**ECONOMIC DIPLOMACY AND STATECRAFT**

**Working Syllabus**

**Colloquium Course**

**Spring 2014**

**Overview**

This course is a creative response in recognition of the changing world that defines how power and influence will be exercised across the globe in the 21st century. Economic Diplomacy reaches well beyond trade and commercial integration: environmental issues, security (consider tensions in the South China Sea), hot conflicts (such as Egypt, Tunisia), immigration (US-Mexico), and human security (food, energy, control of Big Data). Economic statecraft and the diplomacy to resolve conflict across the growing swath of transnational economic issues will dominate global attention for the foreseeable future.

This Colloquium Course is structured to bring to MIIS national and international experts in the practice of Economic Statecraft; individuals who will be making fundamental contributions to the policies that will be the basis for American economic statecraft for the next half-decade.

**NOTE**: The Course as proposed will coordinate with the Trade Club conference on U.S.-China Trade in Agriculture. Course time will be filled with attendance at the conference. At the same time, it is possible that a number of these sessions can be grouped into another workshop/conference format to bring speakers together at one time for presentations-discussions and working sessions with students.

**Requirements:**

Each 4-credit student will be responsible for:

1. Attending and participating in all lectures (unless impossible and professor alerted before class)
2. Submitting 3 written questions to the professor by 12:00 p.m. each day of a lecture.
3. A Research Paper:
   1. A case study on economic statecraft. This project will be in written form. It will cover in depth an event in which economic or commercial diplomacy as used to exercise power. It can focus on a state, a non-state actor, or a situation in which parties have used economic diplomacy to achieve a desired outcome.
   2. Theoretical or empirical analysis of applied tools of economic diplomacy.
4. Preparing one-page essays as assigned.

Each 2-credit student will be responsible for: #1, #2 and #4 above and

**Grading:** Based 70% on written work and 30% on overall classroom participation.

*See end of syllabus for grading guidelines*

**Book:**

*The New Economic Diplomacy: Decisions Making and Negotiation in International Economic Relationships,* N. Bayne and S. Woolcock, Ashgate Press, 2011. (hereafter “*NED”)* [This is a vey good book, but it is an expensive one. It is available in the library and the selected readings will be posted on iLearn.]

**TOPICS**

**Economic Statecraft**

**1) January 27: The Global Economy and The Economic Imperative**

* Introduction to the Course
* History of Economic Statecraft
  + What is it? How does it work?
  + How has it been practiced in “West”?
  + What is different now?
  + Is it a different animal entirely in Latin America? Africa? Asia?
* Post-cold war foreign policy: the changing nature of power
  + How is economic power created and used?
* Economic relations in a multipolar world: From whence and to where?
* The nature of trade relations and trade institutions since 1990.

Speaker: Prof Robert A. Rogowsky, MIIS

Readings:

* Chester Crocker, “The Art of Peace: Bringing Diplomacy Back to Washington,” *Foreign Affairs*, July/August 2007, Pages 160-168,
* David Baldwin, “Techniques of Statecraft,” Ch 2 and “What is Economic Statecraft?” *Economic Statecraft,* (1985)
* Hillary Clinton, “Economic Statecraft,” at: <http://www.state.gov/secretary/rm/2011/10/175552.htm>

**2) February 3: Economic Sanctions**

* Playing Economic Hardball
* Do they work? How do we measure it?
* If not, why not? What is the alternative?
* If they do, when, where, why, and how?

Speaker: Professor Evan Hillebrand, Patterson School of Diplomacy and International Commerce, University of Kentucky

Readings:

* Evan Hillebrand and Jeremy Bervoets, “Economic Sanctions and The Sanctions Paradox: A Post-Sample Validation of Daniel Drezner’s Conflict Expectations Model,” University of Kentucky March 1, 2013.
* Bayne & Woolcock, “What is Economic Diplomacy?” Ch. 1, *NED*
* Moyara Rhuesen, “The Fallacy of Sanctions,” *Middle East Insight,* (2002)
* Hillary Clinton, “Delivering on the Promise of Economic Statecraft,” at: <http://www.state.gov/secretary/20092013clinton/rm/2012/11/200664.htm>
* Matthew Goodman, “Crafting Economic Strategy,” CSIS, at: <http://csis.org/publication/global-economics-update-crafting-economic-strategy>

**3) February 6: Economic Diplomacy and Tradecraft in the Global Trading System**

* What is the Global Trading System and What Will It Look Like in 2025?
* How does the U.S. play in a G-20 System?
* How does the Private Sector fit into the System?
* How Will The Exercise Of Economic Statecraft Change?

Speakers: Rufus Yerxa and Demetrios Marantos (former Deputy Director General, WTO; and former Deputy USTR; respectively)

Readings:

* T. Selmeir and Chang Hoon Oh, “Economic Diplomacy and International Trade: ASEAN’s Quest to Value-Claim,” *The World Economy,* 2013.
* Stephen Krasner, “State Power and the Structure of International Trade,” *World Politics,* Volume 28, No. 3, April 1976, <http://www.jstor.org/action/showPublication?journalCode=worldpolitics>
* Craig VanGrasstek, Chapter 9, “Foreign Policy and the Re-Politicization of Trade,” and
* Chapter 11, “Conclusions and Speculations,” *Dereliction of Duty,* unpublished manuscript, 2012. (posted)

**4) February 10: Financial Statecraft: Case Study of Iran**

* WMD and the Application of Economic Power
* The Non-Proliferation Imperative
* Applying Financial and Economic Sanctions
* Building an effective Coalition

Speaker: Sean Thornton, Former Counsel, Office of Foreign Asset Control (OFAC), Dept of Treasury, [from Washington via videoconference] and Prof Moyara Ruehsen, MIIS.

Readings:

* Andrew Cockburn, “A Very Imperfect Instrument: The Ferocity and Failure of American’s Sanction Apparatus,” *Harper’s Magazine,* September 2013.
* Daniel Drezner, “Sanctions Sometimes Smart: Targeted Sanctions in Theory and Practice,” *International Studies Review,* vol. 13, 2011.
* Robert Jervis, “Getting to Yes with Iran: The Challenges of Coercive Diplomacy,” *Foreign Affairs,* Vol. 92, Jan/Feb 2013.
* Bryan Early, “Unmasking the Black Knights: Sanctions Busters and Their Effects on the Success of Economic Sanctions,” *Foreign Policy Analysis,* vol. 7, 2011.
* Moyara Ruehsen, “Tracing Al-Queda’s Money,” *Middle East Insights,* Jan-Feb, 2002.
* Dames & Moore v. Regan, Secretary of Treasury, 453 US 654. [Supreme Court decision on Iran Sanctions. It is a valuable read *en toto*, but you can start at p. 663]

**Economic Statecraft and Power in a Multi-polar World**

**5) February 17 Economic Diplomacy: A Private Sector Perspective**

* Working in a global marketplace
* Dealing with domestic policies in an international market
* Trade agreements and the rules of the international system
* Standards, trade facilitation, and global value-chains
* Corporate values, social responsibility and sustainable development

Speakers: Ann Rollins, Apple, Inc., Jennifer Sanford, Cisco, Inc., Michael Nunes, Boeing Corp.

Readings:

* John Hagell, et. al., “Shaping Strategy in a World of Constant Change,” *HBS,* 2008.
* “Cisco Goes To China: Routing an Emerging Economy” HBS Case
* Andre Dua et. al., “Why Good Companies Create Bad Regulatory Strategies,” *McKinsey Quarterly,* June 2011.
* “Can Business Really Do Business with Government?” by Stephen Goldsmith, HBC,
* “Managing Government Relations for the Future,” *McKinsey Global Survey.* 2011.
* Craig VanGrasstek, Chapter 5, “A Case Study in a Globalizing Industry: US-Japan Automotive Trade Relations under Reagan and Obama,” *Dereliction of Duty,* unpublished manuscript, 2012.

**6) February 24: Economic Diplomacy in Practice**

* The Role, Scope and Mechanics of Economic Diplomacy
* Commercial Diplomacy and Conflict Resolution

Speaker: Skip Jones, Deputy Assistant Secretary for Trade Agreements and Compliance,

Department of Commerce

Readings:

* Michel Kostecki and Oliver Naray, Commercial Diplomacy and International Business,” *Discussion Papers in Diplomacy,* (2007)

1. Geza Feketekuty, Chapter 1 and 2, *Policy Development and Negotiations in International Trade:* *A* Practical *Guide to Effective Commercial Diplomacy,* (2013).

* Kishan Rana, “Serving the Private Sector: India’s Experience in Context,” *The New Economic Diplomacy,”* (2011)
* Philip Stephens, “Diplomacy Works, But it Cannot Defuse Every Threat, ”*The Financial Times*, May 7, 2009, <http://www.ft.com/cms/s/0/34115604-3b31-11de-ba91-00144feabdc0.html>
* Testimony of Under Secretary for International Trade Francisco J. Sánchez Before the Senate Committee on Foreign Relations Subcommittee on African Affairs:  “Economic Statecraft: Increasing American Jobs through  Greater U.S.-Africa Trade and Investment”   July 25, 2012 At: <http://trade.gov/press/testimony/2012/sanchez-072512.asp>
* Michael C. Camunez, Assistant Sec of Commerce, Market Access and Compliance, “The Partnership to Defeat Trade Barriers: The Critical Role of the Trade Agreements Compliance Program,” October 17, 2012, at: <http://trade.gov/press/speeches/2012/camunez-101712.asp>
* Michael C. Camunez, Assistant Sec of Commerce, Market Access and Compliance, Building Bridges Across the Standards Ecosystem American National Standards Institute  Monday, October 9, 2012 at: <http://trade.gov/press/speeches/2012/camunez-100912.asp>

**America’s Economic Statecraft**

**7) March 3 America “Playing Better Offense”**

* What is a ’better offense’?
* Can the U.S. play global cop, and with what tools?
* How can it be implemented in a world that is changing so rapidly?
* Is D.C. equipped politically and institutionally to design and implement a better offense?
* How does a better offense include States?
* How do we build better capacity for commercial diplomacy?

Invited Speaker: Matthew Goodman, Center for Strategic and International Studies; former advisor to Sec. Hillary Clinton and Barak Obama.

Readings:

* Juan Zarate, “Can We Adapt to the Changing Nature of Power in the 21t Century?” *Global Forecast*, 2014.
* Barry Posen, “The Case for a Less Activist Foreign Policy,” *Foreign Affairs,* Vol. 92, Jan/Feb 2013.
* Stephen Brooks, et. al., “In Defense of American Engagement,” *Foreign Affairs,* Vol. 92, Jan/Feb 2013.
* Daniel Drezner, “Rebooting Republican Foreign Policy,” *Foreign Affairs,* Vol. 92, Jan/Feb 2013.

**Emerging Powers and Economic Statecraft**

**8) March 10 China’s Economic Diplomacy**

* How is China engaging the World?
* Hard power vs Soft Power 🡪 Chinese Smart Power
* How is China’s power being felt?
* Is there a “Beijing consensus?”

Speaker: Don Lewis, (Stanford Law School/MIIS)

Readings:

* Stephen S. Roach, “The Next America Meets the Next China,” *Yale Journal of International Affairs,”* Winter, 2013.
* Deborah Bräutigam and Tang Xiaoyang, “Economic statecraft in China’s new overseas special economic zones: soft power, business or resource security?” *Int’l Affairs,* (2012)
* James Reilly, “China’s Economic Statecraft: Turning Wealth into Power,” Lowy Institute for International Policy, November 2013.
* Gagnon, Joseph E. "Currency Manipulation: It's Not Just China." *Peterson Institute of International Economics*. N.p., 17 July 2012. Web. 23 May 2013. http://www.iie.com/publications/interviews/pp20120717gagnon.pdf.
* Stephanie Kleine-Ahlbrandt, USIP, Opinion: From Japan to the U.S., China embarks on a bolder foreign policy”, Sun November 24, 2013; at: <http://www.cnn.com/2013/11/24/opinion/china-foreign-policy/index.html?c=&page=3>

**March 17 *SPRING* *BREAK***

**9) March 24 Russian Power Diplomacy and Eurasian Integration**

* The shift from G-8 to G-20 and the Nature of Statecraft
* The Exercise of Economic Power in Eurasia
* Strategic Economic (Industrial) Policy and Emerging Power
* Energy Statecraft and Western and Central European Relations

Speakers: Steve Pifer, Director, Arms Control and Non-Proliferation Initiative, Brookings Inst., Mike Gillen (MIIS), Russ Howard, (Director, MonTREP)

Readings:

* Steven Pifer, “Why Did the Ukraine’s Yanukovich Give in to Russian Pressure at EU Deal?” At: <http://www.brookings.edu/research/interviews/2013/12/02-ukraine-yanukovych-russian-pressure-eu-deal-pifer>
* Page Siplon, Assessing Atlanta’s Position in Global Commerce, December 2, 2013, at: <http://www.brookings.edu/blogs/the-avenue/posts/2013/12/02-atlanta-global-commerce-siplon>
* Ukraine heads for clash with Russia over EU deal, at: <http://www.eubusiness.com/news-eu/ukraine-russia.qne>
* Posts at: <http://www.eeas.europa.eu/ukraine/>
* Dina Rome Spechler, “During the Putin Presidency: The Impact of Competing Approaches,” *Problems of Post-Communism*, vol. 57, no. 5, September/October 2010, pp. 35–50.
* John Berryman, “The Geopolitics and Russian foreign policy*,” International Politics* Vol. 49, 4, 2012
* Oistein Harsem and Dag H. Claes, “The Interdependence of European-Russian Energy Relations,” *Energy Policy,* vol. vol. 59, 2013.

**Economic Statecraft and Looming Global Problems**

**10) March 31 The Impact of the Financial Crisis on Global Economic Relations**

* The etiology of the crisis
* The nature of global vulnerability
* The political economy of creating a new financial architecture
* What is the nature and scope of power in the new financial order?

Speaker: Dr. Shusong Ba, Deputy Director General of Financial Research Institute at the State Council of China, and Chief Economist of China Banking Association. Currently Senior Visiting Scholar at the Columbia Business School

Readings:

* Barry Eichengreen, “Mr. Bernanke Goes to War”, in The National Interest, Jan-Feb, 2011 (YLE) (or go to [www.nationalinterest.org](http://www.nationalinterest.org)).
* Roger Altman, “The Fall and Rise of the West: Why America and Europe will Emerge Stronger from the Financial Crisis.” *Foreign Affairs,* Vol. 92, Jan/Feb 2013.
* Brad DeLong and Stephen Cohen, Chapters 1 and 2 from The End of Influence
* Drezner, “Bad Debts: Assessing China’s Financial Influence in Great Power Politics”, International Security, 34(2), Fall 2009, pp 7-45
* Steil and Litan, Ch 4, “Capital Market Sanctions”, pp 48-78
* Benjamin Cohen, “The International Monetary System: Diffusion and Ambiguity,” *International Affairs:* vol 84, No, 3, (2008).

**11-12) April 4 US-China Agriculture Trade and Diplomacy**

*This section of the course will be conducted within the Trade Club Conference- US-China Trade in Agriculture*

**13) April 14 Economic Diplomacy in a New Sustainable Development**

**Paradigm**

* How are the roles of government and the private sector shifting on economic development and what does that mean for economic statecraft (and the future of business/government relations)?
* What is sustainable development (USG and corporate case studies: Power Africa, MCC in Ghana, IBM in Africa, Chevron in Nigeria)
* [if needed - What is the trade and development nexus and how could it be strengthened? (Case studies: AGOA, Africa Trade Hubs, CAFTA/DR, TPP)].
* Can sustainability influence the power agenda?
* Can economic power influence the sustainability agenda?
* Washington consensus versus Beijing Consensus and the future of Africa
* Can moral suasion be a powerful force in a competitive world?
* How can economic power be a force for long-range sustainable policies?

Invited Speakers: Jeri Jensen, (MCC/USTR/DOC); Business Driven Development), Dennis Flemming (Chevron); Tim Docking (IBM)

Readings:

* President’s U.S. Global Development Strategy, <http://www.whitehouse.gov/the-press-office/2010/09/22/fact-sheet-us-global-development-policy>
* USAID Administrator Raj Shah Speech on Enlightened Capitalism, <http://www.usaid.gov/news-information/speeches/remarks-usaid-administrator-dr-rajiv-shah-usaid-public-private-partnership>.
* The Power Africa initiative, <http://www.usaid.gov/powerafrica>.
* Chevron’s Niger Delta Partnership Initiative, <http://ndpifoundation.org>.
* CSIS Executive Council on U.S. Leadership in Development, Our Shared Opportunity: A Vision for Global Prosperity, CSIS, March, 2013
* Toward A New Paradigm of Sustainable Development, CSIS, September, 2013.
* What is shared value? http://www.hks.harvard.edu/m-rcbg/fellows/N\_Lovegrove\_Study\_Group/Session\_1/Michael\_Porter\_Creating\_Shared\_Value.pdf

**14) April 18: Economic Diplomacy and Global Governance in a Multi-polar**

**World**

* What is Governance in a G-Zero World?
* What is economic ‘hard’ power? Does it work? When and How?
* Is ‘soft power’ different in a world dominated by economic interests?
* Can cooperation emerge from economic competition?
* The growing impact of Non-State Actors

Speaker: Francis Fukuyama, Olivier Nomellini Senior Fellow at the Freeman Spogli Institute for International Studies (FSI), and a resident in FSI's Center on Democracy, Development, and the Rule of Law

* Francis Fukuyama, “What is Governance?” *Working Paper,* Center for Global Development, January 2013.

**15) April 25 or May 2 Climate Change and Economic Diplomacy**

* Can sustainability influence the power agenda?
* Can economic power influence the sustainability agenda?
* Can moral suasion be a powerful force in a competitive world?
* How can economic power be a force for long-range sustainable policies?

Invited Speakers: Bruce McKibbons, Author of *Eaarth* and Scholar-in-Residence, Middlebury College; Jason Scorse, Director, Center for the Blue Economy, MIIS

Readings:

* Thomas Christensen, “Governments and Climate Change: The United Nation’s Negotiating Process,” Ch. 17, *The New Economic Diplomacy*, 2011.
* World Economic Forum, From Collision to Vision: Climate Change and World Trade, (2010). At: http://www3.weforum.org/docs/WEF\_ClimateChange\_WorldTradeDiscussionPaper\_2010. Pdf
* Fernandez, et al., When Should Countries Announce their Climate Policy, Working Paper, IADB, Dec 2011. At: http://www.iadb.org/en/research-and-data/publication- details,3169.html?displaytype=&pub\_id=IDB%2DWP%2D281
* A. Subramarian and A. Mattoo, “Equity Change and Climate Change: An Analytical Overview,” Policy Research Working Paper Series, # 5383 (2010). At: http://ideas.repec.org/p/wbk/wbrwps/5383.html

**16) April 28: The Economic Diplomacy Applied: 2014**

* How does the real world work today? 2020?
* Who makes it work and how can it be made to work better?
* What are the vulnerabilities and the strengths?

Speaker: Gary Horlick, International Trade Lawyer, (Ranked #1 in 2013) and Adjunct

Professor of Trade Law, Georgetown University Law Center.

Readings:

* TBD

***Graduate Paper Grading Standards***

A:

An outstanding paper. Well-written with the truly insightful and original argument. Ample evidence of serious thought and analysis, as well as thorough coverage of the literature.

A-:

A very good paper written in a clear style. The argument is interesting and generally sound, but not as original or insightful as an A paper. Evidence of a very good knowledge of the literature.

B+:

A good paper with a reasonably clear argument. The ideas are not particularly original, but there are some interesting points. Coverage of the literature is fair, but more research would have been desirable.

B:

A competent paper, but with an argument that is not as well-structured as it should be. A few interesting ideas, but the paper could have been improved with more thought, organization, and imagination. Coverage of the literature and analysis of the major ideas are acceptable, but serious improvement on both fronts is needed.

B- to F:

Papers on lesser to wholly unacceptable quality, with problems of both structure and content ranging from serious to catastrophic.

**Evaluation Standards for Graduate Class Participation**

General Note: An assessment will be made at the end of each class. At the end of the semester the daily assessments will be aggregated to derive a numerical weight for class participation. The daily assessment is based on a 5-point system, applied thus:

**5 points:** A catalytic contribution to the discussion. Insightful ideas based on the readings, past learning and life experiences. Contributions are both inquisitive and informative, and contribute to the dialogue in a way that pushes critical thinking and encourages others to contribute.

**4 points:** A substantial contribution to the conversation that demonstrates both an understanding of the material and how it fits into a broader context. Contributions help tie issues under discussion to broader issues relevant to the topic.

**3 points:** Participates with curiosity and demonstrates a basic knowledge of the material and readings. Offers helpful contributions and relevant to the discussion.

**2 points:** Demonstrates mild curiosity about the subject matter. Demonstrates vague awareness of the assigned readings and how they relate to the subject.

**1 point:** In the space program-- come to class, take up space.

**0 points:** Absent (w/o pre-arranged absence.)