Received: 3 November 2025 | Revised: 17 April 2026 | Accepted: 26 May 2026

DOI: 10.1002/gsj.70022

PERSPECTIVE

SMS | Global Strategy Journal WILEY

Geopolitics and global strategy: Making money under anarchy

Daniel J. Blake[1] | **Srividya Jandhyala**[2] | **Quan Li**[3,4]

[1]Department of Strategy, IE Business School, IE University, Madrid, Spain

[2]Management Department, ESSEC Business School, Singapore, Singapore

[3]Department of Political Science, The Bush School of Government & Public Service, Texas A&M University, College Station, Texas, USA

[4]Niehaus Center for Globalization and Governance, Princeton University, Princeton, New Jersey, USA

Correspondence
Srividya Jandhyala, ESSEC Business School.
Email: srividya.jandhyala@essec.edu

Funding information
Spanish State Research Agency (AEI), Grant/Award Number: PID2022-138747NB-I00

Abstract

Research Summary: Multinational firms conduct cross-border trade and investment in a world of anarchy, where nation-states must secure their survival in the absence of a world government. We develop a *geo-political-economic order* (GEO) framework to argue that the extent of geopolitical competition incentivizes states to create one of two types of economic order: a market-based order built on *laissez-faire* and mutually beneficial voluntary exchanges, and a state-based order focused on state power and government intervention in the economy. Different orders shape the institutional environment for firms' cross-border activities in unique ways, leading to distinct sources of competitive advantage and market and non-market strategies. When the status quo level of geopolitical competition is disrupted, the prevailing and future state–market order becomes uncertain, forcing firms to prioritize strategic flexibility.

Managerial Summary: Countries exist within an international system with no world government to safeguard their interests. To ensure their nations security, governments prioritize geopolitics. When governments perceive a greater threat to their countries and heightened geopolitical competition, they are more willing to intervene in the affairs of multinational enterprises (MNEs), thereby increasing transaction costs. However, when geopolitical competition is more muted, governments may constrain themselves to promote cross-border investments by lowering barriers to entry, limiting discrimination against foreign firms, securing MNEs' property rights, and aligning regulations. Thus, geopolitics can foster two distinct types of economic "order." In a transitory state, however, firms cannot determine the prevailing state–market relationship. Knowing which order a firm operates in is crucial for managers because different orders reward different strategies and sources of competitive advantage.

KEYWORDS

anarchy, geopolitical risk, geopolitics, global strategy, multinational firms, state–market order

1 | INTRODUCTION

Whether it is militarized conflict or growing anxiety about the security implications of trade and technology, geopolitics has become more salient to multinational enterprises (MNEs) than at any other time since the end of the Cold War and the collapse of the Soviet Union in 1991. It is therefore not surprising that there has been a resurgence in interest in geopolitics among international business (IB) scholars (Adarkwah et al., 2024; Jandhyala, 2025; Kim et al., 2025). However, researchers have adopted very different approaches to geopolitics, resulting in a patchwork of interpretations of geopolitics itself and of the mechanisms by which it impacts MNEs. While we are in favor of diversity in scholarship, we also believe that a coherent research program is more likely to emerge when there is a shared conceptual understanding of the core phenomenon of interest. Therefore, this article is neither a review essay nor a claim to deliver the "right" way to think about geopolitics. Rather, it seeks to go to the first-principles forces in international relations—anarchy and the security dilemma—to provide a common foundation for thinking about geopolitics and how it structures the macro environment for multinational firms.

Anarchy is what distinguishes international politics from domestic politics, and it is what underpins the security dilemma among sovereign nation-states. Anarchy does not mean chaos or disorder, but rather the absence of a world government, which leaves states responsible for their own security and welfare (Milner, 1991; Waltz, 1979) and for organizing collective actions for mutual gains (Jervis, 1978; Keohane, 1984). Under anarchy, one state's attempt to enhance its own security through armament can inadvertently make another state feel less secure, potentially leading to an arms race and military conflict, thus creating a security dilemma (Jervis, 1978). While anarchy is a constant, the severity of the security dilemma varies among countries and over time. This results in varying intensities of geopolitical competition, that is, contestation over the control of space, territory, and resources (Kjellén, 1916; Mackinder, 2004; Mearsheimer, 2003). When the severity of the security dilemma is mild, geopolitical competition is low; when it is severe, geopolitical competition is heightened.

Geopolitical competition shapes the state–market relationship that structures the operating environment for MNEs. When governments perceive elevated threats to their national survival and heightened competition over territory, resources, and technology, a state-based economic order focused on state power and state intervention in the economy is more likely to emerge and take hold. By contrast, when geopolitical competition is muted and national security concerns decline, this creates space for a stable market-based economic order grounded in the principles of *laissez-faire* and mutually beneficial voluntary exchange. However, the status quo level of geopolitical competition can be disrupted by shifts in the distribution of power, domestic politics, and shared values and identities. As a result, the prevailing and future state–market order is subject to change, forcing firms to confront a highly uncertain environment.

The type of economic order the geopolitical environment engenders serves as the institutional infrastructure for MNEs' cross-border activities. We focus on four key issues that fundamentally shape MNEs' participation in international markets: ease of market entry, security of property rights, equal treatment of MNEs relative to domestic or other foreign firms, and alignment of regulations across countries (Jandhyala, 2025). The conditions a firm encounters in these four areas vary considerably depending on whether it operates under a market-based or a state-based order.

Our *geopolitical-economic order* (or *GEO*) framework indicates that firm strategies vary under the two types of state–market order. The two orders reward different sources of competitive advantage, incentivize firms to adopt different market and non-market strategies, and suggest different scopes for strategic success. While IB scholars have previously recognized that MNEs need to adapt to different domestic conditions (Salomon & Wu, 2012), we highlight which strategies are more effective under different international economic orders. Moreover, we argue that MNEs should prioritize strategic flexibility when geopolitical competition and the state–market order are in flux.

Overall, by establishing geopolitics as one driver of different types of economic orders, we encourage scholars to focus their investigations on further unpacking the causes of strategic success within and across these different orders, as well as examining how firms adapt during transitions from one order to another.

2 | VIEWING GEOPOLITICS THROUGH DIFFERENT LENSES

There is growing interest among international business (IB) scholars in geopolitics and its impact on MNE strategy and operations. Most authors agree that how states interact with one another is relevant for the global strategies of multinational firms. Yet, at a broad level, research in global strategy largely tends to conceptualize geopolitical challenges as categorically similar to other non-market challenges, such as legitimacy deficits or policy uncertainty. Such perspectives help relate geopolitics to existing literatures, but they mask what is uniquely problematic about geopolitics and, therefore, the need for geopolitics and MNE strategy to be studied in their own right.

The field remains relatively fragmented even among scholars who focus specifically on geopolitical issues. Most notably, there is a lack of alignment in two related areas: (i) the conceptualization of geopolitics and what aspects of state-to-state interactions matter to MNEs, and (ii) the mechanisms by which geopolitics shapes firm strategy.

On the first issue, prior studies have examined geopolitics at different levels of analysis. Some scholars, influenced by traditional theories in international relations, have highlighted the importance of geopolitics as a system-level phenomenon. These researchers have identified recent trends, such as deglobalization and shifting power dynamics between the United States and China, as defining features of the global geopolitical landscape (Li et al., 2022; Witt, 2019; Witt et al., 2023). Other scholars have addressed geopolitics through the lens of dyadic political relationships. Among these scholars, some focus on the degree of conflict and cooperation between a firm's home and host countries to identify when and where foreign firms may face a more favorable or a more challenging investment environment (Bertrand et al., 2016; Li et al., 2018; Li & Vashchilko, 2010). Others focus on the history of bilateral ties, and specifically on how past conflict and animosity make it more difficult for firms to coordinate and work together in certain home-host country combinations (Arikan et al., 2020; Li et al., 2020). Moving from the dyadic to the monadic level, some researchers have focused on nationalism as a central feature of geopolitics. These studies highlight that political violence and nationalism, including terrorism, war, techno-nationalism, and nationalist policies, make it more difficult for foreign firms to invest in host countries (Godsell et al., 2023; Li, 2006; Luo & Van Assche, 2023) and that organizations may have to strategically co-opt, avoid, or comply with nationalist movements (Yue et al., 2024). Thus, when scholars study geopolitics, they are often studying disparate phenomena.

Similarly, prior research has also relied on different assumptions about the mechanisms through which geopolitics shapes the global strategies of MNEs. For example, some argue that geopolitical instability means firms cannot form precise expectations about stakeholder behavior; thus, they are less likely to invest when political affinity between home and host countries is unstable (Adarkwah et al., 2024). In contrast, others argue that the main challenge for firms resulting from worsening bilateral ties is reduced legitimacy in a host country, leading firms to adopt legitimacy-enhancing strategies such as corporate social responsibility (Kim et al., 2025). At the system level, scholars reviewing historical debates in international relations suggest that expectations about how geopolitics shapes the environment for MNEs vary depending on the school of thought or paradigm one adheres to, such as liberalism or realism (Witt, 2019).

This brief overview of recent research is far from exhaustive. However, it illustrates that while research on geopolitics has advanced rapidly in the past decade, it has done so in a relatively fragmented way. It is difficult to develop a coherent research program on this critical topic without a shared understanding of geopolitics and its role in shaping the business environment for MNEs. Therefore, we seek to develop a general conceptual framework for understanding geopolitics and its impact on MNEs and MNE strategy.

3 | ANARCHY, GEOPOLITICAL COMPETITION, AND STATE–MARKET RELATIONS

Scholars of international relations (Fearon, 1995; Gilpin, 1984; Jervis, 1978; Keohane & Nye, 1977; Lake, 1996; Mearsheimer, 2003; Milner, 1991; Powell, 1994; Waltz, 1979; Wendt, 1992) agree that anarchy—or the absence of a supranational authority that governs, monitors, and enforces how nation-states behave—is a fundamental feature of the international system of nation-states. The absence of a global central authority means that sovereign states have to prioritize their own survival, national security, and national interests (Waltz, 1979). This incentive generates a security dilemma among states, in which one state's attempt to enhance its own security through armament can inadvertently make another state feel less secure, potentially leading to an arms race and military conflict (Jervis, 1978). Seeing international relations through the lens of the Iterated Prisoner's Dilemma game, scholars (Axelrod, 1984; Axelrod & Hamilton, 1981; Axelrod & Keohane, 1985; Jervis, 1978) suggest that countries could settle into a conflict equilibrium (a stable self-reinforcing state of mutual defection), or they could construct a cooperative equilibrium (a stable state of reciprocal cooperation), under certain conditions. By equilibrium, we mean that among a group of countries, no one country has a unilateral incentive to deviate from that level of conflict or cooperation.

When these equilibria are stable, they affect the policy environment surrounding state–market relations within and between countries, thereby producing respective governing orders with corresponding structures, predictability, and stability. In a stable conflict equilibrium, states are more likely to increase military spending and adopt competitive policies, whereas in a stable cooperative equilibrium, states are more likely to invest in economic welfare and adopt cooperative policies (Glaser, 2010; Powell, 1993).

3.1 | The State—Market Relationship

The beginning of the nation-state system was characterized by a state–market order centered around the state, state power, and a mercantilist approach to international commerce (in a conflict equilibrium). As Heckscher (1994) pointed out in his classical book on mercantilism, this perspective became prevalent in international economic relations "between the Middle Ages and the age of *laissez-faire*," associated with "the rise and consolidation of states, limited in territory and influence though sovereign within their own borders, which grew up on the ruins of the universal Roman Empire." Heckscher (1994) noted that, "the state stood at the centre of mercantilist endeavours as they developed historically: the state was both the subject and the object of mercantilist economic policy." Mercantilism, he argued, is fundamentally "concerned with wealth simply as a basis for state power," referring "primarily to the state's external power, in relation to other states." It thus defines a *state-based economic order*, subordinating the market to state power and economic nationalism. Mercantilist thinking (Hamilton, 1913; List, 1856) holds that economic policy should be driven by national security rather than economic efficiency. Tariffs, subsidies, and public investment in infrastructure and manufacturing are essential for enhancing military and economic self-sufficiency, reducing reliance on foreign suppliers, and promoting industrial and military dominance. Dependence on Europe was seen as a threat to the United States, and British industrial dominance was perceived as a threat to Germany, as argued by Hamilton (1913) and List (1856). In the past decade, a similar neo-mercantilist argument has emerged (Blackwill & Harris, 2016; Miller, 2022; Sullivan, 2023), suggesting that the United States should deploy industrial policy, trade restrictions, and control over strategic technologies to counter China's rise, treating economic policy as a central instrument of national security and geopolitical competition.

An alternative state–market order traces back to the ideas of *laissez-faire* and comparative advantage (Ricardo, 1817; Smith, 1776). These principles in classical political economy pertain to an economic order characterized by the invisible hand, voluntary exchange, free-market competition, low barriers to entry, global welfare-improving free trade, and a limited role for the state. It is thus a *market-based economic order*, in which national governments agree to rules that limit their ability to intervene in markets. The market-based order is associated with various trade-and investment-promotion rules and institutions. For commerce and investment to flourish between countries, national governments develop rules of engagement to regulate the entry, treatment, and operations of foreign businesses. The GATT/WTO, for example, has spurred a boom in global trade because member countries agreed to follow two central rules: non-discrimination under the most-favored-nation (MFN) principle, and reciprocal adjustments to tariffs and non-tariff barriers (Bagwell & Staiger, 1999, 2004a, 2004b; Subramanian & Wei, 2007). Meanwhile, in the area of foreign direct investment (FDI), 2853 bilateral investment treaties (BITs) have been signed[1] that prescribe rules for how governments treat MNEs, addressing issues such as standards of treatment, protection against government expropriation, free transfer of funds, and the right for firms to initiate arbitration (Elkins et al., 2006). This type of order has been viewed by international relations scholars as integral to the Western liberal international order since the end of the Second World War (Deudney & Ikenberry, 1999; Lake et al., 2021).

To be sure, what differentiates these two economic orders is, in essence, the state–market relationship or the relative autonomy between the state and the market (Gilpin, 2016; Smith, 1776; Strange, 1996, 2015). These two different economic orders among nations have very different implications for firms. When and where the market-based order is accepted and enforced, states have a comparatively limited role in the economy, and firms follow state-maintained market rules for voluntary exchanges, thereby facing lower risks and transaction costs. In contrast, when and where the state-based economic order prevails, states actively influence, and even directly dictate, economic activity, and firms must grapple with widespread state interventions, thereby increasing risks and transaction costs.[2]

3.2 | Role of Geopolitics

How does geopolitics relate to the two different state–market orders specifically? Geopolitics affects which type of economic order is valued more in different countries and at different times, and thus what order states and non-state actors create through their policies, behaviors, and institutions, both domestic and international. When the concept was first invented, geopolitics was defined as "the study of the state as a geographical organism" (Kjellén, 1916). It has most frequently been associated with realist thinking about national survival in an anarchic international system (Mackinder, 2004; Mearsheimer, 2003). When geopolitical competition for control of space, territory, and resources is severe, national leaders and businesses must address clear and present geopolitical dangers.[3] Since the action-reaction process (e.g., arms race, reciprocal tariff reduction, equal treatment of investment) characterizes interstate interactions across various issue areas (e.g., conflict, trade, investment) (Axelrod, 1984; Axelrod & Keohane, 1985; Chilton et al., 2020; Richardson, 1960), geopolitics-induced policy restrictions in one country often lead to reciprocal reactions in another. Consequently, the spread of geopolitical competition facilitates the acceptance of mercantilist economic policies and a state-based economic order. In contrast, when geopolitical competition is muted, diminished concerns about threats and survival reduce the salience of national security and economic nationalism. This creates more space for mutually beneficial commercial exchanges, facilitating the acceptance of laissez-faire and open-market economic policies, as well as the market-based economic order.

The impact of geopolitics varies across space and over time. From a *spatial* perspective, no one type of economic order dominates all countries at a given moment. In fact, there often exist spatial clusters or neighborhoods. For example, the Cold War from 1947 to December 1991, characterized by mutual hostility, distrust, and rivalry between the United States and the USSR, divided the world into the capitalist West and the communist East, with the remaining countries seeking to stay neutral and non-aligned (Gaddis, 2006). The two superpowers established their own spheres of economic order. The US established the General Agreement on Tariffs and Trade (GATT) in 1948 with 23 founding members and created the North Atlantic Treaty Organization (NATO) in 1949 to counter the Soviet military presence in Europe. In contrast, to counter the West and rein in its allied states, the USSR established the Council for Mutual Economic Assistance (Comecon) in early 1949 to facilitate trade and, in 1955, created a collective defense organization, the Warsaw Pact. The United States and its allies and friendly nations negotiated a market-oriented economic order among themselves; the Soviet Union largely imposed a state-oriented economic order on its members.[4] Hence, depending on where they operated, foreign firms had to engage and follow different rules of the game under these two distinct economic orders.

From a *temporal* perspective, communities of countries can experience fluctuations in geopolitical competition, which in turn shapes the desirability of different economic orders. The European Union, for example, has forged an advanced market-based order in which commercial transactions across member states' borders are largely regulated by rules that limit national government intervention. This order has developed as geopolitical concerns on the continent have declined to the point that, today, few Europeans harbor fears that their national survival is threatened by another European Union member state. This stands in contrast to Europe prior to 1945, where geopolitical concerns were dominant, and the economic order was driven by considerations of state power. For instance, a pillar of German foreign policy under the Nazis drew on the mercantilist playbook to cultivate economic dependencies that could then be leveraged against other countries (Hirschman, 1980).

Importantly, while interstate geopolitical competition can be in a stable equilibrium, it can also fall out of it. In a disequilibrium state, interstate relations are in a transitory status. For example, enemies can drop some of their previous rivalry and become less conflictual or even friendly (e.g., the United States and United Kingdom transitioned from intense rivalry to a close partnership in the early 1900s; Brazil and Argentina ended their decades of tense relations and entered stable cooperation in the 1980s) (Kupchan, 2010). During disequilibrium in geopolitical competition, the future equilibrium state can be uncertain and thus difficult to predict; consequently, the corresponding state–market order is difficult for firms to determine until a new stable equilibrium is reached.

3.3 | Summary Comparison

Figure 1 provides a graphical illustration to summarize our conceptualization about anarchy, geopolitical competition, and the prevailing state–market relations in an MNE's business environments. In the absence of a world government that establishes a single global order, MNEs often confront distinct geopolitical environments. As noted on the left side of Figure 1, there is a stable equilibrium level of geopolitical competition in the firm's immediate environment,

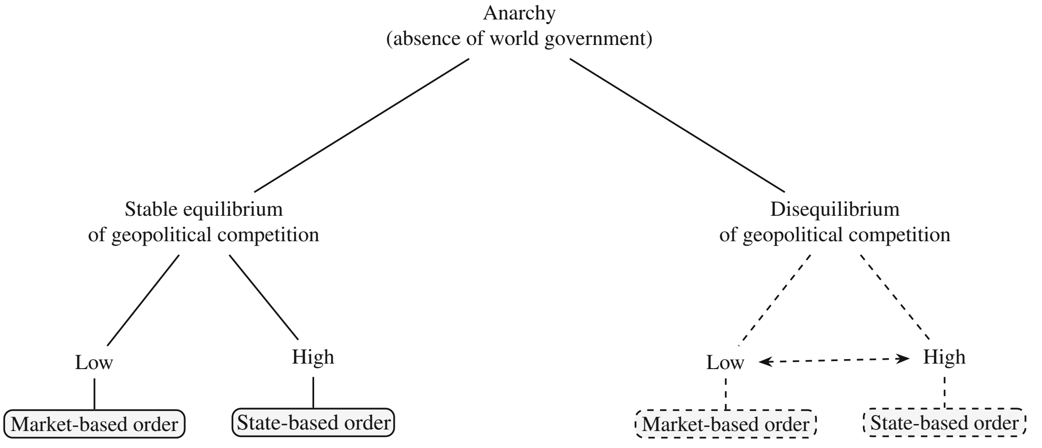

FIGURE 1 Anarchy, geopolitical competition, and prevailing state–market relations. Notes: (1) The left side indicates stable equilibrium levels of geopolitical competition, with little uncertainty (denoted by solid lines); the right side indicates a disequilibrium, with high uncertainty about the future equilibrium (denoted by dashed lines). (2) Different types of geopolitical competition and state–market orders can coexist in space. (3) States could transition from one type of geopolitical competition and state–market order to another over time.

which firms can observe and infer. The equilibrium level of geopolitical competition can be low (e.g., France and Germany during the past several decades, with no arms race or sanctions between them), or it can be high (e.g., the United States and the Soviet Union during the Cold War, with intense arms race, heavy sanctions, and proxy military conflicts).

When geopolitical competition among a dyad or a group of countries is low in equilibrium, states have little incentive to intervene in markets for national security reasons (although they may still do so for other regulatory purposes, such as health and safety or antitrust enforcement). In the absence of such state intervention, the state–market relationship can be characterized as a market-based order. All else equal, firms face fewer regulatory barriers and predatory state behaviors when engaging in cross-border transactions. By contrast, when geopolitical competition among a group of countries is high in equilibrium, governments are incentivized to intervene in the market for national security purposes. Because of such state interventions (e.g., export controls, investment screening, sanctions, nationalization, and entry restrictions), the state–market relationship can be characterized as a state-based order. Ceteris paribus, firms must meet additional regulatory requirements and face greater risks of nationalization when engaging in cross-border transactions. Geopolitical competition in a stable equilibrium has a clear implication. When the level of geopolitical competition is predictable and path-dependent, firms know the type of business environment in which they are operating: state-based or market-based orders. In turn, firms make geopolitics-related decisions under certainty.

On the right side of Figure 1, geopolitical competition in a firm's business environment is in disequilibrium. At least one state has an incentive to deviate from the current level of competition and change the status quo by either increasing or decreasing hostility. In this type of environment, the future level of geopolitical competition is unstable, in flux, and difficult for states and firms to predict. When states cannot determine the future stable equilibrium level of geopolitical competition, they cannot determine the equilibrium level of market intervention for national security purposes. In this situation, firms do not know whether the prevailing state–market relationship will be market-based or state-based. Hence, market expectations and beliefs often diverge, and firms make decisions under uncertainty. As the order emerges or evolves, firms must adapt and learn, updating their beliefs and expectations. In this situation, the order is changing and is more endogenous (it could be, but not necessarily, driven by firm behavior such as lobbying), and firms often hold transient beliefs and expectations that they continually update. Many examples can illustrate this situation. Western firms that had invested in or were contemplating investing in Russia at the end of the Cold War were unsure which type of order would eventually prevail. Similarly, American firms sought to determine whether to continue operating in China or leave as the United States–China rivalry intensified after COVID-19.

As a caveat, our approach to the study of geopolitics and firm strategy differs significantly from applying the realism-liberalism paradigms to IB research (Witt, 2019). This is for several reasons. First, realism and liberalism are not coherent theories; they comprise multiple variants that can be logically inconsistent with one another.[5] Second, these "isms" represent paradigms, that is, a set of axioms and ontological assumptions that are invariant across time and space. Thus, they do not represent states of the world so much as beliefs about how the world works, which helps explain how even within the same tradition, inconsistencies can emerge. Third, most of the variants of the "ism" paradigms are primarily concerned with issues that do not directly shed light on the relationship between geopolitics and firms. Indeed, most realists would regard economic affairs as, at best, epiphenomenal and hence, have little to say about multinational firms at all (Waltz, 1979). Fourth, these "isms" of international relations theory have been challenged by international relations scholars in favor of mid-range theories that may leverage insights from multiple paradigms (Lake, 2011; Maliniak et al., 2011; Powell, 1994). This is because relying on a single paradigm alone can lead to conflicting explanations (due to multiple variants of the same paradigm) and incomplete explanations (no single paradigm is sufficient). Accordingly, our approach is to set aside paradigmatic debates and return to first principles, focusing on how the fundamental forces of anarchy, security dilemma, geopolitical competition, and the state–market relationship interact to shape an economic order, offering a richer and more general account of how geopolitics affects firm operations and strategies.

In the sections below, we first discuss the policy implications of each prevailing state–market relationship for firms, and then explore firm strategies across different state–market orders. During these discussions, we assume that firms are certain about the equilibrium level of geopolitical competition and the prevailing state–market order in their operating environments. Next, we address the case in which geopolitical competition is in disequilibrium, the prevailing state–market relationship is more endogenous and evolving, and firms are uncertain about the direction of the future state–market order and thus must choose strategies to cope with this shifting business environment.

4 | CONSEQUENCES FOR MULTINATIONAL ENTERPRISES

Whether geopolitics engenders a market-based or state-based order for international commerce has a powerful effect on MNEs' global expansion. As noted earlier, under each type of state–market order, governments regulate firms and the market in qualitatively different ways: an efficiency-driven *laissez-faire* approach vs. a national-security-oriented state-interventionist approach. Below, we discuss how the government regulates under each type of order, thereby affecting four issues critical for firms: market entry, security of property rights, equal treatment, and institutional alignment. As demonstrated by Jandhyala (2025), these four core issues fundamentally shape MNEs' ability to participate in international markets and execute global strategies.

- **Market entry**: the ease with which MNEs enter foreign markets, whether to sell their goods and services, engage in productive activities, or source inputs and components.
- **Security of property rights**: the extent to which MNEs' asset ownership rights, including the right to appropriate rents, are respected when operating in a foreign country.
- **Equal treatment**: the extent to which market conditions are similar for MNEs and domestic firms, as well as MNEs from different countries when operating in foreign countries.
- **Institutional alignment**: the extent to which formal regulations are harmonized across different countries where MNEs operate.

4.1 | Market entry

Due to anarchy and national sovereignty, governments have the right to prevent MNEs from operating within their jurisdictions. The extent to which a national government exercises such a right varies systematically under the two alternative economic orders.

Under a market-based order, governments negotiate with each other and agree to mutually constrain their exercise of this right, thereby lowering barriers to entry for firms from all participating countries. Under the Washington Consensus, for example, privatization, liberalization, and regulatory reform facilitated the entry of MNEs across countries and industries, even in previously regulated sectors such as telecommunications and electricity (Henisz et al., 2005). At the regional level, states have committed to allowing the free flow of goods and capital through agreements such as the North American Free Trade Agreement (NAFTA). At the same time, the European Union has gone one step further by permitting the free flow of labor across borders. Under a system with reduced barriers to entry, firms have greater scope for internationalization, moving beyond their home country to seek new markets and efficiency gains. Thus, location and market-entry strategies become increasingly relevant sources of competitive advantage (Cuervo-Cazurra & Dau, 2009; Kumaraswamy et al., 2012). Another implication of the market-based order is that as MNEs have greater freedom to choose where to locate, competition between states to attract FDI intensifies (Barros & Cabral, 2000) and MNEs' bargaining power with host governments increases (Eden et al., 2004; Vernon, 1971). Thus, successful firms are better positioned to negotiate more favorable policies and secure a greater share of any rents they may generate.

Under a state-based order, market entry is more restricted as national governments are concerned about their own power, autonomy, and security. Foreign MNEs' operations may affect those governments' ability to exert and resist coercive pressures in their relations with other countries. Many countries have a long history of exercising economic statecraft. They use control over (access to) economic resources as tools of leverage over one another (Baldwin, 2020; Hirschman, 1980). Host governments thus worry about foreign control of domestic firms or significant economic resources, through which MNEs' home governments can gain political influence and threaten host national interests and security. Similarly, host governments are concerned that a home-country bias may lead foreign MNEs to prioritize local infrastructure and R&D investments in their home countries, thereby providing the latter with an economic and security advantage over the host country (Belderbos et al., 2013). A related issue is that rents extracted from the host country by foreign firms may be leveraged by the home country government and converted into the home country's military or economic strength (Kastner, 2007; Li & Vashchilko, 2010). In other words, when an MNE repatriates profits to its home country, those resources may strengthen that country's economic and military advantage relative to the host country. Thus, governments may erect barriers to entry to maintain national ownership and control over critical parts of the economy, thereby reducing their exposure to coercion by other nations.

4.2 | Security of property rights

MNEs are always concerned about protecting their investments abroad and repatriating earnings from foreign markets. Their transactions, contracts, and business activities may be subject to the obsolescing bargain, expropriation, and disputes with partner firms and host governments (Henisz, 2000; Kobrin, 1979; Li, 2009; Vernon, 1971). The risk of such government behaviors, however, differs between the two economic orders.

Under the market-based order, MNEs are protected as states voluntarily agree to negotiated multilateral or bilateral rules that limit their ability to pursue actions or policies that may violate firms' property rights.[6] For instance, the WTO system introduced the Trade-Related Aspects of Intellectual Property Rights Agreement (TRIPs), under which signatories agreed to guarantee foreign firms a minimum level of protection for their intellectual property. As this agreement is part of the WTO framework, the commitment to safeguard property rights is enforceable through the WTO's binding dispute settlement mechanism. As noted above, countries have also signed bilateral and regional trade and investment agreements that provide broader, more far-reaching guarantees of MNEs' property rights, as well as mechanisms for dispute resolution and enforcement. The most prominent mechanism is international arbitration, in which parties to a commercial dispute—even sovereign states—agree to have a neutral arbitrator or tribunal to settle the dispute in accordance with previously agreed rules. Arbitration clauses in thousands of treaties grant MNEs (rather than their home countries) the right to seek international arbitration to enforce their property rights if they believe those rights have been violated by a host government and they do not trust local judicial institutions to protect them. Moreover, this system is consistent with the goal of promoting market exchange over state power as disputes are settled according to legal principles rather than the material power of the host or home country (Albino-Pimentel et al., 2018; Blake & Moschieri, 2017).

Under the state-based order, host governments prioritize their own power and security and are therefore reluctant to cede sovereignty to international courts or tribunals. As a result, relationships between MNEs and host governments are more likely to exhibit the bargaining dynamics familiar to IB scholars, and an MNE's ability to secure its property rights depends on its bargaining power. Prior scholarship has identified different sources of bargaining leverage between foreign firms and host countries (Cannizzaro, 2020; Dorobantu et al., 2020; Duanmu, 2014; Kobrin, 1987; Müllner & Puck, 2018). In particular, foreign firms that provide access to economic and political resources that are particularly valuable and difficult to replace have greater bargaining power (Eden et al., 2004; Fagre & Wells Jr, 1982; King, 2015; Nebus & Rufin, 2010). Firms that lack such resources are more likely to encounter asset seizures, creeping expropriations, and performance requirements as host governments seek to increase their share of the rents generated by multinationals, which they can use to reward their political supporters and/or increase their power relative to other nations.

4.3 | Equal treatment

The market-based and state-based economic orders, driven by anarchy, sovereignty, and geopolitical competition, often differ systematically in how host governments treat foreign firms operating across international borders.

A market-based order, by definition, seeks to promote market mechanisms and reduce state intervention in shaping market outcomes. Thus, the rules and institutions associated with the order are likely to foster a more even playing field by limiting governments' propensity to favor their own firms and discriminate against foreign enterprises (Pandya, 2014; Van Assche et al., 2024). Moreover, as the order is based on voluntary participation and the principle of reciprocity, it entails commitments by states to non-discrimination among firms from different countries. Thus, for example, the Most-Favored-Nation Treatment clause (Article I) of the 1994 General Agreement on Tariffs and Trade (GATT) stipulated that companies from any member country engaged in trade with another member country would face the same duties. In the same vein, the National Treatment clause (Article III) required that domestic and foreign firms be treated in a largely similar manner (GATT, 1994). National-Treatment and Most-Favored-Nation clauses were also incorporated into bilateral investment treaties governing foreign direct investment (Elkins et al., 2006).

Under a state-based order, host governments have incentives to discriminate against foreign MNEs. Above, we explained why host governments operating under this order may seek to limit the entry of foreign firms, that is, to reduce their vulnerability to economic coercion from other countries. For the same reasons, they may also seek to favor domestic firms over foreign competitors, expecting local firms to be more loyal and less susceptible to foreign government influence (Choudhury et al., 2025). Indeed, by affording favorable treatment to domestic companies, they strengthen those organizations as potential tools of economic statecraft in their relations with foreign countries. Moreover, in the absence of a reciprocal framework that characterizes a market-based order, governments are less incentivized to promise national treatment to foreign MNEs to ensure that "their" MNEs are not discriminated against in other countries.

Another reason for an uneven playing field in a state-based order is security ties between nations. Even the most powerful states cannot achieve all of their geopolitical objectives by acting alone. Countries rely on the support of security allies, or other states with aligned or similar interests (Davis, 2023). Despite their differences in power, military allies mutually promote each other's welfare because they need not worry about the national security externalities of welfare-enhancing trade and investment (Gowa & Mansfield, 1993; Li & Vashchilko, 2010). Thus, countries have an interest in maintaining positive relations with allies, including how they treat MNEs from allied countries. Empirically, foreign trade and investment flows are stronger between geopolitical allies (Biglaiser & DeRouen Jr, 2007; Gowa & Mansfield, 1993; Li & Vashchilko, 2010; Pollins, 1989).

Because national security externalities and power asymmetries are less likely to be exploited between friendly nations and allies, the incentives to restrict foreign firms' access and favor domestic companies are weakened. Thus, when host governments "discriminate" against foreign enterprises, they reserve the most adverse treatment for firms from geopolitical rivals or adversaries. In this vein, recent scholarship has found that when the interests of home and host states in global affairs diverge, host governments are more likely to intervene in foreign acquisitions (Bertrand et al., 2016). Similarly, host governments challenge acquisitions by firms from geopolitical rivals, particularly when the acquiring firm is likely to threaten national interests (Wang et al., 2021).

4.4 | Institutional alignment

Given anarchy and state sovereignty, countries adopt different institutions through which MNEs must navigate. To the extent that these institutions align between home and host countries, MNEs face lower transaction costs when investing abroad. Thus, a vast literature in international business suggests that MNEs are more likely to invest in countries with low institutional distance (Berry et al., 2010; Salomon & Wu, 2012; Xu & Shenkar, 2002).

Under the market-based order, institutional distances shrink precisely for this reason: to support cross-border market transactions, states often voluntarily align their regulations. For example, the European Union has pursued greater regulatory harmonization, which has helped boost cross-border M&A activity, consistent with the European Commission's ultimate goal of a single market for M&A. However, the absence of a single legal framework across Europe still makes cross-border M&A transactions relatively more difficult than domestic transactions (Moschieri & Campa, 2009). The formal institutional framework that underpins a market-based order can also foster greater alignment of informal institutions and norms. For example, through contact and collaboration in intergovernmental organizations that influence the world order, actors from different countries develop shared norms and values that underpin policy convergence, trust, and relational governance (Egel & Obermeier, 2023; Ingram & Torfason, 2010; Rangan & Sengul, 2009). Similarly, as formal institutional barriers are dismantled to facilitate MNE movement across borders, multinationals help diffuse norms from their home countries, fostering greater alignment in areas such as labor and environmental practices (Malesky & Mosley, 2018).

While states may seek institutional alignment, achieving it is difficult because states disagree over how institutions should align. This is because states often pursue international standards that closely resemble their own, thereby reducing the adjustment costs they and their firms incur. Under the state-based system, to prevent rival nations and their firms from gaining an advantage in economic and, by extension, geopolitical competition, there is greater intensity in competition over which standards are adopted, particularly among powerful countries that do not want to give ground on standards. In international finance, for instance, recent financial sanctions imposed on Russia by the United States and its geopolitical allies, together with mounting economic and political tensions between the United States and China, could result in the bifurcation of the international financial system into two silos (Eichengreen, 2024). Cutting Russia off from the SWIFT system and Russia's increasing use of the RMB in international settlements are just two examples of that trend. Less powerful nations face pressure to adopt standards imposed by more powerful countries. The net result is a more fractured set of standards and regulations.

4.5 | Summary comparison

In Table 1, we provide a summary comparison of how the four core issues of concern to MNEs are affected differently under a market-based versus a state-based order. It is clear that, across the board, a market-based order helps to reduce transaction costs and improve efficiency for MNEs. It is associated with lower barriers to entry, less discrimination based on foreignness and nationality, greater protection of property rights, and higher levels of institutional alignment. Thus, we should expect greater cross-border activity by multinationals to occur among countries that endorse and comply with the market-based economic order.

TABLE 1 Geopolitics-induced economic orders and MNE global expansion.

Core issues	MNE concerns	Market-based order	State-based order
Market entry	Can MNEs enter a foreign market to operate and sell their goods and services there?	Low barriers to entry; expanded market access; limited investment screening	Higher barriers to entry; market access is restricted to serve national interests; greater restrictions on where, when, and how foreign firms can expand internationally
Investment security	Are MNEs' property rights protected?	Relatively secure with low probability of expropriation. Access to international legal dispute resolution mechanism to challenge state actions	Property rights are contingent on how MNEs serve political interests and their bargaining power
Equal treatment	Are the rules of market competition similar for MNEs and domestic firms, as well as MNEs from different countries?	National treatment; most-favored nation (MFN)	Different rules for domestic and foreign firms. MNEs from different home countries face varying investment environments depending on the relationship between their home and host countries. Firms from "friendly" countries are treated better than firms from "rival" countries
Institutional alignment	What are MNE transaction costs in operating across countries?	Consensus-driven common institutional and technical standards across countries minimize transaction costs	Power-based competition for standards leads to fractured institutional and technical standards, which increases MNE transaction costs

In contrast, within a state-based economic order, national security concerns and power dynamics are often at the crux of international commerce. Firms need to be concerned about the impact of power and national security in at least two respects. First, because national security concerns matter more in a state-based order, national governments are concerned that multinational activities may undermine the balance of power among them and other states. Thus, the state-based economic order promotes a mercantilist focus on the relative distribution of benefits rather than absolute efficiency gains. Foreign MNEs are not only sources of capital, technology, and jobs but also potential sources of home-country leverage that host governments must guard against. Second, home country power affects the operating environment for MNEs, such that firms from more powerful states will encounter lower transaction costs, including potentially lower barriers to entry, more secure protection of property rights, and better treatment. This is because powerful home governments, when unrestrained, can (threaten to) coerce less powerful countries into adopting policies that favor "their" firms. Indeed, they may be able to pressure the host government to grant their MNEs more favorable treatment than domestic firms. By contrast, firms from less powerful countries will be more likely to experience negative discrimination.

5 | COMPETING UNDER DIFFERENT ECONOMIC ORDERS

What strategies should multinationals adopt under the two distinct economic orders to be prosperous and successful, that is, to sustain superior financial performance while effectively establishing and managing competitive operations across multiple national markets? In this section, we will explore which types of firms, strategies, and capabilities are rewarded under the two different economic orders. To compete successfully, a firm's strategy should align with, or "fit," its external institutional environment (Ahuja & Yayavaram, 2011; Peng et al., 2009). Since MNEs face different environments under market-based and state-based orders, we examine how firms can profit under each condition.

5.1 | Competing under a market-based order

Under a market-based order, MNEs face greater equality in market opportunities and in the protection of property rights. Moreover, the lowering of barriers to entry and deeper institutional alignment enable firms to more easily develop globally integrated operations. Under these conditions, what separates winners from less successful firms is their ability to prioritize efficiency. Successful firms are more likely to invest in aggregation and arbitrage strategies to maximize efficiency globally (Ghemawat, 2007). They will focus on achieving economies of scale and/or scope, coordinating operations across countries, and maximizing potential gains by exploiting differences across borders (Bartlett & Ghoshal, 2002; Kogut & Zander, 1992, 1993; Martinez & Jarillo, 1989). MNEs become central actors in global value chains, integrating their geographically dispersed strategic partners, specialized suppliers, and customer bases into complex structures (Kano et al., 2020). Because success hinges on their market competitiveness, they are more likely to invest in product quality, innovation, and productivity. Indeed, long-held theories of the MNE emphasize the efficiency-enhancing properties of cross-border activity (Buckley & Casson, 1976; Dunning, 1981), and empirical analysis of cross-border acquisitions supports this view (Clougherty & Skousen, 2021).

At the same time, equal treatment also gives rise to greater heterogeneity among successful firms. More equal market opportunities allow both large and small firms to succeed. Similarly, firms from less powerful home countries can also compete based on innovation and/or efficiency. Firms from emerging markets, for example, use international expansion as a springboard to acquire strategic resources and reduce their institutional and market constraints at home while compensating for their competitive weakness (Luo & Tung, 2007).

Although a market-based order centers on market competition and rewards firms with superior market capabilities, this does not render non-market capabilities irrelevant. Indeed, firms will benefit from developing non-market capabilities attuned to the market-based order. As rules and institutions are developed through a deliberative, consensus- or negotiation-based approach, they cannot be changed without a similarly broad negotiated consensus. Institutions are thus "sticky," and consensus increases the probability of state compliance with the rules governing the treatment of MNEs (Maggi & Morelli, 2006). As a result, successful firms will focus on shaping and leveraging the rules of the game to protect their interests. For example, because trade and investment agreements provide a pathway for firms to pursue their interests through a legal, rule-based process, developing legal capabilities to secure and enforce property rights when operating across borders is valuable and essential (Bagley, 2008; Beazer & Blake, 2018). In addition, the "rules of the game" themselves may be open to potential rewriting and contestation, which MNEs often seek to influence through corporate political activities (Katic & Hillman, 2023). However, in contrast to domestic settings, rules are set by multiple states, requiring MNEs to mobilize governments and stakeholders internationally to shape international rules. An example of this is the aforementioned TRIPs agreement, which is partly a consequence of American, European, and Japanese firms working together to lobby for intellectual property to be brought under the WTO's umbrella (Sell, 2003).

5.2 | Competing under a state-based order

Under a state-based order, MNEs encounter higher barriers to market entry and different rules for market engagement based on a firm's country of origin. Firms from more powerful and friendly home countries have better market access, preferential treatment for property rights, and lower transaction costs. Under these conditions, an MNE's nationality or country of origin plays a greater role in shaping its success.

Thus, a key challenge for MNEs is managing country-of-origin effects. They can do so by minimizing investments that cross geopolitical fault lines (Adarkwah et al., 2024; Sinani & Zilja, 2025; Wang et al., 2021) or by reshaping perceptions of nationality through relocating control rights away from the home country. For example, MNEs can license their technical skills and management know-how to domestic firms without equity participation or direct control, thereby circumventing the principal objection to MNE investment—foreign control of local industry (Wright, 1971). Successful firms are thus more likely to invest in international adaptation strategies (Ghemawat, 2007), wherein localizing in different markets calls for demonstrating relevance to national goals to mitigate security concerns.

Further, under a state-based order, firms are less able to rely on international rules and institutions that constrain governments and support market activities because national governments are more likely to violate or dissolve those rules and institutions to advance what they perceive as their national interests and national security. Such interventions may include barriers to entry, infringement on property rights, discriminatory treatment, and misaligned institutional rules, thus disrupting MNEs' operations, constraining their freedom of action, and undermining the security of their investments. In such an environment, it would be unwise to focus completely on scale and efficiency. Rather, MNEs prioritize strategies that promote flexibility, resilience, and reduced exposure to downside risks. Such strategies include partnerships with other firms (Delios & Henisz, 2003; Henisz, 2000) and cultivating supply chain diversification (Enderwick, 2011).

To survive and succeed in a state-based order, MNEs must also develop and leverage their own bargaining power over governments. In other words, in a world where how firms are treated is determined more by bargaining with the state rather than over international institutions, success is shaped by a firm's bargaining power vis-à-vis the host government. One source of bargaining power is leveraging home-country political influence and diplomatic ties (Li et al., 2018). Firms can also gain leverage over governments by cultivating economic or political resource dependencies in the host country. MNEs have economic power, or structural power, to the extent that governments are dependent on them for critical resources such as technology, employment, and access to foreign markets. Firms can use the threat of cutting off access to these resources to deter governments from taking actions that negatively affect their interests (Culpepper & Reinke, 2014; Culpepper & Thelen, 2020). The corporate political activity and political markets literatures have highlighted how firms can secure favorable treatment from governments in exchange for information, financial resources, and political support (Bonardi et al., 2005). Larger firms with unique, highly sought-after resources have the greatest bargaining power over host and home governments. This leverage can help firms access foreign markets, secure favorable treatment, and protect property rights in the absence of market-supporting institutions. As such, these firms are best positioned to succeed in a state-based order, all else being equal.

Prior research indicates that firms differ in their ability to engage effectively with political actors, and firms with stronger political capabilities are more likely to succeed under state-based orders (Holburn & Zelner, 2010). Indeed, strong political capabilities may enable firms that lack economic resources, such as size or unique technologies, to survive under a state-based system if those capabilities extend to forging political alliances with other firms and stakeholders to augment their power. For instance, firms can seek to work with their supply chain partners in the host country (Johns & Wellhausen, 2016) or collaborate with other firms through business associations to protect their rights and interests in a volatile policy environment (Doner & Schneider, 2000; Rajwani et al., 2015).

5.3 | Summary comparison

In Table 2, we provide a summary comparison of the sources of competitive advantage, market and non-market strategies of successful MNEs, and the scope for strategic success under a market-based versus a state-based order. Overall, under a market-based order, MNEs exploit the greater assurance of market access, equal treatment, investment security, and institutional alignment to pursue strategies that emphasize global efficiency to gain an advantage. These characteristics also enable smaller firms and those from less-powerful home countries to compete in global markets by emphasizing product quality, innovation, and productivity. Non-market strategies of MNEs are then focused on shaping or leveraging the international rules of the game to protect their interests.

By contrast, under a state-based order, where national goals, state power, and security concerns are prominent, MNEs focus on adaptation strategies to achieve local relevance and ensure their fit with the national environment. MNEs' relative power—through their home country or their own bargaining vis-à-vis the host government—becomes essential to success. Thus, firms focus on strategies that emphasize local relevance and resilience while managing their country-of-origin effects. In such a system, large MNEs with greater structural or bargaining power will out-compete their more constrained rivals.

6 | GEOPOLITICAL DISEQUILIBRIUM, STATE–MARKET ORDERS, AND FIRM CHOICES

So far, our analysis has focused on scenarios where a stable equilibrium level of geopolitical competition exists in a firm's business environment, which can be low or high, as shown on the left side of Figure 1. The analysis is based on two important premises. First, the state–market order is taken as largely exogenous and stable by both state and market actors. Second, firms know which order prevails and is dominant in their business environment. These two premises are justifiable in scenarios on the left side of Figure 1 because the prevailing state–market order has taken hold and become consolidated. It means that individual states and firms can take the

TABLE 2 MNE global strategy under two economic orders.

	Market-based order	State-based order
Competitive advantage	Efficiency	Nationality; Bargaining power
Strategic focus (market)	International aggregation and arbitrage strategies, achieving economies of scale/scope through global efficiencies and exploiting differences across countries to gain advantage	International adaptation strategies, ensuring localization in different markets to highlight relevance to national goals and mitigate security concerns
Strategic focus (non-market)	Shaping and leveraging the rules of the game to protect their interests	Developing political and economic resource dependence to protect their interest
Scope for strategic success	Broad: Success is possible for small and large firms; firms from powerful and non-powerful home countries	Narrow: Success is concentrated in large MNEs with greater structural or bargaining power; firms from more powerful countries

prevailing state–market order as given because for individuals to overturn or change the existing order, the probability is very small, and the cost is too high. In addition, because the existing state–market order is prevalent, it is natural that firms know the type of order they are in. But, as the right side of Figure 1 illustrates, there is also a time and place when and where geopolitical competition is in disequilibrium, and firms cannot predict the future equilibrium state–market order.

In an earlier section, we argued that the type of state–market order likely to prevail is a function of geopolitical competition, a point that is relevant to the right side of Figure 1 as well. International relations scholars often propose that the equilibrium level of geopolitical competition can be disrupted by three types of shifts, that is, shifts in the distribution of power, domestic politics, and shared values and identities. First, some scholars point to international politics and the distribution of material power among countries (Mearsheimer, 2003; Waltz, 1979), how major power wars occur when a rising challenger overtakes the dominant hegemon in power (Organski & Kugler, 1980), or how rapid, large shifts in power prevent states from making credible agreements, leading to inefficient war rather than negotiated settlements (Powell, 2004). Second, other scholars highlight the significance of domestic regime type (De Mesquita et al., 2004; Oneal & Russett, 1999) and the impact of right-wing populism on the perception of foreigners as threats to the homeland (Blake et al., 2024). Third, shared beliefs/culture can change regarding whether others are viewed as friends, rivals, or enemies (Wendt, 1999). How nation-states collectively interpret their geopolitical setting drives the type of state–market order they seek to create, hence the potential for orders to vary across time and space. Indeed, social constructivist scholars in international relations have long argued that "anarchy is what states make of it" (Wendt, 1992). Therefore, the stability of the equilibrium level of geopolitical competition depends on conditions at the international, domestic, and even individual levels. These conditions are not constant, and when they shift, they can push countries out of equilibrium and toward a new equilibrium and a new form of state–market order. In this situation, it is less costly and more feasible to change the state–market order, thereby making it more endogenous.

For example, following the Second World War, American hegemony, the threat of the Soviet Union, and the economic devastation of Europe combined to generate historically low levels of perceived geopolitical competition among countries in Western Europe. This enabled European states and other allies to come together to create a market-based order in the West, forming institutions such as the GATT, the IMF, the World Bank, and the EU. This example illustrates that state–market orders are endogenous to geopolitical competition and the actions of states under different competitive equilibria. However, it is also valuable in highlighting that transitions between equilibria are seldom speedy or predictable. In the early stages of the European project, there was significant residual mistrust, and integration advanced slowly, beginning with the pooling of coal and steel production so that "any war between France and Germany becomes not merely unthinkable, but materially impossible" (Rosato, 2010; Schuman, 1950). Thus, even as it began to scale back state intervention, Europe did not jump into full adoption of a market-based order. Crucially, no one, including multinational firms operating in Europe at that time, could have known for sure if Europe would continue to move toward ever more market-based integration (as it did later on), or if a return to geopolitical competition and conflict on the continent was likely to take place and, with it, a state-based order and return to mercantilism (as it did during the interwar years and WWII).

6.1 | Competing under uncertainty

What do firms do when they cannot predict the future prevailing state–market order? One plausible response is to develop strategic flexibility by cultivating real options. A real option exists when a firm has the opportunity, but not the obligation, to take action with regard to an investment or operation (Dixit & Pindyck, 1994). The literature identifies two key types of options: (a) growth/incremental options, which involve investments, assets, or activities that can be scaled up, abandoned, or sold off in the future; (b) switching/flexibility options, which involve alternative investments, assets, or activities among which one can redistribute resources and effort to facilitate strategic change (Bowman & Hurry, 1993; McGrath, 1997; Oriani & Sobrero, 2008). These options are particularly valuable to firms when faced with environmental uncertainty because they afford managers greater flexibility to respond to changing external circumstances (Belderbos & Zou, 2009; Bowman & Hurry, 1993; Chung et al., 2010; Cuypers & Martin, 2010; Kogut, 1991; Kogut & Kulatilaka, 1994; Lee & Makhija, 2009; Oriani & Sobrero, 2008; Tang & Tikoo, 1999; Trigeorgis, 1996; Vassolo et al., 2004). In the context of MNEs, the literature has examined both forms of real options.

In line with prior work, firms can develop switching options across different locations (Kim et al., 1993; Kogut, 1991; Kogut & Kulatilaka, 1994; Lee & Makhija, 2009; Tang & Tikoo, 1999; Tong & Reuer, 2007). The key difference in our setting is that economic orders characterize groups of countries, so options need to be across these groupings (rather than individual countries) if firms wish to hedge against the risks associated with uncertainty in a given order.

A US multinational firm may reasonably view heightened geopolitical competition between the United States and China as posing a challenge to a global market-based order. This would be particularly so if that competition led those countries to impose greater barriers to trade and investment and to display a greater willingness to flout restrictions imposed by the WTO and other global institutions that help preserve a market-based order. However, the firm may be unsure whether geopolitical competition between the major powers will increase or decrease in the future, and thus the extent to which the future will be characterized by a global market-based order or a state-based order. In such circumstances, the firm can cultivate options in different ways. First, the firm can invest in capacity and operations across multiple regional or dyadic orders that reward the firm's capabilities. For example, the firm could ensure that it has a presence in India, China, and the EU. This way, if global-level uncertainty is resolved unfavorably for the firm, it can leverage its existing market knowledge, established business relationships, and other assets to shift operations to other locations (Kogut & Kulatilaka, 1994; Rangan, 1998).

Alternatively, our hypothetical firm could be operating under a market-based order, but is uncertain about its durability in light of growing geopolitical competition. The firm can begin making incremental investments in assets aligned with success under a state-based order (Table 2), such as greater localization of foreign subsidiary operations, joint ventures with domestic partners to moderate nationality, and alliances with other firms to build size and bargaining power. These remain growth options, as the scale of commitment in such actions is moderate, providing flexibility to return to practices suited to a more market-based order if geopolitical competition dies down. Growth options have featured in the literature on international joint ventures (IJVs) where scholars have viewed IJVs as responses to uncertainty that provide firms with the option to acquire greater equity or even full ownership of the venture if that uncertainty is resolved favorably in the future (Cuypers & Martin, 2010; Kogut, 1991; Reuer & Tong, 2005; Tong et al., 2008). Thus, an IJV would be attractive because MNEs can potentially moderate their ownership stake depending on the extent to which they need to localize.

Taken together, firms that are successful amid geopolitical competition in disequilibrium, when it is difficult to determine prevailing (or future) state–market relationships, will prioritize strategic flexibility. Cultivating real options offers a promising strategy that enables firms to avoid a passive "wait and see" approach while still mitigating downside risks.

When firms cannot predict the future prevailing state–market order, they interpret uncertainty differently, leading them to adopt different real options strategies. A firm's real options investments will reflect its managers' cognitive biases in evaluating the degree and importance of the uncertainty they face (Lee et al., 2023). This not only means that different firms will evaluate the same external environment differently, but also that managers within the same firm may have different expectations. For example, when senior managers of a mining company were assessing the potential acquisition of a mine in a politically risky country, each had different estimates of the probability of hazardous events, focused on different aspects of risk, and made different recommendations (Maitland & Sammartino, 2015). It thus follows that there will be greater heterogeneity in firm strategy under these circumstances.

7 | DISCUSSION

To understand how geopolitics affects the activities of MNEs, we have argued that scholars of international business must go to the first principles of international relations. Multinational firms operate in an anarchic international system in which there is no world government to safeguard the interests of nation-states, let alone firms. This persistent condition generates a security dilemma among countries, the severity of which shapes whether governments prioritize geopolitical concerns, including territorial, resource, and technological control, to ensure national security and survival. In equilibrium, when countries do not perceive one another as threats and geopolitical competition is muted, an economic order that promotes voluntary cross-border market transactions can emerge and become consolidated. This stable market-based order entails lower barriers to entry, greater protection of property rights, less discrimination among firms, and lower transaction costs for multinationals. A different equilibrium is also possible, where geopolitical competition is more severe. Here, governments intervene more frequently and persistently in MNE activities to safeguard their interests and maintain their relative power. This type of economic order, which prioritizes national security and state power, is associated with higher barriers, risks, and transaction costs for MNEs. Different orders not only structure the operating environment for MNEs but also systematically reward different resources and capabilities.

We believe the *geopolitical-economic order (GEO)* framework that we have developed can serve as a common conceptual foundation for researchers studying how geopolitics affects MNEs. By linking first-principles forces in international relations (anarchy and the security dilemma), the central concern of classical political economy (the state–market relationship), geopolitics, and firm strategy, our conceptual framework is sufficiently general to encompass previously identified mechanisms (e.g., legitimacy, nationalism, instability) and a range of scenarios (e.g., low, high, or disequilibrium levels of geopolitical competition). It thus provides a basis for scholars and managers to analyze the impact of geopolitics across time (past, present, and future) and across countries. Moreover, it can guide researchers to consider a common set of variables and sources of MNE heterogeneity that go beyond firm-specific capabilities to factors such as the relative power of an MNE's home country and its networks of geopolitical ties.

We reiterate that the significance of geopolitical concerns and the type of prevailing economic order in firms' business environments vary across time and space. This condition creates a dynamic and complex environment for MNEs that warrants further investigation in future scholarship. In particular, there is scope to advance our understanding of how firms adapt to changes in the type of orders under which they operate. The current era appears to present a ripe opportunity for such research, as many aspects of the global economy are witnessing a weakening of the market-based order and a potential resurgence of a state-based order. While recent analyses have focused on deglobalization (Aguilera et al., 2019; Witt et al., 2023) as part of this retrenchment from a market-based order, the question of which strategies enable firms to adapt more successfully to such shifts remains open and critical for IB scholars. In considering these questions, scholars should be cautious in viewing the transition from one order to another as swift and predictable. Rather, when geopolitical competition is pushed out of equilibrium, it is typically unclear for some time whether the previous state–market order will continue or be replaced by a different one. Faced with high uncertainty about the prevailing state–market relationship, we argue that firms will benefit from prioritizing strategic flexibility.

In addition, as multiple types of orders often coexist across different parts of the world economy, further investigation into how global firms manage across these types is necessary. For instance, how do economic orders affect firm location decisions? We know that location decisions are affected by host-country characteristics such as resource endowments and domestic institutions, but what role does the geopolitically induced economic order in which the host country is embedded play?

Finally, how do firms balance the competing demands of different economic orders? In a world characterized by multiple orders of different types, firms that seek to be truly global in scale must develop resources and capabilities that drive competitive advantage across both state-based and market-based orders and possess the flexibility to combine and deploy those capabilities effectively. This is particularly so if one expects, as many do, that a world composed of multiple blocs is beginning to emerge, and these blocs develop economic order in different ways. The literature on institutional distance emphasizes the compatibility between institutional conditions and firm capabilities (Kostova, 1999); however, less is known about how capabilities rewarded across contexts interact and mutually reinforce one another. For instance, can a firm that manages complex global supply chains and generates economies of scale in countries following the market-based order capitalize on these capabilities by developing political resources that enable it to expand its operations into other countries under the state-based order? There are also organizational implications that scholars should explore. Advances in communications and transportation technologies over the last 50 years have enabled greater centralization of activities. However, a more fragmented world in which international commerce is organized under different principles across regions would imply greater decentralization within multinational firms, granting national or regional units greater autonomy to develop capabilities and manage operations (Dunning & Lundan, 2008).

ACKNOWLEDGEMENTS

Authors contributed equally and are listed alphabetically. This research was supported by funding from the Spanish State Research Agency (AEI), Grant/Award Number: PID2022-138747NB-I00. We are grateful to the editor and reviewer for helpful comments and guidance. We also thank participants at the ESSEC Geopolitics and Business Research Conference and the Asian Management Research Consortium Conference and the 5th Penn State-Pittsburgh IR Workshop, as well as seminar participants at Princeton University for feedback on prior versions. Open access publication funding provided by COUPERIN CY26.

DATA AVAILABILITY STATEMENT

Data sharing not applicable to this article as no datasets were generated or analysed during the current study.

ORCID

Daniel J. Blake https://orcid.org/0000-0002-5663-5545
Srividya Jandhyala https://orcid.org/0000-0002-9620-5646
Quan Li https://orcid.org/0000-0002-0510-3258

ENDNOTES

[1] UNCTAD International Investment Agreements Navigator: https://investmentpolicy.unctad.org.

[2] To keep our analysis tractable, we treat the two economic orders as discrete ideal types. But one may consider them the two polar ends of a continuum defined by the relative autonomy of the market from the state, thereby accommodating variants in between, such as the coordinated market economy, state capitalism, and market socialism. We are grateful to an anonymous reviewer for pointing this out.

[3] For example, in 2025, global trade wars, US–China rivalry, cyber attacks, and wars in Ukraine and the Middle East are top geopolitical concerns for managers and firms according to S&P Global (https://www.spglobal.com/en/research-insights/market-insights/geopolitical-risk) and SHRM Business (https://www.shrm.org/enterprise-solutions/insights).

[4] While the Bretton Woods system was partially motivated to counter the spread of communism, the prevailing state-market order *among its participants* was largely market-based as geopolitical competition and security concerns between them were comparatively low. In contrast, within the Soviet bloc, relations among member states were marked by Soviet military and economic dominance, ideological pressure, political control and coercion, and the threat of military intervention (e.g., the Hungarian Revolution of 1956 and Prague Spring).

[5] For example, within realism one may find classical realism (Morgenthau, 1948), structural realism (Waltz, 1979), and offensive realism (Mearsheimer, 2003), while within liberalism there is classical liberalism (Moravcsik, 1997) and neoliberalism (Keohane, 1984; Keohane & Nye, 1977; Powell, 1994), among others.

[6] Even if powerful states may have asymmetric influence, they exert their influence within the confines of those rules.

REFERENCES

Adarkwah, G. K., Dorobantu, S., Sabel, C. A., & Zilja, F. (2024). Geopolitical volatility and subsidiary investments. *Strategic Management Journal*, *45*(11), 2275–2306.

Aguilera, R., Henisz, W., Oxley, J. E., & Shaver, J. M. (2019). Special issue introduction: International strategy in an era of global flux. *Strategy Science*, *4*(2), 61–69.

Ahuja, G., & Yayavaram, S. (2011). Perspective—Explaining influence rents: The case for an institutions-based view of strategy. *Organization Science*, *22*(6), 1631–1652.

Albino-Pimentel, J., Dussauge, P., & Shaver, J. M. (2018). Firm non-market capabilities and the effect of supranational institutional safeguards on the location choice of international investments. *Strategic Management Journal*, *39*(10), 2770–2793.

Arikan, I., Arikan, A. M., & Shenkar, O. (2020). Nation-dyadic history and cross-border corporate deals: Role of conflict, trade, generational distance, and professional education. *Strategic Management Journal*, *41*(3), 422–466.

Axelrod, R. (1984). *The evolution of cooperation*. Basic Books.

Axelrod, R., & Hamilton, W. D. (1981). The evolution of cooperation. *Science*, *211*(4489), 1390–1396.

Axelrod, R., & Keohane, R. O. (1985). Achieving cooperation under anarchy: Strategies and institutions. *World Politics*, *38*(1), 226–254.

Bagley, C. E. (2008). Winning legally: The value of legal astuteness. *Academy of Management Review*, *33*(2), 378–390.

Bagwell, K., & Staiger, R. W. (1999). An economic theory of GATT. *American Economic Review*, *89*(1), 215–248.

Bagwell, K., & Staiger, R. W. (2004a). *The economics of the world trading system*. MIT Press.

Bagwell, K., & Staiger, R. W. (2004b). Multilateral trade negotiations, bilateral opportunism and the rules of GATT/WTO. *Journal of International Economics*, *63*(1), 1–29.

Baldwin, D. A. (2020). *Economic statecraft: New edition*. Princeton University Press.

Barros, P. P., & Cabral, L. (2000). Competing for foreign direct investment. *Review of International Economics*, *8*(2), 360–371.

Bartlett, C. A., & Ghoshal, S. (2002). *Managing across borders: The transnational solution*. Harvard Business Press.

Beazer, Q. H., & Blake, D. J. (2018). The conditional nature of political risk: How home institutions influence the location of foreign direct investment. *American Journal of Political Science*, *62*(2), 470–485.

Belderbos, R., Leten, B., & Suzuki, S. (2013). How global is R&D? Firm-level determinants of home-country bias in R&D. *Journal of International Business Studies*, *44*(8), 765–786.

Belderbos, R., & Zou, J. (2009). Real options and foreign affiliate divestments: A portfolio perspective. *Journal of International Business Studies*, *40*, 600–620.

Berry, H., Guillén, M. F., & Zhou, N. (2010). An institutional approach to cross-national distance. *Journal of International Business Studies*, *41*(9), 1460–1480.

Bertrand, O., Betschinger, M.-A., & Settles, A. (2016). The relevance of political affinity for the initial acquisition premium in cross-border acquisitions. *Strategic Management Journal*, *37*(10), 2071–2091.

Biglaiser, G., & DeRouen, K., Jr. (2007). Following the flag: Troop deployment and us foreign direct investment. *International Studies Quarterly*, *51*(4), 835–854.

Blackwill, R. D., & Harris, J. M. (2016). *War by other means: Geoeconomics and statecraft*. Harvard University Press.

Blake, D. J., Markus, S., & Martinez-Suarez, J. (2024). Populist syndrome and nonmarket strategy. *Journal of Management Studies*, *61*(2), 525–560.

Blake, D. J., & Moschieri, C. (2017). Policy risk, strategic decisions and contagion effects: Firm-specific considerations. *Strategic Management Journal*, *38*(3), 732–750.

Bonardi, J.-P., Hillman, A. J., & Keim, G. D. (2005). The attractiveness of political markets: Implications for firm strategy. *Academy of Management Review*, *30*(2), 397–413.

Bowman, E. H., & Hurry, D. (1993). Strategy through the option lens: An integrated view of the resource investments and the incremental-choice process. *Academy of Management Review*, *18*(4), 760–782.

Buckley, P. J., & Casson, M. (1976). *The future of the multinational enterprise*. Palgrave Macmillan London. https://doi.org/10.1007/978-1-349-02899-3

Cannizzaro, A. P. (2020). Social influence and MNE strategic response to political risk: A global network approach. *Journal of International Business Studies*, *51*(5), 829–850.
Chilton, A. S., Milner, H. V., & Tingley, D. (2020). Reciprocity and public opposition to foreign direct investment. *British Journal of Political Science*, *50*(1), 129–153.
Choudhury, A., Jandhyala, S., & Nandkumar, A. (2025). Economic nationalism and the home court advantage. *Strategic Management Journal*, *46*(1), 242–272.
Chung, C. C., Lee, S.-H., Beamish, P. W., & Isobe, T. (2010). Subsidiary expansion/contraction during times of economic crisis. *Journal of International Business Studies*, *41*, 500–516.
Clougherty, J. A., & Skousen, B. R. (2021). The efficiency and market-power interpretations of the multinational enterprise: Two out of three ain't bad. *Global Strategy Journal*, *11*(3), 356–379.
Cuervo-Cazurra, A., & Dau, L. A. (2009). Promarket reforms and firm profitability in developing countries. *Academy of Management Journal*, *52*(6), 1348–1368.
Culpepper, P. D., & Reinke, R. (2014). Structural power and bank bailouts in the United Kingdom and the United States. *Politics and Society*, *42*(4), 427–454.
Culpepper, P. D., & Thelen, K. (2020). Are we all amazon primed? Consumers and the politics of platform power. *Comparative Political Studies*, *53*(2), 288–318.
Cuypers, I. R., & Martin, X. (2010). What makes and what does *not* make a real option? A study of equity shares in international joint ventures. *Journal of International Business Studies*, *41*(1), 47–69.
Davis, C. L. (2023). *Discriminatory clubs: The geopolitics of international organizations*. Princeton University Press.
De Mesquita, B. B., Morrow, J. D., Siverson, R. M., & Smith, A. (2004). Testing novel implications from the selectorate theory of war. *World Politics*, *56*(3), 363–388.
Delios, A., & Henisz, W. J. (2003). Political hazards, experience, and sequential entry strategies: The international expansion of Japanese firms, 1980–1998. *Strategic Management Journal*, *24*(11), 1153–1164.
Deudney, D., & Ikenberry, G. J. (1999). The nature and sources of liberal international order. *Review of International Studies*, *25*(2), 179–196.
Dixit, A., & Pindyck, R. S. (1994). *Investment under uncertainty*. Princeton University Press.
Doner, R. F., & Schneider, B. R. (2000). Business associations and economic development: Why some associations contribute more than others. *Business and Politics*, *2*(3), 261–288.
Dorobantu, S., Lindner, T., & Müllner, J. (2020). Political risk and alliance diversity: A two-stage model of partner selection in multipartner alliances. *Academy of Management Journal*, *63*(6), 1775–1806.
Duanmu, J.-L. (2014). State-owned MNCs and host country expropriation risk: The role of home state soft power and economic gunboat diplomacy. *Journal of International Business Studies*, *45*(8), 1044–1060.
Dunning, J. H. (1981). *International production and the multinational enterprise*. Routledge. https://doi.org/10.4324/9780203077818
Dunning, J. H., & Lundan, S. M. (2008). *Multinational enterprises and the global economy*. Edward Elgar Publishing.
Eden, L., Lenway, S., & Schuler, D. A. (2004). *From the obsolescing bargain to the political bargaining model*. Bush School Working Paper #403. The Bush School of Government & Public Service, Texas A&M University.
Egel, N., & Obermeier, N. (2023). A friend like me: The effect of international organization membership on state preferences. *The Journal of Politics*, *85*(1), 340–344.
Eichengreen, B. (2024). International finance and geopolitics. *Asian Economic Policy Review*, *19*(1), 84–100.
Elkins, Z., Guzman, A. T., & Simmons, B. A. (2006). Competing for capital: The diffusion of bilateral investment treaties, 1960–2000. *International Organization*, *60*(4), 811–846.
Enderwick, P. (2011). A 'China-plus-one' strategy: The best of both worlds? *Human Systems Management*, *30*(1–2), 85–96.
Fagre, N., & Wells, L. T., Jr. (1982). Bargaining power of multinationals and host governments. *Journal of International Business Studies*, *13*(2), 9–23.
Fearon, J. D. (1995). Rationalist explanations for war. *International Organization*, *49*(3), 379–414.
Gaddis, J. L. (2006). *The cold war: A new history*. Penguin.
GATT. (1994). *General agreement on tariffs and trade (GATT) 1994*. World Trade Organization. http://www.wto.org/english/res_e/publications_e/ai17_e/gatt1994_e.htm

Ghemawat, P. (2007). Managing differences: The central challenge of global strategy. *Harvard Business Review*, *85*(3), 58–68.
Gilpin, R. G. (1984). The richness of the tradition of political realism. *International Organization*, *38*(2), 287–304.
Gilpin, R. G. (2016). *The political economy of international relations*. Princeton University Press.
Glaser, C. L. (2010). *Rational theory of international politics: The logic of competition and cooperation*. Princeton University Press.
Godsell, D., Lel, U., & Miller, D. (2023). Us national security and de-globalization. *Journal of International Business Studies*, *54*(8), 1471–1494.
Gowa, J., & Mansfield, E. D. (1993). Power politics and international trade. *American Political Science Review*, *87*(2), 408–420.
Hamilton, A. (1913). *Report on manufactures*. US Government Printing Office.
Heckscher, E. F. (1994). *Mercantilism*. Routledge. (Reprint with corrections of the 1935 English edition. With a new introduction by Lars Magnusson. First published in English in 1935).
Henisz, W. J. (2000). The institutional environment for multinational investment. *Journal of Law, Economics, and Organization*, *16*(2), 334–364.
Henisz, W. J., Zelner, B. A., & Guillén, M. F. (2005). The worldwide diffusion of market-oriented infrastructure reform, 1977–1999. *American Sociological Review*, *70*(6), 871–897.
Hirschman, A. O. (1980). *National power and the structure of foreign trade* (Vol. 105). University of California Press.
Holburn, G. L., & Zelner, B. A. (2010). Political capabilities, policy risk, and international investment strategy: Evidence from the global electric power generation industry. *Strategic Management Journal*, *31*(12), 1290–1315.
Ingram, P., & Torfason, M. T. (2010). Organizing the in-between: The population dynamics of network-weaving organizations in the global interstate network. *Administrative Science Quarterly*, *55*(4), 577–605.
Jandhyala, S. (2025). *The great disruption: How geopolitics is changing companies, managers, and work*. Cambridge University Press.
Jervis, R. (1978). Cooperation under the security dilemma. *World Politics*, *30*(2), 167–214.
Johns, L., & Wellhausen, R. L. (2016). Under one roof: Supply chains and the protection of foreign investment. *American Political Science Review*, *110*(1), 31–51.
Kano, L., Tsang, E. W., & Yeung, H. W.-c. (2020). Global value chains: A review of the multi-disciplinary literature. *Journal of International Business Studies*, *51*(4), 577–622.
Kastner, S. L. (2007). When do conflicting political relations affect international trade? *Journal of Conflict Resolution*, *51*(4), 664–688.
Katic, I. V., & Hillman, A. (2023). Corporate political activity, reimagined: Revisiting the political marketplace. *Journal of Management*, *49*(6), 1911–1938.
Keohane, R. O. (1984). *After hegemony: Cooperation and discord in the world political economy*. Princeton University Press.
Keohane, R. O., & Nye, J. S. (1977). *Power and interdependence: World politics in transition*. Little, Brown and Company. (Chapters 1 and 3).
Kim, J. H., Kwak, J., & Park, H.-K. (2025). ESG as a nonmarket strategy to cope with geopolitical tension: Empirical evidence from multinationals' ESG performance. *Strategic Management Journal*, *46*(3), 693–722.
Kim, W. C., Hwang, P., & Burgers, W. P. (1993). Multinationals' diversification and the risk-return trade-off. *Strategic Management Journal*, *14*, 275–286.
King, M. R. (2015). Political bargaining and multinational bank bailouts. *Journal of International Business Studies*, *46*(2), 206–222.
Kjellén, R. (1916). *Staten som lifsform* (Vol. 3). Gebers.
Kobrin, S. J. (1979). Political risk: A review and reconsideration. *Journal of International Business Studies*, *10*(1), 67–80.
Kobrin, S. J. (1987). Testing the bargaining hypothesis in the manufacturing sector in developing countries. *International Organization*, *41*(4), 609–638.
Kogut, B. (1991). Joint ventures and the option to expand and acquire. *Management Science*, *37*(1), 19–33.
Kogut, B., & Kulatilaka, N. (1994). Operating flexibility, global manufacturing, and the option value of a multinational network. *Management Science*, *40*(1), 123–139.

Kogut, B., & Zander, U. (1992). Knowledge of the firm, combinative capabilities, and the replication of technology. *Organization Science*, *3*(3), 383–397.

Kogut, B., & Zander, U. (1993). Knowledge of the firm and the evolutionary theory of the multinational corporation. *Journal of International Business Studies*, *24*(4), 625–645.

Kostova, T. (1999). Transnational transfer of strategic organizational practices: A contextual perspective. *Academy of Management Review*, *24*(2), 308–324.

Kumaraswamy, A., Mudambi, R., Saranga, H., & Tripathy, A. (2012). Catch-up strategies in the Indian auto components industry: Domestic firms' responses to market liberalization. *Journal of International Business Studies*, *43*(4), 368–395.

Kupchan, C. A. (2010). *How enemies become friends: The sources of stable peace*. Princeton University Press.

Lake, D. A. (1996). Anarchy, hierarchy, and the variety of international relations. *International Organization*, *50*(1), 1–34.

Lake, D. A. (2011). Why "isms" are evil: Theory, epistemology, and academic sects as impediments to understanding and progress. *International Studies Quarterly*, *55*(2), 465–480.

Lake, D. A., Martin, L. L., & Risse, T. (2021). Challenges to the liberal order: Reflections on international organization. *International Organization*, *75*(2), 225–257.

Lee, J. M., Park, J. C., & Chen, G. (2023). A cognitive perspective on real options investment: CEO overconfidence. *Strategic Management Journal*, *44*(4), 1084–1110.

Lee, S.-H., & Makhija, M. (2009). The effect of domestic uncertainty on the real options value of international investments. *Journal of International Business Studies*, *40*, 405–420.

Li, C., Arikan, I., Shenkar, O., & Arikan, A. (2020). The impact of country-dyadic military conflicts on market reaction to cross-border acquisitions. *Journal of International Business Studies*, *51*(3), 299–325.

Li, J., Meyer, K. E., Zhang, H., & Ding, Y. (2018). Diplomatic and corporate networks: Bridges to foreign locations. *Journal of International Business Studies*, *49*(6), 659–683.

Li, J., Shapiro, D., Peng, M. W., & Ufimtseva, A. (2022). Corporate diplomacy in the age of US–China rivalry. *Academy of Management Perspectives*, *36*(4), 1007–1032.

Li, Q. (2006). Political violence and foreign direct investment. In *Regional economic integration* (Vol. 12, pp. 225–249). Emerald Group Publishing Limited.

Li, Q. (2009). Democracy, autocracy, and expropriation of foreign direct investment. *Comparative Political Studies*, *42*(8), 1098–1127.

Li, Q., & Vashchilko, T. (2010). Dyadic military conflict, security alliances, and bilateral FDI flows. *Journal of International Business Studies*, *41*(5), 765–782.

List, F. (1856). *National system of political economy*. JB Lippincott & Company.

Luo, Y., & Tung, R. L. (2007). International expansion of emerging market enterprises: A springboard perspective. *Journal of International Business Studies*, *38*(4), 481–498.

Luo, Y., & Van Assche, A. (2023). The rise of techno-geopolitical uncertainty: Implications of the United States chips and science act. *Journal of International Business Studies*, *54*, 1423–1440.

Mackinder, H. J. (2004). The geographical pivot of history (1904). *The Geographical Journal*, *170*(4), 298–321.

Maggi, G., & Morelli, M. (2006). Self-enforcing voting in international organizations. *American Economic Review*, *96*(4), 1137–1158.

Maitland, E., & Sammartino, A. (2015). Decision making and uncertainty: The role of heuristics and experience in assessing a politically hazardous environment. *Strategic Management Journal*, *36*(10), 1554–1578.

Malesky, E. J., & Mosley, L. (2018). Chains of love? Global production and the firm-level diffusion of labor standards. *American Journal of Political Science*, *62*(3), 712–728.

Maliniak, D., Oakes, A., Peterson, S., & Tierney, M. J. (2011). International relations in the us academy. *International Studies Quarterly*, *55*(2), 437–464.

Martinez, J. I., & Jarillo, J. C. (1989). The evolution of research on coordination mechanisms in multinational corporations. *Journal of International Business Studies*, *20*(3), 489–514.

McGrath, R. G. (1997). A real options logic of initiating technology positioning investments. *Academy of Management Review*, *22*(4), 974–996.

Mearsheimer, J. J. (2003). *The tragedy of great power politics* (updated edition). WW Norton & Company.

Miller, C. (2022). *Chip war: The fight for the world's most critical technology*. Scribner.

Milner, H. (1991). The assumption of anarchy in international relations theory: A critique. *Review of International Studies*, *17*(1), 67–85.

Moravcsik, A. (1997). Taking preferences seriously: A liberal theory of international politics. *International Organization*, *51*(4), 513–553.

Morgenthau, H. J. (1948). *Politics among nations* (2nd ed.). Knopf. Part I, Part II Ch. 1, Part III Ch. 6–7, Part IV Ch. 9.

Moschieri, C., & Campa, J. M. (2009). The European M&A industry: A market in the process of construction. *Academy of Management Perspectives*, *23*(4), 71–87.

Müllner, J., & Puck, J. (2018). Towards a holistic framework of MNE–state bargaining: A formal model and case-based analysis. *Journal of World Business*, *53*(1), 15–26.

Nebus, J., & Rufin, C. (2010). Extending the bargaining power model: Explaining bargaining outcomes among nations, MNEs, and NGOs. *Journal of International Business Studies*, *41*(6), 996–1015.

Oneal, J. R., & Russett, B. (1999). The Kantian peace: The pacific benefits of democracy, interdependence, and international organizations, 1885–1992. *World Politics*, *52*(1), 1–37.

Organski, A. F., & Kugler, J. (1980). *The war ledger*. University of Chicago Press.

Oriani, R., & Sobrero, M. (2008). Uncertainty and the market valuation of R&D within a real options logic. *Strategic Management Journal*, *29*, 343–361.

Pandya, S. S. (2014). Democratization and foreign direct investment liberalization, 1970–2000. *International Studies Quarterly*, *58*(3), 475–488.

Peng, M. W., Sun, S. L., Pinkham, B., & Chen, H. (2009). The institution-based view as a third leg for a strategy tripod. *Academy of Management Perspectives*, *23*(3), 63–81.

Pollins, B. M. (1989). Does trade still follow the flag? *American Political Science Review*, *83*(2), 465–480.

Powell, R. (1993). Guns, butter, and anarchy. *American Political Science Review*, *87*(1), 115–132.

Powell, R. (1994). Anarchy in international relations theory: The neorealist-neoliberal debate. *International Organization*, *48*(2), 313–344.

Powell, R. (2004). The inefficient use of power: Costly conflict with complete information. *American Political Science Review*, *98*(2), 231–241.

Rajwani, T., Lawton, T., & Phillips, N. (2015). The "voice of industry": Why management researchers should pay more attention to trade associations. *Strategic Organization*, *13*(3), 224–232.

Rangan, S. (1998). Do multinationals operate flexibly? *Journal of International Business Studies*, *29*(2), 217–237.

Rangan, S., & Sengul, M. (2009). The influence of macro structure on the foreign market performance of transnational firms: The value of igo connections, export dependence, and immigration links. *Administrative Science Quarterly*, *54*(2), 229–267.

Reuer, J. J., & Tong, T. W. (2005). Real options in international joint ventures. *Journal of Management*, *31*(3), 403–423.

Ricardo, D. (1817). *On the principles of political economy and taxation*. John Murray.

Richardson, L. F. (1960). In N. Rashevsky & E. Trucco (Eds.), *Arms and insecurity: A mathematical study of the causes and origins of war*. Boxwood Press.

Rosato, S. (2010). *Europe united: Power politics and the making of the European community*. Cornell University Press.

Salomon, R., & Wu, Z. (2012). Institutional distance and local isomorphism strategy. *Journal of International Business Studies*, *43*(4), 343–367.

Schuman, R. (1950). *The Schuman declaration*. European Union. https://european-union.europa.eu/principles-countries-history/history-eu/1945-59/schuman-declaration-may-1950_en

Sell, S. K. (2003). *Private power, public law: The globalization of intellectual property rights*. Cambridge University Press.

Sinani, E., & Zilja, F. (2025). International high-tech SMEs amid geopolitical pressures. *British Journal of Management*, *36*(2), 867–884.

Smith, A. (1776). *An inquiry into the nature and causes of the wealth of nations*. W. Strahan and T. Cadell.

Strange, S. (1996). *The retreat of the state: The diffusion of power in the world economy*. Cambridge University Press.

Strange, S. (2015). *States and markets*. Bloomsbury Publishing.

Subramanian, A., & Wei, S.-J. (2007). The WTO promotes trade, strongly but unevenly. *Journal of International Economics*, *72*(1), 151–175.

Sullivan, J. (2023). *Remarks on the Biden administration's international economic agenda*. Speech at the Brookings Institution. April 27, 2023, Washington, DC.

Tang, C. Y., & Tikoo, S. (1999). Operational flexibility and market valuation of earnings. *Strategic Management Journal*, *20*, 749–761.

Tong, T. W., & Reuer, J. J. (2007). Real options in multinational corporations: Organizational challenges and risk implications. *Journal of International Business Studies*, *38*, 215–230.

Tong, T. W., Reuer, J. J., & Peng, M. W. (2008). International joint ventures and the value of growth options. *Academy of Management Journal*, *51*(5), 1014–1029.

Trigeorgis, L. (1996). *Real options: Managerial flexibility and strategy in resource allocation*. MIT Press.

Van Assche, A., Pasha, A. A., Cernat, L., & Voss, H. (2024). From the editor—Governments as buyers: The international business implications of public procurement. *Journal of International Business Policy*, *7*(2), 133–146.

Vassolo, R. S., Anand, J., & Folta, T. B. (2004). Non-additivity in portfolios of exploration activities: A real options-based analysis of equity alliances in biotechnology. *Strategic Management Journal*, *25*, 1045–1061.

Vernon, R. (1971). Sovereignty at bay: The multinational spread of us enterprises. *The International Executive*, *13*(4), 1–3.

Waltz, K. N. (1979). *Theory of international politics*. Addison-Wesley.

Wang, D., Weiner, R. J., Li, Q., & Jandhyala, S. (2021). Leviathan as foreign investor: Geopolitics and sovereign wealth funds. *Journal of International Business Studies*, *52*(7), 1238–1255.

Wendt, A. (1992). Anarchy is what states make of it: The social construction of power politics. *International Organization*, *46*(2), 391–425.

Wendt, A. (1999). *Social theory of international politics* (Vol. 67). Cambridge University Press.

Witt, M. A. (2019). De-globalization: Theories, predictions, and opportunities for international business research. *Journal of International Business Studies*, *50*(7), 1053–1077.

Witt, M. A., Lewin, A. Y., Li, P. P., & Gaur, A. (2023). Decoupling in international business: Evidence, drivers, impact, and implications for IB research. *Journal of World Business*, *58*(1), 101399.

Wright, R. W. (1971). Is the multinational firm in danger?: The threat of nationalism. *Business Horizons*, *14*(2), 31–34.

Xu, D., & Shenkar, O. (2002). Note: Institutional distance and the multinational enterprise. *Academy of Management Review*, *27*(4), 608–618.

Yue, L. Q., Zheng, J., Mao, K., & Yang, T. (2026). Corporate endorsement of controversial nationalist movement: Influences of divergent customers and consequences. *Journal of Management*, *52*(2), 646–676.

How to cite this article: Blake, D. J., Jandhyala, S., & Li, Q. (2026). Geopolitics and global strategy: Making money under anarchy. *Global Strategy Journal*, 1–28. https://doi.org/10.1002/gsj.70022