

# GEOPOLITICS, CLASS AND THE EU'S CHANGING ROLE OF THE STATE: FROM NEOLIBERAL MARKET-MAKING TO POST-NEOLIBERAL MARKET-DIRECTION

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# OVERVIEW

1. The Return of the State in the EU?
  - 1a) Exhibit A: The New Industrial Policy
  - 1b) Exhibit B: The 'geopoliticisation' of trade and investment policy
2. The changing role of the state in the EU: from neoliberal market-making to post-neoliberal market-directing
3. Still the EU of big capital
4. Conclusions and prospects for the Left

# 1. THE RETURN OF THE STATE IN THE EU?

-> A radical transformation of the political economy of EU economic governance?

- 1990s: rise of an ('embedded') neoliberal project out of struggle between competing European political projects: neo-mercantilism; social democracy, and neoliberalism (van Apeldoorn 2002): primacy of markets and the sovereignty of capital
- 2020s: **'the state'** appears to be **back** in EU policy (discourse): a *geo-dirigiste turn* (Seidl & Schmitz 2023)
- **Context:** Geopolitical change (power shift/ end of US-led liberal world order); 'decentred globalisation' and catalysing events: Trump shock; pandemic; Ukraine and ongoing crises (e.g. climate crisis).
- But, also **agency!** : powerful actors interpreting and shaping the structural context on the basis of their ideas and interests

## Von der Leyen unveils 'geopolitical Commission'

EURACTIV 🗓 10 sep. 2019 (updated: 🗓 20 sep. 2019)



## Ukraine war is 'birth of geopolitical Europe', EU top diplomat says

By Alexandra Brzozowski | EURACTIV 🕒 Est. 3min  
🗓 1 mrt. 2022 (updated: 🗓 2 mrt. 2022)



This is to enhance the security and defence of the Balkans as concerns that Russia's invasion of Ukraine will create volatility throughout the region. Borrell also said. (EPA/EEA/STEPHANIE)

# EXHIBIT A: EU'S NEW INDUSTRIAL POLICY

- “Europe needs more factories and fewer dependencies” ...”Made in Europe”, Macron, *FT*, 12 May '23
- (Open) **Strategic Autonomy**
  - EU Chips Act (2023): €43 billion in investment to ‘secure Europe’s supply of semiconductors’
  - Important Projects of Common European Interest (IPCEI): : €60 billion of state aid and private investment in high-tech sectors
  - Green Deal Industrial Plan
  - ‘Digital sovereignty’
  - Draghi Report (2024): €800 billion annual public and private investment to stop Europe from falling behind China and US



# EXHIBIT B: THE GEOPOLITICISATION OF EU TRADE AND INVESTMENT POLICY

- From a trade policy aimed at concluding free trade and investment agreements (CETA, etc.), promoting neoliberal globalization, to one aware of the risks ('weaponization') of globalization: derisking discourse
- **Fusion of economic policy and security policy**
- Draghi (2024): "we will need a genuine EU 'foreign economic policy' to retain our freedom – a so-called statecraft.. and create industrial partnerships to secure the supply chain of key technologies".
  - EU Anti-Coercion Instrument
  - EU's Foreign Direct Investment (FDI) (Screening) Regulation
  - EU's Economic Security Strategy (2023)



# 2) THE CHANGING ROLE OF THE STATE IN THE EU: FROM NEOLIBERAL MARKET-MAKING TO POST-NEOLIBERAL MARKET-DIRECTING

- *Not a return of the state but a changing role of the state*
- Theoretical premisses
  - State power cannot be abstracted from society nor from the private power of capital ('state-capital nexus')
  - *The state is indispensable for capitalist markets to exist & to be reproduced*
- *Four roles of the state* (van Apeldoorn and de Graaff 2022): market creation; correction, intervention, and market direction: internal and external dimensions
- *Shift from a neoliberal market-making role to post-neoliberal market-direction* (in the EU and in the US, convergence with China)
- *Acts by the state that seek to direct markets towards certain desired longer-term outcomes and purposes by steering the accumulation process itself.*

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## The state in global capitalism before and after the Covid-19 crisis

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### ABSTRACT

The Covid-19 crisis has once again brought the role of the state in the capitalist economy to the fore. Rather than viewing this as a 'return of the state', this article conceptualises the current dynamic in terms of a reconfiguration of the roles the state plays, distinguishing between a market-creating, a market-correcting, a market-intervening, and a market-directing role, with each role having both an internal and an external dimension. This conceptual mapping of the diversity of state-capital configurations is then applied to offer a novel reading of the recent capitalist state trajectories of the US and of China. We conclude that there is – notwithstanding persistent differences – a relative convergence inasmuch as the still strongly market-directing Chinese state also has at the same time to embrace a global market-creating role, while the US is now also showing signs of a stronger emphasis on market-direction.

### KEYWORDS

State; capitalism; US; China; markets; crisis

Role	Market creation	Market-correction	Market intervention	Market direction
Internal (general)	Creating the pre-conditions for (the reproduction of) markets; fictitious commodities'; privatization; e.g. neoliberal project	Correction of (socially) destructive effects of markets; Polanyi's double movement; e.g. welfare state	Crisis and support measures to restore private capital accumulation; e.g. fiscal stimulus and support firms COVID crisis	State directing markets / allocation of capital through e.g. public investment in private firms; industrial policy; state ownership
External	Expansion global markets / opening own or foreign markets; e.g. US Open Door	Protection against global market forces; restriction capital and trade flows	Largely absent, but e.g. international coordination of fiscal stimulus	Supporting and directing (funding) outward expansion corporations; external dimension industrial policy

# 3. STILL THE EU OF BIG CAPITAL

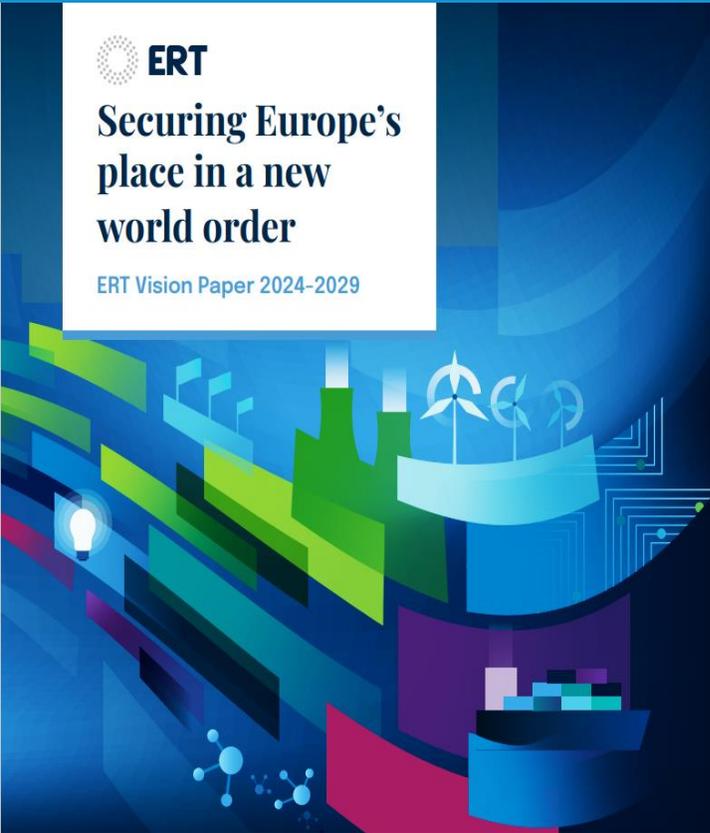
- What happened to **neoliberal Europe** and the social forces supporting it?
- Europe's transnational corporate capitalist class as represented by the **European Round Table of Industrialists** (ERT) played a critical role in advancing this hegemonic neoliberal project and shaping European governance accordingly
- Potential **contradictions and puzzles**: a stronger role of the state in directing markets contradicts the logic of neoliberal globalization and the interests of globalized transnational capital -> are 'state interests' trumping those of private capital?
- Is European transnational capital no longer a hegemonic social force or have its interests and ideas changed?
- Much research needed but preliminary evidence indicates that *state and (big) capital are still strongly aligned* in the new post-neoliberal and geopoliticised EU
- EU industrial policy is welcomed by Europe's corporate elite because in times of adverse conditions the state is coming to its support without asking anything in return: subsidies / investment without any ownership or control or profit-sharing

# ERT'S NEW POST-NEOLIBERAL COMPETITIVENESS AGENDA



Securing Europe's  
place in a new  
world order

ERT Vision Paper 2024-2029



- ❑ ERT's own discourse also shows a recent relative shift away from market-making towards an embrace of a more market-directing role of the state (van der Heijden 2024), with the direction (of course) closely following ERT's own preferences
- ❑ Increasing emphasis on role public investment – especially in key technologies – in boosting competitiveness of European industry (losing global market share)
- ❑ “Strategic, long-term public investments can help drive the digital and green transformation, ensuring that Europe remains at the forefront of technological advancements” (ERT 2023)
- ❑ “European governments must offer attractive incentives and financial support to retain and attract key industries” (ERT 2023)
- ❑ Response needed to “China's active state-driven industrial policy” (ERT 2022)
- ❑ But also continuing worry about overly protectionist tendencies (potentially unresolved tensions)

## 4) CONCLUSIONS AND PROSPECTS FOR THE LEFT

- A return to the neo-mercantilist European project of the early 1980s? (but now more successful?)
- Different context and policies: Corporate power much more entrenched; rise of China *within* globalised capitalism (cf. USSR) and tech competition leading to geopoliticisation of economic policy; single market as basis; emphasis on state aid rather than tariffs
- While moving beyond neoliberalism it is still the Europe of big capital: corporate agenda prevails
- Meanwhile the EU still suffers from same democratic deficit/ endemic legitimacy problems; deepening inequality; ascendant far-right playing into people's insecurities
- The European Left is not a in good position, but neoliberal market-making no longer being hegemonic has opened the political field: in this 'interregnum' there is the potential to build an alternative European project