

# Blockading, Aiding, and Trading

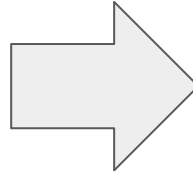
Economic Issues in Grand Strategy

## Remember: What is grand strategy?

“A political-military, **means-ends chain**, a state’s theory about how it can best ‘cause’ security for itself.” (Posen 1984, 13)

“The conceptual logic that ensures that [foreign policy] **instruments** are employed in ways that **maximize benefits** for a nation’s core interests.” (Brands 2014, 4)

**Economic Means**



**Political Ends**

# Economic Means: Three Key Mechanisms

1. “Blockading” - coercive economic statecraft, economic sanctions

*Mechanism works punitively, by cutting off access in response to (the threat of) behavior that is out of line with our preferences*

2. “Aiding” - economic engagement, aid and development

*Mechanism works affirmatively, by building up positive political capital and rewarding behavior that is in line with our preferences*

3. “Trading” - economic integration, trade and finance

*Mechanism works integratively, by connecting economies and creating interdependence to align preferences*

# Blockading

Coercive Economic Statecraft



# Economic Sanctions

Definition: the “withdrawal of customary trade and financial relations for foreign- and security-policy purposes” (Masters 2019)

Types: trade embargoes, arms embargoes, travel bans, asset freezes, capital restraints, aid reductions, trade restrictions

# Comprehensive vs. Targeted Sanctions

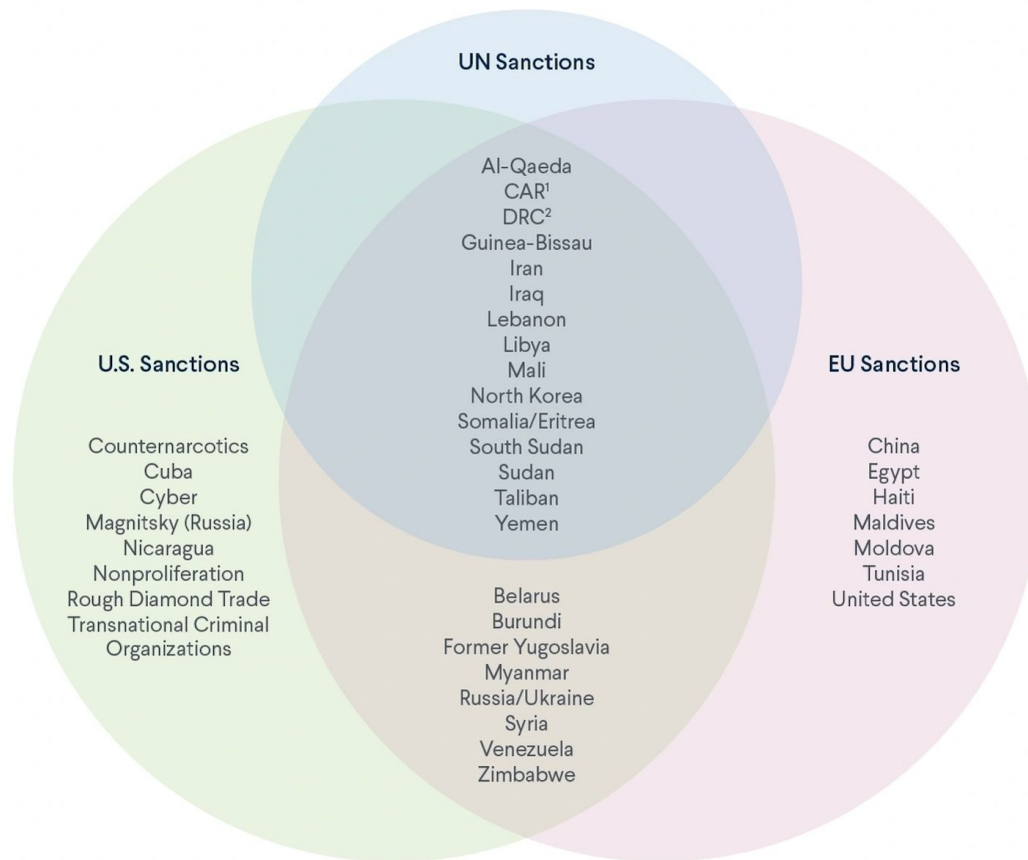
## Comprehensive Sanctions

- “Traditional” sanctions
- Generally takes the form of embargoes
- Logic of coercion: bottom-up
- Examples: Cuba, Haiti

## Targeted Sanctions

- “Smart” sanctions, financial levers, targeted financial sanctions
- Works by cutting off access to institutions, currencies, or financial systems
- Logic of coercion: elite-based
- Examples: Turkey, Russia

# Global Sanctions Regimes



1. Central African Republic
2. Democratic Republic of Congo

Sources: Council of the European Union; U.S. Treasury Department.

The Republic of Arbithia borders the country of Karekiland and has a large Kareki minority on the border of the countries. Arbithia has recently passed a series of laws restricting the legal rights of the Kareki minority, and has shown the potential for aggression against Karekiland.

You are a high-level advisor on the National Security Council, and the NSC is considering a sanctions package against Arbithia.

What additional information do you want to know in order to determine whether the sanctions will be effective? Why does this information matter?

What types of sanctions will you recommend?



# Aiding

Economic Engagement

# Aiding

Economic Engagement



# Foreign Aid and Development-Based Strategies

Goal: to build up “positive” political capital between countries, to garner leverage through economic engagement

Some aid and engagement options:

- International bank loans and IMF lending
- Bilateral aid or bilateral loans
- Multinational enterprises/multinational corporations
- Foreign direct investment
- Trade agreements

You are an advisor for the National Security Council. The NSC is considering what their economic approach to the country of Nusquam should be. Nusquam is geopolitically important, strategically placed between two key allies and one major U.S. political rival in the region. The country's economy is growing rapidly. The regime is authoritarian and evidence suggests potential human rights abuses. Relations between the U.S. and Nusquam have been extremely limited in the past.

What type of approach would you recommend the U.S. take to Nusquam? How would different grand strategy ideal types likely proceed? (Think about the goals each would have, and which logics you find most compelling)

# Trading

Economic Integration through Trade and Finance

# Globalization over 5 centuries (1500-2011)

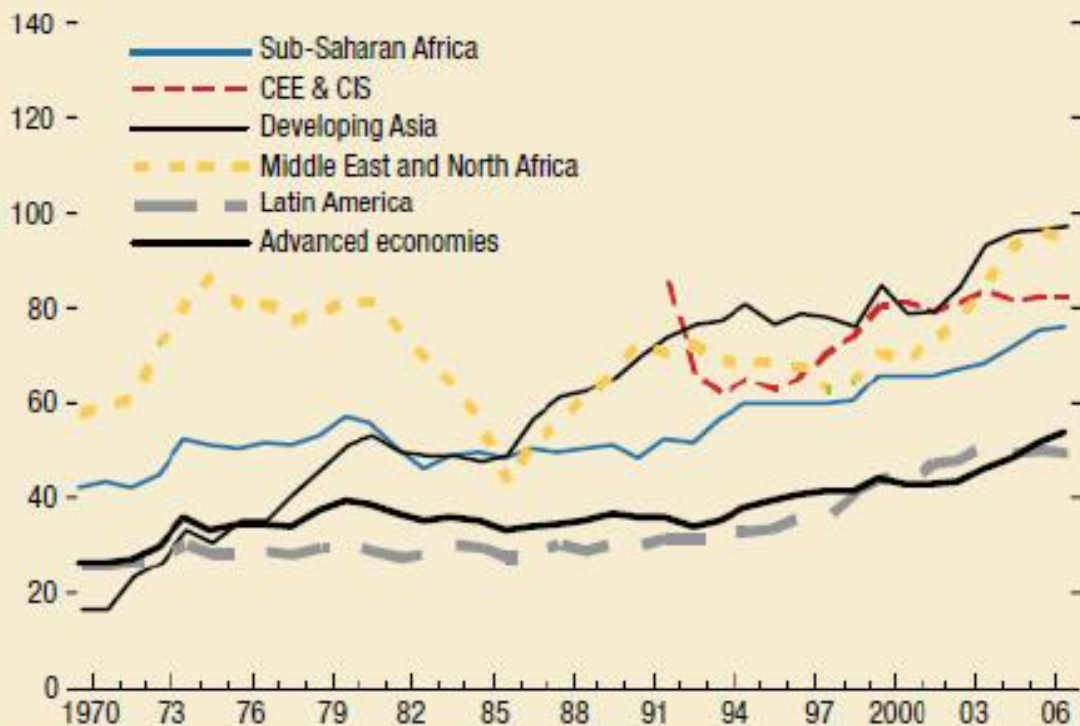
Shown is the sum of world exports and imports as a share of world GDP (%)

The individual series are labeled with the source of the data



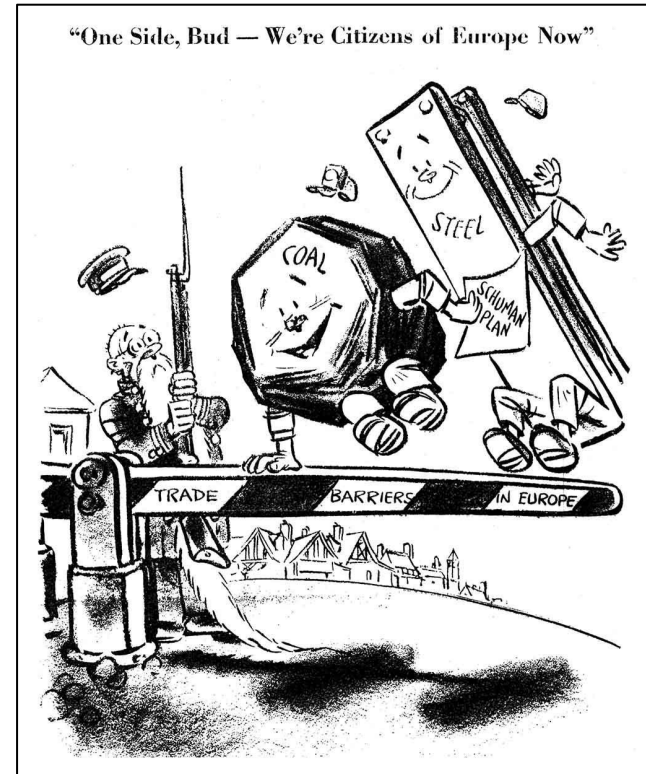
## Trade in Goods and Services

(Percent of regional GDP)



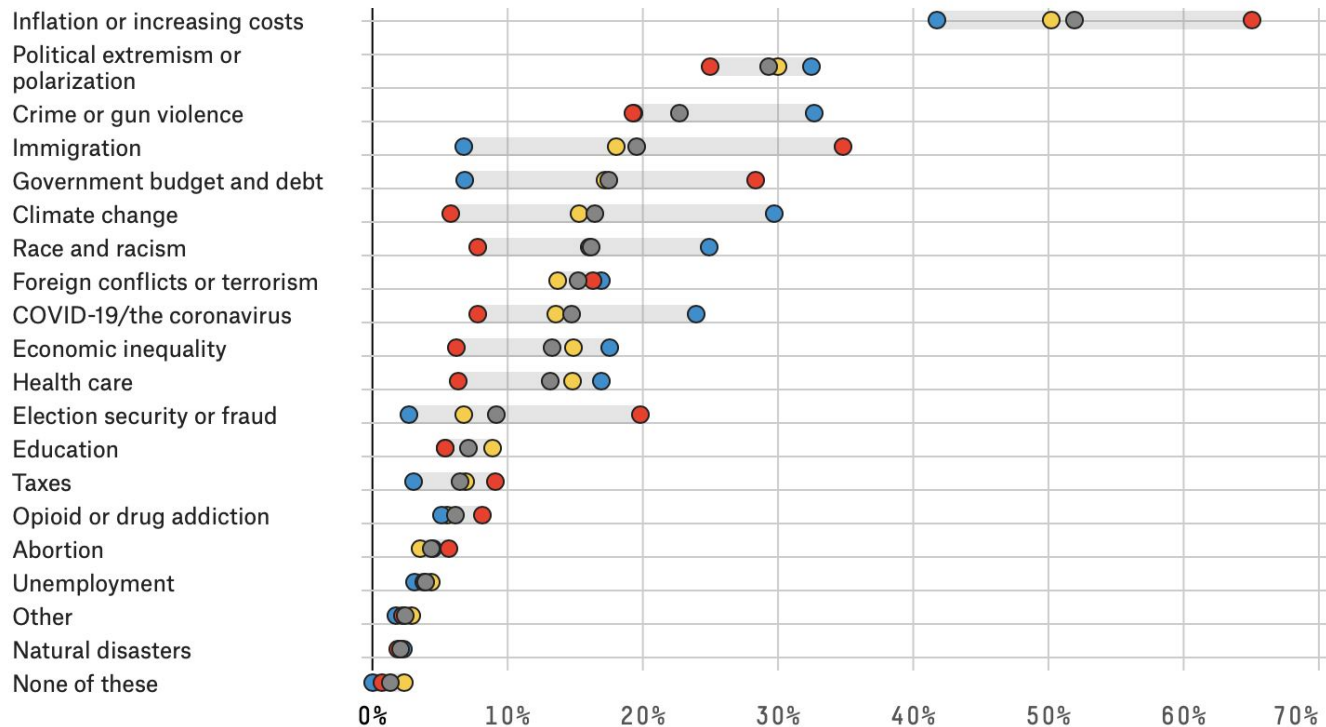
# Why Globalization?

- Economic theory and the expectation of increased benefits and wealth maximization
- Economic interdependence as a pathway to peace (e.g. ECSC)
- Private sector shifts: intra-industry trade, intra-corporation trade, manufacturing sector shifts, fast-growing emerging markets
- Technological advances (and relevant comparative advantage)
- Growth and expansion of international institutions that encourage trade and integration





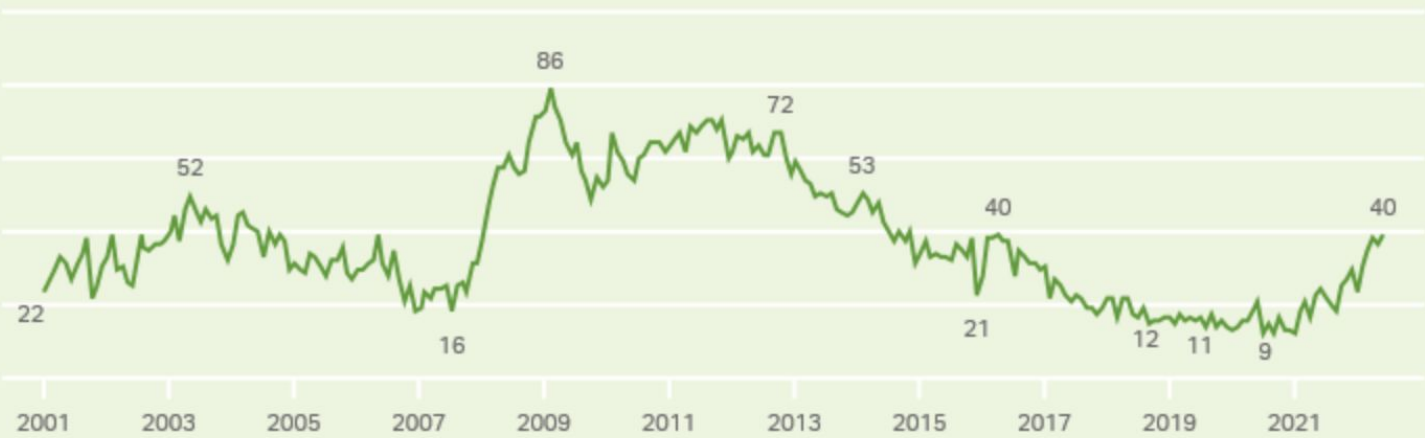
● DEMOCRAT ● REPUBLICAN ● INDEPENDENT/OTHER ● OVERALL



Based on FiveThirtyEight/Ipsos survey conducted April 27-May 5, 2022, among a sample of 2,006 adults that was weighted to match the general population. Respondents could select up to three issues.

# Percentage of Americans Mentioning Economic Issues as the Nation's Most Important Problem

— % Mentioning



GALLUP

## Debate:

If Americans care disproportionately about economic issues, should economic issues be used as means for political ends? Or should we consider political means for economic ends instead?

Are trade, globalization, and financial institutions tools for foreign policy outcomes? Or should foreign policy be centered on economic outcomes?

# The Paradox of Political Economy

Two facets:

1. The more a state is integrated into the international economy, the more long-term gains the state can gain, but the more short-term costs it will have to bear.
2. The more a state is integrated into the international economy, the more potential benefits - but the state is more susceptible to economic statecraft.

Therefore, economic integration and economic statecraft come at the cost of making our economy vulnerable to outside influences. However, it provides substantial leverage and political capital to achieve our political aims, as well as the possibility of long-run economic gains at home.