

Session: Geoeconomics

Date/Time: April 25, 2018 / 09:00-10:30

Rapporteur:

Troy Stangarone, Korean Economic Institute of America

Moderator:

Choi Byung-il, Ewha Womans University

Speakers:

Fukagawa Yukiko, Waseda University

Peter Harrell, Center for a New American Security

Yukon Huang, Carnegie Endowment for International Peace

Walter R. Mead, Hudson Institute; Bard College

Benn Steil, Council on Foreign Relations

Session Sketch:

The third Plenary Session, Geoeconomics, explored the role of economic statecraft in achieving diplomatic and security objectives.

Walter R. Mead noted that geoeconomics has always existed and that the current liberal international order is an example of the successful use of geoeconomics. In the aftermath of the Second World War, the United States and Western nations used the Marshall Plan and the establishment of the European Coal and Steel Community as parts of a broader containment strategy developed to deal with the Soviet Union after the war. If the system were to falter, challengers would use geoeconomic tools to change the system and

** The views expressed herein are summaries and may not necessarily reflect the views of the speakers or their affiliated institutions.*

states invested in the system would use geoeconomic tools to defend it.

Peter Harrell concurred with the assessment of geoeconomics as a tool for advancing international strategic goals. He noted that the United States’ first FTA with Israel was for strategic reasons, as later Middle Eastern FTAs were designed to address the threat from terrorism. He noted that the rise of the discussion of geoeconomics is really about the rise of states that were traditionally outside the liberal international order.

Benn Steil built on the discussion of the historical use of geoeconomics and noted that both Presidents Franklin Roosevelt and Harry Truman sought to use geoeconomics to shape events after the war. The initial institutions of the liberal international order, such as the World Bank and the IMF, were part of Roosevelt’s “one world” vision. However, when it became clear to Truman that Stalin’s Russia would not take part in the new order, he shifted to a “two world” vision and developed institutions such as NATO and the Marshall Plan.

Yukon Huang argued that China wants to be a global leader, but states are apprehensive of its rise. Because it lacks the soft power of the United States and other international actors, it uses geoeconomic tools to achieve its international objectives. China is using the Belt and Road Initiative to reshape the global trading system and a rebalance of international investments to give it a global presence. He also noted that economic tensions in the world tend to correlate with China’s trade surpluses and deficits.

** The views expressed herein are summaries and may not necessarily reflect the views of the speakers or their affiliated institutions.*

Despite concerns about the waning liberal international order, Fukagawa Yukiko argued that the order will survive because it is needed. She noted that even China still values trade for economic growth. She also claimed that much of the reaction to the liberal international order among G-7 countries, with the exception of commodity exporters in Australia and Canada, is part of a process that Japan went through with the economic bubble of the 1980s. Each country has its own version of “Make America Great Again” and they tend to revolve around improving competitiveness, reexamining trade deals, and decreasing the value of a country’s currency. In the end, Japan has learned that the keys to success are innovation and the labor market reforms that make innovation possible.

** The views expressed herein are summaries and may not necessarily reflect the views of the speakers or their affiliated institutions.*