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ABSTRACT

Two rival visions of Europe's place in the world economy competed for primacy throughout the post-war era. The idea of an 'Atlantic Europe' promoted close economic ties to the United States and integration into the liberal international order. An alternative 'Fortress Europe' vision aimed to carve out a sphere of relative European autonomy backed by trade barriers and industrial protectionism. While many argued that the 'Fortress Europe' vision was defeated during the globalization of the 1990s and 2000s, concepts such as economic sovereignty, industrial strategy and 'strategic autonomy' have returned to EU circles. Is a rebuilding of 'Fortress Europe' taking place in this context? This paper argues that the old tension between 'Atlantic' and 'Fortress' Europe is re-emerging but in a new form and under a new set of international conditions. A 'selective fortification' of European industrial strategy and trade policy is taking shape, as EU policymakers develop targeted instruments and institutional capacities that aim to insulate European firms from new patterns of international competition. The selective refortification of European capitalism has implications for debates within international political economy (IPE) on the future of liberal international order, new patterns of competitive regionalization, and the restructuring of the relation between the state and global capitalism.

KEYWORDS

European Union; globalization; international political economy; state capitalism; industrial strategy; trade

Introduction

Since the end of the Second World War, two rival visions of Europe's place in the world economy competed for primacy. The idea of an 'Atlantic Europe' aligned Western Europe to the geo-political and economic power of the United States and aimed to establish the continent as a key pillar of the liberal international order (Lundestad, 2005; Panitch & Gindin, 2013). The second vision promoted the idea of 'Fortress Europe' and sought to carve out a sphere of relative autonomy from the US and other rival regional blocs (Mandel, 1970; Servan-Schreiber, 1967; Van Apeldoorn, 2003). With the high tide of neoliberal globalization in the 1990s and

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2000s, Atlantic Europe appeared to have triumphed, with the Fortress Europe vision of high tariff walls, non-tariff barriers, and discretionary state support for European industry left in ruins (Ryner & Cafruny, 2003).

Over the past decade, there have been signs that a reconstruction of the Fortress Europe vision might be taking place from amongst the rubble. EU Policymakers, member states and organised business groups have rediscovered the language of European economic autonomy. German industry warns of hostile takeovers by Chinese state-backed firms in key strategic sectors (The Federation of German Industries [BDI], 2019). Officials in Paris and Berlin call for the reform of EU competition law and the development of 'European Champions' to protect the continent's 'economic sovereignty and independence' (BMWi and MEF, 2019). The European Commission monitors 'strategic dependencies', supports pan-European technology clusters with the aim of competing with the US and China, and develops new instruments designed to counter hostile foreign takeovers of key strategic sectors. Industrial strategy—long proclaimed obsolete in a world of neo-liberal globalization—has returned (Wigger, 2023). Europe must secure its 'strategic autonomy', European elites intone, within a world economy that is increasingly multi-polar, fragmented and unpredictable (Schmitz & Seidl, 2023).

Do these shifts signal a return of the earlier Fortress Europe vision? A fully-fledged return of industrial autarky, high trade barriers and a protected European home market is unlikely. European capitalism remains deeply entangled within the liberal international order that shaped its earlier phases of Atlantic integration. However, this article argues that new processes of *selective fortification* are taking shape within European capitalism, which involve the development of new instruments, institutional capacities, and targeted reforms at the EU level designed to insulate European capitalism from emerging patterns of international competition. Advancing an analysis of recent changes in EU industrial strategy and trade policy, the article argues that external shifts in the world economy—the rise of China, accumulating weaknesses in liberal international order, and novel inter-regional patterns of competition—are driving European policymakers to embrace new instruments primed for a world of intensified geo-economic competition. These shifts lay the foundations for a new form of European regionalization but under a novel set of international conditions.

The selective refortification of European capitalism has a number of implications for the International Political Economy (IPE) literature. First, one of the classic themes of IPE is the relation between the liberal international order and US hegemony (Cox, 1987; Strange, 1987). Recent literature has tackled this question but often through the binary prism of US-China relations. The selective refortification of European capitalism foregrounds new fissures within EU-US relations, which fray at the Atlantic framework while creating the basis for new developmental trajectories and economic strategies. Second, much of the IPE literature adopts an 'internal' lens on the EU, tracing the intra-European interactions between European economies under a common institutional framework. The selective fortification of European industry and trade is however being driven by external shifts within the global economy, resulting in new patterns of European regionalization (Sbragia, 2008). In this regard, analyses of the EU could productively draw upon an earlier tradition in IPE, which traced the interaction between Europe as a regional bloc and wider patterns of world order (Cox, 1987). Third, a burgeoning literature has detected a global shift towards a 'new state capitalism', exemplified by increased state intervention in the emerging economies, the growth of state-owned enterprises and sovereign wealth funds, and the return of industrial strategy in the West (Alami & Dixon, 2020). Europe's selective fortification both reflects and contributes to this wider international constellation, raising new questions about the character of inter-regional competition in a context of decentred global capitalism.

The article is structured as follows. The first section introduces the conceptual distinction between the 'Atlantic' and 'Fortress' Europe visions and outlines how this relates to the subsequent historical and empirical argument. The second section mobilises this framework historically, detailing how the ideological and strategic rivalry between these two visions took shape between 1945 and 2008. The third section outlines how the post-2008 shift to 'decentred' global capitalism problematizes the Atlantic Europe framework and creates the conditions for a possible revival of the Fortress Europe alternative. The fourth section then introduces the European 'strategic autonomy' agenda, the framework through which EU policymakers have organised their collective response to ongoing shifts in the world economy. The fifth section then analyses two broad European policy spheres - industrial strategy and EU trade policy - and identifies processes of 'selective fortification' that are taking shape across each in the present conjuncture. The final section draws out the wider implications of this analysis for debates within IPE related to US hegemony and liberal international order, the resurgence of competitive regionalism, and the restructuring of relations between the state and global capitalism.

Theorising Europe's place in the world economy

The conceptual distinction between 'Atlantic' and 'Fortress' Europe begins from an historical observation. Since the launch of European integration in the post-war period, a central challenge facing European elites was how to maintain Europe's position at the 'core' of the world economy in a context of US hegemony (Panitch & Gindin, 2013; Ryner & Cafruny, 2003). Proponents of the 'Atlantic Europe' framework pushed for alignment to the US, in order to secure a series of concessions and developmental advantages (Eichengreen, 2005). The 'Fortress Europe' alternative contested this framework, aiming instead to carve out a sphere of relative autonomy from the US *via* tariff barriers and other protectionist instruments.

It is necessary to clarify three theoretical issues before turning to the subsequent historical and contemporary empirical analysis. First, the 'Atlantic' versus 'Fortress' distinction is mobilised as an *ideal-typical heuristic,* in the sense that it involves an abstraction that seeks to order, in an analytically coherent way, an inherently complex and messy empirical reality (Weber, 1949). In this regard, the 'Atlantic' versus 'Fortress' Europe distinction foregrounds a central dilemma that European policymakers faced historically: Whether to seek *alignment* to or *relative autonomy* from a liberal international order shaped decisively by US power. As with any ideal type, the 'Atlantic' versus 'Fortress' Europe distinction is not meant to imply that these were the 'only' orientations available to European policymakers. Numerous other approaches shaped Europe's external relations. For example, EU actors have aimed to expand their global influence *via* multi-lateral and bi-lateral trade negotiations and to strike alliances with emerging powers (Ferreira-Pereira & Smith, 2021). While such alternative models have shaped Europe's global orientation, these strategies were themselves embedded decisively within a deeper Atlantic framework. For example, the major trade liberalizations of the 1960s and 1990s were promoted by international regimes and international organizations—the Organisation for European Economic Co-operation (OEEC), the General Agreement on Tariffs and Trade (GATT), and World Trade Organization (WTO)—that formed a central part of a wider US-led Atlantic framework (Gill, 1998; Lundestad, 2005). In this regard, attempts to promote visions such as a 'multi-lateral' Europe can be viewed as complementary to, rather than in tension with, Europe's integration into a wider Atlantic model.

The ideal typical distinction between 'Atlantic' and 'Fortress' Europe can be operationalised in terms of three inter-related axes. First, each vision embodied a relatively coherent and distinctive *ideology*—that is a set of normative and political ideas relating to how Europe should relate to the post-war US-led liberal international order. Second, each articulated a distinct set of *political-economic strategies,* involving the deployment of diverse policy instruments and economic levers in order to achieve concrete objectives with respect to Europe's international position. Third, each vision was a reflection of struggles between a diverse range of *social forces* within Europe, including organised industrial and financial interests, national politicians, intellectuals and other civil society actors (Van Apeldoorn, 2003). The subsequent historical and empirical analysis deploys these three aspects of the Atlantic-Fortress Europe binary—ideological, strategic, and sociological—in order to capture Europe's changing relation with liberal international order throughout the post-war era and in the present day.

A second strength of the Atlantic-Fortress Europe distinction is that it foregrounds the *interactions* between European politics and the wider world economy. The two visions explicitly foreground the ways in which elites have conceptualised Europe's relation with the wider international order. This formulation helps to overcome an inter-disciplinary split in the existing literature. EU studies—the obvious 'home' for analysis of European integration—has tended towards 'internal' analysis of the EU as a polity, deploying tools derived from policy analysis and comparative politics (Wiener et al., 2019). IPE for its part has tended to privilege analysis of economic dynamics at the global scale, interrogating the EU as a special case of wider international processes. The issue with this separation is that it reproduces an ontological separation of the European and international scales of analysis while overlooking patterns of *interaction* that shape each respective sphere. This separation is not sustainable in the present conjuncture. Ongoing global shifts—most prominently the attempts by China to re-shore production, upgrade value chains and secure technology transfer to its home firms—present new challenges to European industrial primacy. As will be argued below, European policymakers are seeking to 'selectively fortify' EU industrial strategy and trade policy in an effort to adapt to these global shifts and to insulate European firms and societies from new patterns of international competition. Crucially, these interventions in turn contribute to a wider international constellation of competing industrial strategies, multi-polar regionalism and geo-economic conflict (Alami & Dixon, 2020). Deploying a conceptual lens that foregrounds these interactive developments is critical to understanding the political economy of the present conjuncture.

The third benefit of the Atlantic-Fortress Europe binary is that it provides us with a *comparative historical lens* through which to contextualise and analyse present global shifts and their impacts on the EU. As argued below, the rivalry between these two visions has oscillated over time. The 'Atlantic Europe' vision, with its alignment to the US, has generally been the dominant approach. The story of Europe's external relations, from Marshall Aid to the European banking sector's involvement in US sub-prime in the 2000s, embodies in one sense a long process of Atlantic integration. However, in moments of world-economic turbulence, ideological and strategic space has tended to open-up for social forces promoting the Fortress Europe alternative. The clearest precedent for this is in the late 1960s and 1970s, which was characterised by the breakdown of Bretton Woods, escalating energy costs, currency volatility, industrial unrest and the increasing penetration of Western markets by East Asian exports. During this phase of global economic turbulence, social forces aligned to the Fortress Europe alternative gained ascendancy, resulting in the shift towards 'new protectionist' economic policies and plans for a regional Bretton Woods on a European scale (Eichengreen, 2005). This historical period provides a useful comparative historical case to compare and contrast with today. The convulsions of the 1970s suggest that periods of world economic turbulence can simultaneously erode the foundations of Atlantic Europe whilst creating a space for the refortification of European capitalism. As argued below, there is evidence that similar processes—albeit in a novel form and under distinct historical conditions—are taking place in the present conjuncture.

Atlantic versus Fortress Europe (1945 – 2008)

In the aftermath of the Second World War, the US set out to establish a post-war liberal international order that would complement Washington's strategic interests (Panitch & Gindin, 2013). The reconstruction and integration of Western Europe into a wider US-led framework was central to this project (Lundestad, 2005). A unified and stable European market would act as a geo-political buffer against the Soviet Union, contain West Germany, and provide a future outlet for US exports and capital (Panitch & Gindin, 2013). The US actively supported the early phases of European integration, backing the foundation of the European Coal and Steel Community, the Customs Union, the European Payments Union and the Treaty of Rome (Eichengreen, 2005). The US bolstered these initiatives by providing economic support to beleaguered European governments in the form of Marshall Aid and by facilitating coordinated technology transfer from US firms (Eichengreen, 2005). Crucially, Western European reconstruction took place within a multi-lateral complex of international agreements and institutions, including the GATT, the International Monetary Fund (IMF) and the North Atlantic Treaty Organization (NATO). The drive towards a multi-lateral framework of trade liberalization and economic cooperation complemented rather than contested the central objectives of the US government throughout the post-war era.

US policymakers and intellectuals saw in this multi-lateral framework the prospect of institutionalising what they termed a new 'Atlantic Community', conceived as an international settlement led by the US but in cooperation with the European Economic Community (EEC). Successive US presidents stressed their support for this framework, exemplified by the development of the idea of 'Atlantic Union' under Eisenhower, Kennedy's conception of 'Atlantic Partnership', and

President Nixon's 1974 'Atlantic Declaration' (Lundestad, 2005). A common strategic thread ran throughout; the need to ensure that the protectionist potential of Western European reconstruction and integration would be contained within a wider context of multi-lateral liberalization, the broad parameters of which would be set by Washington (Lundestad, 2005).

Elites within European states and supranational institutions embraced this conception of an 'Atlantic Europe'. As Jean Monnet noted in 1961, 'problems are arising that only Europe and the United States together have the resources to deal with…we have begun to co-operate on these affairs at the Atlantic level… but it is evident that we must soon go a good deal further towards an Atlantic Community' (Monnet, 1963). European émigré intellectuals, such as Karl Deutsch, made the case for Europe's integration into a wider 'Atlantic Community', underpinned by shared cultural values and patterns of social and economic exchange (Deutsch, 1968). Strategic considerations paralleled the ideological dimensions of the 'Atlantic Europe vision'. European elites calculated that integration into a wider Atlantic framework would enhance Europe's relative autonomy and position in the world economy. The adjustable exchange rates and capital controls of the Bretton Woods system, the multi-lateral trade liberalization promoted by the GATT framework, and the protection afforded by the NATO security umbrella, allowed leaders in European capitals to pursue relatively independent economic policies: Welfare state expansion, discretionary economic planning, collective bargaining, targeted regional policy, and full employment.

The integration of Western Europe into this wider Atlantic framework precipitated a wider restructuring of European capitalism. During the post-war boom, Western Europe experienced an influx of US foreign investment, which transferred control of high productivity European industrial sectors across the Atlantic. US financial institutions seeking to escape New Deal restrictions at home poured into the burgeoning and deregulated euro-dollar markets (Green, 2020). The social forces anchored within these transnational sectors began to exert influence within European nation states and supranational institutions, forming a pivotal ideological and strategic foundation for the 'Atlantic Europe' vision in the following decades (Van Apeldoorn, 2003).

The 'Fortress Europe' alternative emerged in opposition to these Atlantic entanglements. Promoted by a disparate coalition of French national interests, 'new' protectionist economic schools in France, Germany and Britain, and neo-mercantilist fractions of industrial capital (Kahler, 1985; Van Apeldoorn, 2003), this approach aimed to reduce Europe's external dependencies and to enhance the capacity of European states to act independently on the international stage. The post-war hegemony of the US operated across a range of spheres—industrial, economic, technological, monetary and geo-political (Strange, 1987). The Fortress Europe vision was correspondingly multi-faceted and developed as an ideological and strategic orientation across numerous policy domains. In each case, however, we can identify common patterns that unify these strands into an over-arching and relatively coherent vision of Europe's place in the world economy.

Jean-Jacques Servan-Schreiber, editor of *Le Monde,* associate of Monnet and Konrad Adenauer, and a Minister within Valéry Giscard d'Estaing's government, provided the clearest ideological and strategic articulation of the Fortress Europe vision in his widely read manifesto, *The American Challenge* (Servan-Schreiber, 1967). Servan-Schreiber argued that the technological and organizational power of US capital threatened to subordinate European industry to the whims of the

American boardroom. Only a sustained pan-European effort to catch-up with the US could counter the onslaught. On the political Left, Ernest Mandel argued that competition from US monopoly capital would force European firms to combine into larger cross-border units, which in turn would generate functional pressures for the transfer of state-like powers to the European scale (Mandel, 1970). The result, Mandel argued, would be escalating inter-imperialist rivalry between the US and Western Europe, as European industry and supranational institutions moved from accommodation to confrontation with US hegemony.

The Fortress Europe vision went beyond questions of pan-European industrial strategy and trade protectionism. In geo-political terms, voices aligned with the Fortress Europe vision made the case for enhanced military autonomy from the US, symbolised most potently by President De Gaulle and his various attempts to frustrate the operational reach of NATO (Lundestad, 2005). For the French President, European states were caught between what he termed the two 'foreign hegemonies' of the US and Soviet Union. In order to secure independence, the task for European states, led by an assertive France, was to carve out a sphere of influence that would stretch 'from the Atlantic to the Urals' (Lundestad, 2005).

The question of monetary sovereignty formed a key strand at the heart of the Fortress Europe approach. The Bretton Woods settlement had enshrined the dollar's position as the international reserve currency, which bestowed a series of structural advantages on the US (Cohen, 2017). European elites railed against the ability of the US to finance its balance of payments deficits by issuing dollars, with French finance minister Valéry D'Estaing famously lambasting this as Washington's 'exorbitant privilege' (ibid). In response to US dollar hegemony and the breakdown of the Bretton Woods regime in the 1970s, European elites attempted to construct a regional monetary framework that would restore currency stability whilst counteracting the external influence of the dollar (Eichengreen, 2005, p. 247). As François-Xavier Ortoli, President of the Commission, argued in 1974, a unified and coordinated European position on international monetary affairs would be essential to securing the 'monetary sovereignty' of European states (Mourlon-Druol, 2018).

In the 1970s and 1980s, the simmering conflict between the Atlantic and Fortress Europe visions erupted. The post-war settlement faced immense pressures, amidst escalating energy costs, rampant inflation, rising unemployment and industrial unrest. Under these volatile international conditions, sections of European industry aligned to the Fortress Europe perspective pushed for protection, deploying a range of tools such as bilateral export restraints and anti-dumping laws that conflicted with the principles of multi-lateral trade liberalization (Kahler 1985; Van Apeldoorn, 2003). However, an Atlantic counteroffensive—coordinated by the US, the UK, and liberalising social forces on the European continent—drove to align Europe with the wider shift towards a neoliberal form of globalization. Interest rate hikes in the early 1980s by the Federal Reserve and Bank of England generated high unemployment and squeezed inflation. Coordinated assaults on trade unions compounded de-industrialization and a downwards wage push, whilst successive deregulations unleashed a long wave of financialized expansion (Krippner, 2011).

The original Atlantic Europe vision had formed in the context of the post-war Bretton Woods order. By the 1980s, this post-war framework had unravelled. Nevertheless, a new Atlantic framework was taking shape, organised around the institutionalization of neoliberal principles at the international scale (Gill, 1998). Under these conditions, the 'Atlantic Europe' vision changed. Its central rationale—to maintain Europe's relative autonomy *via* alignment with the US—remained the same. However, the form that this 'alignment' took assumed a qualitatively distinct form. The Single Market programme, culminating in the 1992 Maastricht Treaty, increased cross-border trade and financial integration within the EU, exposing EU producers to intensified patterns of international competition (Jabko, 2012). Led by the Fed and the Bank of England, low inflation had emerged as the key monetary policy objective in the 1980s, and this became inscribed in the fiscal constraints built into the Maastricht convergence criteria (Verdun, 1999). The post-Socialist transition in Central and Eastern Europe from its early stages took place under the auspices of the US authorities and IMF (Bohle, 2006). In the 2000s, European banks internationalised and integrated into US markets, with domestically owned European banks holding $5 trillion of claims on US assets (Thompson, 2016). This second wave of Europe's Atlantic integration had reached new heights by the 2008 global financial crisis. For many commentators, the Fortress Europe vision now lay in ruins, little more than a defunct relic of a bygone era in a new world of global capitalism and neoliberal advance (Gill, 1998; Ryner & Cafruny, 2003).

Decentred global capitalism and the return of the Fortress

The world economy is again undergoing a deep transformation, with far-reaching consequences for the European political economy. An ongoing shift towards a 'decentred' form of global capitalism has intensified in the wake of the 2008 global financial crisis, characterised by the industrial and technological catch-up of non-Western states with the advanced economies, enduring weaknesses in the liberal international order, and a deepening of multi-polar regionalism (Buzan & Lawson, 2015). Two principal factors drive the decentring of global capitalism. The rise of alternative development paradigms and centres of capital accumulation outside of the West act as a key centrifugal force. Between 1990 and 2010, Brazil, India and China doubled their share of global GDP while the share of Western economies declined (Nölke et al., 2015, p. 539). The 2008 global financial crisis sped-up this process. Beijing implemented a gargantuan $600 billion post-crisis stimulus package, which consolidated China's position as a key reservoir of global demand (Tooze, 2018). Chinese production of steel, cement and aluminium was ramped-up, which drew raw material exporters into its regional orbit and contributed to rising levels of South-South trade. As a result, China surpassed the US as the world's leading recipient of FDI, became the leading source of merchandise trade and accounted for over a third of global growth throughout this post-crisis period. By 2030, the World Bank projects that China and India will account for 38% of global investment and almost half of total investment in manufacturing (Nölke et al., 2015).

An intensification of crisis tendencies within the Western 'core' parallels these external reconfigurations. The dominant ideology of 1990s and 2000s globalization faced immense pressures in the aftermath of the 2008 crash (Blyth & Hopkins, 2019). Financial deregulation, capital account liberalization and counter-inflationary macroeconomic discipline had not delivered what its proponents had promised. In the wake of 2008, panic and contagion cascaded through the global financial system. International trade and investment collapsed. Global capital flows evaporated. Slumping productivity gave rise to fears about a new secular stagnation across the West. The deployment of highly unorthodox loose monetary interventions, such as quantitative easing, sustained low interest rates, Federal Reserve 'swap lines', and various credit-easing measures, kept Western economies afloat amidst the maelstrom. However, these interventions stoked asset price inflation and, in a context of tight fiscal policy, compounded spiralling inequality. Global economic integration remained remarkably resilient, despite these pressures. However, the form that this interdependence took marked a break from the globalization of the 1990s and 2000s, insofar as it was characterised by increasing conflict between rival governance paradigms, the growing power of state-capital hybrids and enhanced geo-economic competition (Alami & Dixon, 2020; Buzan & Lawson, 2015).

Domestic backlashes erupted against the institutions and ideology of centred globalism, exemplified by the election of Trump and the vote for Brexit in Anglo-America as well as by the rise of left and right populisms within continental Europe (Hopkin & Blyth, 2019). These compounded weaknesses in the architecture of the liberal international order. The WTO failed to sustain multilateral trade liberalizations in the face of mounting opposition from protectionist coalitions at the domestic and international levels (Sinha, 2021, p. 1531). International organizations questioned key aspects of the Washington consensus while the system of global governance faced deadening gridlock (Hale & Held, 2012).

As was the case in the turbulence of the 1970s, volatile international conditions in the aftermath of the 2008 financial crisis are again creating the conditions for a return of the Fortress Europe vision. During the globalization of the 1990s and 2000s, theorists presented the EU as a post-national space of shared sovereignty and cosmopolitan governance, uniquely well attuned to a 'borderless world' of globalization (Habermas, 2018). EU trade policy—embodied in the 'Market Access Strategy' (1995), Peter Mandelson's 'Global Europe' approach (2005), and the 'Trade for All' framework (2015)—all prioritised a 'free trade paradigm', whereby the EU would seek to leverage multi-lateral and bi-lateral instruments in order to promote its interests (De Ville & Brügge, 2018). However, these approaches formed in a specific historical context: The post-Cold War financialized upswing of the 1990s and 2000s 'globalization', with its attendant patterns of multi-lateral trade and financial integration (Rosenberg, 2005). As those background conditions unravel, new economic governance paradigms vie for position (Alami & Dixon, 2020; Buzan & Lawson, 2015; Van Apeldoorn et al., 2012). The new international pressures associated with decentred global capitalism simultaneously undermine the foundations of the old Atlantic framework whilst driving European policymakers towards an alternative vision of Europe's place in a changing world economy.

European 'strategic autonomy' in a changing world economy

The past decade has seen a marked shift in the ways in which European policymakers speak about the challenges posed by a changing world economy. In 2017, in his famous 'Sorbonne Speech', Emmanuel Macron made the case for enhanced European sovereignty in an unstable global context (Macron, 2017). The former German Chancellor, Angela Merkel, stressed the need for Europe to be less dependent upon its allies and to strike a more independent posture (FAZ, 2017). Ursula Von Der Leyen, the President of the European Commission, pledged in 2019 to run a 'Geopolitical Commission' capable of responding to the challenges of an increasingly polarised and unstable world.

The disorder unleashed in the aftermath of the 2008 crash was an important driver of these changes (Thompson, 2022). In the immediate post-crisis years, neoliberal trade, financial and economic policy remained remarkably resilient (Schmidt & Thatcher, 2013). However, the decade of turbulence following the crash frayed at this settlement. The 'shocks' of 2016—the vote for Brexit and Donald Trump—provoked fears that Anglo-America was abdicating its commitment to a liberal and multilateral international order (Hopewell, 2022). The EU's long-standing commitment to a 'free trade' paradigm, underpinned by a commitment to bi-lateral and multi-lateral liberalization, came under increased pressure (Schmitz & Seidl, 2023). The ongoing rise of China post-2008 and its pivot in 2015 to the 'Made in China 2025' strategy added to concerns that the EU was falling behind in terms of technological and industrial leadership in key sectors. Volatility on Europe's southern and eastern borders—including the migration crisis and Russia's invasion of Ukraine—bolstered European calls for a more assertive projection of power into its sphere of influence.

A new discursive repertoire and organizational programme crystallised in this post-crisis context: The ambition to achieve what European elites term 'strategic autonomy' (Schmitz & Seidl, 2023). Echoing the earlier 'Fortress Europe' vision, the 'strategic autonomy' agenda embodies the idea that Europe needs to reduce its external dependencies while also enhancing its internal capacity to act (Schmitz & Seidl, 2023). Originating in 2013 in relation to the European defence sector, the concept initially focussed on limiting European dependencies on third countries for critical military supplies. However, from these narrow origins, the concept subsequently expanded into numerous policy domains, including trade, finance, the euro, digitalization, industrial policy, and supply chain resilience. A flagship Commission report stated that, 'Europe's strategic autonomy is about reducing dependence on others for things we need the most: Critical materials and technologies, food, infrastructure, security and other strategic areas…[which] provide Europe's industry with an opportunity to develop its own markets, products and services which boost competitiveness' (European Commission, 2020).

Although a notoriously ambiguous concept, the proliferation of strategic autonomy discourse across the EU institutions embodies a break from dominant framings of the 1990s and 2000s globalization era. 'Reshoring', 'over-dependency' and 'resilience' now dominate debates around the EU's economic orientation (Jacobs et al., 2023). The strategic autonomy agenda is not merely a rhetorical device, however. It serves an important coordinative function within the EU, unifying a disparate series of policy initiatives, strategic objectives and diverse coalitions under a common ideological frame. Crucially, the concept has been mobilised in the development of concrete, targeted instruments and institutional reforms that collectively seek to prime Europe for a decentred world of intensified geo-economic competition.

Selective fortification: European autonomy in a context of Atlantic entanglement

A series of concrete interventions parallel the proliferation of 'strategic autonomy' discourse at the EU level. The following sub-sections focus on two broad EU policy spheres where the strategic autonomy programme has crystallised: Industrial strategy and EU trade policy. The empirics focus on five concrete instruments:

The FDI screening mechanism (FDI-SM); the Important Projects of Common European Interest (IPCEI) framework; the formation of pan-European 'industrial alliances'; the Foreign Subsidies Regulation (FSR); and the Anti-Coercion Instrument (ACI). These instruments all developed between 2014 and 2023. The analysis traces the development of each of these instruments with respect to the wider post-2008 de-centring of global capitalism, with particular reference to China's drive to secure access to higher value-added technologies, wider patterns of inter-regional competition over key strategic sectors, and the corresponding geo-politicization of international trade and investment policy.

The analysis focuses on EU industrial strategy and trade policy in general, and these five instruments in particular, because these are critical arenas that mediate the EU's external relations with the world economy. Historically, these policy areas have been key sites that protectionist forces aligned with the Fortress Europe vision have sought to influence. As such, if processes of 'selective fortification' of European capitalism are taking place in the present moment, we would expect to find evidence for these across these two policy domains. Second, precisely because of their potential to harbour protectionist tendencies, EU industrial strategy and trade policy have been subject to a plethora of constraints throughout the neo-liberal era (De Ville & Siles-Brügge, 2018; Wigger, 2019). Evidence of selective refortification here would indicate a break from prevailing norms and practices. Finally, each of the five instruments have been explicitly tied with the EU's wider 'strategic autonomy' agenda by the EU institutions and other European stakeholders. Each case therefore offers a concrete, institutionalised example of ongoing shifts towards selective fortification at the EU level.

The argument is that a 'selective refortification' of EU industrial strategy and trade policy is taking place, as EU policymakers seek to insulate European firms, states and societies from new patterns of international competition. As such, a return of the old 'Atlantic' versus 'Fortress' Europe tension is re-emerging, but in a new form and under a novel set of international conditions. The study focuses on the EU. As such, we would not wish to claim that 'selective fortification' is a generalizable process taking place in the same way in other non-EU contexts. However, the analysis does align with other studies that identify a shift towards enhanced use of discretionary industrial strategy and protectionist trade policy in other non-European cases (Alami & Dixon, 2020). While this study focuses on the contemporary cases of industrial strategy and trade policy, we would expect to see processes of 'selective fortification' taking shape across other EU policy spheres, including the EU's international monetary relations, energy, capital markets and migration regimes, given that these are subject to Commission oversight and similar international pressures.

Fortifying European industry: FDI screening, IPCEIs and pan-European 'industrial alliances'

The integration of European industry into the world economy has long been shaped by the conflict between the Atlantic and Fortress Europe visions. The Atlantic framework facilitated technology transfer from the US and supported a rapid reconstruction of Western Europe's post-war industrial base (Eichengreen, 2005). By the 1960s and 1970s, Western Europe's position at the industrial core of the world economy came under immense pressure. In 1948 US investment in Western European and Japanese firms had been $2 billion; by 1973 this had increased to $41 billion, generating concerns that the ownership of European industry was moving across the Atlantic (Buzan & Lawson, 2015, p. 222; Panitch & Gindin, 2013, p. 114). At the same time, the East Asian developmental states - South Korea, Taiwan, Singapore and Japan - were penetrating Western markets and challenging European primacy in high technology sectors (Green, 1981). In response to these pressures, proponents of the 'Fortress Europe' vision advanced the case for protection (Servan-Schreiber, 1967). Pan-European industrial collaboration, the deepening of supranational integration and coordinated European industrial policy would all be essential if Europe was to maintain its position amidst fierce competition from rival regional economic blocs.

Amidst the turbulence of the 1970s, European states and supranational institutions mobilised in line with the Fortress Europe agenda. Coordinated production freezes, government subsidies for struggling firms and temporary increases in tariff barriers were all introduced to shore-up domestic industrial firms operating within the European home market (Buch-Hansen & Wigger, 2010, p. 30). However, these policies were only partial, fiercely contested, and short-lived. Key sections of European industry were deeply integrated into Atlantic circuits of capital, *via* sub-contracts with US lead firms, reliance on dollar liquidity and by their implementation of US managerial practices. Industrial conglomerates such as Royal Dutch Shell, Imperial Chemical Industries (ICI), Unilever, Pirelli, Renault and Daimler-Benz organised within European business fora and pushed back against the Fortress Europe tendency, shaping the subsequent pathway of European integration processes in an Atlantic-oriented direction (Van Apeldoorn, 2003, p. 136).

By the 1990s and 2000s, nascent attempts to re-fortify Europe's industrial base had been derailed (Ryner & Cafruny, 2003). EU competition policy, previously accommodative of state aid and interventionist industrial policy, pivoted towards a market-based competition regime (Buch-Hansen & Wigger, 2010). The Single Market eroded national states' capacity to implement protectionist measures against non-EU imports. The result was European industry's integration into a wider Atlantic framework and the removal of discretionary instruments of traditional industrial policy (Wigger, 2019).

The decentring of global capitalism and the downstream effects of the 2008 crash unleashed new international pressures on the EU's industrial base. In response, European policymakers are developing new instruments designed to insulate strategic European sectors from new patterns of international competition. The rise of China and the challenge it poses to European industrial primacy is critical here. In 2014, Beijing launched its 'Made in China 2025' programme, an initiative which draws together 1,800 industrial investment funds collectively worth €390 billion (ECA, 2020, p. 16; Malkin, 2022). The ambition of MIC2025 is to reduce Chinese dependence on foreign multinationals and to propel Chinese firms into higher value-added segments of the world market. The programme seeks to secure Chinese leadership in ten strategic sectors, including advanced information technology, electric vehicles, aerospace, automation, and biopharmaceuticals. Through a mixture of joint ventures, acquisitions of high technology foreign firms and increased state expenditure, Beijing aims to secure high value-added technology transfer from Western multinationals to its domestic industrial base. This state-led drive to accelerate China's technological and industrial development—alongside its attempts to extend its geo-strategic reach *via* the Belt and Road Initiative—embodies a potential challenge to European primacy across numerous strategic sectors (De Graaff, 2020).

The European response has been to develop new instruments and institutional capacities designed to fortify the EU's industrial base against hostile acquisitions by foreign powers. Given its primacy as an export-oriented European powerhouse, Germany has been at the forefront of these efforts (Germann, 2022; Schneider, 2023). Between 2014 and 2017, 64% of Chinese mergers and acquisitions in Germany were concentrated in the strategic sectors outlined in the MIC2025 programme. Chinese investment poured into German firms concentrated in the industrial heartlands of Baden-Wurtemberg, North Rhine-Westphalia and Bavaria. The 2016 $4.5 billion acquisition of Kuka, a German-based robotics firm by the Chinese firm Midea, came to symbolise the increased presence of Chinese investments in Germany in this period. Concern within Europe about these developments intensified in 2016, when China invested $70 billion in hi-tech European firms in the first six months of the year, more than the previous three years combined.

These developments provoked a defensive reaction from the German state and industrial capital, who feared that Chinese merger and acquisition activities were covert attempts to facilitate technology transfer to Beijing (Germann, 2022). In 2018, the German cabinet vetoed the acquisition of Leifeld Metal Spinning by Tantai Tai Group, while the German government also prevented attempts by a major Chinese electricity firm to acquire an ownership stake in one of Germany's largest transmission operators (Bickenbach & Liu, 2018). The following year, the Federation of German Industries (BDI) broke with its traditional stance of trade openness with Beijing and described China's state-dominated economy as a 'systemic rival' to German and European industry (BDI, 2019). The German Ministry of Economic Affairs and Energy (BMWi) published its National Industrial Strategy 2030, with the explicit aim of securing 'industrial and technological sovereignty' in a context of Chinese competition (BMWi, 2019). This advocated the development of Germany's FDI screening mechanism, the extension of state aid support for strategically significant sectors, and the formation of 'National and European Champions' secured through the reform of EU competition law (Schneider, 2023).

These attempts to protect German industry are paralleled by the proliferation of new industrial policy instruments at the EU level. The first of these is the FDI screening mechanism (FDI-SM), which became operational in October 2020. The FDI-SM responds to fears regarding hostile acquisitions of European industrial assets by foreign entities. Between 2010 and 2017, Chinese FDI, concentrated in sectors such as transport, utilities and infrastructure, ICT and advanced industrial machinery, rose by a factor of fifteen across Europe, raising concerns about national security and technological catch-up (Bickenbach & Liu, 2018). The FDI-SM aims to harmonise member state policies for screening such investments and to create a unified framework through which the Commission can scrutinise and proscribe investments that pose a threat to 'security or public order'. The Commission's definition of such investments is deliberately broad, with FDIs that involve foreign ownership of 'critical infrastructure, critical technologies, key enabling technologies and supply of critical inputs' are covered by the legislation (ibid). An earlier 2017 Communication from the Commission, outlining the FDI-SM proposal, clarifies the underlying intent of the approach. The Communication states that the FDI-SM is a response to 'increasing concerns about strategic acquisitions of European companies with key technologies by foreign investors, especially state-owned enterprises' which might threaten Europe's 'technological edge' (European Commission, 2017). In this way, the EU has developed a supranational infrastructure with the capacity to constrain investments that it perceives to threaten key strategic sectors, signalling a reconfiguration of the EU's traditionally open FDI regime.

Efforts to limit foreign acquisitions of strategic industries take place alongside wider attempts to expand pan-European industrial capacity across key sectors and to enhance European industrial competitiveness on the world market. The IPCEI framework, launched in 2014, forms a central strand of this approach (Lopes-Valença, 2022). IPCEIs are a mechanism through which member states pool together and provide state aid to cross-European projects with a high R&D component, geared towards industrial deployment and commercialization of new technologies. The IPCEI's origins can be traced back to the immediate post-2008 context, when the 2009 Competitiveness Council signalled its concern regarding growing 'production leakages' to non-EU regions (Council of the EU, 2009). In the same year, in light of its ambition to pursue 'a pro-active policy for enabling high-tech industries', the Commission signalled its intent to bolster European competitiveness in relation to a series of 'Key Enabling Technologies' (KETs), including advanced materials, biotechnology, micro-electronics, and nanotechnology (European Commission, 2009). The Commission mandated the formation of a high-level expert group (HLEG), whose 2011 report highlighted the ways in which the EU was facing intense levels of competition from the US and East Asia across these strategic sectors. Crucially, the report noted that US and East Asian firms benefited from extensive state subsidies in their KET sectors, in the form of government grants and low interest loans, on a scale that was unmatched in Europe (European Commission, 2011, p. 18). In response, the HLEG recommended a tripartite approach where member states, the EU and industry would collaborate in KET financing, anticipating the subsequent creation of the IPCEI facility and its integration into the EU's state aid regime (ibid, p. 19).

Between 2017 and 2022, five IPCEIs took shape, in microelectronics, two in batteries, and two in hydrogen, to a value exceeding 54.9 billion euros. State aid accounted for 34% of this sum (Lopes-Valença, 2022). The French Presidency of the Council of Europe announced its intention to further develop the IPCEI infrastructure across four additional areas in 2022, including health, cloud computing and semiconductors. This developing IPCEI framework has worked in conjunction with wider attempts to institutionalise pan-European industrial collaboration. In 2017, DG Grow launched a series of 'industrial alliances', formed of industry representatives, research institutes and member state representatives, which collectively play a key role in coordinating the IPCEI programmes and other industrial policy instruments. These include the European Battery Alliance in 2017, the Circular Plastics Alliance (2018), the European Raw Materials Alliance (2020), the Clean Hydrogen Alliance (2020), and the Alliance on Processors and Semiconductor Technologies (2021) (DG Grow, 2022). In conjunction, the FDI-SM, IPCEI framework, and the EU industrial alliances reflect an emerging industrial policy complex at the EU level (Lopes-Valença, 2022). Rather than supranational institutions enforcing neoliberal competition and limiting discretionary intervention in industry, these reforms create the foundations for a pan-European industrial policy, simultaneously aiming to limit hostile takeovers while building up the EU's internal industrial capacity. As technological clusters vie for primacy in a world of decentred global capitalism, EU policymakers are embracing a selective fortification of European industry, insulating key sectors from new patterns of international competition while supporting pan-European industrial clusters capable of competing in key segments of the world market.

Fortifying European trade: foreign subsidies and the anti-coercion instrument

The 'Atlantic' versus 'Fortress' Europe binary also shaped ideological and strategic debates regarding EU trade policy historically. While the creation of a common European market was essential to US efforts to expand global trade and investment throughout the post-war era, it also generated the prospect of trade diversion and the formation of a relatively insulated regional economic bloc on the European continent (Panitch & Gindin, 2013). Washington's response was to support the integration of Europe's internal trade regime but under the auspices of a strengthened 'Atlantic framework', codified through international organizations and regimes such as the OEEC/OECD and the GATT (Lundestad, 2005). Collectively, these institutions aimed to limit trade protectionism from taking root within Europe. The Dillon and Kennedy rounds of GATT negotiations - backed by the 1962 Trade Expansion Act - were the high tide of post-war trade liberalization, resulting in a 35% global reduction in tariff barriers across 60,000 sectors by 1967 (Gilpin, 1987, p. 192). Multi-lateral trade liberalization was, from the outset, complementary to rather in tension with efforts to construct an 'Atlantic' framework with Europe at its heart.

Despite the successful rounds of trade liberalization in the 1960s, by the late 1970s a range of non-tariff barriers had begun to take root in Western Europe. The East Asian developmental states were increasingly penetrating the US and European home markets in high technology sectors, including automotives, steel and consumer electronics (Green, 1981, p. 6). In response, European states erected a range of non-tariff barriers such as voluntary bi-lateral export restraints and 'anti-dumping' legislation. Fears of a 'new protectionism' had reached a crescendo by the early 1980s (Kahler, 1985). The subsequent decades saw a concerted effort within international organizations to dismantle trade protectionism, codified in the Uruguay round and the subsequent creation of the WTO. By the 1990s and 2000s, Europe's integration into an Atlantic post-Cold War trading order had reached new heights. Commission officials saw themselves not simply as consensual partners in this framework but as leading advocates of a global 'free trade paradigm' (De Ville & Brügge, 2018, p. 243).

The liberal international trading order faces numerous internal and external pressures in the present context. The WTO has experienced gridlock over the past decade, with its dispute settlement mechanism rendered ineffective during the Trump presidency (Coplevitch et al., 2020; Hopewell, 2022). Trump's White House imposed 25% and 10% tariffs on steel and aluminium (Schneider-Petsinger, 2019). The rise of China has generated concerns around unfair trading practices and an unlevel playing field. At the same time, the EU's trade policy has been politicised internally, exemplified by the derailment of the Transatlantic Trade and Investment Partnership (TTIP) and Comprehensive Economic and Trade Agreement (CETA) (De Ville & Brügge, 2018).

The dysfunctions of the international liberal trading system create a dilemma for traditionally liberalising forces within the EU institutions. The Directorate-General for Trade, for example, has been at pains to emphasise that it remains committed to multilateralism and free trade, and led a pushback against the supposed protectionist tendencies of the strategic autonomy agenda. Phil Hogan, Director of DG Trade, pushed for a reformulation of the strategic autonomy concept, emphasising the EU's enduring commitment to the 'open' principles of multilateralism (Hogan, 2020). At the same time, the dysfunctions of the liberal international trade architecture, external threats to intellectual property rights, and internal pressures from other Commission DGs, are driving the development of new trade instruments designed to protect the Single Market from unfair trading practices and hostile interventions by foreign governments (Schmitz & Seidl, 2023). In this regard, the EU's traditional approach to leverage gains *via* multi-lateral and bi-lateral negotiations encounters new barriers, in the form of a gridlocked multi-lateral trade regime and new pressures on the usual international institutional drivers of liberalization.

The Commission's 2021 *Trade Policy Review* begins from the recognition that changes in the world economy problematize the EU's traditional approach (European Commission, 2021a). As the report notes, 'the EU will need to operate in a new multipolar global order marked by growing tensions between major players…the EU needs to equip itself with tools to operate in a more hostile international environment' (ibid, p. 8). The COVID-19 pandemic added renewed impetus to the Commission's reformulation of its trade policy. Limits on critical medical supplies and supply chain shortages led to a proliferation of concepts such as 'resilience, autonomy, and reshoring' in EU trade policy discourse (Jacobs et al., 2023). A growing 'geo-politicization' of EU trade and investment policy has taken shape in this context, as policymakers aim to develop robust tools for a fragmented international trade regime where economic statecraft and geo-economic competition intensify (Meunier & Nicolaidis, 2019). In this environment, EU trade officials have sought to balance the need to adapt to a fractured and multi-polar trading order with their ongoing commitment to multilateralism.

A selective fortification of EU trade policy is taking shape in this context, as European policymakers seek to develop instruments equipped for new patterns of international competition. Two Commission legislative initiatives - the Foreign Subsidies Regulation and the Anti-Coercion Instrument - exemplify this shift. The Foreign Subsidies Regulation (FSR), proposed by the Commission in May 2021, responds to a gap in the EU's state aid regime and seeks to bolster the Commission's capacity to limit trade distortions within the Single Market. While subsidies from member states to home market firms are covered by EU competition law, the regime covering subsidies from non-EU governments is limited, creating the prospect of non-EU government support for firms operating in the Single Market, whether in the form of direct cash injections, fiscal incentives or preferential tax treatment (European Commission, 2020). As the Commission notes in its 2020 White Paper, this can result in 'state sponsored unfair trading practices…with a view to building up dominance across various sectors of economic activity' (ibid).

The FSR is an attempt to insulate European industry from state-subsided Chinese firms gaining a foothold in key strategic sectors, including critical raw materials, energy, semiconductors, and infrastructure. In the 2020 FSR consultation, the metal lobby group Eurometaux welcomed the new initiative, explicitly stating that 'China's state-subsidization of its metals industry has led to unfair global competition in our sector, with major overcapacities leading to artificially depressed global prices and rising imports' (Eurometaux, 2020). By developing tools to monitor and sanction firms operating with non-EU government subsidies, the Commission hopes to simultaneously internationalise its state aid regime, limit unfair competitive practices in the Single Market, and secure leverage vis-à-vis China for reciprocal market access.

The FSR occurs alongside the development of an Anti-Coercion Instrument (ACI), proposed by the Commission in December 2021. The ACI seeks to limit the ability of foreign governments to interfere in the sovereignty of EU member states *via* the use of economic sanctions. The ACI emerged in the context of China delisting Lithuania as a country of origin, in retaliation to the opening of a Taiwanese High Representative Office in Vilnius in November 2021. Beijing imposed an import ban on the Baltic state in response, resulting in a 91% drop in Lithuanian exports to China (Bounds, 2021). The ACI seeks to equip the Commission with the tools to respond to equivalent moments of trade and investment restrictions in the future. As Commissioner for Trade, Valdis Dombrovskis, noted, 'at a time of rising geo-political tensions, trade is increasingly being weaponised, [with] the EU and its Member States becoming targets of economic intimidation' (European Commission, 2021a). The ACI proposal draws together a series of countermeasures and concentrates these in DG Trade, including the suspension of tariff concessions, import and export restrictions and limiting access to EU capital markets (European Commission, 2021b). The ambition is to bolster the Commission's capacity to deter trade and investment sanctions by foreign states, adding to the arsenal of new instruments primed for a context of geo-economic competition.

International political economy and the return of Fortress Europe

Ongoing transformations in the global economy are driving the selective refortification of European industrial strategy and EU trade policy. At the same time, the EU's attempts to cultivate pan-European industrial clusters, to insulate key strategic sectors from new patterns of international competition, and to constrain rival economic blocs through trade instruments feedback into a world economy increasingly gripped by multi-polarity and geo-economic competition. These interactions generate a series of questions for IPE. The following sections trace how the above analysis contributes to three themes within the wider discipline: The future of the liberal international order, the emergence of new patterns of competitive regionalization, and the restructuring of the relation between the state and global capitalism in the present conjuncture.

Since its origins in the 1970s, one of the core problematiques of IPE has been the question of liberal international order and its relationship with US hegemony (Cox, 1987; Gilpin, 1987; Strange, 1987). This theme continues to animate debates in the discipline. Some scholars emphasise the enduring power of the US state and capital, in relation to the monetary (Thompson, 2022), financial (Gabor, 2021) and technological spheres (Weiss & Thurbon, 2018). Others point to the limits of US power, particularly in relation to the rise of China and the fraying of liberal international order (Buzan & Lawson, 2015; McNally, 2020). While these analyses have generated rich insights into contemporary global capitalism, there is also a risk that they inadvertently produce a binary US-China perspective which overlooks other critical factors (see McNally, 2020). This article has focussed on one such axis: The historical formation of a wider Atlantic framework characterised by the contradictory integration of European and US capitalism.

The selective refortification of European capitalism unleashes a number of contradictory dynamics with respect to this Atlantic framework. On the one hand, the EU's shift towards tightening its economic policy vis-à-vis China aligns with Washington's 'pivot to Asia' and its attempts to constrain the technological and geo-political power of Beijing (Watkins, 2019). On the other hand, new fissures between the US and EU are emerging in a context of decentred globalism. Attempts to bolster pan-European industrial capacity drives Europe towards intensified competition not only with Beijing but also with US firms seeking to consolidate their leadership in the same strategic sectors. The re-orientation of German exports and investment towards China—a process which has intensified since 2011—has also provoked censure from Washington, alongside EU-China investment deals, the roll-out of 5G infrastructure and the governance of global current account surpluses (Germann, 2022). By drawing out the tensions and contradictions within this transatlantic axis, IPE could transcend binary readings of the US-China rivalry and grapple with new patterns of regional competition in an increasingly multi-polar order.

A second contribution concerns the ways in which IPE conceptualises Europe's place in the world economy. Contemporary approaches at the intersection of IPE and comparative political economy have delivered important insights into the internal dynamics of European capitalism, in relation to the EU's labour market regimes (Johnston, 2016), intra-European capital flows (Fuller, 2018) and the infrastructural power of institutions such as the European Central Bank (ECB) (Braun, 2020). However, European political economy tends to foreground interactions *between* various European growth models under a common economic governance framework. A tendency to treat discrete European policy areas in relative isolation from each other parallels this internal focus. An alternative conceptualization, rooted in an earlier tradition of IPE, can be drawn upon here. This alternative approach foregrounds Europe as a regional bloc that both shapes and is shaped by wider patterns of international order. This problematique can be found in an earlier theoretical canon within IPE, advanced by realist (Gilpin, 1987), proto-constructivist (Katzenstein, 2005), Marxist (Mandel, 1970), and neo-Gramscian (Cox, 1987) approaches. Despite their theoretical differences, these approaches share a common expectation: That growing international economic interdependence generates an increasingly regionalised world order.

The selective fortification of European capitalism embodies a further wave of European regionalization under a new set of international conditions (Sbragia, 2008). The development of the EU's new industrial strategy and the recalibration of its trade policy centralise coordination and oversight at the Commission level, attempting to bolster the EU's ability to counteract new patterns of inter-regional competition. The Anti-Coercion Instrument, for instance, seeks to generate a unified European response to external economic pressures, limiting the capacity of rival blocs to isolate and target vulnerable member states. The IPCEI framework and related industrial policy instruments attempt to up-scale industrial capacity to a regional level, propelling pan-European industrial clusters into competition with other regional blocs on the world market. Interrogating these new patterns of competitive regionalization is a key task for IPE (Buzan & Lawson, 2015). To capture Europe's place in this emerging constellation, two analytical moves would be helpful. First, comparative approaches within European political economy would benefit from drawing out how the intra-European dynamics that they identify *interact* with shifts in the world economy. Second, it would be instructive to abstract from diverse European policy spheres and to identify how these interact and combine to generate relatively unified regional structures. Together, these moves would help to recover the older IPE focus on Europe as a relatively coherent *regional bloc* which forms through developmental interactions with the wider world economy and international order.

The selective fortification of European capitalism aligns with a burgeoning IPE literature, which submits that the rise of a 'new state capitalism' has taken shape in the period following the 2008 global financial crisis (Alami & Dixon, 2020; Nölke et al., 2015; Van Apeldoorn & De Graaff, 2012). The 'state capitalism' concept aims to capture the myriad economic governance arrangements that characterise the contemporary world economy, exemplified by the continued rise of state-led development in emerging economies, the emergence of new state-capital hybrids such as sovereign wealth funds, and the return of industrial strategy across Western states and societies (Alami & Dixon, 2020). The case of the EU is, however, curiously absent from much of this research to date. The analysis of European industrial strategy and trade policy advanced in this article suggests that the EU is simultaneously constraining and expanding state capitalist dynamics within the world economy. The Foreign Subsidies Regulation, for example, embodies a clear attempt to limit competitive pressures emanating from state-subsidised Chinese firms, bolstering liberal principles of competition while restricting the power of a 'state capitalist' rival. At the same time, reforms to EU state aid law and the formation of tripartite European industrial alliances propel new European state-capital hybrids onto the world market. We are faced with a complex global configuration where contradictory logics vie for position.

The decentring of global capitalism intensifies these dynamics. Regional fragmentation occurs alongside a growing competitive entanglement between rival economic blocs. EU institutions and member states are mobilising to carve out a niche across key strategic sectors, particularly in microelectronics, batteries and hydrogen technologies. However, this process does not occur in a vacuum. Other world regions are mobilising to defend their position in the same high value-added segments of the world market. Japan's 2021 Green Growth Plan, China's MIC2025 strategy, and President Biden's 'American Supply Chain' strategy all seek to secure primacy in these high value sectors (Lopes-Valença, 2022). A new world of regions is emerging, where state-backed economic expansion provokes defensive counter-reactions. Technological spill overs from foreign firms are channelled to domestic industrial bases. The re-shoring of productive activities, the monitoring of supply chain dependencies, and the weaponization of trade and investment policy all proliferate in this context. The selective refortification of European industrial strategy and trade policy reflects these wider global tendencies but under a specific set of European conditions. At the same time, the fortification of Europe as regional bloc feeds back into the world economy, contributing to a wider constellation of geo-economic conflict and inter-regional competition. Tackling these interactions will be a key task for IPE in the coming decades.

Conclusion

European capitalism has been decisively shaped by its long historical integration into a wider Atlantic framework. Washington's support was critical to the post-war reconstruction of Western Europe. The Bretton Woods system supported the domestic policy-making autonomy of European states while also complementing the broader US objective of deepening international economic integration (Panitch & Gindin, 2013). The breakdown of Bretton Woods in the 1970s ultimately reinforced dollar hegemony and the primacy of Anglo-American financial markets (Thompson, 2022). By the 'high tide' of the 1990s and 2000s globalization, Europe's Atlantic integration had reached new heights, exemplified by the 'Americanization' of European banking systems (Gabor, 2021), the liberalising and deregulatory thrust of Eastern enlargement (Bohle, 2006), and the EU's pivot towards a global 'free trade paradigm' in its external trade and investment policy (De Ville & Brügge, 2018, p. 243).

Contemporary European capitalism remains deeply entangled within this wider Atlantic framework. The US dollar endures as the key international reserve currency, with the Federal Reserve playing a critical role as an issuer of global liquidity (McNamara, 2008). European capital markets remain subordinate in a wider Anglo-American nexus (Ban & Gabor, 2016). The war in Ukraine re-affirms the geo-political significance of NATO. European policymakers, powerful organised business groups and wider sections of civil society continue to espouse their support for a multilateral, liberal international order. These enduring Atlantic entanglements mean that a return of a fully-fledged 'Fortress Europe' vision, characterised by high tariff walls, industrial autarky and a protected European home market, is unlikely.

Nevertheless, ongoing shifts in the world economy undermine the 'Atlantic Europe' model while simultaneously creating the space for a partial return of the 'Fortress Europe' alternative. The decentring of global capitalism—exemplified by the rise of non-Western contender states and internal tensions within liberal international order—is driving the selective fortification of key strategic sectors in Europe. While these global shifts do not 'determine' policy change, they do alter the context within which EU policymakers operate, facilitating a 'selective refortification' of European industry and finance within the EU context. The new instruments and institutional capacities analysed in this article—the FDI-SM, IPCEIs, European industrial alliances, the FSR and the ACI—all seek to insulate European firms from new forms of international competition while propelling pan-European industrial blocs into inter-regional struggle on the world market. Each embodies a partial break with the old orthodoxies of Atlantic Europe and a partial return of the Fortress Europe alternative, albeit in a new form and under novel international conditions.

IPE as a field has developed through moments of global transition (Le Baron et al., 2021). The discipline emerged in the 1970s, as the world economy experienced a long wave of turbulence. A new wave of IPE in the 1990s and 2000s grappled with the 'globalization' era (Rosenberg, 2005). In the present conjuncture, IPE is faced again with a new phase of global transformation, characterised by new patterns of competitive regionalization, novel challenges to the liberal international order and a restructuring of the relation between the state and global capitalism. While these wider shifts in the world economy drive changes within the EU, the selective refortification of European capitalism in turn feeds back into this wider constellation. Theorising and exploring empirically the developmental interactions between Europe as an evolving regional bloc and the wider world economy remains a critical task for IPE. This article hopes to contribute to that conversation.

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