

TOOLS OF ECONOMIC STATECRAFT

MODULE CLUSTER

ECONOMIC STATECRAFT PROGRAM

GENERAL INFORMATION

DESCRIPTION

When crafting an effective economic statecraft policy, leaders have a variety of tools at their disposal, including, but not limited to, sanctions, trade agreements, currency manipulation, and foreign investment. But the underlying strategic logic of such tools is not always clear. This cluster begins by laying out a solid *strategic* foundation for thinking about the underlying logics behind these sorts of tools before turning attention to the specific types of economic channels states can use to conduct economic statecraft. To understand how economic statecraft is employed, students must develop a recognition of the tools of economic statecraft. By completing this cluster, students will gain an in-depth knowledge of several forms of economic statecraft tools as well as develop an analytical baseline for critically evaluating how a specific type of economic activity links back to national security.

This cluster is organized into three distinct modules. First, students will study economic statecraft that employs transactional logics by examining the theoretical and historical use of sanctions. Second, students will contrast these types of transactional causal logics of economic statecraft with transformative logics that seek not only compliance but a deeper redefinition of how target states think about their own interest. These two modules will provide students with the theoretical foundation to better understand how states use economics in a strategically instrumental way. In the third module, students will examine the three forms of international economic interaction: monetary, trade, and investment--the tools of economic statecraft.

PREREQUISITES

Students should have a familiarity with micro- and macro-economic concepts as well as international political economy. An understanding of comparative politics, comparative political economy, and international relations theory will also be of assistance to those taking this module.

EXPECTATIONS AND GOALS

By the end of this cluster, students should be able to do the following...

- Understand the differences between transactional and transformational economic strategic logics, and how states use both to advance their security interests abroad
- Effectively analyze how a state can employ economic power to advance their security interests
- Deploy various tools of economic power--specifically trade, investment, and monetary tools--to advance a state's security interests abroad.

READINGS

MODULE 1: TRANSACTIONAL ECONOMIC STATECRAFT

WEEK 1 *THE TRANSACTIONAL LOGIC OF ECONOMIC STATECRAFT* [157 PAGES]

This week will focus on the use of transactional economic statecraft. Transactional logics of economic statecraft focus on the use of economic incentives or punishments by a sender state in an effort to gain policy concessions. During this week, students will examine several theoretical perspectives, as well as a few case studies to gain insight into how transactional economic statecraft is employed and when it can be successful.

Newham, Randall. "Oil , Carrots, and Sticks: Russia's Energy Resources as a Foreign Policy," *Journal of Eurasian Studies* vol. 2 (2011), 134-143.

Blanchard, Jean-Marc F. and Norrin M. Ripsman. *Economic Statecraft and Foreign Policy: Sanctions, Incentives, and Target State Calculations*. (New York: Routledge, 2013), 37-49, 113-134

Nephew, Richard. *The Art of Sanctions: A View from the Field*. (New York: Columbia University Press, 2018), 17-78

Drezner, Daniel W. *The Sanctions Paradox: Economic Statecraft and International Relations*. (Cambridge: Cambridge University Press, 1999), 1-24

Nincic, Mirsolav. *The Logic of Positive Engagement*. (New York: Cornell University Press, 2011), 58-90

MODULE 2: TRANSFORMATIONAL ECONOMIC STATECRAFT

WEEK 2: *THE TRANSFORMATIONAL LOGIC OF ECONOMIC STATECRAFT* [144 PAGES]

Transformational economic statecraft logics are quite distinct from the transactional approaches to economic statecraft discussed in the previous module. Transformational strategies leverage economic links to reshape the target state's definition and views of what is in its own best interests. This week, students will examine a variety of cases of transformational economic statecraft to study how states can shape the interests of target states. After this week, students will be able to craft and implement transformational economic statecraft policies. Students should also be able to compare and contrast transformational as opposed to transactional logics of economic statecraft.

Nincic, Mirsolav. *The Logic of Positive Engagement*. (New York: Cornell University Press, 2011), 58-90

Early, Brian R. *Busted Sanctions: Explaining Why Economic Sanctions Fail*. (Stanford: Stanford University Press, 2015), 57-88.

Norris, William J. *Chinese Economic Statecraft: Commercial Actors, Grand Strategy, and State Control*. (Ithaca: Cornell University Press, 2016), 131-162

Kahler, Miles and Scott Kastner. "Strategic Uses of Economic Interdependence: Engagement Policies on the Korean Peninsula and Across the Taiwan Strait," *Journal of Peace Research* vol. 43 no. 5 (September 2006), 523-541

Han, Yong-Sup. "The Sunshine Policy and Security on the Korean Peninsula: A Critical Assessment and Prospectus," *Asian Perspective* vol. 26 no. 3 (2002), 37-69.

Lawrence, Christopher. "Normalization by Other Means: Technological Infrastructure and Political Commitment in the North Korean Nuclear Crisis," *International Security* vol. 45 no. 1 (Summer 2020), 9-50.

MODULE 3: TOOLS OF ECONOMIC STATECRAFT

WEEK 3: TRADE TOOLS OF ECONOMIC STATECRAFT [147 PAGES]

Trade is the cross-national movement of goods and services. Access to markets (or exclusion from markets) can be used according to transactional logics of economic statecraft. But, trade can also be used in transformative ways when there is deep integration between economies or when new domestic constituencies are created from the repeated trade patterns. Students will examine a variety of trade tools and how they can be used to advance the security interests of a state.

Copeland, Dale C. "Economic Interdependence and War: A Theory of Trade Expectations," *International Security* vol. 20 no. 4 (Spring 1996), 5-41

Kastner, Scott L. "Buying Influence? Assessing the Political Effects of China's International Trade," *Journal of Conflict Resolution* vol. 60 no. 6 (2016), 980-1007

Hirschman, Albert. *National Power and the Structure of Foreign Trade*. (Berkeley: University of California Press, 1945), 13-52

Mastanduno, Michael. "Trade as a Strategic Weapon: American and Alliance Export Control Policy in the Early Postwar Period." *International Organization* vol. 42 no. 1 (Winter 1988), 121-150.

Vinod Aggarwal and Kristi Govella, "Trade Linkages to Traditional and Non-Traditional Security: Lessons and Prospectus," Chapter 11 in Vinod Aggarwal and Kristi Govella, *Linking Trade and Security: Evolving Institutions and Strategies in Asia, Europe, and the United States*, (New York: Springer, 2013), 223-244.

WEEK 4: INVESTMENT TOOLS OF ECONOMIC STATECRAFT (136 PAGES)

Investment can also be used as a political act meant to coerce, reward, or incentivize change within a target country. During this week, students will engage with works on foreign investment flows and how they impact a state's capabilities. Following this week, students will be able to clearly articulate how investment flows between countries can be used as tools of economic statecraft and how to defend against such investment strategies.

Pardo, Ramon Pacheco. "Europes' Financial Security and Chinese Economic Statecraft: The Case of the Belt and Road Initiative." *Asia Europe Journal* vol. 2018 no. 16 (2018), 237-250.

Jensen, Nathan, and Glen Biglaiser. *Politics and Foreign Direct Investment*. (Ann Arbor: University of Michigan Press, 2012), 1-52, 115-146

Quan Li, "Foreign Direct Investment and Interstate Military Conflict," *Journal of International Affairs* vol. 62 no. 1 (Fall/Winter 2008), 53-66

Pandya, Sonal S. "Political Economy of Foreign Direct Investment: Globalized Production in the 20th Century," *Annual Review of Political Science* vol. 19 (2016), 455-475

Koleski, Katherine, and Blivas, Alec. *China's Engagement with Latin America and the Caribbean*. U.S.-China Economic and Security Review Commission. 2018. pp. 7-15.

<https://www.uscc.gov/sites/default/files/Research/China%27s%20Engagement%20with%20Latin%20America%20and%20the%20Caribbean>

WEEK 5: *MONETARY ECONOMIC STATECRAFT* (169 PAGES)

Monetary forms of economic interaction often involve currencies, central banks, and macroeconomic policy decisions. How can states leverage their monetary power to influence the policies of other states? Monetary power can be used in transactional ways to coerce or bribe a target into compliance or it can be used in a transformative capacity. This week will focus on providing students with an understanding of how states can manipulate their monetary power in order to advance their security interests abroad.

Kirshner, Jonathan. *Currency and Coercion: The Political Economy of Monetary Power*. (Princeton: Princeton University Press), 3-44.

Cohen, Benjamin J. *Currency Statecraft: Monetary Rivalry and Geopolitical Ambition*. (Chicago: Chicago University Press, 2019), 44-64

Strange, Susan. *The Retreat of the State: The Diffusion of Power in the World Economy*. (Cambridge: Cambridge University Press, 1996), 16-30

Steil, Benn and Robert E. Litan. *Financial Statecraft: The Role of Financial Markets in American Foreign Policy*. (New Haven: Yale University Press, 2006), 11-30; 134-158

Crespo, Ricardo. "Currency Warfare and Just War: The Ethics of Targeting Currencies in Warfare." *The Journal of Military Ethics* vol. 19 no. 1 (2020), 2-19.

Moure, Kenneth. "Spearhead Currency: Monetary Sovereignty and the Liberation of France." *The International History Review* vol. 42 no. 2 (2020), 278-297.

Crespo, Ricardo. "Currency Warfare and Cyber Warfare: The Emerging Currency Battlefield of the 21st Century." *Comparative Strategy* vol. 37 no. 3 (2018), 235-250