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**GEOECONOMICS AND ECONOMIC POLICY: ANALYTICAL
PERSPECTIVES AND IMPLICATIONS FOR EMERGING
ECONOMIES**

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Geoeconomics and Economic Policy: Analytical Perspectives and Implications for Emerging Economies

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Abstract

The growing use of economic instruments as tools to pursue strategic objectives has renewed interest in the concept of geoeconomics. Despite the increasing relevance of this concept, its analytical boundaries remain unclear and its relationship with traditional economic policy analysis is often insufficiently explored. This paper contributes to the debate by examining the links between geoeconomics and economic policy. These dynamics are illustrated through selected examples. The Brazilian case is used as a reference.

Keywords: Geoeconomics, Economic Policy, Emerging Economies, International Political Economy

JEL Codes: F02, F42, F5, F6

I – Introduction

The international system is undergoing significant transformations. Economic instruments are increasingly used as tools of strategic competition among states. These developments have revived interest in the concept of geoeconomics, understood as the use of economic instruments to pursue geopolitical objectives.

Recent contributions in the literature on international political economy have emphasized the growing role of geoeconomic instruments in global competition (Blackwill & Harris 2016; Farrell & Newman 2019; Clayton et al. 2024).

Despite the growing relevance of geoeconomics, its relationship with conventional economic policy analysis remains insufficiently explored. Much of the literature focuses on strategic competition among major powers and sanctions (Drezner 2010), while less attention has been given to how traditional economic policy instruments may generate geoeconomic effects.

This paper contributes to this debate by examining the links between geoeconomics and economic policy. It provides an analytical framework that connects the concept of

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geoeconomics with five major areas of economic policy: fiscal policy, monetary policy, exchange rate policy, trade policy, and foreign direct investment policy.

The analysis also discusses the implications of geoeconomic dynamics for emerging economies. The Brazilian case is used as a reference to illustrate how geoeconomic strategies adopted by major powers may affect countries with intermediate levels of economic influence.

Numerous studies have examined the changes currently taking place in international relations in recent years. Daily headlines stress the characteristics of the new scenario and the implicit risks.

The energy transition is creating new dependencies and rivalries. Climate change, coupled to disregard to the existing commitments, leads to points of no return in terms of environment degradation, migration, pandemics. Together with organized crime and corruption, these are issues that create geopolitical friction and require multilateral responses. Control over oil, gas, and critical minerals has become central to a number of disputes.

The post-1945 order combined geopolitical alliances (NATO) with political-economic institutions (IMF, World Bank, WTO) to promote liberal democracy and market capitalism. Yet there is more intense calls for adjusting such order, be it to take into account the changes in productive processes, to cope with the resistance by some member countries or even to learn how to address the Chinese and increasingly Indian geopolitical assertiveness combined with state-capitalist political economy.

The dismantling of the multilateral system is contributing to higher protectionism. It also reflects a return to pre-twentieth century patterns of power relations, in which economic pressure or military force are used to secure access to resources.

New domains of conflict comprise the control of cyberspace, critical for espionage, influence, as well as for communications, surveillance, and military navigation. It also helps monitor the Arctic, since the melting ice opens new shipping routes and access to resources.

Apart from long-standing potential or open conflict areas, such as the Kashmir and the Himalayas, the Middle East, Ukraine and the Taiwan Strait, it is worrying to see also an intense rearming, including in traditionally peaceful areas, such as South America.

On the strictly economic field, it is worth noting the universal peculiarity of high public debts in the major economies, at a time of rapid aging of the population as well as increasing demand for public expenditures, including for military purposes.

World performance is influenced by the activities of the major player of the economic system, the US. Yet there is an increasing concern with the fact that most of the investment in that economy has been concentrated on artificial intelligence, even though the huge amount of resources invested is not getting corresponding amounts of return, which leads to fears of a bubble burst, with enormous worldwide impact, given the amounts involved.

In parallel, domestic US policies coupled to other countries' search for alternative mechanisms for trade and financial contracts have led to a gradual concern with the chances for maintaining the acceptance of the US dollar. There are already a few alternative procedures for trade contracts in other currencies, as well as a reduction of the weight of the dollar as a reserve asset. The booming of digital currencies is an increasing matter for concern, since this might lead to a system of a multiplicity of coins without substantive anchors.

Although the concept of geoeconomics has gained increasing attention in recent years, much of the literature focuses on specific instruments such as sanctions, trade restrictions, or financial measures. Less attention has been given to the broader relationship between geoeconomics and conventional economic policy analysis. This paper seeks to bridge that gap.

This picture is a departing point for the present text. There is a multiplicity of important elements that are shaping international relations in an unprecedented way. Clear analytical tools are required for a broad view of this new environment. However defined, the concept of geoeconomics can be helpful in this regard.

Geoeconomics can be associated to several fields of knowledge, be it the study of law, institutional framework, banking, environment, etc. Here the focus is on economic policies and their relation to geoeconomics, and this is developed in four sessions. In each economic policy area there is reference to an example of the use of economic policy instruments and its geoeconomic aspect, followed by the likely impact on an emerging economy. The Brazilian case is used as reference.

The central question addressed in this paper is how traditional economic policy instruments, such as fiscal, monetary, exchange rate, trade, and investment policies, can produce geoeconomic effects and influence international power relations. The contribution of the paper is to provide a structured analytical framework linking geoeconomics to conventional economic policy analysis, highlighting the channels through which domestic policies generate international strategic effects.

The remainder of the paper is organized as follows. Section II discusses the analytical foundations of the concept of geoeconomics and its relationship with political economy and geopolitics. Section III examines the geoeconomic dimension of five major areas of economic policy: fiscal policy, monetary policy, exchange-rate policy, trade policy, and foreign direct investment policy. Section IV concludes with some final remarks on the implications for emerging economies.

II – A few analytical tools – from Political Economy to Geoeconomics

The relationship among nations has seldom been exempt from attrition. Be it for the wealth of a country (or its leader) been conceived as the amount of land it owns, be it for the desire to obtain control upon agricultural or mineral products in other countries, be it as an outcome of geographic strategy or even if motivated by political or religious reasons, there has always been conflicts among different countries. It is not an easy task to try and identify a prolonged period of time without any war.

Until the beginning of the XX century those conflicts were associated with inevitable military clashes. The post-2nd World War contributed a new scenario, with the creation of multilateral agencies that were meant to provide negotiating forums, hence presumably leading to peaceful solutions of eventual conflicts, as well as providing sources of resources to needed investment, discipline to trade policies as well as short-term support to address Balance of Payment crisis.

In the eight decades since the creation of such multilateral architecture the overall scenario has been predominantly peaceful in military terms, except for some specific even though frequent conflicts.

Power differences among countries have led to the forced acceptance of some measures by the weaker part. This is illustrated by the dispute of access to specific raw materials and there are conflicts based on differences in political/economic logic. But instead of military clashes there has been a more frequent use of initiatives disguised as economic decisions.

The recognition of such features has led over time to the gradual creation of new concepts.

It must be recognized that any action undertaken by the government of a given country mirrors the domestic solution of the natural conflict among different political forces, as well as how the economic outcomes shape the domestic political scenario. This leads to the concept of political economy.

Following the classic definition of politics as the process that determines who gets what, when and how, distributive conflicts become central to the analysis of political economy. Power determines such relationships, so as to privilege some agents and to disadvantage others (Ravenhill 2017).

Political economy can be applied to a domestic, international, or global levels and often adopts a long-run perspective, focusing on structural change and historical evolution. Political decisions shape economic systems, but at the same time economic structures shape political outcomes. Domestic interests might determine a country's participation in the international scenario. Good examples are the (Grossman & Helpman 2002) reference analysis of interest groups and trade policy and the overview provided by (Rodrik 1995).

It essentially seeks to understand how institutions, interests, power relations, and ideas shape economic systems, by analyzing how states organize markets, how social groups influence policy and how distributional conflicts emerge and persist.

Market outcomes reflect asymmetries in class power, institutional design, bargaining positions, and historical trajectories. Power is embedded in rules, norms, and production structures, often operating indirectly and over long periods. Markets are shaped by political choices, and political outcomes are constrained by economic structures.

When applied to international relations, the logic of political economy helps explain why certain countries possess leverage, how domestic coalitions shape external economic strategies, and how productive structures condition international power.

So far for the determining aspects of the participation of each country in the international scenario. A good deal of it is determined by the perspective each country has, departing from its geographic location. Neighboring countries are natural candidates to become targets for direct action, but not only them as witnessed, for example, by the African domain of European empires in the XIX century.

Factors like natural borders, access to the sea or to navigable rivers, control of key straits and canals (such as the Ormuz straight and the Panama canal) and access to natural resources tend to shape a country's security and economic potential, hence its foreign policy.

The geographic dimension of the analysis of international relations has led to the concept of geopolitics (Flint 2006; Cahnman 1943). It focuses on how the location, natural resources, territory, population, and physical constraints shapes the power, strategies, and foreign policies of states in the international system.

Geopolitics stresses the geographic bases of power, meaning by this a combination of "hard power" (military, economic strength) and "soft power" (cultural influence, diplomacy). Geographic power might also lead to a sphere of political weight, where one dominant nation limits the influence of rival powers.

Geopolitics is obviously directly linked to the political economy dimension, since the latter determines the precise policy objectives. It is the most powerful domestic group of agents who defines the needs and the targets, hence the tools to reach them.

The set of economic tools to reach the objectives is limitless. Some examples are, for trade policy, the adoption of sanctions, tariffs, and embargoes (such as the Western sanctions on Russia and the several measures adopted in the US-China trade war); for investment, the intensification of the action of investment screening mechanisms, the financing of infrastructure projects (such as those under the Chinese Belt and Road Initiative, creating dependencies and securing supply routes); and for international finance, the several mechanisms that contribute to the dominance of the US dollar.

It is, of course, not always easy to identify the dominant, powerful group at a given moment. Whether it corresponds to the biggest share of the population, the wealthiest strata, the most active lobbyists or any other set is often difficult to identify, but little doubt remains that a country's external policy is an outcome of the domestic struggle for power.

Recent examples are the several manifestations of the agricultural producers in some Western European countries against the EU-Mercosur agreement, leading to the formal opposition by those countries in the several voting processes, even though agriculture corresponds to a small share of production in the EU. Another example is the resistance by some politically powerful owners of social media companies, pressing for hard negotiations that should lead to limiting the capacity of other countries to discipline their domestic legislation towards this sector.

The analysis of relations between countries has for a long time emphasized that the physical limits of each country influence its foreign policy. The growing international movement of production factors in recent decades, the changes associated with the

process of productive and financial globalization, and the facilities of communication have reduced the importance of geographical limits. But the mercantilist emphasis has not disappeared. It remains present in a more dissimulated way.

This new scenario, in which most of the disputes between countries take place in a more disguised way, through economic measures, has demanded new identification and new criteria of analysis.

The rationality of geopolitics evolved into what is called geoeconomics. This does not mean a detachment from a good part of the considerations related to power conflicts. The emphasis on the geographical dimension is replaced by the recognition of the weight of interventions made possible via market mechanisms (Mohr & Trebesch 2025). The primary concern of geoeconomics is how states use economic tools (trade policy, finance, technology controls, investment rules, energy, and infrastructure) to pursue geopolitical objectives. Geoeconomics differs from geopolitics in that the primary instruments of power are economic rather than military.

II.1 - The challenge to define Geoeconomics

Recent contributions have emphasized the growing importance of geoeconomic instruments in international relations (Blackwill & Harris 2016; Roberts et alli 2019; Mohr & Trebesch 2025). However, the relationship between these instruments and conventional economic policy analysis remains insufficiently explored.

It is hard to obtain a clear definition of geoeconomics. As proposed by Luttwak (Moraes 2024), geoeconomics is the application of the 'logic of conflict' to international economic relations. States act in the economic sphere, seeking to strengthen power through the development of capacities that enable the conquest of desired positions in the world economy.

Yet the concept of geoeconomics does not seem close to anything consensual.

According to Blackwill & Harris (2016) geoeconomics is the use of economic instruments to promote and defend national interests and produce beneficial geopolitical results, as well as the effects of the actions of other nations on the geopolitical objectives of a country.

For Baracuhy (2015), geoeconomics deals with the configuration of international economic power and the interactions between economic power and political power in the competition between the main international economic players.

Wigell et alli (2022) define geoeconomics as the search for political power using economic means. This includes measures such as embargoes, sanctions, export controls, anti-competitive subsidies, mechanisms for monitoring foreign investments, and data localization measures.

Clayton et alli (2024) consider that geoeconomics is the name given to the use that hegemonic countries make of their economic and financial power to extract economic and political surpluses from other countries.

For both Scholvin & Wigel (2018) and Mattlin (2016), there is simply no fully accepted definition of geoeconomics. Geopolitics deals with economic bases of power that have a clear geographical dimension. Geoeconomics is the treatment of how economic instruments are used to control specific geographical areas, such as the sphere of influence of hegemonic countries.

The use of economic measures has become an alternative and coexists with military instruments as tools for the exercise of international power, in such a way that countries can consider which option is most appropriate to address the challenges at each moment.

The intensification of affirmative power has led to an increase in the adoption of some kind of "defensive initiatives" by the main economies, such as mechanisms for monitoring foreign investments, economic sanctions, export and import controls, adoption of industrial policies, inclusion of the security dimension in trade and investment agreements, among others, giving rise to growing economic and political polarization.

As Baracuh (2015) emphasizes, geoeconomics is a special type of geopolitical competition, since it presupposes simultaneous effects in two dimensions: the use of economic policies (commercial, financial, technological) for the exercise of power and increased geopolitical influence, and the use of geopolitical power (diplomatic, military, scientific resources, etc.) for the purpose of economic influence.

Another component of growing geoeconomic importance is the environmental dimension. Countries with greater potential for adopting clean energy and with more environmentally friendly production structures tend to have greater market acceptance for their products, all other things being equal.

As Austvik (2018) points out, in this new scenario there is interaction of national authorities, international influences, and the business sector. The State is no longer the only actor to determine the results. The geopolitical weight of a country is influenced by the scale and breadth of its dependence on the business community (national and international) and other countries.

There is a direct correlation between the availability of resources and the attractiveness of the domestic market of the most geoeconomically successful economies, allowing them to use mechanisms to alter the movement of resources and/or barriers to entry into the domestic market as instruments of pressure on other countries.

Geoeconomics emphasizes the ability of states to exploit asymmetries of interdependence (control over markets, technologies, financial systems, or logistical chokepoints) to influence the behavior of other states. The state is a key agent: markets can be shaped, redirected or constrained according to the national objectives. Efficiency is often secondary to control or denial of capabilities to rivals. Economic measures are deployed to generate specific political effects.

Political economy and geoeconomics are complementary. While the former helps explain how domestic coalitions shape external economic strategies and why certain countries possess geoeconomic leverage, geoeconomics highlights how the structures are mobilized in accordance to strategic rivalry. It helps understand the strategic deployment of economic instruments in international competition. Geoeconomics can be understood

as the use of economic policy instruments to influence international power relations and strategic outcomes.

The intensification of the use of economic policy tools to achieve benefits in international relations has led to associate such procedures to what can be conceived as a weaponization of economics.

II.2 – The ‘weaponization’ of economics

The weaponization of economics refers to the deliberate use of economic tools in trade, finance, investment, and others to achieve strategic or political objectives traditionally pursued through diplomacy or military power. As argued by Farrell & Newman (2019), states occupying central positions in global economic networks can weaponize interdependence by controlling access to financial, technological, or informational infrastructures.

The idea of ‘weaponization’ as an intense use of geoeconomic tools is a creature of productive and financial globalization (Bernstein et alii 2025; Ashik et alii 2022; Abdullahi et alii 2025). By definition, it is made possible by the asymmetric relations among countries. Global networks of trade, productive processes and finance are structures centered on specific technological standards, logistic bottlenecks, payment systems with the use of specific currencies and the whole process is determined by leading firms. The countries that can influence such arrangements have the power to impose costs on rivals while protecting themselves from retaliation.

The dimension of weaponization can be found, for instance, in import policies. The adoption of tariffs, local content rules, technical requirements on imports and other such measures are often used by several countries. On the export side, some countries adopt export controls (e.g., Argentine taxation of commodities exports during the commodity price boom), restrictions on the exports of advanced technologies, such as microchips required for specific production processes, access to artificial intelligence software and others. As different from traditional protectionism, these are selective measures, targeted towards specific partners, products or productive sectors.

Weaponization is present also in financial operations, via the control of payment systems, banking networks and financial system regulation. Episodes involving Western economies sanctions on Iran and more recently Russia, following its invasion of Ukraine, have added yet another dimension, the freezing of assets. Such ‘weapons’ are even more selective than trade barriers and might have strong impact on the target economies.

Another dimension of economic weaponization is the adoption of industrial policies coupled with specific regulations on foreign investment. There has been a significant increase in the number of countries with specific agencies or intergovernmental mechanisms aimed at screening foreign investment (Sanchez-Badin & Baumann 2025). These units have formal mandates to block projects in areas that are sensitive or strategic or approve projects subject to conditionalities. Often in parallel to providing incentives to selected sectors.

The half-full glass of achieving economic benefits to the domestic economy of the countries that are able to impose such instruments brings together the half-empty outcome

of weakening the established framework for international economic relations. Bypassing the accorded norms at the World Trade Organization contributes to negatively affecting the capacity of the institution to discipline international transactions, as expected.

Using proactive exchange rate policies in order to foster competitiveness is an attribute of powerful states, thus leading competitors without a specific international forum to negotiate possible losses, since this issue does not belong to the WTO nor to the IMF mandates.

The most obvious consequences of the intensification of such weaponization are, first, the risk of inefficiency in the allocation of resources, given that the policy tools aim at benefitting sectors that have been selected according to some political criterion. The weakening of the multilateral framework is almost inevitable, leaving less powerful economies without the means to try and make adjustments in the policies imposed by their partners. As a consequence, the weaker economies (low or middle-income) seeking safety tend to adhere to the formation of blocs led by one of the major players, thus reinforcing the distorted multilateral framework.

In a scenario where only a few states have the actual capacity to impose such instruments, the tendency is to the overall system gradually change from one centered on agreed rules to an opposed situation of power and rivalry. Given the already mentioned tendency of weaker economies to adhere to one of the major players, the forecast is to have less of a multilateral framework and increasingly a set of big blocs competing among themselves. The risk of conflict rises exponentially.

So far for the usual concept of weaponization of economics. There is, however, a new trend that might also be conceived under the same concept. It is a step beyond the previous considerations and can be exposed in two ways.

It might be expected that in some middle-income economies there could be resistance to adopt investment screening mechanisms, on the grounds that the insufficient domestic savings make foreign resources welcome to finance the needed investment, even more so when there are infrastructure shortcomings.

But even when this is a consensus position, it is conceded that some control should be adopted from the viewpoint of national security. This does not mean military issues. Instead, it refers to some sectors whose production might have mid- to long-term impact on national security. The boundaries of the set of such sectors are far from clear, but natural candidates are the supply of electric energy, the production of food and steel, non-salted water, several minerals, etc. Each economy will have its own definition. Because these sectors approach the idea of national security it can be expected that they could be protected even by military means, if needed.

Another way of presenting the argument is to take into account some recent news, of a scenario where one country feels free to impose conditions upon another country, basically aiming to have access to the latter potential mineral wealth.

In both cases it can lead to the involvement of military force, disguised under the concept of weaponization of economic tools.

The most clear cases are the recent, increasing disputes involving several sensitive products from the viewpoint of productive competitiveness as well as national security. Examples are the control over the production of oil, natural gas and critical minerals, such as lithium, cobalt and rare earths. Also, the energy transition adds new topics to this agenda, such as the access to water; some new productive units, such as the data centers, required huge amounts of water and energy, so that the countries that can provide these inputs become natural targets for direct pressure.

Other domains of conflict (in this case not involving developing economies) are the battle for the cyberspace, quite important for surveillance satellites, communication and military navigation, among other uses. At the time of writing there is an increasing tension stemming from the dispute for the Arctic, since melting ice opens new shipping routes and access to resources.

It should seem obvious, at this point, that the measures mentioned so far as examples of political economy, geopolitics, geoeconomics and weaponization of economics are clear examples of governmental intervention. Given that there are mid- to long-term economic objectives, the government uses several tools to reach the self-imposed targets.

II.3 - Neoliberalism x Geoeconomics

All these facts are the opposite of what is conceived from a neoliberal perspective. Neoliberalism is an economic and political philosophy that emerged in the late 20th century, advocating for free-market capitalism as a means to stimulate economic growth and improve individual freedoms (Steger & Roy 2021; Springer et alli 2016; Davies 2014; Venugopal 2015). It emphasizes the efficiency of the market as the best mechanism for allocating resources, promoting competition, and driving innovation.

A neoliberal vision comprises deregulation, privatization, and a reduction in government spending on social programs: it should basically empower individuals and stimulate personal responsibility. These measures should foster economic efficiency, increase investment, and as a consequence lead to higher standards of living.

According to this view, prices emerge through supply and demand, guiding resource allocation. Competition is viewed as a driver of efficiency and technological progress. Government's primary roles are to enforce rules of law, protect property rights, provide public goods and services that markets alone cannot provide, and maintain competition and financial stability. Economic freedom is often tied to broader liberal values such as political rights, civil liberties, and pluralistic institutions.

Many services often considered as public goods, such as healthcare, education, water, transportation and others are treated as potential markets. Treating them as commodities to be priced, contracted, or outsourced, governments can leverage private capital, hence improve efficiency.

The neoliberal focus on efficiency has been fostered by advances in data analytics and behavioral insights. Economic policymaking becomes a tool for shaping behavior via consumption patterns, work arrangements, or lending practices that align with market expansion. Data-driven governance can normalize unequal power relations under the guise of optimization.

The textbooks of international economics show with solid arguments that the adoption of barriers to trade is harmful to the economic system that adopts them. Yet there is no country that has ever adopted totally free-trade policies. Political economy matters. By the same token, one can argue that no country has ever adopted a full neoliberal approach. And even when some of the policies come close to the neoliberal *vademecum*, they are not exempt from having geoeconomic impact elsewhere.

It is well beyond the present purposes to provide a comparative analysis of the pros and cons of each of these approaches. This is only an exercise of basically listing a few analytical tools that might be considered to provide a better understanding of the several dimensions of the present international scenario.

The analytical approach adopted in this paper combines conceptual discussion with policy-based illustration. Rather than providing a formal empirical test, the objective is to identify the channels through which economic policy instruments may produce geoeconomic effects. Selected examples are used to illustrate how these mechanisms operate in practice and how they may affect emerging economies.

III – Geoeconomics and Economics

The debate about geoeconomics has some similarity with the old saying that it is easier to identify and describe a forest than to describe each and every tree. Yet, there is no forest without trees, by the same reason that there is no geoeconomics without specific actions or policy measures. The use of economic instruments as tools of international influence has long been discussed in the literature on economic statecraft (Baldwin 1985).

A country can use a set of different tools to exert its power in the relationship with other countries. A good deal of such tools are economic policies. As argued by Farrell & Newman (2019), states occupying central positions in global economic networks can weaponize interdependence by controlling access to financial, technological, or informational infrastructures.

From a geoeconomic perspective, the main channels through which economic policy may influence international relations can be grouped into five domains: fiscal policy, monetary policy, exchange rate policy, trade policy, and foreign direct investment policy. Each of these policy areas provides instruments that may generate international spillovers and potentially alter the balance of economic influence among countries. The sequencing of presentation here does not necessarily correspond to any ranking of importance.

III.1. Fiscal Policy and Geoeconomics

Fiscal tools are required for short-run stabilization, in addition to its role in fostering some activities via incentives. Before the crisis initiated in 2008 there was broad agreement among macroeconomists and policymakers that short-run stabilization was almost exclusively the province of monetary policy, since it is more flexible and more easily insulated from political pressures (Romer 2011).

Given the magnitude and persistence of the demand shortfall in a major crisis, fiscal policy gained status once again. Most fiscal stimulus is likely to take conventional forms, such as income tax cuts, increased transfers, and higher government purchases.

A fiscal stimulus should be timely (as there is need for action), diversified (as there is uncertainty regarding which measures will be most effective), contingent (to indicate that further action will be taken, if needed), and sustainable (to avoid debt explosion in the long run and adverse effects in the short run) (Spilimbergo et alii 2008).

By a variation in government spending or taxation, fiscal policy aims at altering aggregate demand to move the economy closer to potential output. On the expenditure side, several fiscal policy instruments exhibit long-run effects, often considered as the engine of economic growth.

On the revenue side, taxes distort private agents' decisions with respect to factor accumulation and supply. To the extent that they interfere in the private decision to save and invest, they may change the accumulation process of capital and thus alter the growth rate of the economy. In understanding fiscal policy measures, political economy considerations are central (Spilimbergo et alii 2008).

A fall in aggregate demand is associated with a large decrease in real and financial wealth or an increase in precautionary saving on the part of consumers and firms in the face of uncertainty. Demand can be activated via the external sector, as we are witnessing right now in China, for example. Each country can, therefore, adopt an export-led recovery strategy. But this is clearly not an option open to the world as a whole, and this is a first geoeconomic type of consideration.

Also, not all countries have sufficient fiscal space to implement a fiscal response to low demand, since expansionary fiscal actions may threaten the sustainability of fiscal equilibrium. Many low income and emerging market countries face additional constraints such as volatile capital flows, high public and foreign indebtedness, and large risk premia.

The fact that some countries cannot engage in fiscal stimulus makes it even more important that others, including some large emerging economies, do their part, in a situation of low dynamism (Spilimbergo et alii 2008). This request for a few countries to act fiscally to provide overall economic stamina brings us once again closer to the logic of geoeconomics. Furthermore, when fiscal stimuli are associated with preferences to domestic firms this means that other countries lose access to amplified business opportunities. Baumann (2024) lists several such initiatives, adopted by the US administration, as well as the likely impact on the Brazilian economy if those measures were to be fully implemented.

Tax revenue in low-income economies, with non-diversified productive structure, hence low basis for taxation, is highly dependent upon import tax. When the same logic of using tariffs to foster tax revenue is adopted by rich countries, such as one of the arguments by the present US administration to raise tariffs (Shambaugh 2025; Clausing & Obstfeld 2025), however, this has direct geoeconomic impact, via the costs imposed upon exporting countries, as well as via the distorting effects upon the allocation of resources.

If the higher taxes are charged upon inputs employed by sectors where production takes place mainly in value chains, the negative impact is felt directly by other supplier economies, magnifying the geoeconomic impact of a domestic fiscal policy (Eugster et alii 2022). An inverse outcome would follow from government expenditure via incentives to sectors that are part of value chains.

Geoeconomic effects might follow also from the adoption of carbon taxation to the extent that this might impair exports from several countries and influence the allocation of resources.

III.2. Monetary Policy and Geoeconomics

A proactive fiscal policy can increase cyclical volatility. Moreover, long lags between decisions to raise spending or cut taxes often imply that the stimulus might in fact take place after the trough in activity. This focus in countercyclical policy therefore shifted from fiscal policy to monetary policy, at least until the 2008 crisis. Economists recognize that monetary policy can be adjusted more rapidly: changes in the interest rate can be effective in modulating aggregate demand through a variety of channels (Romer 2011).

The setting of interest rates is the key policy instrument, along with the adoption of inflation targets and the use of monetary policy to target inflation. The Central Bank sets its discount rate with a view to achieving the set inflation target.

The chief objective of monetary policy is typically to maintain stability of a country's general price level (i.e., prevent inflation or deflation). In some countries the central bank mandate comprises also to promote maximum levels of output and employment. Other often accepted goals include maintaining balance in a country's international trade, preserving stability in its financial markets and fostering increased capital investment so as to enhance its economic growth over time (Friedman 2000) for this and the following paragraphs).

Central banks' monetary policy operations take place exclusively in the financial markets, therefore requiring transmission mechanisms by which the financial actions by the central bank influence the nonfinancial decisions of households and firms.

The most common procedure by which central banks increase or reduce the outstanding supply of bank reserves is through open market operations, buying or selling securities in the free market. It is the monopoly supplier or withdrawer of reserves to the banking system as a whole.

Any bank that has more reserves than it needs will try to exchange them for some interest-bearing asset such as Treasury bills. If the banking system as a whole has excess reserves banks will seek to buy such instruments, thus raising its price and reducing the interest rate earned by investors who hold them. Hence an expansionary open market operation creates downward pressure on short-term interest rates because it leads banks to become buyers of securities.

Households and firms often borrow to finance their spending. Fluctuations in interest rates affect the willingness to undertake such expenditures. The long-term interest rates

mostly move in the same direction as short-term rates. Because price-sensitive assets are so important in the total asset holding of households and firms, monetary policy influences the economy level of total wealth, and changes in wealth influence the demand for goods and services.

As per the international transmission mechanisms, central banks ease monetary conditions and reduce interest rates during economic downturns and increase interest rates when signs of overheating develop. In periods of low interest rates in the biggest economies, central banks in developing countries accumulate foreign exchange reserves and the real exchange rate appreciates.

This link between the interest rate and capital flow cycle may arise for a variety of reasons. It may be the case that investors in developed economies, faced with lower interest rates, are inclined to seek higher returns elsewhere. It could also be that the lower international interest rates make borrowing less costly for emerging markets and increases the supply of emerging market debt (Calvo et alii 2001).

Anyway, a slowdown in a large developed economy will have adverse consequences on its trading partners. The higher the share of exports of the country that are funneled to the country experiencing the economic downturn, the more negative the consequences.

Also, the business cycle in the largest economies may exert a significant influence on the terms of trade of their smaller trading partners. Recessions in industrial economies are associated with weakness in real commodity prices. Other things being equal, commodity exporters, hit with an adverse terms-of-trade shock, will suffer more (Calvo et alii 2001).

The geoeconomic link with monetary policy stems, first, from the pace of domestic demand for goods and services that it can stimulate. A dynamic system naturally leads to an intense demand for goods and services provided by third countries. The bigger the economy the more intense such effect.

Another channel by which monetary policy has geoeconomic effects is via the financial market. An economy with high interest rate naturally attracts resources from elsewhere. Big economies with high interest rates divert resources from others, less rich partners, negatively affecting the availability of resources required to finance investment.

A third channel follows from an expansionary monetary policy leading to price rise in rich economies. Because these big economies have the capacity to influence international prices of several goods and services, there is a transmission mechanism of inflation via the international market for goods and services.

In the process of selecting an empirical example of the geoeconomic impact of monetary policy one must isolate the effects of transmission via interest rate parity in the tradition of Mundell (1962) / Fleming (1962) approach, because the geoeconomic dimension involves the will to influence an international outcome. This makes the search for an empirical example of geoeconomic action linked to monetary policy harder than in the other four policies considered here. Monetary policy initiatives are more likely linked to domestic market problems. They may have effects elsewhere, but it is not easy to identify the will to do so or even a relation of causality, given the several transmission mechanisms.

One example of monetary policy with serious effects elsewhere is the sharp increase in the US interest rate in the early 1980s. Inflation rate surpassed 14% in 1980 and to deal with this situation the Fed sharply raised interest rates. According to the Federal Reserve Bank of St. Louis, the rate of Federal Funds Effective Rate (not seasonally adjusted), was on average 6,1% in 1975-78, raising to three times as much in 1981, reaching a peak of 19,1% in June of that year.

According to the US Bureau of Economic Analysis the rate of growth of US GDP went from 2.5% in 1981 to minus 1.8% in 1982. According to the World Bank's WDI global GDP growth went down from 3.4% in 1981 to nil in 1982: the negative impact on overall demand was quite strong. As an outcome, the IMF Primary Commodity Price Index (2000=100) went down from 104 in 1980 to only 88 in 1982.

It is hard to accuse the Fed of intentionally provoking such strong impact on the international market. But it can be argued that there was enough information about the likely external impact of such decision.

Fighting domestic inflation via the cost of capital in the biggest economy has affected the economic situation of a number of countries, as well as promote the reduction, via lower demand, of several commodity prices, adding to the constraints in those smaller economies.

The Brazilian economy, as well as most if not all Latin American economies, was strongly affected by those measures. The oil price increases in 1973 and 1979 had generated a huge amount of resources in economies (mostly in the Middle East) without the capacity to fully absorb them. These resources were lent to developing economies at very attractive rates, with flexible interest rates. As it turns out, all of a sudden these countries have seen their external debt multiplied several times overnight. This was the beginning of what UN/ECLAC has called the 'lost decade' of economic and social development throughout the 1980s.

The inward and outward movements of resources stimulated by the variations in interest rate and/or the difference between domestic and external interest rates have direct impact upon the foreign currency market, hence upon the exchange rate, as considered in the next paragraphs.

III.3. Exchange Rate Policy and Geoeconomics

The theory of exchange rates has evolved rapidly since the beginning of the 1970s. Until then, historically countries preserved the level of exchange rate as part of the national pride, like the flag and the anthem. Devaluing its currency meant weakness in comparison to other countries. By the end of the Second World War most countries accepted a fixed relative price to the US dollar, since there was a constant parity of the dollar to gold. A system of flexible exchange rates would only be a system of unstable rates if underlying economic conditions were unstable.

The parity of each currency to the dollar was not totally fixed. There were margins for some devaluation, to be conceded by the IMF, according to domestic price pressure, and some countries, like Brazil, even adopted a mini-devaluation model, so as to assure traders a stable real value of the exchange rate.

In any case, this fixed relationship, coupled to a number of economic movements, including the sheer variations in the supply of the metal that was taken as reference, led to an increasing discredit to the system. In August 1971 the dollar/gold parity was eliminated, and this led to a whole new set of economic thinking (more intense since 1973) with regard to how to design optimal policies in an environment of flexible exchange rates (Bilson & Marston 1988).

Among other advances, there has been an increasing knowledge of the relationship between short-term and long-term exchange rates (Dornbusch 1980), of the determining factors of the exchange rate by considering the several markets in the economy, of the policies required to address excessive fluctuations as well as the relationship among the exchange rates of several economies.

As per a geoeconomic dimension, an important element is the level of a given country exchange rate in comparison to others. Both at a given point in time, an undervalued exchange rate might affect the competitiveness of the exports by the country with the undervalued currency, as well stemming from its variation over time, sharp devaluation, even if following a gradual pace, does affect the relative prices of exports.

Also, a depreciation of, say, the U.S. dollar versus the Euro would benefit countries whose currencies are tied to the U.S. dollar but tend to export to Europe (Calvo et alli 2001).

The impact is not limited to merchandise or service trade. Variations in a country's exchange rate affect the rate of return to foreign-financed projects, therefore influencing the decisions by potential foreign investors.

Another geoeconomic effect follows from the degree of acceptance of some currencies by the international market. In the last 80 years or so there has been a preference for the US dollar both as a means of payment as well as reserve of value. Given its weight in the foreign currency reserves of most countries and its use for trade contracts, any movement in the US domestic market with impact on the dollar vis-a-vis other currencies has very big effect upon other economies. Also, being able to issue a currency that is accepted by several other countries benefits the issuer country with lower costs: projects can be financed with domestic currency and the country has no obligation to worry about its external balance to absorb hard currencies issued elsewhere.

As an example of geoeconomic effect of active exchange rate policy, for several years some Western governments, the US more intensely, blamed China for its presumed strategy of maintaining a low exchange rate and benefit from competitiveness by making its products cheaper for consumers in foreign markets. A disguised type of trade policy.

Between 1994 and July 2005, China pegged the renminbi (RMB) to the U.S. dollar at about 8.28 yuan to the dollar. As a partial response to critics, in July 2005 China appreciated the RMB by 2.1% and moved to a "managed float," based on a basket of major foreign currencies, including the U.S. dollar. The Chinese government has maintained restrictions and controls over capital transactions and made large-scale purchases of U.S. dollars assets (Morrison 2011).

In four years starting July 2005, the dollar-yuan exchange rate went from 8.27 to 6.83 yuan per dollar, an appreciation of 21.1%. However, the Chinese government

subsequently kept the yuan/dollar exchange rate relatively constant at 6.83 until June 2010.

Many U.S. policymakers, labor groups, and business representatives of import-sensitive industries have charged that, despite minor reforms, the Chinese government continued to manipulate its currency to keep the value of its currency artificially low against the dollar (estimates of undervaluation ranging from 15% to 50%). They claimed that this policy constituted a subsidy for Chinese exports and a tariff on Chinese imports.

On June 2010, the People's Bank of China (PBC) stated that, based on economic conditions, it had decided to "proceed further with reform of the RMB exchange rate regime and to enhance the RMB exchange rate flexibility", but ruled out any large one-time revaluations. In one year, up to August 2011, the RMB appreciated by 6.1% against the dollar, a pace that has been criticized by U.S. officials as far too slow. These accusations, often held responsible for the US trade deficit with China, lasted for several years and remain until today.

The renminbi case is probably the clearest example of the use of a proactive exchange rate policy with geoeconomic effects.

Several economies, including the Brazilian economy have benefitted from the cheaper Chinese products, as determined by the lower renminbi as well as the high and increasing competitiveness of the Chinese productive system. To the point that China has become the main trading partner of most Latin American countries, in several sector displacing traditional suppliers from the US and Western Europe.

Being a middle-size economy, it is expected that Brazil is more likely to play a passive role in the geoeconomic initiatives. Yet, as far as the effects of exchange rate are concerned, there is at least one episode when the country has actually acted as a determining element.

Since the adoption of the Real Plan in 1994 and up to early 1999, Brazil adopted a policy mix of maintaining the exchange rate fluctuations within a predefined band, coupled to proactive interest rate policy aimed at influencing the movement of capital. This has proved unsustainable and the system changed to a freer determination of the exchange rate.

As it turns out, within a few months this led to a significant devaluation of the real. Because the Brazilian partners in Mercosur had a good deal of their exports destined to the Brazilian market, they have suffered a non-intended overvaluation of some magnitude, thus affecting their total exports, leading to a political trauma within Mercosur. An example of unintended geoeconomic impact.

III.4. Trade policy and Geoeconomics

International trade theory stresses the costs, upon the domestic economy, of adopting barriers to international trade. These comprise inefficiency in resource allocation, distortion in consumer preferences and in tax revenue, among others (Baumann &

Gonçalves 2015). In parallel, the existence of barriers to trade implies costs for those countries that try to export to the tariff-imposing country.

The concerns about the relationship between trade and conflicts go at least as far back as Montesquieu, who argued that “doux commerce” (‘sweet’ or ‘soft’ commerce) tends to civilize trading partners, who are less likely to fight as a result. If countries successfully trade, they reap the peace dividend that is sustained by increasing opportunity costs of conflict (McGuir & Trebesch 2025).

There are countless types of barriers that can be adopted, ranging from fixed or ad valorem tariffs to quantitative restriction, technical requirements, export controls, incentives to import substitution, sanctions, etc. It is even possible to identify a hierarchy of the impact of each one.

Sanctions are the most prominent geoeconomic policy tool and have been studied extensively in the literature. Embargoes and blockades are extreme forms of sanctions, as they tend to imply a complete halt in economic exchange. They are most commonly deployed during wars or armed conflicts.

If geoeconomics emphasizes the ability of states to exploit asymmetries to influence the behavior of other states, one most obvious and direct way to do so is via the adoption of proactive trade policy. At the same time, one way to reduce the margins for conflict is via the signing of complementary exercises, such as trade agreements.

Geopolitical incentives influence the signing and content of trade agreements, which tend to increase geopolitical alignment between countries. ‘Deep’ agreements that involve customs unions and common markets are associated with a lower probability of conflict, while ‘shallow’ agreements that involve less integration (e.g., partial scope and free trade agreements) do not. Regional trade agreements (RTAs) can confer benefits to groups of potential adversaries, who in addition to reaping the standard gains from trade can also reap a peace dividend by increasing the opportunity costs of conflict.

A related tool that has gained prominence in recent years is strategic tariffs. The US-China trade conflict provides recent evidence of such strategic use: Fetzer & Schwarz (2020) show that Chinese retaliatory tariffs were systematically targeted at U.S. regions with strong electoral support for Donald Trump, while Fajgelbaum et alli (2019) demonstrate that U.S. import protection was biased toward products made in electorally competitive counties (McGuir & Trebesch 2025).

Long periods of peace (typically associated with times of hegemonic stability) enable conditions that lead to increased economic interdependence. The hegemon typically supports free trade when it does not fear the economic growth of its strategic rivals. But when the relative size of the economies of the hegemon and its strategic rival converge to a sufficient degree, the hegemon’s calls for free trade will weaken in favor of the adoption of greater protectionism (Roberts et alli 2019).

As per the adoption of strategic tariffs, it is worth noting the heterogeneous composition of the tariff structure adopted by the US in April 2025. In the last eight decades one of the pillars of the GATT, followed by the WTO, has been the so-called Most Favored Nation principle: the tariffs a country imposes on the imports of a given product are the same for

all the other countries. The unprecedented policy since April is the adoption of tariffs not on the basis of products, but for different countries, according to specific criteria, as listed below. This heterogeneity has increased even further, as an outcome of bilateral negotiations and additional barriers.

US Reciprocal Tariffs - April 2025 - Selected countries	
<i>Algeria</i>	30%
<i>Brunei</i>	24%
<i>Cambodia</i>	49%
<i>Cameroon</i>	11%
<i>Chad</i>	13%
<i>China</i>	34%
<i>Democratic Republic of the Congo</i>	11%
<i>Falkland Islands</i>	41%
<i>Israel</i>	17%
<i>Japan</i>	24%
<i>Laos</i>	48%
<i>Lesotho</i>	50%
<i>Madagascar</i>	47%
<i>Malawi</i>	17%
<i>Malaysia</i>	24%
<i>Mozambique</i>	16%
<i>Myanmar (Burma)</i>	44%
<i>Namibia</i>	21%
<i>Nigeria</i>	14%
<i>Sri Lanka</i>	44%
<i>Syria</i>	41%
<i>Taiwan</i>	32%
<i>Venezuela</i>	15%
<i>Vietnam</i>	46%
<i>Zambia</i>	17%
<i>Zimbabwe</i>	18%

Source: <https://www.whitehouse.gov>

It goes without saying that this heterogeneity has increased even further, as an outcome of bilateral negotiations and - in some cases – the adoption of additional barriers due to political decisions.

In the case of Brazil, initially there was a homogeneous 10% tariff, imposed on products from everywhere. Suddenly, an additional 40% was imposed on Brazilian products, coupled to investigations under Article 301 of the Trade Act. A few months later, tariffs on a few products of Brazilian interest like meat and coffee were dismantled, so the 50% tariff remains upon a set of other items, mostly manufactures. In February, 2026 the US Supreme Court disapproved these tariffs, and the Government replied with a flat 10%

tariff on products from all countries. At the moment of writing there is lack of clarity about the specific outcome for each product from each country.

Trade policy comprises not only the domestic barriers and incentives, but also the country's position in multilateral agencies. The obvious case is the World Trade Organization (WTO), whose mandate is precisely to discipline the adoption of trade measures. But one can also refer to measures, such as sanctions, determined in other forums, like the United Nations Security Council.

As is well known, the example of the WTO in recent years is a 'star case' of geoeconomics, since a few developed economies have systematically boycotted the work of the dispute settlement mechanism, negatively affecting the main role of the institution. This has direct impact on overall trade, but even more intensely on the medium and small economies, who need institutional protection to avoid being forced to provide concessions determined by unequal bilateral power. Brazil is no exception and has submitted proposal for a reform and update of the institution, to assure its survival.

Direct geoeconomic tools comprise also disciplines related to investment policy, as discussed in the next paragraphs.

III.5. Foreign Direct Investment policy and Geoeconomics

Foreign direct investment (FDI) is usually viewed as a channel for technology to spread from developed countries to developing countries. In facilitating technology transfers and marginal capital productivity improvement through the externalities it may engender, it contributes to economic growth (Beerthélemy & Démurger 2000). An interesting survey of the main theories is provided by Dinkar & Choudhury (2014). Yet not all foreign direct investment inflows are the same. The actual domestic effects depend on whether it finances new productive plants (greenfield investment) or whether it corresponds to the acquisition of existing producing units (brown investment). Vaz & Sabino (2023) provide some evidence for Brazilian data.

It is common that countries have public agencies whose aim is to attract foreign investments using public funds (such as Brazil's APEX), which shows that governments are willing to bear some costs to attract investments. The most common examples of special treatment given to foreign investments are tax holidays, exemptions from import duties, the provision of land for facilities, and the offer of direct subsidies (Moura & Forte 2009).

More recently, given the increase in the number of sectors where production takes place in value chains, involving a number of countries, hence involving new dimensions into the decision process of investing firms (differences in the access to cheaper labor and raw material, but also transportation costs, trade barriers, management costs of units in several countries and other items) theorizing about the decision to invest and its benefits has become more intense and diversified.

According to (OECD 2002), there are several mechanisms/channels through which FDI can affect the host country economic growth. The mechanisms by which FDI can cause positive effects on economic growth can be divided into five major groups: the transfer of new technologies and know-how, formation of human resources, integration into the

global economy, increase production and competition in the host country, and firms development and restructuring. Furthermore, if FDI allows an economy to join global value chain, this might provide export opportunities even when the host economy has limited competitive advantage.

Some of these mechanisms can act also in a negative way on economic growth. The host country can become dependent on technologies introduced by multinationals that might require less workers than that used by local firms, leading to an increase in unemployment. Host countries might become more open economies and more subject to changes in the global economy. There may also be impact on the Balance of Payment, resulting from the repatriation of profits or through the payment of licenses and royalties due to the employment of technology (Moura & Forte 2009).

The geoeconomic impact of investment policy can be immediately seen on some remarkable initiatives, such as the post-Second World War Marshall Plan, that provided the needed purchasing power to European countries, allowing them to import US-produced goods. More recently, the Chinese Belt and Road Initiative, with even bigger volume of resources (measured in real terms) to finance infrastructure projects in several countries.

The geoeconomic effects of investment policy can also be disguised as defensive measures. For instance, an investment screening mechanism allows a country to selectively prohibit inward foreign investments that adversely affect its national-security interests or other important national interests (“adversarial capital”) (Weinhadt et alli 2022).

To be a useful defensive tool, investment screening must be capable of preventing foreign acquisitions of critical military or strategic assets with a view to deny, restrict, or place conditions on their continued availability to the host state, and by so doing obtain diplomatic leverage. However, the concept of security has expanded over time beyond the ability to prevent, withstand, and recover from the threat of armed confrontation to cover a range of other types of hostile or otherwise harmful potential behavior of others. Such hybrid threats include political warfare, cyberwarfare, lawfare, and economic warfare. It is thus unsurprising that the scope of investment screening extends far beyond military or dual-use infrastructure, technologies, and supplies (Weinhadt et alli 2022).

Sanchez-Badin & Baumann (2025) present evidence of the investment screening mechanisms existing in several countries plus the European Union. To these should be added, for instance, the set of documents on industrial policy adopted during the Biden administration in the US (Baumann 2024).

The European Union adopts several measures that can be taken as an example of the varied set of initiatives a country or set of countries can adopt to influence the external flow of resources. According to Weihardt & De Ville (2024) the list of main measures adopted by the EU comprise:

Foreign subsidy regulation – The foreign subsidies regulation aims to counter unfair advantages enjoyed by subsidized third-country firms when acquiring a company or winning a public contract in the EU. If the European Commission (EC) finds that a foreign distortive subsidy exists and the overall impact on the EU market is negative, it can

prohibit a merger or acquisition or award of a public contract, or can ask for redressive measures and commitments, like divestment of certain assets.

Anti-coercion instrument – The anti-coercion instrument aims to avoid or remedy economic coercion by third countries (employ or threaten to employ trade or investment restrictions to unduly influence policy decisions in the EU) to the EU or member states. When the EC finds that a third country is applying economic blackmail to the EU, it can in cooperation with member states decide on the suspension of tariff concessions or the exclusion of the right to participate in public procurement tenders.

FDI screening regulation – The FDI screening regulation establishes a mechanism for information-sharing and cooperation between the EC and member states on incoming investments that may threaten security or public order in the EU. It enables the EC or member states to issue opinions on threats of inward investments and sets certain requirements for national investment screening mechanisms. Member states keep the autonomy to decide on inward investments and are so far not obliged to do investment screening.

International procurement instrument – The international procurement instrument allows the EU to restrict access to its procurement markets for companies based in countries that do not reciprocate the EU's liberalization of public procurement.

Carbon-border adjustment mechanism – The EU's carbon border adjustment mechanism (CBAM) aims to preserve the integrity of the EU's climate policies by preventing "carbon leakage," that is when EU-based companies move production to third countries with less stringent (and costly) climate policies or when EU production gets displaced by imports from these countries. Through CBAM, a price must be paid through the purchase of emission permits for the emitted CO₂ embedded in imports equivalent to the price paid for CO₂ emitted when producing in the EU under the EU's emissions trading scheme.

Deforestation regulation – The deforestation regulation aims to avoid that EU consumption of certain goods contributes to deforestation and forest degradation worldwide. This should in turn help reduce greenhouse gas emissions and global biodiversity loss. The regulation bans imports (as well as EU-based production) of products sourcing from land that has been subject to deforestation or forest degradation after 31 December 2020. The regulation applies to the commodities cattle, cocoa, coffee, oil palm, soya, and wood, as well as relevant products that contain, have been fed with, or have been made using these commodities

Corporate Sustainability Due Dilligence – The corporate sustainability due diligence directive aims to stimulate sustainable and responsible behavior by companies with a large presence in the EU market throughout their supply chains. Companies will be required to monitor and, where necessary, prevent, end, or mitigate the negative impacts of their activities on human rights and the environment.

Forced labor regulation – The EC, which is responsible for implementing the ban on forced labor taking place outside the territory of the EU, would apply the ban through a risk-based enforcement approach, identifying in a database specific economic sectors in specific geographic areas for which there is reliable and verifiable evidence that there exists forced labor imposed by state authorities.

All these instruments have a 'defensive' character. Yet they allow for degrees of freedom in their use, if geopolitical factors overdetermine the need for some signaling measures to the investors originating from a given country.

As per the actual or potential impact on the Brazilian economy, this is not a significant investor overseas, hence it does make sense to worry about the EU norms on foreign investors. Most of the few direct investment originating from Brazilian firms is concentrated in Latin America and the US.

The three items in the above list that are most sensitive to the Brazilian economy are the Carbon-border adjustment mechanism, an object of fierce negotiations for the cost it imposes upon agricultural producers and the degrees of freedom in its application, the Deforestation regulation for similar reasons, and the Forced labor regulation, which has over time become a frequent type of protectionist barrier based on domestic indicators.

As an illustration of the argument presented here there is a sequencing like: Domestic Economic Policy -> Economic Policy Instruments (Fiscal, Monetary, Exchange Rate, Trade, Investment policy) -> International Spillovers -> Geoeconomic Effects (power, influence, strategic competition).

IV – Final Remarks

The increasing use of economic instruments as tools of international power suggests that the boundary between economic policy and strategic competition is becoming progressively blurred. Understanding this interaction is particularly important for emerging economies, which are often affected by geoeconomic strategies adopted by larger powers.

The debate on geoeconomics has, as examined above, an unsettled point of departure, due to the difficulty of precisely defining the concept. As a consequence, the analysis of the actual geoeconomic impact of economic policy measures becomes sometimes blurred insofar as it requires a separation between the outcomes on the international scenario that are consequences of unavoidable economic transmission mechanisms from those initiatives that aim at actually influencing bilateral or multilateral economic relations.

In some cases, the 'defensive' aspect of a domestic policy simply disguises the well-known likely impact that a given policy measure might have upon other economies. It is not required to have a clear manifestation of intentionality for a domestic measure to impose strong consequences elsewhere.

The more intense the links via production processes, technological dependence, investment flows, financial movements or other economic links among countries, the higher the probability that policy measures adopted by one country will have effects elsewhere. As suggested in this text, the margin for intentional initiatives aiming at intensifying such influences is more significant for the wealthiest economies. Open or disguised domestic policy measures are bound to have impact across the border.

The present conjuncture of renewed protectionism, weakening of the international institutional environment, adoption of policy measures in such a way that goes against the usual procedures considered as reference for several decades, stimulating the

formation of country groups with rules that differ from the previously agreed procedures at the multilateral level, brings to the surface the iceberg of open interests, hence stressing the importance of the analysis of economics from a geoeconomic perspective.

It is expected that the presentation of these issues in a taxonomic way as provided here contributes to a better understanding of a number of important initiatives that are taking place currently in the international scenario.

The growing interaction between economic policy and international strategic competition suggests that geoeconomics will remain a central feature of the evolving international system. Future research may further explore the empirical measurement of geoeconomic instruments and their impact on global economic governance. Understanding these dynamics will be essential for emerging economies seeking to navigate an increasingly fragmented and competitive international environment.

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