

The geopolitical state of Europe: From Washington Consensus to geoeconomic Triangle of Power?

Polity – Economy – People

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Roadmap

1. Three definitions: geopolitics, geoeconomics, hegemony [PPT1]
2. Tracing Europe's precarious geopolitical position to its foundational design
3. What kind of hegemon is the US – Kindlebergerian or a self-seeking 'post-hegemonic hegemon'? [PPT2]
4. Europe's mistaken 1990s assumptions about world order
5. The deep contradictions built into the post-Bretton Woods global system (welfare states vs fiscal disciplinarian)
6. Current global malfunctions: systematic - underconsumption (Rosa Luxembourgh) – and unsystematic (the madness of King Trump) [PPT3]
7. Fragmented accumulation as a 'stage' of capitalism
8. Intertwined crises of global governance and domestic governability

1. Definitions: geopolitics, geoeconomics, hegemony

- **Geopolitics:** the study of how geography, economics, and demographics influence states' politics and foreign polic[ies]. It gained prominence in Europe between World War I and World War II ... [It] considers how elements like climate, land, and sea access [as well as] transportation, communication, and technology shape international systems and competition among states. *Source: Britannica.com*
- **Geoeconomics:** ... lacks an agreed definition. Most commonly ... the use of economic tools to advance geopolitical objectives. Other definitions reverse the ends and means, emphasizing how flexing geopolitical muscle is used for economic results. *Chathamhouse.org*
- **Hegemony:** the dominance of one group [or nation-state] over another [other nation-states], often supported by legitimizing norms and ideas *Britanica.com*.



António Costa, left, president of the European Council, visited German Chancellor Friedrich Merz to discuss the ongoing EU budget negotiations © Christoph Soeder/dpa

Nein

António Costa’s tour of capitals hit a jarring speed bump in Berlin, as German Chancellor Friedrich Merz held the frugal line, *writes Paola Tamma*.

These concepts of geopolitics and geoeconomics might help explain intra-EU relations, as well as EU-global relations.

3. *What is Post-Hegemonic Hegemony?*

Two key elements define the US as ‘post-hegemonic hegemon’:

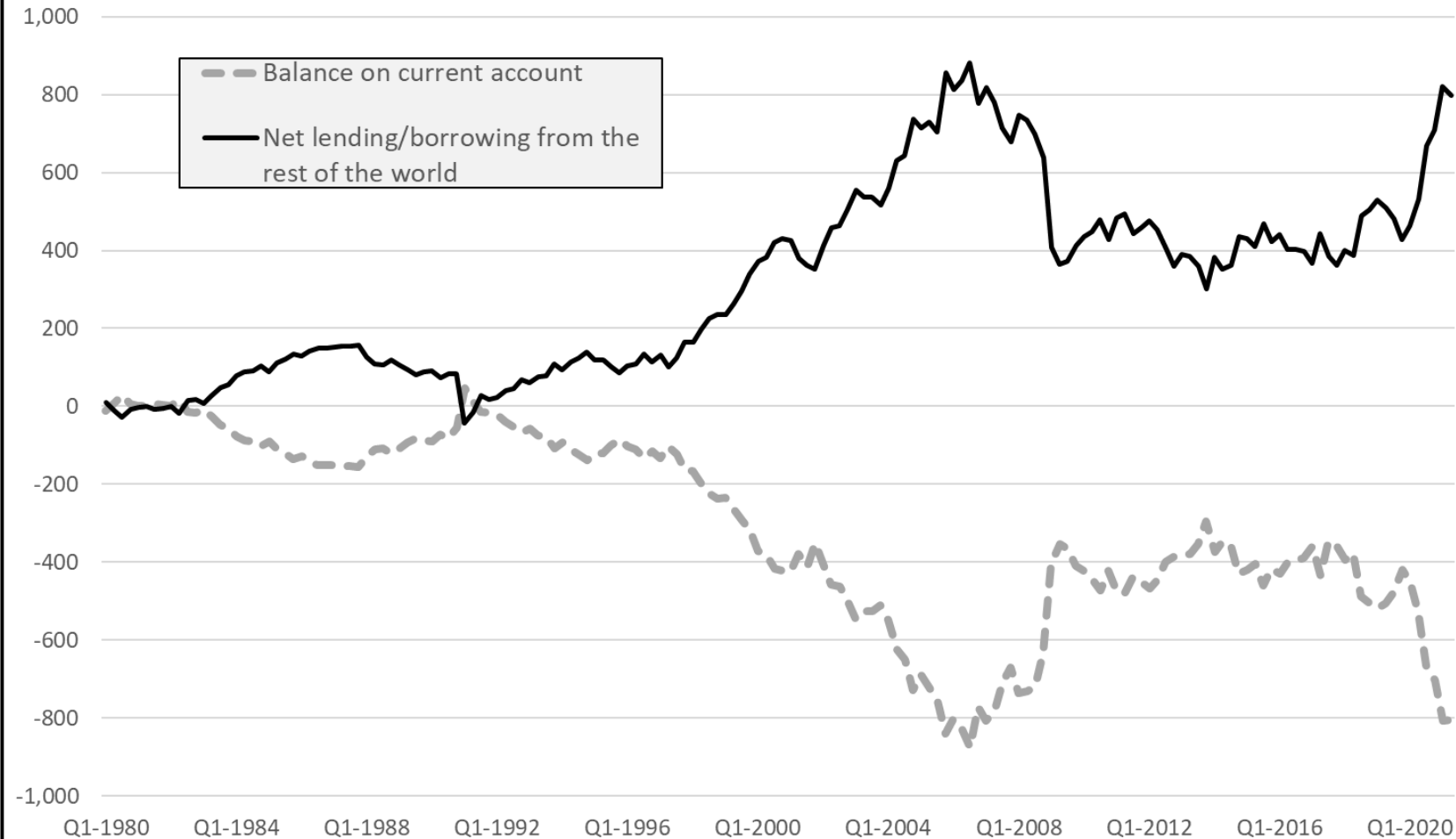
1. The US abandoned any responsibility for the multilateral trading system (the WTO); since 1992 (NAFTA), it has struck bi- /trilateral deals for its own benefit.
2. *Dollar “hegemony”*: exorbitant privilege as a ‘safe asset’/global transactions means of exchange, permitting

Wall Street has benefitted from the steady current-account deficits, which feed money into the US as inflows on capital account: US dollars have been viewed as global ‘safe assets’, due to the many crises elsewhere and to the Federal Reserve’s global ‘lender of last resort’ role – now in question...

- Consequence: global West financial deregulation, and the growth of financial markets and centres to astonishing sizes.

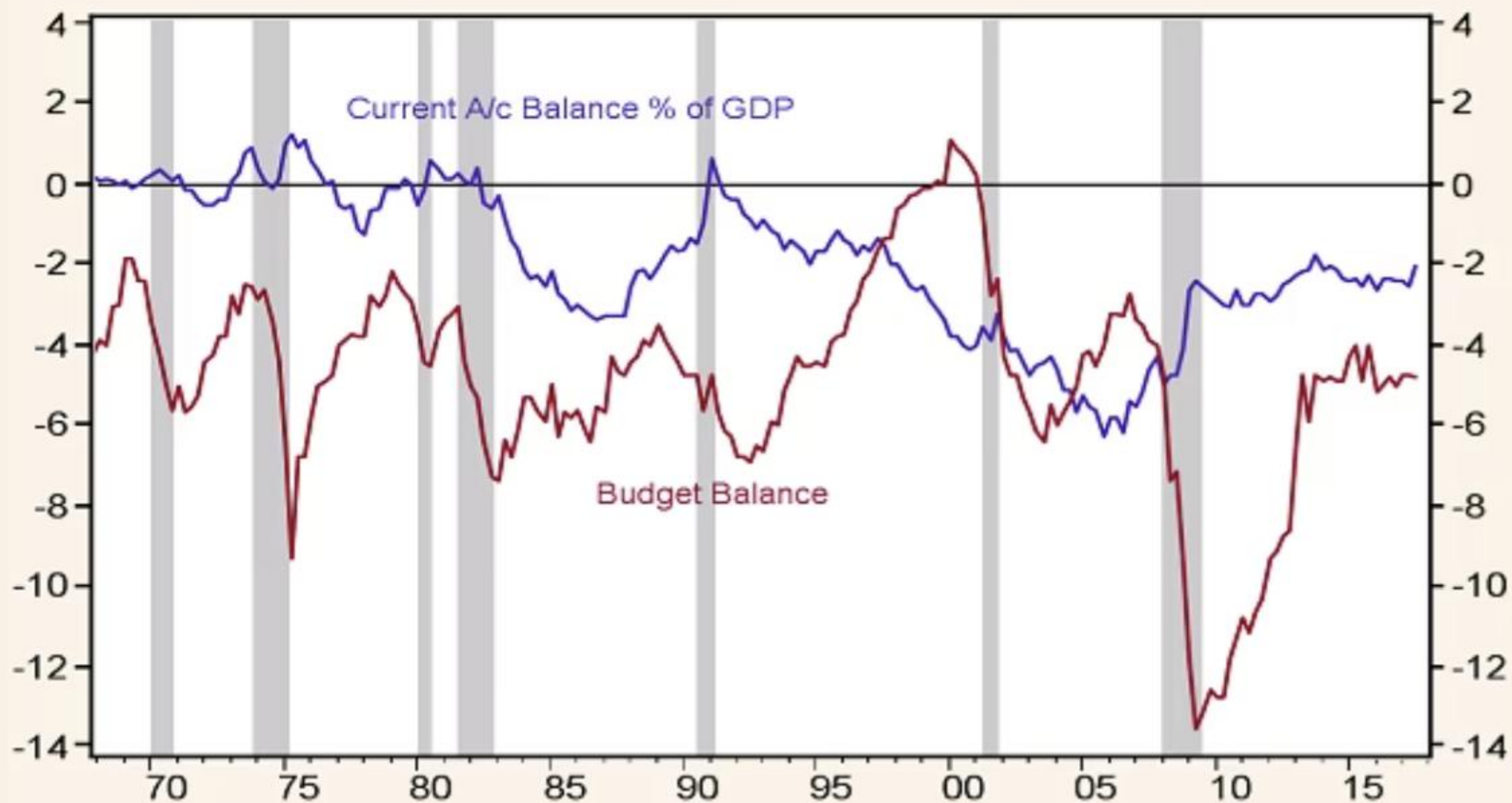
Consequence: US has been the ‘global consumer of last resort’ since 1980s.

Figure 3: United States' Current Account Balance and Net Lending/Borrowing, by Quarter, 1980 to 2021, US\$B (US Federal Reserve Bank of St. Louis)



The systemic current-account deficit made the US a global liquidity sink – jump-starting securitization and the growth of market based lending.

US Twin Budget and Trade Deficits, 1968-2017



International Monetary Fund [+ Add to myFT](#)

IMF ditched top candidate for chief economist job over Trump tariff remarks

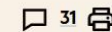
LSE professor Ricardo Reis had said the US president's trade war would hurt American consumers



Ricardo Reis is frequently quoted on economic issues in the Portuguese and international media © Lina Selg/Bloomberg

Olaf Storbeck in Frankfurt, **Claire Jones** in London and **Myles McCormick** in Washington

Published AN HOUR AGO



The IMF dropped the lead candidate to become its new chief economist at the eleventh hour after he was found to have made critical remarks about the Trump administration's economic policies, according to people briefed on the process.

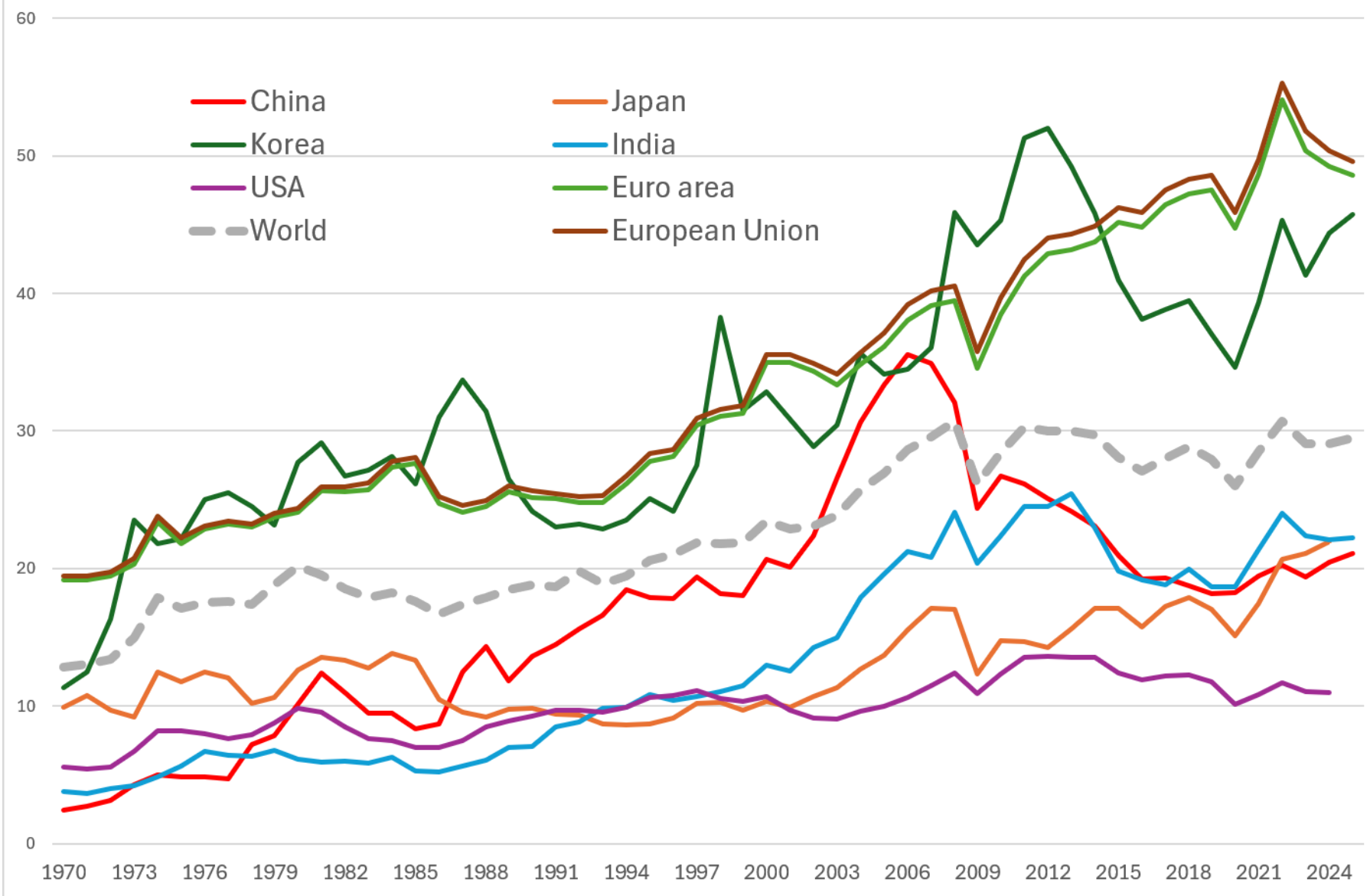
The Washington-based fund was preparing an announcement that Ricardo Reis, a professor at the London School of Economics, would take over as head of research and economic counsellor earlier this summer when it suddenly backtracked. The last-minute change was prompted by earlier remarks by Reis that were critical of Donald Trump's trade tariffs, three people familiar with the matter told the FT.

Post-hegemonic
hegemony still
retains force, even
in the Trump era...

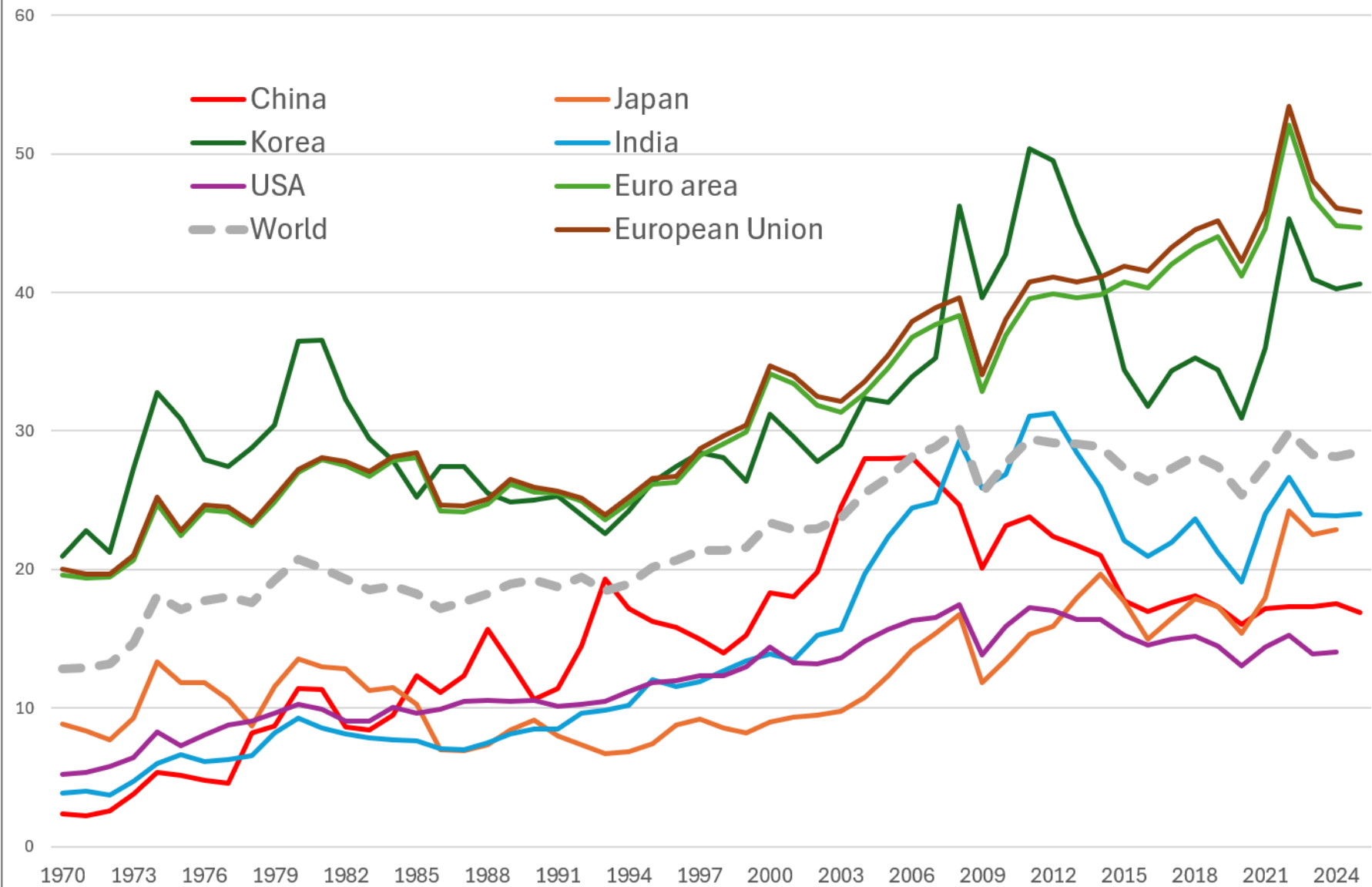
7. Fragmented accumulation: growth

- High investment and savings rates and low wages have turbocharged East Asia's success in exporting manufactured goods; meanwhile production capacity in Western nations has been decimated. The Western powers saw off the Japanese threat in 1985, but once China entered the WTO (2001), its growth has been slowed only by global economic trends, not by Western threats
- The US's deregulated financial complex and advanced logistics and IT innovations have facilitated consumer-led GDP growth despite low household savings (this is the world MAGA advocates are trying to save).
- These economies' accumulation processes are fragmented: they could not be sustained within autonomous closed-economy borders. This has led to global economic co-dependency (seen in persistent current-account imbalances).
- The US has sustained (40+ years) government and current-account deficits due to global dependence on the US dollar as a 'safe asset' - underwritten by the US Federal Reserve as global lender of last resort – and to the need for adequate global demand.

Exports of Goods and Services as % of GDP, 1970-2025:
China, Japan, Korea, India, USA, Europe, World



Imports of goods and services as % of GDP, 1970-2025:
China, Japan, Korea, India, USA, Europe, World



7. Fragmented accumulation: crises and slowdown

- The two leading protagonists in this new phase of global capitalism are the US and China. China leads an East Asia-centred manufacturing/production complex, and the US dominates (with UK help) a web of globalized finance across high-income Western nations.
- Fragmented accumulation became the defining form of global growth: the US, China (and East Asia), and Europe all with imports and exports as an increasing percentage of overall demand and supply.
- The Great Financial Crisis and Covid pandemic exposed the contradictory composition of a global economy with purposely imbalanced supply and demand.
 - The Great Financial Crisis led to a global economic slowdown and to rescues of big banks protected by 'too big to fail' status (eg Commerzbank, Deutschebank).
 - Post GFC, China faced a slowing global market as Europe embraced austerity.

Figure: Moving avg GDP annual growth rate in constant currency units,
1971-2025: China, Japan, Republic of Korea (World Bank)

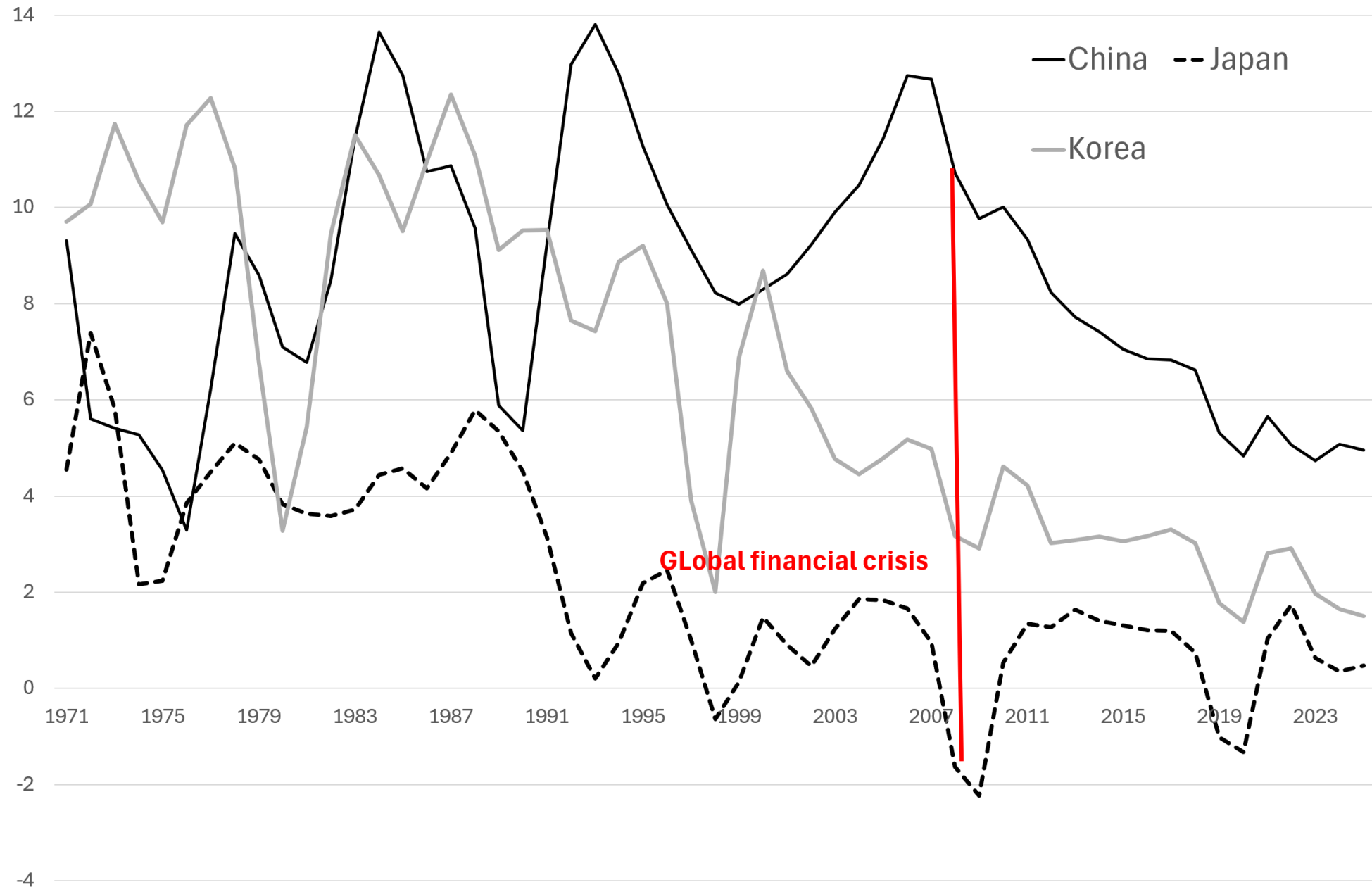
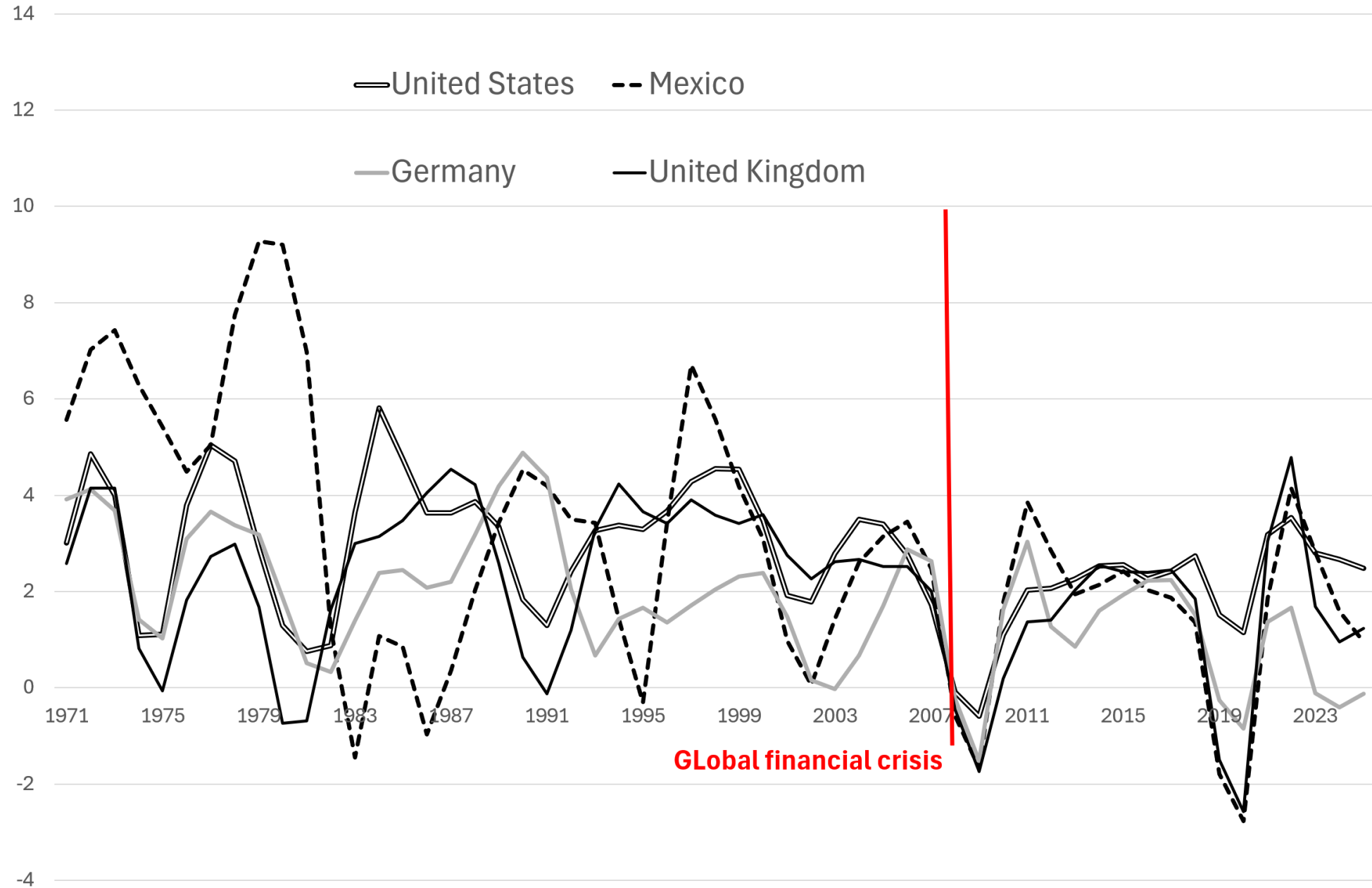


Figure: Moving-average GDP growth rate in constant currency units,
1971-2025: United States, Mexico, Germany, United Kingdom



8. Intertwined crises of global governance & domestic governability

This global success in building systematic cross-border linkages into national growth models during the four Neoliberal decades has now led to all three facing parallel dilemmas: a crisis of global governance and a crisis of social provisioning for those outside the income/wealth elites.

- Solving the first crisis would mean establishing a global institution with the capacity to support and channel economic activity more forcefully than the Bretton Woods institutions have managed in their seven decades of existence.
- Solving the second crisis will require, for each of these nations, rethinking the roles and revenues of local and regional authorities domestically; and any solution carries implications for each nation's current location in the fragmented global system of accumulation.

So the world's leading economies are facing simultaneous policy challenges at both global and regional/local scales; and they cannot meet the latter challenge without undoing the basis of their insertions into the fragmented accumulation structure at global scale.

China's giant trade surplus has an increasingly geopolitical twist

Partners are faced with a model that combines export-led growth with tech supremacy

ALAN BEATTIE

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BYD vehicles set to be exported at a port in Jiangsu province. China has embraced export-oriented growth with ever greater fervour © AFP/Getty Images

Alan Beattie

Published YESTERDAY



It takes quite a lot for a group of nations to line up with Donald Trump's rogue US administration, but current account imbalances as a result of China's surplus and competition from Chinese companies have pretty much managed it.

At [last week's meeting](#) of the G20 group of finance ministers, there was widespread agreement about the risk to the world economy and trade imbalances from "non-market" policies. Governments say China's return to an aggressive export-oriented growth model in recent years is hollowing out their manufacturing.

There are just two tiny problems with fixing this. First, China doesn't agree, and vetoed the attempt at a G20 communiqué on this. Second, there are two increasingly intertwined issues — macroeconomic imbalances on the one hand and China's drive for technological supremacy on the other. China's trading partners are attempting to resolve the first with (generally uncoordinated) industrial policy that is only suitable to address the second, and which in any case is struggling for impact.

How Europe can take up America's mantle

The continent is an economic superpower but it now has to mobilise in defence of democracy

MARTIN WOLF

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Martin Wolf

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“We were at war with a dictator; now we are fighting against a dictator supported by a traitor.” Thus, in a brilliant speech, did [Claude Malhuret](#), hitherto a little-known [French senator](#), define the challenge of our age. He was right. We now know that the US and so the world have been transformed for the worse. But this should no longer be all that surprising. The doubt rather is over how Europe can and will respond.

Contrast this with the second impeachment of Donald Trump in February 2021 on the far greater crime of inciting an insurrection aimed at overturning the results of the 2020 presidential election. It is impossible for anybody sane to doubt his guilt. But [only seven Republican senators voted](#) for conviction. It was not enough. In letting him off, Congress killed the constitution. What has happened since that moment [was predictable and predicted](#).

Since the 1970s the US has suffered a moral collapse from which it is unlikely to recover. We see this daily in what this administration is being allowed to do to US commitments, to allies, to the weak, to the press and to the law. My colleague [John Burn-Murdoch](#) has also shown that Maga attitudes are close to those of today's Russians: power will not be yielded easily.

This is a truly historic catastrophe. But if the US is no longer a proponent and defender of liberal democracy, the only force potentially strong enough to fill the gap is Europe. If Europeans are to succeed with this heavy task, they must begin by securing their home. Their ability to do so will depend in turn on resources, time, will and cohesion.