

300.771: Seminar on Economic Statecraft
Winter Semester 2024/25
Tuesday, 09:15-10:45, HS 388 (RU42OG1.114)

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Office Hours: Tuesday, 11:00-12:00 (by e-mail appointment)

Office Location: Room 2036, Rudolfskai 42

Course Description

Economic statecraft is the use of economic tools, i.e. financial and regulatory, to achieve foreign policy objectives. For a long time, the primary focus in International Relations was on the threat or use of force, with tools for economic statecraft being seen as mere symbolic gestures or tools of little consequence. Nevertheless, in the last three decades, there has been a remarkable surge in the utilization of tools for economic statecraft. A recent example is the use of economic sanctions to respond to the Russian invasion of Ukraine. This course familiarizes students with the different tools available in the economic statecraft toolkit, including trade, foreign direct investment, and sanctions. We will study how and when governments select from their economic statecraft toolkit—which frequently involves selecting between economic rewards and punishment. Additionally, we will study the conditions under which these tools work best, while emphasizing the conceptual and methodological issues involved in measuring their effectiveness.

Course Objective

By the end of this course students will:

- Be familiar with the different tools for economic statecraft and understand theories related to when they are used, how they work, and if they are effective.
- Gain a better understanding of the complexities and trade-offs of using economic coercion and the politics of rewards and punishment.
- Apply theoretical approaches to analyze (current) real-world events.
- Get an introduction to empirically studying economic statecraft (e.g. databases & cases).
- Learn to engage in group discussions, as well as provide and receive constructive criticism.

Course Requirements

1. Attendance: You can miss 2 class without an excuse. If you miss 3 classes unexcused, then you will have to submit a compensation “Kompensationsleistung” that will be determined by the lecturer. To be excused, students need to email the instructor the reason(s) and a

copy of a legitimate document **before** the beginning of the respective class. You are strongly encouraged to offer suggestions and email material to me to circulate in class.

2. Participation (10% of the grade): You are expected to actively participate in class discussions. To be able to do so, you will have to read the required readings in advance of each session. All required readings have been uploaded on Blackboard. You are expected to be able to summarize the main points of each required reading in your own words and to argue for your own opinion. You are expected to bring a digital or paper copy of the required readings to class.
3. Group Presentation (10% of the grade): You will be randomly assigned to a group (2 students) that presents a case study related to one of the formulated questions guiding each session. The presentation should be based on one journal article discussing the case study (suggestions can be found in the syllabus). The presentation should also tie the case study to the required readings of the respective session. Finally, it should introduce two discussion questions that we will pick up afterwards. The presentation should be a **maximum of 12 minutes long**. I will cut you off after 12 minutes to have time for the Q&A and discussion round.
4. Midterm quiz (25% of the grade): To encourage active participation and ensure that you engage with the required literature for this class, a midterm quiz will be held on the **26 November 2024**. This quiz will assess your understanding of the key concepts and themes covered in the readings up to that point. It is designed not only as an evaluation tool but also to reinforce your learning and preparation. Your performance on the quiz will contribute to your overall grade, so it is important to stay current with the assigned readings and actively participate in class discussions.
5. Research paper (45%): You will formulate a research question and briefly discuss the state of the art on that question. Then derive one (or more) testable hypotheses and employ empirical evidence (quantitative, qualitative, or mixed) to test these hypotheses. The deadline for the paper is **18 February 2025 at 11:59 pm**. Please upload the paper to Blackboard.

You will submit a two-page formal proposal (10%). The formal proposal should include your research question, a compact view of the literature, hypotheses, and an annotated bibliography. The deadline for the paper is **17 December 2024 at 11:59 pm**. Please upload the formal proposal to Blackboard. Submitting the formal proposal and research paper are a requirement for passing this course.

Important Dates

26 November 2024	Midterm quiz
17 December 2025	Formal Proposal
18 February 2025	Research Paper
[Enter date]	Group presentation

Other Information

- Expectations: Handle all your coursework diligently. Invest time to read all required literature, actively participate in class, pay attention to the written assignments, and group presentations. Ensure that all assignments are submitted on time. Please be respectful to each other. Any disrespectful, disruptive or hateful comments may result in an academic penalty. All cell phones are to be turned off or silenced during class.
- Accommodation: Reasonable accommodations are available for students with a documented disability. Please let me know if you have a documented disability, so I can provide the accommodations you may need.
- Late submissions: Please note that late submissions will be penalized by subtracting 10% of the grade for each day of delay. This includes weekends and holidays. I only make an exception to this if you have a medical certificate.
- Plagiarism: Please note that all work you submit to the university for assessment must be your own work. Plagiarism will result in a “nicht genügend” on your course work and possibly in formal disciplinary procedures.
- Use of AI: According to the university's legal department, the usage of generative AI to write papers is illegal and will result in a “nicht genügend”. You can use AI to improve writing, but not to generate substantive parts of the work.
- Course schedule: The schedule and readings are subject to change. All changes will be announced by email and updated on Blackboard in advance. It is your responsibility to keep up with the current changes. Reading assignments are given by date and should be completed prior to the respective class.

Course Plan

Session 1 (1 October 2024): Introduction

Session 2 (8 October 2024): Background and Foundations of Economic Leverage

What is economic statecraft? Can interdependence between states serve as the engine of economic statecraft? What are the advantages and disadvantages of increased interdependence?

Required readings

- Council on Foreign Relations (2023). What Is Economic Statecraft? *CFR Education*. [Link](#).
- Farrell, H., & Newman, A. L. (2019). Weaponized interdependence: How global economic networks shape state coercion. *International Security*, 44(1), 42-79.

Further readings

- Baldwin, D. A. (2020). What is economic statecraft? In *Economic statecraft: New Edition* (pp. 28 – 51). New Jersey: Princeton University Press.
- Blanchard, J. M. F., Mansfield, E. D., & Ripsman, N. M. (1999). The political economy of national security: Economic statecraft, interdependence, and international conflict. *Security Studies*, 9(1-2), 1-14.
- Collins, S. D. (2009). Can America finance freedom? Assessing US democracy promotion via economic statecraft. *Foreign Policy Analysis*, 5(4), 367-389.
- Wright, T. (2013). Sifting through interdependence. *The Washington Quarterly*, 36(4), 7-23.

Potential case study

China:

- Cha, V., & Lim, A. (2019). Flagrant foul: China's predatory liberalism and the NBA. *The Washington Quarterly*, 42(4), 23-42.

Block I: Economic Rewards

Foreign Aid

Session 3 (15 October 2024): Unilateral Foreign Aid Donors

Why do unilateral states disburse foreign aid? Is foreign aid selfless? Should aid allocation be determined by recipient merit and/or by donor self-interest?

Required readings

- Alesina, A., & Dollar, D. (2000). Who gives foreign aid to whom and why? *Journal of Economic Growth*, 5, 33-63.
- Hoeffler, A., & Outram, V. (2011). Need, merit, or self-interest—what determines the allocation of aid? *Review of Development Economics*, 15(2), 237-250.

Further readings

- Bommer, C., Dreher, A., & Perez-Alvarez, M. (2022). Home bias in humanitarian aid: The role of regional favoritism in the allocation of international disaster relief. *Journal of Public Economics*, 208, 104604.
- Dreher, A., Nunnenkamp, P., & Thiele, R. (2011). Are 'new' donors different? Comparing the allocation of bilateral aid between non-DAC and DAC donor countries. *World Development*, 39(11), 1950-1968.

- Heinrich, T. (2013). When is foreign aid selfish, when is it selfless? *The Journal of Politics*, 75(2), 422-435.

Data

- EU Foreign Aid (https://euaidexplorer.ec.europa.eu/index_en)
- US Foreign Aid (<https://www.foreignassistance.gov/>)

Potential case study

China:

- Dreher, A., & Fuchs, A. (2015). Rogue aid? An empirical analysis of China's aid allocation. *Canadian Journal of Economics/Revue Canadienne d'Économique*, 48(3), 988-1023.

India:

- Fuchs, A., & Vadlamannati, K. C. (2013). The needy donor: An empirical analysis of India's aid motives. *World Development*, 44, 110-128.

Session 4 (22 October 2024): Multilateral Foreign Aid Donors

How and why do international institutions disburse aid? How are multilateral aid decisions made and what factors influence the decision-making process?

Required readings

- Dreher, A., Sturm, J. E., & Vreeland, J. R. (2009). Development aid and international politics: Does membership on the UN Security Council influence World Bank decisions? *Journal of Development Economics*, 88(1), 1-18.
- Stone, R. W. (2004). The political economy of IMF lending in Africa. *American Political Science Review*, 98(4), 577-591.

Further readings

- Dreher, A., Sturm, J. E., & Vreeland, J. R. (2009). Global horse trading: IMF loans for votes in the United Nations Security Council. *European Economic Review*, 53(7), 742-757.
- Oatley, T., & Yackee, J. (2004). American interests and IMF lending. *International Politics*, 41, 415-429.

Data

- World Bank (<https://data.worldbank.org/indicator/DT.ODA.ALLD.CD>)
- IMF (<https://data.imf.org/?sk=388dfa60-1d26-4ade-b505-a05a558d9a42>)

Potential case study

MENA region:

- Harrigan, J., Wang, C., & El-Said, H. (2006). The economic and political determinants of IMF and World Bank lending in the Middle East and North Africa. *World Development*, 34(2), 247-270.

Session 5 (29 October 2024): The Effectiveness of Positive Inducements

Are positive inducements effective for achieving foreign policy goals? Why do countries continue to disburse foreign aid despite failing to achieve their foreign policy goals?

Required readings

- Bapat, N. A. (2011). Transnational terrorism, US military aid, and the incentive to misrepresent. *Journal of Peace Research*, 48(3), 303-318.
- Nincic, M. (2006). The logic of positive engagement: Dealing with renegade regimes. *International Studies Perspectives*, 7(4), 321-341.

Further readings

- Bearce, D. H., & Tirone, D. C. (2010). Foreign aid effectiveness and the strategic goals of donor governments. *The Journal of Politics*, 72(3), 837-851.
- Dreher, A., Fuchs, A., Parks, B., Strange, A., & Tierney, M. J. (2021). Aid, China, and growth: Evidence from a new global development finance dataset. *American Economic Journal: Economic Policy*, 13(2), 135-174.
- Knack, S. (2004). Does foreign aid promote democracy? *International Studies Quarterly*, 48(1), 251-266.
- Wright, J. (2008). To invest or insure? How authoritarian time horizons impact foreign aid effectiveness. *Comparative Political Studies*, 41(7), 971-1000.

Potential presentation

- Carnegie, A., & Marinov, N. (2017). Foreign aid, human rights, and democracy promotion: Evidence from a natural experiment. *American Journal of Political Science*, 61(3), 671-683.

Trade

Session 6 (5 November 2024): Political Motivations for and Effectiveness of Trade

What considerations influence the establishment of trade agreements? Are trade partners similar (culturally, economically, or ideologically)? Does trade influence the prospect of peace?

Required readings

- Gartzke, E. (2007). The capitalist peace. *American Journal of Political Science*, 51(1), 166-191.
- Spilker, G., Bernauer, T., & Umaña, V. (2016). Selecting partner countries for preferential trade agreements: Experimental evidence from Costa Rica, Nicaragua, and Vietnam. *International Studies Quarterly*, 60(4), 706-718.

Further readings

- Chen, F. R. (2021). Extended dependence: Trade, alliances, and peace. *The Journal of Politics*, 83(1), 246-259.
- Chilton, A. S. (2016). The political motivations of the United States' bilateral investment treaty program. *Review of International Political Economy*, 23(4), 614-642.
- Fordham, B. O., & Kleinberg, K. B. (2011). International trade and US relations with China. *Foreign Policy Analysis*, 7(3), 217-236.
- Kleinberg, K. B., & Fordham, B. O. (2013). The domestic politics of trade and conflict. *International Studies Quarterly*, 57(3), 605-619.
- Milner, H. V., & Kubota, K. (2005). Why the move to free trade? Democracy and trade policy in the developing countries. *International organization*, 59(1), 107-143.

Data

- US trade agreements (<https://www.trade.gov/all-trade-agreements>)
- EU trade agreements (https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/negotiations-and-agreements_en)

Potential case study

China:

- Flores-Macías, G. A., & Kreps, S. E. (2013). The foreign policy consequences of trade: China's commercial relations with Africa and Latin America, 1992–2006. *The Journal of Politics*, 75(2), 357-371.

Foreign Direct Investment

Session 7 (12 November 2024): Regime Type and FDI

Who attracts FDI and why is it important? What are the political consequences of FDI?

Required readings

- Bak, D., & Moon, C. (2016). Foreign direct investment and authoritarian stability. *Comparative Political Studies*, 49(14), 1998-2037.
- Jensen, N. M. (2003). Democratic governance and multinational corporations: Political regimes and inflows of foreign direct investment. *International Organization*, 57(3), 587-616.

Further readings

- Blanton, R. G., & Blanton, S. L. (2012). Labor rights and foreign direct investment: Is there a race to the bottom? *International Interactions*, 38(3), 267-294.

- Li, Q., Owen, E., & Mitchell, A. (2018). Why do democracies attract more or less foreign direct investment? A metaregression analysis. *International Studies Quarterly*, 62(3), 494-504.
- Li, Q., & Resnick, A. (2003). Reversal of fortunes: Democratic institutions and foreign direct investment inflows to developing countries. *International Organization*, 57(1), 175-211.
- Resnick, A. L. (2001). Investors, turbulence, and transition: Democratic transition and foreign direct investment in nineteen developing countries. *International Interactions*, 27(4), 381-398.

19 November 2024: No class!

Session 8 (26 November 2024): Midterm Quiz

Session 9 (3 December 2024): FDI and Economic Statecraft

What makes FDI a potential tool for economic statecraft? How can FDI be used to achieve foreign policy goals?

Required readings

- Barry, C. M., & Kleinberg, K. B. (2015). Profiting from sanctions: Economic coercion and US foreign direct investment in third-party states. *International Organization*, 69(4), 881-912.
- Tingley, D., Xu, C., Chilton, A., & Milner, H. V. (2015). The political economy of inward FDI: opposition to Chinese mergers and acquisitions. *The Chinese Journal of International Politics*, 8(1), 27-57.

Further readings

- Chilton, A. S., Milner, H. V., & Tingley, D. (2015). *Public opposition to foreign acquisitions of domestic companies: Evidence from the United States and China*. The Political Economy of International Organization.
- Kim, D. H. (2013). Coercive assets? Foreign direct investment and the use of economic sanctions. *International Interactions*, 39(1), 99-117.
- Lim, D. J., Ferguson, V. A., & Bishop, R. (2020). Chinese outbound tourism as an instrument of economic statecraft. *Journal of Contemporary China*, 29(126), 916-933.

Potential case study

China:

- Dreher, A., Fuchs, A., Parks, B., Strange, A. M., & Tierney, M. J. (2018). Apples and dragon fruits: The determinants of aid and other forms of state financing from China to Africa. *International Studies Quarterly*, 62(1), 182-194.

- Dollar, D. (2017). China's investment in Latin America. *Geoeconomics and Global Issues*, 4(3), 23-31.

Block II: Economic punishment

Economic sanctions

Session 10 (10 December 2023): The Imposition of Sanctions

Why are sanctions a popular tool for economic statecraft? How has the use of sanctions evolved over the past decades? In which ways do targeted sanctions work differently than comprehensive embargoes?

Required readings

- Chan, S., & Drury, A. C. (2000). Sanctions as economic statecraft: an overview. In *Sanctions as Economic Statecraft: Theory and Practice* (pp. 1-16). New York: Palgrave.
- Cortright, D., & Lopez, G. A. (2000). Learning from the Sanctions Decade. *Global Dialogue*, 2(3), 11-24.
- Wallensteen, P. & Staibano, C. (2005). Introduction. In *International Sanctions: Between Words and War in the International System* (pp. xv – xvii). Oxon: Routledge.

Further readings

- Brzoska, M. (2003). From dumb to smart-recent reforms of UN sanctions. *Global Governance*, 9, 519.
- Drezner, D. W. (2011). Sanctions Sometimes Smart: Targeted Sanctions in Theory and Practice. *International Studies Review*, 13(1), 96-108.
- Tostensen, A. & Bull, B. (2002). Are Smart Sanctions Feasible? *World Politics*, 54(3), 373-403.

Data

- Attia, H., & Grauvogel, J. (2023). International Sanctions Termination, 1990–2018: Introducing the IST Dataset. *Journal of Peace Research*, 60(4), 709-719.
- Biersteker, T. J., Eckert, S. E., Tourinho, M., & Hudáková, Z. (2018). UN targeted sanctions datasets (1991–2013). *Journal of Peace Research*, 55(3), 404-412.
- Felbermayr, G., Kirilakha, A., Syropoulos, C., Yalcin, E., & Yotov, Y. V. (2020). The global sanctions data base. *European Economic Review*, 129, 103561.
- Morgan, T. C., Bapat, N., & Kobayashi, Y. (2014). Threat and imposition of economic sanctions 1945–2005: Updating the TIES dataset. *Conflict Management and Peace Science*, 31(5), 541-558.

- Weber, P. M., & Schneider, G. (2022). Post-Cold War Sanctioning by the EU, the UN, and the US: Introducing the EUSANCT Dataset. *Conflict Management and Peace Science*, 39(1), 97-114.

17 December 2024: No class!

Winter break — No Class!

Session 11 (7 January 2025): Unilateral Sanctions Imposition

Why and when do the EU and the US impose sanctions? Do they live up to their normative standards when doing so?

Required readings

- Attia, H., & Grauvogel, J. (2023). Monitoring the monitor? Selective responses to human rights transgressions. *International Studies Quarterly*, 67(2).
- Brummer, K. (2009). Imposing Sanctions: The Not So ‘Normative’ Power Europe. *European Foreign Affairs Review*, 14(2), 191-207.

Further readings

- Portela, C. (2012). *European Union sanctions and foreign policy: When and why do they work?* Routledge.
- Tama, J. (2020). Forcing the president’s hand: How the US congress shapes foreign policy through sanctions legislation. *Foreign Policy Analysis*, 16(3), 397-416.
- Von Soest, C., & Wahman, M. (2015). Not all dictators are equal: Coups, fraudulent elections, and the selective targeting of democratic sanctions. *Journal of Peace Research*, 52(1), 17-31.
- Whang, T. (2011). Playing the Home Crowd? The Symbolic Use of Economic Sanctions in the United States. *International Studies Quarterly*, 55(3), 787-801.

Potential presentations

- Attia, H., & Grauvogel, J. (2023). International Sanctions Termination, 1990–2018: Introducing the IST Dataset. *Journal of Peace Research*, 60(4), 709-719.
- Li, Y., & Drury, A. C. (2004). Threatening Sanctions When Engagement Would Be More Effective: Attaining Better Human Rights in China. *International Studies Perspectives*, 5(4), 378-394.

Session 12 (14 January 2024): Multilateral Sanctions Imposition

What are the factors guiding the imposition of regional and UN sanctions? Do UN and regional sanctions complement or contradict each other?

Required readings

- Charron, A. & Portela, C. (2015). The UN, Regional Sanctions and Africa. *International Affairs*, 91(6), 1369-1385.
- Hellquist, E. and Palestini, S. (2020). Regional Sanctions and the Struggle for Democracy: Introduction to the Special Issue. *International Political Science Review*, OnlineFirst, 1-14.

Potential case study

Madagascar:

- Witt, A. (2020). Undoing Coups. *The African Union and Post-coup Intervention in Madagascar*. London: Zed Books (Chapter 4).

Libya:

- Portela, C., JL. Romanet Perroux. (2022). UN Sanctions and Mediation in Libya: Synergy or obstruction? *Global Governance*, 28(2), 228-250.

Session 13 (21 January 2024): The Effectiveness and Consequences of Economic Sanctions

Does economic pain translate to political gain? Are sanctions effective? Are they a reasonable policy choice in the view of these humanitarian consequences?

Required readings

- Peksen, D. (2019). When Do Imposed Economic Sanctions Work? A Critical Review of the Sanctions Effectiveness Literature. *Defence and Peace Economics*, 30(6), 635-647.
- Weiss, T. G. (1999). Sanctions as a Foreign Policy Tool: Weighing Humanitarian Impulses. *Journal of Peace Research*, 36(5), 499-509.
- Watch: <https://www.youtube.com/shorts/1T5JRVR53Eo>.

Further readings

- Afesorghor, S. K., & Mahadevan, R. (2016). The Impact of Economic Sanctions on Income Inequality of Target States. *World Development*, 83, 1–11.
- Drury, A. C., & Peksen, D. (2014). Women and Economic Statecraft: The Negative Impact International Economic Sanctions Visit on Women. *European Journal of International Relations*, 20(2), 463-490.
- Early, B. R. (2011). Unmasking the black knights: Sanctions busters and their effects on the success of economic sanctions. *Foreign Policy Analysis*, 7(4), 381-402.
- Neuenkirch, M., & Neumeier, F. (2021). Sanctioned to Death? The Impact of Economic Sanctions on Life Expectancy and its Gender Gap. *The Journal of Development Studies*, 57(1), 139-162.
- Weber, P. M., & Schneider, G. (2020). How many hands to make sanctions work? Comparing EU and US sanctioning efforts. *European Economic Review*, 130, 103595.

Potential case study

Iraq:

- Al-Ali, N. (2005). Reconstructing Gender: Iraqi Women Between Dictatorship, War, Sanctions and Occupation. *Third World Quarterly*, 26(4-5), 739-758.

Iran:

- Torbat, A. E. (2005). The Impact of US Trade and Financial Sanctions on Iran. *The World Economy*, 28(3), 407-434.