A Three-Bloc Structure of the World Economy: Evidence of Geoeconomic Fragmentation in International Trade, Financial and Military Data

Authors:
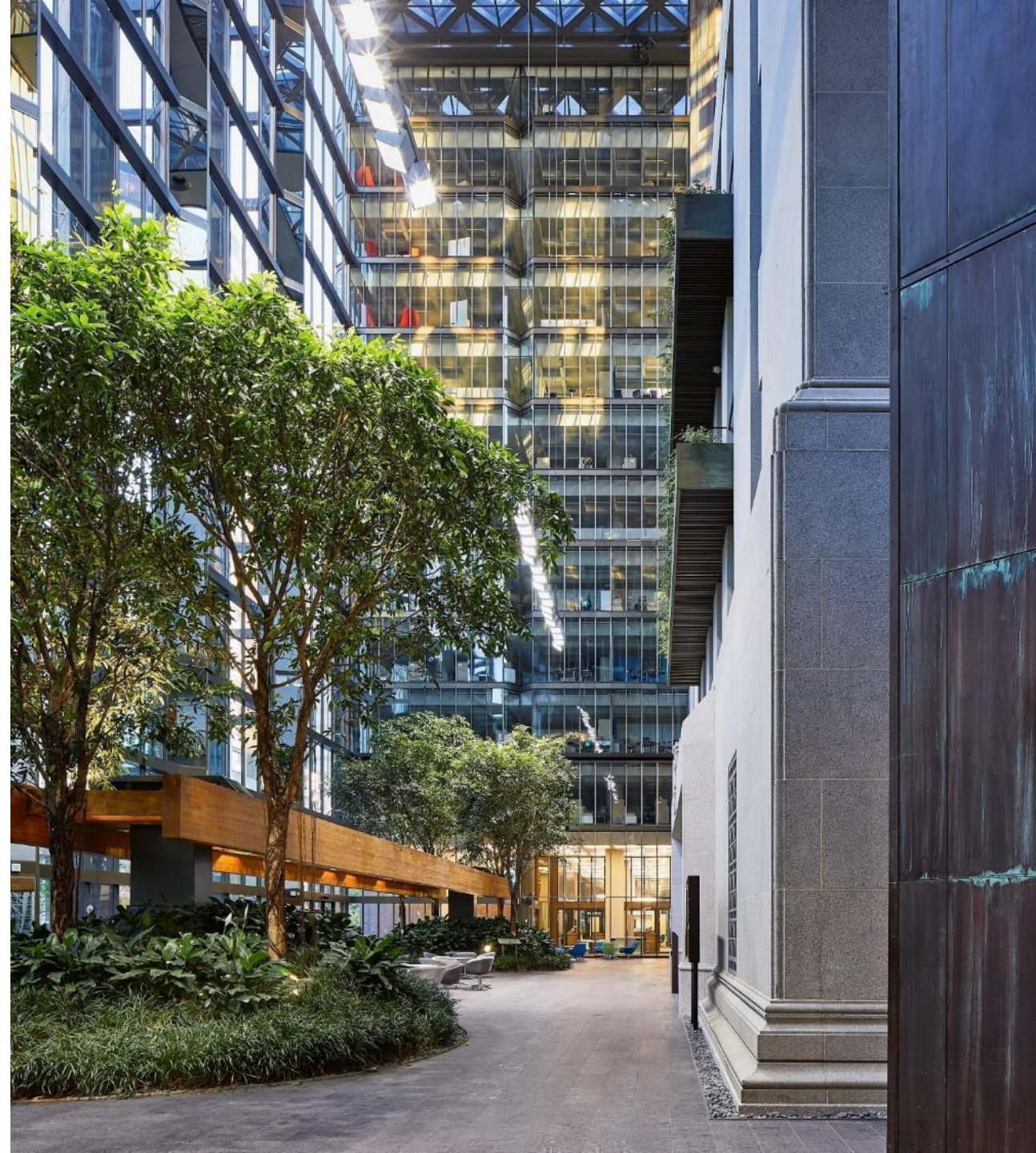**Eszter Boros and Tamás Ginter**
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Summary of the Paper

Research questions:

1. Is there an identifiable structure of blocs in the global economy?

2. If such a structure exists at all, is it one consisting of two, three, or more blocs?

3. If such a structure exists at all, does it align with the supposed East-West divide described in the literature?

4. If such a structure is available at all, which countries of the world economy can be categorized in the respective blocs?

Key findings:

› The results reveal a three-bloc structure of the world economy, centerer around the US, the EU, and China + Russia.

Main Contributions

- The paper provides a useful organization of the existing literature on geoeconomic fragmentation.
  - Definitional framework
  - Channels and effects
  - Blocs

- The paper identifies a gap in the literature regarding the method for constructing geoeconomic blocs.

- The paper expands fragmentation literature by providing an alternative construction of geoeconomic blocs based on data.

Method

- Hierarchical clustering using the Ward's criteria
- 4 "points of reference": the US, China, the EU, and Russia
- 89 countries
- 10 variables
- 5 broad topics relevant for fragmentation:
  - (1) Trade
  - (2) Foreign direct investments
  - (3) International financial support (development finance)
  - (4) Military links (arms sales)
  - (5) Public opinion (about great powers)

Three Clusters

Clusters

- Cluster 1 ["USA"]
- Cluster 2 ["EU"]
- Cluster 3 ["CN + RU"]
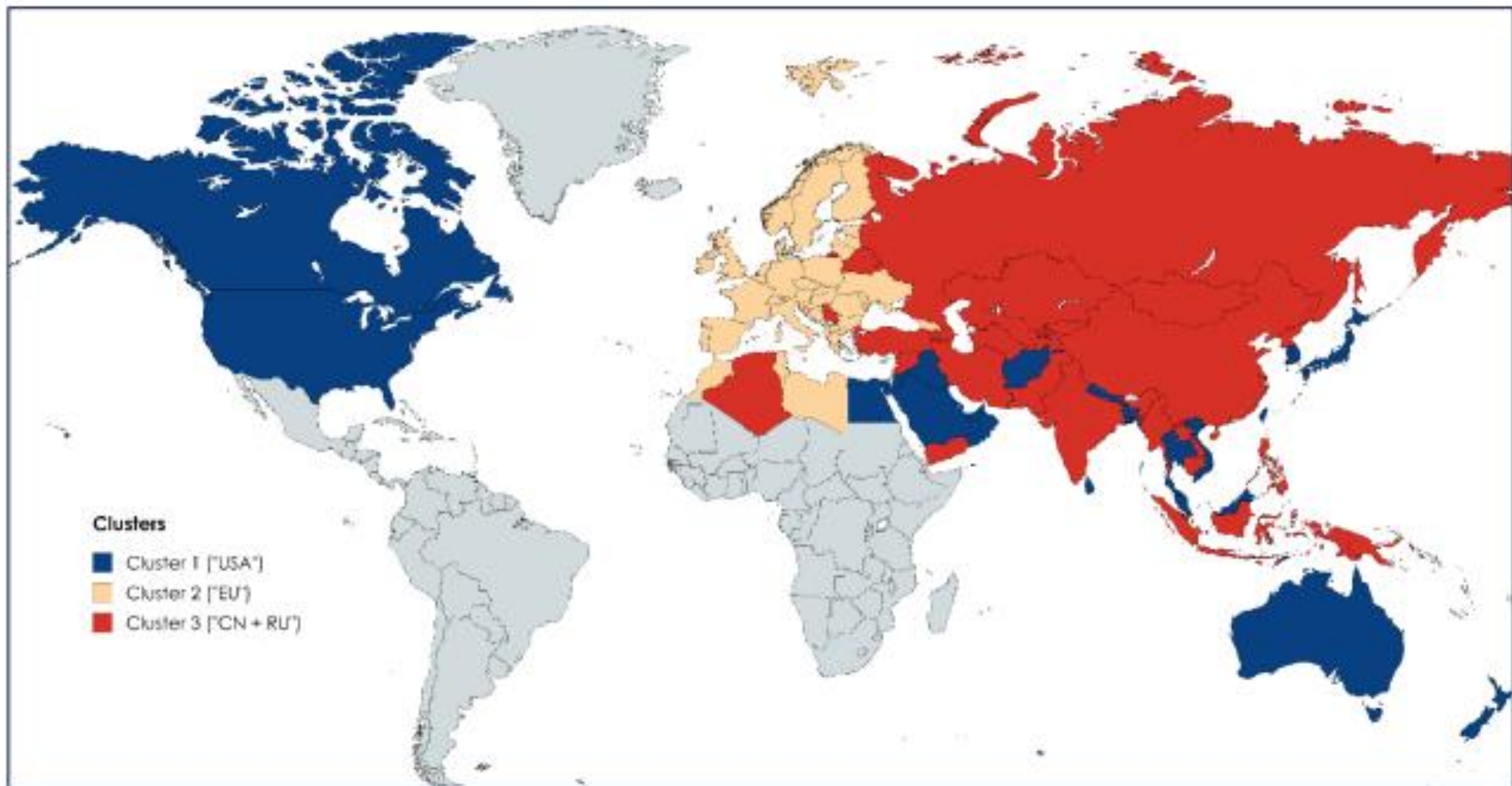
Discussion

- The paper is well structured and well written.

- Timely and relevant topic with a clearly identified gap in the literature.

- Chinese President X Jinping advocates for a multipolar world & sees a three-node structure based on the US, EU, and China.

Q1: What is the reasoning for choosing Russia as one of the initial points of reference?
  - ➢ The other three (US, CHN, EU) are much larger economies. Russia's GDP is only ~3% of world GDP; e.g. India's economy is larger (4%).

Q2: Why were Latin American and African countries dropped out of the sample?
  - ➢ The Global South plays a key role in determining the balance of global power in the future. Including them would be valuable.

Q3: Could you explain the thought-process for choosing the 10 variables?
  - ➢ Even if purely judgement-based choices, the reader would benefit from the discussion of the process.

Discussion

- The variance-based method is sensitive to outliers.
  - Description of the data/variables would be useful.
- Geographic proximity bias?
  - Geographically close countries tend to trade and invest more between each other. Discuss the impact.
- Description of the blocs
  - E.g. % share of world nominal GDP/ PPP GDP; trade patterns; military patterns.
  - How different are the US/EU blocs; why does it make sense to split the EU from the typical "West"-bloc?
- Compare your blocs to other commonly used methods, e.g. groupings based on UNGA voting.
  - How different are they?
  - Is your grouping superior? Why?
  - Can you replicate another study to show that your blocs are better in explaining fragmentation?
- Robustness checks:
  - Are the results sensitive to changes in variables? E.g. if you change the arms purchases variable for something else (as countries can produce arms domestically)
  - Do the country groupings remain stable if you use other linkage methods or clustering algorithms?

Thank you!

Clusters