Journal of Political Sciences & Public Affairs

Rogowsky, J Pol Sci Pub Aff 2014, 2:1
DOI: 10.4172/2332-0761.1000e108

Editorial Open Access

The Revival of Economic Statecraft

Robert A Rogowsky*

Monterey Institute for International Studies, Adjunct Professor, Georgetown University, and President of the Institute for Trade & Commercial Diplomacy,460 Pierce Street, Monterey, California, USA

Secretary of State Hillary Clinton, speaking in late 2010 to the NY Economic Club, put economics and market forces at the heart of U.S. foreign policy. "Economic statecraft," she stated, "harnesses global economic forces to advance America's foreign policy and employs the tools of foreign policy to shore up U.S. economic strength." John Kerry, in his first speech as Secretary of State, agreed that U.S "foreign policy is economic policy."

Economic statecraft has indeed become the dominant pillar of U.S. foreign policy. Most nations, especially emerging markets like the BRICS, have economics at the center of their foreign policy. And for good reason, for the first time in history global superpower status will have little relation to troops or weapons. Twenty-first century power is about ensuring security by building strong economies through policies that spur growth, create jobs, and promote domestic commercial interests. Wealth can fund armies and navies. But power is more complicated now, defined by the complex nature of global markets and exercised through strategic economic policies, creative networking and commercial alliances. Smart power is a careful blend of soft and hard power. Hard power is increasingly defined not by invading armies, but by assertive economic tools such as sanctions, export restrictions and retaliatory trade remedy actions, occasionally accentuated by a few major powers with threats of tailored military intervention.

The end of the Cold War, the technology revolution, the dramatic shift toward organizing economic activity through markets, the emergence of China, India, Brazil, Mexico, and South Africa as economic powers, the rapid rise of value global value chains, and the flood of regional and bilateral trade and investment agreements highlight the profoundly economic nature of modern foreign relations. Russia seems intent on rebuilding its empire with quasi-coerced Free Trade Agreements and heavy-handed commercial punishments. China's self-proclaimed non-military foreign policy targets economic interests: energy, mineral resources, food sources, and supply chains to sustain its huge manufacturing base; and, of course, keeping shipping lanes and markets open to unload the goods. The growing tensions in the South China Sea, for instance, rest firmly on economic issues-- fishing, oil drilling, and secure shipping lanes. U.S. broad-based economic sanctions and finely targeted financial sanctions on Iran are a first recourse to military engagement.

Tensions in the 21st century are complex: between economics and politics, between international and domestic pressures, and between government and other forces. 'Other forces' is the vast and rapidly growing civil society and non-state actors (Joseph Nyes 3rd level of the 3-D chessboard). It is not surprising that the Arab Spring began with the self-immolation of a street merchant fed up with overweening regulations and taxes (domestic tension) and was driven by social media (other forces). Fifty of the 67 transitions from autocratic rule to 'free' regimes since 1970 were driven by civil society.

The Trans-Pacific Partnership is both a comprehensive negotiation to integrate economies and a geo-economic platform for the US to balance China's rises in Asia. The Trans-Atlantic Trade and Investment Partnership negotiations are about improving collaborations and even harmonization of the vast regulatory structures and processes that govern economic activity. Economic statecraft takes center stage.

Economic statecraft increasingly falls within the expanding reaches of the trading system. Trade policy until 1970 was essentially setting and then negotiating away tariffs. Even today, the Doha Round has been sidelined over arcane issues related to whether tariffs could be lowered from bound or actual rates. Trade policy, however, is stretching its scope to encompass the complexity of the world economy and the need for companies to lower transactions costs across supply chains and to harmonize standards and governance.

Economic diplomacy is a compendium of activities that have emerged since the end of World War II. Commercial diplomacy traditionally covers trade promotion, trade and investment negotiations and WTO affairs. But governments must manage a broader set of external economic activities across, for example, the World Bank, IMF, Development Banks, and UNCTAD; myriad programs involving aid, technology transfer, financial architecture; country branding, tourism promotion, cross-border employment and migration; and numerous joint commission, business councils, environmental organizations. The Indian Foreign Service builds stronger economic relations systematically: (1) Economic Salesmanship, (2) Economic Networking and Advocacy, and (3) Imaging building. These three lay the necessary foundation for the final step (4) Regulatory Management and Resource Mobilization-- trade agreements, investment treaties, energy access agreements, among many other regional agreements and business arrangements. All these, to be done well, require intricate collaboration among all domestic stakeholders to form a coherent and compelling national front, which then must artfully be put forward as national economic diplomacy.

But who's to do it? Effective economic diplomacy requires diplomats well-trained in economics, finance and business, with a mindset that can see the possibilities hidden in them all: "a Department," Clinton says, "where more people can read both Foreign Affairs and a Bloomberg Terminal." It is, as Secretary Clinton emphasized, an expertise based on business, economic and financial skills-- the language and priorities of business-- that are in short supply among most diplomats. Private foreign investment has replaced foreign aid as the principle source of funding for international economic development. Developing countries now seek and attract more foreign direct investment than foreign assistance. U.S. agencies with the right

***Corresponding author:** Robert A Rogowsky, Monterey Institute for International Studies, Adjunct Professor, Georgetown University, and President of the Institute for Trade & Commercial Diplomacy,460 Pierce Street, Monterey, California, USA, Tel: 831-647-6521; E-mail: rarogowsky@miis.edu

Received November 30, 2013; **Accepted** December 03, 2013; **Published** January 22, 2014

Citation: Rogowsky RA (2014) The Revival of Economic Statecraft. J Pol Sci Pub Aff 2: e108. doi:10.4172/2332-0761.1000e108

skills can accelerate this impact. It is, as Clinton recognized, "a world where security is shaped in boardrooms and on trading floors as well as on battlefields.'

A G-20 world, and perhaps the G-Zero world that Ian Bremer has postulated, is a world in which political divisions are dissolving, economic power dominates, and business and civil society play leading roles Well-informed and thoughtful economic diplomacy, smartly implemented, is the instrument that will makes it all work well, and hopefully harmoniously.