“Win-Lose” Globalization and the Weaponization of Economic Policies by Nation-States[1]

Sergio Mariotti

Abstract

Purpose – After decades of hypergrowth, since the 2008 global financial crisis, there has been a deceleration of globalization and a partial jamming of its main engines (trade and foreign direct investment [FDI]). This study aims to critically reflect the current phase, labeling it as “win-lose globalization” characterized by firm-firm competition increasingly intertwined with that between the respective nation-states, which aim to be the relative winners, even at the expense of joint absolute gains. Acting as “strategists,” states implement policies to weaponize economic interdependences, which the paper analyzes.

Design/methodology/approach – The approach is “problem setting” rather than “problem-solving.” The latter offers well-defined solutions but often assumes unambiguous definitions of problems, which obscure their complexity. This phase is so intricate that the problem itself is problematic. Thus, to advance knowledge, the focus is on nation-state policies: FDI screening and the politicization of international trade relations, protectionism, and misuses of antitrust and regulation.

Findings – The intensification of firm-firm/state-state competition, seeking disproportionate gains over rivals, is the ultimate result of the contradictions and dissatisfactions accumulated over decades of globalization, the benefits of which have been far from equally distributed. Conflicts in international economic relations are bound to intensify, and a return to win-win globalization is unlikely. International cooperation is urgently needed to strengthen existing/new supranational governance institutions in the interest of global inclusive benefits.

Originality/value – The paper integrates the international business debate on the fate of globalization with interpretations from industrial policy studies and international relations theory. This allows for suggestions from policymakers, corporate executives, and scholars.

Keywords: *Foreign direct investment, Trade, Interstate rivalry, National policies, Strategist state, Win-lose globalization*

Paper type Conceptual paper

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Corresponding author: Sergio Mariotti can be contacted at: sergio.mariotti@polimi.it

Introduction

For decades, international business (IB) scholars have devoted attention to globalization and how multinational enterprises (MNEs) benefit from it by entering markets through trade and foreign direct investment (FDI). However, events such as the 2008 global financial crisis (GFC), the pandemic, and the war in Ukraine forced a change of course. Studies investigating the slowdown of globalization and proposing adjustments to the MNE strategy have multiplied (e.g. Buckley, 2020, 2023; Petricevic and Teece, 2019). A 2024 editorial published by the Journal of International Business Studies warns that currently, «the political dimension of international business dominates the agenda the optimism in the 1990s on a world without borders has turned into a debate about techno-nationalism, de-globalization, and trade and FDI restrictions» (Beugelsdijk and Luo 2024, 1).

In this paper, I propose an interpretation of the current state of globalization as a result of unprecedented development of the world economy, but one that has dragged negative economic and social consequences that have often been improperly sidelined or underestimated by scholars and policymakers. International markets have become crowded, and new and old economic powers compete fiercely to share them with the support of nation-states. The latter has reemerged powerfully as protagonists in exercising their sovereignty and as *strategists* in orchestrating national policies aimed at international rivalry, often invoking supposedly superior interests of their peoples.

The weakening of the institutions created in the postwar period for the governance of international relations and conflict resolution is both the result and the cause of this state of affairs. Hereafter, I christen this new every day "*win-lose*" *globalization*, meaning that the latter is accompanied by conflict between rival firms intertwined with conflict between rival states, which increases the economic and political distance between winners and losers. In proposing this notion, I build on the critical scholarship of globalization, which has long illuminated the profound political imbalances and social inequalities generated by decades of hyperglobalization (Rodrik, 2008; Stiglitz, 2017; Williamson, 2005), as well as on international relations theory when it underlies the context of *anarchy* in which the state-state/firm-firm rivalry play out (Havercroft and Prichard, 2017). "Anarchy" is understood as the absence of supranational bodies capable of defending the market economy, promoting coordination among states, enforcing agreements and sanctioning their deviations, and supporting the growth and survival of nations in the light of a progression toward welfare-oriented global equilibria.

Section 2 outlines the new actorness of nation-states in the global context. It is argued that the labels "deglobalization" and "globalization" are unsatisfactory for distilling the meaning of ongoing phenomena; accordingly, the notion of win-lose globalization and the changing role of the strategist state are discussed. To do this effectively, it comes in handy to preface some essential data that account for recent global trends (Section 2.1). The following sections present some stylized facts that indicate how government policies have veered in the direction of a headwind against FDI and free trade. Through *weaponization* applied to interstate rivalry, these policies are analyzed in three areas: FDI regulatory screening and the politicization of international trade relations, protectionist industrial policies, and misuses of antitrust and industry regulation. Then, referring to the long-term forecasts of leading international institutes, it is argued that the most likely scenario exacerbates the causes that led to win-lose globalization. Finally, some implications for both international policy and IB research are proposed.

Reshaping globalization and the actorness of the nation-state

Global trends

Globalization refers to a state of the world involving increasingly thick networks of interdependence at multi-continental distances within a context of transnational and transcultural integration of human and nonhuman activities (Keohane and Nye, 2000). FDI and trade are driving forces behind globalization. Table 1 shows the dynamics of these indicators relative to GDP. Between 1990 and 2007, which marked the peak for FDI flows and the early symptoms of GFC, the compound average annual rate of FDI stood at 11.85%. This rate was more than double that of world GDP and 50% higher than that of trade. Between 2007 and 2014, the FDI rate experienced a significant negative shift

(–4.5%), while the rate of trade remained above that of GDP. In the most recent period (2014–2022) the FDI rate turned slightly positive. However, at 1.5%, the rate remains about half that of trade and GDP over the same period.

Figure 1 delves into 1970–2022 FDI flows. Caution should be paid to FDI as a measure of temporal variation in the degree of globalization. The data underestimate the extent of internationalization processes over time because of their primary purpose (central banks collect them to construct a country's balance of payments). When MNEs establish a solid foothold in a country, the likelihood that they will finance their further expansion increases (Hennart and Sutherland, 2022) locally. However, Figure 1 offers compelling evidence that at the onset of the 21st century, particularly after 2007, the FDI regime went from an almost exponential growth phase to one of high volatility and uncertain trends.

This "reshaping of globalization" has raised profound issues in IB theory, calling into question the relationships between government policies and the increasing VUCA (volatility–uncertainty–complexity–ambiguity) (Buckley, 2020; Petricevic and Teece, 2019). The literature has assigned different labels to the phenomenon. The term *deglobalization suggests the idea of a retreat of globalization, replaced by a process of regionalization (Enderwick and Buckley, 2020) or islandization (Laudicina and Peterson, 2016) through back-shoring and re-shoring, as well as the location of supply chains within geopolitical areas populated by friendly partners with whom to cooperate and share industrial policies (Witt et al., 2023). Globalization (Bakas, 2016) conveys the message of a gradual slowdown, thus failing to explain the instability and zigzagging of FDI. Some scholars advance the idea of a "new" vulnerability of globalization under the pressure of geopolitical factors.*

They agree that neither the forces of globalization nor deglobalization will prevail, but rather, an unstable struggle between them will persist (Cui et al., 2023). Indeed, empirics show that although global trade and FDI have slowed in importance as engines of global growth, a reversal has not occurred. In addition to previous studies (Antras, 2020; Goldberg and Reed, 2023), Figure 2 provides confirmation by disaggregating the two main components of FDI (greenfields versus M&As) over the past decade (2012–2022). Greenfield projects announced over the period, while fluctuating in value, have not declined but instead grown to outpace M&As in 2022. Greenfields being the expansive component of FDI (M&As being a change of ownership in the international market for corporate control), the most genuine prerogative of globalization – the interconnectedness between areas of the world economy – continues to broaden its base at an ever-increasing pace. As an alternative to the aforementioned labels, my proposal to adopt the term win-lose globalization emphasizes the progressively conflictual nature of globalization rather than referring to its current turbulence, which is not very explanatory. A historical overview is appropriate for adequately introducing the concept.

Table 1. The compounded average growth rate of global GDP, trade, and FDI (%)

Economic indicator	1990–2007	2007–2014	2014–2022
GDP	5.15	2.00	2.90
Trade	7.90	2.86	2.75
FDI	11.85	–4.50	1.50

Source: Elaborations on UNCTAD database

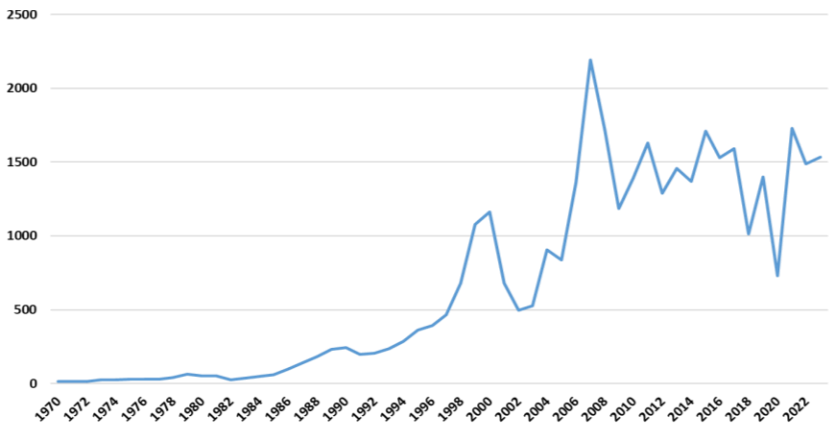

Figure 1. Global FDI flows, 1970–2022 (billion dollars)
Sources: UNCTAD; FDI/MNE database

Past and present of globalization

After WWII, the world economy had a prolonged period of substantial growth. Enterprises from Western countries ventured around the globe, facilitated by the shortcomings and ultimate dissolution of the Soviet Union Empire. The demand of business to nation-states was market liberalization, the elimination of protective barriers, and a nonbinding approach that would allow Adam Smith's invisible hand and the Ricardian mechanisms of trade and growth to operate so relatively benefiting all countries (Stiglitz, 2017). This hyperglobalization was glorified by some scholars. Fukuyama (1992) predicted the impending "end of history," suggesting that liberal democracy and capitalism would spread

to all nations. Ohmae (1990) asserted that borders would no longer constrain the world and

MNEs became "place-less" and "stateless" as corporate allegiance shifted from national identity to a unified global mission. Although other scholars pointed out that statelessness was an illusion (Weiss, 1998), these hyperbolas are somewhat revealing of the orthodoxy of that period, which assumed a flat world in which liberal order and increased economic interdependence would promote global development, the spread of democratic values, and peace by increasing the cost of conflict between states (Friedman, 2005).

The implied paradigm is win-win globalization: MNEs organize themselves through global value chains (GVCs), combining market- and resource-seeking strategies to maximize profit. At the same time, their global expansion produces far-reaching positive externalities, including the options given to poorer nations to join GVCs to grow instead of having to invest decades to build themselves up: «This reversal of fortunes constitutes perhaps the most momentous global economic change in the last 100 years» (Baldwin 2012, 13).

The win-win thesis was based on evidence that while Western MNEs were making record profits, emerging economies were booming. In particular, the countries that experienced greater integration with the world economy grew the fastest. In countries such as China, India, the four Asian tigers, and Vietnam, exports and FDIs have undoubtedly played an important role in domestic growth and reducing poverty rates. Faced with this, in past decades, most economists and policymakers have adhered to the so-called "globalization consensus," i.e., the dominant economic narrative assuming that economies with greater liberalization of business and a narrower economic role for the state experience more significant economic growth and less inequality (Wade, 2010).

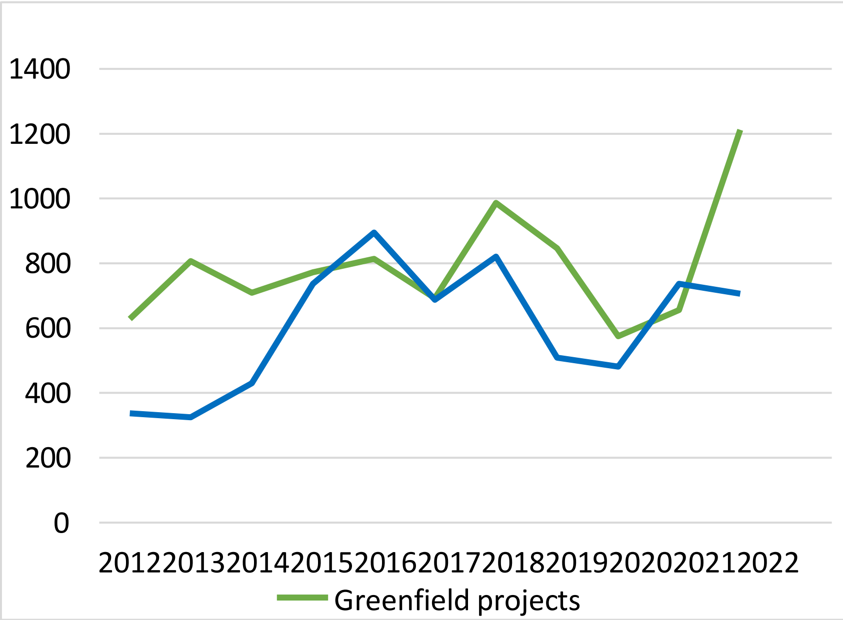

Figure 2. Greenfield projects versus cross-border M&As, 2012–2022 (billion dollars) Source: UNCTAD and The Financial Times FDI Markets database

However, things that seem reasonable or unproblematic may not be, and criticism based on established theory and open empirical investigation is needed (Alvesson and Deetz, 2020). Critical research on globalization began to highlight its uneven outcomes, with *winners* and *losers* across different regions, countries, and social groups (Williamson, 2005). Over time, skeptics of globalization traced that series of geoeconomic and geopolitical changes that would lead to the recent upheavals (for a review, Dabic *et al.*, 2021). The consensus on win-win globalization evaporates. Development economist Dani Rodrik (2008) decrees its death; Nobel laureate Joseph Stiglitz (2017) explicitly titles one of his articles "The overselling of globalization", arguing how politicians and some economists overestimated the benefits and underestimated the costs, fueling confidence in the elites who supported globalization.

What has gained new consensus is that intense contradictions and imbalances have accompanied globalization, opening to the deterioration of international economic relations and a season of geopolitical conflicts and wars. Just as a limestone cliff gradually wears away, losing a piece each day carried away by the weather, and collapses with consequent disaster only when along one of the wall's many joints the force of gravity prevails, so the world economy is overturned as a result of behaviors and policies of economic and institutional actors whose effects accumulate over time. In this narrative, the IB mainstream suddenly changes rather than reality, bringing new interpretive emphasis to aspects already analyzed in the literature but underestimated. In this regard, the JIBS editorial's admission that the past three decades have «lulled us asleep a little bit» when it comes to recognizing the political dimension of IB is good news for course correction (Beugelsdijk and Luo 2024, 4).

As Keohane and Nye (2000) observe, the increased depth of globalism implies "pluralization", i.e. an increase in the number and variety of agents participating in the global network and governance based on a multiplicity of nation-states. The extension and intensification of interdependencies have led to rivalries among established MNEs and between them and new MNEs in a plurality of developed and emerging countries. The international diffusion of technical progress resulting from R&D investments by advanced-economy MNEs has caused the exacerbation of inter-firm competition. In addition, new technological paradigms, such as ICT, have been characterized by the so-called *four S's* (Haskel and Westlake, 2017): sunk costs-synergies-scalability-spillovers. These factors have accentuated the need for public investment because private firms have faced high uncertainty and the difficulty of sustaining large-scale operations and appropriating the full profit potential. In this way, the interaction between MNEs and nation-states has become increasingly dense in a circular causality relationship. Moreover, scholars realized that global competition had not only intensified considerably but that a period of continuous and painful restructuring was opening up (Ruigrok and Van Tulder, 2013). It became apparent that the world was not set on a trajectory bound for supra-national integration driven by unrestricted globalization. The central paradox is that the least developed countries that have most positively benefited from globalization have grown through economic policies that have violated all the rules by which the orthodoxy of free trade and free capital flows would have wanted the game to be played out: failure to adopt private property rights; reluctant, if not absent, privatizations under the egis of state capitalism; protectionism through import quotas, local content requirements, export subsidies; restrictions on capital flows (Rodrik, 2002).

International relations theory offers alternative explanations for this evolution. Liberal institutionalism (Keohane, 1984) identifies the inability of states to cooperate in building interdependence and supporting global infrastructure as the main reason. Domestic political pressures against globalization have led countries to avoid economic interdependence. Rodrik (2008, p.1) shares this view by describing the state of anarchy in which international relations take place: «Global markets are only "weakly embedded." There is no global anti-trust authority, no global lender of last resort, no global regulator, no global safety nets, and no global democracy. Global markets suffer from weak governance and weak popular legitimacy».

Structural realism (Waltz, 1979) sees the end of single-country hegemony in world governance as the key argument. The exceptionalism observed during the era of US-USSR bipolarity, and then US unipolarity made globalizers believe that markets increasingly ruled the world. However, «with the end of bipolarity, the distribution of capabilities across states has become extremely lopsided. Rather than elevating economic forces and depressing political ones, the inequalities of international politics enhance the political role of one country. Politics, as usual, prevail on economics» (Waltz 1999, 700).

The two theories envision different scenarios for the world economy, and further research is needed to investigate their implications (Witt, 2019). However, reality tells us that both the US hegemony has come to an end, mainly due to the rise of China in the global economy, and that nation-states have been unable to promote effective supranational institutions. Looking ahead, it can be said that future hegemonic stability and a new world order capable of restoring momentum to globalization are far from materializing. Therefore, it is worth delving into the state-state and state-MNE issues to understand the new globalization paradigm better.

The strategist state and win-lose globalization

Within the IB literature, Lenway and Murtha (1994) and Murtha and Lenway (1994) laid the groundwork for addressing state-MNE relations. Moving beyond the state as a provider of public goods and other externalities, they advance the concept of the *state as a strategist, i.e.,* a state deliberately oriented to make strategic choices and implement policies that can affect the international strategies of firms. The authors argue that national institutional arrangements contribute differently to the state's capabilities to do so. A taxonomy is proposed, distinguishing between pluralist (e.g., the US, most European countries, India), corporatist (e.g., West Germany, Japan, East Asia), command (e.g., China), and transitional (e.g., Eastern and Central Europe) countries.

Regarding pluralist and transitional countries, they conclude: «Governments often target MNCs with inducements that appeal to competitive self-interest. MNCs will always accept inducements, provided governments' proposals fit within ranges of activities that the firms would pursue on their own, given their corporate strategies.» further, «MNCs will not enter into processes of mutual strategic adaptation with governments unless they have assurances that the governments can and will pursue consistent policies over time,» and finally, «governments and MNCs can achieve more.» However, «…public officials should recognize that industrial strategies have the highest probabilities of success when they maximize the scope for market mechanisms to select winners and losers» (Murtha and Lenway 1994, 127). This description is close to Cerny's (1997) concept of the "competition state", pursuing marketization, liberalization of cross-border movements, and privatization of public services, consistent with an orthodox model of economic liberalism. It expresses the dominant paradigm of the firm-state relationship at that time in most countries of the industrialized West: firms expanding into international markets do not want a weak state, but a gendarme of the "free market economy" in the general interest of businesses, one that does not interfere with the strategic decisions they make on their own. Moreover, there was no need for global political entities to guide and safeguard the internationalization processes (Rodrik, 2017).

For command and corporatist countries, they analyze the state-firm coordination mechanisms designed and deployed to orchestrate internationalization processes with varying degrees of dirigisme and state capitalism. Among these, the experience of developmental countries is examined for their prevailing orientation to push domestic firms toward global strategies that centralize most value chain activities in their home countries and treat the world as a unified market that can be served through exports, i.e., an inward-looking strategy aimed at maximizing endogenous growth, as opposed to the outward-looking strategy of pluralistic countries.

Building on this conceptual framework, what can be said about the current role of the strategist state? Throughout the world, globalization's economic and social imbalances have legitimized states to develop an interventionist vocation, forcefully reassert their national sovereignty and implement policies to expand/defend the living space of their enterprises. Governments have become highly proactive in supporting the creation of home-based MNEs to promote domestic growth for the benefit of the population and social coalitions. Success in inter-firm competition depends mainly on the outcomes of inter-state competition, so MNEs are under increasing pressure to align with political agendas, being aware that their internationalization strategies would be less effective if they were not consistent with geopolitical interests. While lobbying political actors to protect their interests at home and abroad, MNEs must closely follow political developments and international relations to understand, anticipate, and react to political moves (Meyer and Li, 2022).

Therefore, countries have definitely moved away from the "competition state" paradigm and the "developmental state." Compared with traditional developmentalism, current interventionism differs mainly in the following aspects:

- globalization is no longer seen as a means of improving national economies through international cooperation and externalities but predominantly as a worldwide extension/intensification of economic interdependencies through which rival strategist states confront each other in a noncooperative game for exclusive advantages;
- the dominant rationale is national security and limiting the competitiveness of others rather than strengthening one's own, including through an escalation of hostile acts, threats, and retaliation;
- the economic doctrine shifts from a Schumpeterian view in which win-win outcomes are attainable through cross-fertilization and synergistic cooperation to one in which competition among countries is win-loss and

about innovation and productivity, the state fails to recognize the importance of technological interconnectivity and resource complementarity; its strategy fosters domestic innovation to include an antagonistic strategy of weakening rival nations (Luo, 2022; Mariotti, 2022).

As shown in Section 2.1, these dynamics do not disrupt but destabilize trade and FDI. I refer to this phase as *"win-lose" globalization* to denote the irreducible content of conflict and instability it expresses in generating winners and losers, no longer just between developed countries (and their home-based MNEs) and undeveloped countries, but between old and new players aspiring to a renewed world order armed by their economic policy and their strategic state-firm interactions. The context of anarchy due to the weakening of cooperative international governance exacerbates the competition between rival nation-states.

Win-lose globalization does not necessarily correspond to a zero-sum game: *win* means absolute or relative gains, and loss can also be a positive gain if significantly less than the other side's. According to realism, relative gain may hold greater significance than absolute gain because «when faced with the possibility of cooperating for mutual gain, states that feel insecure must ask how the gain will be divided. They are compelled to ask not 'Will both of us gain?' but 'Who will gain more?' Suppose an expected gain is divided into two-to-one ratios. In that case, one state may use its disproportionate gain to implement a policy intended to damage or destroy the other. Even the prospect of significant absolute gains for both parties does not elicit their cooperation so long as each fear how the other will use its increased capabilities» (Waltz 1979, 105).

Win-lose globalization is not a reworking of "deglobalization." The latter implies a weakening of interdependencies so that countries rely less on other countries' goods, services, and investments (Witt *et al.*, 2023), which rationally should lead to an intensification of international relations within friendly geopolitical blocs, but fewer grounds for conflict between blocs. On the contrary, the appellation "win-lose" indicates that while international relations remain dense (as documented in Section 2.1), the decoupling is often "offensive" rather than "defensive" in nature (Ando *et al.*, 2024). It aims more at striking an opponent in strategic competition – e.g. preventing it from gaining access to technologies and products – rather than limiting dependence on strategic rivals in product supply, an issue on which the current debate on reshoring and friend-shoring is predominantly focused.

This confrontational nature is fraught with consequences. As contradictions intensify, the need to safeguard national interests and security becomes compelling (Helleiner, 2021). Populism gains traction among the people, fueled by the belief that other communities are primarily responsible for the problems. Political parties fan the flame of nationalism by using the globalization of "others" as a scapegoat for their failures in managing social welfare. The emergence of state interventionist policies marks a quantum leap in the geopolitics of conflict, which now the Russia-Ukraine brings closer to Western industrialized countries, with the potential to destabilize globalization further (Goldberg and Reed, 2023).

Below, after briefly highlighting how governments' attitudes toward internationalization have changed in win-lose globalization, I will show what targeted policies nation-states exploit to shape the scope, quality, and direction of globalization through their international policy.

The political weapons in the arsenal of the nation-state

Headwinds for foreign direct investment and trade

The extent to which governments' attitudes toward FDI have changed is evident from UNCTAD data. Between 2000 and 2022, FDI restriction/regulation measures increased from 6% to 28% of the total, approaching the share of liberalization/promotion measures (42% versus 58%) in 2021, about the COVID pandemic (Figure 3). The share of restrictive measures is expected to increase due to the Russian-Ukrainian war and sanctions implemented by several countries, including restrictions or bans on FDI to and from the Russian Federation and Belarus and counter-sanctions by the Russian Federation. The main actors in this policy shift are not the developing countries, to protect their infant industries and promote the development of their economies. About two-thirds of the measures taken in these countries are aimed at liberalizing, promoting, or facilitating FDI. In contrast, most measures (about 80%) taken in developed countries have introduced new restrictions and regulations or strengthened existing ones.

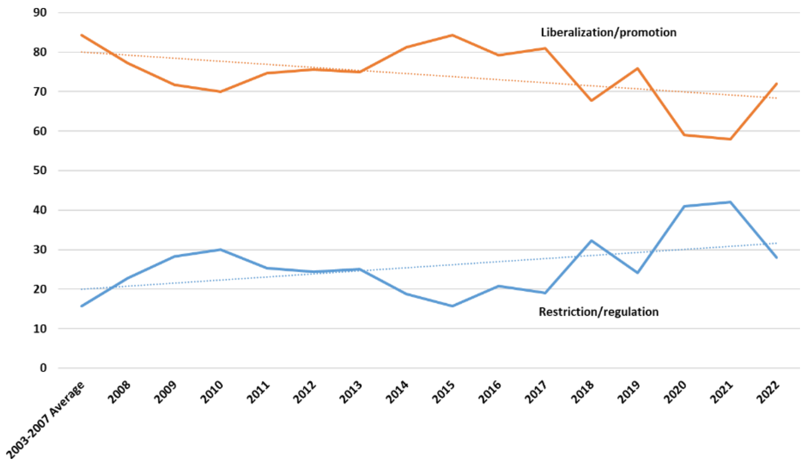

Figure 3. Changes in national investment policies, 2003–2021 (%)
Source: UNCTAD (2023)

Evenett and Fritz (2022), in their report based on the GTA database, confirm the pervasiveness of the protectionist trend, which involves trade and other sensitive activities. Summarizing all measures implemented by G20 countries to liberalize markets or harm foreign interests through barriers, restrictions, and free market distortions, the report shows that in 2022, only 5,800 interventions aimed at market liberalization compared to 30,125 that harmed foreign interests. Significantly, the percentage of G20 countries' exports at risk due to foreign discrimination policy doubled between 2009 and 2022, from 40% to over 80%. Most discriminatory interventions came from the US (25%), China (20%), and the three largest EU countries (France, Germany, and Italy, 19%). Together, they account for nearly two-thirds of the overall total. In contrast, these five countries collect only slightly more than a third of the total liberalization measures, with very modest shares for the US (7%) and China (9%). Protectionism has epicenter in major countries, but it spreads worldwide. Today, nearly 75% of global goods exports face trade distortions compared to less than 40% before the GFC.

In regards to the recovery of the protectionist sovereignty of nation-states, the following sections describe the central policies that serve as the building blocks of their strategy: FDI regulatory screening and politicization of international economic relations; protectionist industrial policy (re-shoring and friend-shoring, techno-nationalism, protection/support for national champions and state-owned enterprises); misuses of antitrust and industry regulations. All the policies discussed below can be ascribed to the label of "nothing new", as each can be traced back to some country and period in the past. What is new is the pervasiveness and intensity of implementing these policies, which foreshadow a systematic and unison change in the strategic behavior of states in the domestic and global context. I associate this change with the *weaponization* of industrial policy as a metaphor for the over-politicization by nation-states of programs and measures that had been neutral and peaceful in order to inflict harm and gain lasting advantages over other nation-states (see Galeotti, 2022, and Mattson, 2020 on the origins and evolution of the metaphor, now used about so many aspects of social life, ranging from information, finance, migration, GVCs, energy, medicine, etc.).

Foreign direct investment regulatory screening and the politicization of international trade relations

According to UNCTAD (2023), at least 37 countries have introduced a regulatory framework for screening FDI since 1995, and eight more are set to do so soon. The adoption or revision of screening mechanisms has particularly increased since the second half of the 2000s, after the GFC. Developed economies were early adopters, with 16 G20 countries implementing such measures.

The Committee on Foreign Investment in the US (CFIUS) is a notable example. Established in 1975, CFIUS was initially designed to collect information on inward FDI. However, through legislative reforms, it has become an effective regulatory agency (Lee and Maher, 2022). The American media has called CFIUS the primary weapon in the Trump Administration's protectionist arsenal. The Biden Administration continued this path by further intensifying pressure on the Committee. It introduced a new screening regime to ensure that incoming firms cannot engage in activities that support China's or other countries' malicious intentions, especially in high-tech sectors.

In general, the introduction of FDI screening has been dictated by national security concerns. However, the definition of "national security" has expanded to encompass the vague categories of "critical know-how," "strategic assets," and activities involving access to sensitive personal information or the potential to influence public opinion. The measures reveal a common trend throughout the world (Napolitano, 2019): broadening the sectors in which investments are subject to scrutiny for national security reasons and require government authorization; reducing the FDI thresholds that trigger notification requirements; enlarging the list of protected public interests; extending administrative investigation deadlines; and strengthening unique prescription and inhibition power of public authorities.

By expanding the use and scope of FDI screening, politics threatens the delicate balance between security concerns and attracting FDI for national growth. Ambiguity and obscurity have become standard features of FDI policies, granting countries substantial discretion to invoke national security to block investments. This has intentionally opened up possible abuses of regulatory control and provided room for politicians and economic agents to secure FDI to support their political and business agendas (Lai, 2021).

A further consequence concerns the effects on screening targets. The case in point is China, the main target of Western countries. Screening has affected the decrease in its cross-border M&As, but it has pushed the country to intensify greenfield projects: in the 2010–2017 period, the ratio in value between M&As and greenfield projects averaged 1.8; in the 2018–2023 period, the ratio reversed in favor of greenfield projects, whose value became 1.6 times that of M&As. Greenfields have outperformed M&As by 2.7 times in the last three years. In addition, in 2023, Chinese companies broke all previous records for outward greenfields, with 90% planned in developing countries, particularly in North Africa and Southeast Asia (fDi Markets database and Dettoni, 2024). China's expansionism confirms the ungovernable logic of win-lose globalization, which triggers countermoves to extend global interdependencies along shifting geographic directions.

Finally, recent initiatives have extended screening to outward FDI to prevent foreign transfers of resources and technologies, vital to national security and international leadership, from benefiting countries with hostile intentions toward the nation. In the US, a proposal has been put forward, endorsed by both Congress and the White House, for a new FDI review regime for US companies–the "reverse CFIUS"–on the premise that it is no longer enough to secure a "relative" advantage over competitors, but one must maintain "as large of a lead as possible" (according to the remarks by National Security Advisor Jake Sullivan). The EU is also poised to follow suit, as the European Commission has included in its 2023 Work Program a review of the EU's FDI screening legislation concerning introducing controls on outward strategic investments.

Not dissimilar is what has long been happening to international trade. Since the early 2000s, in an escalation of geopolitical conflicts, the unilateral actions of various nation-states, including the US and European countries, have challenged the multilateral institutions that promoted postwar economic balances. Appealing to "Security Exception Articles," invocations of national security defense have proliferated in recent years, overriding a growing number of WTO obligations supporting free trade, even though national security should only serve as an exception (Boklan and Bahri, 2020). The WTO is now in danger of losing legitimacy because its dispute settlement system has been hampered, mainly due to the US attack on its rules and regulations during the Trump Administration (with no rectification by President Biden) and the subsequent shift toward unilateralism and economic nationalism by other member countries. Divisions over governance and conditionality have undermined the International Monetary Fund and the World Bank. At the same time, China has sought to promote its global institutions, such as the Asian Infrastructure Investment Bank.

These improper procedures are indicative of a trend toward the "politicization" of international economic relations, i.e., a move away from the multilateral system that prevailed for over half a century, characterized by neutrality in the interests of international cooperation, nondiscrimination, deregulation / liberalize on, and fair competition. The limited indications emerging from some initiatives to reform these international institutions are not enough to look optimistically to the future. Scholars and policymakers scramble to propose solutions, but no consensus has been reached on how to respond to the decline of the multilateral economic order (Sacerdoti and Borlini, 2023).

A renewed mission-oriented industrial policy

In the 1970s and 1980s, Japan was the paradigm of an industrial policy that effectively combined mission- and diffusion-oriented approaches to maximize the developmental state's efforts at technological catch-up and strategic protectionism of domestic industry in key sectors of the economy. The pivotal role was played by MITI (Ministry of International Trade and Industry), which concerted a national strategy aimed at implementing a "sunset" policy, mitigating the process of decline of traditional industries (textiles and shipbuilding), fostering cooperation among domestic firms in pre-competitive research to generate knowledge as a public good; capturing a more significant share of world markets in selected high-tech sectors. This policy achieved considerable success in those years and was unmatched worldwide (Johnson, 1982).

The US, France, and the UK also implemented mission-oriented programs, primarily promoted by the Department of Defense, with mixed results. Products and technologies conceived directly from US mission-oriented programs accounted for a small share of the economy. At the same time, the most significant component of their overall impact was due to diffusion-oriented policies (Ergas, 1987). The US policy stance has always been against a Japanese-style industrial policy, believing that market forces could guarantee comparable or superior outcomes. Consistently, in the late 1980s, the US federal government promoted a transition of its industrial policy toward a diffusion-oriented paradigm because of disillusionment with the logic of mission orientation (Chiang, 1991).

In the present, the US, in deliberate contrast to tradition, embraces a mission-oriented policy to safeguard domestic industry and counter the threat posed by China. The US now recognizes that a *laissez-faire* approach to private sector decision-making is untenable when it affects national interests and critical technologies. Indeed, scholars and practitioners agree that the Chips and Science Act represents a shift from traditional market-oriented liberalism to intervention-oriented techno-nationalism, ushering in a new era of zero-sum thinking and geopolitical prioritization (Luo and Van Assche, 2023). In this view, other scholars have theorized the need for a "mission economy", based on a renewed form of state activism as a prerequisite for addressing the most pressing international challenges (Mazzucato, 2021).

The new US industrial policy goes beyond the Chips and Science Act. In the aftermath of the two previous administrations (Obama's "Remaking America" and Trump's "America first" programs), the Biden Administration has remained committed to rebuilding domestic manufacturing capacity. The 2022 Inflation Reduction Act (IRA) represents a significant milestone. The IRA legislative package combines large-scale green subsidies, health savings, and new revenue measures. However, it contains protectionist elements that blatantly violate WTO rules. Introducing local content requirements and large-scale production subsidies is of particular concern. These measures distort trade and FDI by providing significant incentives for reshoring and encouraging European and Asian firms to relocate factories to the US (Kleimann *et al.*, 2023).

To compete in attracting investment, the EU has responded by implementing the "European Green Deal Industrial Plan" (sometimes referred to as the Buy European Act) and changing European state aid rules to offset IRA subsidies. In addition, discussions are underway on creating an EU-wide "Sovereignty Fund" (Kritikos and Pagoulatos, 2023). Notably, the EU has its own "European Chips Act," which shares a similar mission and legislative framework as its American counterpart (Christen, 2023). Furthermore, the

EU has activated initiatives to encourage re-shoring (Amighini *et al.*, 2023).

More generally, Seidl and Schmitz (2023), reconstructing the evolution of EU industrial policy, point out that past attempts to create a dirigiste Europe have consistently failed. Europe has relied on creating supranational markets, especially after the "recasting" of the European arrangement along neoliberal lines in the 1980s. However, things are changing, and the authors show how we are witnessing in Europe the first successful push for a market-directing industrial policy, i.e., one aimed at steering markets toward longer-term purposes, under the banner of technological sovereignty.

The rise of Chinese power is a key factor in these changes. What other countries fear in competing with China is not merely short-term competition over market shares but the long-term emergence of a technology gap in China's favor, which could be difficult to close and serve as the foundation for future economic and political supremacy. The Chinese desire for leadership in critical technologies was already evident in 2015 with the launch of the "Made in China" plan, when the world was still actively engaged in weaving relations with that country. Then, in the context of the trade war initiated by the Trump Administration, the "Dual Circulation Strategy" was launched with two main objectives. First, to achieve self-sufficiency in production and ensure strategic independence from major technology exporters such as Germany, Japan, South Korea, and the US. Second, supplement the enormous domestic market with greater external demand through instruments such as the Belt and Road Initiative, which aims to open up markets in the emerging world under the banner of supposed inclusive globalization. It is no coincidence that the Chinese government has taken up the " win-win " rhetoric to claim the alternative to Western-led globalization. In 2013, President Xi Jinping declared that China would promote «peaceful cooperation, openness and inclusion, mutual learning and mutual reference, mutual benefit and win-win, to promote all-round pragmatic cooperation and build the community of common interest» (Chen 2018, 828). Disenchanted scholars have said that this "win-win" will mean 2:0 for China (Kołodko, 2018), but the idea has caught on.

The US and European response can be summarized within the framework of the Sullivan Doctrine and the EU's De-Risking Doctrine, which adopt a confrontational policy approach similar to that of China (Ciuriak, 2023). These doctrines involve an industrial policy aimed at securing significant shares of future industries within one's own country and seeking to exploit existing assets to engage in technology wars while reducing exposure to supply chain disruptions resulting from geopolitical conflicts.

Relevant policies entail significant costs to public finances, both in terms of subsidies for industrial restructuring and compensation for efficiency losses due to foregoing the benefits of the international division of labor. In the US, government incentives have historically been effective in influencing the location of factories within the country. However, they have never been sufficient to overcome the cost gap with lower labor cost countries. Now, federal subsidies (particularly those related to the Chips Act and IRA) are substantial and sufficient to close the gap, thus becoming a powerful catalyst for re-shoring (Reshoring Initiative, 2023). As for Europe, Sandkamp (2022) simulated the effects of decoupling from GVCs if imposed "by decree." Under all scenarios assumed for different decoupling between Europe, the US, China, Russia, and the rest of the world, the results show that Europe would experience a decrease in real income. Moreover, decoupling would make Europe more vulnerable to market shocks while reducing reliance on third countries, thereby eliminating the "insurance" provided by international trade for urgently needed products during domestic crises.

Finally, as part of a politics-driven industrial policy, nation-states implement government-business coordination mechanisms to transform their national champions into world-class MNEs by supporting their entry into foreign markets and safeguarding them from foreign competitors in the domestic market through direct and indirect subsidies and competition regulation (see Section 3.4). Often, favorable conditions of near-monopolistic control of domestic markets provide economic rents for firms to undertake international operations.

At the heart of this orchestration are state-owned enterprises (SOEs) and hybrid enterprises co-owned by the state, private firms and financial institutions. In the latter, governments play a leadership role in a coalition of stockholders through control-enhancing mechanisms, such as golden shares, cross-shareholdings, pyramids, and other share manipulation techniques (Bruton *et al.*, 2015; Mariotti and Marzano, 2020). These firms benefit from government-related resources (substantial budget, soft financial constraints, government financial bailouts, low-cost loans, subsidies) and access to foreign political institutions (Mariotti and Marzano 2019). Moreover, as nominal providers, SOEs can act as conduits for government subsidies so that other SOEs and private firms can be subsidized non-transparently as ultimate recipients. Overall, policies promoting SOEs and hybrid firms create negative externalities in international markets, resulting in distortions of trade and investment (Borlini and Silingardi, 2023).

Serious concerns have also been raised about SOEs as tools for pursuing political and military objectives (geopolitical influence, espionage, illicit transfer of critical technologies). Particularly in the West, these concerns have focused on China because of its unique governance system, which grants the government a high level of control over SOEs but also over private firms through golden shares and an institutional "rule-by-law authoritarianism" that prevents firms from maintaining their autonomy through constitutionally enshrined rights. Evidence of the Chinese government's extensive use of SOEs for political purposes, including economic coercion, further amplifies the perception of potential risks involved (McDonagh, 2023).

The misuse of antitrust and industry regulation

Competition policies, which include ex-ante industrial regulation and ex-post antitrust measures, are Janus-faced *vis-` a-vis* FDI. Their mission is to protect competition and establish a level playing field for all investors, domestic and foreign. However, the indefiniteness and ambiguities inherent in competition laws leave room for discretionary enforcement and can be abused as a barrier to FDI (Mariotti, 2023).

Although in most countries, the enforcement of competition laws is entrusted to independent authorities, the latter can be captured by governments, leading to the expropriation of their independence and the erosion of their functions in the name of national interest. In turn, governments can be pressured by groups representing vested interests (Gardbaum, 2020). More subtly but impactful, authorities can be "culturally" captured, i.e., persuaded to adopt the thinking and fulfill the agenda of national elites who have gained ideological and political dominance within the country (Kwak, 2013).

Several countries – including the EU, Japan, and China – were accused of abusing competition policy to shield domestic industries from foreign entries in the postwar period. In win-lose globalization, the phenomenon has become widespread and intensified (Mariniello *et al.*, 2015), due to nation-states adopting policies that abuse antitrust and regulation to influence international movements of goods and capital for their benefit. The lack of international enforcement of competition laws makes the authorities subject only to national jurisdiction. Therefore, governments may circumvent the constraints, limitations, and lengthy legal processes that, despite increasing difficulties (see previous Section), multilateral institutions and the network of international trade and investment agreements still impose on individual nations (Murray, 2019). Indeed, attempts to establish supranational bodies with the authority to enforce binding global competition rules and to prevent and sanction violations have failed over time. The WTO itself has given up on the idea of taking on such a role. Only one voluntarily created institution – the International Competition Network – remains on the scene. The latter provides recommendations on best practices and exerts peer pressure on deviant countries but is powerless in the face of individual countries' manipulative choices.

Misuses of antitrust and regulation are common in countries ruled by populist or authoritarian regimes. Bernatt (2022) illustrates how, despite being subject to EU jurisdiction, Poland and Hungary have enacted policies that have undermined the actions of national regulatory and competition authorities. These policies include limiting their independence, decreasing the resources allocated to their operation, weakening the enforcement effort, especially about SOEs and large domestic firms, and granting the government discretion to exempt certain transactions from merger control based on national interest. China has also used competition law as a powerful economic weapon, especially during the Sino-U.S. technology war. Zhang (2021) explores this strategic application through numerous case studies. The author documents the wide administrative discretion possessed by the Chinese government, to the point that agencies can even exploit the media to pursue hostile enforcement.

This trend has involved democracies in advanced countries. In the US, increased government interference in competition policies has persisted. Authorities are being pushed to address social issues from market concentration, such as disparities, to the detriment of workers, small businesses, and consumers. Promoting "socially responsible" agencies and creating an antitrust position in the White House have strong potential to undermine the Federal Trade Commission's (FTC) independence, paving the way for government interventionism. In this regard, the "Omnibus Bill 2023" signed into law by President Biden is noteworthy because it links antitrust considerations with national security by mandating coordination between the FTC and the US Department of Justice (DOJ, the other agency for competition law enforcement) and CFIUS. This enables the authorities to identify antitrust violations through access to confidential information. Equally important is creating a channel through which regulators receive advice and pressure from their national security counterparts, thereby influencing their decision-making.

What next for interstate rivalry

Some views attribute events deemed extraordinary, such as the pandemic and the Russian-Ukrainian war, as the causes of global economic turmoil (Pindyuk, 2022). Another perspective recognizes a shift in the world order, which involves temporary instability until international relations find an adjustment. These explanations offer limited insights into the long-term developments. Both seem to suggest that once the storm subsides, win-win globalization will return, thanks to a multipolar equilibrium in which emerging powers will see their role recognized. Unfortunately, in light of our interpretation and the macroeconomic forecasts of international analysts, the prospect of an "old normal" seems unlikely.

Although long-term forecasts should be taken with a grain of salt, all leading institutions agree to predict a slowdown in the growth rate of the world economy in the coming decades. The OECD predicts a decline in the growth trend of real-world GDP to 2% annually by about 2060 (Guillemette and Turner, 2018), while Goldman Sachs forecasts a decline to 1.7% in 2080, from about 3.5% today (Daly and Gedminas, 2022). This slowdown is attributed to demographic factors and the deceleration in global productivity growth. The world population's annual growth rate is declining almost linearly from its peak of 2.3% in 1963 to the current 0.9%. It is expected to approach zero in 2075 and turn negative (0.1%) before 2100 (United Nations, 2022). Concerning productivity, the main explanation is the slowdown in technological progress, based on the techno-pessimistic view that recent innovations contribute less to productivity growth than in the past (Summers, 2015), and the assumption of stagnation in the international movement of technologies, data, and ideas.

This global slowdown indicates that the ongoing interstate competition will persist and intensify, changing the balance of power. Scenarios indicate that by 2050, the top five economies will be China, the US, India, Indonesia, and Germany; by 2075, Nigeria, Pakistan, Egypt, and Brazil will surpass Germany, Japan, and the UK. Although these predictions may contradict, they foreshadow years of fierce competition among countries. Furthermore, international relations scholars put forward pessimistic views. The Munich Security Report 2024 states that «as more and more states define their success relative to others, a vicious cycle of relative-gains thinking, prosperity losses, and growing geopolitical tensions threatens to unroll. The resulting lose-lose dynamics are already unfolding in many policy fields and engulfing various regions» (Bunde *et al.*, 2024). Armstrong and Quah (2023, p.3) argue that the current competition between major powers is leading to *epic fail* due to a "lose-lose" cycle such that «geopolitical rivalry emerges; economics is weaponized; national security concerns mount and geopolitical rivalry sharpens yet further».

One might adopt a skeptical attitude in the face of these predictions, but wisdom suggests taking proactive measures to change the course or mitigate its negative consequences. Win-lose globalization could worsen unless governments agree to introduce radical reforms of key institutions responsible for the international governance of political relations. Achieving these results depends on the symmetry of behavior among nation-states. Similar commitments must reciprocate the renunciation of competition and the limitation of interventionist policies by one government and other governments. Governments must recognize the domestic costs of engaging in strategic rivalry to avoid epic failure (e.g., Section 3.3). This implies recognizing the risks posed to their economies by the widespread application of aggressive national interventionism.

Conclusion

In this paper, I propose a critical interpretation of the evolution of globalization based on some main empirical evidence. First, since the 2008 GFC, the FDI regime has shifted from a phase of near-exponential growth to one of high volatility and uncertain trends; this shift parallels the strong recovery of greenfield projects in recent years. The latter indicates how the widening of global interdependencies persists but with a geographic repositioning of major investors. Second, countries are more determined to exercise their national sovereignty over the main drivers of globalization–trade and FDI–by taking protectionist and other measures to restrict/regulate related flows. Third, highly sensitive areas of international competition, such as industrial and trade policy and regulation, are increasingly affected by the interventionist actions of nation-states.

Leveraging the IB and international economics criticism of globalization's redistributive inequalities and sharing the thesis of growing anarchy in international relations, the paper links and interprets these stylized facts as a consequence of a "win-lose" reshaping of globalization. In this regard, the main takeaways are as follows.

The intertwining and intensification of competition among firms and between rival states is a consequence of the sustained growth of the global economy over several decades. This growth has led to the crowding out of ambitious new world-class MNEs and the emergence of new superpowers and middle powers. Illusory dreams of a peacefully integrated world (Fukuyama's end of history) in which stateless enterprises thrive have given way to a reality of nation-states employing a vast armamentarium of policies to capture markets and contain the expansionism of rival states. The alarming patterns observed in movements of capital and tangible and intangible goods and resources result from this evolution.

The "win-lose" perspective is a better interpretation than deglobalization or globalization, which evokes a reversal or a slowdown of globalization. Indeed, decoupling and "shorings" should not be interpreted only as nation-states' attempts to pursue defensive isolationist perspectives. On the contrary, these industrial restructurings often reflect an offensive attempt to prevent rival states from gaining future access to strategic knowledge for international supremacy while creating market opportunities for their national champions. The weaponization of economic policies described in the previous pages indicates a different state strategy than past developmentalism, aimed at strengthening the domestic economy rather than weakening rival states. In this sense, the "win-lose" perspective contributes to the strand of research into the reshaping of globalization, deepening and consolidating the idea of its emerging confrontational nature, with an increasing number of countries pursuing "tit-for-tat" nationalist policies (Petricevic and Teece, 2019).

According to the paper's arguments, the prospects for a return to win-win globalization are low, while interstate competition and conflicts in international relations are likely to intensify. However, it is not inevitable that this trend will become irreversible, and some related policy implications can be drawn.

In the absence of a hegemonic governing power, reevaluating international institutions in various political (and military) spheres is necessary to address the anarchy of competition between firms and nation-states. These institutions should focus on facilitating communication, reducing uncertainty about parties' intentions, and enforcing compliance with agreements to foster cooperation among nation-states. The need for supranational bodies and global institutions that monitor transparent national policies and have absolute powers in areas such as trade, investment, and technology is recognized by IB scholars (e.g. Buckley, 2021). This challenge extends to international relations theory and the debate between structural realism and liberal institutionalism. The latter relies on the rationality of states and the fact that they do not play a one-shot game but an indefinitely repeated game in which they learn of the existence of superior payoffs associated with cooperation. This creates the conditions for reforming international institutions and avoiding conflict. In response, the realist approach emphasizes that the nation-state's utility function in a noncooperative game is based primarily on "relative" gains. Consequently, strong asymmetries in the distribution of gains can lead to a future that threatens the very existence of disadvantaged states. In other words, anarchy in the international system means the absence of an authority capable of enforcing agreements and the absence of an authority capable of protecting states. As a result, states will be forced to prioritize their security and survival. This dramatizes what is at stake in international relations.

In this scenario, restoring the credibility of institutions such as the WTO, IMF, and Central Bank (to name a few) is a priority. This implies respecting and strengthening their rules. At the same time, it is necessary to expedite the building of international institutions with supranational enforcement power in crucial areas such as security and public order, FDI regulation, competition policy, technology cooperation, state aid, and SOEs so that violations inspired by selfish interests and global protectionism can be curtailed. Finally, nation-states should develop an awareness that gaining economic and social security by controlling or weakening rival states does not pay since the disutility produced by the equal reaction of other nations generates high costs in the long run if not a lose-lose situation and that implementing decoupling *tout court* is impossible in a context of inextricable interdependencies. So, they should tenaciously seek the balance between economic openness and economic security through international cooperation.

As for MNCs, they should prioritize the development of new capabilities and strategies along three dimensions. In *reactive* terms, invest in the ability to anticipate changes in international governance that might limit the range of their strategic choices, as well as refine their market assessment to find new growth opportunities and borderless business segments over which nation-state armament cannot impose or has little influence. In *adaptive* terms, reviewing their management philosophy and organizational models, seeking the balance between global and local footprint best suited to cope with growing protectionism and geopolitical and military risks, as well as to respond to sudden and hostile regulatory and institutional changes. In *proactive* terms, according to a forward-looking CSR-oriented perspective, MNCs should cooperate with national and international institutions to help reduce the world economy's anarchic win-lose dynamic, thereby safeguarding their welfare.

The academic community must also engage in the collective effort that this policy challenge imposes. A few methodological directions are prioritized in the future IB research:

- dissect the implications of public interventions involving the international dimension in order to raise awareness in the business and public communities of the risks some policies pose to economic and social growth;
- endogenize in conceptual frameworks and models variables that are often assumed to be exogenous, such as in research that merely studies the reactive response of firms to changes in economic, institutional, and geopolitical contexts;
- take into account all the externalities, including intertemporal ones, that individual rational and optimizing business decisions induce on other firms and institutions through feedback generated by the multiple interactions between public and private, national and international actors; and
- Challenge conceptual complexity and integrate insights from IB theory, competition economics and policy, and international relations theory to effectively advance the knowledge available to firms, institutional decision-makers, and politicians.

These directions may seem obvious and a pipe dream, but their implementation is the main challenge of the coming years to make international cooperation possible. If this goal is not achieved, far more intricate and ominous questions will arise about the fate of the global order, which will remain exposed to competing nationalist inclinations driven by anarchic forces.

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