7 US grand strategy in flux
Geo-economics, geopolitics and the liberal international order
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**Introduction**
The post-World War II primacy of the United States has been maintained by an internationalist foreign policy conducted interchangeably under various forms of activist liberalism and pragmatic realism. While conditioned by domestic politics and limits of material power, the grand strategy of deep engagement for sustaining a liberal international order has dominated vis-à-vis alternative approaches of retrenchment from global commitments such as offshore balancing and restraint, including isolationism (e.g. Ikenberry 2011; Mearsheimer and Walt 2016; Posen 2014). Based on the hegemonic leadership of the United States, the liberal international order – being an open system of alliances and partnerships, multilateral institutions and common rules – has come under pressure with the rise of China and Russia as illiberal regional and global powers. Consequently, the US grand strategy needs to be adapted to global change where interdependence is not necessarily an engine for cooperation but can as well be a tool for great-power competition (Wright 2017).

The transition to an adapted national strategy is complicated by an apparent discontinuity between the political philosophies of the Obama and Trump presidencies, and made uncertain by the gap between rhetoric and action within the Trump administration (Möttölä 2017). While Barack Obama sought to sustain a liberal international order despite the rise of geo-economic strategies and the return of geopolitics, Donald Trump’s economic nationalism seems to question its value for US interests in general, and in global and trade issues in particular.

The Obama administration drew a hybrid model of grand strategy from an understanding of the combined effects of geo-economics and geopolitics for world order. According to this vision, geopolitics fragments the international system, creating
distinct regions that follow a logic of their own, contradicting liberal ideals. Geo- economics may also create macro-regions that differ from each other, but the strategy of the United States must aim at maintaining and expanding a uniform economic and trading order based on liberal rules.

In this chapter, I first elaborate on the concepts of geo-economics, geopolitics, geostrategy and grand strategy, and explain how they matter today, and what they look like in the case of the United States and its challengers. Afterwards, I shed light on US efforts to establish macro-regional trade initiatives, the Trans-Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (TTIP), and their mixed prospects under Trump. I finally analyse the rivalry between China and the United States, concluding that instead of the People’s Republic trying to fundamentally change the international order, mutual hedging predominates between the two genuinely global powers.

**Geo-economics, geopolitics, geostrategy and grand strategy**

Geo-economics and geopolitics can be seen as manifestations of power. They are, being combined or standing on their own, part of the toolbox of geostrategy (see Chapter 2 in this volume). Being part of a grand strategy, they have a spatial dimension, referring to a sphere of influence. As shown by Wigell and Vihma (2016), there are major differences between geo-economics and geopolitics with regard to the use of power, suggesting that whereas geo-economics is an accommodating and covert use of economic power with long-term strategic contingency and flexibility, geopolitics is confrontational, overt and military-based, often connected to particular cases and events. A key reason for the rise of geo-economics is the outstanding relevance of economics for present-day power shifts in international politics (see Chapter 3 in this volume). The United States is not only the undisputed military hegemon, but, concerning economic power, it also enjoys a strong demographic base, benefits from increasing energy self-sufficiency, and remains at the top of higher education and innovative technology. However, the relative decline of Western liberal democracies in terms of economic power constitutes a challenge for the United States and its European partners.
My key argument is that the juxtaposition and the resulting uneven effects of geo-economics and geopolitics as core elements of foreign policy have caused a potentially fundamental change in the grand strategy of the United States. US leadership in world affairs might turn from what was a matter of choice under unchallenged primacy into adjustment under contested leadership and relative decline. This change occurs in geo-economics and geopolitics. Although we are moving towards globalism with expanding zones of common practice and inclusive rules, producing win-win-situations, the long-term and inevitable process of increasing foreign direct investment, deepening regional integration and expanding world trade seems to be stalling. As a consequence, competition and rivalry have been thriving; with economic assets being used for political purposes, as in the case of Russia’s use of energy resources as a political leverage vis-à-vis its Western neighbours and the European Union (Wigell and Vihma 2016). What is more, there are models of regional economic integration that compete with Western-dominated liberalism: China’s commercial power play – launched by the Belt and Road initiative (BRI) on infrastructure investments – extends from Western Europe to East Asia; Russia promotes economic integration in the area that once constituted the Soviet Union. The United States, in response, has focussed its geo-economic agenda on revitalising the transatlantic community as a driver of global rule making, while simultaneously concerting established liberal democracies and new partners within the trans-Pacific community (more on this below).

In geopolitics, we are moving towards regionalisms with diverging rules: Russia has been pushing for re-arranging and renegotiating the post-Cold War order in Europe, using a hybrid strategy of military and other tools; China has expanded its influence over territorial control in the Asia-Pacific region, also with the help of overt and covert military power; in the wider Middle East a mix of great-power collaboration and competition tends to boost than calm down chaos and violence with military interference apparently being essential. The Obama administration developed geopolitical strategies in the form of regionally specific military partnerships: enhanced solidarity in the transatlantic community in order to balance against Russia’s offensive geopolitics; increased military commitment in East and Southeast Asia, balancing
against China; and deepened international partnerships, especially with European states, so as to be able to share the burden of security responsibility in the Middle East.

As said, geopolitics is at present about emerging powers carving out and consolidating their zones of influence. The United States remains the globally leading military power, but Obama’s cautious strategy of avoiding direct and large-scale military interventions allowed emerging powers to shape regional security complexes to an increasing extent. Nevertheless, its alliances and partnerships, together with its global military reach, continue to enable the United States to significantly influence all parts of the world. It would be too early to maintain that we are entering a decentralised, regionalised security order (Buzan 2011). The ongoing relevance of the United States for geopolitics all around the world has been demonstrated by its reaction to the crisis in Ukraine, with continuity prevailing from the Obama to the Trump administrations, whereby the superpower has increased its funding of the European Deterrence Initiative, and aimed at reinforcing the readiness of the North Atlantic Treaty Organisation (NATO) vis-à-vis the Russian military advances. Moreover, the United States has taken a leading role in the deployment of multinational forces within Central and East European member states of NATO, including increased exercise activity. The US has also reassured the allies over its commitments to ballistic missile defence and nuclear deterrence policies. The negotiations and the follow-up of the Minsk agreement concerning the simmering conflict in eastern Ukraine have meanwhile been the purview of France and Germany with US backing.

In the domain of geo-economics, the United States together with the European Union have coordinated a response to the Russian military power plays, imposing economic sanctions against Russia. Although the Russian economy has proven resilient and there are no signs of the sanctions affecting Russia’s position on Ukraine, they might have been decisive in deterring Russia from further military incursions, and contributing to the stalling of the fighting in eastern Ukraine. On the other hand, the sanctions appear to have reached their limits, as their widening or tightening are not likely to find sufficient support among EU members. Consequently, economic sanctions can only continue to work effectively as a part of a broader policy, meaning that there
is a need to combine geo-economics and geopolitics (Moret et al. 2016; Weiss and Nephew 2016).

The predominance of geo-economics and its complementation by geopolitics in the US grand strategy becomes apparent in the case of trade policies which will be discussed in the following section. At the same time, in the use of geo-economics, the uncertainty brought about by the Trump transition is at its greatest.

**Obama’s grand strategy and beyond**

A key question is how the United States will retain a leadership position in a liberal world order while geo-economics and geopolitics call for diverging responses to today’s challenges. In such a composite geostrategic context, the United States pursues a strategy of hedging with regard to geopolitics: by positioning itself as an effective but flexible player, the superpower tailors its policy towards rising rivals in a patchwork of dynamic regional orders. At the same time, it favours a strategy of wedging in geo-economics: by leading groups of like-minded countries, the United States aims to progress towards uniformity in global economic governance based on liberal market norms and principles.

Foreign policy debates in the United States – shaped by scholars such as Blackwill and Harris (2016a; 2016b), Goldman and Rosenberg (2015), as well as former policy-makers like Robert Zoellick (2015) – are increasingly marked by a recognition of the need to use geo-economic instruments, including coercive measures, to accomplish geostrategic objectives, separately or in support of geopolitics. A key question in this regard is whether the United States will be able to repeat the way of global ordering that characterised the immediate post-Second World War years: shaping the international order, and creating a sustainable hegemonic trajectory. In these debates, the United States was in an undisputed position of economic hegemony in the 1950s, being able and willing to build the Bretton Woods institutions and finance the Marshall Plan – the latter serving its strategic objectives in Europe. The recent frustrating experience with a series of military adventures, difficult new security challenges, and the use of geo-economics by China and Russia are other factors that
have stressed the necessity of taking a closer look at trade-offs between politico-military and economic components of the grand strategy of the United States.

In practical foreign policy, the Obama administration followed the logic of adapted liberal internationalism with large-scale trade policy initiatives. The geostrategic purpose of the TPP and TTIP arrangements was to serve as geo-economic drivers of a rules-based liberal order shaped by global shifts in economic growth, productivity, modernisation, and development. In response to the unabated effect of globalisation, and using the opportunity left by the stagnant Doha Round, the United States aimed to introduce the interregional trade and investment arrangements to shape the underlying rules and institutions of world order, irrespective of whether the global economic governance remains a patchwork structure for a longer term or returns to the trajectory of global unification.

As envisaged by the Obama administration, the TPP would contribute to rebalancing the situation in East and Southeast Asia as a response to China’s increasingly offensive geo-economic strategies, spearheaded by the creation of the Asian Infrastructure Investment Bank (AIIB), the proposal for a Regional Comprehensive Economic Partnership (RCEP) and the BRI. The idea was to bring the United States closer to established and emerging democracies in East and Southeast Asia, all of them united behind the common objective of modernisation and development through rules-based economic governance. From the geopolitical perspective, the TPP would serve to confirm and strengthen the security assurances of the United States towards its regional partners, which find themselves increasingly challenged by China in military terms (Pereira and Cronin 2016). By abandoning the TPP, President Trump might have taken a major strategic risk, unless he is able to come up with an alternative position more beneficial for his country.

The TTIP, on its part, has been designed to generate economic dynamism for the transatlantic economies, and to position the West in the driving seat for future norm building in global economic governance. In the area of geopolitical implications, the TTIP aims to consolidate the transatlantic partnership, which is crucial for European security, by renewing the common purpose of the West, viewed in public discourse to be in decline (Hamilton and Blockmans 2015). With the TPP renounced and the TTIP
shelved, the Trump administration will have to make alternative choices beyond war on tariffs in order to shape geo-economics and geopolitics for the early 21st century.

Historically, a power shift between the two most powerful states has been a transformative and also a precarious phase in the international system. While the distribution of material capabilities is seen to erode the hegemony of the United States and provide China with increasing power to exercise coercion as part of its foreign policy, legitimate questions have been raised with regard to the relevance and sustainability of liberal internationalism. Beyond that, uncertainty concerning the foreign policy of the United States has been caused by growing populism – often calling for a withdrawal from international commitments – which brought Trump to power (Fukuyama 2016; Overhaus and Brozus 2016).

It is critical to what extent and how the Trump administration will recognise the limitation and transformation of US power, and adapt its grand strategy accordingly in continuation or reversal of the Obama legacy. The path taken by the Obama administration was to become the first step in a long game of strategic patience (Chollet 2016), aimed at securing fundamental objectives of global leadership without having to choose between recasting or replacing liberal internationalism (Indyk, Lieberthal and O’Hanlon 2012; Möttölä 2016). The issue at hand boils down to recognising how and to what extent China – arguably the only other state that can shape the international system decisively – acts not merely as an imposing challenger but as a partner in transforming the international order. With China and the United States as twin powers capable of driving grand strategies of global ordering, US leadership in international affairs will, in the long run, depend on the cunning application of geo-economics, and increasingly also being complemented by geopolitics. The ways in which the United States – and, for that matter, China as well – employs the two components of geostrategy will shape the trajectory of global order (Ikenberry 2015; Wang and Zhu 2015).

**China, the United States and the liberal international order**

So, what would an unravelling of the US-led liberal order look like against the background of ongoing shifts in grand strategy? There might be a change by default, meaning a power shift, in case China successfully challenges the United States, rising
to an equal or higher status in terms of economic and political power. Alternatively, we might witness a change by design – that is, a policy change in the sense of the United States replacing its liberal internationalism by nationalist retrenchment from world affairs. In spite of China’s impressive economic and political rise, the first scenario appears unlikely. A recent study focussed on material power, especially military and technological capabilities, concludes that the United States will remain the only superpower in the foreseeable future (Brooks and Wohlforth 2015). The authors suggest that China has risen to an upper category of its own, behind the United States but ahead of the rest, mainly because of its economic ascent. It has moved beyond being a regional great power such as Germany, Japan or Russia, but it is nowhere near to becoming an equal peer of the United States. This means that the international system, measured by the distribution of capabilities among major powers, has changed from a 1+X into a 1+1+X structure. Herein, despite the preponderance of the United States, it would be misleading to speak of unipolarity as China’s rise has far-reaching implications.

While the United States today is much more dominant than hegemons in other eras that were marked by power shifts, the usability of military power has been reduced in the early 21st century. This change is not only due to the structural changes that Luttwak (1990) addressed in his seminal article. It also results from China posing an increasing military challenge to the United States in East and Southeast Asia (Mearsheimer and Walt 2016; Wright 2017). In view of the president’s high-profile economic nationalism, it remains to be seen whether the Trump administration will follow the predecessor’s approach or engage in a more fierce geo-economic competition vis-à-vis China, which would make the picture even more complex.

China is, without a doubt, challenging the West, mostly in Eurasia, but also in Africa and Latin America. This challenge is mainly economic: the People’s Republic develops industrial capacity and seeks to create demand for Chinese products and services abroad. Its model of economic development is marked by massive state-led investments in infrastructure, neglecting issues that matter to the West, also with regard to the international order: anti-corruption, civil society, public health, and women’s rights among others. The liberal world order is already under pressure insofar as the Chinese model of economic development constitutes an alternative for developing
countries, making authoritarian regimes attractive as drivers of modernisation. The Chinese leadership also increasingly portrays the People’s Republic as an ideational challenger to the West, referring to the historical conception of China as a singularly sovereign power at the centre of world order (Bader 2016; Kallio 2016).

If China were to further advance an alternative to the liberal international order, the stakes for US engagement with China would become higher (Ikenberry 2015). However, key interests of China and the United States have converged, as demonstrated by China’s step-by-step integration in the liberal international order, most importantly its membership in the World Trade Organisation. Although China is not following the Western model of openness and transparency, which creates uncertainty for the United States with regard to the prospects of cooperation with China, the People’s Republic does aim at pragmatic relations, incorporating the West and other partners at large. It appears that China is not interested in fundamentally changing the international system but is somewhat sceptical regarding regime change. Wang and Zhu (2015) hence conclude that there is no Sino-American clash but rather a mutual hedging in world ordering. Nonetheless, as shown above, there is significant geo-economic and geopolitical friction between China and the United States. The evolution of the post-Cold War international order will be largely determined by the success of the United States to accommodate China’s rise in economic, financial, military and political terms.

The second aforementioned scenario, a form of US isolationism, had been considered more unlikely than a fundamental change of the international order, until Trump cast ambiguity over sustained commitments by the United States to its international partnerships, both economically and militarily. Hence liberal internationalism as a grand strategy would be questioned, to the extent Trump would follow through his opposition to, or call for renegotiation of, free trade agreements starting with the North American Free Trade Area and take on the bilateral route by rejecting multilateral solutions of the types of the renounced TPP and the pending TTIP. Alliance solidarity subject to conditionality and economic governance driven by mercantilism in US grand strategy could precipitate a world-wide crisis in what has been known as a liberal international order (Wright 2016).
Conclusion

This chapter has put US grand strategy, which has aimed to maintain the liberal international order, in the context of geo-economics and geopolitics. Geopolitics marks the foreign policies of challengers to the liberal order, and is structurally regionalised. China refers to military power to extend its influence in East and Southeast Asia, particularly over maritime areas. Russia seeks to restructure eastern Europe and Eurasia by resorting to geopolitics, too. While China and Russia engage in geo-economics as well, this component of geostrategy marks the United States and the West at large: projects such as the TPP and the TTIP would aim at shaping macro-regions according to liberal values, while also being directed to those powers that challenge the liberal international order.

At the same time, the United States has engaged in geopolitics, as demonstrated by its military commitment to partners in Europe and the Far East. Through a rebalanced grand strategy, mixing geo-economics and geopolitics, the United States aims to consolidate and extend the liberal international order, which has served its interests for an exceptionally long period of history. As a side note, not only the United States but also other states merge geo-economics and geopolitics in their grand strategies. China’s global involvement in trade requires the deployment of naval forces in strategically important parts of the Pacific and Indian Oceans so as to safeguard key sea-lines of communication.

The geo-economic and geopolitical components of the grand strategy of the United States as driven during the Obama era were to have different implications for the international system. With regard to geo-economics, the United States would pursue a wedging strategy aimed at stepwise progress towards a uniform global order. The TPP and the TTIP would eventually serve as rule-makers for a regenerated global economic governance. US geopolitics, conversely, resembles a hedging strategy in which the United States aligns itself to a patchwork of partners, and competes with rival powers in separately evolving regions around the world. Given the president’s improvisational and situational approach to policy and publicity, it remains unpredictable to what extent the Trump administration will continue along the path set by its predecessor, ascribing priority to its conception of geo-economics in managing the international order.
Note

1 This text was discussed in workshops on geo-economics, held at the Finnish Institute of International Affairs in October 2015 and February 2016. The author also presented it at the Annual Convention of the International Studies Association in Atlanta in March 2016. He would also like to thank Sören Scholvin and Mikael Wigell for their comments on the drafts of this chapter.

References


