

A new focus

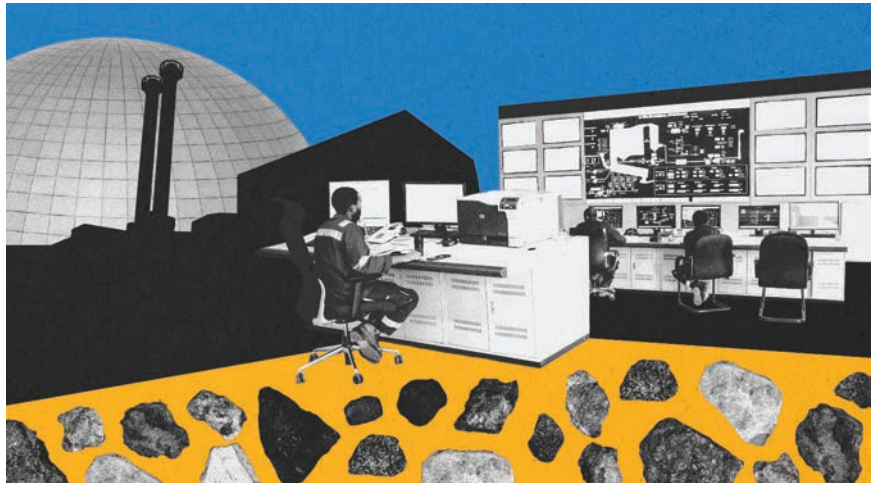
This is the beginning of a long-term, broad-based change in focus for policy-makers and analysts. The field of geoeconomics is all-encompassing, extending beyond international trade and national security. Controlling international payment networks and the dollar are geopolitical strengths for the US, yet nonaligned countries, having learned a lesson from sanctions on Russia, are creating alternative payment networks and finding ways to insulate themselves from a potential loss of access to the US-led financial system.

Countries are racing to lock down critical mineral assets across the world—sometimes competing with allies for resources. Future-defining technologies such as AI, quantum computing, and biotech are up for grabs and will continue to be subject to policy, both good and bad.

The change needed will not happen quickly. Redirecting supply chains and relocating production across countries will take decades. In the short term, changes in policy may cause prices to rise, cause some goods to become scarce, and require costly investments. These short-term costs exist, even if the long-term objective is worthwhile. The structure of US democracy creates further complications. Commitment to a long-term policy is difficult when a future administration can undo the policy of its predecessors, especially when the short-term costs accumulate.

A changing world has brought the trade-offs between economic efficiency and national security back to the forefront of political thought. A clear-eyed reappraisal of national security is welcome, but we must not abandon the economic principles that have made the US economy great, particularly free and competitive markets. Striking the right balance requires a continued effort from policymakers and the researchers who support them. **F&D**

KIM RUHL is the Curt and Sue Culver Chair of Economics at the University of Wisconsin-Madison and was a member of the White House Council of Economic Advisers from February 2025 until February 2026.



Africa in a Fractured World

Gedion Timothewos



Geopolitical rivalry is forcing a rethink of trade, investment, and security

Geopolitics is replacing globalization as the world’s governing philosophy. Economic decisions are increasingly subordinated to geopolitical calculations. Supply chains are rewired to optimize national security rather than economic efficiency. Trade and critical resources are weaponized.

The rules-based system of multilateral political and economic relations underpinned by a single hegemon has given way to fierce power-based rivalry and zero-sum competition. The competition is not just for global dominance among world powers but also among middle powers intent on carving out a sphere of influence that places their economic and security interests at the center of a regional order embedded in a broader and fragmented global order.

This context poses multiple challenges for sub-Saharan African countries. Official development assistance is declining, leaving a huge hole in the resources needed to finance development and social services. The uncertainty and anxiety associated with rising tensions and outright hostilities in various parts of the world are also harming investment and trade prospects.

The global political and economic order under which several Asian economies industrialized through outward-oriented export-led policies is no more. Sub-Saharan African countries that are trying to replicate the successes of the

COURTESY MINISTRY OF FOREIGN AFFAIRS, ETHIOPIA

Asian Tigers face a daunting challenge to attract investment. Even if they get their infrastructure, regulations, and policies right, securing foreign direct investment needed for sustained economic growth looks increasingly out of reach.

Resource competition

There is also a marked resurgence of interest in Africa's mineral resources and competition for critical minerals. A contest for control over logistics hubs and major trade routes is prompting global and middle powers to engage with sub-Saharan African countries aggressively and in a manner that undermines their sovereignty. Such competition between external actors is exacerbating conflicts on the continent.

The paralysis of the established world order also makes it more difficult to forge consensus on how such conflicts should be resolved. The multilateral peace-building playbook that gives the leadership of a singular powerful world hegemon and a host of regional and global multilateral organizations authority to work together to resolve conflict, deploy peacekeepers, and tend to the needs of those affected by conflict does not work anymore.

These days, the UN Security Council does not seem to agree on anything of substance. The global peace and security edifice built around this body is crumbling. The efficacy of the African Peace and Security Architecture, which was supposed to work in tandem with the global system, is coming into question.

The funds needed to finance peace-keeping missions and humanitarian agencies are not there anymore. Sub-Saharan African countries, which are under great economic strain, must therefore now pay for peace-keeping missions in neighboring countries and

for hosting refugees from those countries. These resources should go toward more productive endeavors.

African leverage

The emerging disorder requires and presents an opportunity for Africa to make an earnest effort to reform the existing system. The increased competition among global and rising middle powers also offers sub-Saharan African countries partnership choices. Used properly the resources that sub-Saharan African countries possess give them the leverage to craft partnerships or even temporary arrangements that could yield the capital, investment, and technology they need.

So the challenges we face present opportunities as well. But seizing these opportunities to secure arrangements with long-term benefits demands foresight and discipline. Transactional bilateral relations increasingly take center stage, leaving long-term institutionalized cooperation behind, but countries must pursue long-term strategies focused on core objectives, along with short-term flexibility.

Unless sub-Saharan African countries have a clear vision of what they want to achieve, what their long-term goals are, and what they need from each other and from the rest of the world to achieve them, meaningful long-term growth will be impossible.

Trade and investment

It is important, too, that sub-Saharan African countries boost trade and investment within the continent. With a booming population and rapid urbanization, African economies have huge potential for intra-African trade and investment. Technological advances such as artificial intelligence also offer new opportunities for growth and progress. Both trade under the African Continental Free Trade Area and technological innovations associated with AI require huge investment in infrastructure and energy. Better road, rail, and air links are needed to boost trade. Investment in fiber, connectivity, and energy infrastructure, coupled with a more intentional approach to the value of Africa's data resources, is essential.

African countries with the right policies and long-term perspective will be better positioned to take advantage of some of the opportunities that arise with the new geoeconomic realities. The familiar model that drove Asian prosperity is gone, and developing economies no longer enjoy the advantages it provided. The new development model is not clear and poses obvious challenges and difficulties. Nevertheless, there is hope for those who approach the new reality with agility and pragmatism.

Ethiopia's example

For more than a decade Ethiopia attempted to transform its economy and attain middle-income status by following in the footsteps of the Asian Tigers. Amid domestic and international shocks and upheavals, Ethiopia has adapted its model to emerging and evolving realities, diversified the pivots of economic growth, implemented bold economic reforms, and mobilized domestic resources. The result is clear: Despite multiple shocks and challenges, Ethiopia has sustained its growth momentum. Exports are expanding, agriculture transforming, cities flourishing, and the physical environment healing.

A critical feature of Ethiopia's approach is a focus on key growth pillars for sustainable development centered around renewable energy and emerging technologies. Africa's untapped potential in renewable energy, its young population, and rapid urbanization can unleash a wave of green industrialization if channeled properly with the right policies and investment.

With the right mix of policies, implemented with an experimental and adaptive mindset, Africa can turn this crisis into an opportunity. But it must learn from its modern history of division and substitute damaging competition with mutually beneficial collaboration. Our fates as African nations are intertwined; we suffer or prosper together; we sink or swim together. Division guarantees the former, unity the latter. **F&D**

GEDION TIMOTHEWOS is the foreign affairs minister of Ethiopia.

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