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The Influence of Geopolitics on International Economic Policy

Farshad Rontos*

Department of Economics and Economic Policy, Bucharest University of Economic Studies, 010552 Bucharest, Romania

Introduction

Geopolitics, the study of the effects of geography (human and physical) on international politics and relations, has a profound influence on international economic policy. In an increasingly interconnected world, where political power dynamics are closely intertwined with economic interests, the decisions made by states and international bodies are often shaped by geopolitical considerations. From trade agreements and sanctions to energy policies and technological alliances, geopolitics plays a critical role in determining the direction and nature of international economic interactions. The 21st century has seen Resurgence in the importance of geopolitics, driven by factors such as the rise of new global powers, regional conflicts, and shifting alliances, all of which impact global economic policy. As nations navigate a complex landscape of competing interests, the influence of geopolitics on economic policy becomes ever more apparent, affecting everything from trade flows and investment strategies to global supply chains and financial markets [1].

Description

Geopolitics influences international economic policy through several key mechanisms, including the formation and disruption of trade alliances, the implementation of economic sanctions, and the strategic control of critical resources like energy and technology. These factors are often interrelated, as geopolitical rivalries or collaborations can lead to shifts in economic policies that reverberate across the global economy. One of the most visible ways in which geopolitics affects international economic policy is through trade agreements and economic blocs. For instance, the European Union (EU), the North American Free Trade Agreement (NAFTA), and the Association of Southeast Asian Nations (ASEAN) are not just economic partnerships but also geopolitical entities designed to enhance regional stability and influence. These agreements are shaped by geopolitical considerations, as countries seek to secure economic advantages while also reinforcing political alliances. For example, the formation of NAFTA was motivated not only by economic benefits but also by the desire of the United States to strengthen ties with its neighbours, Mexico and Canada, amidst a rapidly globalizing world economy. Similarly, the Trans-Pacific Partnership (TPP), although not fully realized, was seen as a strategic move by the United States to counter China's growing influence in the Asia-Pacific region [2].

Geopolitical tensions can also lead to the imposition of economic sanctions, which are a tool used by states or coalitions to influence the behaviour of other nations. Sanctions can target specific industries, such as defence, technology, or energy, and are often used in response to actions deemed hostile or contrary to international norms. The sanctions imposed on Russia following its annexation of Crimea in 2014 are a prime example of how geopolitical conflicts can lead to significant shifts in international economic policy. These sanctions not only affected the Russian economy, leading to a contraction in GDP and a devaluation of the rubble, but also had broader implications for global markets, particularly in the energy sector, given Russia's role as a major oil and gas exporter. Energy policy is another area where geopolitics and international economic policy intersect. Control over energy resources, such as oil, natural gas, and increasingly, renewable energy technologies, is a key strategic consideration for many nations. Countries that are rich in energy resources, such as those in the Middle East, Russia, and Venezuela, wield significant geopolitical power, as they can influence global energy markets and, by extension, global economic stability [3].

The geopolitical importance of energy is evident in the complex relationships between energy producers and consumers, where economic policies are often crafted to ensure energy security. For example, Europe's reliance on Russian natural gas has been a critical factor in shaping its foreign and economic policies, especially in the context of on-going geopolitical tensions between Russia and the West. In addition to energy, the technological landscape is increasingly becoming a battleground for geopolitical influence. The global race for technological supremacy, particularly in areas such as artificial intelligence, 5G telecommunications, and cyber security, is shaping international economic policies. The competition between the United States and China over technological dominance is a prime example of how geopolitical rivalries can drive economic strategies. Policies related to technology transfer, intellectual property rights, and investment in research and development are increasingly influenced by the desire to maintain or gain geopolitical advantage. The trade war between the United States and China, which included significant tariffs and restrictions on technology firms like Huawei, demonstrates how economic policy is being used as a tool to achieve broader geopolitical objectives [4].

The COVID-19 pandemic highlighted the vulnerabilities in global supply chains and led to calls for greater economic self-sufficiency, particularly in critical sectors such as healthcare, technology, and food security. Countries are now reassessing their economic policies to reduce dependence on potentially hostile or unstable regions. This shift is likely to have long-term implications for international trade and investment patterns, as businesses and governments alike reconsider their strategies in light of geopolitical risks. Furthermore, the influence of geopolitics on international economic policy is evident in the strategic deployment of foreign aid and investment. Countries often use economic assistance as a means to gain political influence or to secure strategic interests in other regions. China's Belt and Road Initiative (BRI) is a notable example of how infrastructure investment is being used as a tool of geopolitical influence. Through the BRI, China is investing billions of dollars in infrastructure projects across Asia, Africa, and Europe, effectively creating new trade routes and expanding its economic and political influence in these regions. This has prompted responses from other major powers, including the United States and the EU, who view the BRI as a challenge to their own geopolitical interests and have sought to counter it through their own economic initiatives [5].

Conclusion

The influence of geopolitics on international economic policy is profound

***Address for Correspondence:** Farshad Rontos, Department of Economics and Economic Policy, Bucharest University of Economic Studies, 010552 Bucharest, Romania; E-mail: farshad@rontos.com*

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and multifaceted, shaping the way countries interact economically on the global stage. From the formation of trade alliances and the imposition of sanctions to the strategic control of resources and the global competition for technological dominance, geopolitics drives the development and implementation of economic policies that reflect broader strategic objectives. In an era marked by shifting power dynamics, economic globalization, and complex interdependencies, understanding the interplay between geopolitics and economic policy is crucial for navigating the challenges and opportunities of the 21st century. As nations continue to adapt to an evolving geopolitical landscape, the integration of geopolitical considerations into economic policymaking will remain a key factor in shaping the future of international relations and global economic stability.

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Conflict of Interest

None.

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