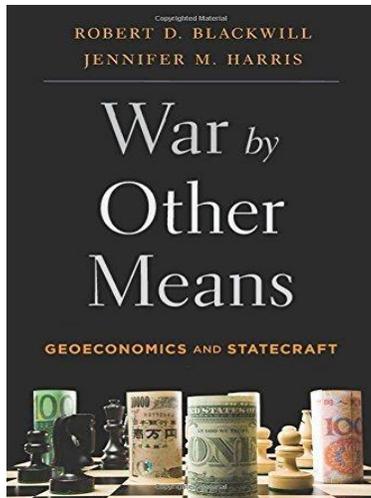


COUNCIL *on* FOREIGN RELATIONS

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Teaching Notes

War by Other Means: Geoeconomics and Statecraft

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Belknap Press

April 2016

\$29.95 hardcover

ISBN: 978-0674737211

Today, nations increasingly carry out geopolitical combat through economic means. Policies governing everything from trade and investment to energy and exchange rates are wielded as tools to win diplomatic allies, punish adversaries, and coerce those in between. Not so in the United States, however. America still too often reaches for the gun over the purse to advance its interests abroad. The result is a playing field sharply tilting against the United States.

In a cogent analysis of why the United States is losing ground as a world power and what it can do to reverse the trend, *War by Other Means* describes the statecraft of geoeconomics: the use of economic instruments to achieve geopolitical goals. Geoeconomics has long been a lever of America's foreign policy. But factors ranging from U.S. bureaucratic politics to theories separating economics from foreign policy leave America ill prepared for this new era of geoeconomic contest, while rising powers, especially China, are adapting rapidly. Drawing on immense scholarship and government experience, Robert Blackwill and Jennifer Harris explain what geoeconomic statecraft is, when and how it works, and how its present use is changing global markets and the international system. Offering a first-of-its kind conceptual framework for geoeconomics, *War by Other Means*:

- defines geoeconomics, and explores the relationship between geoeconomics and geopolitics. Early chapters also trace the history of economic and political thought regarding the use of economic power for geopolitical ends;
- surveys the leading tools of modern geoeconomics, as well as the various structural factors that make countries better or lesser suited to projecting geoeconomic power;
- explores how China, Russia, and other powers use geoeconomics, and how the United States has historically integrated geoeconomics within its foreign policy;
- examines how the United States currently uses geoeconomics—including a chapter-length case study tracing the U.S. energy revolution and its geopolitical consequences;

This well-researched, yet accessible analysis is a valuable text for use in undergraduate and graduate (masters, doctorate, business and law degree programs) courses on:

- International Relations and Security Studies
- International Political Economy
- International Economics
- East Asia Studies
- International Trade & Investment
- Global Energy Security

Discussion Questions

Courses on International Relations and Grand Strategy (focus reading on chapters 1-3, 5-7, 10)

1. How does geoeconomics differ from geopolitics? What is a current case of geoeconomic activity by China, Russia or Saudi Arabia? What is a case of geoeconomic activity by the United States?
2. Which countries are effective in their use of geoeconomics, and why?
3. What are the leading tools of geoeconomic statecraft today, and how do these tools compare to those of previous eras? (e.g., post-war years and initial stages of the Cold War?)
4. What are three U.S. foreign policy challenges today that could benefit from using a geoeconomic approach?

Courses on International Political Economy (focus reading on chapters 1-3, 6-7)

1. Did early liberals (such as Adam Smith and Richard Cobden) view geoeconomics as an appropriate and powerful tool of statecraft? What about subsequent schools of economic thought?
2. Is geoeconomics a sub-field of International Political Economy? Why or why not?
3. What structural characteristics make countries better or lesser suited to exercising geoeconomic instruments of power? In what ways is the United States constrained in its use of geoeconomics compared to non- or lesser-democratic countries?
4. What are some lessons from the history of sanctions since the 1970's?

Courses on International Economics (focus reading on chapters 1-3, 5-7)

1. How has the evolution of Western economic thought (from the early liberalism of the 18th – 19th centuries, to the 20th century rise of Keynesianism followed by supply-side economics, to the neoliberalism of recent decades) shaped policymaker views on geoeconomics as a tool of U.S. statecraft?
2. Compared to thirty or fifty years ago, are global markets today more or less conducive to the use of geoeconomics by governments?
3. How has the rise of today's brand of geoeconomics—led by China, Russia, and the Gulf states—changed the nature of global markets?
4. What does global reserve currency status consist of today? What are the economic costs and benefits to countries with global reserve currencies? What, if any, geopolitical significance does global reserve currency status provide?

Courses on East Asia Studies (focus reading on chapters 3-5)

1. How has China employed geoeconomics to advance its geopolitical agenda in Southeast Asia? Vis-à-vis Taiwan?
2. How would you grade China's overall geoeconomic performance in Asia? How have other countries in Asia responded to China's use of geoeconomics?
3. Which of the current geopolitical conflicts in East Asia are most likely to be shaped by the use of geoeconomic (as opposed to traditional military or diplomatic) power? Why?

Courses on International Trade & Investment (focus reading on chapters 2-3, 5, 7)

1. What are the various tools of state-backed investment and how are these growing?
2. How did early American leaders use trade policy to advance the country's geopolitical interests?
3. How has China or Russia used trade and investment policies as geoeconomic instruments in the past 5 – 10 years? How does this compare to the use of trade and investment tools by the United States over the same time period?
4. What are the risks (for U.S. interests) of the increasing use and potency of U.S. and EU financial sanctions since 2001?

Courses on Global Energy Security and Geopolitics (focus reading on chapters 3, 5, 8)

1. How are changes in U.S. energy mix likely to affect the U.S. capacity to use its energy resources for geopolitical benefits?
2. How has Russia used its energy exports to advance its geopolitical interests in the past 15 years? Is Russia's capacity to use energy as a geopolitical weapon growing or lessening as a result of ongoing shifts in oil and gas markets?
3. How has the energy revolution in the United States affected Washington's ability to use other geoeconomic instruments beyond energy (such as sanctions, or trade) effectively?
4. If indeed global energy markets are in for an extended period of price volatility, what are the geopolitical consequences?

Essay Questions

Courses on International Relations and Grand Strategy

1. Choose a major foreign policy challenge facing the United States today and outline a geoeconomic strategy you think U.S. policymakers should apply.
2. How should policymakers understand the relationship between geoeconomic and military power? Give a historical example where a country has advanced its interests by relying on some combination of geoeconomic and military power. Give an example where a country has shortchanged its geopolitical interests by not relying sufficiently on geoeconomic power.
3. Do you believe the United States is a sophisticated geoeconomic actor? Why or why not?

Courses on International Political Economy

1. In what ways is the United States constrained as a geoeconomic actor? What constitutes an acceptable vs. unacceptable use of geoeconomic statecraft by the United States?
2. Is neoliberal economic thought compatible with geoeconomics? If not, which should prevail?
3. Is wealth more or less concentrated into state hands today as compared to 20 years ago? What are the essential features of today's state capitalist countries, and how, if at all, is today's brand of state capitalism changing the logic and conduct of foreign policy?

Courses on International Economics

1. If you were advising the Chinese government, would you advocate global reserve currency status for the RMB (taking into account any economic as well as geopolitical consequences)?
2. What are the economic risks of U.S. financial sanctions? In the cases of U.S. financial sanctions on Iran and Russia, have those risks materialized? If not, why not?

Courses on East Asia Studies

1. Surveying China's use of geoeconomic statecraft in Asia, when is Beijing most effective? Least effective?

2. Does China see itself as a leading geoeconomic actor? Is geoeconomics seen within China as an acceptable and effective form of statecraft?

Courses on International Trade & Investment

1. Does the new Chinese-led Asian Infrastructure Investment Bank (AIIB) pose a challenge to the World Bank? Why or why not?
2. How, if at all, has the growth in state-led investment affected global investment patterns?

Courses on Global Energy Security and Geopolitics

1. Which countries are the geopolitical winners and losers of the ongoing shifts in energy production and consumption patterns?
2. How, if at all, does the North American energy revolution affect U.S. interests in the Middle East?
3. Should the United States seek to cooperate with Gulf producers (especially Saudi Arabia) so as to mitigate global oil price volatility? Why or why not?

Further Projects

Community Simulation

Write a memo from the U.S. Secretary of State to the President of the United States arguing for greater reliance on geoeconomics within U.S. foreign policy toward a given region of the world, outlining specific policy recommendations.

Business Strategy

You are a senior executive of either (a) a large energy company or (b) a large global investment bank (pick one) with substantial investments in Russia. Russian troops have just pushed farther west into Ukraine, provoking talk in Washington of further U.S. sanctions on Russia. Outline a strategy to shield your firm from the risks of U.S. financial and energy sector sanctions on Russia.

Crisis simulation

Amid flaring tensions between the United States and China in the South China Sea, U.S. and Filipino naval forces initiate joint patrols in disputed waters claimed by both the Philippines and China. In retaliation, China initiates a heavy sell-off of its holdings of U.S. Treasury debt—suggesting more to come unless the United States ceases these joint patrols and vacates its military bases in the Philippines. Undertake an emergency meeting of the U.S. National Security Council (involving at least the Treasury, Defense, State Departments, as well as the White House National Security Advisor) and develop a jointly agreed course of action for the President.

Supplementary Materials

Courses on International Relations and Grand Strategy

Graham Allison and Robert D. Blackwill, *Lee Kuan Yew: The Grand Master's Insights on China, the United States, and the World*, MIT Press: Belfer Center Studies in International Security, February 2013.

Walter Russell Mead, *Special Providence*, Routledge, 2002.

[Leslie Gelb, "GDP Now Matters More than Force," *Foreign Affairs*, November/December 2010 Issue.](#)

Thomas Schelling, *The Strategy of Conflict*, Harvard University Press, 1981.

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David Baldwin, *Economic Statecraft*, Princeton University Press, 1985.

Susan Strange, "International Economics and International Relations: A Case of Mutual Neglect," *International Affairs* Vol. 46, No. 2, April 1970.

David Grewal, *Networked Power*, Caravan, 2008.

Jeremi Suri, "State Finance and National Power: Great Britain, China, and the United States in Historical Perspective," in *Sustainable Security: Rethinking American National Security Strategy*, The Tobin Project, 2016.

Courses on International Economics

Barry Eichengreen, *Exorbitant Privilege*, Oxford University Press, 2001.

Jonathan Kirshner, *Currency and Coercion: The Political Economy of International Monetary Power*, Princeton University Press, 1995.

[Martin Feldstein, "The Failure of the Euro: The Little Currency That Couldn't," *Foreign Affairs*, January/February 2012 Issue.](#)

Courses on East Asia Studies

William Norris, *Chinese Economic Statecraft: Commercial Actors, Grand Strategy, and State Control*, Cornell University Press.

Michael Forsythe and Henry Sanderson, *China Superbank: Debt, Oil, and Influence – How China Development Bank is Rewriting the Rules of Finance*, Wiley, 2013.

[James Reilly, "China's Economic Statecraft: Turning Wealth into Power," Lowy Institute, November 2013.](#)

Courses on International Trade & Investment

Albert Hirschman, *National Power and the Structure of Foreign Trade*, University of California Press, 1945.

Anna Gelpern, "Sovereignty, Accountability and the Governance Conundrum," Georgetown University Law Center, July 2010.

Edward Mansfield, *Power, Trade and War*, Princeton University Press, 1995.

Courses on Global Energy Security and Geopolitics

[Robert D. Blackwill and Meghan L. O'Sullivan, "America's Energy Edge," *Foreign Affairs*, March/April 2014.](#)

[Michael Levi, *The Power Surge: Energy, Opportunity, and the Battle for America's Future*, Oxford University Press, 2013.](#)