

**GEO-ECONOMICS AS CONCEPT AND
PRACTICE IN INTERNATIONAL RELATIONS**

SURVEYING THE STATE OF THE ART

Sören Scholvin / Mikael Wigell

GEO-ECONOMICS AS CONCEPT AND PRACTICE IN INTERNATIONAL RELATIONS

SURVEYING THE STATE OF THE ART

Recent cases of power politics such as China's One Belt, One Road strategy, Venezuela's petro-diplomacy during the era of Hugo Chávez and Western sanctions against Iran and Russia indicate that economic means have become critical to how states exert power. Military means, meanwhile, appear to matter less. This shift in power politics is captured by the term 'geo-economics', which we understand as an analytical approach and, at the same time, a foreign policy practice.

This Working Paper traces the rise of geo-economics since the end of the Cold War. It surveys the state of the art, distinguishing between approaches that stand in the tradition of Edward Luttwak's work and conceptualisations of geo-economics that go in very different directions. This way, key fault lines that mark research on geo-economics are revealed. We also develop our own definition of geo-economics and show how a geo-economic perspective complements major IR theories.



SÖREN SCHOLVIN

Research Fellow
University of Hanover



MIKAEL WIGELL

Senior Research Fellow
Finnish Institute of International Affairs

ISBN 978-951-769-564-0

ISSN 2242-0444

Language editing: Lynn Nikkanen.

TABLE OF CONTENTS

INTRODUCTION 4

THE RISE OF GEO-ECONOMICS SINCE THE EARLY 1990s 5

Geo-economics in the tradition of Luttwak 6

Non-Luttwakian approaches to geo-economics 8

A DEFINITION OF GEO-ECONOMICS AND ITS CONTRIBUTION TO IR 9

REFERENCES 13

GEO-ECONOMICS AS CONCEPT AND PRACTICE IN INTERNATIONAL RELATIONS

SURVEYING THE STATE OF THE ART

INTRODUCTION

States increasingly practise power politics by economic means. Whether it is a question of Iran's nuclear programme or Russia's annexation of Crimea, Western states apparently prefer economic sanctions to military force. In spite of sabre-rattling vis-à-vis North Korea, the Trump presidency also highlights this trend: the 2017 *National Security Strategy* differs from its predecessors in its emphasis on economic statecraft, stating that 'economic security is national security' (2017: 17). Other major powers are also putting more emphasis on economic means in power politics: China is using finance, investment and trade to build alliances and gain influence in countries across Africa, Asia and Latin America (Holslag 2016; Mattlin and Gaens 2018; Wigell and Soliz Landivar 2018; Yu 2015). Brazil and South Africa have become cunning agents of economic statecraft, using state-owned banks and state-owned enterprises to create asymmetric relations with neighbouring countries in order to maintain (sub)continental spheres of influence (Bond 2004; Flynn 2007; McDonald 2009). Oil-rich states, especially Qatar and Saudi Arabia, deploy 'chequebook diplomacy' to wield influence in regional affairs (Blackwill and Harris 2016). Russia is leveraging its energy resources to cement political alliances and drive wedges within counter-alliances (Vihma and Wigell 2016; Wigell and Vihma 2016).

The ways in which states use economic power to pursue strategic aims have, thus, become an increasingly important aspect of international relations. Policy advisors and scholars have started to use the term 'geo-economics' to describe this form of power politics. Geo-economics proceeds from the assumption that power and security are not simply coupled to the physical control of territory, as in classical geopolitical analysis, 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 interconnections (Fjäder 2018), geo-economics provides a way

for states to conduct power politics that does not refer to military means.

Hence, while competition once again appears to be the predominant driver of international relations, the means used by states to engage in strategic competition are not predominantly military, as sometimes assumed in recent debates (e.g. Mead 2014). As the contributions to the edited volume *Geo-economics and Power Politics in the 21st Century* (Wigell, Scholvin and Aaltola 2018) demonstrate, geo-economics has gained considerable relevance, with major repercussions for international relations. While not succumbing to any unfounded idealism based on the supposedly stabilising effects of interdependence on international relations, geo-economic analysis duly challenges the simplistic accounts of a return to geopolitics as conducted by Cold War policy advisers such as Zbigniew Brzezinski and Henry Kissinger, meaning the predominantly military pursuit of foreign policy objectives.

Unfortunately, there is no widely shared definition of geo-economics, as the overview provided in this paper reveals. Scholars who use the term usually fail to establish borders between geo-economics and geopolitics. Most scholars furthermore seldom explain what the 'geo' in geo-economics means and what makes geo-economics different from International Political Economy (IPE). One might conclude that geo-economics is often used only as a catchword that generates an audience for policy-oriented, semi-scientific outlets. The state of the art suffers from a gap in terms of basic conceptual contributions.

This paper addresses this weakness by exploring the field of geo-economics from a conceptual perspective. We suggest that geo-economics is both a foreign policy strategy and an analytical approach. As a foreign policy strategy, it refers to the application of economic means of power by states so as to realise strategic objectives. Herein, the concept of geo-economics refers to a certain strategic practice, providing an alternative option to military-based power politics. Much current scholarship uses the term geo-economics in this sense, referring to it as a substitute for 'economic statecraft'.

Yet just as with geopolitics, geo-economics is also an analytical approach. As such, it has much to contribute to foreign policy analysis and International Relations (IR) scholarship by highlighting factors that transcend current approaches. Geo-economics resonates with IR Realism by emphasising rivalry amongst states. Yet by perceiving military force as the ultima ratio in international politics, IR Realism tends to pay little regard to non-military forms of power (Baldwin 2013). As we show below, geo-economics can contribute to IR Realism by providing novel conceptual tools for analysing economic forms of power projection. By underscoring the importance of interdependence and economic means in foreign policy, geo-economics also resonates with IR Liberalism. When it comes to the latter, geo-economics also shares a focus on *Innenpolitik*, assuming that how states define their national interests is not only a function of international structures but also a result of internal political contests. To the assumption about the state not being a unitary actor, geo-economics adds an international level – that of external powers trying to affect the outcome of internal political struggles (Wigell and Soliz Landivar 2018; Wigell and Vihma 2016).

Geo-economics also transcends IR Liberalism and IR Realism insofar as it is focussed on geographical features that are inherent in foreign policy-making and international relations. This means that geo-economics may deal with economic bases of power that have a clear geographical dimension: some countries possess resources that others need and these resources are transported along strategically crucial corridors, for example. Alternatively, geo-economics is about how economic instruments are used to control specific geographical areas such as the sphere of influence of a regional hegemon.

This paper is divided into four sections. We first trace the rise of the concept of geo-economics in the post-Cold War era. Second, we critically assess contemporary research that stands in the tradition established by Edward Luttwak, who popularised the term geo-economics in the early 1990s. Third, we examine non-Luttwakian approaches to geo-economics. In the fourth section, we summarise the key fault lines that presently mark the research on geo-economics, develop a definition for geo-economics and show how a geo-economic perspective complements the traditional IR theories.

THE RISE OF GEO-ECONOMICS SINCE THE EARLY 1990s

In a seminal article, Edward Luttwak (1990) used the term geo-economics to describe how in the post-Cold War system, the main arena for rivalry amongst states would be economic rather than military. Luttwak (1993) further elaborated on his ideas in a book published three years later. With the Soviet threat to Europe and the United States all but evaporated, he did not envisage any military confrontation in the near future. In a similar vein, Samuel Huntington observed how ‘in a world in which military conflict between major states is unlikely[,] economic power will be increasingly important in determining the primacy or subordination of states’ (1993: 72). Hence, in the view of these early geo-economists, the end of the Cold War did not equal the ‘end of history’ that Francis Fukuyama (1992) predicted. Instead, they foresaw a transformation of the way conflict was being played out – ‘with disposable capital in lieu of firepower, civilian innovation in lieu of military-technical advancement, and market penetration in lieu of garrisons and bases’ (Luttwak 1990: 18). In the new geo-economic era, states would still be pursuing adversarial goals but through economic instead of military means.

Luttwak’s ideas quickly fell out of fashion, however, as the ‘new global order’ proclaimed by President George H. Bush and the Washington Consensus seemed to have entrenched a more cooperative international system in which all major powers bought into globalisation and hopes of a long period of economic growth, creating mutual benefits that would lessen the chances of serious conflict. The realist assumptions inherent in the early geo-economics paradigm did not appear useful for this liberal era, in which economic integration and cooperation, not conflict, had become the dominant features of international relations. However, while economic interdependence increased rapidly on an international scale in the 1990s, and even more so in the 2000s, so did the challenges and risks, many of which are geo-economic in nature. As noted, interdependence is often asymmetric, meaning that it entails sources of power in bargaining relationships, as already pointed out by Keohane and Nye (1977) in their seminal book *Power and Interdependence*. Risks that result from interdependence – and that affect states asymmetrically – include disruptions to global supply chains and illicit trade flows as well as the use of asymmetric vulnerabilities as strategic leverage (Aaltola et

al. 2014; Fjäder 2018; World Economic Forum 2015). These vulnerabilities are propelling economic security to the centre of the global agenda and suggest that geo-economic calculations should be paramount in the concerns of both major and minor powers in their strategic calculus (Wigell 2016).

The concept of geo-economics has, thus, become increasingly fashionable in academic as well as policy-oriented debates. Yet, as Mattlin and Wigell (2016) observe, it is striking how many scholars and policy analysts use the term geo-economics as a catchword without defining it clearly or at least taking into consideration how others use it. The following overview highlights how different contemporary understandings of geo-economics are, and how difficult it would be to draw them together under a common frame. We start with authors who have an understanding of geo-economics that is roughly compatible with Luttwak's and then proceed to varieties of geo-economics that have less in common with Luttwak's conceptualisation, or are outright incompatible with it. Building on these former approaches, we will then present our own understanding of geo-economics.

Geo-economics in the tradition of Luttwak

Since the end of the Cold War, many scholars have used the term geo-economics by drawing on Luttwak's seminal article either explicitly or implicitly. In many of these analyses, economic statecraft emerges as a central element of geo-economics. As such, they largely view geo-economics as a foreign policy practice, providing an alternative to geopolitics in pursuing geostrategic goals. The view is state-centric and essentialist, although few of these analyses make their analytical framework explicit. Hudson et al. (1991), for example, define geo-economics as strategies of territorial control that are economically motivated and carried out by economic means, the most important of which are investment and trade. Hsiung (2009) understands 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) suggest that geo-economic strategies are typical of non-Western powers – Brazil, China and India – because they rely on non-military means in their soft balancing vis-à-vis the United States.

Vihma and Wigell (2016) and Wigell and Vihma (2016) examine the way that Russia has attempted to project power into its neighbourhood, not only by

military means but also through economics, demonstrating the different strategic natures of geo-economics and geopolitics and the way they may undermine each other's effectiveness when applied simultaneously. Herein, Vihma and Wigell also suggest a clear distinction between geo-economic and geopolitical power politics. The broad research on how China is deploying its financial power as a means of pursuing political aims and on how Germany has imposed its preferences in the European Union by leveraging its market power also stands in the Luttwakian tradition (e.g. Kärkkäinen 2016; Kundnani 2011, 2018; Scholvin and Strüver 2013; Wigell and Soliz Landivar 2018).

However, contrary to Luttwak's expectations, geo-economics has not entirely replaced military means of statecraft. Economic and military instruments co-exist, being used by states depending on what they consider adequate for the specific challenges they are facing. Blackwill and Harris therefore suggest that 'for today's most sophisticated geo-economic actors, geo-economic and military dimensions of statecraft tend to be mutually reinforcing' (2016: 9). Unfortunately, labelling states that refer to military means as geo-economic actors, as Blackwill and Harris do, makes for confusing terminology. Other researchers also conceptualise geo-economics and geopolitics – the latter being understood as the pursuit of strategic objectives by military means – as overlapping strategies. In his study of the competition between China and India, Scott (2008) points out that control over sealines of communication is essential to geo-economics and geopolitics, as is access to vital resources. Grosse (2014) analyses China's domestic capital accumulation and broader economic development, arguing that increasing economic bases of national power enable the People's Republic to change the structures of the global economy according to its preferences. Whereas Scott clearly distinguishes between geo-economics and geopolitics, Grosse proposes that geo-economics is the merger of economic and geopolitical goals and implies that there are hybrid strategies of economic and military power projection.

In his contribution to the aforementioned volume *Geo-economics and Power Politics in the 21st Century*, Scholvin (2018) argues that secondary powers in sub-Saharan Africa – Angola, Ethiopia, Kenya and Nigeria – refer to a mix of geo-economics and geopolitics in their foreign policies, thus trying to shape their respective near abroad. The mix of geo-economics and geopolitics applies to the Indian-Pakistani rivalry as

well (Pattanaik 2018). Analysing Western sanctions imposed on Iran, Rivlin (2018) concludes that these would probably not have been successful were it not for the latent military threat posed to Iran by the United States. From a broader perspective, Möttölä (2018) also reasons that geo-economics and geopolitics can co-occur: during the Obama administration, US geo-economics was about the Trans-Pacific Partnership and the Transatlantic Trade and Investment Partnership. At the same time, the superpower shifted its own military focus towards the Asia Pacific region, supported its European partners militarily against Russia, and built military partnerships with regional countries and major European powers in the Middle East.

The aforementioned terminological muddle becomes particularly apparent in an article by Sanjaya Baru, the former Director for Geo-economics and Strategy at the International Institute of Strategic Studies. Baru defines geo-economics as the mutual interplay of economics and geopolitics: economic developments, such as the declining economic power of a specific state, have geopolitical impacts; geopolitical change, such as territorial conquest, influences economics. Yet elsewhere in the same text, geo-economic power appears as a status that derives from successfully applied economic power, as Baru argues that Japan turned into an economic power in the 1980s but 'it never became a geo-economic power, having failed to convert its newfound economic clout into military and political power' (2012: 51). From an analytical perspective, it is problematic that only successful policies qualify as geo-economics. Apart from that, if applied economic power turns a state into a geo-economic power (as a status) or constitutes geo-economic power (as a practice), what is the difference between a geo-economic and a geopolitical power, considering that Baru defines geo-economics as the mutual impact of economics and geopolitics? And why, according to the above quote, do geo-economic powers refer to military means?

A related problem has to do with defining geo-economics by its ends (and not by its means). For Youngs, geo-economics revolves around 'the use of statecraft for economic ends' (2011: 14). Coleman (2005) and Sidaway (2005) investigate flows of finance and trade, looking at the political aspects behind them. O'Hara and Heffernan (2006) understand geo-economics as being about the natural resources that a region contains and the politics of controlling and exploiting

these resources. However, as Blackwill and Harris (2016) point out, defining different types of power politics by their respective ends is not convincing: if a library is destroyed by cruise missiles, one would not speak of cultural warfare; if a factory is destroyed the same way, one would not call this economic warfare. What matters in classifying acts of aggression is the means used by the aggressor.

The volume *Connectivity Wars* suffers from similar problems. In its introduction, Leonard argues that there are three new arenas in which conflicts amongst states are now being carried out: economics, international institutions and infrastructure. Key to understanding international relations in the 21st century is interdependence: 'the very things that connected the world are now being used as weapons' (2016: 15). This leads to tactics by which state A seeks to make state B dependent on itself – through economic relations, institutional affiliations and infrastructures – in order to gain political leverage. Although this concept seems convincing, the defining features of geo-economics addressed by Leonard do not say anything specific about how power is used. For example, bombing airports and power plants, which are infrastructures, is not geo-economics. Building hub airports on which entire continents depend and establishing power stations that guarantee the electricity supply of neighbouring countries is geo-economics. Beyond that, Leonard does not explain what the geo in geo-economics is about, turning geo-economics into an overly broad and somewhat semi-scientific form of IPE.

Blackwill and Harris also fail to explain the geo dimension properly. They try to distinguish between geo-economics and geopolitics, arguing that the latter 'explain[s] and predict[s] state power by reference to a host of geographic factors (territory, population, economic performance, natural resources, military capabilities, etc.)'. Geo-economics, meanwhile, is 'a parallel account of how a state builds and exercises power by reference to economic factors' (2016: 24). Firstly, economic factors somewhat confusingly appear in both definitions. What is more, economic performance and military capabilities are not geographical factors. Unless one maintains that everything is geographical because everything is located somewhere, geographical factors are limited to place-specific features – a mountain range that serves as a natural barrier against military invasions or vast energy resources that constitute the fundament for economic prosperity, for instance. Whenever such factors are taken into

consideration in explanations of foreign policy and international relations, it can reasonably be argued that geo-economics and geopolitics (instead of economics and politics) are analysed. Before returning to these thoughts, the next section provides an overview of approaches to geo-economics that do not stand in the Luttwakian tradition.

Non-Luttwakian approaches to geo-economics

Some publications that may appear under the label of geo-economics have less in common with Luttwak's view of geo-economics as economic statecraft. Scholvin and Draper (2012) as well as Scholvin and Malamud (2014) concentrate on the impact of material structures in geographical space on Brazil's and South Africa's respective regional economic relations. Käpylä and Mikkola (2016) explain that geographical conditions induce states to cooperate in the Arctic because open confrontation would risk everyone's economic objectives. This concept of geo-economics – geographical conditions shaping economic outcomes – equals the understanding of geopolitics historically held by geographers, who thought of geopolitics as political outcomes shaped by geographical conditions (Scholvin 2016). For many policy advisers and IR scholars, meanwhile, geo-economics and geopolitics refer to how states aim to control flows and spaces, not geographical conditions influencing policies.

Others relate geo-economics to the rise of new actors that matter for economic and political dynamics beyond the national scale. For instance, Barton (1999) argues that while the era of geopolitics was about hegemonic states and stability in international relations, the era of geo-economics is marked by highly flexible non-state actors and borderless transnational relations. Mercille (2008) suggests that whereas businesspeople act according to a geo-economic logic, the logic behind the actions of politicians is geopolitical. From a slightly different perspective, Cowen and Smith (2009) suggest that the assemblage of territory, economy and people under the authority of nation-states – key criteria of the era of geopolitics – is being recast, mainly because territorial borders have lost the defining role they used to play in the economy and society. The era of geo-economics is characterised by global production becoming increasingly segmented, which is part and parcel of the rise of transnational enterprises as key actors. Likewise, security threats such as terrorism are not bound to territorial borders.

Defining geo-economics via its particular territorial logic, Cowen and Smith furthermore reason that it was crucial to international relations long before the end of the Cold War: the rise of the United States to global powerhood in the early 20th century was about free trade or rather 'the accumulation of wealth through market control' (2009: 42). The United States arguably neglected military territorial control, which was essential to the geopolitical strategies pursued by the European great powers of these days. Smith (2005) accordingly suggests that the imperial liberalism pursued during the presidencies of Woodrow Wilson, Franklin D. Roosevelt and George W. Bush were geo-economic projects, albeit ones that depended on the US military as some sort of global police force.

Whereas these approaches share a meta-theoretical basis with the Luttwakian tradition, being essentialist approaches, adherents of Critical Geopolitics concentrate on discursive practices, which offer possibilities for imagining and re-imagining geographical space. Scholars who stand in this tradition look at how geo-economics operates as a discourse, shaping and reproducing the worldviews of security strategists and foreign policy-makers, and how it becomes entrenched in state practices. For many critical geographers, the geo-economic discourse masks neoliberal restructuring and securitisation projects. Essex (2013) and Sparke (2002, 2006), for example, deconstruct the ideological underpinnings of transnational governance imperatives that they summarise as geo-economics. In Domosh's words, 'the term geoeconomics does not describe a situation; rather, it conjures up a range of meanings, cultures, and places through which description can happen. Geoeconomics, in other words, does not refer simply to a description of economic spatial strategies but instead encompasses a way of seeing the world in which those strategies come to be seen as plausible and desirable' (2013: 945).

These perspectives draw on Critical Geopolitics, not taking geo-economic claims at face value but rather seeing them 'as representational power moves which, notwithstanding their discursive inventiveness, can still have powerful real world effects' (Sparke and Lawson 2003: 316). Adherents of Critical Geopolitics, which emerged in the 1990s, see essentialist versions of geo-economics and geopolitics as 'an ideological exercise which [...] pits geographically defined political organisations against one another' (Dalby 1990: 39). For them, Luttwak's geo-economics equals 'extending the same realist assumptions [that have] underpinned

and legitimized Cold War militarism' (Ó Tuathail 1998: 107). Hence, critical scholars ought to promote 'interpretations of world events that are counter to dominant government and media representations' (Flint 2006: 16).

Constructivists have also interpreted geo-economics as a securitising discourse. The concept of securitisation, as developed particularly by the Copenhagen School of IR, highlights how security risks often become appropriated – or even discursively constructed as threats – so as to legitimise extraordinary counter-measures (e.g. Buzan, Wæver and de Wilde 1997). For example, Morrissey suggests that the grand strategy of the United States in the Middle East has revolved around 'the discursive identification and positing of the Persian Gulf as a precarious yet pivotal geoeconomic space' (2011: 874). He argues that it is this perpetual scripting of the region as being 'pivotal for the effective functioning and regulation of the global political economy [that] legitimizes a strategic argument for the necessity of military interventionism' (2011: 879).

However, Morrissey does not find it necessary to analyse whether the Persian Gulf might actually hold a special relevance for the global economy. When seeing nothing but discourses, such analyses fail to capture material structures that influence international relations and are beyond the control of those who shape discourses. What is more, adherents of Critical Geopolitics usually keep quiet about the fact that the alternative interpretations that they advance implicitly are – at least from their own constructivist perspective – neither better/more correct nor worse/less correct than the discourses that shape geo-economic practices. As Vihma notes, the curious absence of the author in the text 'protects the critical scholar against charges that he himself [or she herself] has misread political events or history' (2017: 12). And while analytical suspicion serves an important function, the warning against geo-economic thought that constructivists from Geography and IR make by arguing that geo-economics helps to mask neoliberal agendas and securitisation projects raises the question of whether such considerations should limit the scholarly agenda.

Critical Geopolitics has provided many useful insights concerning the discursive underpinnings of geo-economic power politics. Yet the output of this scholarship suffers from certain weaknesses. Much of it starts with the assumption that geo-economic policy advice and research is essentially ideological,

comprising intentional misinformation that serves disguised interests. This universal suspicion tends to lead to conclusions that are hard to fathom – at least for readers who do not share the sometimes highly partisan political convictions held by these critical scholars. Its current neglect of material realities is also problematic. Furthermore, it appears to us that an approach that limits itself to simply deconstructing geo-economics has come to a dead end. This does not need to be the case. Although it would be rather challenging to meld IR Constructivism with geo-economics as defined in this paper, constructivist-oriented research could make a contribution to geo-economics by investigating the role of state identities and ideas in shaping geo-economic behaviour. Indeed, much constructivist scholarship does not disregard the existence of material reality but investigates how ideational factors interact with it (for a discussion, see e.g. the articles in the special issue of the *International Studies Review*, volume 6, issue 2). Herein lies a gap in geo-economic research as advanced by us.

A DEFINITION OF GEO-ECONOMICS AND ITS CONTRIBUTION TO IR

Thus far, this paper has shown that geo-economics has gained considerable prominence in studies of international relations and foreign policy. Yet the state of research suffers from a muddle of sometimes incompatible ideas of what geo-economics is about. The key fault lines identified in the previous sections are:

- Is geo-economics, first, an analytical framework for international relations scholarship and foreign policy analysis or, second, a type of statecraft or, third, a particular form that the international system has taken, with the territorial logic of geopolitics becoming increasingly meaningless?
- As a fourth option, should we conceptualise geo-economics as the impact of geographical conditions on economics, similar to how geographers traditionally conceptualised geopolitics, being the impact of geographical conditions on politics?
- Is geo-economics, as a form of statecraft, defined by its means or by its ends; or, perhaps, by a mix of both?

- Related to this, what is the relationship between geo-economics and military power? Can military means be part of a geo-economic strategy? Do they complement it? Or is the use of military power incompatible with geo-economics?
- Who applies geo-economics? Are private enterprises geo-economic actors and, if so, should we conceptualise geo-economics as their strategies, as opposed to geopolitical strategies pursued by states?
- If we understand geo-economics as an analytical approach, is it a policy-oriented version of IPE and IR Realism or does it somehow narrow the perspective on issues that have a geo dimension?
- Considering that geo-economics is also a discourse, how should we, as scientists, deal with the fact that geo-economics is, at least partly, socially constructed, potentially so as to legitimise action that aims at realising disguised interests?

Answering these questions is, of course, somewhat arbitrary and we are not saying that research based on other definitions of geo-economics does not generate important insights and valid results. Nevertheless, as noted, we suggest understanding geo-economics as a foreign policy strategy and an analytical framework, focussed on states as key actors in international relations and foreign policy. Geo-economics as a foreign policy strategy – or practical geo-economics – refers to the application of economic means of power so as to realise strategic objectives. It is ‘the geostrategic use of economic power’ (Wigell 2016: 137). This means that geo-economics is not, in our understanding, about a fundamental shift in the international system.

Yet the strategic imperatives of foreign policy have changed since the Cold War. Ours is no longer a bipolar world in which two blocs of states stand largely isolated from each other. Today, the world is more interdependent and interconnected than at any time in history. Almost all states depend on the secure and steady flows of capital, data and goods that crisscross the globe. The asymmetric vulnerabilities and dependencies inherent in this international system make economic power a potent means by which to pursue strategic objectives. This does not imply that geo-economics would have actually eclipsed more military-based power politics or that it could not co-occur with it.

Still, the ability to wield economic leverage forms an essential means of power politics in today’s world, much more so than in the past.

In the same vein as geopolitics and military bases of national power, the geo dimension in geo-economics means that the economic bases of national power must have decisive geographical features. Russia’s use of natural gas as a strategic leverage vis-à-vis former Soviet republics and the European Union is practical geo-economics because we cannot understand this strategy without taking the geographical features of natural gas into consideration. Vast amounts of this vital resource are located in Russia, not in Poland or Ukraine. Pipelines connect Russia’s natural gas deposits to the non-Russian consumers, enabling Russia – but also transit countries – to cut supplies (Vihma and Wigell 2016; Wigell and Vihma 2016). Alternatively, the objective of geo-economic strategies must be geographically delimited. The mere use of monetary and financial policies in pursuit of strategic objectives does not qualify as geo-economics. However, as Kundnani’s (2011, 2018) publications on Germany’s role in the Eurozone and Márquez Restrepo’s (2018) analysis of Venezuela’s project of regional leadership during the era of Hugo Chávez exemplify, monetary and financial policies become tools of geo-economics whenever they are applied to control a sphere of influence. Cowen and Smith’s (2009) characterisation of US imperialism in the early 20th century also chimes with this understanding of geo-economics, although one may call into question the supposed absence of military means for territorial control in the grand strategy of the United States in those days.

Defining geo-economics and particularly its geo dimension this way, we partly detach ourselves from Luttwak’s seminal article. Luttwak argued that the global flows of capital, data, goods and people penetrating sovereign state space do not mean that states change the territorial character. States regulate the economy in numerous ways, for example by collecting taxes and providing public goods such as transport infrastructure. Being territorially bound, states aim at nationally best outcomes instead of outcomes that would be best for the global economy as a whole. For Luttwak, this territoriality and the resulting competitive behaviour of states constitute the geo dimension in geo-economics. He proposed that ‘the international economy [is] affected by that fraction of its life that is geo-economic rather than simply economic in character’ (1990: 22–23).

Yet in our world of global flows and interconnectivities, the strategic imperatives of state practice are changing. All states increasingly depend on these fluid circulations of capital, data, goods, and people for their national security and welfare. States have to secure steady access to positive flows – for example commercial and financial flows or technology networks – and ensure their resilience vis-à-vis negative flows such as narcotics trade. States remain security providers but they increasingly need to provide security by controlling these flows in addition to their national territory; and it is economic means of power, not military force, that in most cases appear suitable for this task (Brattberg and Hamilton 2014).

Given the frequent confusion of terms, we consider it necessary to stress that practical geo-economics is not a simple revival of mercantilism, at least not in Luttwakian terms. 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. The Portuguese dominated the spice trade with India in the early 16th century because they had sunk the dhows of their economically superior Arab competitors. British piracy from the 1650s to the 1730s was effective against Spain's economic supremacy in trade with the Americas. The United States forced Japan to open its domestic market to imports by sending a navy squadron into the harbour of Tokyo in July 1853. In the era of geo-economics, military power no longer trumps economic power: nobody would sink foreign export car ferries to support domestic manufacturers or deliver import-restricted high-tech hardware by airborne assaults to customers in need of them.

As an analytical concept, geo-economics resonates with IR Realism. Luttwak accordingly wrote that states 'are inherently inclined to strive for relative advantage against like entities' (1990: 19). Geo-economics transcends IR Realism insofar as it recognises that geographical features that are particular to places and spaces shape international relations and foreign policy – not only the distribution of power amongst states. While Structural Realism in Waltz's (1959, 1979) tradition is alien to geopolitical consideration, Classical Realism (e.g. Morgenthau 1948) incorporates geographical factors and some more recent contributions, most importantly Mearsheimer's (2001) 'offensive realism', refer to geographical conditions that influence international relations and foreign policy. Nevertheless, these references to geography in contemporary IR

Realism tend to remain side issues. This focus on geographical features and the aforementioned alternative understanding of the geo dimension – specific places or spaces being the objective of the application of economic power – moreover help to distinguish geo-economics from IPE. Broadly defined, IPE deals with 'the interplay of economics and politics in the world arena' (Frieden and Lake 2014: 1), capturing both the way in which political decisions affect market operations and the way in which economic forces mould political decisions. IPE scholars are broadly concerned with international economic relations. Geo-economics has a narrower scope of interest, being limited to economic power from a geographical and strategic viewpoint.

Mainstream IR Realism also suffers from the conviction that military issues will always trump economic considerations on the scale of strategic priorities (e.g. Mearsheimer 2001; Waltz 1979). This overlooks how much power politics relies on various economic means that can be used in pursuit of strategic aims. This is well demonstrated by the aforementioned efforts of the Obama administration to advance two economic mega-communities. And while there is, except for the case of Russia and arguably also China, little evidence of any military balancing amongst non-Western powers against the United States, we do observe efforts of soft balancing – that is, balancing through non-military means (Pape 2005). The BRICS Bank is only one emerging institution routing around the Western-led order. China, most prominently, is using its growing financial capacities in pursuit of its political objectives in Asia and beyond (Huotari and Hanemann 2014; Huotari 2018). Herein, geo-economics can contribute to IR Realism by opening up new perspectives on the economic power projection.

Geo-economics may also contribute IR Liberalism. Recent years have laid bare the limitations of the liberal interdependence paradigm. In the aftermath of the Cold War, a central belief emerged that as the world grew economically more interdependent, states would come to abandon power politics in favour of more cooperative foreign policies and integration into the liberal, rule-based world order (e.g. Ikenberry 1998; Mandelbaum 2002). These convictions still appeal to many influential scholars (e.g. Ikenberry 2011). Yet what we have been witnessing for the past few years is the simultaneous increase in interdependence and strategic competition, even conflict, albeit often pursued by means other than military (Haass 2017; Wright 2017). In this regard, geo-economics can provide

analytical tools for theorising about power politics under conditions of interdependence.

At the same time, geo-economics incorporates the liberal conviction that domestic power constellations are critical for foreign policy. IR Liberalism seldom links this to the behaviour of outsiders, meaning to the way an external power can affect the outcome of those internal political contests. Geo-economics, by contrast, assumes that outsiders shape the way national interests are defined. For example, US economic ‘reward power’, working through financial and trade inducements, has empowered pro-US constituencies in Latin America, paving the way for the ‘War on Drugs’, the ‘Washington Consensus’ and other US-led initiatives (Long and Friedman 2017). Through various finance, investment and trade deals, China has created local interest groups in the Global South that lobby for establishing closer relations with the People’s Republic (Mattlin and Nojonen 2015; Wigell and Soliz Landivar 2018). Likewise, Russia has been pursuing various energy mega-deals, offering a range of short-term incentives for certain local actors and creating long-term liabilities vis-à-vis Russia (Conley et al. 2017; Wigell and Vihma 2016).

In short, we argue that existing work in the orthodox traditions of IR insufficiently addresses certain vital aspects of what goes on in contemporary international relations. IR Liberalism overlooks how power politics continues to be played out under conditions of interdependence and how economic power may be used to pursue strategic goals in a confrontational manner. IR Realism downplays the fact that economic power may often be more consequential than military power. It also tends to neglect – albeit not to disregard – geographical conditions as a set of factors that influence international relations and foreign policy. IR Constructivism, particularly Critical Geopolitics, suffers from a certain underestimation of material conditions and how they matter regardless of discourses. At the same time, all major IR schools offer tie-ins for geo-economics, which, as we have argued in this paper, provides a useful framework for understanding the use of various economic instruments by states in the pursuit of strategic goals. /

REFERENCES

- Aaltola, Mika et al. 2014. 'Towards the Geopolitics of Flows: Implications for Finland'. *FIIA Report* 40.
- Abdelal, Ravi. and Kirshner, Jonathan. (1999) 'Strategy, Economic Relations, and the Definition of National Interests', *Security Studies*, 9, 1-2, pp. 119-156.
- Barton, Jonathan R. 1999. "'Flags of Convenience": Geoeconomics and Regulatory Minimisation'. *Tijdschrift voor Economische en Sociale Geografie* 90.2: 142-55.
- Baru, Sanjaya. 2012. 'Geo-economics and Strategy'. *Survival* 54.3: 47-58.
- Blackwill, Robert D. and Harris, Jennifer M. 2016. *War by Other Means: Geoeconomics and Statecraft*. Cambridge: Harvard University Press.
- Bond, Patrick. 2004. "The ANC's "Left Turn" and South African Sub-imperialism". *Review of African Political Economy* 102: 599-616.
- Buzan, Barry, Ole Wæver and Jap de Wilde. 1997. *Security: A New Framework for Analysis*. Boulder: Lynne Rienner.
- Coleman, Matthew. 2005. 'U.S. Statecraft and the US-Mexico Border as Security/Economy Nexus'. *Political Geography* 24.2: 189-205.
- Conley, Heather A., James Mina, Ruslan Stefanov and Martin Vladimirov. 2016. *The Kremlin Playbook: Understanding Russian Influence in Central and Eastern Europe* (Lanham: Rowman and Littlefield).
- Cowen, Deborah and Neil Smith. 2009. 'After Geopolitics?: From the Geopolitical Social to Geoeconomics'. *Antipode* 41.1: 22-48.
- Dalby, Simon. 1990. *Creating the Second Cold War: The Discourse of Politics*. London: Pinter.
- Domosh, Mona. 2013. 'Geoeconomic Imaginations and Economic Geography in the Early Twentieth Century'. *Annals of the Association of American Geographers* 103.4: 944-66.
- Essex, James. 2013. *Development, Security, and Aid: Geopolitics and Geoeconomics at the U.S. Agency for International Development*. Athens: University of Georgia Press.
- Fjäder, Christian. O. 2018 (forthcoming). 'Interdependence as Dependence: Economic Security in the Age of Global Interconnectedness'. In *Geo-Economics and Power Politics in the 21st Century: The Revival of Economic Statecraft*, edited by Mikael Wigell, Sören Scholvin and Mika Aaltola. London: Routledge.
- Flint, Colin. 2006. *Introduction to Geopolitics*. London: Routledge.
- Flynn, Matthew. 2007. 'Between Subimperialism and Globalization: A Case Study in the Internationalization of Brazilian Capital'. *Latin American Perspectives* 34.6: 9-27.
- Frieden, Jeffrey A. and David A. Lake. 2014. *International Political Economy: Perspectives on Global Power and Wealth*. London: Routledge.
- Fukuyama, Francis. 1992. *The End of History and the Last Man*. New York: Avon Books.
- Grosse, Tomasz G. 2014. 'Geoeconomic Relations between the EU and China: The Lessons from the EU Weapon Embargo and From Galileo'. *Geopolitics* 19.1: 40-65.
- Haass, Richard N. 2017. *A World in Disarray: American Foreign Policy and the Crisis of the Old Order*. New York: Penguin Books.
- Holslag, Jonathan. 2016. 'Geoeconomics in a Globalized World: the Case of China's Export Policy'. *Asia Europe Journal* 14.2: 173-84.
- Hsiung, James C. 2009. 'The Age of Geoeconomics, China's Global Role, and Prospects of Cross-strait Integration'. *Journal of Chinese Political Science* 14.2: 113-33.
- Hudson, Valerie et al. 1991. 'Why the Third World Matters, Why Europe Probably Won't: The Geoeconomics of Circumscribed Engagement'. *Journal of Strategic Studies* 14.3: 255-98.
- Huntington, Samuel P. 1993. 'Why International Primacy Matters'. *International Security* 17.4: 68-83.
- Huotari, Mikko. 2018 (forthcoming). 'Learning Geo-economics: China's Experimental Path towards Financial and Monetary Leadership'. In *Geo-Economics and Power Politics in the 21st Century: The Revival of Economic Statecraft*, edited by Mikael Wigell, Sören Scholvin and Mika Aaltola. London: Routledge.
- Huotari, Mikko and Thilo Hanemann. 2014. 'Emerging Powers and Change in the Global Financial Order'. *Global Policy* 5.3: 298-310.
- Ikenberry, G. John. 1998. 'Institutions, Strategic Restraint, and the Persistence of American Postwar Order'. *International Security* 23.3: 43-78.
- Ikenberry, G. John. 2011. *Liberal Leviathan: The Origin, Crisis and Transformation of the American World Order*. Princeton: Princeton University Press.
- Keohane, Robert O., and Joseph S. Nye. 1977. *Power and Interdependence: World Politics in Transition*. Boston: Little, Brown.
- Kundnani, Hans. 2011. 'Germany as a Geo-economic Power'. *Washington Quarterly* 34.3: 31-45.
- Kundnani, Hans. 2018 (forthcoming). 'Germany's Liberal Geo-economics: Using Markets for Strategic Objectives'. In *Geo-Economics and Power Politics in the 21st Century: The Revival of Economic Statecraft*, edited by Mikael Wigell, Sören Scholvin and Mika Aaltola. London: Routledge.
- Käpylä, Juha and Harri Mikkola. 2016. 'The Promise of the Geoeconomic Arctic: a Critical Analysis'. *Asia Europe Journal* 14.2: 203-20.
- Kärkkäinen, Anniina. 2016. 'Does China Have a Geoeconomic Strategy Towards Zimbabwe?: The Case of the Zimbabwean Natural Resource Sector'. *Asia Europe Journal* 14.2: 185-202.
- Leonard, Mark. 2016. 'Introduction: Connectivity Wars'. In *Connectivity Wars: Why Migration, Finance and Trade Are the Geo-economic Battlegrounds of the Future*, edited by Mark Leonard, 13-30. London: ECFR.
- Leonard, Mark (ed.). 2016. *Connectivity Wars: Why Migration, Finance and Trade Are the Geo-economic Battlegrounds of the Future*. London: ECFR.
- Luttwak, Edward N. 1990. 'From Geopolitics to Geo-economics: Logic of Conflict, Grammar of Commerce'. *National Interest* 20: 17-23.
- Luttwak, Edward N. 1993. *The Endangered American Dream: How to Stop the United States from Becoming a Third-World Country and How to Win the Geo-economic Struggle for Industrial Supremacy*. New York: Simon & Schuster.
- Mandelbaum, Michael. 2002. *The Ideas that Conquered the World: Peace, Democracy, and Free Markets in the Twenty-First Century*. New York: Public Affairs.
- Márquez Restrepo, Martha L. 2018 (forthcoming). 'Oil as a Strategic Means in Venezuela's Foreign Policy: The Cases of ALBA and Petrocaribe, 1998-2013'. In *Geo-Economics and Power Politics in the 21st Century: The Revival of Economic Statecraft*, edited by Mikael Wigell, Sören Scholvin and Mika Aaltola. London: Routledge.

- Mattlin, Mikael and Mikael Wigell. 2016. 'Geoeconomics in the Context of Restive Regional Powers'. *Asia Europe Journal* 14.2: 125–34.
- Mattlin, Mikael and Bart Gaens. 2018. 'Development Lending as Financial Statecraft?: A Comparative Exploration of the Practices of China and Japan'. In *Geo-Economics and Power Politics in the 21st Century: The Revival of Economic Statecraft*, edited by Mikael Wigell, Sören Scholvin and Mika Aaltola. London: Routledge.
- McDonald, David A. (ed.). 2009. *Electric Capitalism, Recolonising Africa on the Power Grid*. Cape Town: HSRC Press.
- Mead, Walter. R. 2014. 'The Return of Geopolitics: The Revenge of the Revisionist Powers'. *Foreign Affairs* 93.3: 69–79.
- Mearsheimer, John J. 2001. *The Tragedy of Great Power Politics*. New York: Norton.
- Mercille, Julien. 2008. 'The Radical Geopolitics of US Foreign Policy: Geopolitical and Geoeconomic Logics of Power'. *Political Geography* 27.5: 570–86.
- Morrissey, John. 2011. 'Closing the Neoliberal Gap: Risk and Regulation in the Long War of Securitization'. *Antipode* 43.3: 874–900.
- Möttölä, Kari. 2018 (forthcoming). 'US Grand Strategy in Flux: Geo-economics, Geopolitics and the Liberal International Order'. In *Geo-Economics and Power Politics in the 21st Century: The Revival of Economic Statecraft*, edited by Mikael Wigell, Sören Scholvin and Mika Aaltola. London: Routledge.
- O'Hara, Sarah and Michael Heffernan. 2006. 'From Geo-Strategy to Geo-economics: The "Heartland" and British Imperialism Before and After Mackinder'. *Geopolitics* 11.1: 54–73.
- Ó Tuathail, Gearóid. 1998. 'Introduction'. In *The Geopolitics Reader*, edited by Gearóid Ó Tuathail, Simon Dalby and Paul Routledge, 103–13. London: Routledge.
- Pape, Robert. A. 2005. 'Soft Balancing Against the United States'. *International Security* 30.1: 7–45.
- Pattanaik, Smruti S. 2018 (forthcoming). 'India, Pakistan and the Contest for Regional Hegemony: The Role of Geo-economics'. In *Geo-Economics and Power Politics in the 21st Century: The Revival of Economic Statecraft*, edited by Mikael Wigell, Sören Scholvin and Mika Aaltola. London: Routledge.
- Rivlin, Paul. 2018 (forthcoming). 'Leverage of Economic Sanctions: The Case of US Sanctions against Iran, 1979–2016'. In *Geo-Economics and Power Politics in the 21st Century: The Revival of Economic Statecraft*, edited by Mikael Wigell, Sören Scholvin and Mika Aaltola. London: Routledge.
- Scholvin, Sören. 2016. 'Geographical Conditions and Political Outcomes'. *Comparative Strategy* 35.4: 274–83.
- Scholvin, Sören. 2018 (forthcoming). 'Geo-economics and Geopolitics in Sub-Saharan African Power Politics'. In *Geo-Economics and Power Politics in the 21st Century: The Revival of Economic Statecraft*, edited by Mikael Wigell, Sören Scholvin and Mika Aaltola. London: Routledge.
- Scholvin, Sören and Peter Draper. 2012. 'The Gateway to Africa?: Geography and South Africa's Role as an Economic Hinge Joint Between Africa and the World'. *South African Journal of International Affairs* 19.3: 381–400.
- Scholvin, Sören and Georg Strüver. 2013. 'Tying the Region Together or Tearing It Apart?: China and Transport Infrastructure Projects in the SADC Region'. In *Monitoring Regional Integration in Southern Africa 2012*, edited by André du Pisani, Gerhard Eramus and Trudi Hartzenberg, 175–93. Stellenbosch: Tralac.
- Scholvin, Sören and Andrés Malamud. 2014. 'Is There a Geoeconomic Node in South America?: Geography, Politics and Brazil's Role in Regional Economic Integration'. *ICS Working Paper 2/2014*.
- Scholvin, Sören and Mikael Wigell. 2018. 'Power Politics by Economic Means: Geo-economics as an Analytical Approach and Foreign Policy Practice'. *Comparative Strategy* 37.1: 73–84.
- Scott, David. 2008. 'The Great Power "Great Game" Between India and China: "The Logic of Geography"'. *Geopolitics* 13.1: 1–26.
- Sidaway, James D. 2005. 'Asia–Europe–United States: The Geoeconomics of Uncertainty'. *Area* 37.4: 373–77.
- Smith, Neil. 2005. *The Endgame of Globalization*. London: Routledge.
- Sparke, Matthew. 2002. 'Not a State, But More than a State of Mind: Cascading Cascadias and the Geoeconomics of Cross-Border Regionalism'. In *Globalization, Regionalization and Cross-Border Regions*, edited by Markus Perkmann and Ngai-Ling Sum, 212–38. Basingstoke: Palgrave Macmillan.
- Sparke, Matthew. 2006. 'A Neoliberal Nexus: Economy, Security and the Biopolitics of Citizenship on the Border'. *Political Geography* 25.2: 151–80.
- Sparke, Matthew and Victoria Lawson. 2003. 'Entrepreneurial Political Geographies of the Global-Local Nexus'. In *A Companion to Political Geography*, edited by John Agnew, Katharyne Mitchell and Gearóid Ó Tuathail, 315–34. Oxford: Blackwell.
- Vihma, Antto. 2017. 'Geoeconomic Analysis and the Limits of Critical Geopolitics: A New Engagement with Edward Luttwak'. *Geopolitics* 23.1: 1–12.
- Vihma, Antto and Mikael Wigell. 2016. 'Unclear and Present Danger: Russia's Geoeconomics and the Nord Stream II Pipeline'. *Global Affairs* 2.4: 377–88.
- Waltz, Kenneth. 1979. *Theory of International Politics*. Reading: Addison-Wesley.
- White House. 2017. 'National Security Strategy of the United States of America'. <http://nssarchive.us/wp-content/uploads/2017/12/2017.pdf> (10 January 2018).
- Wigell, Mikael. 2016. 'Conceptualizing Regional Powers' Geoeconomic Strategies: Neo-Imperialism, Neo-Mercantilism, Hegemony, and Liberal Institutionalism'. *Asia Europe Journal* 14.2: 135–51.
- Wigell, Mikael and Antto Vihma. 2016. 'Geopolitics versus Geoeconomics: The Case of Russia's Changing Geostrategy and Its Effects on the EU'. *International Affairs* 92.3: 605–27.
- Wigell, Mikael, Sören Scholvin and Mika Aaltola (eds). 2018 (forthcoming). *Geo-Economics and Power Politics in the 21st Century: The Revival of Economic Statecraft*. London: Routledge.
- Wigell, Mikael and Ana Soliz Landivar. 2018 (forthcoming). 'China's Economic Statecraft in Latin America: Geostrategic Implications for the United States'. In *Geo-Economics and Power Politics in the 21st Century: The Revival of Economic Statecraft*, edited by Mikael Wigell, Sören Scholvin and Mika Aaltola. London: Routledge.

- World Economic Forum. 2016. 'The Age of Economic Coercion: How Geo-politics is Disrupting Supply Chains, Financial Systems, Energy Markets, Trade and the Internet'. http://www3.weforum.org/docs/WEF_Age_of_Economic_coercion.pdf (14 January 2018).
- Wright, Thomas J. 2017. *All Measures Short of War: The Contest for the 21st Century and the Future of American Power*. New Haven: Yale University Press.
- Youngs, Richard. 2011. 'Geo-economic Futures'. In *Challenges for European Foreign Policy in 2012: What Kind of Geo-economic Europe?*, edited by Ana Martinigui and Richard Youngs, 13-17. Madrid: FRIDE.
- Yu, Lei. 2015. 'China's Strategic Partnership with Latin America: A Fulcrum in China's Rise'. *International Affairs* 91.5: 1047-68.