



# **The return of geoeconomics**

**Adam Tooze**


**Columbia University**

**December 2023**



Geoeconomics is new.

Geoeconomics was always the  
issue.

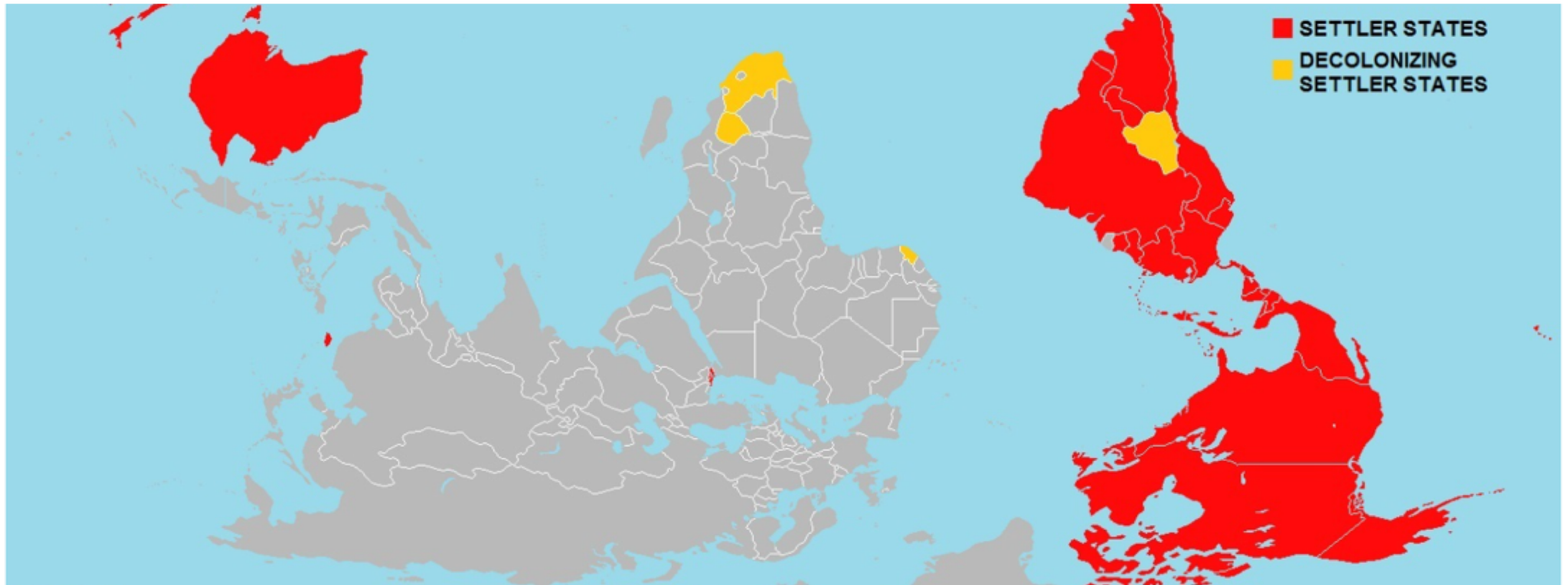


Geoeconomics seems new because we are coming out of a period in which we convinced ourselves that the geoeconomic problem had been solved (“end of history”).

- “The West” indulged in that fantasy because it suited us as incumbents to hide the basis of our power.
- It is better not to see how the sausage is made, because throughout modern history, the foundations of the geoeconomic game have been unappetizing for liberals to face squarely.

Geoeconomics are where economics meets geography and geopolitics -> it is economics and politics placed on a map.

- Accumulation of labour and capital
- Networks of knowledge and productivity development
- Flows and barriers to flows of goods, and people and capital.
- Violent conquest of territory with or without its population.



- “Settler colonialism” is not a politicized term of abuse, but the appropriate description for a fundamental and violent process that from 1492 onwards shaped the map of modern geoeconomics.

---

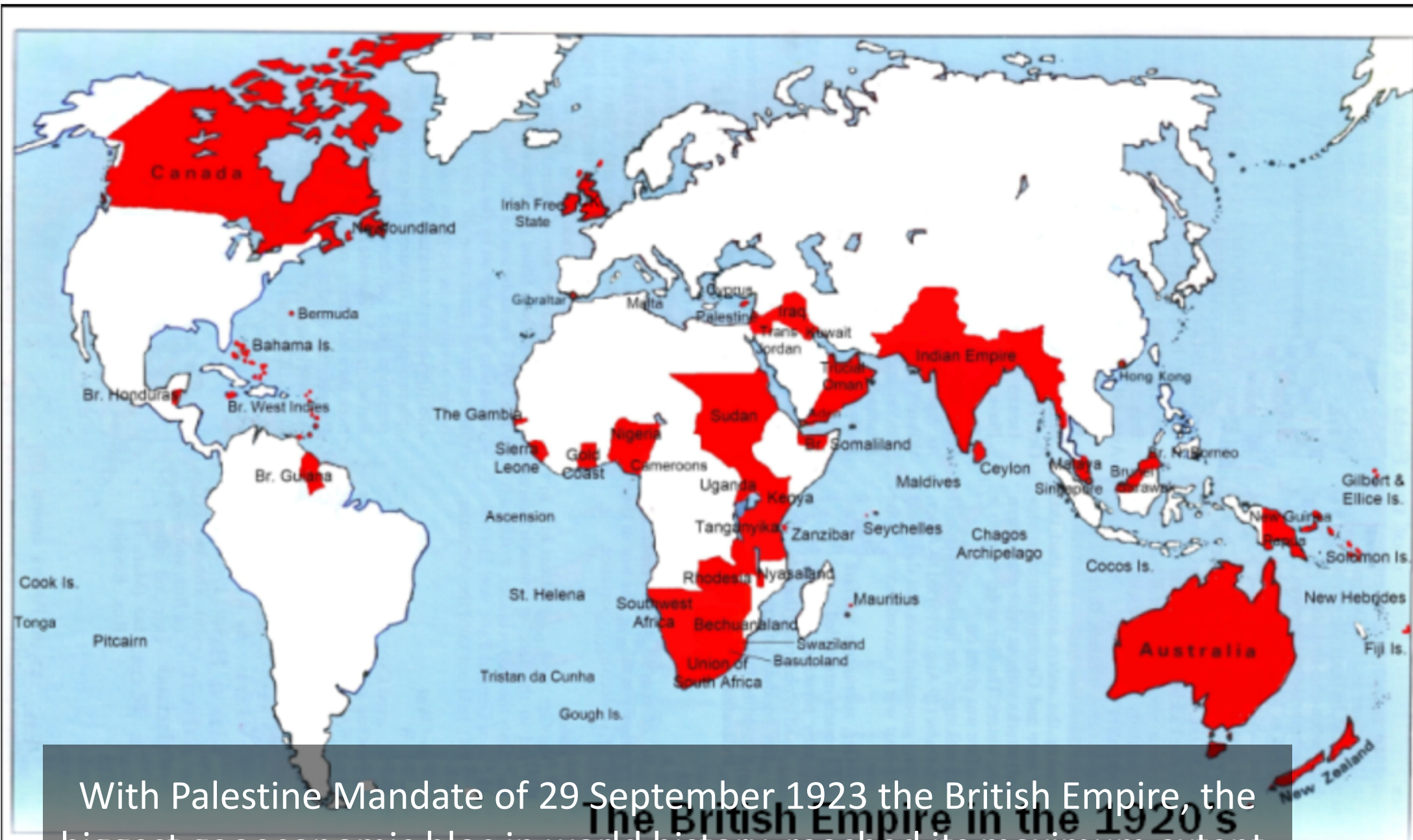
Not all settlers are colonial e.g. Amazonia, the cocoa frontier in West Africa or gold mining frontier in Sahel

---

Not all settler colonial projects successfully formed states e.g. German settlement in Eastern Europe.

---

Not all colonies were settler colonies e.g. British India

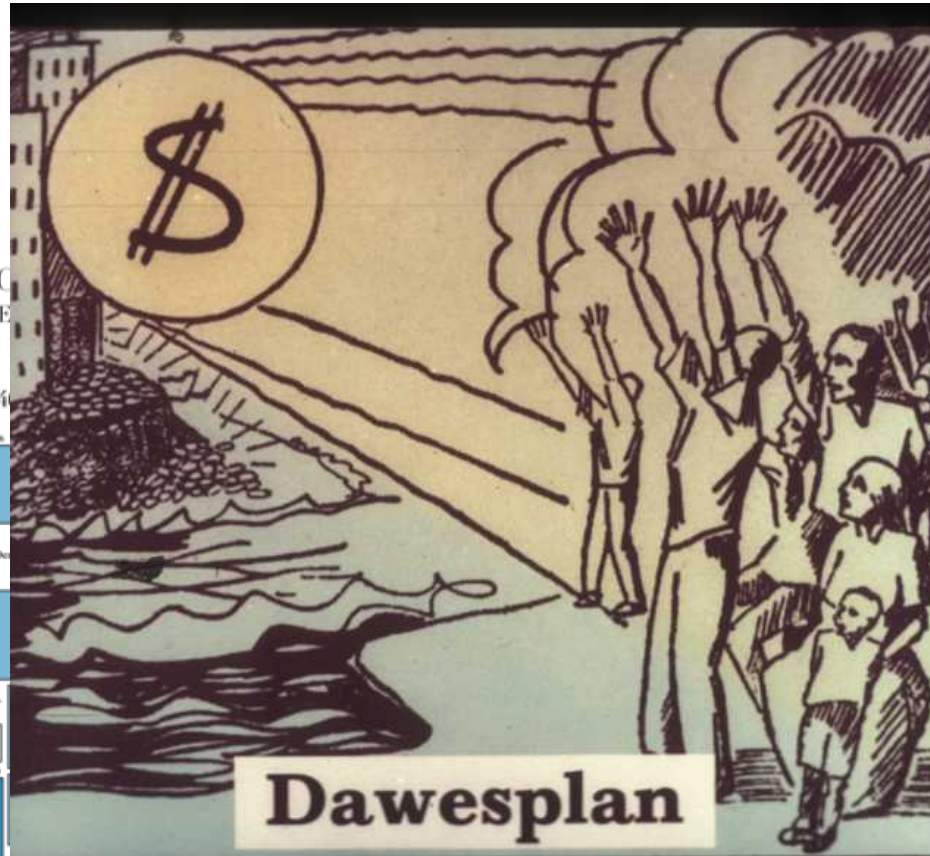
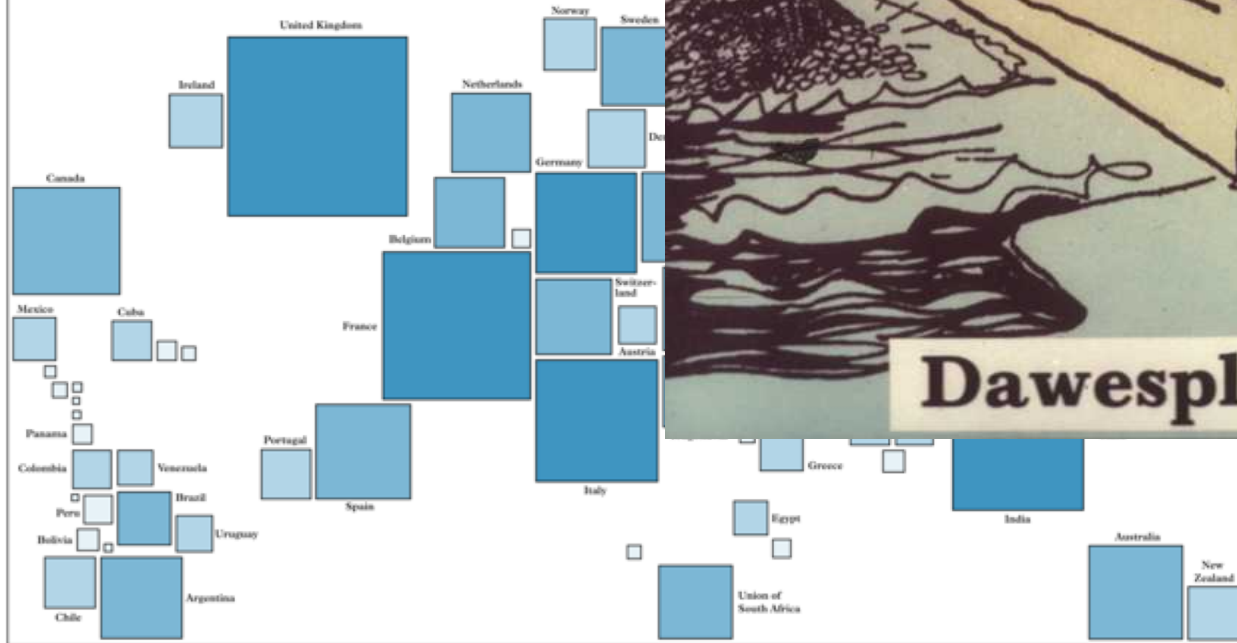


With Palestine Mandate of 29 September 1923 the British Empire, the biggest geoeconomic bloc in world history, reached its maximum extent.

The British Empire in the 1920's

CC-BY-SA Martin Grandjean 2023  
 Date: Final Report of the Board of Liquidation,  
 31.07.1947, United Nations Library and Archives  
 R5816\_4/50/44023/41844

MEMBER STATES CO  
 TO THE  
 LEAGUE OF  
 1919-194



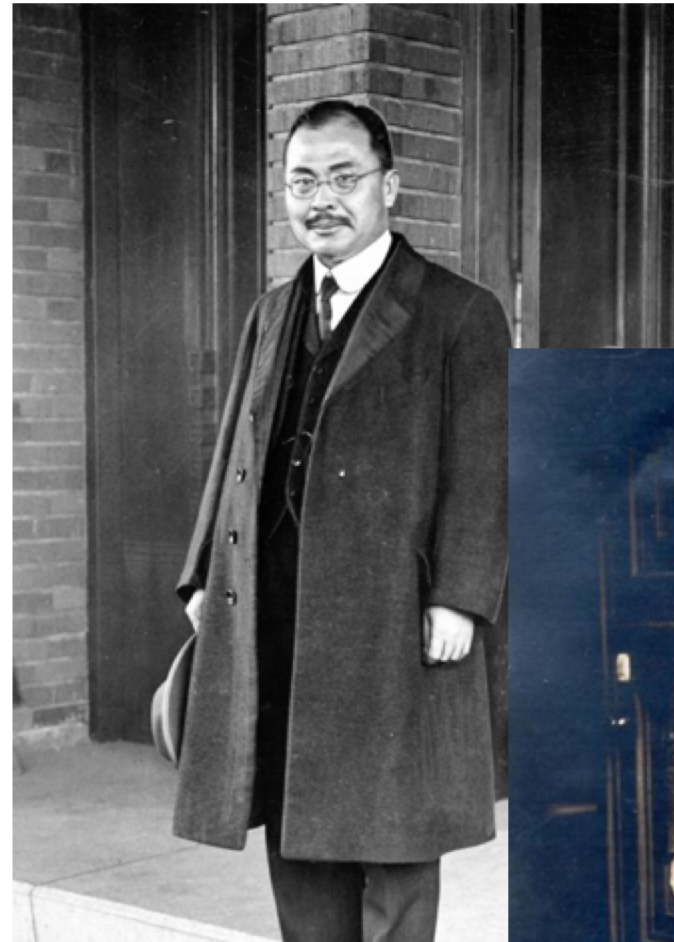
Washington naval Treaty of  
 1921/2

Tonnage limitations		
Country	Capital ships	Aircraft carriers
British Empire	525,000 tons (533,000 tonnes)	135,000 tons (137,000 tonnes)
United States	525,000 tons (533,000 tonnes)	135,000 tons (137,000 tonnes)
Empire of Japan	315,000 tons (320,000 tonnes)	81,000 tons (82,000 tonnes)
France	175,000 tons (178,000 tonnes)	60,000 tons (61,000 tonnes)
Italy	175,000 tons (178,000 tonnes)	60,000 tons (61,000 tonnes)





Ideology



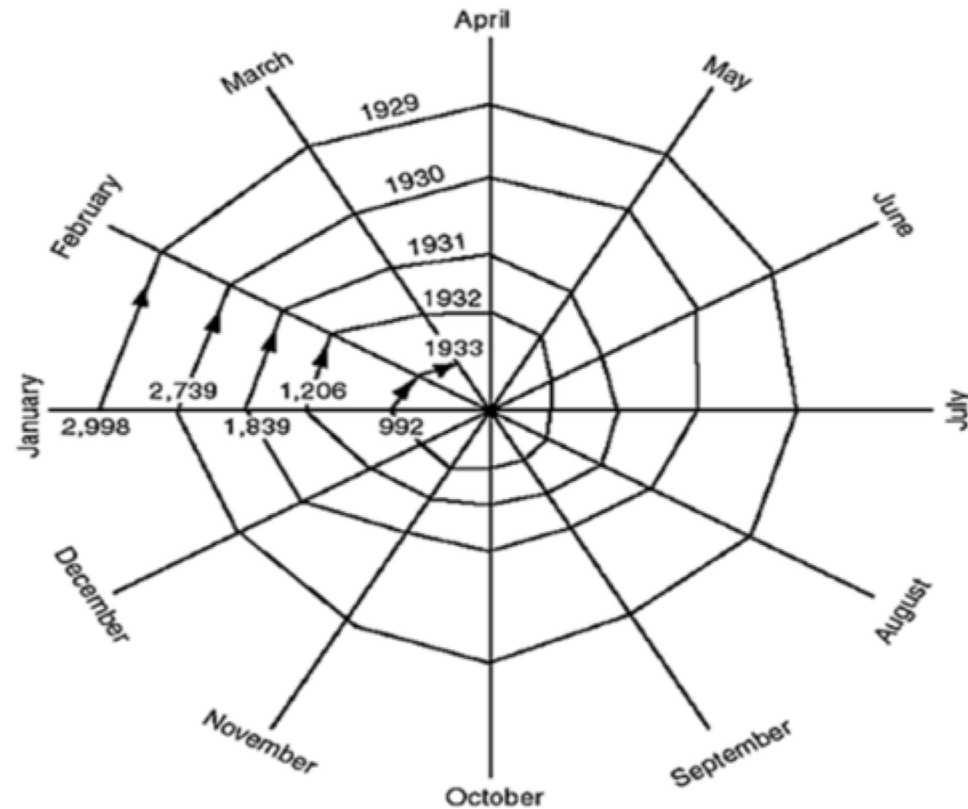
Global bourgeoisie  
as "peace interest"

The catastrophic failure of economic policy in the Great Depression destroyed the “geo-economic fix” of the 1920s.

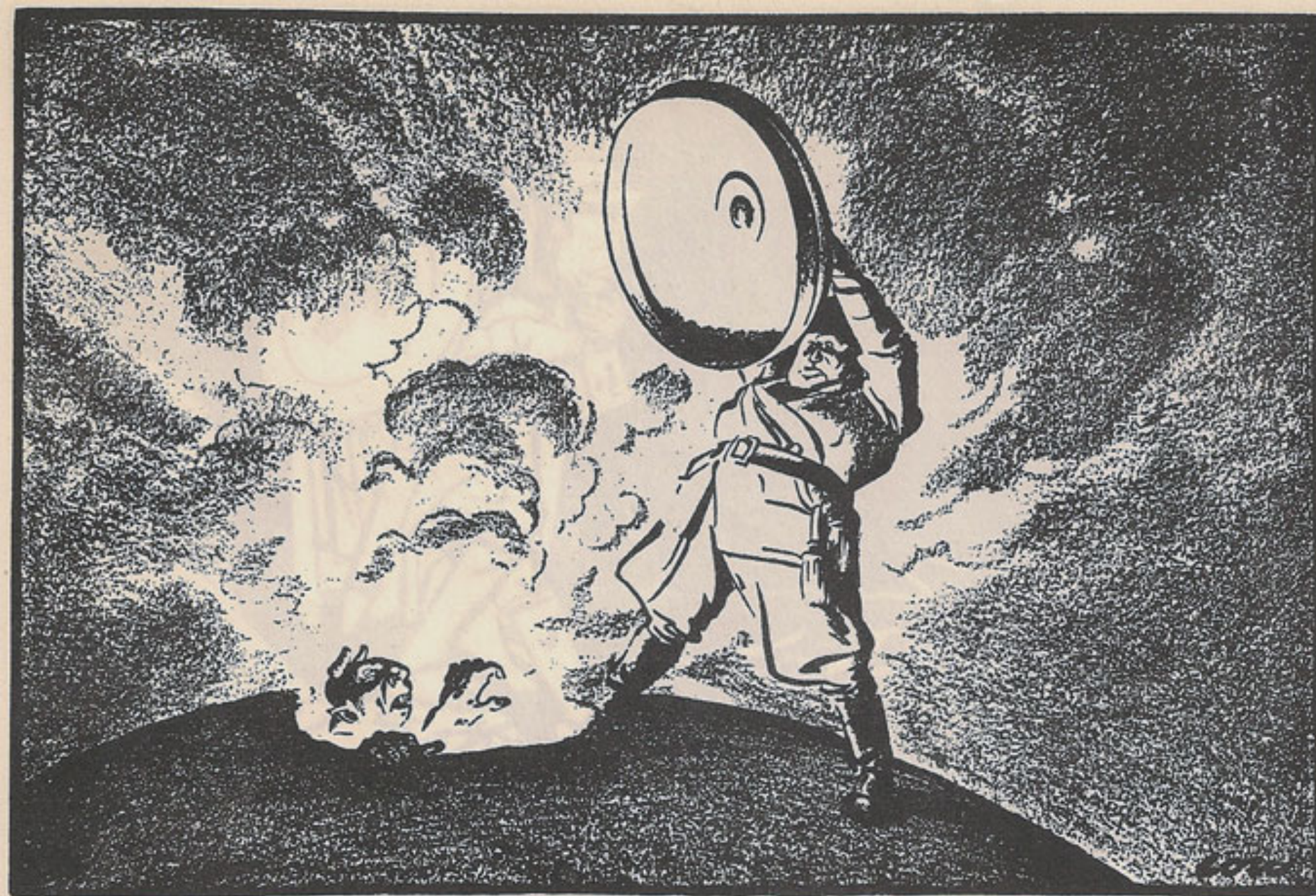
Shocks matter in geoeconomics. Because they subvert confidence, they open the door to new and often more radical visions.

### The Kindleberger Spiral

*The contracting spiral of world trade, January 1929 to March 1933: Total imports of 75 countries (monthly values in terms of old U.S. gold dollars (millions))*



*Source: League of Nations World Economic Survey 1932-33; as reproduced by Charles Kindleberger, "The World in Depression"*



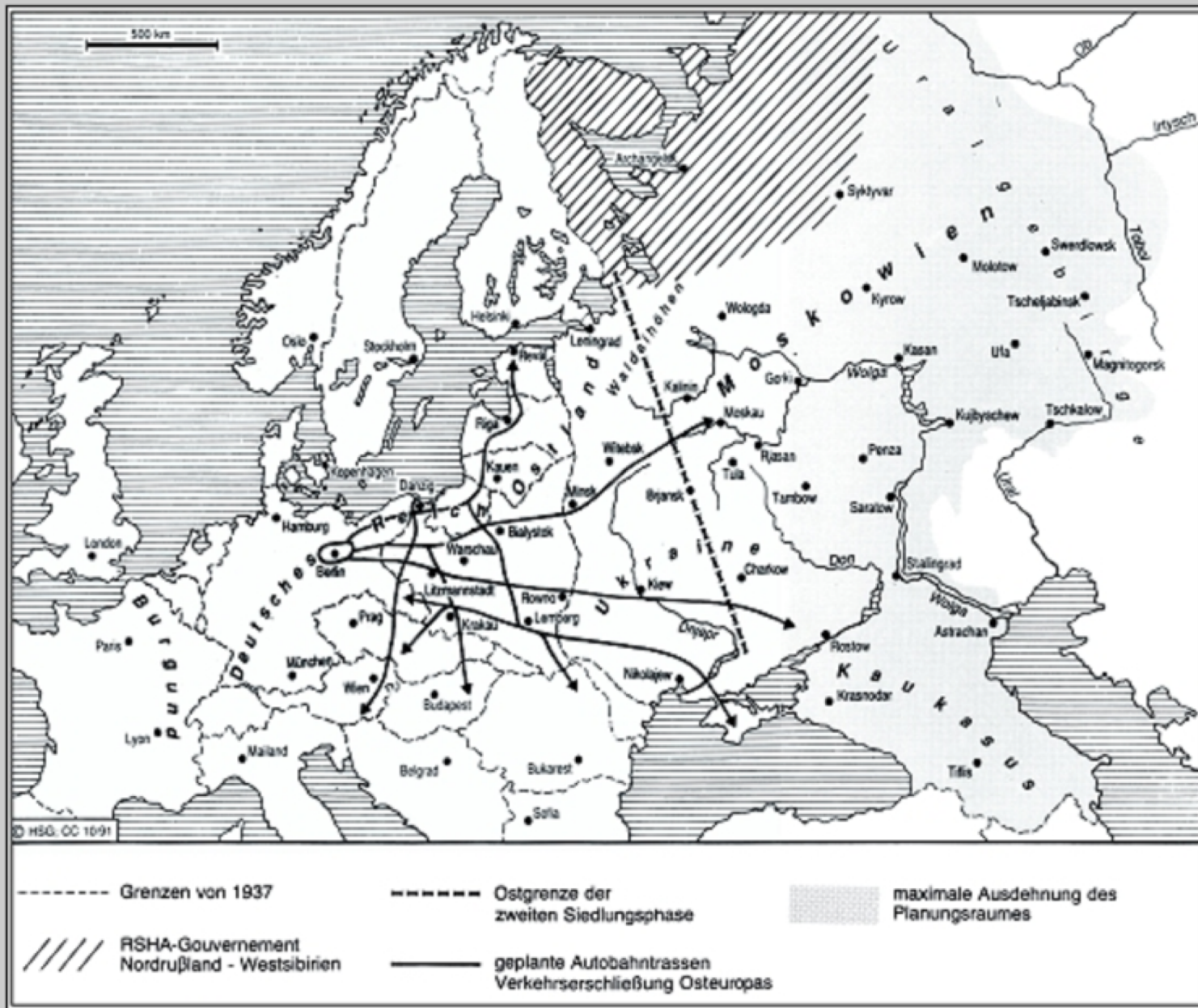
THE MAN WHO TOOK THE LID OFF

1930s ushered in  
not deescalation  
but radicalization  
of imperial  
geoeconomics

Mussolini  
Imperial Japan  
Nazi Germany  
Stalinist Soviet  
Union

Japan's East Asian Coprosperity Sphere anchored on its mainland settler colonial base in occupied Manchuria.



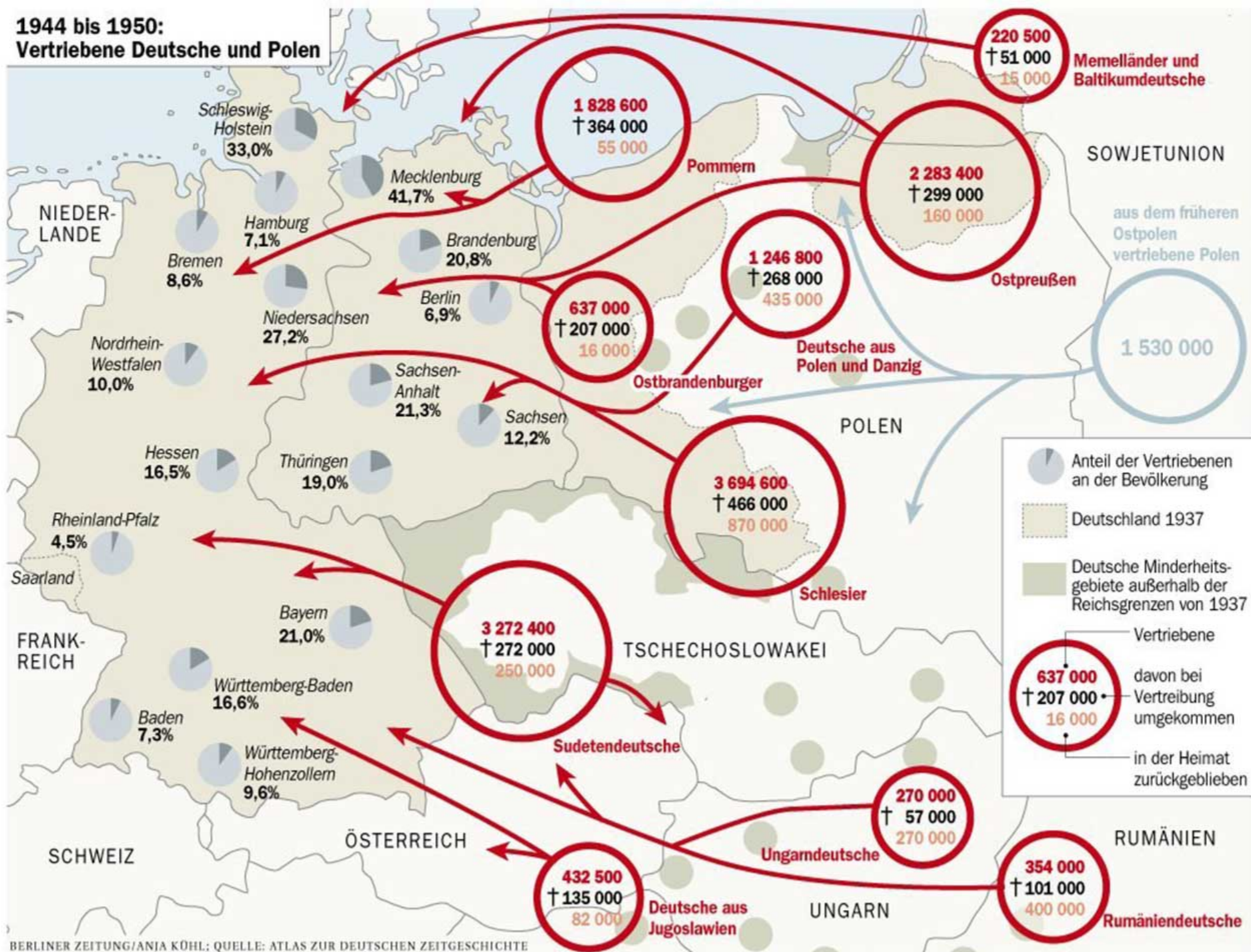


The driver of the Holocaust was antisemitism. But Hitler's anti-semitism was not traditional. It was a global vision of the age of imperialism. It was tied to the struggle for Lebensraum. The Holocaust *was* integral to a geoeconomic project (land, labour, food)

Peacemaking after 1945 commonly thought of as being milder than after 1918. This inverts reality.

Peace-making after a far more brutal war, was itself a brutal process and not just on Soviet side.

After 1945 there were bigger problems, fewer illusions and no inhibitions.





Women farming on Kibbutz Deganya, May 18, 1948. (Photo by Bettmann/CORBIS.)



Mass migration of Holocaust survivors to Palestine & establishment of state of Israel was part of the radical process of settlement after WW2.

Zionism was a settler colonial project typical of its era. Israelis become the last group of Europeans to acquire land, defend it with force and to justify their claims through a combination of prophetic promise, civilizational superiority and economic development.

Licensed by British empire (Balfour declaration) , backed by the US, allied with British and French in first strike on newly independent nationalist Egypt in 1956.

Their success involved displacement of 700,000 Palestinians in 1948 in “Nakba” & left unresolved “two-state” question.

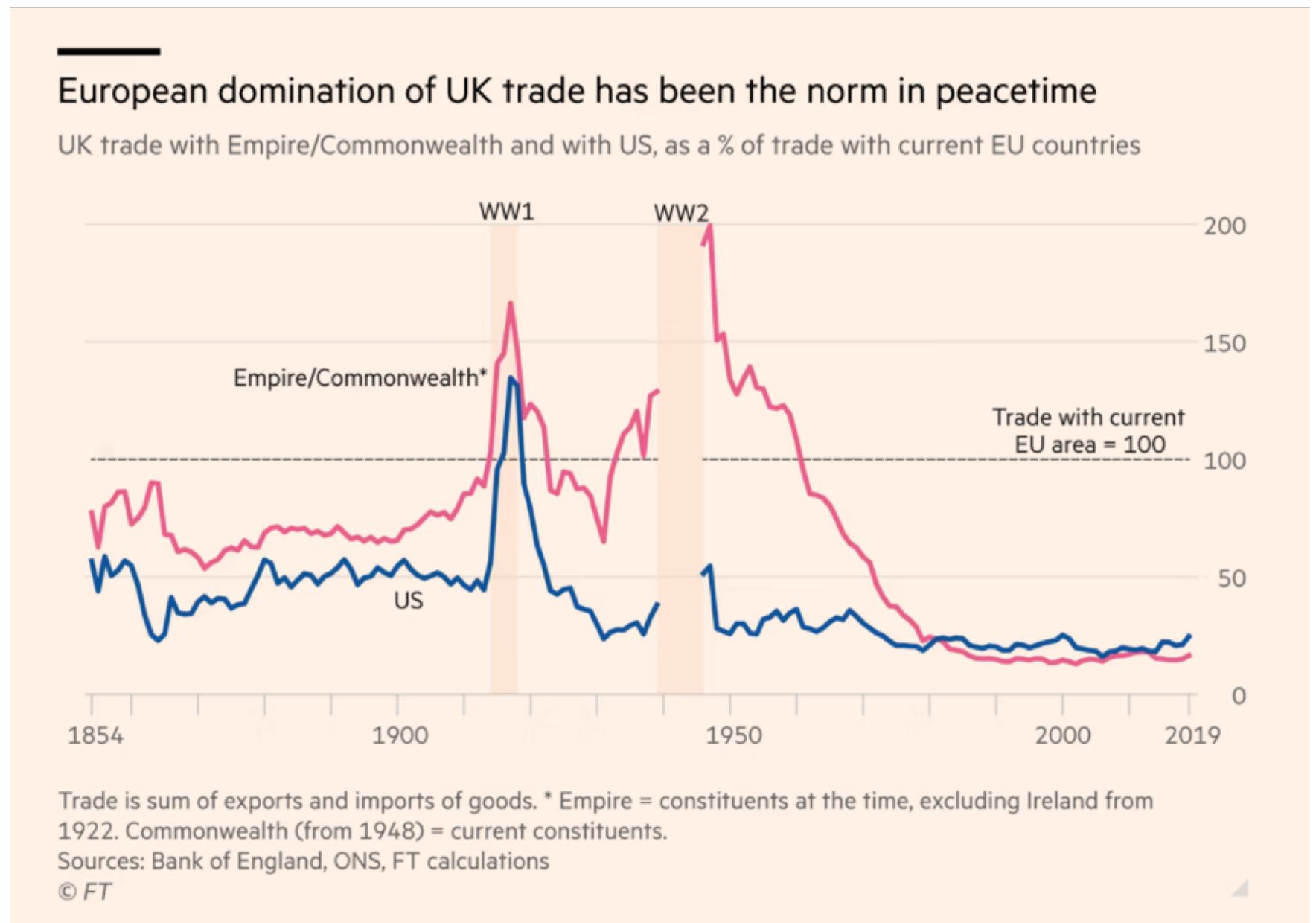


Clickable map of [Mandatory Palestine](#) with the [depopulated locations](#) during the [1948 Palestinian expulsion and flight](#)



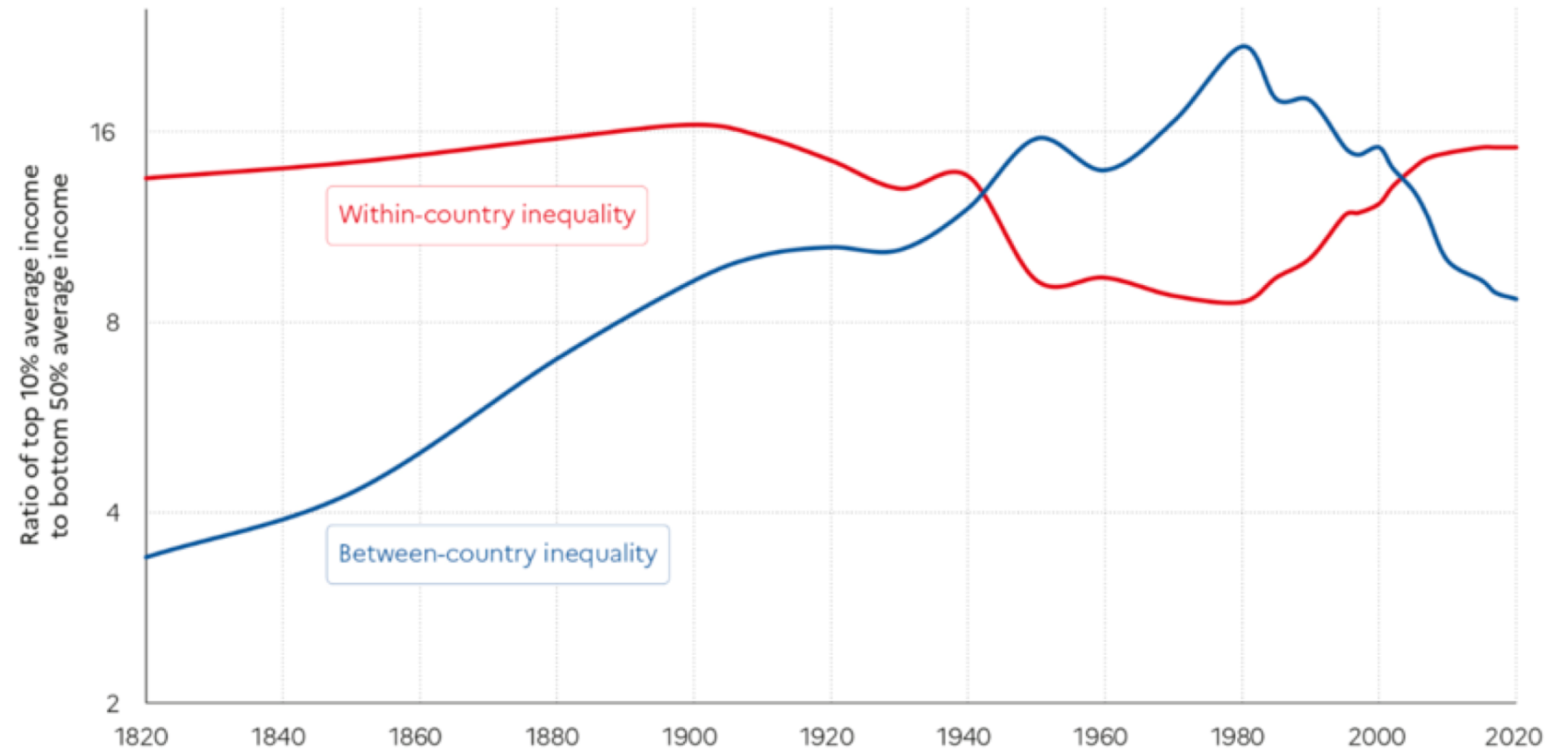


Postwar  
geoeconomics  
involved:  
Decoupling-  
decolonization  
&  
Recoupling  
within Cold  
War Blocs



“Golden age” witnessed miracle growth and reduced inequality within blocs, even as inequality between 1&2 and 3rd worlds reached a historic peak.

**Figure 2.4** Global income inequality: Between-country vs Within-country inequality (ratio T10/B50), 1820-2020

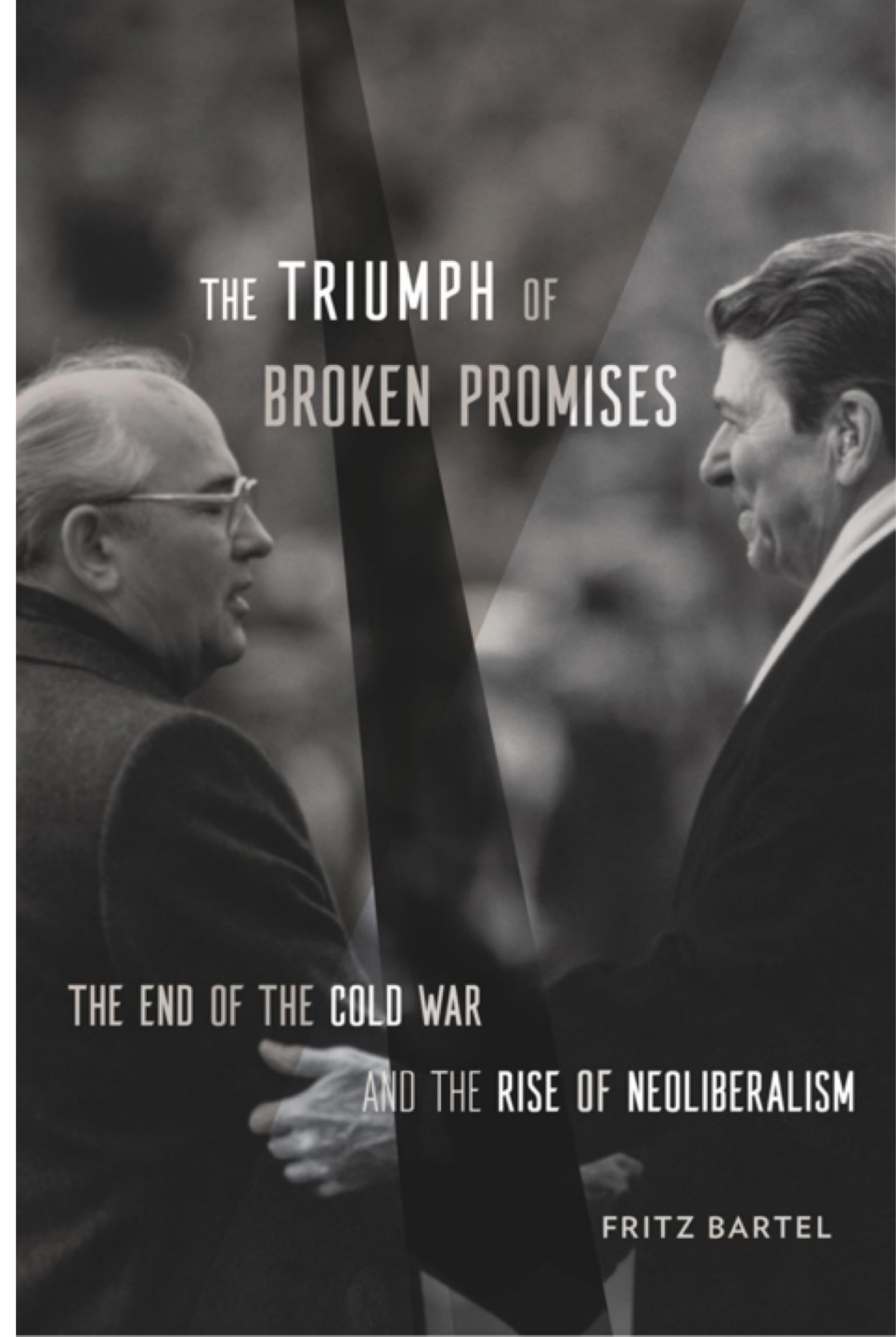


**Interpretation:** Between-country inequality, as measured by the ratio T10/B50 between the average incomes of the top 10% and the bottom 50% (assuming everybody within a country has the same income), rose between 1820 and 1980 and has since strongly declined. Within-country inequality, as measured also by the ratio T10/B50 between the average incomes of the top 10% and the bottom 50% (assuming all countries have the same average income), rose slightly between 1820 and 1910, declined between 1910 and 1980, and rose since 1980. Income is measured per capita after pensions and unemployment insurance transfers and before income and wealth taxes. **Sources and series:** [wir2022.wid.world/methodology](http://wir2022.wid.world/methodology) and Chancel and Piketty (2021).

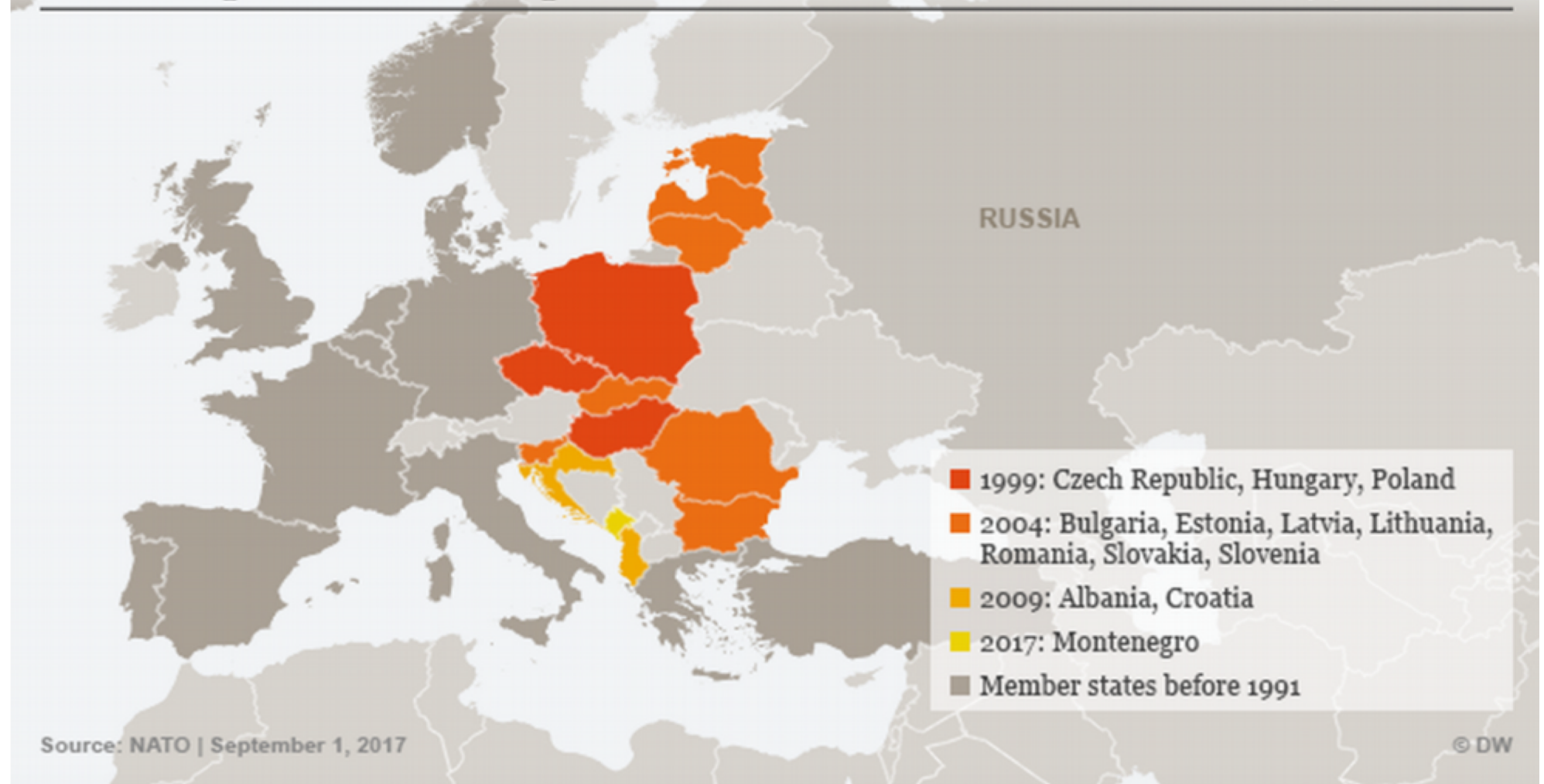
By the 1980s the West outproduced the Soviet bloc.

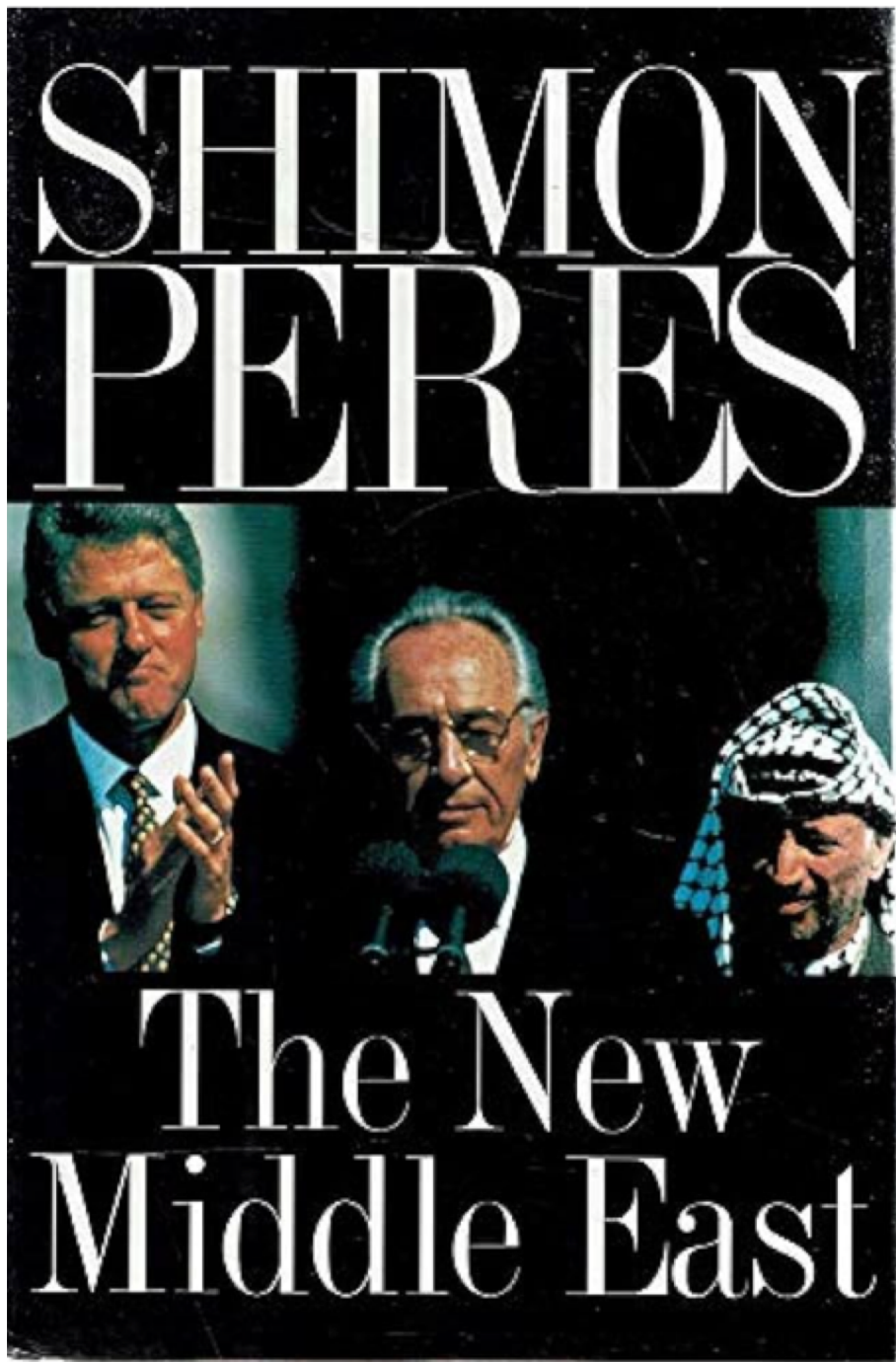
But it also showed an ability to handle crisis better. It turned out that one of democracy's strengths in geoeconomic competition was its ability to absorb and defuse the political stress of breaking economic promises.

It was collapse of Soviet Union that ushered in a new "geoeconomic fix".



## NATO expansion in Europe since the end of the Soviet Union (1991)





The 1990s vision:  
An integrated Middle East  
economy as the key to a  
comprehensive regional peace  
settlement.

Peres's vision is explicitly modeled  
on European experience. Bitter  
and irreversible wounds are  
healed within political and  
gloeonomic regional fix.



Promise of Chimerica.



This was not the end or absence of geoeconomics. It was simply global geoeconomics on terms set by the West.

In Europe, in Middle East in East Asia today, we live amongst its ruins.

The fact that the West needs actually to resort to explicit geoeconomic measures, the fact that the US is pushing sanctions, weaponized interdependence is indicative of this crisis.

What caused the model to collapse?

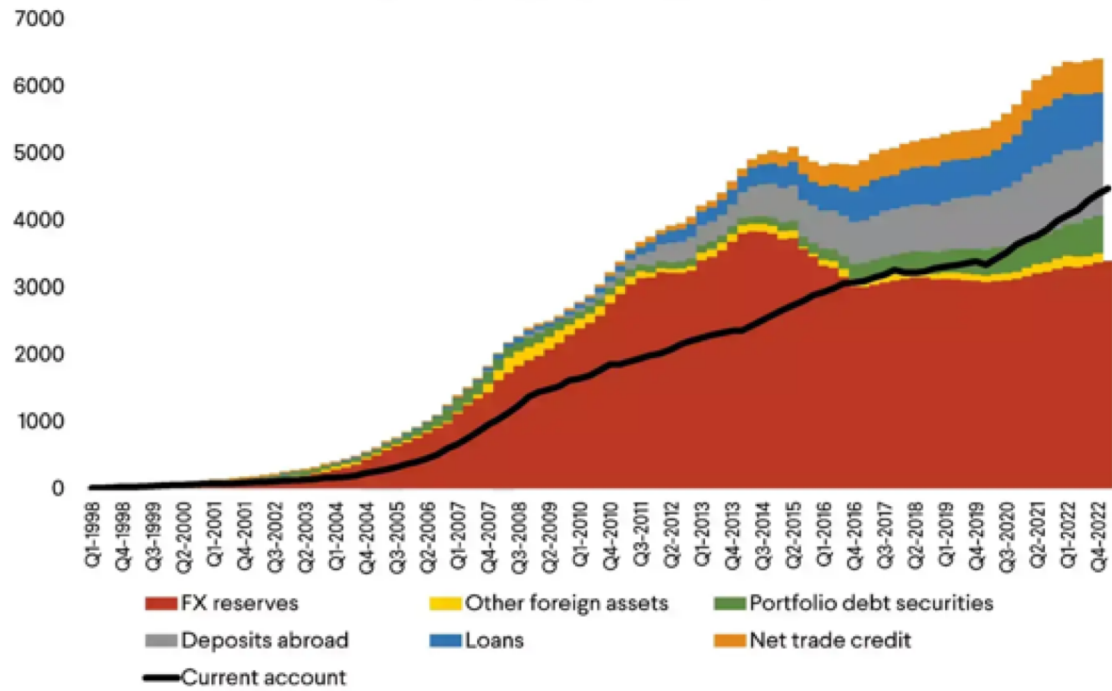
1929-2008

2020-2022





**China: External Assets**  
 USD Billion, Cumulative BoP Flows



Brad Setser  
[cfr.org/blog/setser](http://cfr.org/blog/setser)







**Netanyahu's twenty-year strategy of "hawkish neoliberalism" (Arie Krampf): harden Israel against external pressure on settlements and "two-state" solution.**



Measure: billion U.S. Dollar  
Source: Bank of Israel

Israel's foreign exchange reserves are "self-insurance".

- The autonomy displayed by Russia, China and Israel is supported by success in the world economy. Sanctions are slow and ineffective.
- Their autonomy depends on balancing the tendency towards confrontation on the part of hard-line security and ideological elites with cooperation and adaptation fronted by internationalized elites.



The difficulty of balancing internal and external constraints depends on the environment you are operating in.  
Netanyahu's balancing act was a lot easier in 2019 when he was dealing with Trump, Putin on "good behavior" and a quiescent Hamas.

- Third element in the unraveling of the triumphant post Cold War geoeconomic order is upheaval not just in Russia, China or Middle East, but within the hegemon i.e. the USA.
- This isn't the first time that the US has “deconverged”.
- The US is a fickle hegemon
  - Wilson and interwar disappointment
  - Post 1945 order – Nixon shock of 1971
  - Washington consensus – Maga/Bidenomics

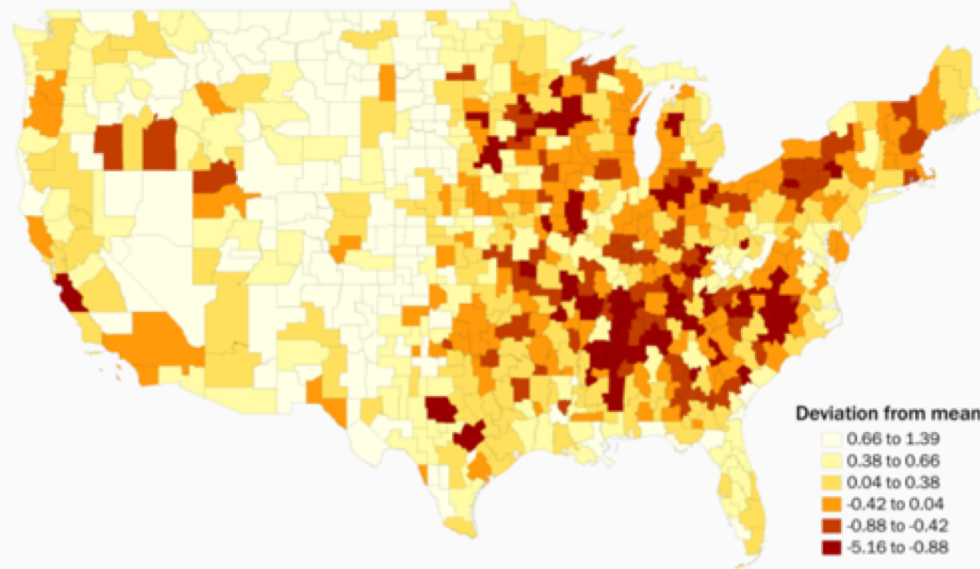
Culture wars element: derangement of American dream



But there is also a major shift within US political economy away from elite-lead globalization and a corresponding reaction within the policy elite.

**Areas of the Rust Belt and wider Appalachia faced most trade exposure from China in the early 2000s**

Change in import penetration from China among U.S. commuting zones, 2000–12



Deviation from mean

- 0.66 to 1.39
- 0.38 to 0.66
- 0.04 to 0.38
- 0.42 to 0.04
- 0.88 to -0.42
- 5.16 to -0.88

Source: Authors' calculations using US County Business Patterns and UN Comtrade data (Autor, Dorn & Hanson 2021).  
Notes: Change in import penetration is defined as the increase in imports from China facing each commuting zone divided by total spending in the U.S. on these goods.

**B** Economic Studies  
at BROOKINGS

Democratic party elite blame their 2016 defeat on “China shock”

US national security elite criticize 1990s policy of convergence and now want to confront China as a peer competitor





Larry Summers question

*Washington Post* in December 2018

“At the heart of the problem in defining an economic strategy toward China is the following awkward fact: Suppose China had been fully compliant with every trade and investment rule and had been as open to the world as the most open countries at its income level. China might have grown faster because it reformed more rapidly, or it might have grown more slowly because of reduced subsidies or more foreign competition. But it is highly unlikely that its growth rate would have been altered by as much as 1 percent. Equally, while some U.S. companies might earn more profits operating in China, and some job displacement in U.S. manufacturing because of Chinese state subsidies may have occurred, it cannot be argued seriously that unfair Chinese trade practices have affected U.S. growth by even 0.1 percent a year. This is not to say that China is not a threat to the international order. It is a seismic event for the United States to be overtaken after a century as the world’s largest economy. If, as is plausible though far from certain, the United States loses its lead over the next decade in information technology, artificial intelligence and biotech, the trauma will be magnified. Can the United States imagine a viable global economic system in 2050 in which its economy is half the size of the world’s largest? Could a political leader acknowledge that reality in a way that permits negotiation over what such a world would look like? While it might be unacceptable to the United States to be so greatly surpassed in economic scale, does it have the means to stop it? Can China be held down without inviting conflict?”

FINANCIAL TIMES myFT

HOME WORLD UK COMPANIES TECH MARKETS CLIMATE OPINION WORK & CAREERS LIFE & ARTS HTSI

Workspace Digital Edition Portfolio Settings & Account

Special Report The World 2023 Show articles

US-China relations ✓ Added

## US-China relations pursue an ominous path

The suspicion is that President Biden's competition imperative will take precedence over his co-operative one



# "My Gut Says We'll Fight In 2025": US General On War With China

"I hope I am wrong," General Mike Minihan, who heads the Air Mobility Command, wrote to the leadership of its roughly 110,000 members. "My gut tells me will fight in 2025."



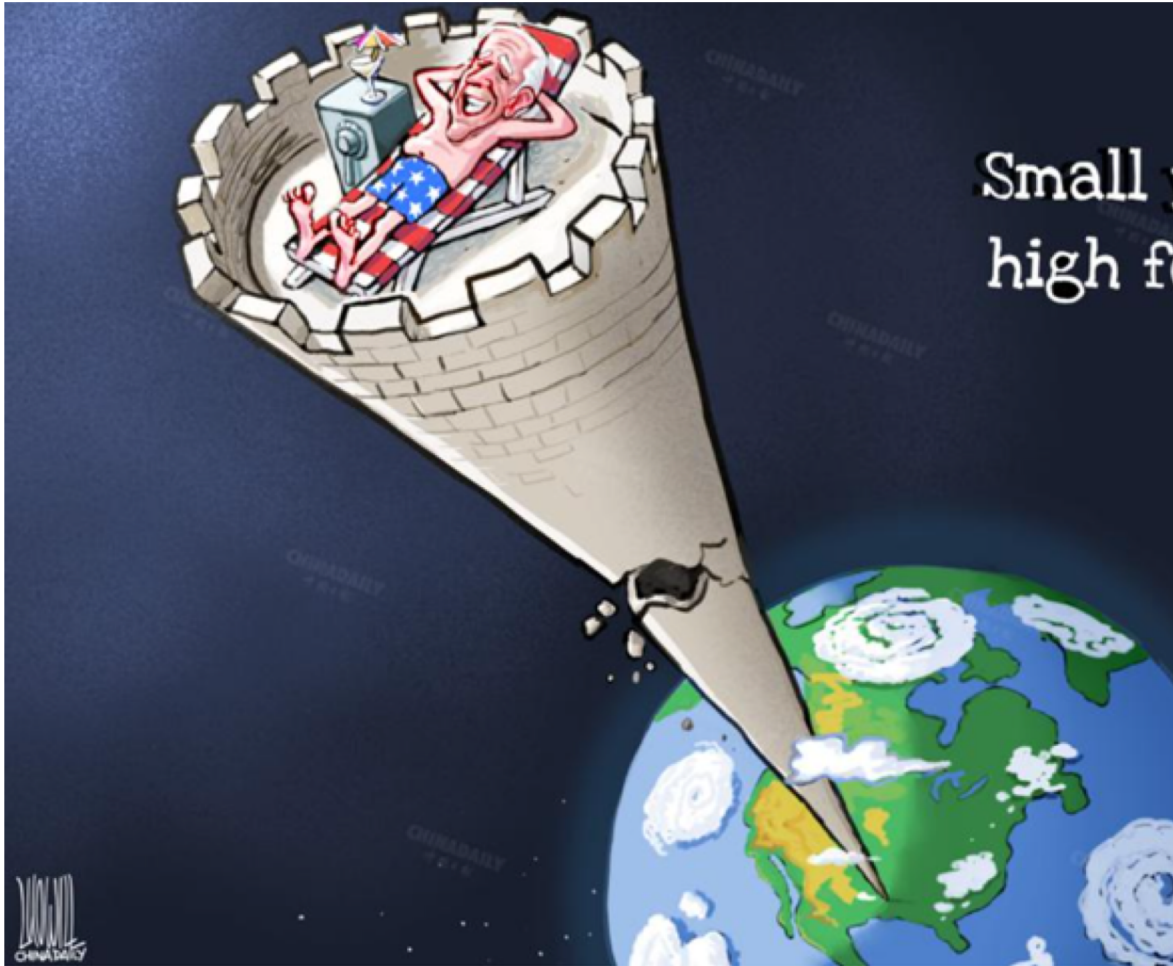
Watch this space: China and the US continue to build military capacity in the Indopacific © Noel Celis/AFP via Getty Images

Edward Luce JANUARY 18 2023 16



一定要把五星紅旗插遍台灣

The War Scare of Aug 2022 – March 2023



Small yard,  
high fence

Is the EU-US convergence on derisking durable?  
Is "small yard high fence" a viable "business model"?

