Economic Statecraft (DIP 720)  
Spring 2013  
Version: January 7, 2013  

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Meeting Time: Wednesday, 4:00-6:30  
Meeting Place: Patterson Office Tower, Room 420  
Offices Hours: Wednesday, 1-3:00  

This course is designed to familiarize students with the tools of economic statecraft including the creation of international economic “rules,” dispute resolution mechanisms for enforcing international agreements, foreign aid and economic sanctions intended to further both economic and political ends, and other economic policy choices to enhance or maintain national power. Special attention will be paid to economic statecraft by the United States, China, and Russia. At the end of the course, each student should understand the conditions under which each policy tool is likely to be appropriate and successful. Each student should also be able to explain the research strategies that allow analysts and policy-makers to predict the effectiveness of each policy instrument.

Prerequisite: At least two semesters of undergraduate economic theory with grades of B or better, or the Patterson economics immersion course, or consent of instructor.

Format: The class will be taught primarily in seminar discussions. Students should be fully prepared to participate in every class, which includes having done the readings ahead of time. Each student will be expected to read The Economist magazine and the Financial Times on a regular basis and be prepared to discuss the statecraft implications from relevant articles each class meeting.

Grading: Grading will be based on class participation (10%), a take-home exam on economic principles (15%) , a midterm (25%), a term paper (25%), and a final exam (25%). Students taking comprehensive exams this semester may request to have the written part of the comprehensive exam be graded by me in lieu of the class final. Students will be graded on a 100 point scale, 90-100 = A, 80-89.49 = B, 65-79.5 = C, and below 64.4 = E.

Readings:  
The main texts will be:  
Daniel Drezner, The Sanctions Paradox, Cambridge ($20)  
Robert Rotberg, China in Africa, Brookings Press ($15)  
Gary Smitt, The Rise of China, Encounter Books ($17)  
2011 Report to Congress of the US-China Economic and Security Review Commission (free, write to: annualreportrequest@uscc.gov)

Students will be expected to discuss the assigned readings in class each week as well as relevant current events. The readings listed below may be amended as the semester progresses, readings printed in grey italics are supplemental.

Of the list below, for readings not in one of the four basic books, I will either give a URL put a copy in the DropBox(DB) for this class, or indicate the reading is available electronically at the Young Library website (YLE).
Class 1 (1/9)

**Economic Statecraft, Economic Policy Goals, and Grand Strategy**
Greico and Ikenberry, Ch 1, “Introduction”, pp 1-18
Blanchard, Ch 1, “The Political Economy of National Security” (DB)

Class 2 (1/16)

**Trade Theory, Trade Policy, Trade Statecraft**
Greico and Ikenberry, Ch 2, “The Economics of International Trade”, pp 19-56
Stephen Krasner, “State Power and the Structure of International Trade”, (DB)

Class 3 (1/23)

**International Finance: Theory and Statecraft**
Greico and Ikenberry, Ch 3, “The Economics of International Money and Finance”, pp 57-91
Barry Eichengreen, “Hegemonic Stability Theories of the International Monetary System” (DB)
Barry Eichengreen, “Mr. Bernanke Goes to War”, in *The National Interest*, Jan-Feb, 2011 (YLE)
(or go to www.nationalinterest.org)
Brad DeLong and Stephen Cohen, Chapters 1 and 2 from *The End of Influence* (DB)
Steil and Litan, Ch 4, “Capital Market Sanctions”, pp 48-78 (DB)

**Homework:** Take-home test on economic principals covered so far, due 2/8.

Class 4 (1/30)

**Economic Sanctions 1**

**Introduction to Economic Coercion and the Conflict Expectations Model**
Greico, Ch 6, “State Power and the Promotion of National Interests Through Economic Sanctions and Incentives”, pp 163-203
David Baldwin, Ch 8 *Economic Statecraft*. Read pp 145-150, 204-205, and study in depth and be prepared to discuss one of the “classic cases;” Megara, Ethiopia, Japan, Cuba, or Rhodesia, that discussed on pages 151-203. (DB)
Daniel Drezner, *Sanctions Paradox*, Chs 1 and 2
Gary Hufbauer, Ch 5, Sanctions after the Cold War” in *Economic Sanctions Reconsidered*, 3rd edition. pp 125-147 (DB)
*Richard Haas and Meghan O’Sullivan, ch 1, “Introduction” from Honey and Vinegar (DB)*

Class 5 (2/6)

**Sanctions 2: Russian Coercion in the 90s and the 2000s**
Drezner, Chapter 3. Also, each student should study one of the country cases in chapter 6 and be prepared to discuss in terms of the Conflict Expectations Model.
Hillebrand, Bervoets, Closson, and Farley, “ A Post Sample Validation of Drezner’s Conflict Expectations Model”, 2013, in draft (DB)
Class 6 (2/13)

**Sanctions 3: Iraq, North Korea, Cuba etc.**

Drezner, Chapter 8,
George Lopez and David Cortright, “Containing Iraq: Sanctions Worked”, Foreign Affairs, July/August, 2004 (YLE)
Susan Kaufman Purcell, Ch 2, “Cuba” in Economic Sanctions and American Diplomacy, Richard Haas, ed. (DB)
Richard Haas, “Conclusion and Recommendation” in Economic Sanctions and American Diplomacy (DB)

Class 7 (2/20)

**Sanctions 4: Iran Sanctions**

Eric Edelman, “The Dangers of a Nuclear Iran”, Foreign Affairs, Jan/Feb 2011 (YLE)
James Lindsay, “After Iran Gets the Bomb”, Foreign Affairs, March/April 2010 (YLE)
Kenneth Pollack and Ray Takeyh, “Doubling Down on Iran”, Washington Quarterly, Fall 2011 (YLE)

For more details, see

Class 8 (2/27)

**Energy Security**

John M. Rothgeb, Ch 7, pp 143-161 from “Oil and Turmoil” from US Trade Policy (DB)
Daniel Yergin, Energy Security and Markets, Ch 2, pp 51-64 in Kalicki and Goldwyn’s Energy and Security (DB)
Michael Ross, “Blood Barrels”, Foreign Affairs, May/June 2008 (YLE)

Class 9 (3/6) **Midterm**

**Week of March 13, Spring Break**

Class 10 (3/20)

**China 1: Economic History and Institutions and Policy**

Minxin Pei, China’s Trapped Transition, Chapter 1 (DB)
Mark Leonard, Ch 1, “Comprehensive National Power”, from What does China Think? (DB)

**Term Paper:** Start thinking now about your term paper. Pick any Chinese topic discussed in Classes 10-13, and explore it further. Discuss what China is doing, evaluate its significance and its chances for success. Discuss US policy responses—actual or potential. Use the conflict expectations model, if possible. Distinguish between long term and short term effects. Relate the efforts of both China and the United States to strategic goals. The paper should be 7-10 pages, double spaced; due on 24 April.
Class 11 (3/27)

**China 2: China’s Energy Statecraft**
Bo Kong, Selections from *China’s International Petroleum Policy* (DB)
US Department of Energy, *China Country Brief* (DB or online at www.eia.gov)
Erica Downs, “Business Interest Groups in Chinese Politics: The Case of Oil Companies” (DB)

Class 12 (4/3) Note: This class will have to be rescheduled, I will be way on 4/3.

**China 3: Economic Statecraft in the First World**
Fred Bergsten, Ch 1, “Summary and Conclusions” from *China: The Balance Sheet* (DB)
R. Looney, “Recent Developments on the Rare Earth Front”, *World Economics*, Jan 1, 2011 (YLE and DB)
Daniel Drezner, “Three Ways of Looking at Chinese Economic Statecraft” (DB)
Adam Segal, “China’s Computer Games” *Foreign Affairs*, (March/April, 2012 (DB or YLE)

Class 13 (4/10)

**China 4: Economic Statecraft in the Third World**
Robert Rotberg, *China into Africa*, everybody read chapters 1,2,5,6 7. Select 1 other chapter to read and report on in class.

Class 14 (4/17)

**Russia 1: Economic History and Institutions and Policy**
Ch 3, “Russia’s Economic Revival”, and Ch. 8, “Russia as a Post-Imperial Power” (DB)
Clifford Gaddy and Barry Ickes, “Russia’s Declining Oil Production: Managing Price Risk and Rent Addiction;”, *Eurasian Geography and Economics* (50-1) 2009
Adam Stulberg, PP 13-16 and Ch. 3, “Russia’s Strategic Energy Predicament”, from *Well-Oiled Diplomacy* (DB)

Class 15 (4/24)

**Russia 2: Economic Statecraft**
Celeste Wallander, “Russia’s Transimperialism”, *Washington Quarterly*, Spring 2007 (YLE and DB)
Daniel Frefeld, “The Great Pipeline Opera”, *Foreign Policy*, September,October 2009 (YLE and DB)
Tracey German, “David and Goliath: Georgia and Russia’s Coercive Diplomacy” *Defense Studies*, June 1, 2009, DB)
*US Department of Energy Russia country brief* (DB)

Final Exam (Wednesday, 1 May, at 4:00)

University-Mandated Information
**Student Learning Outcomes.** Students will acquire a broad knowledge of the theoretical and historical literature on economic statecraft. Students will master the economic theory and other methodological tools necessary to help understand the subject.

**Academic Integrity.** Per university policy, students shall not plagiarize, cheat, or falsify or misuse academic records. Students are expected to adhere to University policy on cheating and plagiarism in all courses. The minimum penalty for a first offense is a zero on the assignment on which the offense occurred. If the offense is considered severe or the student has other academic offenses on their record, more serious penalties, up to suspension from the university may be imposed. Complete information can be found at the following website: [http://www.uky.edu/Ombud](http://www.uky.edu/Ombud). A plea of ignorance is not acceptable as a defense against the charge of academic dishonesty. It is important that you review this information as all ideas borrowed from others need to be properly credited.

**Attendance** is not required at any class, therefore excuses for nonattendance are not necessary. Repeated absences will make it difficult to get a good grade on class participation. If an assignment or test cannot be completed on time, the student must make prior arrangements with me.

**Disabilities:** Any student with a disability who is taking this course and needs classroom or exam accommodations should contact the Disability Resource Center, 257-2754, room 2 Alumni Gym, jkarnes@uky.edu.

**Major Religious Holidays.** Students are responsible for notifying the Instructor of Record in writing of anticipated absences due to their observance of such holidays no later than the last day for adding a class.