Yesterday’s Liberalizers: The Political Economy of Geoeconomic Industrial Policy

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Abstract

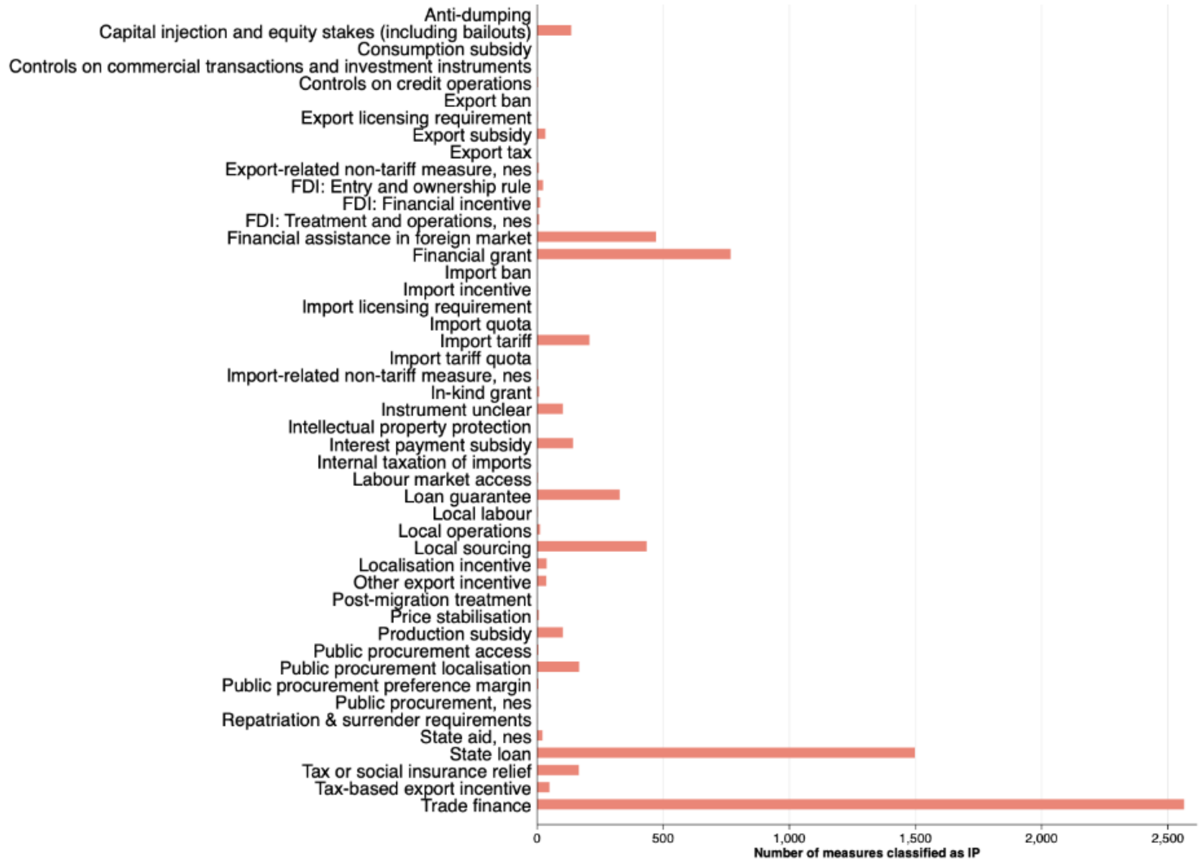
Geopolitical state interventionism is reemerging after an era of liberalization. Traditionally, International Political Economy (IPE) associates geoeconomics interventionism with trade closure imposed by state actors concerned with security and interstate power competition. Conversely, liberalization and state withdrawal usually linked to internationally oriented interest groups, like exporters. I argue that current geoeconomic agendas not only differ from liberal policymaking, but also from common understandings of geoeconomics as primarily statist limitations to trade opposed by multinational corporations. Industrial policy data however reveal that geoeconomic industrial policies primarily entail a promotion of strong firms on global markets. While liberal and critical IPE centre the power of corporate interest groups, such approaches have long predicted a deepening of liberalization which does not line up with geoeconomic realities. Many analyses of geoeconomics instead echo realist IPE scholarship, which however neglects the persistent influence of market actors on policy and struggles to account for states deepening their engagement with global markets. This article aims to understand the emergence of geoeconomics after liberal governance by challenging assumptions about corporate preferences. I adopt a historical institutionalist framework which highlighting how feedback effects of liberal trade governance – the rise of competitor states and intensified competition between superstar firms – drive previously liberally oriented exporters towards geoeconomic interventionism. I probe the argument with a case study of export credit agencies, which have become a significant yet overlooked instrument of geoeconomic industrial policy in the EU and its large member states. To set scope conditions for my argument and inform future scholarship I distinguish two types of geoeconomic policy, geoeconomic containment and geoeconomic promotion, which constitute different political economy constellations.

Introduction

The EU's recent geoeconomic turn is generally seen as a sudden change in European political economy, from liberal free trade to overt industrial interventionism. European trade and industrial policies from the early 90s until the end of the 2010s have been described as liberal in character: centred around state withdrawal and an outward free trade orientation. Such policies are regularly associated with the influence corporate interests of powerful 'superstar' firms, who are assumed to have an interest in undisturbed free trade. Conversely, geoeconomic policies are associated with state intervention and limits to free trade. Given the influence of superstar firms, the current geoeconomic turn surprised analysts, many of which attributed the change to exogenous shocks like the pandemic or sudden geopolitical upheaval. Geoeconomics is thought to emanate from statist interests like security and interstate competition, that impose a closure of trade in opposition to corporate interests.

Moreover, despite the generally gloomy picture painted about liberal trade, the IMF, WTO, and OECD forecast a further growth of global trade1 – rather than a closure of trade as commonly expected. Additionally, the EU's geoeconomic agenda, as set out in the Trade Policy Review on Open Strategic Autonomy and the Global Gateway Communication, centres strategic openness and further albeit strategic trade and interconnection (European Commission, 2021; High Representative, 2021).

Figure 1: Count of industrial policy by measure type.

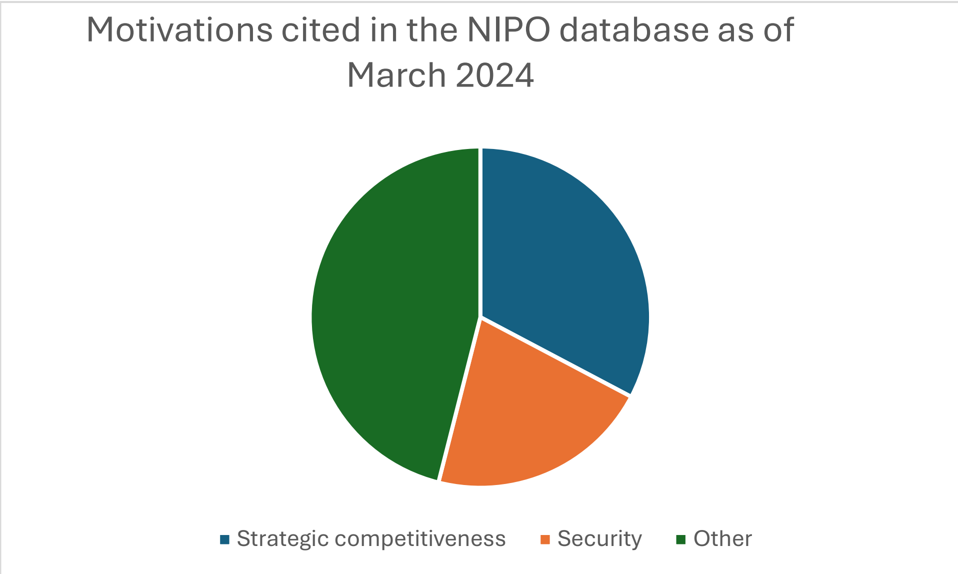


Source: Juhász et al. (2022, p. 29), based on Global Trade Alert data.

[1] https://www.ft.com/content/3451ba03-28fc-4300-8813-af66bb743bf4

Moreover, data reveal that state interventions overwhelmingly seek engagement with, and competitiveness on global markets, rather than withdrawal from them. The Global Trade Alert shows that export-oriented policies were a cornerstone of government's industrial policies throughout the 2010s (Evenett, 2019). Trade finance and other types of credit for exporters and investors on global markets are a remarkably large share of (high-income) Western governments' industrial interventionism (Dawar, 2020; Peterson & Downie, 2023; Schrank & Kurtz, 2005; Singh, 2010). Such previous findings are also confirmed by text-as-data analyses: "The most prominent forms of industrial policy are (in order of importance) trade financing, state loans, financial grants, financial assistance in foreign markets, local sourcing, loan guarantees and import tariffs" (Juhász et al., 2022, p. 22, see fig. 1). They especially target "industries that have already established themselves in some way on international markets" (Juhász et al., 2022, p. 27).

Figure 2 Motivations cited for EU member states industrial policy interventions in the NIPO database as of March 2024.



Source: own graph based on the NIPO database as of March 2024 (Evenett et al., 2024)

Governments' reported motivations for interventions in the economy also don't match common narratives of security-oriented closures of trade. As of March 2024, the New Industrial Policy Observatory database has logged 59 unique interventions by EU member states motivated by specific security concerns, and 91 motivated by strategic competitiveness2 (fig. 2, Evenett et al., 2024).

Such findings hint at the limits of understanding the new geoeconomic agenda simply as a statist limitation of economic relations, at odds with corporate interests. Such statist explanations are also hard to square with literature on the strong influence of powerful liberalizing interests like 'superstar' exporters on policymaking (Blanga-Gubbay et al., 2020; Dür, 2010; Gawande et al., 2012; Kim, 2017; Osgood et al., 2017). Taking serisouly the interplay between interstate relations and domestic stakeholders in policymaking, analysists should analyse the domestic political economy of geoeconomic policymaking (Gourevitch, 1978; Strange, 1970). As a start to this end, this article

[2] New Industrial Policy Objectives Database of the Global Trade Alert has logged 278 unique new industrial policies by European member states, and their objectives since January 1st, 2023. (https://www.globaltradealert.org/reports/112 Accessed: March 20th, 2024).

proposes an analytical framework aims to better understand the emergence of geoeconomics in relation to corporate interests.

The paper is structured as follows. The first section reviews main strands of IPE scholarship on trade and industrial policy, finding that they share assumptions about the liberalizing preferences of multinational corporations which are reflected in recent scholarship on the geoeconomic turn. The second section outlines a historical institutionalist framework which highlights how feedback effects from liberalization can shift the preferences of exporters – the constituency traditionally seeking liberalization. Section 3 probes the argument through a case study of export credit agencies in the EU, based on policy documents (which include a survey of large European firms), interviews, and secondary literature. Section 4 then develops a dual typology of geoeconomics which can inform future political economy inquiries and sets scope conditions for the argument.

Literature Review

Liberal and critical IPE

From the 90s until the recent geoeconomic turn, mainstream IPE has been predominantly liberal. Liberal IPE sees governments not as strategic actors with independent goals, but as political support maximizers, who deliver policy for to groups who offer the highest amounts of political capital (Gawande & Hoekman, 2006; Grossman & Helpman, 1992). International economic policy then, reflects a country's domestic balance between import-competing and export-oriented groups. Import-competing groups prefer protectionism to defend themselves from foreign competitors, while export-oriented groups prefer free trade to compete abroad (Hiscox, 2001). Since the 80s, globalization strengthened constituencies with a strong and concentrated interest in liberalization, such as exporters and import-dependent firms embedded in global value chains (Dür, 2010; Eckhardt, 2013; Eckhardt & Poletti, 2016; Gawande et al., 2012; Gereffi, 1999; Kaplinsky, 2013; M. J. Melitz, 2003). The concentration of market shares and interests in liberalization among ever stronger firms further enabled their collective action (Kim, 2017; Olson, 1965; Osgood, 2017; Osgood et al., 2017; Xie et al., 2017). So did the institutionalization of free trade under the WTO, by facilitating monitoring and enforcement of agreed disciplines and increasing the predictability of trade policy outcomes (Aggarwal & Dupont, 2008; Goldstein & Martin, 2000; Keohane, 1998; Zangl, 2008). Hence, so-called "superstar exporters" became a dominant liberalizing influence on trade policy (Blanga-Gubbay et al., 2020; Rodrik, 2018). As firms adjust to this liberal context, liberalization was expected to persist and deepen (Gawande et al., 2015; Hathaway, 1998).

In particular, various literatures take the EU's liberal market-making trade and industrial policy to reflect the preferences of powerful interest groups. For example, neofunctionalist scholars explain integration as a result of spillovers whereby interest groups see benefits from further integration (Haas, 1958, 1964; Niemann, 2021; Schmitter, 1969). Liberal intergovernmentalists see governmental preferences as a reflection of domestic interest group politics (Moravcsik, 1993, 1998). Critical political economy analyses of European integration centre contestation between specific camps of interest groups to explain the European bargain. The capitalist class is divided into neoliberal and neomercantilist factions3, whose interests are structurally determined by their respective positions in the global economy: transnational capital seeks liberalization, whereas domestic, import-competing industries prefer mercantilism (Van Apeldoorn, 2003). Deepening globalization and the 1970s crisis of the postwar order empowered the neoliberal camp vis-à-vis the neomercantilists, allowing them to set the course for liberal European economic governance.

The geoeconomic turn and realist IPE

Recently, scholars identify an unexpected geoeconomic turn in EU economic policy (Adriaensen & Postnikov, 2022; De Ville et al., 2023; Jacobs et al., 2022; Meunier & Nicolaidis, 2019; Schmitz & Seidl, 2022; Seidl & Schmitz, 2023; Weinhardt et al., 2022). Counter to liberal trade, the unstable geopolitical environment exacerbates the limits of bi- and multilateral economic governance, leading to WTO paralysis and unilateral economic interventionism (De Ville et al., 2023; Lavery, 2023).

Liberal and critical IPE, focused on liberalizing interests, struggle to explain this shift. Instead, scholars increasingly attribute policies to the agency of state actors, who impose a new geoeconomic agenda (Alami & Dixon, 2020b; Babić et al., 2022; Babić & Dixon, 2022). They do so in response to pressures related to sustainability, the digital transition, Brexit, and the COVID-19 pandemic (De Ville et al., 2023; Defraigne et al., 2022; Jacobs et al., 2022; Meunier & Mickus, 2020; Mosconi, 2022; Seidl & Schmitz, 2023). Mostly however, they react to supposedly exogenous shifts in the global economy (Haroche, 2022; Lavery & Schmid, 2021; Weiß, 2023), especially the rise of China and the loss of the US as a stabilizing hegemon (Babić & Dixon, 2022; Defraigne et al., 2022; Lake, 2018; Lavery et al., 2022). State actors update their beliefs and cultivate change, e.g., by setting norms or mobilizing coalitions around geoeconomic agendas (Babić & Dixon, 2022; De Ville et al., 2023; Di Carlo & Schmitz, 2023; Roch & Oleart, 2024; Schmitz & Seidl, 2022; Seidl & Schmitz, 2023).

Such explanations resonate with realist IPE (Roberts et al., 2019). Drawing attention to the statist underpinnings of international economic relations and states' concerns for relative power, realist IPE is indeed well-positioned to explain increased interventionism at times of great power transition. It sees international economic policy as a zero-sum battle for the political power that comes with market domination, conducted by states acting independently on behalf of the national interest (Gilpin, 1975). Liberal regimes of economic openness may be underpinned by rising powers who benefit from comparative advantages (Gilpin & Gilpin, 1987; Krasner, 1976). Competitive multinationals favour this openness too, but ultimately powerful states drive decision-making. When their power position is threatened by strong competing states, they will close economic relations, reimposing themselves over market actors through mercantilist intervention returns (Gilpin & Gilpin, 1987) – though interest groups benefiting from openness can be an obstacle (Krasner, 1976).

Geoeconomics and multinational corporations

Realist IPE's focus on state actors seemingly lends it to explaining geoeconomics more easily than interest groups-based approaches. However, functional pressures like geoeconomics translate into policy outcomes through intermediation with domestic politics (Gourevitch, 1978; Guzzini, 2012). IPE is strongest when accounting for overlaps between strategic-political and economic as well

[3] These camps compete with each other and with a third, social-democratic camp.

domestic and international processes, and when investigating closely the relationship between state and non-state actors (Strange, 1970, 1982). If states turn to geoeconomics, what happens to the power and preferences of interest groups?

Realist, liberal, and critical IPE share an assumption about corporate actors and their preferences: internationally oriented capital (especially exporters) must favour economic openness and limited government intervention. Conversely, less globally oriented (import-competing) firms must prefer economic closure, protectionism, and government intervention. *Geoeconomics, then, pits governmental and corporate interests against each other* (realist IPE) (Choer Moraes & Wigell, 2020, 2022; Roberts et al., 2019). *Geoeconomic policy outcomes reflect how domestic institutional arenas negotiate differences between states' and businesses' preferences securitization and openness* (liberal IPE) (Farrell & Newman, 2019; Gertz & Evers, 2020). *Diverging from liberal governance would be possible only if the power of 'neoliberal' transnational capital vis-à-vis other groups decreases* (critical IPE) (Van Apeldoorn, 2003).

However, though states' and multinationals' interests around geoeconomics may diverge, I argue there is no reason to assume so, as in much recent scholarship. Corporate interests ought to be analysed, not assumed. Though firms behave rationally, under conditions of uncertainty firms must learn and construct the content of their strategic rationality – a process which is shaped by their socio-economic and political environment (Woll, 2008). This research agenda is echoed in the emerging literature on geoeconomic state capitalism, which investigates states acting as market players (Alami, Babic, et al., 2022; Alami, Dixon, et al., 2022; Alami & Dixon, 2020a, 2020b; Babić, 2021, 2023; Babić et al., 2022; Choer Moraes & Wigell, 2020). This literature calls to decompose strict dichotomies between political and economic logics, between state and corporate actors, instead interrogating their interrelation. It does so with attention to the current historic context, in which geoeconomics follows a period of liberalism which has affected various actors' preferences, and power positions.

Some studies take up this agenda. Eckert (2024) interrogates businesses' power to shape geoeconomic outcomes – though assumes they are consistent with IPE expectations. Schmitz & Seidl (2022) examine business actors' neoliberal or neomercantilist positioning around the geoeconomic agenda – though without relating these positions to actors' structural positions. Choer Moraes & Wigell (2020), while mostly maintaining traditional assumptions about corporate interests, note that certain corporations might be in favour of securitization if its plays to their narrow interests. Several in-depth studies of geoeconomic contestation examine Germany, with its historically ordoliberal export-oriented regime. Koddenbrock & Mertens (2022, pp. 150–151) mention the bank-industry nexus strategically mobilizing the geoeconomic agenda. Especially illuminating accounts are penned by Germann (2022) & Schneider (2023), who see corporate geoeconomic interests reflecting exposure to global (especially American and Chinese) competition – a division which does not simply align with the cleavage between globally and domestically oriented industries. In the next section, I build on these contributions with a historical institutionalist framework which explains shifting corporate interests. After probing the argument in a case study of export credit, I suggest a dual typology of geoeconomics which can be used to delineate scope conditions of the argument, as well as to structure future inquiries into the political economy of geoeconomic policymaking.

Endogenous interest shifts: Feedback effects of trade liberalization

Liberal IPE expected the institutions governing liberal trade to self-stabilize by empowering large firms – whose interests in further liberalization would only grow over time – to maintain and deepen liberal discipline through their governments (see above). Though perhaps true over the short term, liberal governance has over time altered key aspects of the global economic environment. Drawing from historical institutionalist theories of gradual change and feedback effects (Greif & Laitin, 2004; Mahoney & Thelen, 2009; Pierson, 1996; Streeck & Thelen, 2005), I explain firms' interests shifting to geoeconomic promotion as a result of gradual self-undermining feedback effects of liberal governance. These are 1. the emergence of competitor states' economies, 2. intensified competition between large firms with concentrated market power. Over time, these feedback effects shift large firms' policy preferences from liberalization to geoeconomic interventionism, by changing the nature of competition to which liberalization would expose them.

The rise of competing economies

The institutionalization of free trade in the '90s took place in a specific geopolitical context. The governments designing liberal governance, and the firms they represented, were internationally economically dominant. To the most competitive, liberalizing means winning. This holds for governments (in line with realist IPE4) and for firms (in line with critical and liberal IPE5). Moreover, the relative lack of great power competition rendered security issues less salient.

However, liberal competition is dynamically instable: other powers entering the liberal order can over time rise to challenge the dominant position of the order's architects (Gilpin & Gilpin, 1987; Harvey, 1985). What the West sees as the largest threat to this order, China's rise, has indeed benefited greatly from the liberal order. WTO accession contributed to the Chinese economy's structural transformation by enabling an immense surge in exports and investment (Erten & Leight, 2021). Hence, with economic domination is no longer a foregone conclusion. Liberal policies are no longer a surefire path to net gains. As commonly acknowledged, this can hold for governments with fears of falling behind (Seidl & Schmitz, 2023) but, I argue, also for large multinationals, against the assumptions of both liberal and realist IPE. Under uncertainty, firms must discover and construct their interests and strategic policy preferences, often through interaction with their specific social environments (Woll, 2008). As the currency of geoeconomic ideas among policymakers and uncertainty about the global economic environment increase, strengthened competition from emerging economy firms may increasingly move incumbent (previously liberal) firms to pursue governmental promotion as a path to competitiveness. This pre-existing tendency (Buch-Hansen & Wigger, 2015) is amplified as additional superstar firms face strengthened international competition (see also Germann, 2022; Schneider, 2022).

[4] E.g., Baldwin (1985), Cowen & Smith (2009), Gilpin & Gilpin (1987), Krasner (1976).
[5] E.g., Blanga-Gubbay et al. (2020), Chang (2002), M.J. Melitz (2003), Osgood et al. (2017), Rodrik (2018).

Superstar competition

Liberalization results in the growth and dominance of the most competitive firms (M. J. Melitz, 2003). With access to additional markets, such firms can expand their market shares through competition, mergers, and acquisitions (Xie et al., 2017), leading to market consolidation by a decreasing amount of large 'superstar' firms (Autor et al., 2020; De Loecker et al., 2020). This is generally expected to further deepen their commitment to liberalization as they realize its benefits (see above). Though maybe true in the short term, I argue this evolution also induces long-term self-undermining feedback effects. Market concentration changes the nature of competition. Initial liberalization allowed competitive firms to comfortably outcompete previously shielded uncompetitive firms. As those give way to ever stronger and larger firms, liberalization increasingly implies competition between superstars, in which fewer firms are certain of success (De Loecker et al., 2020; De Loecker & Eeckhout, 2018). As uncertainty rises with the strength of competition, firms who initially favoured liberalization may therefore increasingly come to consider state interventions as a means to pursue their interests.

Case Study: Export Credit Agencies

To investigate the political economy underlying geoeconomic promotion, I study the EU's and its large member states' usage of export credit agencies (ECAs). State support of the type extended through ECAs presents a large majority of new industrial policy interventions (see fig. 1). Given their overlooked role in trade and industrial policy as well as in funding fossil fuel and renewable energy projects6, calls are emerging to study the political economy of ECAs (DeAngelis & Tucker, 2020; Peterson & Downie, 2023). My case study is based on policy documents, interviews (with member state and EU policymakers, and with industry representatives), and secondary literature. ECAs support firms on international markets, and represent a large share of current industrial policy efforts. Hence, they present a typical case of geoeconomic promotion. Typical cases are ideal for studying the mechanisms linking causes and outcomes, and for testing claims which counter existing literature (Beach, 2017; Beach & Pedersen, 2012, 2013).

What are ECAs?

ECAs vary widely: some are departments at finance ministries, some are private firms working on behalf of the state, and others are departments or subsidiaries of promotional banks. Historically and theoretically, ECAs' purpose was to "grease the wheels of trade" by absorbing export-related risks (e.g., customer default/non-payment, exchange rate fluctuations, government capture, war). Their risk-absorption through loans, guarantees, or insurance is often indirect, when loans and guarantees are extended not directly to exporters but to customers or banks financing the transaction. ECAs are usually justified on account of lacking private coverage, as may be the case for smaller contracts, destinations with particular risks, or during financial crises (Alsem et al., 2003; Blackmon, 2016, 2017; Fleisig & Hill, 1984, p. 334). Without profit requirements and with access to governmental information about political risks (Alsem et al., 2003; Dewit, 2001; Singh, 2010), ECAs could act as creditors of last resort for SMEs, especially large/long-term projects, and markets with

[6] https://www.gtreview.com/news/sustainability/ecas-continue-to-favour-fossil-fuels-over-clean-energy-data-shows/ https://on.ft.com/4g6osey

underdeveloped private insurance/finance (Auboin & Meier-Ewert, 2003; Baltensperger & Herger, 2009; Felbermayr & Yalcin, 2013, p. 989; IFC, 2012).

However, not only micro-economic concerns for individual transactions but also macroeconomic considerations[7] guide governments' export credit policies (Dawar, 2020; J. Melitz et al., 1987). Some argue that ECAs' effects on exports to low-income countries (where private credit is most lacking) or risky markets are limited or unclear (Abraham & Dewit, 2000; Baltensperger & Herger, 2009; Felbermayr & Yalcin, 2013), instead mostly affecting (the distribution of) exports between more well-off countries (Egger & Url, 2006). Between 2005 and 2009, between 45% and 50% of yearly medium and long-term coverage by public ECAs in the Berne Union[8] covered transactions with destinations in Europe or the Americas, with the US as largest exposure country (Morel, 2010, p. 18). "The incursion of OECD ECAs into American and Western European markets clearly widens the scope of ECA involvement in global trade. Because this widening is occurring in countries where there has never been any allegation that capital markets are inefficient or incapable, it would seem that increased activity in such markets is more likely to distort trade than to facilitate additional trade" (Export-Import Bank of the United States, 2008, p. 94). This gives additional plausibility to ECA coverage being led not primarily by microeconomic concerns and market failures, but by macroeconomic and strategic policy considerations[9]. Also to this end, most governments have historically imposed "domestic content" requirements on ECAs, ensuring that support primarily benefits domestic firms.

"Although such economic nationalism is antithetical to the tenets of the multilateral trading system under the WTO, ECAs are nevertheless seen to be legitimate and even encouraged, particularly during financial crises" (Dawar, 2019, p. 5). To limit unfair distortions by ECAs, OECD countries created the Arrangement, a soft law framework administered by the OECD Secretariat which serves as a safe haven from the WTO Agreement on Subsidies and Countervailing Measures (Jennekens, 2022; Jennekens & Klasen, 2023). It requires ECAs to break even and, since 1999, sets minimum rates to curb subsidy races in interest rates and premia (Dawar, 2019, 2020) For much of its history, practitioners and academics alike underlined the Arrangement's success in curbing race-to-the-bottom dynamics (Levit, 2004; Moravcsik, 1989; Shaffer et al., 2015). ECA activities were historically non-salient and highly technical, far from explicitly nationalist industrial policy (Levit, 2004; Shaffer et al., 2015) (interviews 7, 11, 12, 15).

Though ECAs long remained shrouded in technical jargon and justified as lenders-of-last-resort who merely facilitate international trade, they have undergone gradual yet extensive changes since the early 2000s. ECAs often remain overlooked but have become a cornerstone of many governments' industrial policy mix (Dawar, 2020; Peterson & Downie, 2023; Singh, 2010). Of the 1648 unique outward (i.e., targeting international markets) policy interventions by European member states logged

[7] ECAs' macroeconomic benefits have been contested: some argue that they may have adverse distributive or welfare effects (Dewit, 2001; Feeney & Hillman, 2001; Fleisig & Hill, 1984; S. Lee, 1990; J. Melitz et al., 1987; Moser et al., 2008).

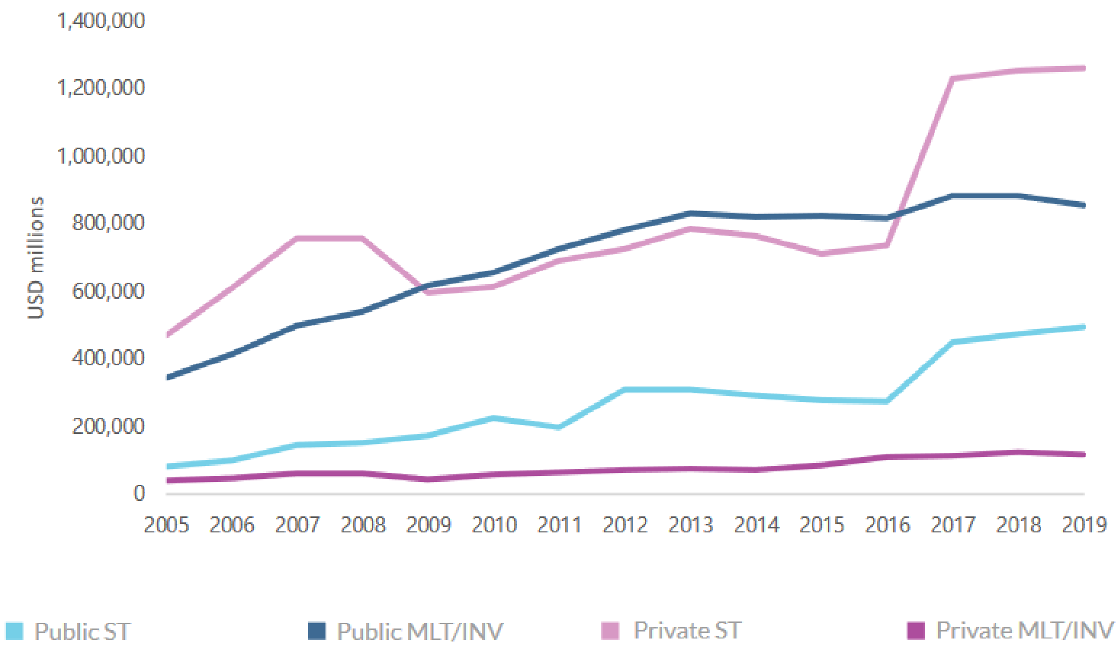
[8] An association of public alongside main private export credit players.

[9] https://www.gtreview.com/magazine/the-export-finance-issue-2023/from-lender-of-last-resort-to-multipurpose-player-charting-the-transformation-of-ecas/

by the Global Trade Alert (GTA), 1589 involve (semi-)governmental financial institutions like ECAs providing credit support like loans or guarantees10.

While increasingly marketed as "quasi-market players" breaking even on the aggregate (Ascari, 2007; Export-Import Bank of the United States, 2008; Kuhn et al., 1995), ECA's expanded their support to companies both in volume and in kind, leading firms – some previously serviced by private insurers – to flock to ECAs in increasing numbers (Klasen, 2011; Singh, 2010). Between 2005 and 2019, public medium- to long-term (MLT) export and investment aid grew faster than private coverage (fig. 3).

Figure 3: The evolution of export credit coverage by Berne Union members over time: Cross-border commitments outstanding at year end, by institution type and business line (millions USD): short term (ST) and medium- to long-term/investment aid (MLT/INV). Note: short term commitments outstanding at year end do not capture short term contracts finished by year end.



Source: Berne Union (2020, p. 16).

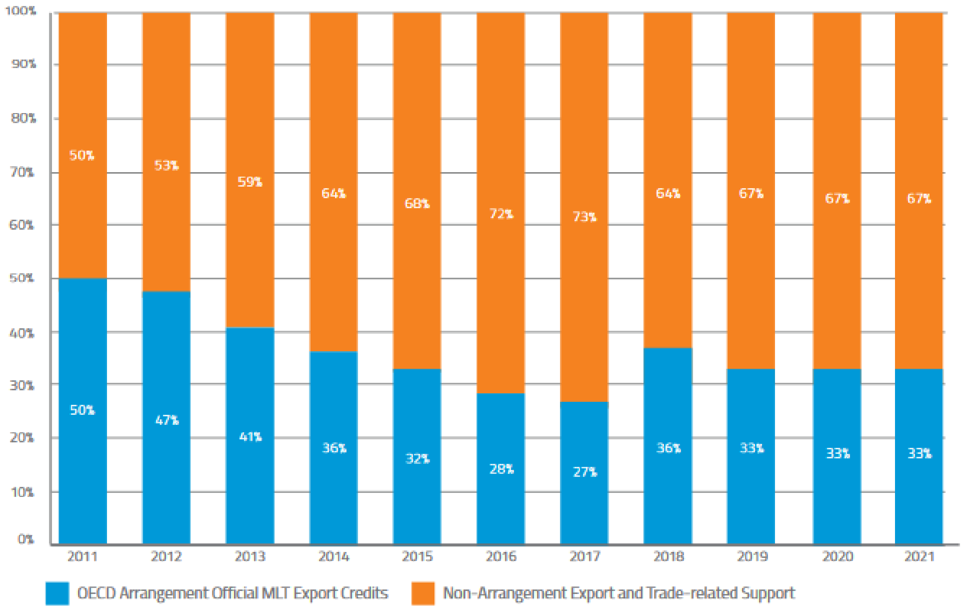
Some ECA's domestic content requirements were loosened or substituted by national interest considerations, allowing them to support companies' broader activities more by financing transactions or operations with lower shares of domestic production (Dawar, 2020, p. 380; Klasen, 2011). Many ECAs started offering new types of support beyond the scope of the Arrangement, like credit for FDI, working capital, untied investment aid, or so-called "market window" operations (Ascari, 2007; Dawar, 2019, 2020). While the Arrangement's decreasing efficacy in disciplining ECAs is often blamed on competition from non-participants to the Arrangement, such rule-stretching or -circumventing by participants clearly contributes to undermining Arrangement discipline (Bunte et al., 2022; Klasen & Vassard, 2023, p. 2) (interviews 1, 4, 7, 8, 9, 11)11. By now Arrangement-

[10] https://data.globaltradealert.org/, accessed March 21st, 2023. Figures obtained by selecting all outward measures by EU MS in the GTA (which started in 2009) and manually indicating whether a financial institution was involved or not. (The GTA does not always flag involvement of government-backed financial institutions; its own classification counts 1547 out of 1648 interventions involving a national financial institution.)

[11] OECD representative speaking at Brussels event.

covered credit has gradually been displaced by non-Arrangement-covered credit (Dawar, 2020) (fig. 4). In reaction, Participants "modernize" the Arrangement by loosening its disciplines to allow broader activities, e.g. by lowering minimum down payments or content requirements[12]. Though the broader overtly geopolitical attention to ECAs may be new (interviews 7, 11, 12, 15), the policy shift and its drivers have developed more gradually than the common view of current shift to geoeconomics being a radical departure after a critical juncture (interviews 3, 9).

Figure 4 Share of ECA activities covered by the OECD Arrangement.



Source: Export-Import Bank of the United States (2022, p. 23).

Geoeconomic ECAs

There is no 'European' ECA: export credit provision is a member state (High Representative, 2023, p. 7). However, ECAs are subject to applicable EU regulations, and the Commission seeks to mobilize ECAs in its geoeconomic trade agenda. The 2021 Trade Policy Review on open strategic autonomy charted the Commission's geoeconomic agenda. It embedded export credit in this agenda and outlined further export credit efforts to come, the main goal being industry competitiveness in light of increased competition, especially with China (interviews 3, 5, 7, 9, 11, 12, 13, 15). "To ensure a better level playing field for EU businesses on third country markets, in which they increasingly have to compete with the financial support foreign competitors receive from their governments, the Commission will explore options for an EU strategy for export credits. This will include an EU export credit facility and enhanced coordination of EU financial tools" (European Commission, 2021, p. 21). Responding to the Chinese Belt & Road Initiative, the 2021 Global Gateway communication seeks to mobilize €300bn for security, partnerships, and investments in global infrastructure, environment, health, and education. ECAs, identified as means to achieve these geoeconomic goals, are to become better coordinated among themselves and with other finance institutions. A possible European export credit facility is mentioned, "to complement the existing export credit arrangements at Member State

[12] https://www.gtreview.com/news/global/oecd-arrangement-amends-local-content-rules-for-export-credits-as-industry-calls-for-wholesale-modernisation/; https://www.gtreview.com/news/global/new-oecd-down-payment-requirements-set-to-boost-eca-support-in-emerging-markets/; https://www.gtreview.com/news/global/banks-urge-oecd-to-resurrect-down-payment-rule/

level and increase the EU's overall firepower in this area" (High Representative, 2021, p. 9). The Commission and the High Representative for Foreign Affairs – whose involvement underlines the geoeconomic foreign policy logic – map the EU's combined external financial tools, in which they find ECAs occupying central positions. The resulting report advocates a proactive and cooperative 'Team Europe' approach "to achiev[e] key EU policy objectives including global competitiveness, sustainable development objectives as well as the EU's open strategic autonomy and geopolitical objectives" (High Representative of the Union for Foreign Affairs and Security Policy, 2023, p. 3)13. Ever since, DG Trade develops ways forward along the geoeconomic export credit agenda. Though its goals also include the green and digital transition, and neighbourhood ties14, the underlying geoeconomic concern is increasing European competitiveness in each of these areas (interview 15).

Also member states (MS) see ECAs through a geoeconomic lens. In 2021, a group of MS' finance ministry, ECA, and DG Trade officials (ExFiLab) publishes a white paper entitled 'Take Action or Fall Behind!'. It calls for a comprehensive EU strategy boosting public finance for exports, trade, and investments. The main motivation is EU competitiveness in great power competition on global markets. They highlight "a competitive disadvantage in comparison to large trading partners such as the U.S. and China" and the need to adapt export credit policies "to achieve [the EU's] ambitious international goals" (ExFiLab, 2021, p. 9). MS further underscore ECAs' importance for global competitiveness in 2022's Council conclusions on export credit. They express a "willingness to use every means at their disposal" to increase competitiveness, and if talks around Arrangement reform "would not be satisfactory, to look into the possibilities of refocusing on European strategic and industrial interests and the best way to serve them autonomously" (Council of the European Union, 2022, p. 7). MS support the Commission's exploration of possible EU strategies, and enhanced coordination with other EU financial tools like development aid and investment support. In early 2024, ExFiLab applauds the Commission's progress, encouraging further steps to boost competitiveness, respond to geopolitical tensions, and strengthen foreign policy (and environmental) objectives (ExFiLab, 2024, pp. 6–7). MS again signal ECAs' importance for strategic agendas like assertive trade and Global Gateway (more than for rules-based multilateralism or development) in a survey conducted during a feasibility study for the Commission (Mudde et al., 2023a) (fig. 8). Citing global competition and foreign aid faced by exporters, they favour a whole-of-government approach and increased coordination across the EU (Mudde et al., 2023c, pp. 64, 67). They are however divided about potential EU-level actions beyond reinsuring or otherwise boosting national ECAs (ibid., pp. 85-95) – likely reflecting differences in the competitiveness of different MS' ECAs and MS' desire to retain control (interviews 3, 5, 7, 11, 12, 13).

Also to national audiences, MS place ECAs primarily in geoeconomic agendas of strategic competitiveness to meet strengthened global competition. Launching the French "Osez l'export" plan which seeks (among other initiatives) to boost the French ECA's impact (Bpifrance Assurance Export), the competent ministers15 write: "C'est aussi à travers l'export que se joue la capacité de la France à faire face aux tensions géopolitiques et à maintenir son rang au cours des prochaines

[13] See also: Conclusions on Team Europe (Council of the European Union, 2021).

[14] E.g., a relatively small export credit facility targeting SME exporting to Ukraine: https://ec-europa-eu.eui.idm.oclc.org/commission/presscorner/detail/en/ip_24_3408

[15] Bruno Le Maire (Minister of the Economy, Finance, and Industrial and Digital Sovereignty), Catherine Colonna (Minister of European and Foreign Affairs), and Olivier Becht (Delegated Minister charged with foreign trade).

décennies."16 Bpifrance's agenda for 2024-2028 further testifies to geoeconomic promotion: "Sur les futures cathédrales industrielles, Bpifrance est en première ligne (…) afin de favoriser ces projets présentant un intérêt stratégique pour notre économie" (BPIFrance, 2023). Similarly, Germany's National Industrial Strategy 2019 set new industrial policy goals in light of global great power competition: "The issue of industrial and technological sovereignty and capacity of our economy is the decisive challenge to maintaining the future viability of our country. Our economy must be able to withstand global competition in all main areas" (Federal Ministry for Economic Affairs and Energy, 2019, p. 10). Especially the need for large competitors on global markets is underlined: "National and European champions: size matters! A question that increasingly arises from the emergence of a comprehensive global market in an increasing number of areas is that of the critical mass necessary for an industrial stakeholder to successfully participate in international competition(…) If a country lacks enterprises of a requisite critical mass to realise significant projects and assert itself in international competition against large competitors, this leads de facto to being shut out of an important and growing part of the global market" (Federal Ministry for Economic Affairs and Energy, 2019, p. 11). Minister Habeck's 2023 industrial strategy is steeped in geoeconomic language: "The significance of industry extends far beyond economic aspects. (…) Maintaining our industrial base also makes us safer. (…) To act responsible, therefore, we must strengthen our economic security so that we are on the safe side. The safeguarding of our industrial base requires a clear course: a strategic industrial policy."17 The strategy sees "changed geopolitical times" as the main challenge to address. A new instrument and increasing liquidity for Hermes (the German ECA) guarantees are introduced under the heading "Safeguarding our economic security" (Federal Ministry for Economic Affairs and Climate Action, 2023, p. 43).
In short, market failure justifications haven't disappeared completely, but the Commission and MS primarily reveal geoeconomic orientations when discussing ECAs. Their recurring motivation is intensified global competition with rival powers (see also: 'fear of falling behind', Seidl & Schmitz, 2023).

Corporate interests

Though governments' adoption of geoeconomics is not entirely surprising, in what follows, this section shows that large exporters – the constituency traditionally seeking liberalization – also seek geoeconomic interventionism, primarily as a reaction to intensifying competition on global markets.

Export activity is correlated with firm size (Wagner, 1995), and larger firms are better aware of government support and better capacitated to fulfil administrative requirements of obtaining government support (Ducastel et al., 2023). Hence, larger firms are more likely to benefit from export credit, despite support for smaller firms being a key theoretical rationale behind ECAs. Large firms tend to use more OEC (Badinger & Url, 2013, pp. 1116, 1124), especially those already operating on a given market (Abraham & Dewit, 2000, p. 22). Covered transactions "are very large" and often "bear relatively large amounts of idiosyncratic risk" (Heiland & Yalcin, 2021, p. 34). They tend to be concentrated in a number of industries characterized by large deals covering long-term projects – mainly energy, transport, and infrastructure (Felbermayr et al., 2012; Felbermayr & Yalcin, 2013).

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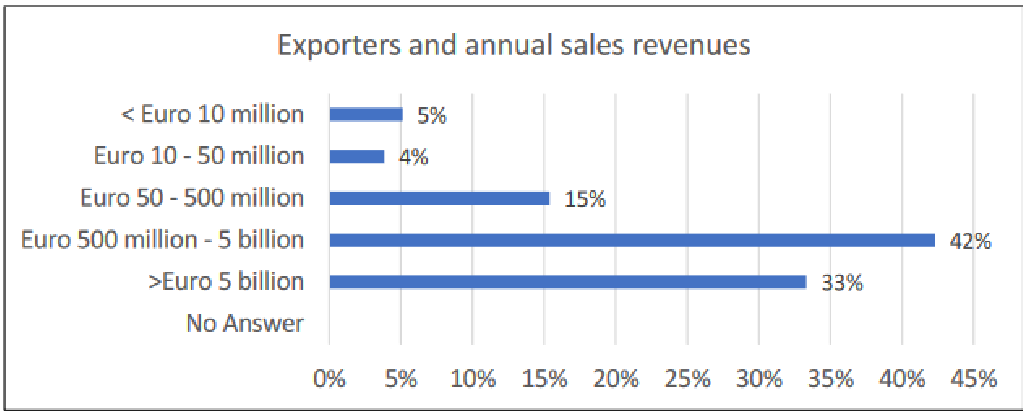
[16] https://www.diplomatie.gouv.fr/IMG/pdf/dossier_de_presse_-_osez_l_export_cle8c3f7f.pdf
[17] https://www.bmwk.de/Redaktion/EN/Pressemitteilungen/2023/10/20231024-minister-habeck-presents-industrial-strategy.html

Text-based analyses indicate a prevalence of industrial policy interventions which rely on state loans and trade finance to target winners with already revealed comparative advantage on international markets (Juhász et al., 2022, 2023, see also fig. 1). The flexibilization of Arrangement terms benefits exporting businesses (Klasen & Vassard, 2023, p. 2). More critical voices have attributed the persistent opacity of export credit policies and slow progress in imposing green and social standards to exporter's interests, as tensions can arise between confidentially promoting exporters and pursuing transparency or sustainable development (Singh, 2010; Wright, 2011). Though some ECAs have started proactive efforts to target SMEs (interviews 4, 5, 7, 8, 9), export credit is normally a marketized demand-based tool[18] (Ascari, 2007; Export-Import Bank of the United States, 2008). As such, the increasing (see above) uptake of ECAs' instruments can be taken to reflect exporters' increasing demand for ECA support.

In 2022, a team of consultants starts a feasibility study for enhanced European export credit cooperation, on behalf of the Commission. The May 2023 final report highlights global competition and proposes different ways forward, ranging from increased coordination between different types of financial institutions across member states, all the way to pooling capacities at the European level (Mudde et al., 2023a). In the framework of this study, a survey is carried out of about 80 large exporters from 20 MS (Mudde et al., 2023a, fig. 5).

Figure 5: Size of exporters participating in the feasibility study survey.



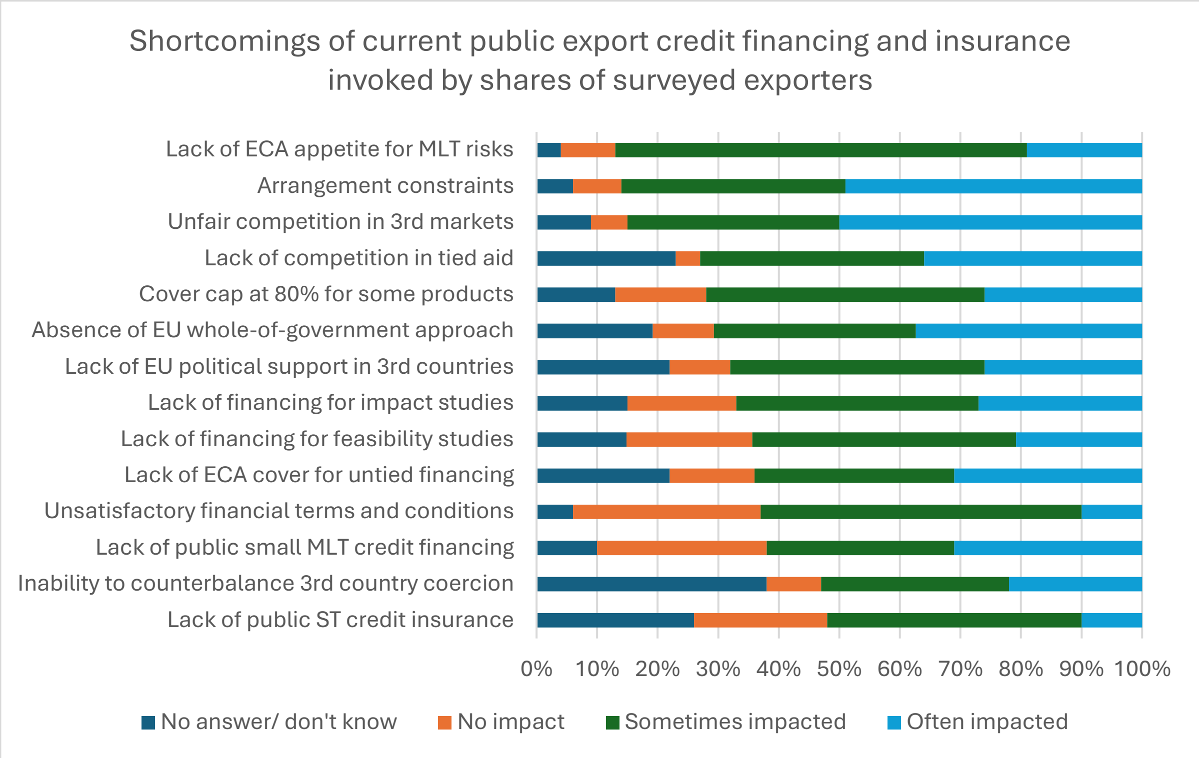
Source: Mudde et al. (2023c, p. 4)

Respondents favour a whole-of-government approach (which the Commission adopts), as they believe it would improve their competitiveness, mobilize additional capital, lead to more effective and efficient uses of scarce finance, and improve the visibility of available instruments available across the EU (Mudde et al., 2023c, p. 67). 87% of exporters claims that lack medium- and long-term coverage limits their operations sometimes or often (ibid., pp. 72) – a slim majority of surveyed exporters this for public short-term coverage (ibid., pp. 71). They further criticize the Arrangement's constraints (86%, ibid., pp. 73), lacking untied financing (64%, ibid., pp. 74), the 80% coverage cap on some types of support (72%, ibid., pp. 74), unsatisfactory financial terms and conditions (63%, ibid., pp. 75), and limited capacity to match tied aid competition (73%, ibid., pp. 81). Insufficient

[18] I.e., firms approach ECAs based on their realized needs and prospective transactions.

appetite to absorb the risks associated with an increasingly complex environment is another oft-cited concern – as also reported in the press19 and mentioned in interviews (interviews 3, 5).

Figure 6: Exporters' assessment of limits to status quo coverage by public institutions, in % of exporters surveyed.



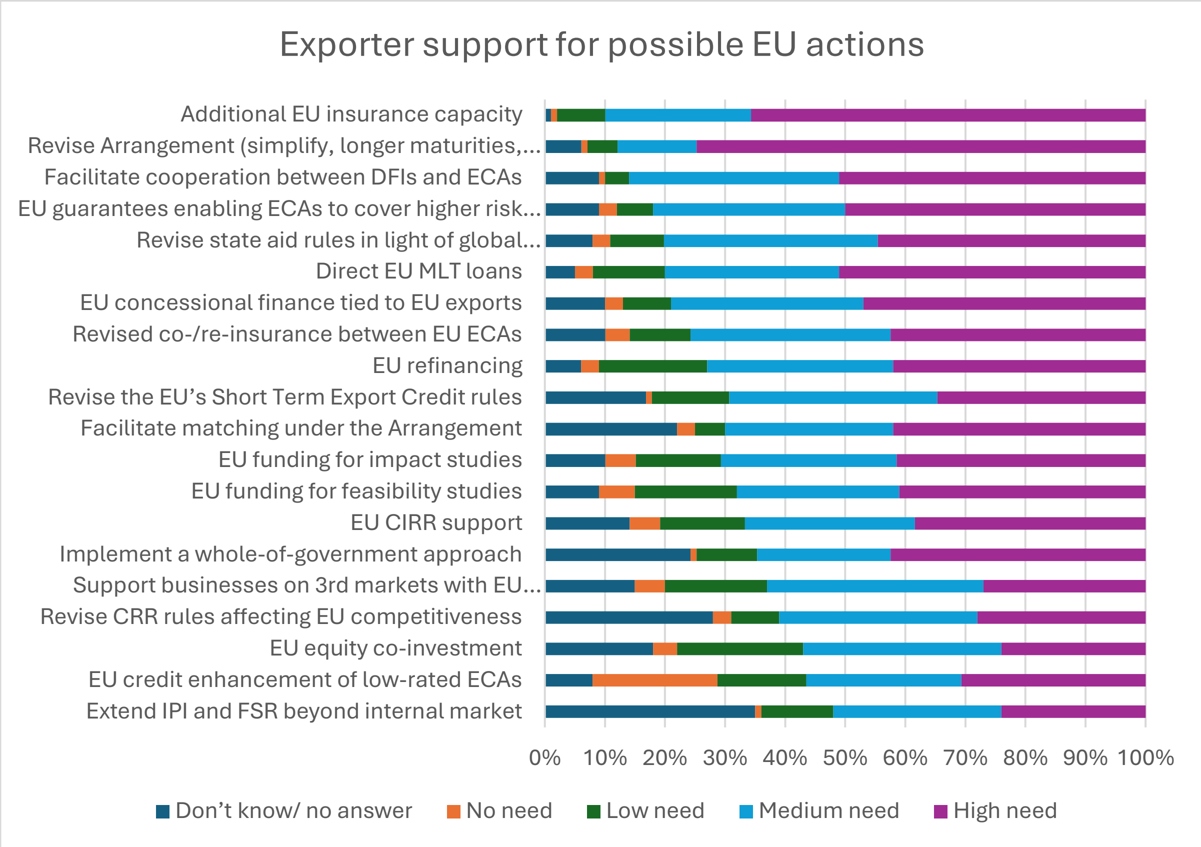
Source: Own figure based on Mudde et al. (2023c). ST: Short-term. MLT: Medium- to long-term.20

78% of involved large exporters considers the status quo an unviable option and identifies a need for an EU approach to export credit (ibid., pp. 85). There is most overwhelming support (medium or high need identified by surveyed exporters) for an EU insurance capacity (89%), revising the Arrangement (87%), linking export and development finance (86%), an EU guarantee scheme (82%), revising state aid rules in light of global competition (81%), direct EU MLT loans (80%), EU concessional finance tied to EU exports (79%), and increased coordination between EU ECAs (75%).

Exporters overwhelmingly note the potential contribution ECAs can make to a more assertive trade policy in line with the trade policy review (71%) and Global Gateway (62%), alongside a number of other strategic agendas (fig. 8). Strikingly, while a majority of surveyed government representatives emphasize the importance of ECAs for rules-based multilateralism, only a minority of exporters sees ECAs contribute to it. Fewer exporters see ECAs in this light than in light of any other mentioned EU strategic goals. Together with exporters' overwhelming support for ECAs, this stands in stark contrast with IPE's regular expectations of exporters seeking and shaping rules-based multilateralism and opposing unilaterally interventionist geoeconomics.

[19] https://www.gtreview.com/news/global/credit-insurers-warn-of-dwindling-risk-appetite/.
[20] Many other shortcomings were purported, where half or fewer surveyed exporters indicated being regularly impacted.

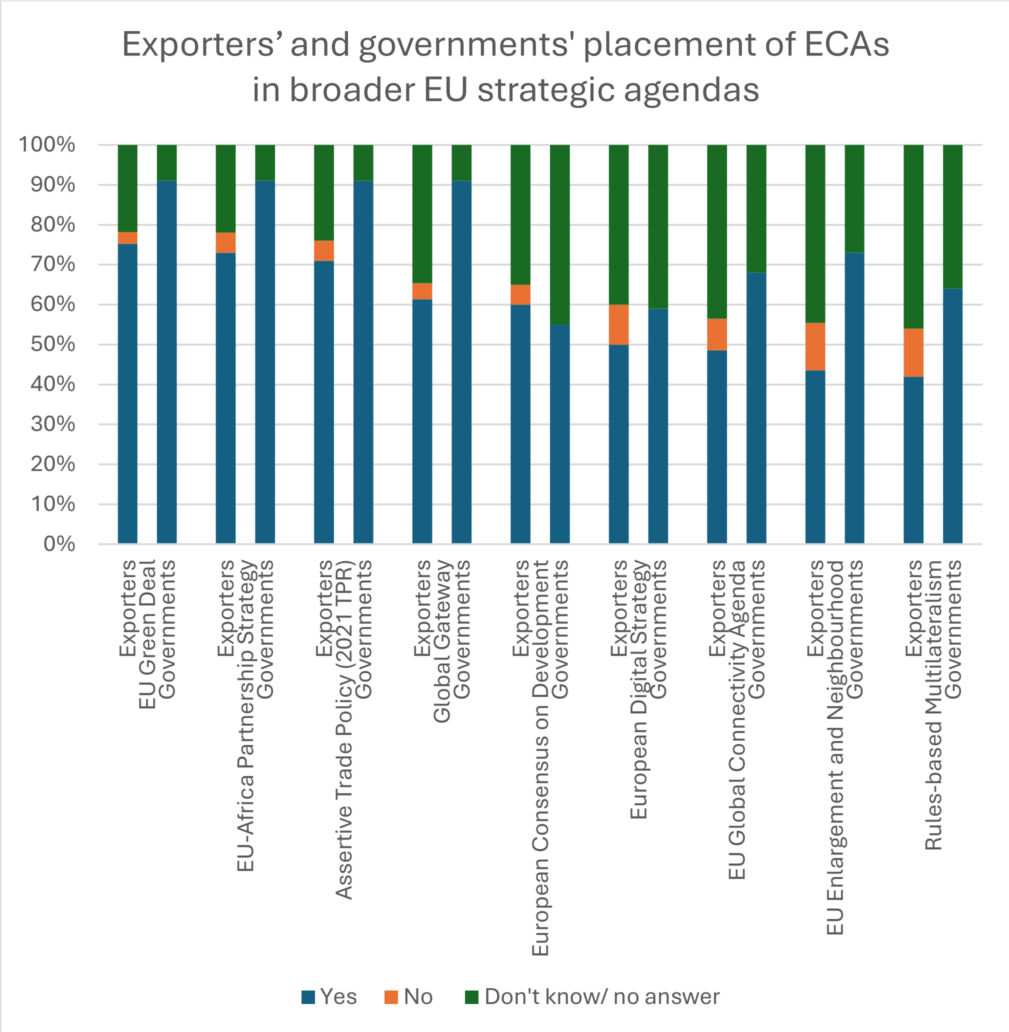
Figure 7: Exporters' indicated needs for enhanced EU export credit action, in % of exporters surveyed.



Source: Own figure based on data from Mudde et al. (2023c). MLT: Medium- to long-term. CIRR: Commercial interest reference rate. CRR: Capital requirements regulation. IPI: International Procurement Instrument. FSR: Foreign Subsidies Regulation. DFI: Development Finance Institution.

Exporters consistently invoke strong competition on third markets as the main challenge to be addressed by ECAs and other financial institutions (ibid. pp. 64, 65, 67, 82), also in focus groups organized during the feasibility study (Mudde et al., 2023b). This lends support to the idea that intensified international competition drives exporters' shift to interventionism. This tendency has existed since the 90s (Buch-Hansen & Wigger, 2015; e.g., ERT, 1993, 2004), but is increasingly emphasised and consequential for policy as additional industries are exposed to strong international competition and "flip" (interview 12). Industry associations like the European Roundtable of Industrialists, and to some extent also BusinessEurope, increasingly deviate from previously liberal positions also on other policy questions, such as reorienting or relaxing competition policy in light of global competition (BusinessEurope, 2019; ERT, 2020).

Figure 8: Governments' and exporters' placement of ECAs in broader EU strategic agendas, in % of governments/exporters per answer.



Source: Own figure based on Mudde et al. (2023c).

Discussion: Two types of geoeconomics

Large firms' support for geoeconomics is hard to square with the vast literature which expects them to prefer liberalization and oppose state interventionism. Indeed, this paper does not seek to argue that large firms will favour all types of geoeconomic interventionism. However, a good chunk of current geoeconomics seems to be favoured. Future analyses of the political economy of geoeconomics should be attentive to the variety of geoeconomic policy. To aid such efforts, and to delineate the scope conditions of my own argument, I here briefly review the variety of meanings given to the term 'geoeconomics' and suggest a dual typology of geoeconomics for political economy inquiries.

A variety of meanings

Often left undefined, "geoeconomics" is used differently by different authors, at times leading to conceptual confusion and inconsistent findings (Herranz-Surralles, 2024; Mallin & Sidaway, 2024a, 2024b; Vihma, 2018). Referring originally to the interplay between geography and economics (Mallin

& Sidaway, 2024a), "geoeconomics" now signals an intertwinement of economics and strategic interstate competition. Recently it often refers specifically to the securitization of economic relations, or weaponized interdependence (Farrell & Newman, 2019; Roberts et al., 2019). Other times, economic relations' geopoliticization simply signals their being recast in relative rather than absolute gains (Luttwak, 1990). For some, geoeconomics is a return of the state in a departure from (neo)liberalism (Csurgai, 2018), while for others, geoeconomics is power and security through market control, also as exercised through (neo)liberal globalization (D. A. Baldwin, 1985, pp. 44–46; Cowen & Smith, 2009; Gilpin, 1975, p. 39). Critical geographers see geoeconomics as the interplay between space and the dynamic instability of capitalism's uneven and combined development (Harvey, 1985; Smith, 2010)21. Constructivists conceive of geoeconomics as the discourse and ideas which construct a social reality, favouring certain measures and actors over others (Guzzini, 2012; Sparke, 2018, 2024; Tuathail & Agnew, 1992). Sometimes, multiple of these perspectives are combined, usually without drawing out implications for political economy issues such as distributive consequences and state-corporate relations (Choer Moraes & Wigell, 2020; Eckert, 2024; Herranz-Surralles, 2024; Meunier & Nicolaidis, 2019; Slobodian, 2024). Analysts should differentiate between varied meanings of geoeconomics (Herranz-Surralles, 2024; Vihma, 2018). Though some typologies exist (Bauerle Danzman & Meunier, 2024; J. Lee & Maher, 2022), none are geared specifically to address a variety of main political economy questions such as the of public and private actors in policymaking, distributive consequences, and the relation between statist and market processes.

Two political economies of geoeconomics

To investigate the underlying political economy and policymaking logics of geoeconomics, I draw on scholarship on open economy politics (Lake, 2009; Oatley, 2011, 2019) which highlights the need to adapt our understandings of political economy (categories) in the context of increased interdependence and economic openness. Policies should be evaluated not by their consistence with economists' categories, but by the policymaking logics that drive them and the economic effects they (seek to) cause (Clift & Woll, 2012, 2013). Liberal-seeming policies can be tools of strategic geoeconomic/industrial statecraft. Conversely, geopolitical-seeming policies could reflect and benefit commercial interests. Interested primarily in the relationship between geoeconomic policies and various interest groups (cf. Moisio, 2024), I distinguish two types of geoeconomics, to which corporate interests will relate differently, based on their likely effects and policy-making logics: geoeconomic containment and geoeconomic promotion.

Geoeconomic containment features in much recent political science literature: geoeconomics as a securitization of specific economic relations, motivated by concerns for weaponized interdependence (Bauerle Danzman & Meunier, 2024; Farrell & Newman, 2019; Gertz & Evers, 2020; Roberts et al., 2019). Common assumptions about geoeconomic policymaking stem from this literature: *governments lead or reflect mercantilist interests, in opposition to multinational interests*. I expect interest groups' preferences to reflect the distributive consequences of containment. As containment implies a limiting of open interdependence and exchange, groups who benefit from openness (exporters, import-dependent firms, internationally oriented 'neoliberals') should oppose

[21] Capitalist dynamic instability and expansion in space are also driving mechanisms for Gilpin & Gilpin's (1987) theory of hegemonies transitioning into economic conflict.

containment. Conversely, import-competing groups ('neo-mercantilists', protectionists) should support containment.

Geoeconomic promotion instead concerns interstate strategic competition through diffuse, aggregated economic power rather than specific security concerns. Here, states engage in economic competition for relative power gains (Gilpin, 1975; Luttwak, 1990). They compete for market shares and competitiveness vis-à-vis rivals, by promoting their own firms (Mallin & Sidaway, 2024a). States' strategic and economic goals are in harmony (Slobodian, 2024), rather than opposition (as is the case for containment). Such geoeconomic statecraft can result in liberal-seeming policies of connectivity and openness (e.g., deepening market integration/globalization, reducing direct state oversight) (D. A. Baldwin, 1985, pp. 44–46; Choer Moraes & Wigell, 2020; Cowen & Smith, 2009; Gilpin, 1975, p. 39; Moisio, 2024; Sparke, 2024). Governments support strategic champions' growth on international markets. Competitive exporters, (expected to be) internationally competitive, stand to gain from geostrategic promotion. Hence, such globally oriented firms should support it22. Conversely, smaller firms and import-competing firms don't gain from geoeconomic promotion. They may oppose promotion if it absorbs resources and further solidifies strong competitors.

Table 1: Two types of geoeconomics.

	Geoeconomic containment	Geoeconomic promotion
Dominant logic	Weaponizable interdependence	Relative gains
Economic security	Specific	Diffuse/aggregate
Directionality	Inward-looking	Outward-looking
Driving actors	Statist	Statist/corporate
Distributive politics	Pro: import-competing/ domestically oriented groups Contra: internationally oriented/competitive firms	Pro: internationally oriented/competitive firms Contra: import-competing/ domestically oriented groups
Relation to market processes	Limiting/curbing market flows	Manipulating market competition
Policy examples	Subsidies to import-competing/ security-related industries or infrastructure chokepoints Export controls Investment screening State ownership/direction of key industries/ infrastructure	Export subsidies Supporting/creating champions Trade finance Strategic trade partnerships

Source: Own elaboration.

Geoeconomic containment echoes traditional IPE and recent 'geoeconomic turn' scholarship which centres securitization and weaponized interdependence. Its findings are also broadly in line with IPE expectations. Conversely, geoeconomic promotion runs counter to IPE expectations of state-imposed

[22] Liberal models expect exporters' fears for retribution by foreign governments, to keep them from seeking government support. While an important mechanism, I argue its relevance decreases when a. foreign governments are expected to act geoeconomically independently of domestic policies or competitors' complaints, and b. the instruments used are less transparent (observable) and less judicialized international economic governance, which hampers predictable tit-for-tat behaviour.

economic closure by declining powers and of opposition between states' and strong corporations' geoeconomic interests. Though overlooked, policies of geoeconomic promotion present an especially large part of current geoeconomic industrial policy.

Conclusion

When geopolitical power competition reemerges, IPE traditionally expects states who see their economic power decline to move to interventionism, in opposition to their exporters and other internationally oriented capital with presumably liberalizing agendas. Only traditionally protectionist groups are expected support the geoeconomic agenda. This statist logic and its assumed opposition to 'superstar' corporate interests is reflected in much recent analysis of the geoeconomic turn, which is usually portrayed as a recent yet sharp break with the liberal policies of the previous decades.

This article sought to qualify such analyses. First, I argued, against main IPE theories that large internationally oriented firms do not always structurally favour liberalization. While this was the case before and during the globalization of trade, especially for competitive firms who could gain from free trade, international trade suffers from dynamic instability. I have drawn attention to feedback effects from liberalization which can change the interests of multinational firms – the constituency traditionally seeking liberalization – from liberalization to geoeconomic interventionism. Trade liberalization changes market competition by allowing for the growth of emerging economy competitors, and by concentrating market shares among a decreasing number of strong firms. In this new context, further liberalization and state withdrawal may no longer ensure their survival or maximization of market shares. As multinational firms become exposed to such new and stronger competition, they may increasingly seek government intervention which tips the playing field in their favour. In this light, power transitions in the international political economy mustn't necessarily lead incumbent countries to retreat from trade but may also lead them to deepen their engagement with global markets through interventions that support their internationally oriented exporters and investors. I probed this argument with a case study of ECAs, an often overlooked but key tool in governments' current geoeconomic industrial policy repertoires.

Secondly, to delineate the scope conditions of the argument and inform future inquiries in the political economy of geoeconomics, the paper then offered a dual typology of geoeconomics. It distinguishes between geoeconomic containment and geoeconomic promotion, which have different underlying political economy constellations. Geoeconomic containment is the type of geoeconomics most often discussed in recent geoeconomic turn literature, whereby superstar firms oppose or adapt to the state's imposition of limits to free trade. Conversely, without dismissing the relevance of these dynamics, I have argued that geoeconomic promotion presents a larger share of current interventionism by Western governments. Geoeconomic promotion is not just a recent phenomenon.

My findings around geoeconomic promotion and its prevalence have some implications for how we understand and evaluate the geoeconomic turn. While mainstream geoeconomic rhetoric is clearly different from the recent past in which market legitimacy was the norm (Jabko, 2006), important aspects of the public policies underpinning geoeconomics don't necessarily exhibit such a break. For one, certain policies of geoeconomic promotion have grown in size and scope gradually over time, rather than suddenly. Secondly, geoeconomics and liberalism are often juxtaposed as opposites for their different state-market relations. However, interest constellations around prevalent geoeconomic promotion policies may often resemble more closely the congruity between states and large corporations associated with liberalism, than the discord between them associated with geoeconomics. Similarly, IPE often links (neo)liberalism of the past decades to the interest and benefit of globalist, internationally oriented capital, whereas state interventionism is often expected to benefit domestically oriented, import-competing business interests. However, under geoeconomic promotion, many essentially mercantilist policies may still benefit internationally oriented capital rather than domestically oriented business.

Analysts should further investigate the political economy of new geoeconomic interventionism. Polities are likely to pursue a mix of both types of geoeconomics, which are underpinned by different interest groups. Future research should investigate whether different polities, with different interest groups with different relative strengths, are likely to strike different balances between various types of geoeconomic policy. Relatedly, further inquiries into the implications of different geoeconomic logics for power relations between state and market players are needed. Political economists should especially investigate how various geoeconomic logics – with their respective interest group underpinnings and state-corporate power relations – are in alignment or tension with governments' broader industrial policy objectives. For example, does the geoeconomic structural power of exporters affect governments' capacity to impose green conditionalities? Lastly, attention should be given to the effect of supporting large exporters on competition, especially with smaller firms. These may carry less geoeconomic weight, and are therefore at risk of not being prioritized by governments. Moreover, they have less capacities to compete for governmental resources (Ducastel et al., 2023), which may impact them especially in the case of largely demand-based instruments like export credit. The distortion of competition moreover puts smaller firms at risk of being neither the prime beneficiary of intervention, nor can they benefit from free competition to grow to the extent current champions have. The same holds for firms backed by governments with less capacities – as indeed richer countries are intervening most in their economies (Juhász et al., 2022). This dynamic could resemble 'kicking away the ladder' (Chang, 2002; Naqvi et al., 2018) of liberalism: when a new standard of interventionism is set, newer firms can no longer take advantage of liberal competition as large incumbent firms have in the past.

Appendix: Referenced interviews

Interview 1: ECA official of a large member state, October 2023

Interview 4: ECA official of a large member state, October 2023

Interview 7: Policy officer of a large member state ECA, November 2023

Interview 11: DG Trade Official, January 2024

Interview 12: EU business representative, January 2024

Interview 15: DG Trade Official, March 2024

Interview 3: Policy officer of a large member state ECA, October 2023

Interview 9: ECA official of a large member state, November 2023

Interview 5: ECA official of a large member state, November 2023

Interview 13: DG Comp official, January 2024

Interview 8: ECA official of a large member state, November 2023

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