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ANTONIA COLIBĂȘANU

2022
**The Geoeconomic
Roundabout**

How we entered
the first global economic war

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București - 2022

Antonia Colibășanu

2022 – The Geoeconomic Roundabout

How we entered the first global economic war

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TRITONIC

Str. Coacăzilor nr. 5, București

e-mail: editura@tritoninc.ro

www.tritoninc.ro

Tritonic București apare la poziția 18 în lista cu Edituri de prestigiu recunoscut în domeniul științelor sociale (lista A2) (CNATDCU):

http://www.cnatdcu.ro/wp-content/uploads/2011/11/A2_Panel41.xls

Colecția Științe Politice.

Descrierea CIP a Bibliotecii Naționale a României

COLIBĂȘANU, ANTONIA

2022 : the geoeconomic roundabout : how we entered the first global economic war / Antonia Colibășanu. - București : Tritonic Books, 2022

Conține bibliografie

ISBN 978-606-749-628-4

32

33

Coperta: Alexandra Bardan

DTP: Ioan Dorel Radu

Editor: Rebeca Cojocaru

Comanda nr. SP01 / 2022

Bun de tipar: Noiembrie 2022

Tipărit în România

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An Explainer: the Geoeconomic Analytical Framework

A lot has been written on the relationship between international politics and economics and how they intersect each other. This book is not about that – instead, it gathers what I consider to be the articles on the most important topics I have tackled during the last year about the way the world economy works. To write them, I used the geoeconomic framework developed on the geopolitical analysis framework and a macroeconomic analytical toolkit, always interpreting the statistical data available having in mind the socio-political background.

As an international business economist that has spent her career in geopolitical analysis, geoeconomics represents the intersection of the two worlds we live in. After the 2010 financial crisis and as Europe entered a deep economic crisis, it became clear that we need to better understand the way the business world depends on and triggers political decisions, considering the way national economic problems determine security priorities. It became important to see beyond the dependencies that technology (the internet in particular) was allowing. Understanding their limitations became key to making an accurate analysis on the evolution of the global system.

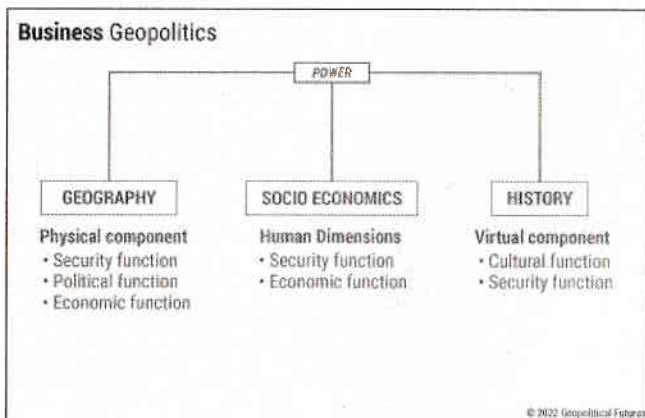
To do that, I started by looking at what businesses need to know when operating internationally – what troubles them? What could trigger problems for them? What is it that they care most when it comes to what the government does? What is their worry? And most important: when, how and why should they take a geopolitical event seriously? What is a geopolitical event for them? All these questions have been both driving and challenging my geopolitical analysis process.

At Geopolitical Futures, whenever writing an analysis I try to make it useful for my “imaginary friend” having a business in the country or the region I was writing about. In my “Geopolitics for Business” seminars with the business community and during other events I was consulted and invited to speak by the business community, I valued most the discussions and debates with the business people actually encountering problems geopolitics could have been useful to understand. During my courses and seminars at the National University of

Political Studies and Public Administration in Bucharest and at the Charles University in Prague, I looked for what the future generation business leaders and policymakers were considering important issues and priorities for their future, how they saw the business environment taking shape, based on the current concerns and challenges.

Through this process, I managed to create a list of issues to *look at* and *look for* when considering the potential impact geopolitics can have on business interests. This list is the foundation for the geoeconomics framework. It is a rather basic list of issues to consider – although, for each region of the world and each country, the list would be developed to include specific details that matter for a certain type of business, for its operations, and, if and whenever needed, for an economic sector that goes beyond a particular nation state.

Simply put, this list is summarizing the main triggers for the way *power is generally perceived* by the business sector – *what makes for power* and *how the powerful affects* them. The perceptions may not always line up with reality,



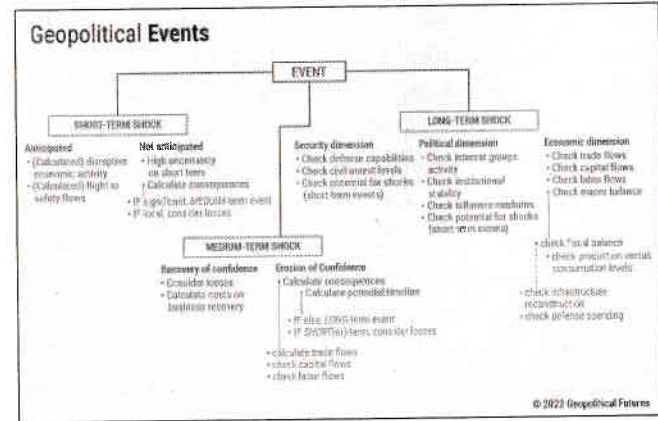
but they certainly shape it. This is why it is important to learn the kind of issues corporations look at when trying to grasp what is and what is not powerful. First, enterprises worldwide consider three main elements to be the sources of power they need to consider when opening a shop in a country or looking at a new market location: *geography, socio-economics and history*.

Geography is the physical component of power. It is extremely hard to overcome or change geography – humans can't get rid of a mountain chain and you can't make natural resources deposits appear (or disappear). This is why geography is likely the primary most important element to consider when looking at the business environment (from a political, economic and security point of view) and whether this is friendly or not to a company or to a particular industry. The socio-economic element refers to the human dimension – and whether the market is friendly or not to the business operations. The history of a particular country or region is the virtual element that a company (looking to expand its business abroad) needs to consider, as history shapes the local culture and the attitude towards the company's products and ultimately, towards its operations. History also gives corporations a sense of how a state (or the government) may behave under certain circumstances, therefore giving insight into what kind of (political) risk to think about. Each of the three elements are important from a security point of view – each in its own way, shaping up the key operational risks that a particular business or industry needs to be aware of.

Considering that in geopolitical analysis we consider the political, economic and military challenges to

understand the way the power of a nation state evolves, in doing geoeconomics we need to be aware that there is always a *mirroring effect in the business world*, only that businesses take into consideration the nation state power when establishing their own and their own power is (due to technology and globalization) rarely determined by national borders. While technology and telecommunications make for more fluidity today than in the Cold War, businesses worldwide understand they are influenced by the nation states' decisions, by the socio-economic dynamics and they also know they can (and need to) exert influence over the environment they work into, as they are part of the national/regional/global social complex system.

Therefore, while a geopolitical event is generally defined as being triggered by a significant change in one of the three main components that defines the nation state – politics, economics or military elements – corporations have their own way of integrating a geopolitical event in their strategic planning. Businesses assess events based on the reaction time needed to settle the event's repercussions for the company's activity. Therefore, when discussing events, businesses address geopolitics through the prism of expected risks and opportunities (as well as costs for the company to take into account when addressing both risks and opportunities). Management boards enjoy discussing long term geopolitical trends – because they can integrate them into strategies and planning processes while they fear dealing with short term shocks, also triggered by geopolitical events but that usually create market uncertainty and operational complications. However, business leaders know it is most



important to be prepared for discussing and integrating shock events into operational plans – as policymakers know that being prepared to tackle unexpected events and create predictable environments is the recipe for stability.

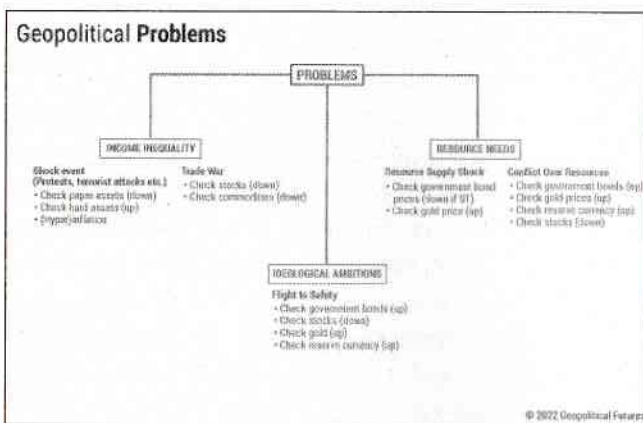
There is no general approach for short term events or geopolitical shocks, as there is no specific way to deal with long term geopolitical expected, known trends. Each corporation needs to adapt its operations and find its own way to deal with such events. There are, however, questions that each business and each industrial sector responds to when tackling them.

For an analyst, contemplating and rationalizing the way they would react is key for learning their future and that of the global economy. Understanding their main limitations is being aware of specific dependencies and entanglements that corporations and industries have with one another and with governments across the Globe. It is exercised, built on the geoeconomic framework that

allows analysts to forecast the next challenges for the national, regional and even the world economic systems.

Geopolitical events create problems for corporations – some to be solved in the short term and others remaining for the long term and affecting the way businesses develop and establish their relationship with the government and generally, with their public, with the society. Going through the set of problems that geopolitical events may pose is understanding the options businesses have – and how these options affect the business environment within a certain sector, nation state, region or globally. Establishing the main market drivers to look at when a geopolitical event occurs is the easiest way to understand the repercussions and the time span that a business needs to consider when addressing a particular problem determined by such an event.

It is important to note that while geopolitical analysis discusses terrain, physical limitations along with the (somewhat abstract) social pressure for political,



economic and military stability, the geoeconomic framework brings forth the nature of resources as part of the complex system that both governments and corporations depend upon. This allows for a clearer analytical picture, considering the distinctions that resources can bring forth. Whenever talking about the global economy, we need to bare in mind the dual nature of resources: renewables and non-renewables as well as their specific destinations – industry or agriculture. Such distinctions help understand specific advantages that countries and even regions have developed in time, coming from activities humans have developed in time. Specializations drive the supply chain and give way for dependencies that are driving human activity and socio-economics, therefore shaping and explaining social pressures at specific points in time.

Therefore, while corporations have developed their specific ways at looking at the world, for someone trying to understand the power relations between governments and the business world, in order to decipher the future of the global economy, knowing the kind of resources that a particular sector considers most important becomes key for understanding the future challenges for the entire system. In other words, learning which of the three categories – land, capital and labor is most important for an economic sector is learning about its priorities and the potential problems it may face. At the same time, establishing the critical infrastructure that supports the supply chain for a certain industry gives insight into the dependencies that may later become drivers for its specific operational problems and even geopolitical events, challenging the stability of the whole system.

Depending on the way that a corporation or an industry grows, considering the kind of resources and infrastructure it needs, it is considering specific steps to take when faced with a particular geopolitical event, be it a war like that in Ukraine or a financial crisis that triggers government action. The geoeconomic framework helps in anticipating such steps, considering that it enables foresight about the business, the sector, and their specific environment. These steps, (or their potential), which are a response (or a potential response) to a certain action that other actors of the society took will later determine, in return, the reaction of the society – made of the general public but also of national governments and international organizations.

The global economic system is therefore formed by a complex– but limited number of actions and reactions of particular actors, all relatively easy to anticipate. If we follow the logical framework provided by geoeconomics which allows for us to learn about the dependencies between them, we will know their priorities and their challenges in implementing them, thus being able to anticipate potential instability within the system as well as the effectiveness of the solutions.

It is important to note that there has always been an overlap of shared supply chain infrastructure between businesses and governments. For example, maritime freight cargo ships, canal access or shared rail lines have been used by both, in peace or war times. They operate independently in many ways but also need to compete and share supply chain logistic resources. This is particularly true during war times – when national security priorities take over and the public institutions, the government take

over private goals and even private property at times. The nature of cooperation between the public and private space, given the socio-economic models countries go by, has proven key to the way conflict and social crises have been solved in history. The relationship between the business world and the nation states is effectively shaping the resolutions to any and all social crises, including wars.

The pandemic and the war in Ukraine have been shocks for both business organizations and governments. They have had to react and adapt quickly to a new business environment, which has changed rapidly and keeps on changing. Both events may be considered shocks that have evolved into medium to long-term geopolitical trends for the business world and the global economy in general. Both define (and are defined by) the way that the global economy is being restructured and the way that relations between businesses and the nation states evolve, ultimately affecting the social well-being, the individuals' share of peace and development.

Taking a step back and looking at how it all evolved since September 2021 – the first time the world had good reasons to believe the pandemic was close to its end, considering the widespread of vaccine use and less dangerous virus strains prevailing (or at least the first time when lockdowns seemed close to an end) is useful for two reasons. First, it provides a timeline for most important events that have influenced the global economy during the last year. Second, and perhaps more important, it provides a practical test case for the geoeconomic framework proposed here.