

Economic Statecraft & Weaponized Interdependence

Taught by Prof. Amrita Narlikar

Online Block Seminar: MA Programme

May-July 2020

OVERVIEW

This course investigates the use of economic policy for security purposes. It provides you with an introduction to some of the latest debates in the field, including the concept of Weaponized Interdependence. Together we will study related theoretical concepts, as well as specific instruments applied in economic statecraft. Empirical cases will include the use of geoeconomics by the US (Trump's trade wars), China (BRI), and the handling of pandemics (like Coronavirus) in recent times. We will further investigate the role of other players – and especially members of the global south – in these endeavours, not only as “victims” caught up in great power games but also as actors with agency. Finally, we will explore the systemic effects of these trends, and the role of multilateral institutions in shaping such practices and coping with them. This course will help enable you to assess some of the opportunities and risks associated with asymmetric interdependence, and encourage some out-of-the-box thinking on policy impact and possible solutions.

Besides the readings below, it will be to your considerable advantage if you also keep yourself up to date with the latest developments using reliable sources, including broadsheets and news magazines like the *Financial Times*, *Guardian*, *Economist*, *FAZ*, *Tagesspiegel* etc. Remember though that such current affairs' sources are not a substitute for academic reading materials.

It is important to bear in mind that the course is cumulative, and individual topics feed into each other and reinforce each other. So please feel free to draw on your knowledge from one and apply it to the other, whenever relevant.

Any questions, just ask. Chances are if you did not understand something, others might not have done so either. Make sure you do the preparation, share any additional interesting sources you find with all of us in the class, and enjoy the academic exchange!

Amidst these tough times of the pandemic, we will do our best to make these online sessions stimulating and accessible. Many of the reading materials will be provided in advance. Further instructions via the university's information system.

COURSE OUTLINE AND READINGS

1. Contexts and Concepts

Themes for Class Discussion:

- 1) *Concepts* of economic statecraft, geoeconomics and Weaponized Interdependence (plus differences among them).
- 2) How has the *practice* of economic statecraft been changing, and what explains these changes?

Baldwin, David. 1985. *Economic Statecraft*. New Jersey: Princeton University Press. Especially chapters 3 & 11.

Luttwak, Edward N. 1990. 'From Geopolitics to Geo-Economics: Logic of Conflict, Grammar of Commerce.' *The National Interest*. No. 20, Summer. Pp. 17-23.

Drezner, Daniel. 1999. *The Sanctions Paradox: Economic Statecraft and International Relations*. Cambridge: Cambridge University Press. Especially chapters 1 & 9.

Drezner, Daniel. 2001. 'Outside the box: Explaining sanctions in pursuit of foreign economic goals.' *International Interactions*. 26: 4. Pp. 379-410.

Farrell, Henry and Abraham Newman. 2019. 'Weaponized Interdependence: How Global Economic Networks Shape Global Coercion.' *International Security*. 44: 1. Summer. Pp. 42-79.

Wright, Thomas. 2013. 'Sifting through Interdependence.' *The Washington Quarterly*. 36:4. Pp. 7-23.

Hillman, Jonathan. 2019. *Influence and Infrastructure: The Strategic Stakes of Foreign Projects*. Centre for Strategic and International Studies. January. <https://www.csis.org/analysis/influence-and-infrastructure-strategic-stakes-foreign-projects> .

Roberts, Anthea, Henrique Choer Moraes, Henrique and Victor Ferguson. 2019. 'Toward a Geoeconomic Order.'. *Journal of International Economic Law* 22: 4 (2019), p. 655-676.

Farrell, Henry and Abraham Newman. 2020. 'Will the Coronavirus end globalization as we know it?' *Foreign Affairs*. 16 March.

2. Instruments and strategies

Themes for Class Discussion:

- 1) Overview of various instruments and strategies of economic statecraft (including sanctions)
- 2) The changing politics of specific instruments (including conditions for efficacy, limitations, risks) with reference to
 - trade & aid
 - finance & energy
 - cyberspace & information.

World Economic Forum. 2016. *The Age of Economic Coercion: How Geo-politics is Disrupting Supply Chains, Financial Systems, Energy Markets, Trade and the Internet*. White Paper. http://www3.weforum.org/docs/WEF_Age_of_Economic_coercion.pdf .

- Baldwin, David. 1985. *Economic Statecraft*. New Jersey: Princeton University Press. Chapter 7, 9 & 10 (on trade and aid).
- Gowa, Joanne. 1989. 'Bipolarity, Multipolarity, and Free Trade.' *American Political Science Review*. 83: 4. Pp. 1245–1256.
- Drezner, Daniel. 2015. 'Targeted Sanctions in a world of global finance.' *International Interactions*. 41-4. Pp. 755-764.
- Colgan, Jeff. 2013. 'Fueling the Fire: Pathways from Oil to War.' *International Security*. 38: 2. Pp. 147-180.
- Cortright, David and George Lopez. 2000. 'Learning from the Sanctions Decade.' *Global Policy*. <https://www.globalpolicy.org/security-council/index-of-countries-on-the-security-council-agenda/sanctions/49076-learning-from-the-sanctions-decade.html> .
- Nye, Joseph (jr). 2017. 'Deterrence and Dissuasion in Cyberspace.' *International Security*. 41: 3. Pp. 44–71.
- Saran, Samir. 2020. 'Navigating the Digitalisation of Geopolitics.' *Observer Research Foundation*. 23 January. <https://www.orfonline.org/expert-speak/navigating-the-digitisation-of-geopolitics-60612/> .
- ENISA. 2019. *ENISA Threat Landscape Report 2018: 15 Top Cyberthreats and Trends*. European Union Agency for Network and Information Security. January. <https://www.enisa.europa.eu/publications/enisa-threat-landscape-report-2018> .
- Halbert, Debora. 2019. 'Weaponising Copyright: Cultural Governance and Regulating Speech in the Knowledge Economy.' In Blayne Haggart, Kathryn Henne and Natasha Tusikov (ed.). *Information Technology and Control in a Changing World*. London: Palgrave.
- Rosenberg, Elizabeth, Peter Harrell, Ashley Feng (2020). *A New Arsenal for Competition: Coercive Economic Measures in the U.S.-China Relationship*. CNAS. April. <https://s3.amazonaws.com/files.cnas.org/documents/CNAS-Report-Econ-Competition-Final-web.pdf?mtime=20200423121736>.

3. G2 Statecraft: US and China

Themes for Class Discussion:

1) Outline the strategies of economic statecraft employed by the US, and analyse their effectiveness

2) Same task as above with reference to China

In addressing the above two tasks, bear in mind the dynamic nature of the game.

Drezner, Daniel. 2019. 'Economic Statecraft in the Age of Trump.' *The Washington Quarterly*. 42:3. Pp. 7–24.

Colby, Elbridge A. and A. Wess Mitchell. 2020. 'The Age of Great-Power Competition: How the Trump Administration Refashioned American Strategy.' *Foreign Affairs*. January-February. Pp. 118-131.

Bown, Chad, and Melina Kolb. 2020. *Trump's Trade War: An Up-to-Date Guide*. Peterson Institute for International Economics. <https://www.piie.com/blogs/trade-investment-policy-watch/trump-trade-war-china-date-guide> .

Ikenberry, John and Darren Lim. 2017. *China's Emerging Institutional statecraft: The Asian Infrastructure Investment Bank and the Prospects for Counter-Hegemony*. Brookings: Project on International Order and Strategy. April.

Stoller, Matt. 2018. 'If the US doesn't control corporate power, China will.' *Foreign Policy*. October.

Foreign Affairs. 2019. *Who is winning the trade war? Foreign Affairs asks the Experts*. 16 December <https://www.foreignaffairs.com/ask-the-experts/2019-12-16/who-winning-trade-war> .

Murgia, Madhumita and Anna Gross. 2020. 'China's Controversial Mission to reinvent the internet.' *Financial Times*. 27 March.

Wyne, Ali. 2020. 'How to think about potentially decoupling from China.' *The Washington Quarterly*. 43:1, 41-64.

Bown, Chad. 2020. *Trump's Trade Policy is hampering the US Fight against COVID-19*. Peterson Institute for International Economics. 13 March. <https://www.piie.com/blogs/trade-and-investment-policy-watch/trumps-trade-policy-hampering-us-fight-against-covid-19> .

Chellaney, Brahma. 2020. 'A Made-in-China Pandemic.' *Project Syndicate*. 13 March.

Farrell, Henry and Abraham Newman. 2020. The Folly of Decoupling from China. *Foreign Affairs*. June. <https://www.foreignaffairs.com/articles/china/2020-06-03/folly-decoupling-china> .

Fishman, Edward. 2020. How to Fix America's Failing Sanctions Policy. *Lawfare*. June. <https://www.lawfareblog.com/how-fix-americas-failing-sanctions-policy#> .

4. The Global South

Themes for Class Discussion:

1) Overview of reaction and agency from the global south

2) Reactions to China's economic statecraft from the global south

Katada, Saori, Cynthia Roberts, Leslie Elliott Armijo. 2017. 'The Varieties of Collective Financial Statecraft: the BRICS and China.' *Political Science Quarterly*. 132: 3. Pp. 403-433.

Goodman, Samuel, Dan Kim, and John VerWey. 2019. The South Korea-Japan Trade Dispute in Context: Semiconductor Manufacturing, Chemicals, and Concentrated Supply Chains. *Office of Industries: Working Paper ID-062*. October.

Dalgaard, Klaus Guimarães. 2017. 'The Energy Statecraft of Brazil: Promoting Biofuels to African Countries.' *Foreign Policy Analysis*. 13. Pp. 317-337.

Antoniades, Andreas. 2016. 'The New Resilience of Emerging and Developing Countries: Systemic Interlocking, Currency Swaps, and Geoeconomics.' *Global Policy*. 8:2. May. Pp. 170- 180.

Sachdeva, Gulshan. 2018. 'Indian Perceptions of the Chinese Belt and Road Initiative.' *International Studies*. 55: 4. Pp. 285-296.

Chikermane, Gautam. 2019. '5G Infrastructure, Huawei's Techno-Economic Advantages a India's National Security Concerns: An Analysis.' *ORF Occasional Paper*. No. 226. December. <https://www.orfonline.org/research/5g-infrastructure-huaweis-techno-economic-advantages-and-indias-national-security-concerns-58644/> .

Narlikar, Amrita. 2019. 'Regional Powers' Rise and Impact on International Conflict and Negotiation: China and India as Global and Regional Players.' *Global Policy*, 10 (2), May.

Heiduk, Felix and Alexandra Sakaki. 2019. 'Introduction to the Special Issue – China's Belt and Road Initiative: the View from East Asia.' *East Asia*. 36. Pp 93-113.

5. Multilateral Reactions

Themes for Class Discussion:

1) Limitations of existing multilateral institutions in a world of weaponized interdependence/ economic statecraft

2) Directions for reform

Abboud, Leila and Sarah Neville. 2020. 'Sanofi urges Europe to add vaccine manufacturing capacity.' *Financial Times*, 16 March.

Leonard, Mark et al. 2019. 'Redefining Europe's economic sovereignty.' *Bruegel Policy Contribution*. Issue 9. June.

Benner, Thorsten et al. 2018. *Authoritarian Advance: Responding to China's Growing Political Influence in Europe*. Berlin: GPPI and Merics. February. https://www.merics.org/sites/default/files/2018-02/GPPI_MERICS_Authoritarian_Advance_2018_1.pdf .

Narlikar, Amrita. 2020a. 'As Multilateral as Apple Pie: Managing a World of Weaponized Interdependence.' *The Security Times: Policy Brief*. February. https://www.the-security-times.com/wp-content/uploads/2020/02/ST_2020_screen-33.pdf .

Narlikar, Amrita. 2020b. 'Germany in the UN Security Council: Reforming Multilateralism.' *GIGA Focus* (02). March. <https://www.giga-hamburg.de/en/publication/germany-in-the-united-nations-security-council-reforming-multilateralism> .

Drezner, Daniel. 2020. 'Is the system working for the coronavirus pandemic?' *Washington Post Column*. 17 March.

Evenett, Simon J. 2020. *Tackling COVID-19 Together: the Trade Policy Dimension*. 23 March. <https://www.wita.org/atp-research/tackling-covid-19-together-the-trade-policy-dimension/> .

6. Class Debate/ Negotiation Simulation (to be decided collectively in Session 5)