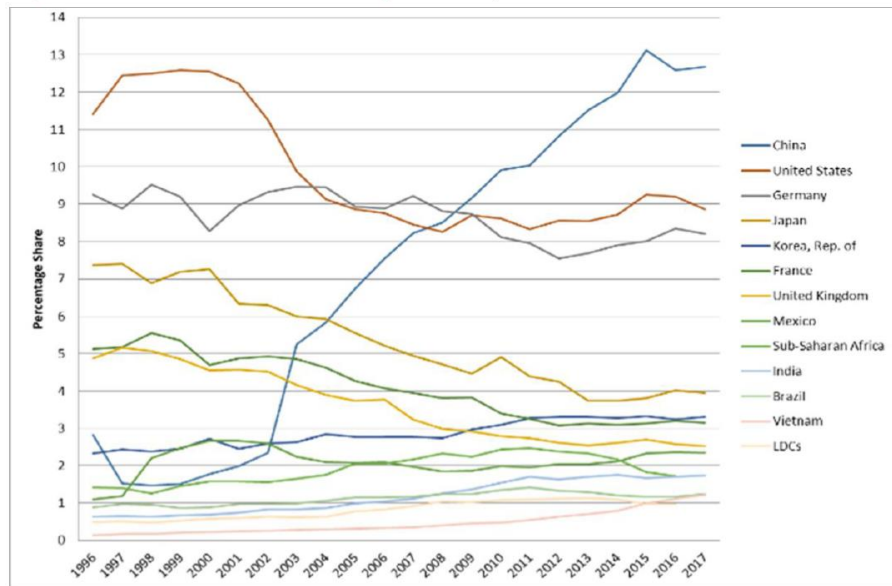
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Deglobalisation and the return of geopolitics: Is realism now more relevant? Is the economy now irrelevant

Graph 8: Select WTO Members' Share of Global Exports of Goods, 1996-2017



Agency

Realism in IPE: not an argument of the irrelevance of the economy

“Realist political economy rests upon three foundations: the state, pursuing the national interest, in an environment defined by anarchy.”

Jonathan Kirshner

From Geopolitics to Geo-Economics

*Logic of Conflict, Grammar of Commerce*_____

____Edward N. Luttwak_____



“The **methods of commerce** are displacing **military methods** – with disposable capital in lieu of firepower, civilian innovation in lieu of military-technical advancement, and market penetration in lieu of garrisons and bases. States ... will not disappear but reorient themselves toward ‘geoeconomics’ ... the best term I can think of to describe **the admixture of the logic of conflict with the methods of commerce**” (p. 19)

“World Politics is still not about to give way to World Business ...”

Luttwaks claim in 1990: "Playing the New Game"

#1 Geopolitics have changed - but some states have not accepted this. Yet.

"... propensity of states to act geo-economically will vary greatly, even more than their propensity to act geopolitically. For reasons historical and institutional, or doctrinal and political, some states will maintain a strictly laissez faire attitude, simply refusing to act "geo-economically"

#2 Globalization has limited the capacity of the state to conduct economic warfare

"While states occupy virtually all of the world's political space, they occupy only a fraction of the total economic space, and global political- economic trends such as privatization are reducing that fraction even further ..."

#3 Offensive geo-economic weapons are more important than

"the competitive development of commercially important new technologies, the predatory financing of their sales during their embryonic stage, and the manipulation of the standards that condition their use - the geo- economic equivalents of the offensive campaigns of war".

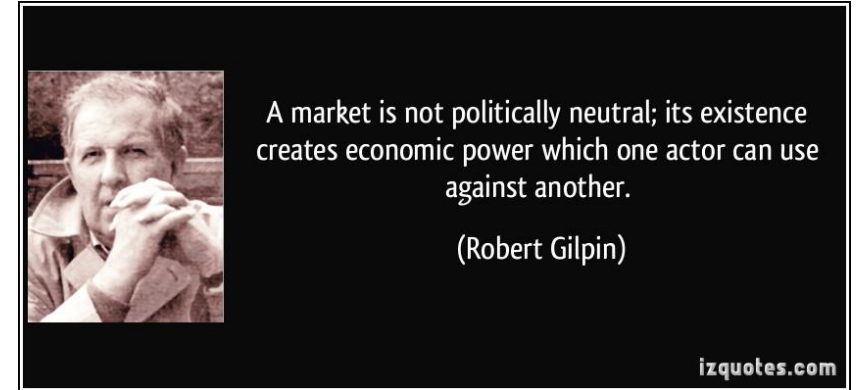
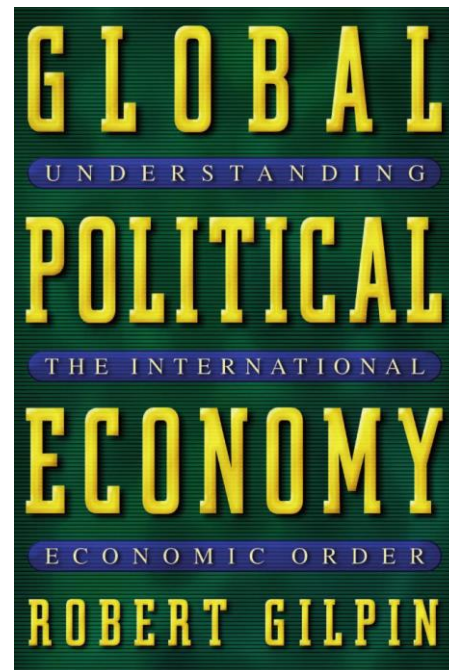
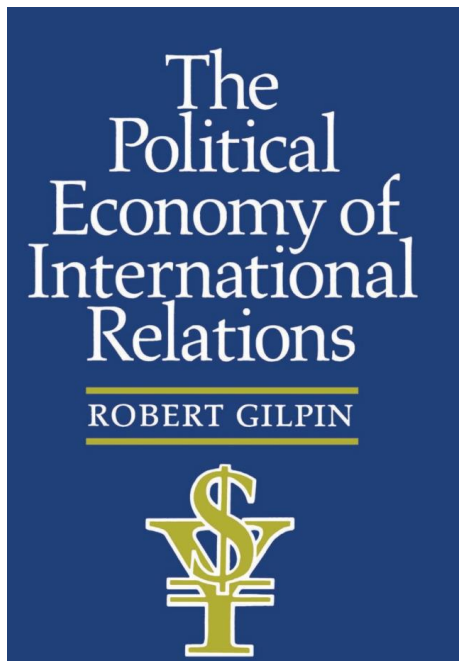
Geo-economics as an 'alternative form of power politics'

**“States increasingly practice power politics by economic means
[P]ower and security are no longer simply coupled to the physical
control of territory, but also to commanding and manipulating the
economic ties that bind states together. By making use of the leverage
provided by the asymmetric vulnerabilities inherent in these economic
interconnectivities, geo-economics provide a way for states – one
different from territory-based geopolitics – to conduct power politics.”**

Wigell, M. & S. Scholvin (2018): Power politics by economic means:
geoeconomics as an analytical approach and foreign policy practice.
Comparative Strategy, Volume 37, Number 1, pp. 1-2

Robert Gilpin

"I was certain that I was not a Marxist, but I did believe firmly that a connection between economics and politics existed."



Criticises neo-classical economics: the role of the state, the historical origins of wealth, the importance of geostrategies, of economic geography

- **New growth theory**: oligopols more likely
- **New economic geography**: triadization more likely
- **New strategic trade theory, hightech industrial policy** : neoprotectionism more likely

Basic understandings: the return of the state, and/or the neglect of economic 'high politics' in IR

Geo-economics: the realist understanding - state power, hegemony

- Hudson et al. (1991) : geo-economics as **strategies of territorial control that are economically motivated and carried out by economic means**,
- Hsiung (2009): geo-economics **as a shift from military to economic security concerns**, especially with regard to China's new role in global politics.
- Mattlin and Wigell (2016): geo-economic strategies are typical for non-Western powers – Brazil, China and India – because they rely on **non-military means in their soft balancing vis-à-vis the United States**

Geo-economics defined **by its ends** (and not by its means).

- Coleman (2005) and Sidaway (2005): 'flows of finance and trade, taking into consideration political aspects behind' them.
- Youngs (2011): geo-economics revolves around 'the use of statecraft for economic ends' (p. 14).
- O'Hara and Heffernan (2006): geo-economics as 'being about the **natural resources** ..., and the politics of controlling and exploiting these resources'.

- Baru (2012) the **mutual interplay of economics and geopolitics**

**The EU under a realist scope:
Employing a neoclassical
realist framework for the
analysis of the EU's Deep and
Comprehensive Free Trade
Agreement offer to Ukraine**

Nicholas Ross Smith
University of Auckland

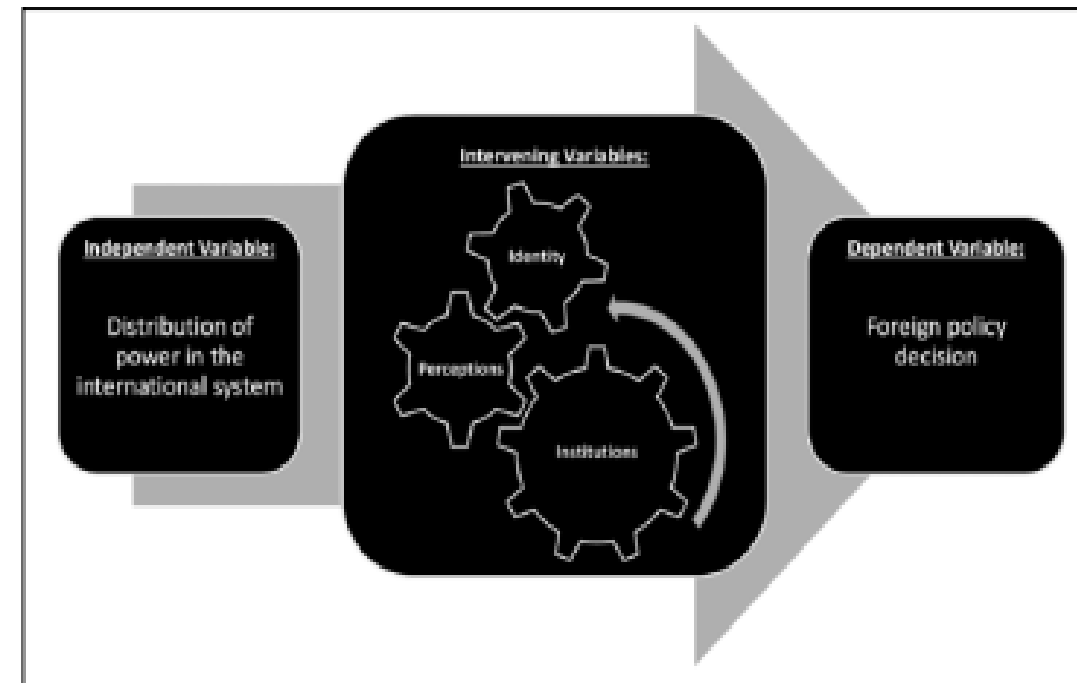
Structure → process → decision

State capacity, relative power position in the world:

Systemic pressure: “the state’s relative power position ... encourages or discourages particular action”;

Relative power in a zero-sum game: “ a state’s relative power position is the product of the **polarity** of the system and the **share of capabilities** the state (in relation to other states) has at its disposal”.

Do not neglect ‘the black box’ of domestic politics: intervening variables ‘channel, mediate and (re)direct’ systemic pressures into ... policy outcomes”



► I. A neoclassical realist model for analysing the EU's foreign policy decisions.

The focus is also on the **EU's internal transmission belt**: EU's **international role identity**, EU **foreign policy decision-makers' perceptions** and **institutional constraints ...** ”.

Alternative understandings

The transformationalist

- Barton (1999): 'the era of geopolitics was about hegemonic states and .., the era of geo-economics is marked by highly flexible non-state actors and borderless transnational relations.'
- Cowen and Smith (2009): 'the assemblage of territory, economy and people under the authority of nation-states ... is being recast ... '

Constructivist understandings, critical political geography

- A discursive 'space construction' - 'geo-economics as a securitising discourse'.
- "Geopolitics and geoeconomics" do not "describe distinct geostrategic periods", a la Luttwak, but "are better understood as names for distinct geostrategic discourses" (Sparkes, 2007:340)
- Open strategic autonomy "provided an opening for neo-mercantilist and socially oriented actors to challenge Europe's embedded neoliberal compromise (Schmitz, & Seidl, 2023).

An unorthodox realist: Susan Strange

Structural Power



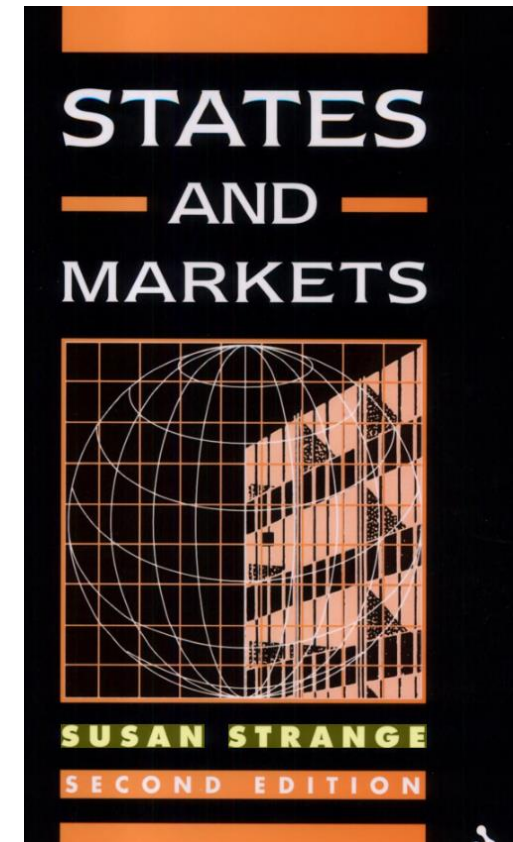
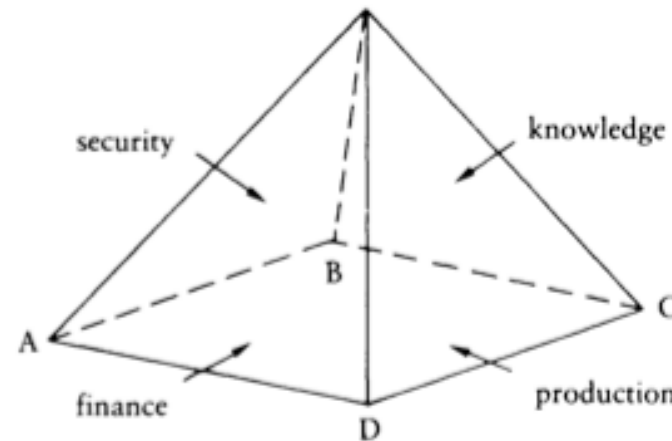
Multi-dimensional, complex - and not always obvious

- power is more than the ability " ... of A to get B to do something he would not otherwise do" (i.e., relational)
- power is also the capacity "...to decide how things shall be done, the power to shape frameworks within which states relate to one another, relate to people, or relate to corporate enterprises" (i.e., structural)

- **the power to shape and determine the structure within which other states, political institutions, experts and firms, HAVE to operate**; to decide how things shall be done;
- rejects the distinction between POLITICAL and ECONOMIC power, it rejects the primacy of states

Such as "Dimensions of STRUCTURAL Power":
control over power resources in the global
economy

- Security: 'the one who offers protection is able of exercising power'
- Production: 'Who decides what will be produced, by whom, by what means, and with what combination of land, capital and technology and how shall be rewarded'
- Finance: 'the control of credit'
- Knowledge: 'whoever is able to develop or acquire and to deny the access of others to a kind of knowledge respected and accepted by others; and whoever can control the channels by which it is communicated to those given access to it, will exercise a very special kind of structural power.'



Is geo-economics another word for neo-mercantalism?

Geo-economics as a practice

“practical geo-economics is not a simple revival of mercantilism Comparing the logic of geo-economics to the logic of mercantilism, Luttwak pointed out that mercantilist states used military means as a supreme force to achieve their goals. ... These policies aim at strengthening a state’s own domestic economy through the selective provision of incentives and disincentives to domestic and foreign companies” (Scholvin & Wigell, 2018)

Practical geo-economics: “**the application of economic means of power by states so as to realise geostrategic objectives, or more formally, as ‘the geostrategic use of economic power’** (Wigell 2016, p. 137).

Geo-economic strategies

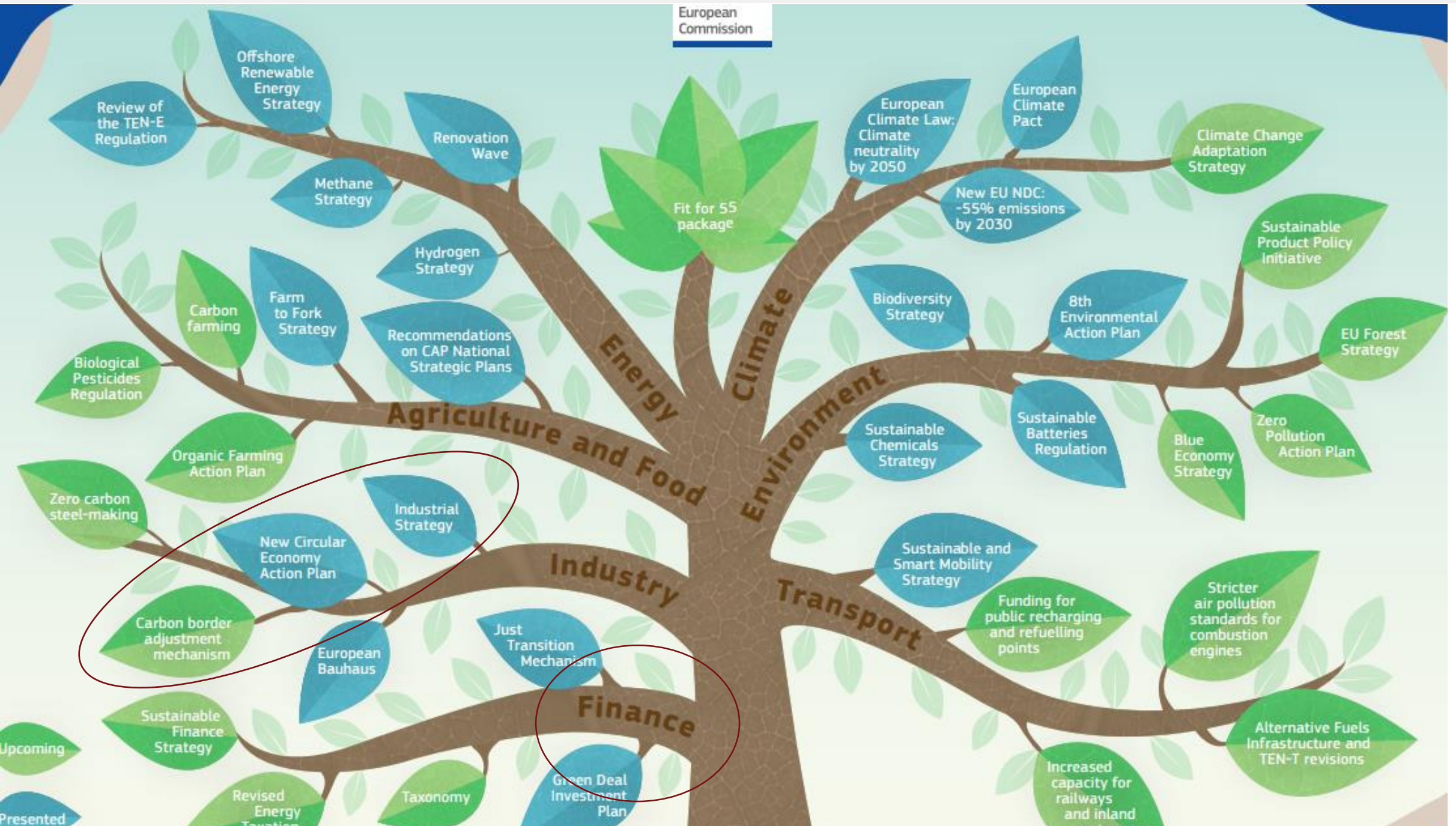
What we are witnessing is the shift from cooperative to rivalry, strategic thinking, and consequently policy behaviour?

**The zerosum game:
positionalist power
concerns**

**The plussum game:
the liberal order**

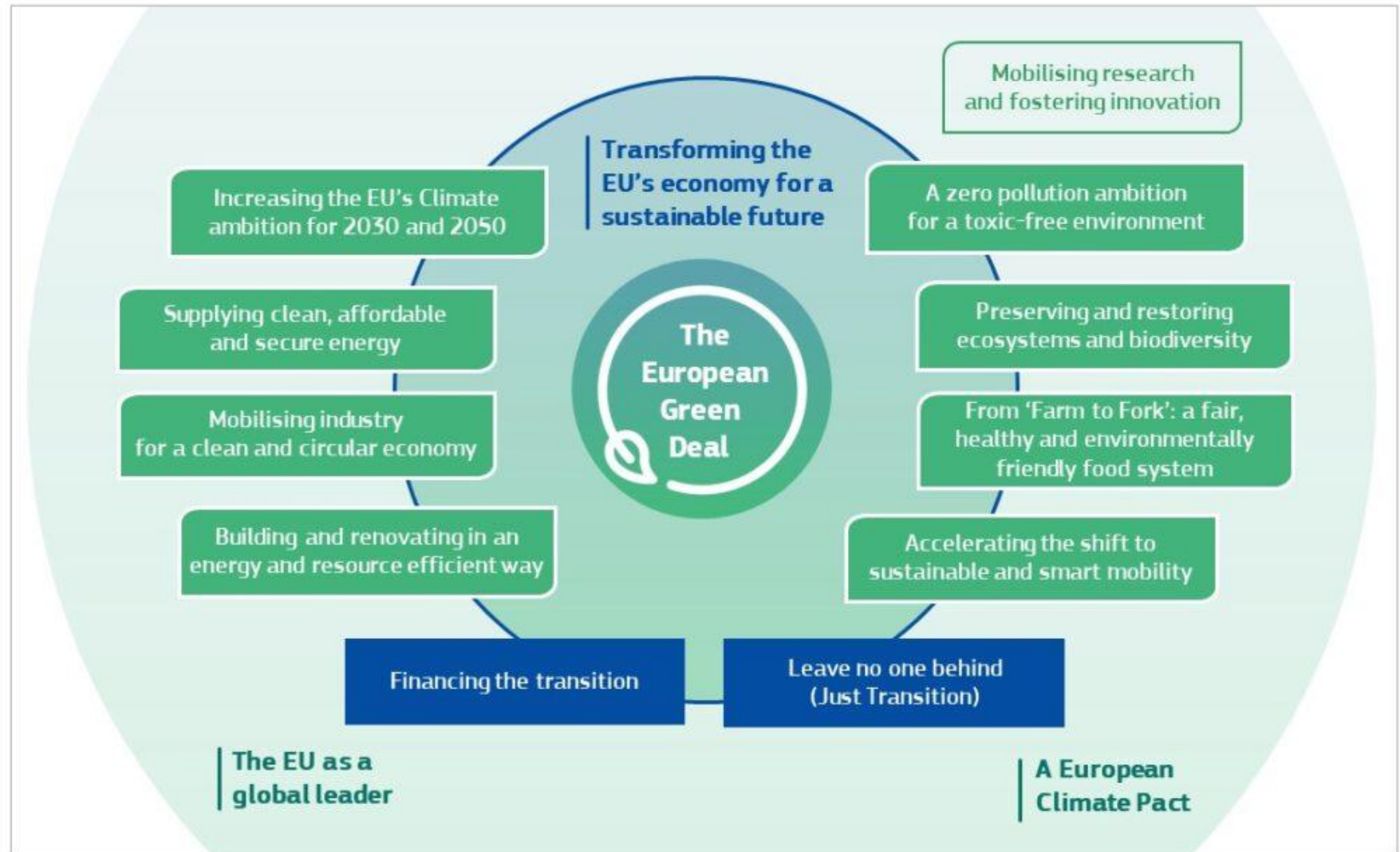
	Rivialisating strategic framing	Cooperative strategic framing
Economy as an end in itself	Neomercantalism	'Globalisation' ('the Liberal Order')
Economy as a means to an end	Neoimperialism	Hegemony ('American' or 'neoliberal')

Or have geopolitical goals replaced geoeconomic goals? I am far from convinced. But the EGD has a different political endgoal!



Geoeconomics and The green deal

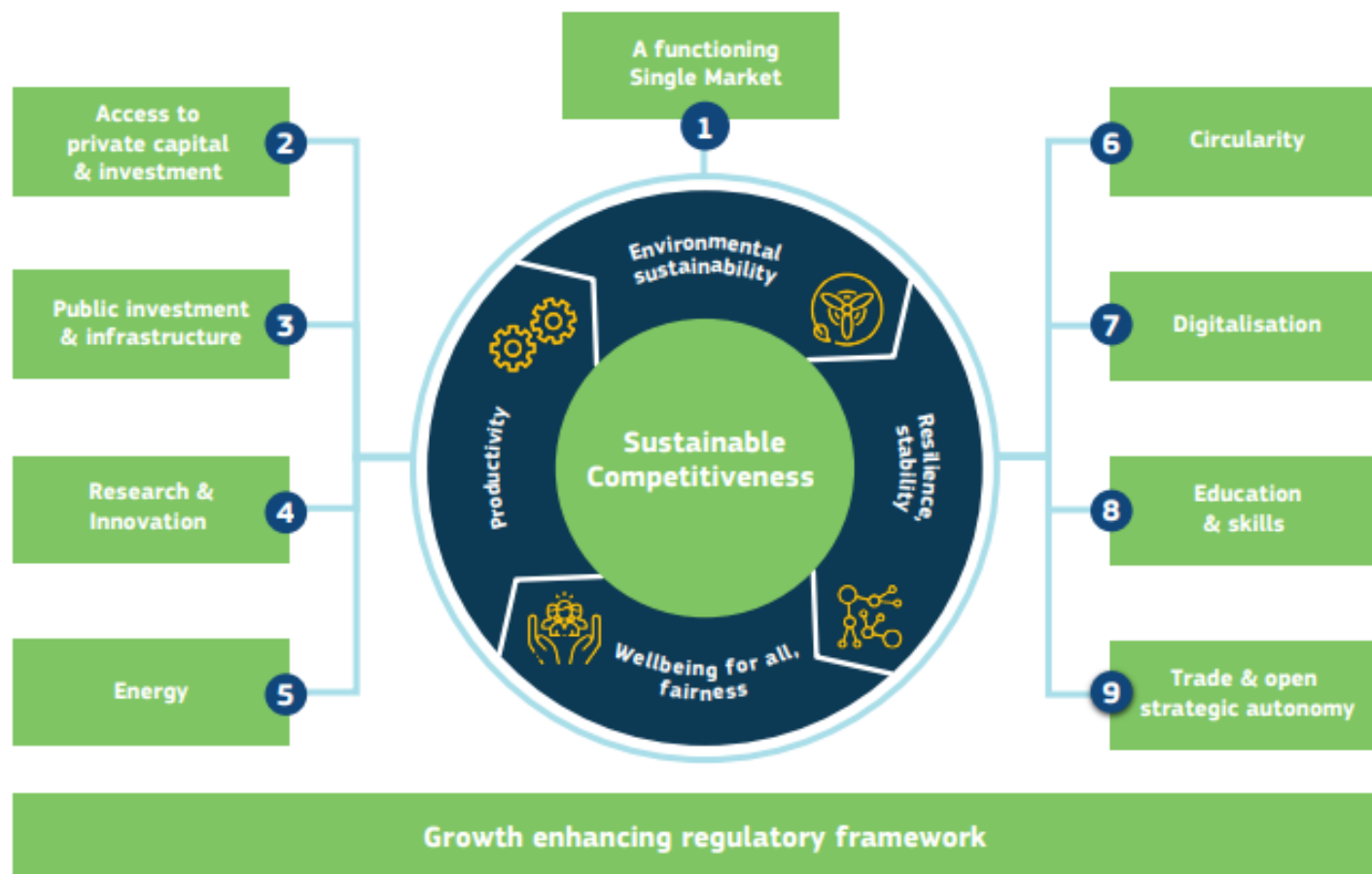
“It is a **new growth strategy** that aims to transform the EU into a **fair and prosperous society**, with a **modern, resource-efficient and competitive economy** where there are no net emissions of greenhouse gases in 2050 and where economic growth is decoupled from resource use.”



Or an intelligent
competitiveness policy?

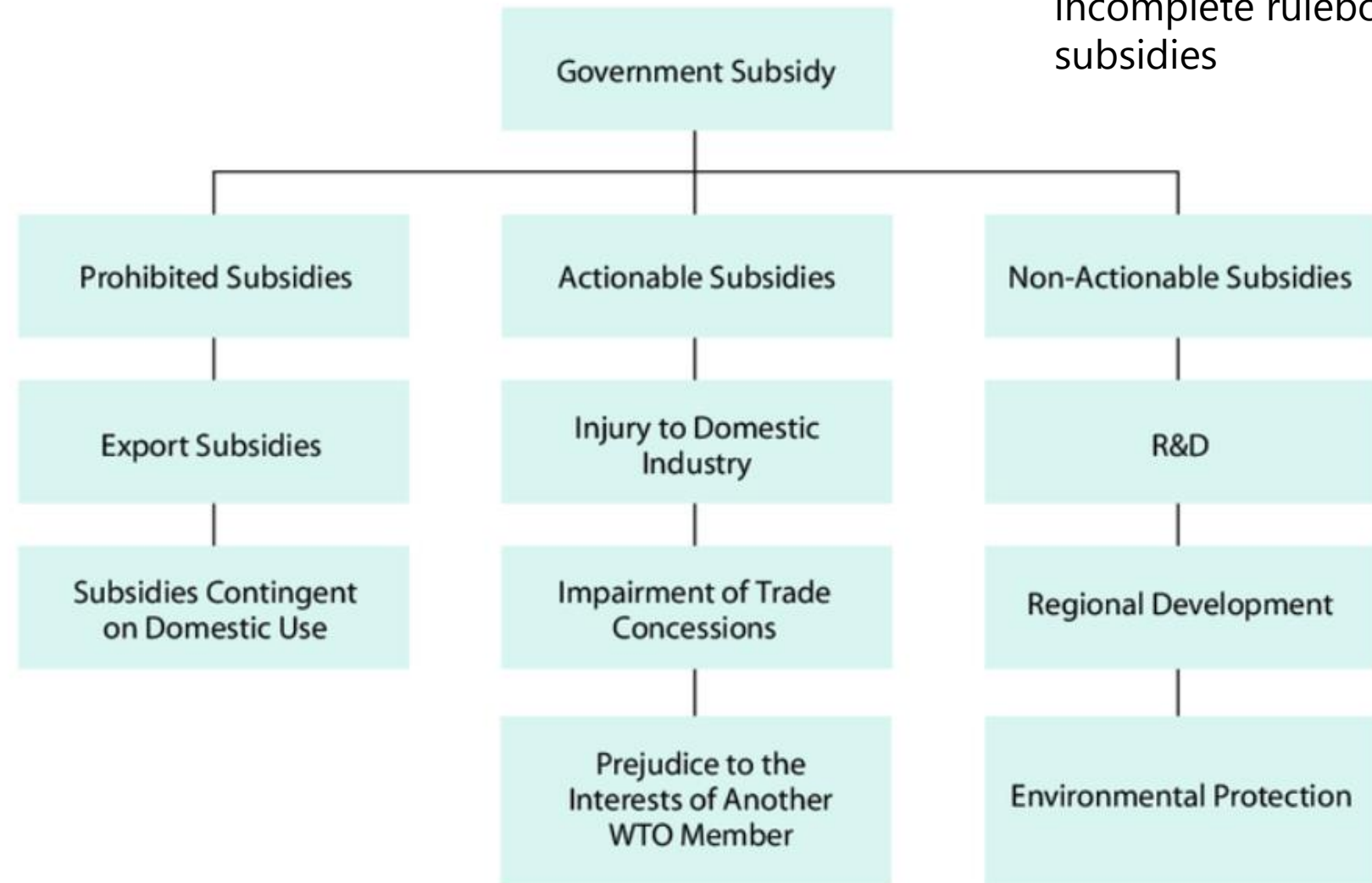
NINE DRIVERS FOR COMPETITIVENESS

The Commission proposes to work on the EU's long-term competitiveness along nine mutually reinforcing drivers:



A greenwashed neo-mercantalist policy?

The WTO: an incomplete rulebook on subsidies



The subsidy War: IRA and the EGD

Regardless of what – the EU
needs to finance the EGD



Industrial policy: Will the EU have the money to finance its ambitions?

Content-Type: News



While the new state aid framework is only temporary, it could have permanent consequences for the EU and lead to fragmentation if a more sustainable option isn't found quickly. [Kobets Dmitry/Shutterstock]

So – what is the Green Deal?

It depends!

IR: a new security policy

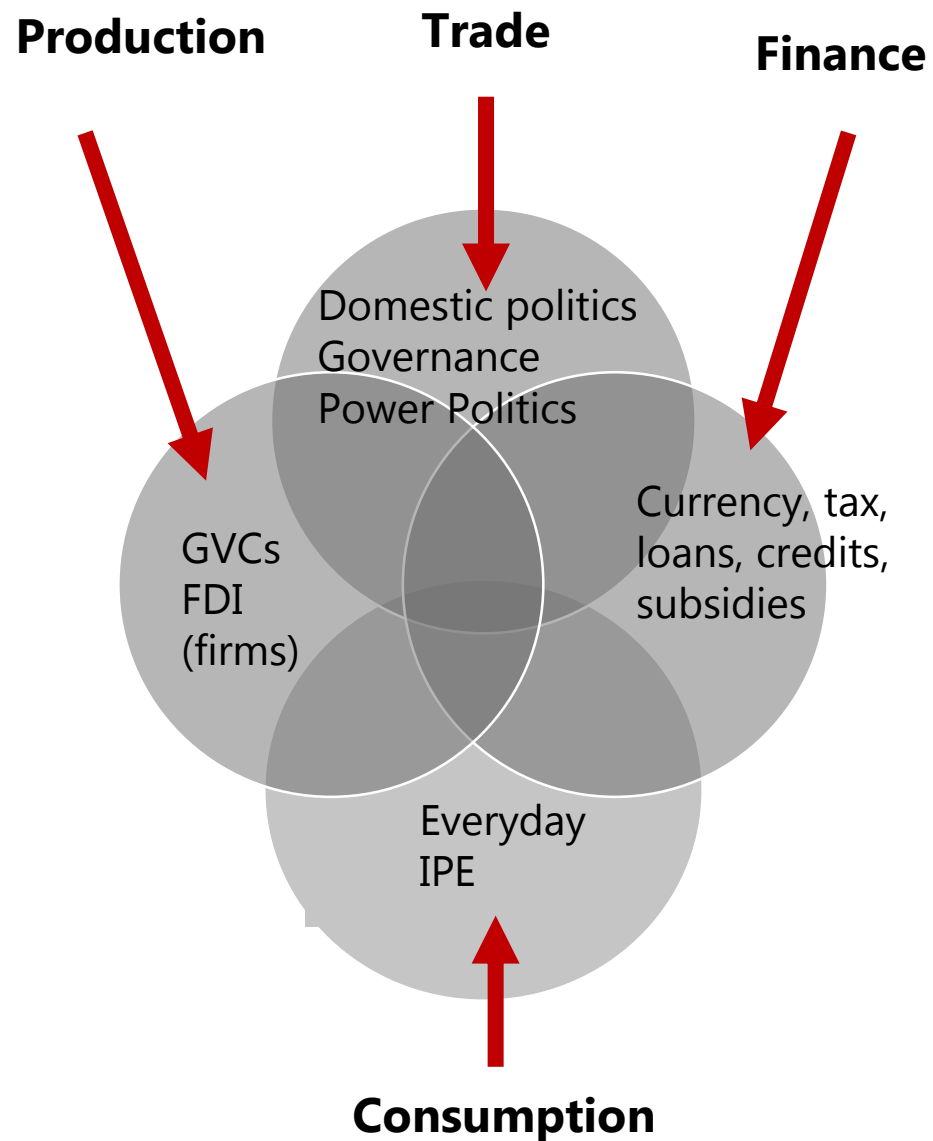
IPE: a new growth model, a new societal and planetary compromise – or simply green neo-mercantalism

EU market policy: expansion of EU model, Market Power Europe/'The Brussels Effect' → beyond soft governance, harder governance mode, hinges on regulatory power

Critical Greens: : a dangerous compromise, greenwashing, legitimising status-quo

Feeds directly into IPE

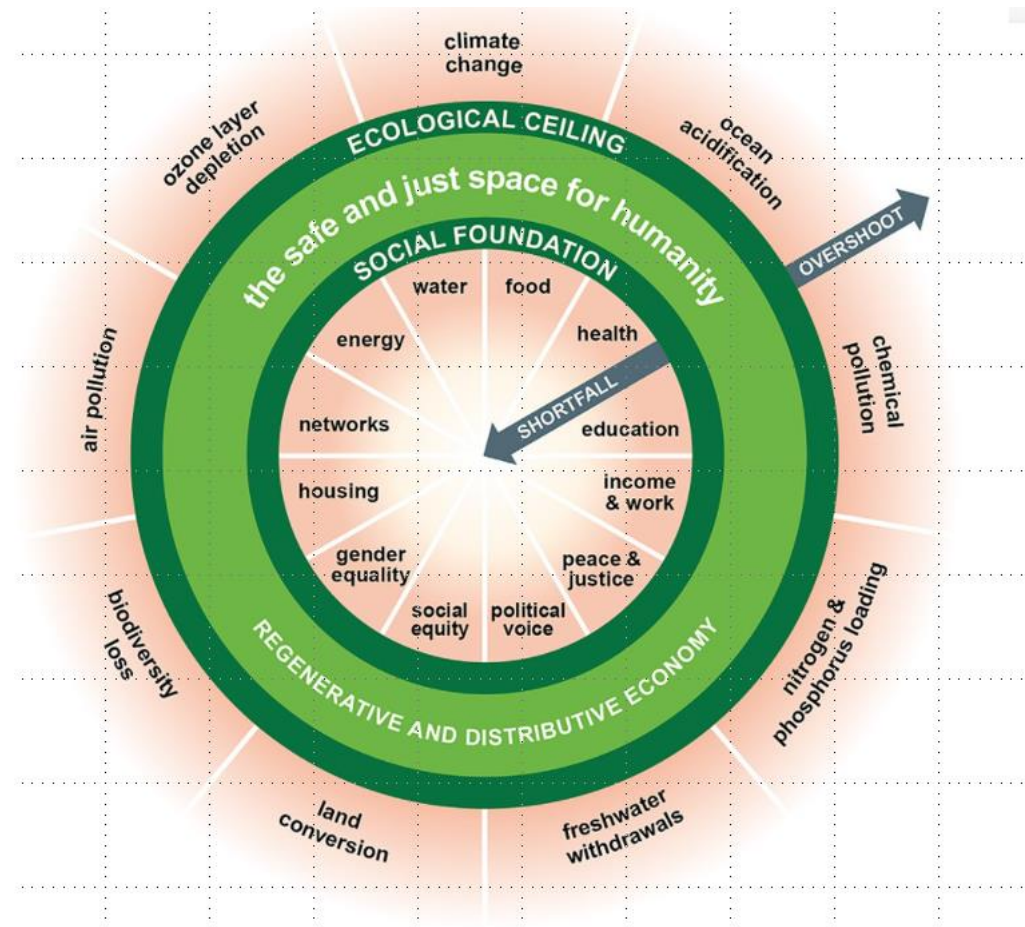
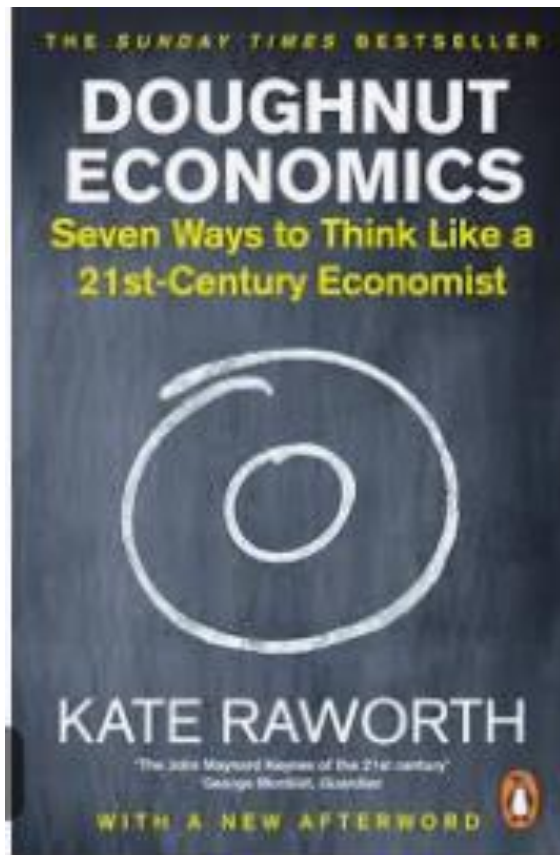
From IPE: EGD inevitable
interacts with all four
interlocked domains of the
global political economy



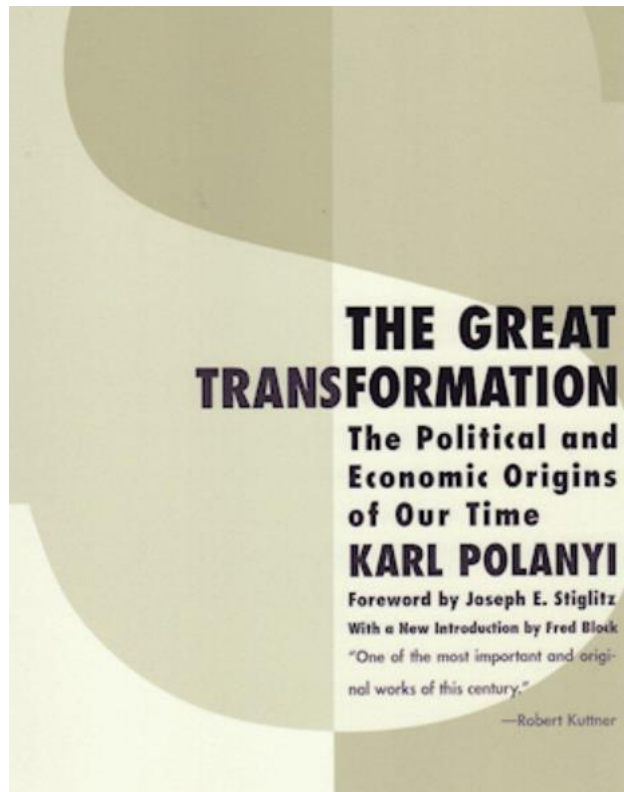
Implies

Change in trade
Change in production
Change in finance,
Change in consumption

Final thoughts – on the embeddedness of the market



Compromises of the past: social embeddedness of the market



“ ... markets that societies do not recognize as legitimate cannot last. Markets would be reconciled with the values of social community and domestic welfare.”

(Abdelal and Ruggie, p. 152)

The EGD has to be a compromise – a Blue, Green and Red doughnut economy

