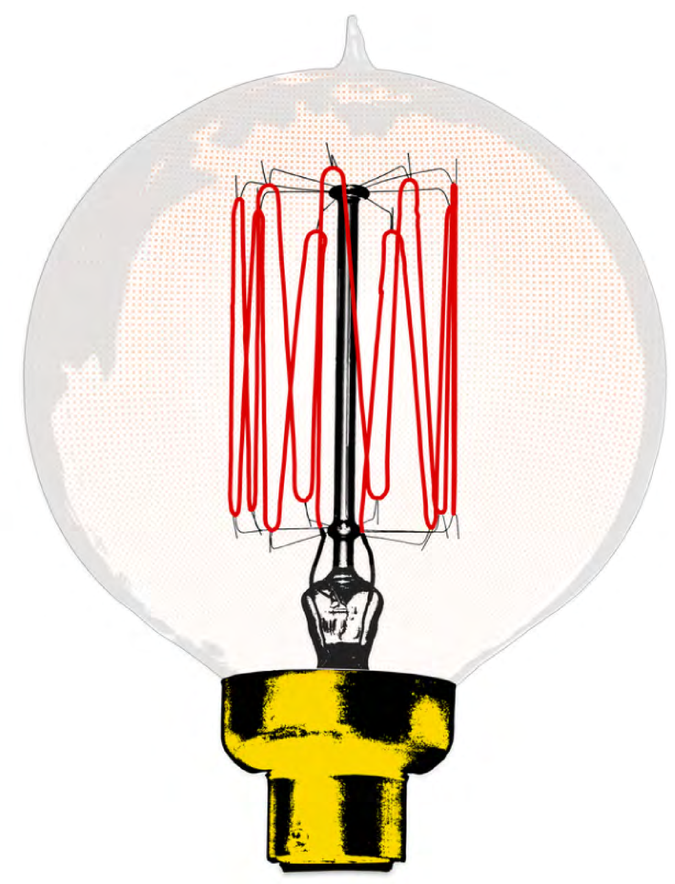
Now you're thinking

Issue 002 | September 8, 2025



Geoeconomics and State Capitalism

A New Global Context for Canada

The world is entering an era where markets are shaped less by free trade and more by state power, economic coercion, and the use of strategic industries to further geopolitical aims. The impact of this new order—tariffs, sanctions, control of trade routes, and dominance over strategic resources—is now routinely felt in the global arena.

Summary

- The global economy is no longer driven primarily by collegial free trade; it's increasingly defined by geoeconomics, with economic coercion being the new playbook.
- Market share for vital products is no longer just about profitable commerce. To effectively wield economic power, countries are engaging with strategic industries to advance economic and geopolitical interests.
- Countries like Canada must assess their strategic ambitions to remain competitive, resilient, and influential—energy is a vital industry with economic leverage.

A Global Cage Match

We're no longer playing in a friendly, free-market world. In fact, the global economy is starting to look like a geopolitical cage match. It's a combative economic era where national power is derived from control over markets, vital resources (like energy), and the means to move and trade them. China and the United States are the headliners, trading blows for influence, but every nation is stuck in the ring, feeling the effects.

Economic pressure is now a standard weapon of statecraft. Today's trade agreements feel like short-lived intervals between rounds of fighting rather than dependable, enduring commitments. In this new era, where established trade rules are seemingly worth less than a handshake, nations must strategize how to remain competitive, resilient, and even relevant.

Any country determined to protect or advance its prosperity must think big picture, with clear ambition. Merely competing for market share belongs to yesterday's playbook—a low bar at a time when collegial commerce can be crushed by fiscal force overnight. In this global cage match, if you want to be prosperous, never mind survive, you must know exactly why you're in the ring and how you plan to win.

Geoeconomics as the New Norm

Some people still believe that once Donald Trump leaves the stage, the old free-market order will return. That's wishful thinking. The neoliberal globalization of the past few decades is a bygone economic era that relied on the naïve conjecture that world peace was upon us. Trump's tariffs and trade fights that began during his first term accelerated a global shift toward economic coercion. But China had already been building muscle for 15 years, advancing a model of state capitalism where economic power is wielded as a core instrument of global influence.

In this world, markets are shaped and often constrained by geopolitical strategy. Investment flows, trade terms, and supply chains are routinely distorted by political leverage and close alignment between the state and its strategic industries. Batteries, electric vehicles (EV), critical minerals, and semiconductors are examples often seen in the headlines. This is nothing new. As a vital commodity, energy has a long history of being used in the fray—from olive oil to whale oil to crude oil.

Simply defined, geoeconomics is the use of economic coercion to achieve geopolitical objectives. Tactical moves include:

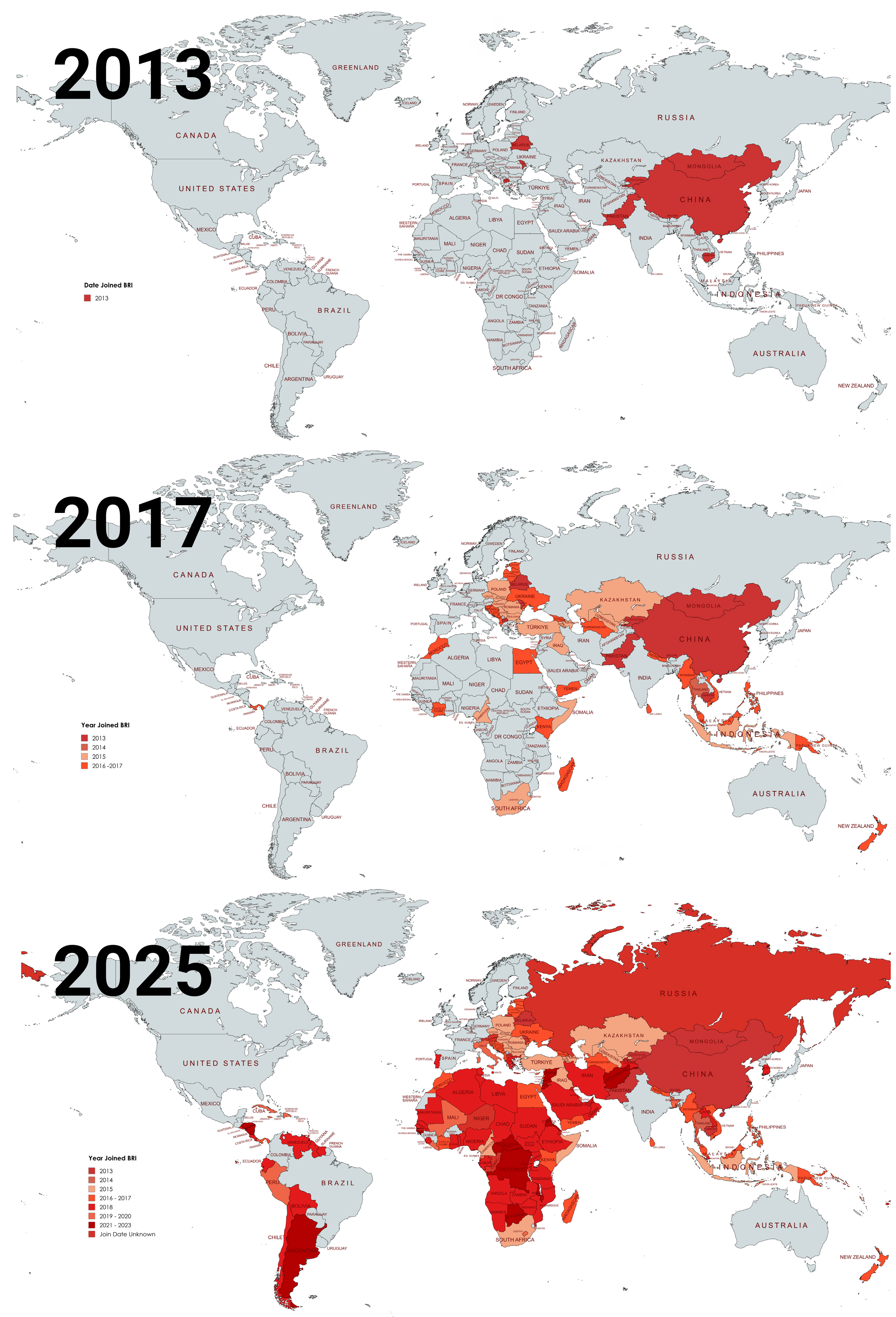
- **Tariffs**—The bluntest tool, used often by the Trump administration. Once sold as deficit reduction, tariffs are now weapons to force governments into alignment with US interests.
- **Sanctions**—Trade bans designed to strong-arm behaviour. Western sanctions on Russia after its invasion of Ukraine, or on Iran over nuclear ambitions, are examples. A sanction is a tariff priced at infinity: no trade is possible.
- **Control of trade routes**—Commanding the flow of goods by securing chokepoints, building strategic infrastructure, or disrupting rival shipping lanes. China's Belt and Road Initiative (BRI) has built strategic beachheads across Africa and South America, building bridges, ports, railways and power infrastructure. The three timelapse maps on the right show the progression of China's influence since 2013. In a short 12 years, the country has projected its economic influence from a handful of countries to over 100.

  Control of trade routes can be more focused but just as potent: in protests against the war in Gaza, Yemen's Houthis forced tankers to reroute around the Cape of Good Hope, adding weeks to voyages and inflating shipping costs.
- **Dominance over strategic resources**—Leveraging control of vital commodities like minerals and technologies for strategic, political influence. China leverages its grip on rare earth minerals; the US restricts sales of advanced semiconductors. OPEC+'s oil cartel has long used production control to influence prices and regional politics, including the 1973 Arab Oil Embargo.

  Canada has used its commodities as foreign policy leverage before, most notably in the 1970s, when wheat sales through the Canadian Wheat Board helped secure diplomatic recognition from China and build influence with the then Soviet Union. In 2022, Canada's Critical Minerals Strategy played a similar role, restricting access to non-allied state-owned enterprises while positioning Canada as a preferred supplier to allies in exchange for trade, security, and industrial alignment.
- **Fiscal influence**—Using state-directed financial power such as subsidies and market manipulations to distort capital flows and advance national objectives. China's subsidies for renewables, batteries, and EVs are designed to dominate markets. Other tactics include dumping rival sovereign bonds or manipulating currency exchange rates.

Progression of China's Belt and Road Initiative (BRI)

Cross Continent Investments Into Strategic Infrastructure

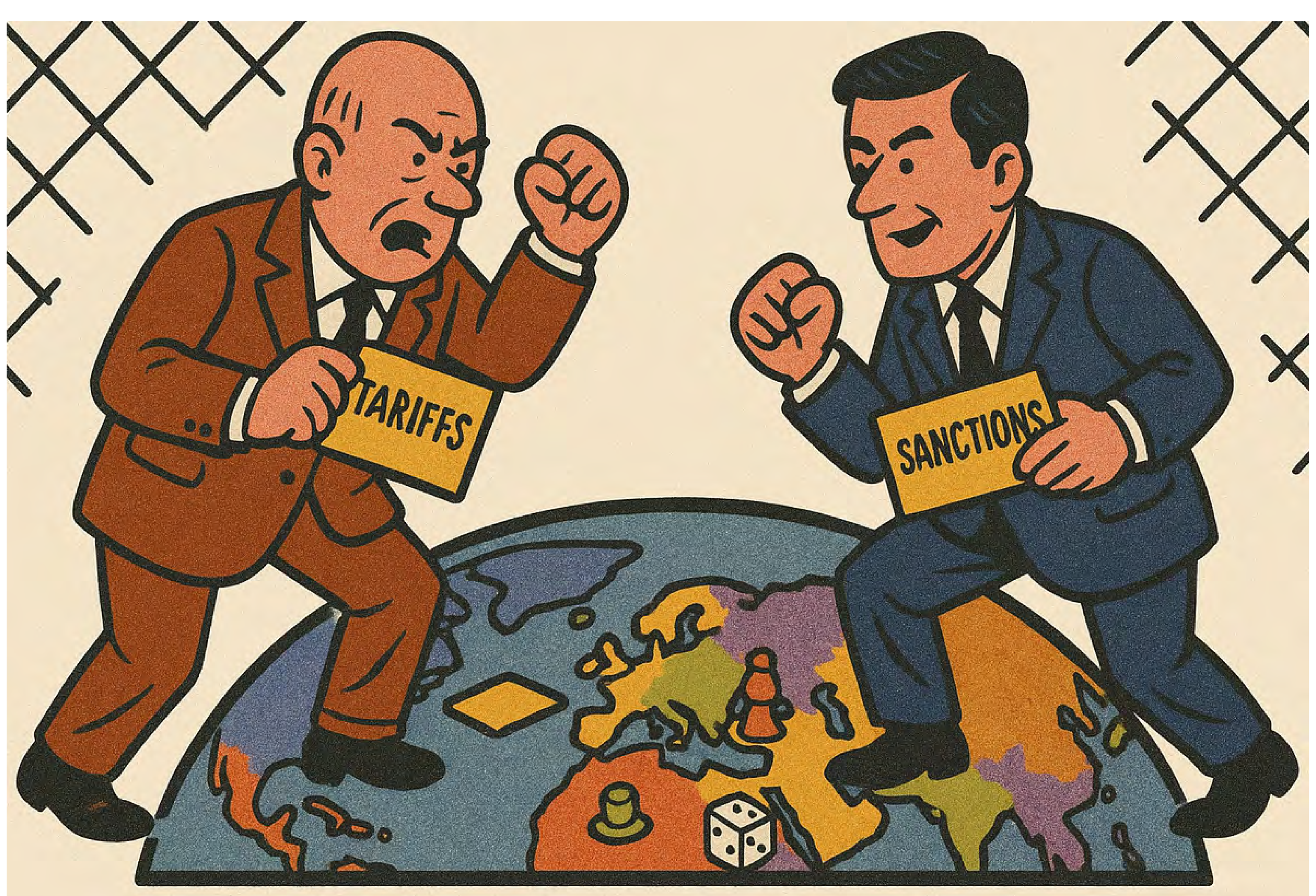


Note: Countries in color denote nations which have agreed to join the BRI (including through infrastructure projects, trade route establishment, or in principle as members).

Source: Studio.Energy

Over the past 15 years, against the backdrop of a rising China, countries around the world have increased their use of such moves to exert influence or defend against geoeconomic coercion. In 2025, the second Trump administration merely brought this new economic reality to prime time.

Note, as a point of not-so-subtle interest, the Trump administration’s foray into influencing corporate America. The ability to exert economic force amplifies when the state and its strategic industries are aligned. Otherwise known as state capitalism, this trend is not novel. China, Russia, and petrostates like Saudi Arabia have long used state-influenced champions to advance national interests. Think of companies like China’s CATL (batteries), Russia’s Gazprom (natural gas), and Saudi Arabia’s Aramco (oil). Go back further: 18th-century mercantilist states like England used corporate surrogates, such as the East India Company, to project the state’s influence far abroad.

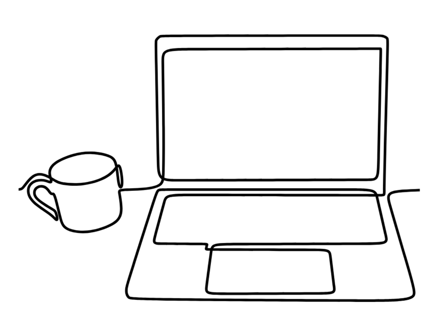


The United States is embracing the same playbook. Washington’s alignment with the oil and gas industry was displayed in the US-EU trade deal announced on July 27, 2025. The agreement imposes a 15% tariff on most EU goods while requiring the EU to purchase US$750 billion in US energy products—primarily liquefied natural gas (LNG)—over three years.[1] The deal is designed to push out rival LNG suppliers, secure long-term markets for US producers, expand domestic energy production, and cement transatlantic economic ties under American terms. That’s strategic leverage.

Moves like this reflect a broader pattern. Strategic industries—from energy to semiconductors—are no longer simply free-market enterprises that serve shareholders to maximize global profits. They have become extensions of national policy, aligning with political direction when core economic or security interests are at stake.

The lessons are clear and Canada must take note. Market share for vital products is no longer just about profitable commerce. Economic power, whether for offence or defence, is increasingly exercised through partnership alliances between governments and their strategic industries - this should not be confused with nationalization.

Canada has the opportunity to move beyond vulnerability in the global cage match of economic force by leveraging its vital resources and aiming for strategic ambition in a world where economic power sets the terms.



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Discover the four levels of ambition and what it would take for Canada to move from passive supplier of resources to strategic player in Issue 001 - Gauging Canada’s Energy Ambition.

[1] US and EU avert trade war with 15% tariff deal; Reuters; July 28, 2025