Evolving Paradigms in the Liberal International Economic Order: The Role of Economic Statecraft in Shaping Global Power Structures

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Abstract

This thesis examines the role of the Belt and Road Initiative and the Global Gateway by adopting an economic statecraft perspective. This analysis leads to the conclusion that these two connectivity initiatives are significantly contributing to the proliferation of protectionism and supranational capitalism within the European Union. Consequently, they are influencing the broader Liberal International Economic Order. By utilizing a qualitative methodological approach, I argue for the emergence of a new political-economic paradigm, which I term neo-ordoliberalism.

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1. Introduction:

In *The End of History and the Last Man* (1992), Francis Fukuyama argued that Western liberal ideologies, including liberal democracy and economic liberalism, would become universal. This prediction followed the end of the Cold War in 1991, with the United States (U.S.) emerging as the dominant hegemony and leader of the liberal international order (LIO). The LIO promotes democratic ideologies, liberal economic policies, and human rights through institutions such as the World Bank and the World Trade Organization (WTO). However, as Ikenberry (2018) notes, it is crucial to clearly define the LIO due to its ambiguous characteristics.

This thesis focuses on the economic dimensions of the LIO, henceforth referred to as the Liberal International Economic Order (LIEO). The LIEO encompasses various entities, including major international organizations such as the WTO, the World Bank, the International Monetary Fund (IMF), and the Organisation for Economic Co-operation and Development (OECD), alongside nation-states like the U.S. and the United Kingdom, and supranational and intergovernmental entities like the European Union (EU) (Ikenberry 2018; Sinha, 2021). Within this structure, the U.S. has been widely recognized as the dominant force and the undisputed hegemon post-Cold War, underscoring its centrality in shaping and directing the neoliberal agenda (Ikenberry 2018; Okano-Heijmans 2023).

However, 'neoliberalism' is an ambiguous term that can be described in several ways (Hall and Soskice, 2001; Jessop, 2017; Ikenberry, 2018). This thesis describes neoliberalism as a political-economic paradigm, consisting of a set of principles and approaches that influence economic policies, including their formulation and implementation within both domestic and international economies. Political-economic neoliberalism arose from the Washington Consensus during the 1980s and advocate for free international markets characterized by minimal state intervention, multilateralism, the free movement of people, capital, and goods, minimal trade barriers, and the privatization of state-owned enterprises (SOEs), which collectively increase economic prosperity, globalization and mutual independence (Swarts, 2017; Ikenberry, 2018; Sinha, 2021). However, there are divergences in neoliberal policies, as explained by Hall and Soskice (2001). For example, member states of the EU, portrayed as a coordinated market economy, intervene more in their economies than the U.S., portrayed as a liberal market economy. Nevertheless, it is widely acknowledged that the entities encompassed within the LIEO uphold the basic neoliberal principles that influence their economic decision-making (Swarts, 2017 ;Ikenberry, 2018; Sinha, 2021). Thus, this thesis posits that the LIEO is composed of entities that incorporate fundamental neoliberal economic principles in their decision-making processes to foster economic growth.

However, the Global Financial Crisis (GFC) of 2008 marked the beginning of a shift in neoliberal principles such as open markets, multilateralism, and minimal state intervention, which was intensified during the COVID-19 pandemic and the rise of developing countries such as the People's Republic of China (hereafter referred to as China). This period witnessed a surge termed 'global protectionism', characterized by tariffs, non-tariff barriers, quotas, subsidies and capital restrictions (Enderwick, 2011; Ikenberry, 2018). Furthermore, state intervention has grown, often referred to as 'modern state capitalism,' which involves the state's proactive orchestration of production and market functions through tools such as subsidies and investments (Wright et al., 2021).

Although 'global protectionism' and 'modern state capitalism' are complementary, they differ in their objectives. Global protectionism primarily aims at achieving economic security and energy autonomy through resilient global supply chains (GSC) (Steinberg, 2023). Conversely, contemporary state capitalism aims to enhance the competitiveness of enterprises and consequently the domestic economy bolster economic strength through various mechanisms. These include Investment Screening Mechanisms (ISMs), Investment Promotion Agencies (IPAs), Export Credit Agencies (ECAs), Sovereign Wealth Funds (SWFs), as well as policies such as strengthening capital controls and implementing export-oriented strategies.(Wright et al., 2021; Borlini & Stefano, 2023).

For instance, the rise of China, the world's second-largest economy with its blend of state-led and market-oriented mechanisms, has challenged the economic hegemony of the U.S. This has intensified geopolitical competition, increasing instances of state capitalism and protectionism within the LIEO (Ikenberry 2018). United Nations Secretary-General Antonio Guterres highlighted the increasing rivalry between these two global powers, each maintaining distinct economic and financial standards in what he described as competing zero-sum perspectives (United Nations 2019). For instance, the U.S.'s Inflation Reduction Act aimed at "reducing inflation" embodies state capitalism through industrial policies providing incentives via tax reductions and subsidies for domestic industrial investment to boost its economy.

The EU has reacted strongly to these developments. "The IRA's (Inflation Reduction Act) protectionist elements in the form of local content requirements (LCRs) came as a shock. By any standards, this can be considered a frontal attack on the World Trade Organization's (WTO) international trade order" (European Parliament 2023). This criticism underscores the complexities in the alliance between the two entities and highlights divergence within the LIEO.

Although the changing structures of the LIEO are widely analyzed by scholars, particularly in the context of the U.S.-China rivalry and its challenges (Ikenberry, 2018), the intensifying rivalry between the EU and China over the past few years is often overlooked. For example, on March 15, 2024, the Policy Department for External Relations of the EU published a report on how to 'de-couple' its internal market from China (European Parliament, 2024). This response is partly due to China's Belt and Road Initiative (BRI), which has been scrutinized for its opaque goals and strategic ambitions, often characterized as 'economic statecraft,' reflecting a deliberate use of economic tools to achieve (geo)political objectives (Aggarwal & Reddie, 2021). In reaction to China's BRI, the EU launched the Global Gateway (GG) initiative in 2021. While the GG, according to the official website, is essentially a global connectivity project supporting multilateralism (European Commission, 2024), it is also an economic tool to achieve (geo)political objectives (Tagliapietra, 2024). Therefore, it can be examined as an instrument of economic statecraft, a perspective that has yet to be thoroughly explored within the academic discourse. Consequently this thesis explores:

"In what ways do the Global Gateway and the Belt and Road Initiative as manifestations of economic statecraft challenge the existing frameworks of the Liberal International Economic Order?"

This thesis contends that the BRI, through its economic statecraft dimensions, has driven the EU towards state capitalism—hereafter referred to as supranational capitalism within the EU context—and protectionist policies, which will be thoroughly examined in the literature review. Furthermore, the GG emphasizes protectionist and supranational capitalist policies, signaling a departure from political-economic neoliberalism within the LIEO towards a new political-economic paradigm.

This shift, which I term "neo-ordoliberalism," embodies a synthesis of neoliberalism, ordoliberalism, and neo-mercantilism, characterized by supranational capitalism and protectionist traits. These elements will be further explored in the theoretical framework section. By illuminating this transition, this thesis demonstrates that 'global protectionism' and 'modern state capitalism' are indeed on the rise within the LIEO, thereby ushering in a new form of multilateralism and globalization.

In addition to exploring the new political-economic paradigm of neo-ordoliberalism, the theoretical framework will investigate the application of economic statecraft. This endeavor aims to bolster the hypothesis and will be substantiated through three analytical chapters. The first chapter will delve into the economic statecraft aspects of both the BRI and the GG, aiming to comprehend their strategic and global economic implications. Subsequent chapters will illustrate how the EU's adoption of protectionist and supranational capitalist policies directly responds to the BRI. Furthermore, the GG, conceived as a response to the BRI, embodies elements of economic statecraft, supranational capitalism, and protectionism. Through this analysis, it will be demonstrated that the EU, as an integral part of the LIEO, is undergoing a shift from its neoliberal epistemology.

This analysis will demonstrate that the entities within the LIEO are not unified, suggesting that its conventional definition is outdated. The analytical approach section will outline how the chapters substantiate the hypothesis and address potential shortcomings. Before this, the thesis will review existing debates on protectionism, state capitalism, and economic statecraft to identify gaps in the literature.

2. Literature Review:

To elucidate the shift in the political-economic paradigm within the LIEO and to argue that the term cannot be appropriately used in current academic discourse, this literature review focuses on the ongoing discussions surrounding global protectionism and modern state capitalism, which stand in stark contrast to neoliberalism. By examining these topics, the review aims to establish a foundation for discussions on the economic statecraft elements of the BRI, thereby highlighting existing gaps in the academic discourse, particularly regarding the GG and the role of the EU within the evolving LIEO.

Protectionism

Historically, protectionist measures have included tariffs, non-tariff barriers, quotas, subsidies, capital restrictions, state ownership, industrial policies, and financial interventions (Enderwick, 2011). These policies were designed to protect emerging industries, support vulnerable domestic sectors, and safeguard employment. However, as Enderwick (2011) notes, following the GFC, both developing and developed countries have increasingly adopted global protectionist policies (hereafter referred to as protectionism) for strategic and security reasons.

A critical issue intertwined with protectionism is its influence on international trade, often perceived as contributing to "deglobalization." Zahoor et al. (2023) analyze the China-US trade war, which began in January 2018 and is characterized by quotas and import tariffs, arguing that it diminishes mutual interdependence, thereby promoting deglobalization. For instance, the supply chain dynamics of an iPhone involve hundreds of companies across multiple countries. Protectionist policies could compel multinational companies like Apple Inc. to consolidate production in fewer countries or even relocate entirely to the U.S., thus reversing globalization trends.

Conversely, Sinha (2021) introduces the concept of "reformed multilateralism," which involves trading blocs such as BRICS and the Regional Comprehensive Economic Partnership (RCEP), encompassing countries in East Asia, Southeast Asia, Australia, and New Zealand. Sinha (2021) suggests that this shift away from the WTO, exacerbated by the U.S. blocking new appointments to the WTO's appellate body during the Trump and Biden administrations, undermines the WTO's role in international trade, leading to deglobalization.

Both Zahoor et al. (2023) and Sinha (2021) identify a movement towards deglobalization, characterized by less open markets due to regulation policies. However, their conclusions significantly diverge. Sinha (2021) recognizes a crisis in "fair" and "free trade," attributing it to structural issues within the WTO and advocating for its framework's reconstruction. Meanwhile, Zahoor et al. (2023) focus on the regulation GSCs, suggesting that these developments will lead to a more regulated trade environment.

In a related observation, Matiotti (2023) notes that states are increasingly regulating and promoting both inward and outward investments, as well as foreign direct investments (FDIs), as a form of protectionism. He highlights the expansion of protectionism policy and the growing role of national competition authorities, which result in more regulated and thus less open markets. According to Matiotti, this strategic protectionist approach towards investments and FDIs could lead to a less economically liberal world and potentially undermine international institutions, although he does not specify which ones.

Furthermore, De Graaff and Valeeva (2021) also note the trend towards increased protectionism in investments and FDIs. They discuss concerns from policymakers and the private sector about the competitiveness of EU firms and the national security risks of investments and FDIs by Chinese SOEs, especially in critical sectors like ports, railways, and high-tech industries. However, they highlight that Beijing's main goal is to ascend the global value chain (GVC), thereby ignoring the protectionist policies within the LIEO. This contrasts with Gandocha's (2020) view, who argues that the influx of investments and FDIs from Chinese SOEs into the EU prompted the implementation of Framework Regulation 2019/452. While this regulation is intended to protect investments in critical infrastructure and technological sectors, it also raises concerns about its potential to stifle economic openness and innovation.

Although De Graaff and Valeeva (2021) and Gandocha (2020) do not explicitly argue that this form of protectionism leads to less open markets and changing the framework of the LIEO, they show how protectionism contributes to this scenario, aligning with Matiotti's (2023) observations of regulated markets. De Graaff and Valeeva (2021) focus on Beijing's strategic policies, showing how China proactively shapes EU policies through investments and FDIs. In contrast, Gandocha (2020) views the situation from Brussels' perspective, highlighting the EU's defensive measures against perceived overreach by Beijing. Despite these different viewpoints, all analyses agree that Beijing significantly influences EU policies, highlighting China’s role in increasing protectionism within the EU, therefore within the LIEO.

As highlighted by Okano-Heijmans (2023), the discussion surrounding China's influence on entities within the LIEO, such as the EU, and their adoption of reactive protectionist measures remains a focal point of scholarly debate. Additionally, scholars note a global rise in modern state capitalism within the LIEO, further complicating adherence to its principles.

Modern State Capitalism

Wright et al. (2021) emphasize the importance of distinguishing between modern state capitalism and mere state intervention. While states across the spectrum—from developed to developing and from liberal to illiberal—have historically intervened in their economies both internationally and domestically, modern state capitalism involves the state's proactive orchestration of production and market functions through various tools, such as subsidies, investments, and regulatory policies. Modern state capitalism, derived from the state capitalism dominant during the Cold War in the Union of Soviet Socialist Republics, relied on quotas, heavy capital controls, and centrally determined prices, among other mechanisms (Wright et al., 2021; Borlini & Stefano, 2023). However, Wright et al.'s (2021) definition of modern state capitalism (hereafter referred to as state capitalism) is not widely adopted; some scholars refer to it simply as increased state intervention. Nevertheless, this thesis aligns with Wright et al.'s (2021) perspective, recognizing the evolving dynamics of state influence within both the global and domestic economies. This shift marks a departure from historical state intervention towards a proactive role of the state within the domestic and global economy.

For instance, Weinhardt and Ten Brink (2020) explored the future role of the WTO and posited that China's ascent might lead to a "minimalist WTO," which focuses on mediating consensus between the ‘West’ and China concerning open markets and state intervention. This transformation is attributed to the competitive disadvantages that Western companies face against China's subsidized SOEs. Schoenbaum (2023) additionally underscores the waning significance of the WTO, arguing that U.S. policies under Biden’s administration, such as the American Rescue Plan Act, the Infrastructure and Jobs Act, the Inflation Reduction Act, and the CHIPS Act—which he defines as increased state intervention—combined with ongoing American protectionism since Trump’s administration, reflect a reaction to China’s state capitalism. This response, driven by concerns over unfair competition, has led to a retreat from free trade and contributed to deglobalization (Schoenbaum, 2023).

However, while both authors acknowledge a diminishing role for the WTO as a reaction to China’s economic strategies, they do not argue that state capitalism is on the rise within the LIEO. This omission is notable, especially as Schoenbaum (2023) points out the state capitalist practices in the U.S., traditionally seen as the bastion of neoliberalism.

In contrast, Chaisse and Dimitropoulos (2023) analyze a trend toward less-open markets driven by increased state capitalism within the LIEO. They argue that heightened regulation of incoming investments and the promotion of outward FDIs, facilitated by mechanisms such as ISMs, IPAs, and SWFs, indicate a growing role for the state in economic activities. According to them, this shift toward state capitalism as both an economic and political paradigm does not herald a "new era of economic isolation"—contrary to what Schoenbaum (2023) suggests—but instead poses a significant challenge to the LIEO. This perspective aligns with Sinha's (2021) notion of reformed multilateralism, suggesting a nuanced transformation in international economic relations rather than a retreat from globalization.

Additionally, Peterson and Downie (2023) discuss the increased role of ECAs. They highlight that the role of ECAs has evolved in the twenty-first century due to international security concerns, including national economic security, by enhancing the competitiveness of national firms through investment. However, they do not define ECAs as a form of state capitalism, which is noteworthy because ECAs are financial institutions funded by governments to actively promote national exports and increase investments in less attractive sectors, such as high-risk environments. Moreover, these institutions are often partly or fully SOEs. Therefore, the oversight by Peterson and Downie (2023) has led to an incomplete understanding of ECAs' impact on the evolving principles of the LIEO.

Moreover, Okano-Heijmans (2023) discusses an increase in state intervention within the LIEO, referring to it as a "clash of capitalisms" between state and liberal capitalism. She points out that the U.S. has intensified its state intervention through industrial policies like the Innovation and Competition Act. This act, she argues, has fostered unfair competition towards U.S. allies, such as the EU, Japan and South-Korea, aiming to bolster America's competitiveness against China. Therefore, Okano-Heijmans (2023) defines this increased state intervention within the U.S. as a form of state capitalism, suggesting it is driven by strategic economic competition concerns, particularly due to China's SOEs.

This argument aligns with Scholvin and Wigell (2018), who examine the rise in strategic competition through foreign policies primarily motivated by economic and strategic interests. Although they do not specifically discuss state capitalism, they argue that strategic competition has once again become a dominant force in the changing dynamics of international relations, signaling a 'revival' of economic statecraft.

China's Economic Statecraft

The concept of "economic statecraft," first delineated by Baldwin in 1985, refers to the use of economic instruments to achieve security objectives (Aggarwal & Reddie, 2021). Over time, its scope has expanded to include the strategic use of economic tools to advance foreign policy goals and influence the behavior of other countries. These tools include trade policies (tariffs, quotas, trade agreements), economic sanctions, foreign aid (loans, technical assistance, humanitarian support), currency manipulation, and financial measures (asset freezes, capital controls, financial sanctions). Additionally, technology and innovation policies have become essential components of economic statecraft (Norris, 2016; Hooijmaaijers, 2019; Dosenrode, 2021; Reilly, 2021; Zhang, 2024).

China's economic rise has sparked scholarly interest in its economic statecraft, particularly the BRI due to its significant economic and geopolitical impacts. While the BRI's investments are aimed at improving global connectivity, scholars increasingly scrutinize its underlying foreign policy objectives. For instance, Xing (2021) contends that the BRI’s strategy in Europe aims to "split the EU in two," effectively dividing EU member states along Cold War lines and distancing the EU from the U.S.

Conversely, Meunier (2019) interprets the European dimension of the BRI as an exercise in economic statecraft aimed at enhancing China's position in GVC through acquiring high-technology firms within the EU. This is part of China's broader "Going Global" policy, which seeks to strengthen China’s capabilities in developing advanced technologies by the acquisition of EU listed companies. While it is recognized that Chinese outward FDIs are driven by state interests, scholars such as Blanchard (2019), Uri Dadush et al. (2019), Dosenrode (2021), and Ramasamy and Yeung (2022) have refrained from explicitly classifying the outward FDIs of Chinese SOEs as economic statecraft.

This oversight has led to an incomplete understanding of the economic and political characteristics of Chinese outward FDIs. Nevertheless, Meunier (2019) argues that FDIs should indeed be regarded as tools of economic statecraft. Moreover, she posits that Chinese outward FDIs create divisions within the EU, distinguishing between countries in need of capital and those that are not, aligning with Xing's (2021) divide and conquer analysis. This perspective illustrates how China uses economic instruments to achieve strategic geopolitical objectives, particularly in its interactions with the EU. Consequently, this approach challenges the cohesion of the EU, and by extension, that of the LIEO. However, the emphasis on the BRI as a form of economic statecraft highlights a gap in the literature, namely the GG strategy as a form of economic statecraft.

The Gap

Scholars examining the changing LIEO often focus on rising protectionism and state capitalism, primarily analyzing the U.S.-China trade war (Schoenbaum, 2023; Zahoor et al., 2023) or the evolving role of the WTO (Sinha, 2021; Weinhardt & Ten Brink, 2021). This focus tends to neglect the role of the EU within the changing LIEO. However, some scholars do examine China's influence on potential fragmentation within the EU and the EU's position between the U.S. and China (Xing, 2021; Ramasamy & Yeung, 2022), as well as the impact of Chinese FDIs within the EU (Blanchard, 2019; Hooijmaaijers, 2019; Meunier, 2019; Gadocha, 2020). Nevertheless, they often overlook the EU's role in the changing structures of the LIEO or portray the EU as a passive actor.

For instance, Xing (2021) depicts the EU as being compelled to choose between aligning with the U.S. or China, implying a lack of autonomy. This portrayal perpetuates a biased narrative of the 'West' versus the 'Rest,' suggesting that the 'West' is a monolithic entity and failing to acknowledge the complexity of the LIEO. Similarly, Weinhardt and Ten Brink (2020) suggest a new role for the WTO as an intermediary between the 'West' and China, overlooking the nuanced implications of increased U.S. protectionism and state capitalist policies.

The previously mentioned "America First" policies, as highlighted by Schoenbaum (2023), suggest that the U.S. is increasingly adopting an isolationist stance. However, Schoenbaum's analysis may not fully capture the broader implications of these policies, which extend beyond mere state intervention to incorporate elements of state capitalism and protectionism. This oversight leads to an incomplete understanding of the evolving dynamics within the LIEO. In contrast, scholars such as Wright et al. (2021) and Chaisse and Dimitropoulos (2023) acknowledge the rise of protectionism and state capitalism within the LIEO. However, these analyses do not frame these developments as a shift in the political-economic paradigm, despite the fact that these policies sharply contrast with neoliberal principles. Furthermore, these scholars tend to focus more on the U.S. than on other entities within the LIEO, such as the EU.

While scholars such as De Graaff and Valeeva (2021), Gandocha (2020), and Meunier (2019) focus on the EU's protective measures against Chinese outward FDIs they often depict the EU as reactive rather than proactive. However, Okano-Heijmans (2023) presents a different perspective by emphasizing the EU’s proactive development of the GG strategy, which is, ironically, a reaction to the BRI. Nevertheless, she illustrates that the GG highlights the strategic role of the EU on the global stage and consequently within the changing LIEO.

The scholarly literature concerning the GG remains limited, a scarcity attributable in part to its recent inception at the end of 2021. However, the academic community usually produces and shares research within two and a half years. This suggests that the GG might be overlooked or neglected in academic discourse.

Despite the nascent stage of this program and the corresponding scarcity of literature, its strategic implications are significant for the changing LIEO. To my knowledge, only two scholars have analyzed the GG within this context. Firstly, as mentioned above, Okano-Heijmans (2023) argues that the GG serves as a vehicle to export EU interests and uphold principles of 'open' yet conditional globalization, concepts aligned with Sinha’s (2021) 'reformed multilateralism.' This initiative illustrates the EU’s intent to fortify its economic autonomy and engage in strategic competition, particularly against Chinese influence on the global stage.

Conversely, Karjalainen (2023) emphasizes the competitive aspects of the GG, viewing it as the EU's strategic move to maintain its influence in the international arena.

She suggests that the GG integrates smart, clean energy, and transport initiatives, implying the use of economic statecraft through foreign policy goals such as enhancing global connectivity and establishing new supply chains. However, while Karjalainen's analysis aligns with economic statecraft, she does not explicitly frame it within this theoretical framework or mention it directly.

Consequently, these analyses, while insightful, often overlook the EU's capacity for independent economic statecraft. This oversight may stem from the EU's nature as a supranational and intergovernmental entity rather than a traditional nation-state. However, as Zhang (2024) posits, the EU should be regarded as an independent actor capable of deploying economic statecraft, particularly highlighted by its foreign policy mandate in the GG. He explores the EU's role in the 'strategic competition race' but does not assert that this form of economic statecraft challenges the structures of the LIEO.

Thus, acknowledging the EU's capacity for strategic engagement and economic statecraft not only challenges the portrayal of the EU as merely a reactive entity but also underscores its pivotal role within the evolving LIEO. This recognition further highlights the diversity within the LIEO, contesting the biased perspective that portrays the 'West' as a unified entity. Moreover, the EU's protectionist policies, which aim to export its interests and promote a form of regulated multilateralism, and supranational capitalism within the single market and global economy stand in stark contrast to traditional neoliberal principles. Consequently, this thesis seeks to address these gaps by adopting an economic statecraft perspective, to facilitate a new political-economic paradigm which will be outlined in the next chapter.

3. Analytical Approach:

This chapter will initially provide the rationale for adopting a new political-economic framework. Subsequently, the theoretical framework will elucidate the adoption of neo-ordoliberalism and economic statecraft in this research. Following this, the research methodology and analytical framework will be detailed, including an analysis of source selection. Finally, the chapter will address the limitations of this thesis.

Theory of Changing Paradigms

In his seminal work, *The Structure of Scientific Revolutions* (1962), Thomas Kuhn explains the driving forces behind paradigm shifts within physics. Kuhn's framework has since been widely applied to explain paradigm changes across various disciplines, including political-economic epistemology (Stirling & Laybourn-Langton, 2017; Sadowski, 2021). According to Kuhn (1962), two conditions are necessary for a paradigm shift: (i) the accumulation of contradictions in the current paradigm, referred to as anomalies, which cannot adequately explain or address contemporary paradigms, such as political-economic neoliberalism; and (ii) the presentation of viable alternatives that can better elucidate the current economic epistemology.

Another critical theory explaining paradigm changes in economic policies is presented by Peter Hall in his work, *Policy Paradigms, Social Learning, and the State: The Case of Economic Policymaking in Britain* (1993). Hall argues that there are three levels of policy change: (i) adjustments to an existing policy; (ii) the introduction of a new policy; and (iii) a transformation in both policy and policy goals, with the latter being the only one that results in a paradigm shift. This shifts occurs during economic and political crises.

This shift is best understood through an examination of the evolution of capitalist states seeking to enhance economic growth. According to Chalmers Johnson (1999), a capitalist society can be categorized as either liberal, characterized by laissez-faire policies, or developmental, which entails a balanced approach between state and market. Historically, the capitalist state emerged from mercantilism during the industrialization of the United Kingdom and France. From the 1830s until the Great Depression in 1929, the liberal state, guided by classical liberalism, was predominant. However, the advent of the New Deal marked a resurgence of the developmental state.

Following the Second World War, the political-economic paradigm shifted towards moderate state intervention to ensure social stability, financial stability, and economic growth. In the U.S., Keynesianism became the prevailing economic ideology, while in Western European countries such as France and Germany, ordoliberalism took hold (Hien, 2023). During the Washington Consensus era, the liberal state regained prominence, with neoliberalism dominating in Western Europe and the U.S. until the GFC. This crisis precipitated the current paradigm shift, moving away from neoliberalism towards more state-interventionist approaches (Johnson, 1999; Bresser-Pereira, 2016).

Although this is a simplified overview, it effectively highlights the shifts between developmental and liberal states in capitalist societies, particularly in the current era of the developmental state. This thesis focuses on analyzing the political-economic paradigm shift within the EU and will build on ordoliberalism while neglecting Keynesianism. This approach is due to the dominance of ordoliberalism in two major European economies, France and Germany, following the Second World War.

To validate neo-ordoliberalism, this thesis will demonstrate Kuhn's condition of anomalies and present a more adequate paradigm. Simultaneously, Hall's third condition—the simultaneous change in policy and policy goals—will be illustrated.

The ‘Birth’ of Neo-ordoliberalism

The emergence of a changing political-economic paradigm within the LIEO began with the transformation towards the developmental state, highlighted by the rise of protectionism and state capitalism. This shift indicates a decline in neoliberalism’s influence as a contraction within its epistemology, underscoring Kuhn’s concept of anomalies. These new policies are embodied in the EU’s pursuit of 'economic sovereignty' and 'energy independence,' which began in 2017 due to geopolitical changes such as Brexit, the Trump administration, and China’s growing economic influence (European Parliament, 2022). Consequently, the EU aims to safeguard GSC while increasing the competitiveness of its enterprises both within the internal market and globally. Despite these new objectives, the EU continues to promote free trade agreements (FTAs), economic globalization (European Parliament, 2022), aligning with neoliberal principles and thereby highlighting contradictions in its political-economic paradigm.

For instance, Helleiner (2023) describes the paradigm shift in the EU towards an 'neo-mercantilism,' era highlighting the roles of protectionism and state capitalism—hereafter referred to as supranational capitalism in the EU context. He argues that this shift embodies neo-mercantilism due to its emphasis on advancing economic and national interests, particularly regarding strategic assets within GSCs (Helleiner, 2023; Collins & O'Brien, 2023). Furthermore, these policies promote the export of national goods and support national firms' competitiveness abroad (Wigell, 2016; Helleiner, 2023).

Although the reactive policies toward the BRI and the proactive GG strategy aim to achieve economic sovereignty and energy independence by protecting GSC and providing incentives for enterprises to invest abroad and enhance their global competitiveness, these policies cannot be strictly defined as neo-mercantilist. While these policies align with the principles of supranational capitalism by promoting strategic economic objectives and enhancing national firms' positions in the global market, they lack key characteristics of neo-mercantilism, thereby emphasizing an anomaly.

For instance, such characteristics is a zero-sum mentality (Wigell, 2016; Helleiner, 2019; Collins & O'Brien, 2023) given the investments in connectivity and infrastructure, this thesis argues that the GG does not operate under zero-sum policies. Instead, the GG is designed to promote mutual benefits rather than the win-lose scenarios typical of zero-sum games. Furthermore, a central tenet of neo-mercantilism is a strong centralized governmental control. However, the GG represents a hybrid model involving both public and private sectors. Additionally, these policy reactions to the BRI are established in consultation with private sectors, various political bodies and EU-member states indicating the absence of strong centralized government control (Okano-Heijmans, 2023).

Therefore, the political-economic paradigm shift within the EU can not be described as purely neo-mercantilist. Although this shift includes an increase in protectionism and supranational capitalism it lacks the inherent zero-sum mentality and strong central government control. This discrepancy highlights Kuhn's concept of anomalies and suggests that Helleiner's (2023) argument for a rise in neo-mercantilist policies is inadequate.

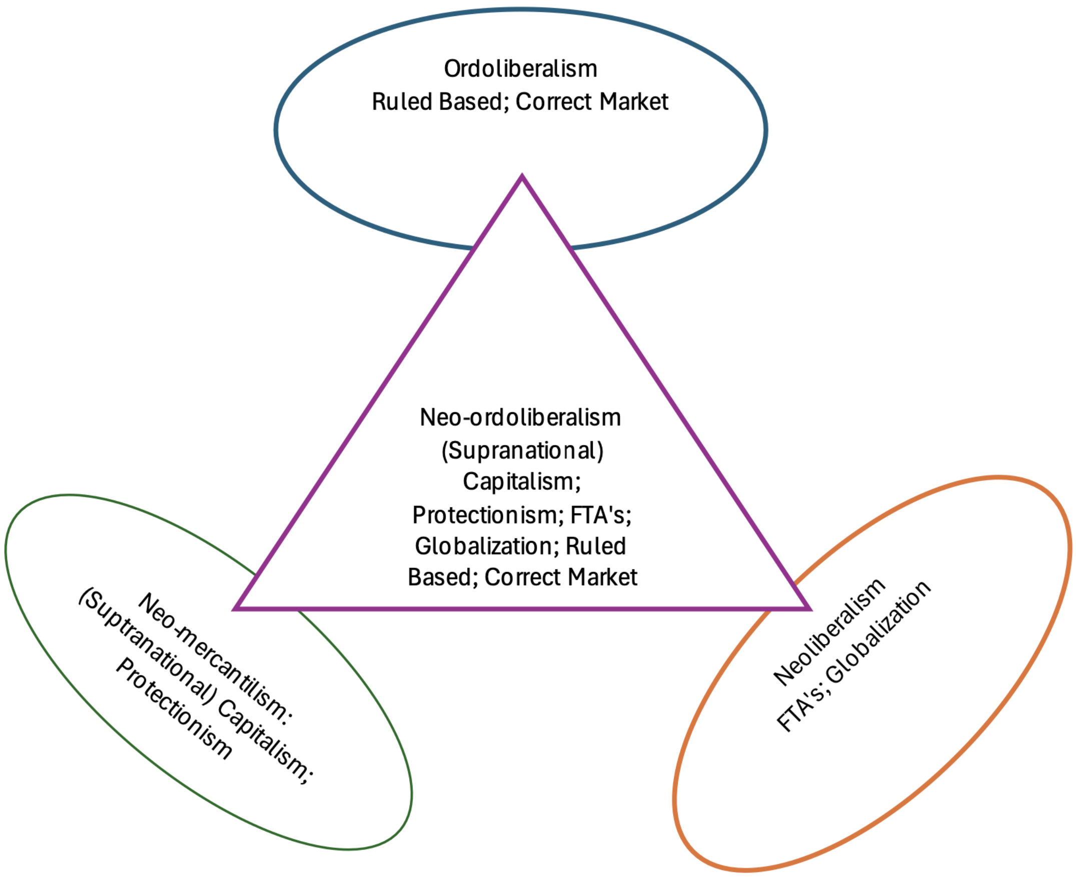
Which brings us to the third paradigm illustrating Kuhn's anomalies: ordoliberalism. This school of thought dominated economic policies in the Federal Republic of Germany (West Germany) and France during the 1960s and 1970s developmental era, before the neoliberal shift (Nedergaard & Snaith, 2015). The ordoliberal school posited that the government's role is to create conditions that allow Adam Smith's 'invisible hand' to operate efficiently within a rule-based framework. Therefore, state intervention becomes necessary when market competition is inefficient. This is particularly evident in sectors such as education and public healthcare, where unregulated markets may fail to deliver optimal outcomes (Argyroulis, 2023). Consequently, EU member states, particularly Germany and France, which drive EU policies, have always balanced between ordoliberalism and neoliberalism in their political economies (Schneider, 2023).

However, while ordoliberalism emphasizes the importance of open markets and free trade agreements similar to neoliberalism, it primarily focuses on domestic economic issues such as fiscal and competition policies, rather than foreign economic policies like the GG. Additionally, ordoliberalism supports export-led growth akin to neo-mercantilism but differs significantly in its approach to state intervention, which is passive rather than the active supranational capitalism advocated by neo-mercantilists. This active supranational capitalism is inherent in the GG and policies responding to the BRI. Consequently, although these policies exhibit ordoliberal characteristics such as rule-based open markets, they also embody protectionist and state-capitalist characteristics, undermining the principles of both ordoliberalism and neoliberalism. Therefore, as Schneider (2023) argues, the EU political economy has shifted to a new paradigm that is neither purely ordoliberal nor purely neoliberal, but something else yet to be clearly defined.

Consequently, ordoliberalism is chosen as a foundational theory due to its emphasis on a more active role for the state, in contrast to the passive stance of neoliberalism. Neo-ordoliberalism evolves from ordoliberalism by emphasizing a proactive supranational role. Moreover, both ordoliberalism and neo-ordoliberalism, more extensively than neoliberalism, emphasize a rule-based economy. Additionally, unlike neo-mercantilism zero-sum mentality, neo-ordoliberalism focuses on FTAs and mutual gains, making it a suitable framework for contemporary economic policy analysis.

I conceptualize neo-ordoliberalism as a synthesis of: (i) neoliberal due to the focus on FTAs and globalization; (ii) ordoliberal due to the state's role in correcting market failures to achieve competition goals and the emphasis on a rule-based economy; and (iii) neo-mercantilism because of its protectionism and supranational capitalism for strategic purposes such as economic sovereignty, as illustrated in figure 1. This illustration highlights the concept of a state, traditionally defined as a sovereign entity governing a specific group of people, often referred to as a nation-state. However, the EU can be partly considered a state due to its supranational characteristics. The EU exercises sovereignty over a collection of people and nation-states through mechanisms such as EU law, which supersedes national law.

Figure 1: Framework Neo-ordoliberalism



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Thus, neo-ordoliberalism represents a political-economic epistemology that advocates a proactive state role—supranational capitalism—in regulating domestically inefficient markets and formulating foreign economic policies aimed at strategic objectives and protecting economic interests to ensure economic growth and safeguard the domestic economy. Furthermore, it promotes a cooperative relationship between government, private entities, where public policies are designed to complement and stimulate the private sector. Recognizing the dynamic nature of the global economy, neo-ordoliberalism advocates for flexible political-economic policies to enable effective decision-making in a developmental capitalist state. To facilitate neo-ordoliberalism, this thesis will adopt an economic statecraft perspective, which will be outlined in the next section.

Economic Statecraft

As delineated in the preceding chapter, the definition of economic statecraft has evolved to encompass the deployment of economic instruments to achieve foreign policy objectives and exert influence on other nations. These instruments include, but are not limited to, trade policies such as tariffs and trade agreements, economic sanctions, foreign aid (including loans and technical assistance), currency manipulation for trade advantages, and financial measures like asset freezes and sanctions.

Scholars such as Meunier (2019) and Aggarwal and Reddie (2021) underscore the imperative to reassess and refine our understanding of economic statecraft, particularly emphasizing the necessity to examine the 'new' tools introduced by the BRI, such as industrial policies and innovative investment rules, including the strategic use of outward investments and outward FDIs. This thesis extends the discussion on these 'new' tools by integrating them into the framework of economic statecraft and building on the conceptualization provided by Norris (2016), which has been recognized by various scholars (Hooijmaaijers, 2019; Gadocha, 2020; Reilly, 2021; Breslin & Nesadurai, 2023).

Norris (2016) characterizes economic statecraft as a state's strategic manipulation of international economic activities. However, Norris (2016) and Reilly (2017) observe that the effectiveness of economic statecraft is contingent upon a state's capacity to influence the behavior of commercial actors within its sphere of influence. For example, China's economic strategies, particularly its investment in infrastructure supporting the BRI's connectivity goals, illustrate this form of statecraft, facilitated by state control of capital and SOEs (Reilly, 2021).

Furthermore, the growing academic interest in China’s economic statecraft underscores the critical notion of asymmetrical relationships between states, which are intrinsic to economic statecraft (Scholvin & Wigell, 2018). Economic statecraft is effective only when one state possesses sufficient economic leverage, such as capital, technological knowledge, or production capabilities, to influence another state and achieve its strategic objectives. Importantly, Scholvin and Wigell (2018) note that this economic asymmetry does not necessarily translate to asymmetrical military power—a distinction frequently overlooked in scholarly discourse. For instance, following the Euro Crisis in late 2009, the EU’s acute need for capital created an opportunity for China to enhance its influence by investing in European companies and infrastructure, thereby augmenting economic connectivity between China and the EU (Meunier, 2019).

Given these complexities, it is imperative to clearly distinguish three components to analyze economic statecraft effectively: (i) motivations and objectives, which involve understanding the underlying reasons a state engages in economic statecraft, whether for economic dominance, political leverage, or other strategic interests; (ii) actions and tools, which refer to the specific mechanisms employed, such as trade agreements, sanctions, financial incentives, or outward investments and FDIs; and (iii) outcomes and consequences, which assess the effectiveness and repercussions of these actions, not only on the target state but also on the global economic landscape (Breslin & Nesadurai, 2023).

Thus, this thesis deploys economic statecraft as an entity's strategic manipulation of international economic activities through the utilization of economic and financial instruments. Economic statecraft requires influencing commercial actors to achieve foreign policy objectives and is effective only when there is sufficient economic leverage. The following section will highlight how economic statecraft is deployed by the EU to facilitate neo-ordoliberalism in.

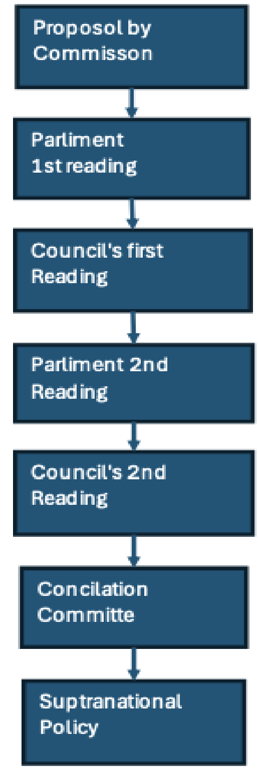
EU's economic statecraft

Before delving into the research method, it is essential to recognize that the EU is not a nation-state but a supranational and intergovernmental entity. This distinction necessitates differentiating between supranational and intergovernmental foreign policies concerning economic statecraft. The EU, as an entity, can only adopt economic statecraft at the supranational level because intergovernmental policies imply that sovereignty lies with the member states.

In analyzing the EU's supranational foreign policies regarding economic statecraft, the EU traditionally employs three main tools, as outlined by Zhang (2024). First, regulatory power, as demonstrated in the 2015 trade strategy, where the EU integrates trade with foreign policy, extending aid to developing nations (European Commission, 2016). Second, negotiation authority, whereby the EU conducts cross-border negotiations for strategic purposes, both bilaterally (such as FTAs) and within multilateral frameworks like the WTO. Third, the use of sanctions to enforce political and security objectives, as evidenced during the Ukraine-Russia conflict (European Council, 2024).

However, since the Treaty of Lisbon was enacted in 2009, the supranational decision-making procedures have been restructured, increasing the EU's ability to adopt supranational foreign policies. The process is as follows: (i) the European Commission proposes legislation; (ii) the European Parliament conducts a first reading and adopts recommendations by a simple majority (50% + 1 vote); (iii) the European Council, comprising the heads of government of the member states and the President of the European Commission, conducts a first reading, makes changes, and adopts the new proposal by a qualified majority voting (QMV), meaning 15 out of 27 heads of government must agree, representing at least 65% of the EU population; (iv) the European Parliament conducts a second reading and may approve the proposal with amendments; (v) the European Council must approve the amendments by QMV, or unanimously when the Commission has given a negative advice; (vi) the Conciliation Committee, consisting of equal members from the European Council and the European Parliament, must approve the proposal or jointly amend it; (vii) once approved, it becomes supranational policy.

Figure 2
Supranational Decision making



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This restructuring has enabled the EU to adopt more coherent and unified foreign policies, reinforcing its role on the global stage. Since Ursula von der Leyen's nomination as President of the European Commission in 2019, and her recent re-nomination for the next five years (until 2029), the EU has adopted a more pronounced geopolitical course, referred to as the “Geopolitical Commission” (European Commission, 2019). Given the European Commission's mandate to propose supranational foreign policies, the 'Von der Leyen Commission' has enhanced the EU's geopolitical role. Consequently, this thesis argues for the adoption of a fourth tool for deploying economic statecraft within the EU: investments, as illustrated by the GG.

Research Method

This thesis investigates the BRI and the GG as manifestations of economic statecraft, focusing on their diverse objectives and impacts on the changing LIEO. The selection of these case studies is based on their significant roles in shaping global economic dynamics and their contrasting approaches to economic statecraft. The BRI, led by China, represents a state-driven model of economic influence through large-scale infrastructure investments and strategic acquisitions. Moreover, by highlighting the strategic objectives of the GG inherent to economic statecraft, this thesis underscores the neo-ordoliberal aspects, namely that public policies are designed to complement and stimulate the private sector through supranational capitalism and protectionism.

The analysis is structured around the previously mentioned three main components of economic statecraft: motivations and objectives, actions and tools, and outcomes and consequences. This framework allows for a comprehensive examination of how the BRI and the GG changed the foreign economic policies of the EU. The theoretical framework guiding this analysis includes theories of economic statecraft, paradigm changes, and political-economic neoliberalism to illustrate a political-economic paradigm shift within the LIEO.

Data for this thesis are sourced from a combination of primary and secondary materials and are analyzed through a qualitative methodology, which is further reinforced by quantitative data. Primary data include official documents, policy papers, and press releases from relevant institutions such as the Ministry of Foreign Affairs of China, the official websites of the BRI and GG, the European Commission, and the European Parliament. These documents provide direct insights into the motivations, actions, and tools employed by the BRI and GG initiatives. The reliance on public announcements, however, implies a degree of asymmetric information, as these announcements may not fully reveal the strategic underpinnings of the two connectivity initiatives due to the balance between strategic disclosure and the risk of compromising strategy effectiveness (Johnson, 2021).

To balance this asymmetric information, secondary data are derived from academic articles, reports from think tanks, and analyses by international organizations. Key sources include studies on the economic impacts of the BRI by scholars such as Meunier (2019), Hooijmaaijers (2019), and Reilly (2021), as well as research on the strategic autonomy discourse of the EU, by international relations institutions like Clingendael. These sources offer critical perspectives on the outcomes and consequences of the BRI and GG, enhancing the depth of the analysis.

Analytical Framework

Building upon the research methodology, this thesis adopts an economic statecraft perspective to analyze the GG and the reactionary policies towards the BRI. It posits the emergence of a new economic epistemology within the EU that challenges the neoliberal foundations of both the EU and, by extension, the LIEO. Moreover, this thesis illustrates a move towards ‘reformed multilateralism,’ situating this study within the broader debates about the evolving LIEO. This examination demonstrates that the broad application of the term LIEO is becoming increasingly untenable in contemporary academic discourse.

To address this issue, the thesis delineates clear distinctions between the neoliberal principles traditionally associated with the LIEO and the emerging multipolar dynamics. It highlights the diminishing role of the WTO, traditionally seen as the epitome of global free trade, and underscores the assertive role of the EU, characterized by protectionism and state capitalism, collectively referred to as ‘strategic autonomy.’ This shift reflects a broader trend in economic cooperation within the LIEO, mirroring the increasingly isolationist policies of the U.S.

To substantiate this argument, the next chapter will discuss two of the three components of the BRI and GG inherent to economic statecraft: motivations and objectives, and actions and tools. Given the comprehensive discussions of the BRI in the literature review and theoretical framework, the following chapter will provide only a concise summary and slight extension of the economic statecraft aspects of the BRI. This sets the stage for a detailed analysis of the outcomes and consequences of both the BRI and GG. These chapters will examine the EU's reactive policies to the BRI and the strategic objectives associated with the GG. While protectionism and state capitalism are distinct concepts, they are interrelated. Therefore, the chapters on protectionism and state capitalism will begin by defining these central concepts, establishing a rationale for their thematic distinction.

This structured approach facilitates a clear and focused analysis, leading to the conclusion that the adoption of a new theoretical paradigm—neo-ordoliberalism—is both justified and appropriate for analyzing the evolving dynamics of the LIEO and its broader implications. However, before delving into the GG and the BRI, a few shortcomings need to be addressed.

Shortcomings

Bob Jessop (2002; 2017) argues that there is no universal form of neoliberalism or ordoliberalism, a view supported by Eric Helleiner's (2019) observations on the varied applications of neo-mercantilism. This thesis acknowledges these perspectives but focuses solely on the basic principles of these economic epistemologies as delineated in the theoretical framework. This approach, while validating the new paradigm, does not account for the nuanced differences within these ideologies. Future research should address these nuances to provide a more comprehensive analysis.

Secondly, this thesis contests the biased perspective of the LIEO, which suggests that the 'West' is a monolithic entity adhering to uniform liberal economic principles. This thesis adopts the concept of the LIEO to critique this monolithic and biased view. Moreover, it focuses on the changing political-economic paradigm of the EU, arguing that the principles of the LIEO are evolving, thus highlighting the adoption of this flawed perspective. Nevertheless, in contemporary academic discourse, the LIEO is frequently referenced, as illustrated. Therefore, this thesis adopts the terminology to illustrate its flaws, such as the monolithic entity assumption and its neoliberal principles, and consequently argues that more nuanced global groupings need to be adopted in future IPE and broader studies.

Thirdly, while this thesis argues for a new political-economic paradigm shift, it recognizes the variety of economic-related policies, such as competition policy, industrial policy, and fiscal policy. This thesis will focus on the strategic autonomy strategy of the EU, which is inherent to foreign economic policies. Nevertheless, to address this shortcoming, the next section will display the latent policies correlated to the GG, such as competition policy and industrial policy.

4. The BRI and GG as Economic Statecraft:

The following section will analyze the various motivations and objectives, as well as the actions and tools behind the BRI in relation to the EU. In contrast, the subsequent section will provide a more detailed analysis of the GG

BRI as Economic Statecraft

The primary governmental bodies managing the BRI are China's National Development and Reform Commission (NDRC) and the Ministry of Commerce (MOFCOM). These bodies guide foreign economic policies and foreign investments. Together with financial institutions like the Bank of China, they fund large-scale BRI-related projects through channels such as the Silk Road Fund (SRF), emphasizing China's use of economic tools to extend its global influence (Reily, 2017; NDRC, 2024;).

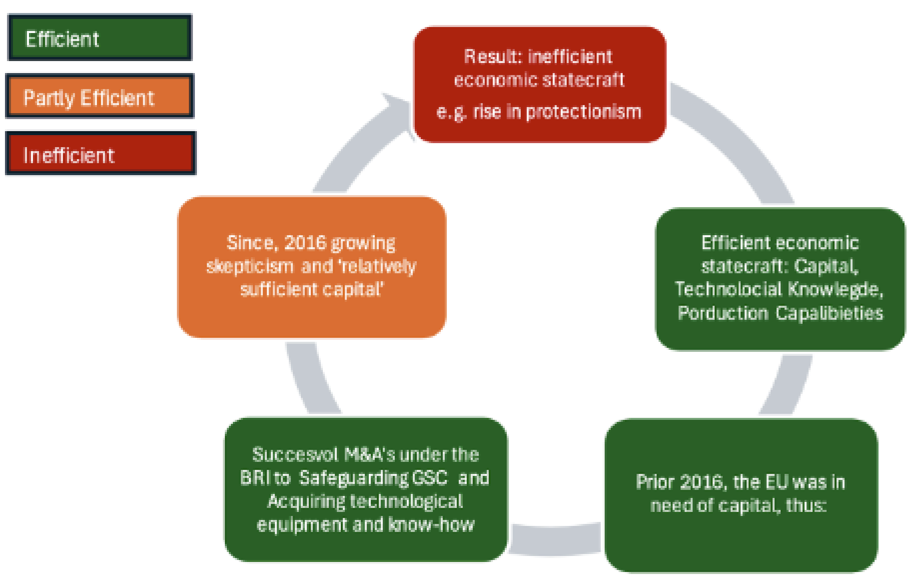
Secondly, SOEs play a crucial role in China's economic statecraft. Prominent examples include the China Ocean Shipping Company (COSCO) and the China Railway Construction Corporation (CRCC), which are integral to the execution of the BRI. These SOEs implement infrastructure projects worldwide, acting as instruments of China's economic strategy by fostering global connectivity and advancing China's strategic economic interests. For instance, COSCO has made substantial investments in terminals and ports within the EU, enhancing connectivity, reducing dependence on foreign entities, and safeguarding GSC's given the strategic importance of ports in cargo allocation (Sampson et al., 2021; COSCO Shipping Ports Limited, 2023).

Through the BRI, China leverages economic resources and policy frameworks to assert its presence on the global stage, aligning with strategies like the 'Going Out' initiative, also known as 'Going Global'. This strategy exemplifies China's approach to using state-driven economic tactics to bolster its technological and industrial sectors and to promote economic integration with the EU through M&As (Meunier, 2019). A notable example is the 2017 acquisition of Imagination Technologies, a British semiconductor company, by Canyon Bridge, a private equity firm funded by the SOE Yitai Capital. At the time, the United Kingdom was still a member of the EU (The Guardian, 2017). This acquisition provided China with advanced technological knowledge in software design and semiconductors, particularly for graphic design in phones (Imagination Technologies, 2017). Furthermore,it illustrates China's strategic goal to incorporate advanced European technologies into its industrial base, thereby reducing reliance on foreign technology (Hooijmaaijers, 2019; Meunier, 2019).

However, as outlined in the theoretical framework, economic statecraft is effective only when a state possesses sufficient economic leverage, such as capital, technological knowledge, or production capabilities, to influence another state and achieve its strategic objectives (Scholvin & Wigell, 2018). During the 2010s, while the EU maintained an advanced technological sector and significant production capabilities, the Euro Crisis resulted in a severe capital shortage. It was not until 2017 that the Eurozone economy returned to pre-crisis levels (European Parliament, 2019). Concurrently, skepticism regarding BRI-related outward FDIs began to surface. Initially, complaints from the private sector about subsidized SOEs causing unfair competition for EU companies sparked concern, leading to a 'snowball' effect where policymakers increasingly scrutinized the links between SOEs and Beijing (Meunier, 2019; Gandocha, 2020). Fears over Beijing's 'hidden agenda'—a term used in political discourse to justify protectionist policies—intensified.

In response, the EU in 2019 officially labeled China as "an economic competitor in the pursuit of technological leadership and a systemic rival promoting alternative models of governance" (European Commission, 2019). This designation precipitated the implementation of protectionist measures, such as the Framework Regulation (EU) 2019/452, which aims to screen and potentially block inward FDIs (Gandocha, 2020), highlighting Beijing's inefficient economic statecraft as illustrated in Figure 3.

Figure 3: Timetable Efficiency of Beijing's Economic Statecraft



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Despite these growing concerns, 16 of the 27 EU member states, primarily from Central and Eastern Europe, continue to participate in the BRI project. According to Xing

(2021), a strategy of the BRI is to ‘split the EU in two’. This highlights the concerns about a 'hidden agenda'; whether this is a deliberate objective of the BRI remains open to interpretation. Nevertheless, growing skepticism within the EU, combined with the recovered economy resulting in ‘relatively sufficient capital’, undermines this effectiveness of the BRI. For example, in March 2024, Italy, the EU's third-largest economy, withdrew from the BRI, due to a lack of profitability (Center for Strategic Studies, 2023) highlighting the inefficiency of the BRI’s economic statecraft due to insufficient economic leverage to influence other states. Additionally, another unintended consequence of the BRI is the increased adoption of protectionist measures by the EU and the establishment of the GG.

Tools of the GG

Inaugurated in 2021 by the European Commission, the GG operates under the 'Team Europa approach' (TEa), which has established three main governance bodies. The first is a supervisory body overseen by the European Council, which steers the strategic direction and aligns the GG with EU external policy goals in collaboration with the Committee of Permanent Representatives (CPR). The second body is the implementation body, represented by the Global Gateway Board (GGB), which provides political oversight. The GGB includes key figures such as Ursula von der Leyen, High Representative Josep Borrell, and Commissioners Oliver Varhelyi and Jutta Urpilainen. The GGB is responsible for reviewing progress and guiding the implementation of GG’s projects (Directorate-General for Neighbourhood and Enlargement Negotiations, 2022). The third governance body is the Business Advisory Group (BAG), which engages with the private sector to enhance the GG's effectiveness. Comprising 59 members and 10 observers from various trade and business associations, the BAG provides business intelligence and strategic economic opportunities feedback to the European Commission (European Commission, 2023).

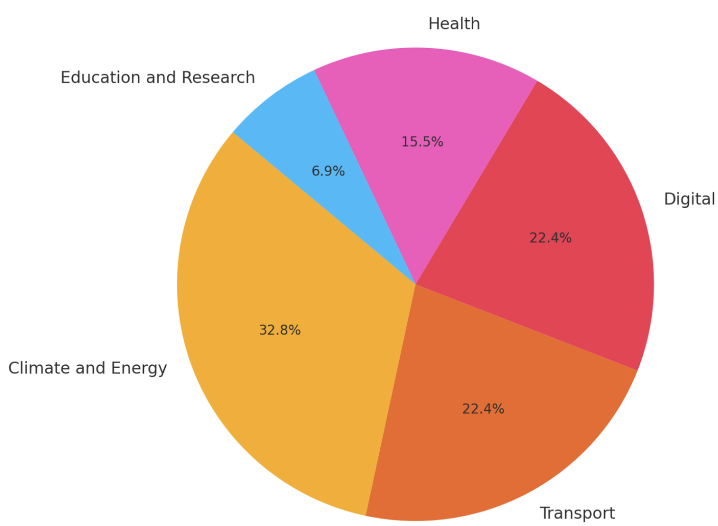
These governance bodies work collaboratively with various financial institutions to manage the financial instruments of the GG. The principal instrument, known as 'Open Architecture Guarantees' (OAG), aims to attract €300 billion from both private and public sources. Within this framework, the European Fund for Sustainable Development Plus (EFSDP) seeks to mobilize €135 billion from capital markets, bolstered by a €40 billion guarantee from the European Investment Bank (EIB), to influence commercial actors. These investments are strategically designed to render high-risk areas more appealing for investment, thereby supporting projects in economically unstable regions such as the Democratic Republic of Congo (hereafter referred to as Congo) (European Commission, 2024).

Consequently, the OAG, which essentially functions as an ECA, highlights a deviation from traditional neoliberal principles due to the active role of the state, underscoring Kuhn's anomaly. To encourage companies to invest abroad, the EU has adopted a supranational capitalism approach, inherent to neo-ordoliberal epistemology. Therefore, the objectives of the GG extend beyond merely enhancing connectivity.

GG Objectives

According to the official website, "The Global Gateway stands for sustainable and trusted connections that work for people and the planet. It helps to tackle the most pressing global challenges, from fighting climate change, to improving health systems, and boosting competitiveness and security of global supply chains" (European Commission, 2024). However, An analysis of Diagram 1, which illustrates the composition of companies within BAG, indicates that sectors such as health, education, and research are underrepresented compared to others. This discrepancy suggests that these areas are deemed less critical within the current strategic framework. The substantial focus on climate and energy sectors appears to align with the EU's objective to achieve CO_2 neutrality by 2050. However, this thesis posits that the prominence of energy and climate initiatives within the GG is fundamentally tied to the EU's goal of achieving energy independence (European Parliament, 2024).

Diagram 1, Composition of Companies of Bag in Percentage



Source: Global Gateway Business Advisory Group expert group, compelled by author.

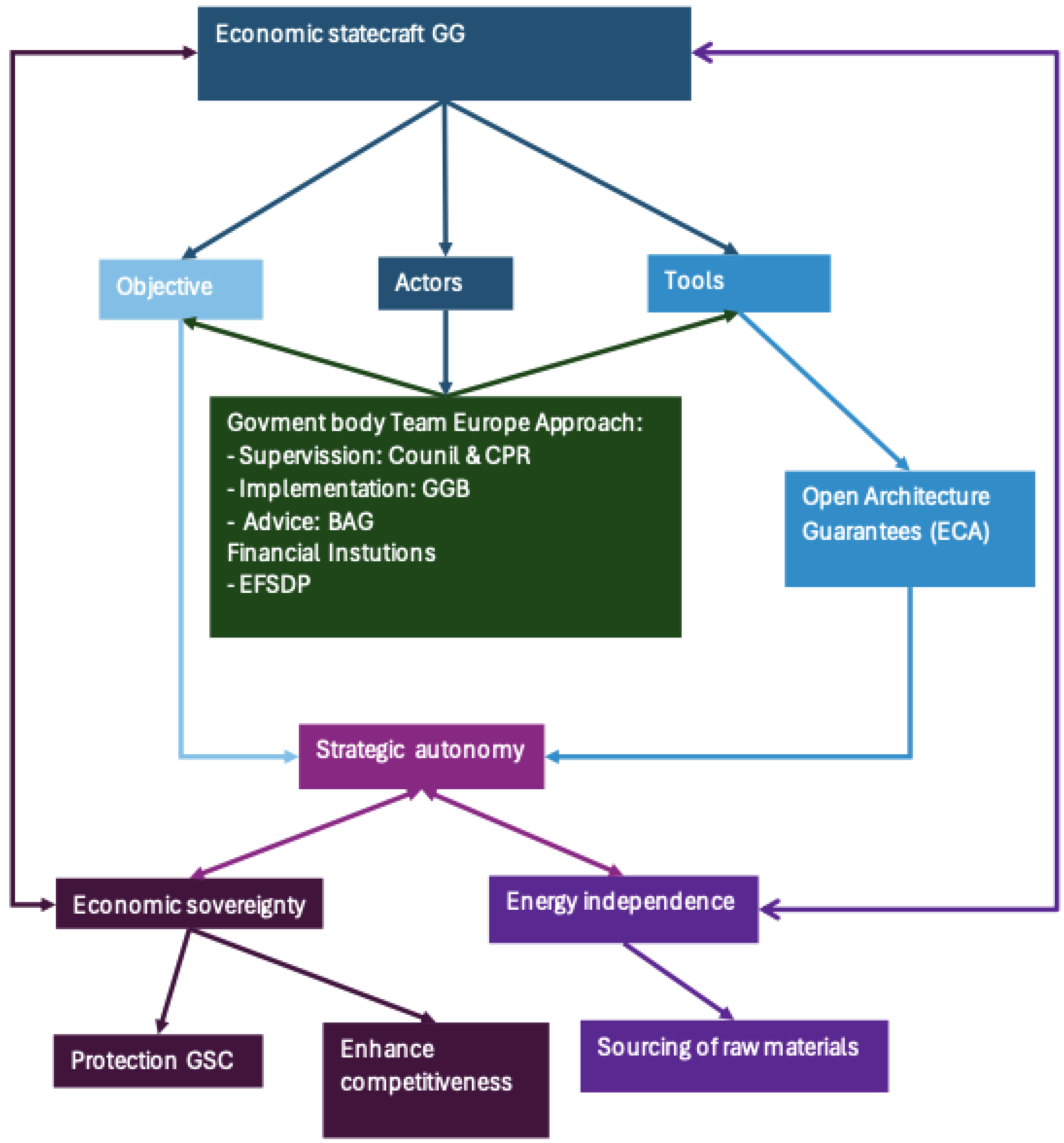
Achieving energy independence necessitates significant investments, the restructuring of manufacturing supply chains, and the sourcing of raw materials (European Parliament, 2023). This strategic objective is intrinsically linked to one of the GG primary goals: securing GSCs. Consequently, the objectives of the GG are deeply intertwined with the EU's policy of strategic autonomy.These policies aim to reduce dependency on external actors by securing energy supplies, safeguarding GSC, and enhancing the

EU's competitiveness (European Parliament, 2024). The alignment between these policies and the GG’s commitment to deploying financial and economic resources towards strategic international objectives underscores its role as a tool of economic statecraft. By enhancing resilience in industrial value chains and securing economic and industrial robustness, the GG exemplifies the EU's strategic deployment of economic power.

A salient example of the GG’s embodiment of economic statecraft is the EU Strategy for Cooperation in the Indo-Pacific (SCIP), which is an integral component of the GG framework. SCIP seeks to foster collaboration across various domains, including sustainable prosperity, green transition, ocean governance, digital partnerships, and security and defense within the Indo-Pacific region (SCIP, 2024). Notably, in late 2023, SCIP partnered with the Port of Antwerp-Bruges International (PoABI), a BAG member, and the Malaysian state development agency, Perbadanan Kemajuan Negeri Perak, to develop the port of Lumut. Strategically located in Southeast Asia, the port of Lumut is envisioned as a key logistics and industrial hub, reflecting the EU’s strategic effort to reduce dependency on specific geopolitical entities while expanding its trading capabilities. This is particularly significant considering that 90 percent of global trade is conducted via maritime routes (PoABI, 2024).

Through strategic investments facilitated by the GG, the European Union advances its objectives of economic sovereignty and energy independence, which are integral to its broader goal of strategic autonomy. By allocating capital to critical sectors such as transport and energy, the EU aims to diversify supply routes and reduce dependencies. This strategic allocation aligns with Brussels' overarching goal of enhancing global economic connections and strengthening its competitive position in the international connectivity arena. This approach underscores Brussels' economic statecraft, as illustrated in Figure 4.

Figure 4: Display of Brussels' Economic Statecraft Inherent to the GG



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Thus, the concept of strategic autonomy aligns with protectionist policies, such as regulated markets and the securing of GSCs. It also aligns with supranational capitalism by providing incentives through ECAs, such as the OAGs, to invest abroad and thereby increase exports. This presents an anomaly within neoliberal principles. Although the EU's expansion of supply routes fosters globalization and FTAs consistent with neoliberalism, the protectionist and supranational capitalist elements aligned with strategic objectives resemble neo-mercantilism. However, the absence of a strong state and the zero-sum mentality, due to the emphasis on FTAs, differentiate it from neo-mercantilism. Additionally, the EU’s approach can be seen as ordoliberal, as it creates conditions, particularly at ports, to facilitate the efficient operation of market forces; however, ordoliberalism generally opposes supranational capitalism and focuses on domestic economic policies. Thus, it is more appropriate to contextualize GG-related policies within a neo-ordoliberal framework, which emphasizes foreign economic policies aimed at strategic objectives and protecting economic interests to ensure economic growth. Furthermore, the hybrid form of the GG, between the public and private sectors, aims to complement and stimulate the private sector to invest abroad and enhance international competitiveness. This distinction highlights the political-economic paradigm shift within the EU and, consequently, within the LIEO. Moreover, the emphasis on strategic autonomy, mirroring the unilateral stance of the U.S., highlights divergence within the LIEO, by increased supranational capitalism and protectionism.

5. Protectionism:

This chapter will first highlight the importance of GSC, then examine the EU's protectionist response to the BRI, and finally analyze the protectionist elements of the GG, to highlight the departure of neoliberalism within the LIEO.

Global Supply Chains

As stated by Thürer et al. (2020), diversifying investments in domestic and international infrastructure is crucial for fortifying resilience against supply chain disruptions. This strategy enhances security and sustainability by reducing reliance on a limited number of entities. Consequently, investing in global infrastructure, such as railways and ports, is essential for expanding the network of GSC. Especially ports, which handle 90 percent of global commerce, are particularly vital for both domestic and international economies, as highlighted by Oulmaki et al. (2023). Therefore, the BRI and GG focus significantly on maritime infrastructure investments to sustain and expand global trade networks, enhancing infrastructure and connectivity for resilient and sustainable trade.

China's Maritime Silk Road and Its Implications for EU Economic Policies

In 2015, China launched "The Vision and Actions on Jointly Building the Silk Road Economic Belt and the 21st Century Maritime Silk Road," promoting policy coordination, infrastructure connectivity, unimpeded trade, financial integration, and people-to-people bonds (State Council of China, 2017). The MSR connects markets across South Asia, West Asia, North Africa, and Europe through three major 'blue economic corridors.' Between 2013 and 2021, Chinese SOEs invested $136 billion in 191 ports through purchases, concessions, leases, stakes, and construction, resulting in stakes in 100 ports across 63 countries (Watterson et al., 2023; The Diplomat, 2021).

These investments are crucial for Beijing's economic statecraft, providing direct access to key maritime routes (Hidalgo-Gallego et al., 2021). In its policies towards the EU, Beijing aims to leverage these investments to foster connectivity, financial integration, and cooperative endeavors, enhancing economic relations and promoting collaboration in sustainable development with the EU (MFA China, 2018).

A key SOE in these investments is COSCO, a conglomerate specialized in ship manufacturing and shipping. COSCO represents 75 percent of China's shares in EU ports, with the remaining shares held by China Merchants Port Holdings Group and Hutchison Port Holdings (Merk, 2020). COSCO holds stakes in seven EU ports and has secured majority ownership in three of their container terminals. These outward FDIs enhance the efficiency and capacity of maritime trade routes between China and the EU, improving connectivity and strengthening China’s economy and serve as essential gateways into the EU internal market (Koening et al., 2023; Oulmaki et al., 2023). Moreover, Chinese investments in EU ports have contributed to economic growth both locally and across the EU by improving production and distribution systems, increasing logistics efficiency, reducing costs, creating employment opportunities, and raising income levels (World Bank, 2020).

However, the growing trend of outward FDIs in critical infrastructure has notably heightened the EU's dependency on China and increased suspicions towards Beijing, particularly due to the strategic advantages gained through its ownership of ports, which could be leveraged to advance its own interests (Policy Department for Structural and Cohesion Policies, 2023). For instance, a key example of outward investments aimed at reinforcing GSC and enhancing financial integration is COSCO's acquisition of the Piraeus Port in Athens. The first terminal was acquired in 2008, during the Euro Crisis, and COSCO increased its ownership to 67 percent by 2020 (COSCO Shipping Ports Limited, 2023). Although these investments align with the commercial logic of profit-making (Clingendael, 2019), they also increase suspicion in the EU due to the close ties between COSCO and Beijing (De Graaf et al., 2021; Dosenrode, 2021).

The EU has summarized its concerns as follows: “the larger the shares owned by a Chinese enterprise in European maritime infrastructure, the higher the risks and their consequences” (European Parliamentary Research Service, 2023). For example, in 2017, the EU proposed a resolution in the United Nations Human Rights Council criticizing China for its crackdown on activists and dissidents. However, this proposal was blocked by Greece's veto, reportedly due to China's significant investments in Greece, including its stake in the port of Piraeus (The Guardian, 2017). Although both Beijing and Athens denied these claims, the incident illustrates the potential for political leverage inherent in port ownership. Additionally, it supports Xing's (2021) argument that an objective of China's economic statecraft could be to "split the EU in two," essentially employing a divide-and-conquer strategy.

Nevertheless, although definitive proof of China leveraging these investments for self-benefit remains unconfirmed, Brussels remains cautious about this potential. These concerns have contributed to the implementation of Regulation (EU) 2019/452, which protects critical sectors from FDIs by enterprises from non-EU countries. Moreover, the EU has embarked on a 'de-risking' strategy to cultivate a more autonomous economic framework. While this strategy is partly influenced by the COVID-19 pandemic, the Ukraine-Russia war, and the Trump administration—which highlighted fragmentation within the LIEO due to tariffs imposed on the EU by the U.S., such as 25 percent on steel—it specifically identifies China as the driving factor, highlighting an adverse outcome of Beijing's economic statecraft (Policy Department for Structural and Cohesion Policies, 2023).

The strategy states that China poses risks to supply chain resilience, national security, and technological competitiveness due to its significant influence in ports and other critical sectors, such as semiconductors. Consequently, the EU aims to reduce dependency on China and enhance supply chain resilience through several measures, some of which are protectionist. These include strengthening investment control measures and coordinating outbound investments to achieve strategic autonomy (European Parliament, 2024).

Thus, the investments under the MSR initiative in ports have contributed to protectionist policies encapsulated in the 'de-risking' strategy, highlighting an increase in protectionism concerning inward and outward investments within the LIEO, as analyzed by Matiotti (2023), especially concerning the safeguarding of GSC. This shift from neoliberal policies, such as open markets and free trade, towards regulated markets signals a new political-economic paradigm that challenges the foundational principles of neoliberalism within the LIEO. This paradigm is neither neo-mercantilism, due to the absence of a strong state, nor ordoliberalism, as these protectionist policies focus on strategic autonomy rather than market efficiency. Consequently, neo-ordoliberalism emerges as the political-economic paradigm most adequate for these economic policies, emphasizing the protection of economic interests such as GSC, as underscored by the GG.

The Role of Protectionism in the EU's Global Gateway

The GG initiative encompasses 23 maritime projects, with 21 specifically targeting port investments in regions including Latin America, the Middle East, the Indo-Pacific, and Sub-Saharan Africa (European Commission, 2024). These investments are integral to the EU's objectives of achieving economic sovereignty and energy independence. This strategy is delineated in the policy document "An EU Approach to Enhance Economic Security," which aims to mitigate risks to supply chain resilience, enhance energy security, and protect critical infrastructure. The approach includes the application of various tools and policies, as well as the establishment of partnerships with a diverse array of global stakeholders to bolster economic security (European Commission, 2023). Consequently, the GG initiative's maritime emphasis underscores an economic statecraft strategy, employing mechanisms such as outward investments and FTAs to extend EU influence over foreign ports.

For instance, on December 10, 2023, Team Europe and the government of Angola solidified their bilateral partnership through the "Joint Communique: 6th Angola-EU Ministerial Meeting; Green and Digital Logistics Corridors in Angola." This agreement is central to the GG project, the ‘Barra do Dande Free Zone,’ which aims to modernize the Port of Luanda and establish a sustainable blue corridor between Angola and Portugal through investments, a total of €275 million and technical assistance. By investing in Angola, the EU aims for Angola to join the African Continental Free Trade Area (AfCFTA), with which the EU has trade agreements (EEAS, 2023). This strategy highlights the EU's economic statecraft by influencing Angola and the AfCFTA.

It is noteworthy that the GG targets investments in Angola, despite the EU’s emphasis on prioritizing investments in "like-minded countries" (European Commission, 2023). These countries are expected to be committed to "democratic values and high standards" as well as "good governance and transparency" as fundamental principles (European Commission, 2024). However, the Democracy Index 2022 by Our World in Data, based on evaluations from the Economist Intelligence Unit, reveals that Angola scores of 3.98, considering factors such as: (i) the extent to which citizens can elect their political leaders through fair and free elections; (ii) enjoyment of civil liberties; (iii) favorability towards democracy over other political systems; and (iv) participation in politics. This rating positions Angola's as a moderate autocracy. Therefore, the strategic imperative of these investments appears to overshadow the GG's foundational principles of promoting democratic governance and transparency.

Consequently, although the EU ostensibly aims to enhance regional welfare and global trade through, its investment strategy appears more aligned with protectionist policies focused on economic sovereignty and energy security by safeguarding GSCs. This alignment is particularly evident given the abundance of critical raw materials, such as t petroleum and mineral resources in Angola, which are, besides the energy independence, essential for the EU industry. Moreover, analyzing the Critical Raw Materials Act suggests that these investments are aimed more at safeguarding raw materials rather than strengthening local economies, as elucidated by Ursula von der Leyen:

“*This Act will bring us closer to our climate ambitions. It will significantly improve the refining, processing, and recycling of critical raw materials here in Europe. Raw materials are vital for manufacturing key technologies for our twin transition - like wind power generation, hydrogen storage, or batteries. We're strengthening our cooperation with reliable trading partners globally to reduce the EU's current dependencies on just* *one or a few countries. It's in our mutual interest to ramp up production in a sustainable manner and at the same time ensure the highest level of diversification of supply chains for our European businesses*." (European Commission, 2023)

Although the act suggests that these investments are aimed at securing raw materials for climate ambitions, it also highlights the EU's desire to reduce its dependency on external sources to enhance the resilience of GSC's. Consequently, the emphasis on raw materials allows for interpretations beyond investments solely in green sectors.

Thus these investments underscores the EU's economic statecraft by emphasizing protectionist policies focused on economic sovereignty and energy security, due the resilience of GSC's. Despite the EU's apparent push towards multilateralism and its commitment to strengthening the international rules-based LIEO, through institutions such as the WTO, the specifics of this commitment remain unclear (European Commission, 2023). Additionally, the EU is developing bilateral partnerships with resource-rich countries, and multilateral through regionalism promoting a form of 'regulated bilitarlism' and 'regulated multilateralism' through trade agreements, which contributes to the diminishing role of established frameworks like the LIEO, including the WTO, therefore underscoring Sinha's (2021) analyzed trend towards 'deglobalization'.

Moverover The EU's investments under the GG initiative indicate a strategic move towards functioning as a more independent entity, reducing reliance on the global economy by mitigating potential supply chain vulnerabilities. This shift signals a complex balance between globalization and regional self-reliance. These investments are associated with protectionist policies, marking a notable shift in the economic-political paradigm. This transformation is evident in both the changes in policy (GG) and its objectives (economic sovereignty and energy security), presenting a paradigm shift.

While some might argue that this protectionism aligns with neo-mercantilism due to its strategic elements, the emphasis on win-win FTAs diminishes this perspective. Additionally, an ordoliberal perspective is not adequate because it focuses on addressing market inefficiencies rather than influencing investments for strategic purposes. Thus, the GG initiative illustrates the rise of neo-ordoliberalism in the EU's foreign economic policies. By combining FTAs, regulated multilateralism, and protectionism through strategic investments aimed at increasing control and ensuring economic stability, the EU underscores a political-economic paradigm shift within the LIEO. By strategically leveraging its economic tools, the EU can better navigate the complexities of the global economy, ensuring both economic security and strategic autonomy, as further illustrated in the following chapter.

7. Supranational Capitalism:

This chapter examines state capitalism in the context of the EU's response to China's BRI economic statecraft aspects and the EU's proactive policies under the GG initiative, labeled as supranational capitalism

The Impact of Investment Screening Mechanisms on EU Economic Security and Competitiveness

As noted in the previous chapter and the literature review, companies related to the BRI receive substantial capital injections from the Chinese state to align their profit goals with Beijing's economic statecraft (Meunier, 2019; Gandocha, 2020). This has intensified the EU's concerns about unfair competition within its markets, reflecting an adverse reaction to Beijing's economic strategies. In response, the EU implemented ISMs, such as Framework Regulation 2019/452 and the Foreign Subsidies Regulation (FSR) in 2023, to "ensure fair and open EU markets" (European Commission, 2023). These policies are inherent to the EU's broader strategic autonomy strategy, which mandates that every member state adopt screening mechanisms in line with the European Economic Security Strategy (European Commission, 2023).

The FSR requires companies to notify the European Commission of significant financial engagements with non-EU governments. This applies to M&As and joint ventures if the entity has an EU turnover of at least €500 million and the foreign financial contribution exceeds €50 million. Additionally, companies must inform the Commission if participating in public procurement procedures where the contract value is at least €250 million and the foreign financial contribution is at least €4 million. The European Commission can prohibit contracts from being awarded to companies benefiting from distortive subsidies (European Commission, 2023).

For other market scenarios not covered by these specific rules, the European Commission retains the power to initiate investigations (ex officio) if it suspects the involvement of distortive foreign subsidies. This includes the authority to request ad-hoc notifications for smaller public procurement procedures and concentrations, ensuring comprehensive oversight and enforcement of fair competition standards across all sectors (European Commission, 2023).

The enactment of the FSR is exemplified by a case study involving an unspecified bid from two Chinese entities: LONGi Green Energy Technology, partially state-owned, and Shanghai Electric Group, fully state-operated, for a solar park project in Romania. Although this investment is not officially linked to the BRI on its website, LONGi's platform declares their active support for the BRI (LONGi, 2024). Furthermore, under the Guidance on Promoting Green Belt and Road, Beijing aims to export environmentally friendly technology by investing in projects like solar parks in regions such as Central and Eastern Europe, including Romania (Ministry of Ecology and

Environment of China, 2017). This section categorizes this bid under Beijing's officially stated foreign policy goals, such as economic connectivity and collaboration in sustainable development, within the broader BRI framework. Moreover, the emphasis on Central and Eastern Europe strengthens the argument of Beijing's 'hidden agenda' of using a 'divide and rule' strategy to split the EU into 'anti-China' and 'pro-China' camps by increasing its influence in EU member states that need capital.

Consequently, the Commission raised concerns regarding this bid, citing a significant imbalance between supply and demand that could suggest distortive subsidy practices by Beijing. This prompted the Romanian contracting authority to initiate an investigation based on the FSR, reflecting apprehensions about potential market distortion within the EU. Notably, the Dutch newspaper Financieel Dagblad (Financial Daily) reported on May 13, 2024, that these two Beijing-related companies had withdrawn their bid. A plausible explanation for this withdrawal could be that these SOEs might have been able to offer unfair bids that could distort the EU market, and Beijing sought to avoid an official investigation. However, further research is required to substantiate this speculation and the argument concerning Beijing's divide-and-rule tactic.

This scenario underscores the inefficiency of Beijing's economic statecraft and highlights Brussels' commitment to enforcing compliance standards amid disproportionately high bids that could lead to unfair competition, thereby strengthening the competitiveness of EU companies. In response, the EU has adopted the FSR policy to enhance competitiveness under the umbrella of economic security. This policy emphasizes a new objective: improving the competitiveness of EU companies, which is inherent to its strategic autonomy and highlights an anomaly within traditional frameworks.

The FSR policy aligns more accurately with neo-ordoliberalism due to its supranational capitalism approach to correcting markets in a rule-based manner. This approach signifies a move towards less open markets, characterized by supranational capitalism due to the active role of the state, thereby altering the foundational neoliberal principles of the LIEO. These practices, marked by protective measures to mitigate market dysfunctions, reflect aspects of neo-mercantilism. However, unlike neo-mercantilism, there is not an overwhelming dominance of the state, as evidenced by the cooperation between Romania and the European Commission.

Although some might argue that this approach aligns with ordoliberal principles, as the EU employs regulatory mechanisms to maintain market order and ensure competitive fairness, ordoliberalism traditionally advocates for a reactive state rather than proactive supranational capitalism.

Furthermore, the EU's state capitalism highlights fragmentation within the LIEO, as these policies apply universally to all non-EU countries, representing a departure from globalization towards a trend of deglobalization due to its regulatory policies.

Beyond supranational capitalism concerning the EU's internal market, Brussels aims to enhance the competitiveness of its companies abroad under the GG initiative.

EU Economic Statecraft and Competitiveness

In contrast to the EU, which has historically advocated for 'adequate' state involvement in its single market, China has consistently embraced and expanded these principles. However, the GG represents a shift toward increased state engagement in supranational capitalism. This initiative marks a significant pivot in the EU's economic statecraft, embodied in its economic security policy. Beyond the objectives mentioned in the previous chapter, the EU aims to enhance its competitiveness by supporting firms in foreign markets and expanding exports. This shift illustrates a movement towards more pronounced state involvement, particularly through the utilization of ECAs.

ECAs epitomize state intervention in global trade, serving as critical mechanisms for export subsidies and incentives. They play an indispensable role in opening international markets to domestic products, thus bolstering both the domestic economy and employment levels. For example, in China, the Export and Credit Insurance Corporation (SINOSURE) functions as the national ECA. SINOSURE provides financial insurance to Chinese businesses engaged in exporting goods, technologies, and services globally, playing a significant role in supporting projects under the BRI (SINOSURE, 2024).

Similarly, the EU has recently employed ECAs to align with the goals of the GG initiative. According to Atkins (2023), a correspondent for the Global Trade Review, this strategic alignment is essential to increase exports to high-risk regions and to enhance competitiveness against major economies such as China and the U.S. (Atkins, 2023). The motivation for this alignment arises from a 5 percent decrease in EU merchandise exports to high-risk countries, alongside a marked reduction in business contracts across the Middle East, Asia, and Africa (Global Trade Review, 2023). Acknowledging these challenges, the European Parliament's International Trade Committee (INTA) has emphasized the strategic importance of aligning ECAs with the GG to enhance EU industrial competitiveness. Therefore, this strategy aims to significantly influence the behavior of commercial actors, a key requirement of efficient economic statecraft (Norris, 2016). Such alignment involves providing robust financial support and insurance for overseas contracts and projects. This approach is deemed an economic strategic necessity, as it underpins 38 million jobs, with one-fifth of EU employment being heavily reliant on exports (INTA, 2023).

However, despite the EU's efforts to enhance exports by boosting the competitiveness of its firms, significant obstacles persist due to the constraints imposed by the OECD Arrangement on Officially Supported Export Credits. This regulatory framework, which outlines repayment terms, interest rates, premium rates, and financial aid of the (supranational) state, is increasingly viewed as outdated by the EU (2022) given the evolving dynamics of capital-intensive investments in new GSCs, as well as intensified competition from non-OECD countries (Council of Europe, 2022, statement 5). A vivid example of this dynamic is the substantial support provided by China's SINOSURE, which extended $6.61 trillion to over 240,000 BRI-related companies engaged in international trade and investments by the end of 2021 (BRI Portal, 2024).

In response to these challenges, the EU exerted pressure, leading to the establishment of a revised OECD arrangement in July 2023. This reform was strategically designed to enhance the global competitiveness of European enterprises by expanding their financial toolkit, thereby facilitating their capacity to secure a greater number of contracts and increase exports in international markets. The revised arrangement introduced several enhancements, including the extension of repayment terms, the reduction of transaction rates for non-market states and entities with non-investment grade, and increased flexibility in financial structuring, thereby creating a more relaxed playing field concerning (supranational) state aid (OECD, 2023). Notably, the extension of repayment terms directly addresses a critical factor contributing to the downturn in EU exports—the previous lack of support for medium-to-long-term transactions and investments (INTA, 2023).

For instance, Vestas, a Danish wind turbine manufacturer and a member of BAG, experienced a notable surge in revenue and profitability during the fourth quarter of 2023, following the implementation of the revised OECD agreement. This increase was attributed to 'enhanced business conditions.' Governmental aid to Vestas dramatically increased from €3 million in 2022 to €51 million in 2023 (Vestas, 2023). Moreover, there was a significant reallocation of revenue: the Asia Pacific region recorded a 31.5 percent increase from the previous year, while Europe, the Middle East, and Africa saw a modest 2.7 percent decrease, and the Americas enjoyed a 12 percent growth (Vestas, 2023). This geographic shift in revenue is particularly relevant within the context of the GG strategic aims, which focus on bolstering green energy investments and strengthening trade ties through FTAs in the Asia Pacific (EU Indo-Pacific, 2024). The pronounced revenue boost in the Asia Pacific, coupled with a substantial increase in governmental aid following the OECD's revamped framework, highlights Brussels' deeper involvement in the internal market and global economy.

This adaptation underscores the EU's commitment to aligning the GG strategy within the OECD framework, suggesting rule-based ordoliberalism while also indicating a shift toward more pronounced supranational capitalism, thus highlighting an anomaly. This trend reflects a policy change, including reforms in ECA agreements, aimed at enhancing the competitiveness of EU companies abroad. The political-economic paradigm shift is evident in the EU's increased capacity to support firms expanding their export and overseas investment activities, marking a significant development in its economic statecraft. Although one could argue that supranational capitalism aligns more closely with neo-mercantilism, this is not the case when considering the emphasis on FTAs, which reflect neoliberal and ordoliberal principles advocating for free trade and open markets. Moreover, the strategic reevaluation of ECAs to ensure EU firms remain globally competitive exemplifies ordoliberalism by correcting the inefficiencies of the 'invisible hand.'

Therefore, this section posits that these policies exemplify a neo-ordoliberal epistemology, where supranational capitalism is strategically used to foster market conditions conducive to economic growth and competitiveness by enhancing the performance of EU companies outside the single market. Moreover, the emphasis on FTAs contributes to the previously analyzed trend of 'deglobalization,' as it marks a shift away from multilateralism due to the diminishing role of the WTO.

8. Conclusion:

The evolving international landscape suggests the emergence of multiple influential blocs rather than a clear bifurcation dominated by the U.S. This challenges the binary conception of global power structures, proposing a more nuanced and segmented global system influenced by varying national interests and geopolitical strategies. For example, the geopolitical rivalry between China and the EU is evident in their respective global connectivity projects: China's BRI and the EU's GG. These initiatives highlight the intense competition between China and the EU in establishing and influencing international trade routes and economic corridors.

The BRI, utilizes Beijing's economic statecraft to extend its global influence and enhance economic connectivity with the EU. However, due to insufficient economic leverage, BRI projects have triggered adverse reactions, leading to increased protectionism and supranational capitalism within the EU, such as the GG. Which represents a move towards supranational capitalism, where the EU leverages its collective economic power to achieve strategic autonomy and reduce dependence on external actors. The GG's focus on sustainable and strategic investments highlights the EU's intent to secure supply chains and enhance its competitive edge in the global market. By investing in critical infrastructure and fostering global connectivity, the EU aims to project its economic influence and ensure the resilience of its GSC. This approach signifies a proactive stance in global economic governance, contrasting sharply with the passive role typically associated with neoliberal economic policies.

The rise of protectionism and state capitalism within the LIEO also points to a broader shift towards a multipolar global economy. The traditional dominance of the U.S. in shaping global economic policies is being challenged by the assertive economic strategies of emerging powers like China and the strategic initiatives of the EU. This shift is not merely about economic policies but also about the geopolitical influence that these economic strategies entail. The BRI and GG exemplify how economic statecraft can be used to achieve broader geopolitical objectives, thereby altering the balance of power in the global economy.

These developments signify a departure from the neoliberal principles that have long underpinned the LIEO. The rise of protectionism and supranational capitalism, driven by strategic national interests, reflects a growing skepticism towards unfettered globalization. The WTO, once the cornerstone of global trade governance, faces diminishing relevance as countries and regional blocs increasingly resort to bilateral and regional trade agreements. This trend towards deglobalization is further exacerbated by geopolitical tensions and economic nationalism, embodied in the economic sovereignty objectives. The WTO's struggles are illustrated by the broader decline in multilateralism, as major economic powers prioritize their (supra)national interests over collective global governance.

The EU's increasing emphasis on strategic autonomy and economic sovereignty also signals a shift away from the LIEO's neoliberal framework. The GG initiative embodies a blend of protectionism and supranational capitalism, where the EU proactively invests in critical infrastructure to safeguard its economic interests. This approach contrasts with the traditional neoliberal emphasis on minimal state intervention and open markets, highlighting a new political-economic paradigm that prioritizes resilience and strategic control over global economic integration.

Therefore, this thesis has illustrated, through an economic statecraft perspective, that neo-ordoliberalism—a blend of neoliberalism, neo-mercantilism, and ordoliberalism—is more adequate for analyzing the economic policies of the EU. Neo-ordoliberalism represents a political-economic epistemology that advocates for a proactive state role—supranational capitalism—in regulating domestically inefficient markets and formulating foreign economic policies aimed at strategic objectives and protecting economic interests to ensure economic growth and safeguard the domestic economy. Furthermore, it promotes a cooperative relationship between government and private entities, where public policies are designed to complement and stimulate the private sector.

However, more research is necessary to further strengthen neo-ordoliberalism. Although it is evident that entities within the LIEO are in a stage of development, and that protectionism, state capitalism, and supranational capitalism are rising, the IPE discipline has not yet produced an adequate political-economic paradigm, until now. Consequently, this thesis argues that neo-ordoliberalism needs to be further explored in the IPE discourse, eventually becoming a political-economic epistemology that influences policy-making.

Moreover, this thesis has illustrated the relevance of neo-ordoliberalism within the EU. While the scope of this research focused on the GG and reactionary policies to the BRI, it is evident that to strengthen neo-ordoliberalism, other economic policies also need to be analyzed within this paradigm. Furthermore, given the rise of protectionism and state capitalism in the U.S., this school of thought would also be adequate for analyzing the changing political-economic paradigm within the U.S.

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