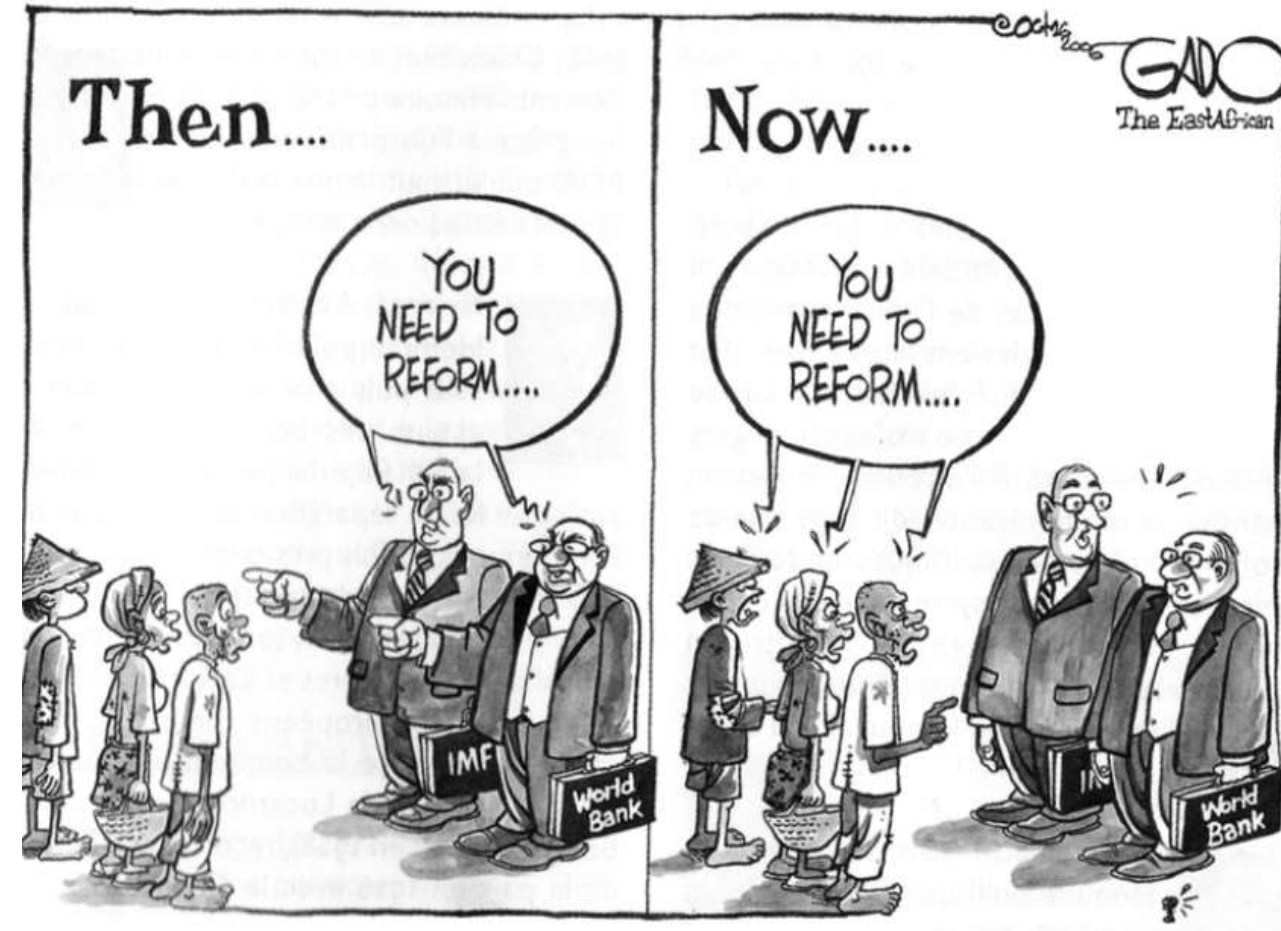




# INTERNATIONAL ECONOMIC RELATIONS AND ECONOMIC DIPLOMACY

Dr. Georgios Papagiannis  
[gpapayiannis@hotmail.com](mailto:gpapayiannis@hotmail.com)

- It mainly refers to:
  - ✓ currency exchange agreements
  - ✓ exchange rate policy
  - ✓ government bond markets
  - ✓ withholding of debts or payments
- It is conducted in:
  - ✓ G7-G8/G20
  - ✓ IMF
  - ✓ World Bank
- Major changes:
  - ✓ In currency crises (e.g., when the USA encouraged Latin American countries to adopt the dollar as their national currency).
  - ✓ During periods of dominant liberal financial policies (e.g., during the 2008/09 crisis).



- Means of reward or coercion (positive or negative).
- Political or economic tools.
- Economic tools: Involve measures of a commercial or financial nature.



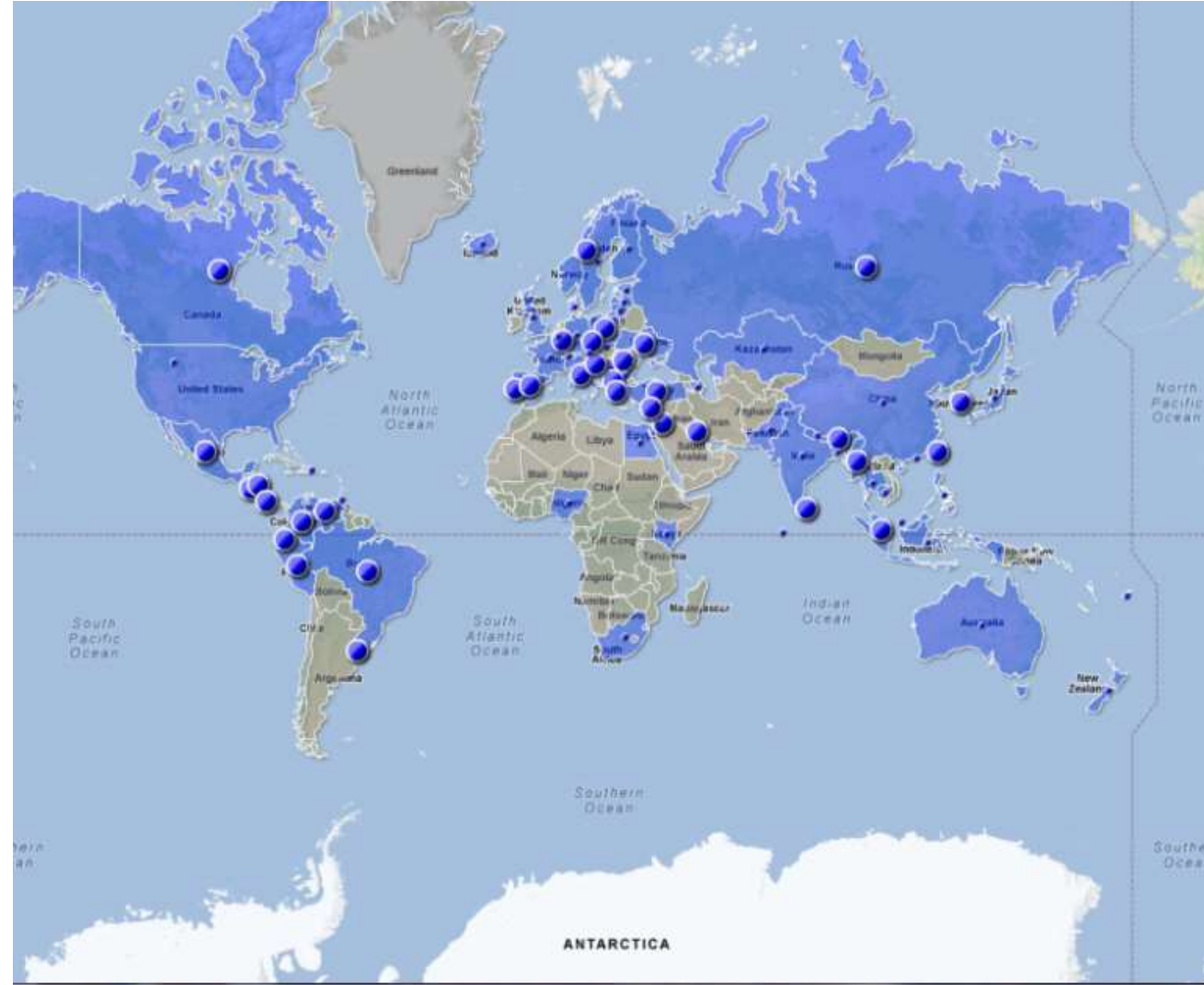


# Embargo



## International Negotiations

- ✓ USA on North Vietnam (1964 – 1975).
- ✓ UN on Yugoslavia.
- ✓ Greece's on FYROM (1994-1995).
- ✓ Kosovo's on Serbia after 2011.
- ✓ Russia's on Georgia (2006-2013).
- ✓ USA on Nicaragua (1985-1990).



## Embargo (Case Study USA vs Cuba)

- **1958:** Ban on arms sales **1960:** Restrictions on exports to Cuba (except for food and medicine) **1962:** Expansion of the embargo to include nearly all imports/exports **2000:** Partial lifting of restrictions for food and humanitarian supplies.
- **Objective:** According to the U.S. Department of the Treasury the goal was "the economic isolation of Cuba and the drying up of its access to US dollars."
- **Main measures:**
  - ✓ Prohibition of business relations between American companies and Cuban enterprises.
  - ✓ Pressure other countries to discourage investments in Cuba (e.g., Royal Dutch Shell).
  - ✓ Travel ban for US citizens.
- **UN:** Since 1992, the UN General Assembly has adopted annual resolutions condemning the ongoing effects of the embargo. The policy has also been criticized by organizations such as Amnesty International and Human Rights Watch.



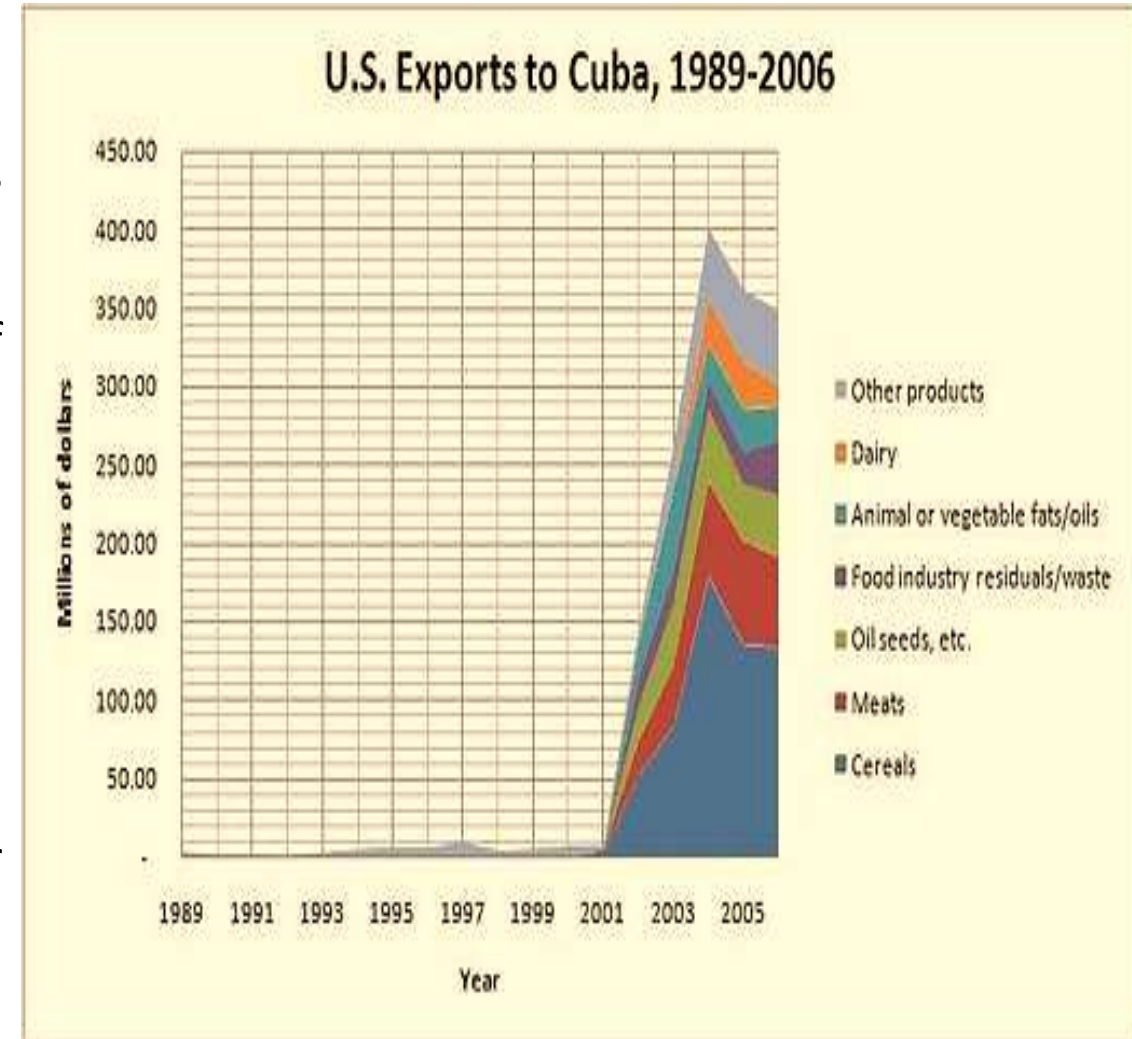
## Embargo (Case Study USA vs Cuba)

- **Results:**

- ✓ Cuba's economy: Estimated losses of \$685 million annually, totaling \$28.6 billion over the duration of the embargo.
- ✓ US economy: Annual losses ranging between \$1.2 and \$4.8 billion, primarily due to restrictions preventing American exporters from accessing the Cuban market.
- ✓ Policy: The embargo contributed to the prolongation of Castro's regime, providing a convenient narrative of external aggression. Internationally, Cuba was often portrayed as a victim of U.S. pressure, strengthening support for Havana in certain regions.

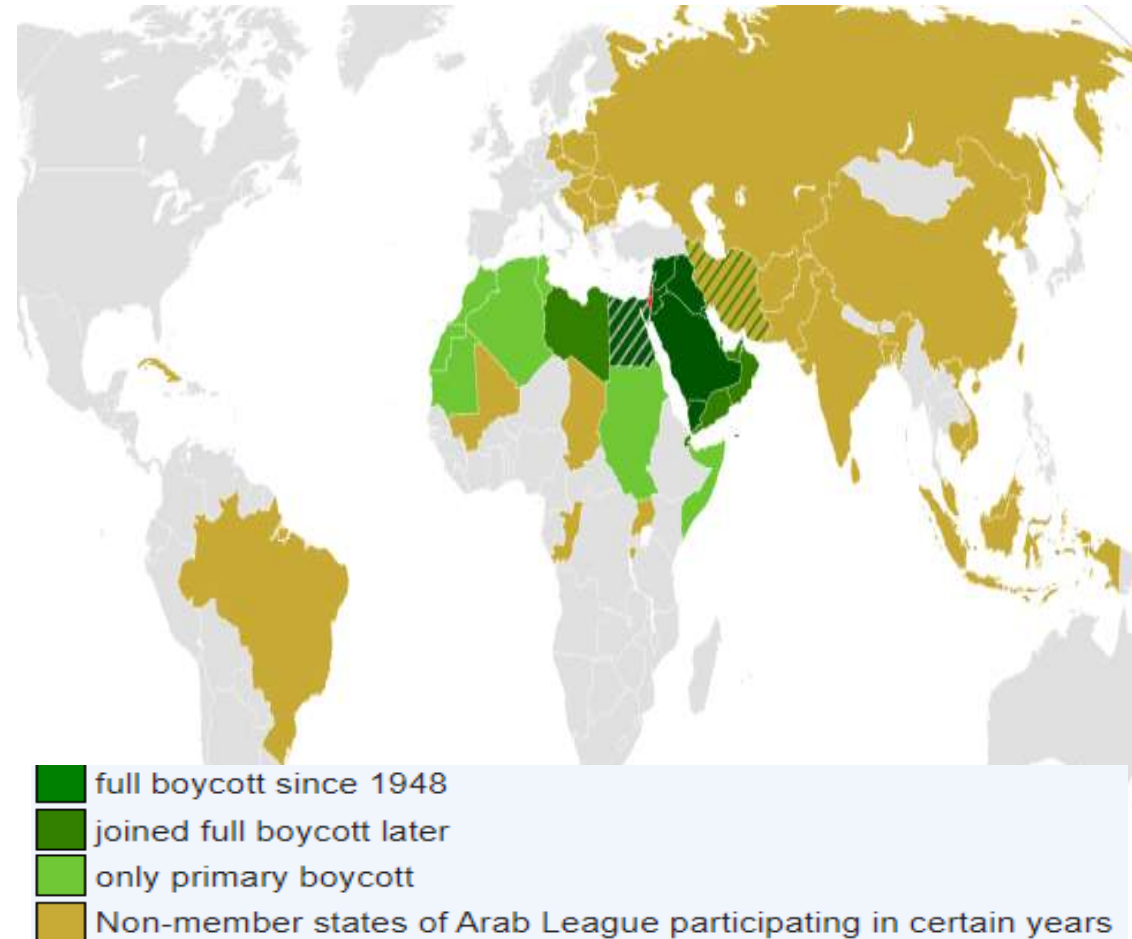
- **Changes:**

- ✓ **2001:** An increase in U.S. exports occurred after the introduction of new procedures that sped up export license approvals for eligible agricultural products destined for Cuba.
- ✓ **2009:** President Obama launched the initial steps toward restoring bilateral relations, easing some restrictions and signaling a shift in U.S. policy.

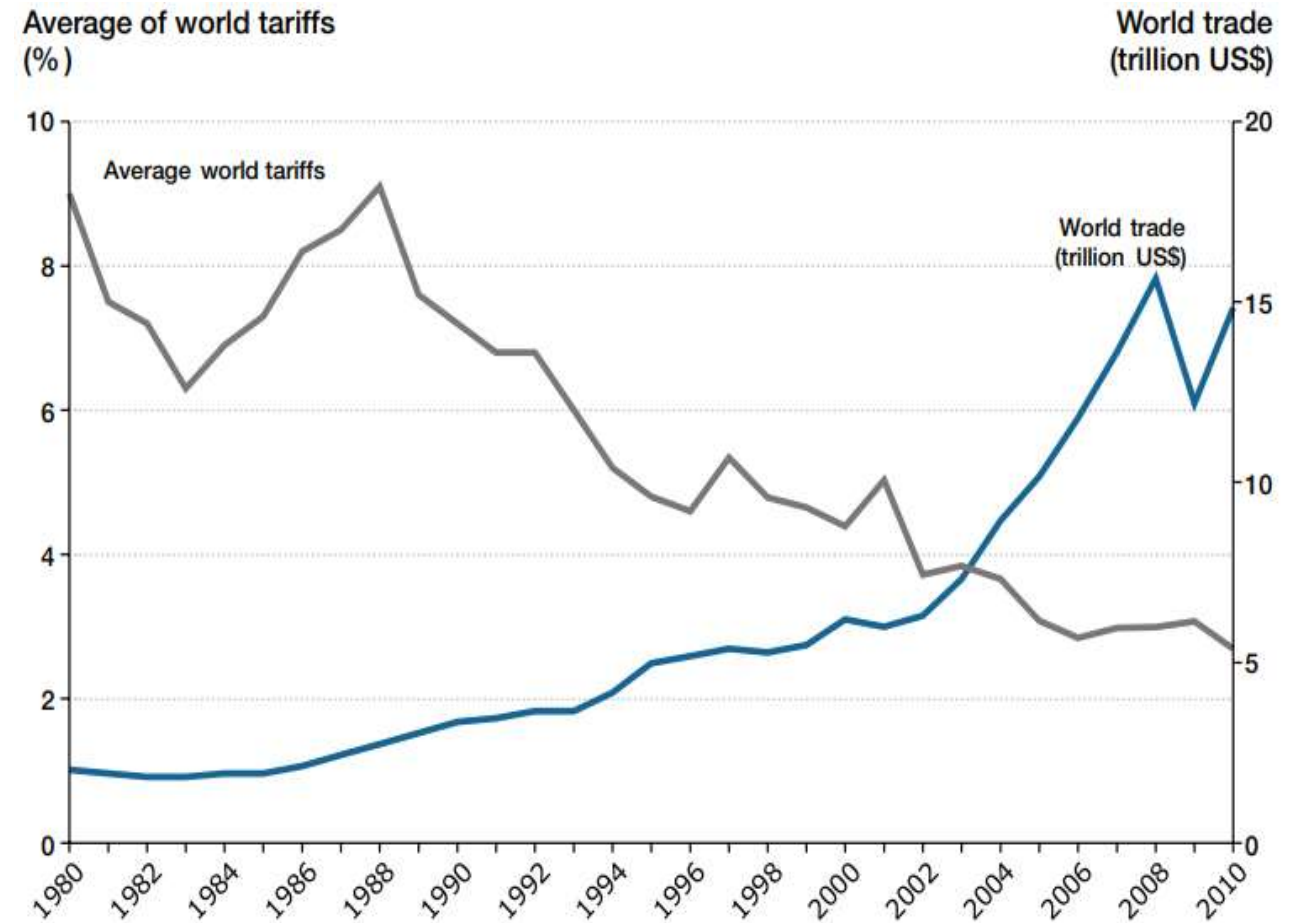




- A boycott is an act of non-violent, voluntary abstention from a product, person, organization, or country as a form of protest. Boycotts are typically motivated by moral, social, political, or environmental reasons.
- In modern times, boycotts are largely driven by consumer activism.
- Notable cases:
  - ✓ 1905: Boycott of American products in China in response to U.S. laws restricting Chinese immigration.
  - ✓ 1933: Nazi boycott of Jewish businesses in Germany.
  - ✓ 2019: Boycott of Japanese products in South Korea during the trade dispute between Japan and South Korea.



- A tariff is a specific tax imposed on goods during their import or export. Besides serving as a source of government revenue, import duties can also function as a tool of foreign trade regulation, taxing foreign products in order to encourage or protect domestic industry.
- **EU vs China**
  - ✓ **2010:** The EU responded to unfair practices by Chinese companies in the paper industry and to state subsidies originating from China by imposing countervailing duties ranging from 4% to 12%, as well as anti-dumping duties ranging from 8% to 35%. China retaliated by increasing tariffs on potato imports from the EU.
  - ✓ **2014:** An agreement was reached to reduce tariffs on technological products, with an anticipated benefit of \$1 trillion.



Source: Tariffs adapted from Coatsworth and Williamson, 2002 and Mitchel, 1992; referenced in Nenci, 2009; World Bank, World Trade from World Trade Organization report, 2012.



- MFN is a status or level of treatment accorded by one state to another. A country that receives MFN status must, in principle, be granted the same trade advantages—such as low tariffs or high import quotas—as the country’s “most-favoured” trading partner.
- **WTO:** Members are not allowed to discriminate between trading partners. All WTO members agree to grant MFN status to each other. Exceptions allow for preferential treatment in cases such as:
  - ✓ developing countries
  - ✓ regional free trade areas
  - ✓ customs unions
- Challenges arise from the formation of regional coalitions, such as the EU or NAFTA, which have reduced or eliminated tariffs among their members while maintaining tariff barriers against other WTO states.



- During the 1990s, the United States' continued extension of MFN status to the People's Republic of China sparked controversy because of China's sale of sensitive military technology and its ongoing human rights abuses. China's MFN status was ultimately made permanent on December 27, 2001.
- In 1996, India granted MFN status to Pakistan. After the Pulwama attack in February 2019, India withdrew Pakistan's MFN status, invoking Article XXI of the GATT, which allows exceptions on national security grounds.



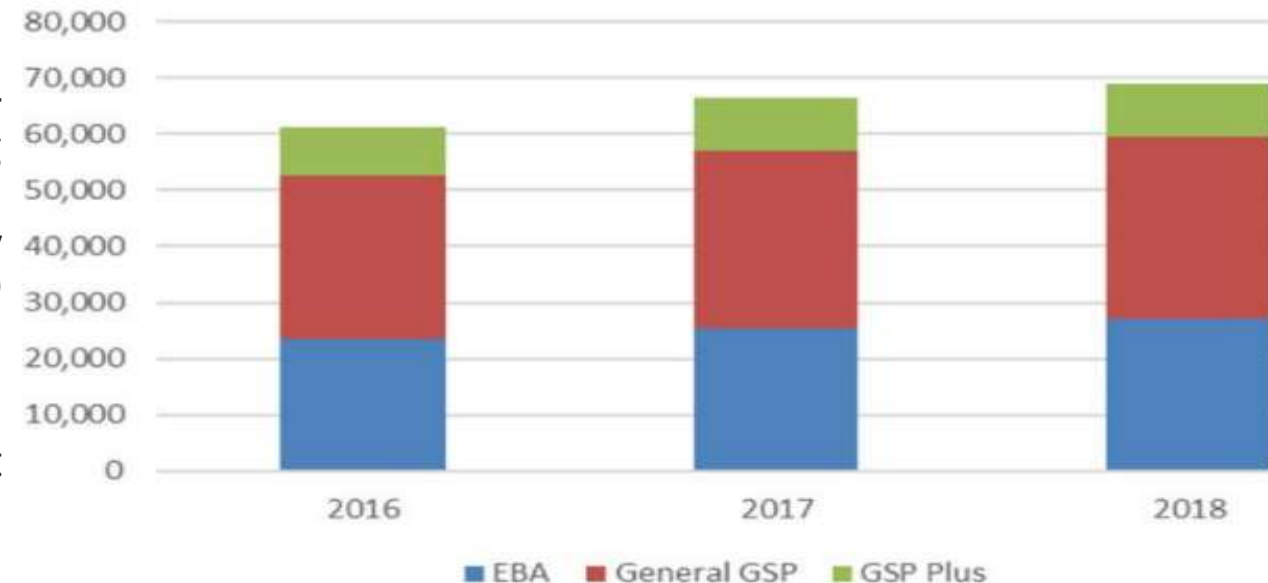
# COMMERCIAL TOOLS

## Generalized System of Preferences (GSP)

- GSP is a trade program that offers preferential duty-free entry or reduced tariffs on certain products from developing countries when exported to developed nations. Its goal is to support the economies of developing countries by giving them easier access to international markets and increasing their export opportunities.
- **WTO:** Allows reduced or zero tariffs on eligible products exported by beneficiary countries to developed markets. In 1971, the WTO recognized the concession of preferential tariffs for a period of 10 years. In 1979, the measure became permanent.
- **EU:** Regulation 978/2012 (effective from 1/1/2014):
  - ✓ Generalized Scheme of Preferences (GSP): Suspends or reduces import duties on products from developing countries.
  - ✓ GSP+: Offers even lower tariffs for countries that ratify and implement 27 international conventions related to human rights, labor rights, the environment, and good governance.
  - ✓ Everything But Arms (EBA): Provides complete suspension of duties and quotas for all goods -except weapons- for least developed countries.



Source: WTO Secretariat





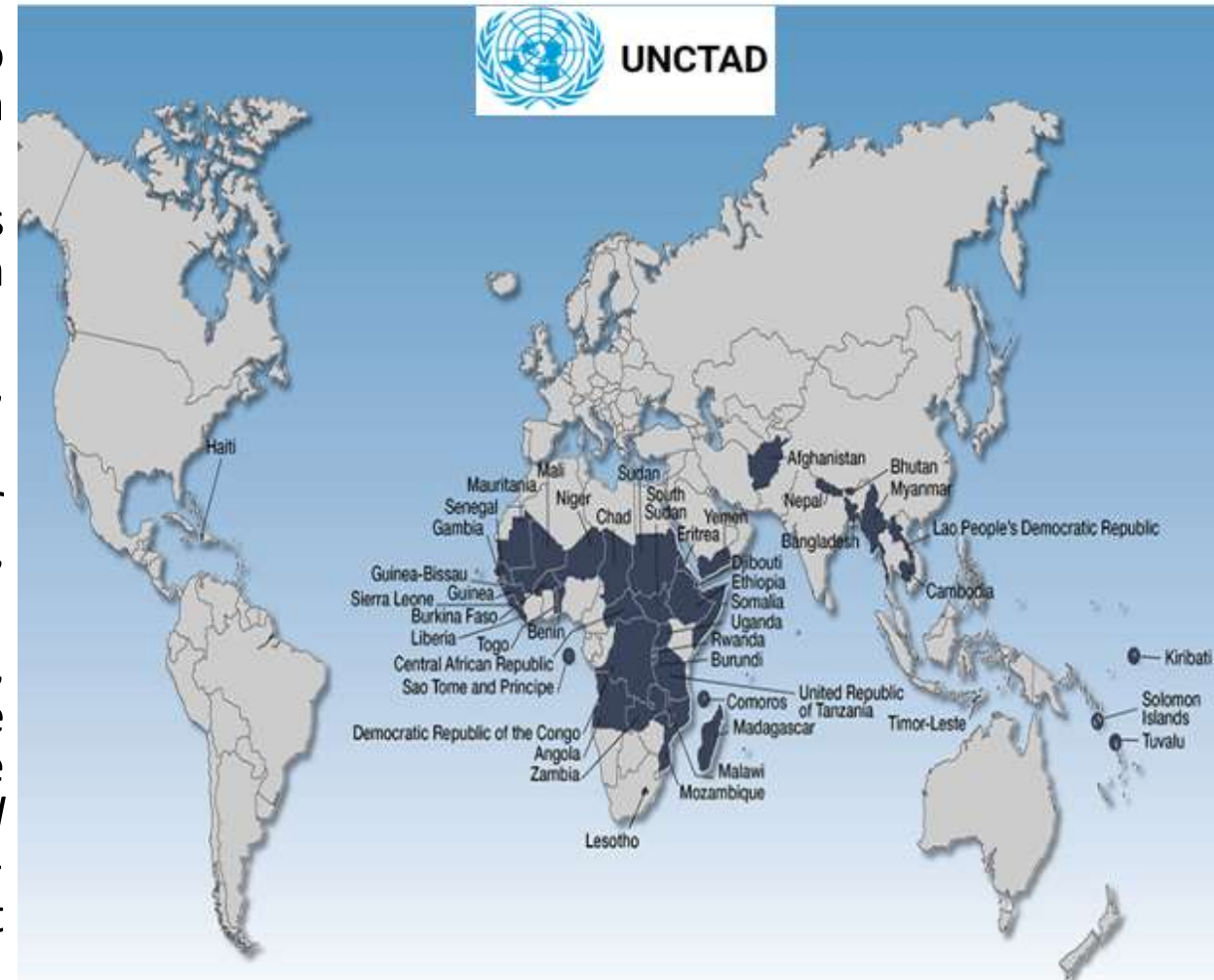
## Generalized System of Preferences (GSP)

- **Evaluation of the system:**

- ✓ Developed nations comply with the requirement to extend their programs, providing benefits to a substantial number of developing countries.
- ✓ Exceptions are maintained for political reasons, as seen in the case of the USA and its relations with Vietnam and Libya.
- ✓ Products of particular interest—such as textiles, ceramics, glass, steel, etc.—are excluded.
- ✓ The program is especially advantageous for wealthier developing countries (e.g., Mexico, Taiwan, Hong Kong, Singapore, Malaysia).

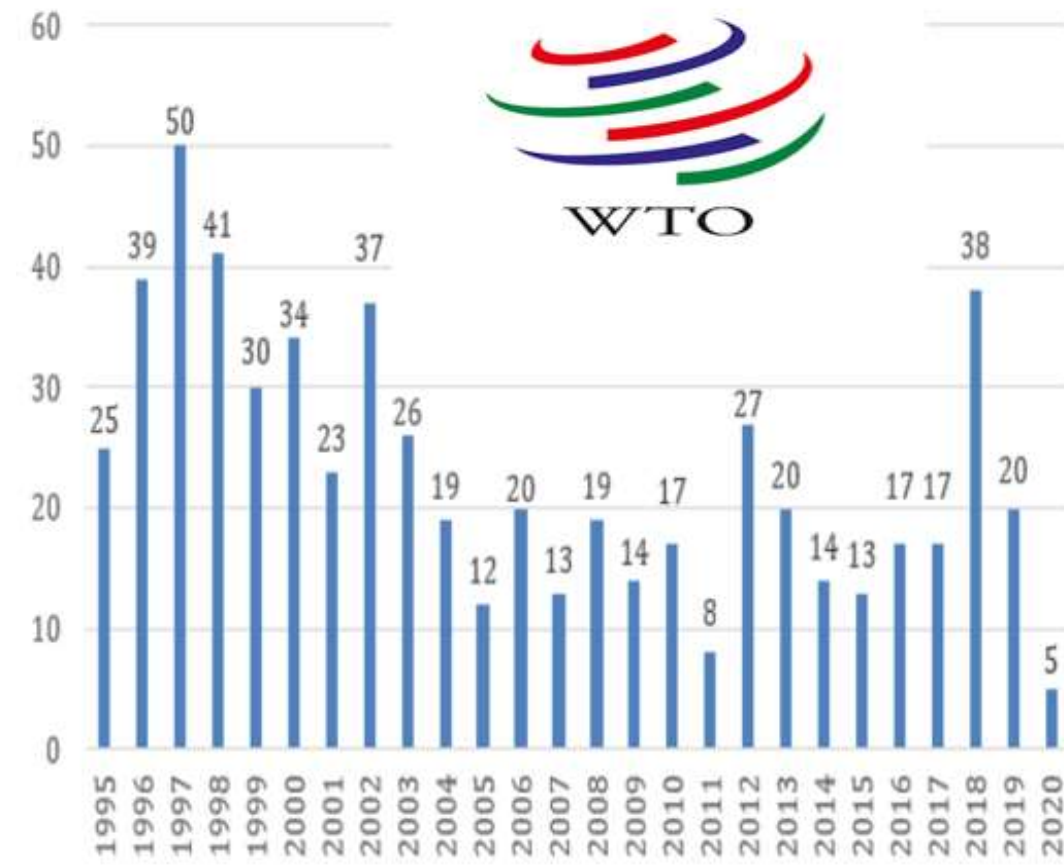
- **Difference between MFN and GSP:** Under **MFN status**, WTO members are obliged to offer equal trade preferences to all partners. Under **GSP**, members are allowed to provide *special and differentiated treatment*—such as imposing zero tariffs on imports—based on specific circumstances and the development status of beneficiary countries.

Africa 33, Asia 9, Caribbean 1 and Pacific 3



## Export Subsidies

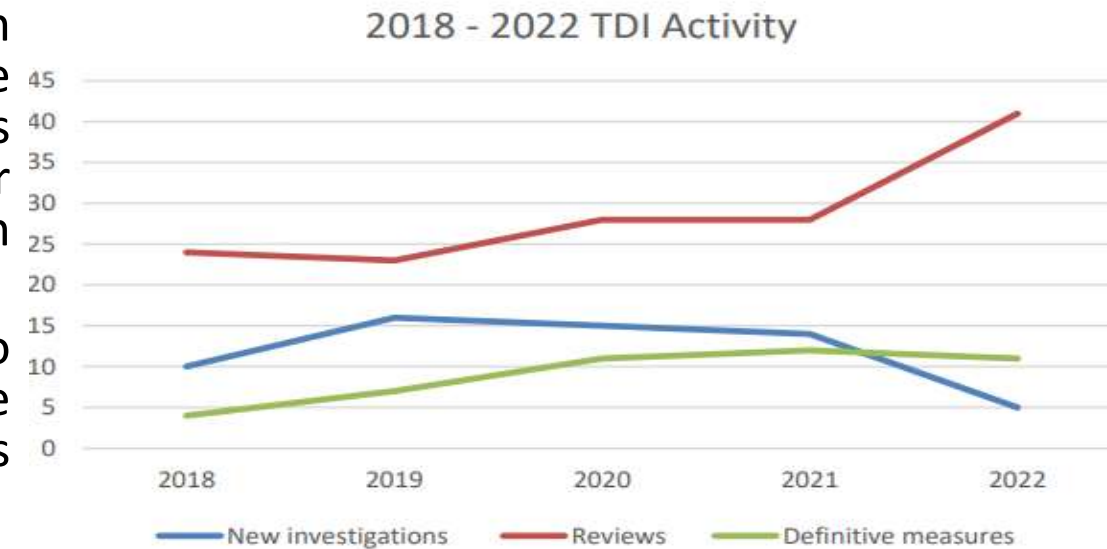
- Government policies aimed at encouraging exports take various forms, such as direct payments, low-cost loans, and tax relief for exporters. However, these practices distort fair competition.
- **WTO:** The Agreement on Subsidies and Countervailing Measures regulates the framework for applying countervailing measures and grants the affected country the right to use the dispute settlement process (Dispute Settlement Body). While most subsidies are prohibited, justified exceptions are allowed for social reasons, such as supporting poorer nations.
- **EU:** Regulation 1037/2016 mandates the imposition of countervailing duties on subsidies provided for the construction, production, export, or transportation of any product that causes damage when freely circulated within the Union. The European Commission is authorized—upon receiving a written complaint—to impose provisional measures for up to 9 months. These measures may subsequently be converted into permanent actions for a maximum of 5 + 5 years.



# COMMERCIAL TOOLS

## (Anti) Dumping

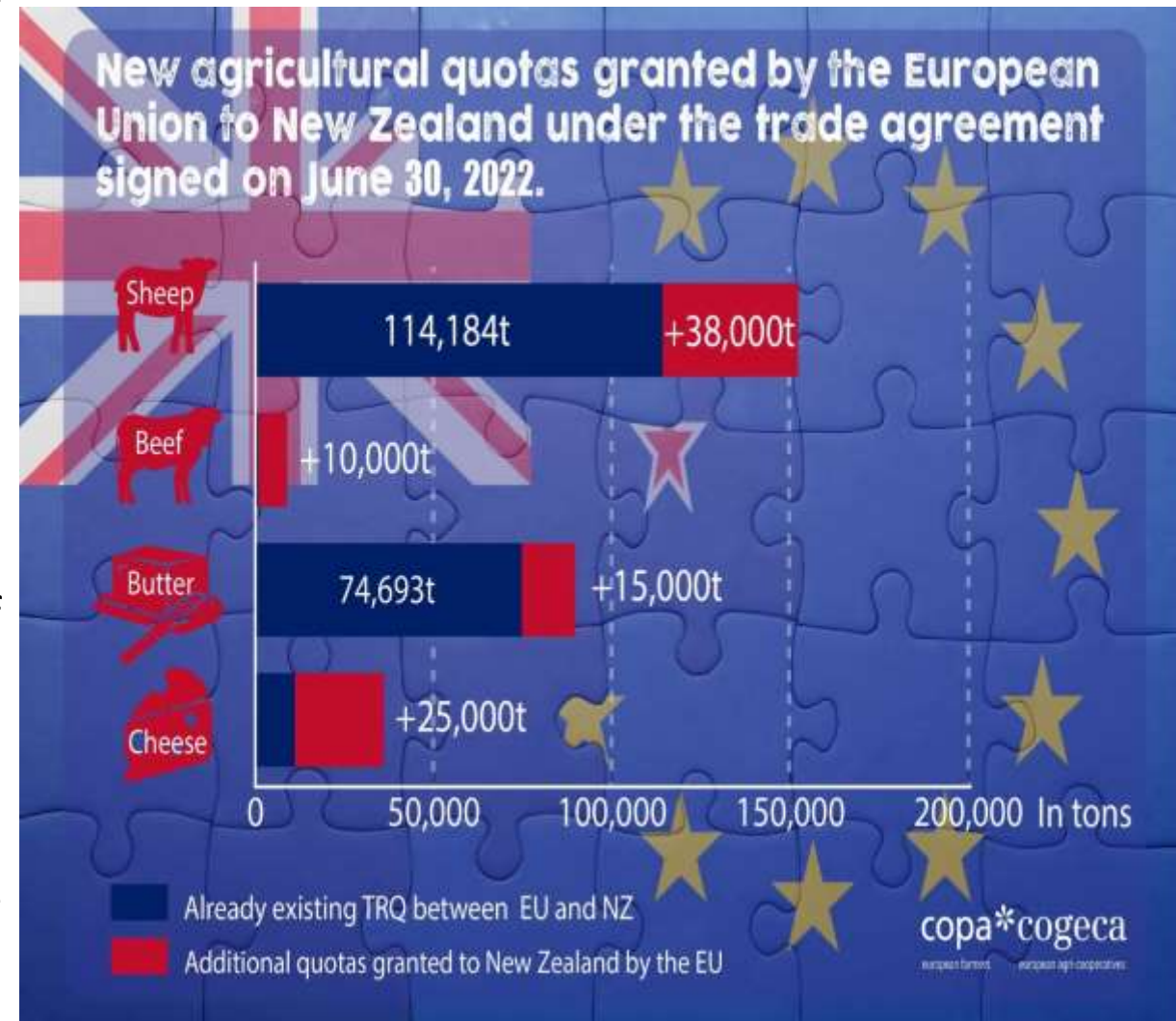
- **Dumping** refers to the practice of selling goods in a foreign market at a price lower than the price charged in the domestic market—or even below the cost of production. This practice can harm domestic industries by undercutting their prices and making it difficult for them to compete in their own market.
- **Anti-dumping** refers to the measures taken by countries to counteract the effects of dumping on their economies. These measures typically involve imposing additional duties or taxes on dumped goods.
- **WTO:** According to [Article VI of the GATT](#), dumping is condemned when it causes or threatens to cause material injury to the domestic industry of the importing country.
- **EU:** Under [Regulation 1036/2016](#), the European Commission investigates and implements measures in cases where:
  1. Imports are being dumped.
  2. The European industry suffers ‘material injury.’
  3. There is a causal link between dumping and the injury.
  4. The measures are in with the overall interests of the EU.





## Quotas

- Quotas are restrictions on the quantity or value of specific goods that can be imported or exported within a given period.
- WTO:** According to [Article XI of the GATT](#), there is a general prohibition on quantitative restrictions. However, such restrictions are allowed in specific cases. Member notifications on imposed quotas aim to provide transparency regarding these measures.
- EU:**
  - ✓ [Regulation 1388/2013](#): Contains a catalog of agricultural and industrial products subject to these measures.
  - ✓ [2018](#): The European Commission temporarily imposed measures (a 25% quota) on the imports of 23 steel products to address the diversion of steel from other countries into the EU market as a result of tariffs imposed by the USA.



- An import license is an administrative document issued by a country's authorities that permits the importation of specific products or goods. This license is often essential for regulatory and trade compliance, ensuring that the imported items meet required standards and adhere to legal protocols.
- **WTO:** Under the Agreement on Import Licensing Procedures, licenses must be simple, transparent, and granted under clear conditions so as not to obstruct trade transactions..
- EU vs Argentina: In 2012, the EU filed a complaint with the WTO, citing *“systematic delays or denials by Argentine authorities without logical justification.”* The WTO ruled that Argentina’s licensing rules violated the GATT and called on the Argentine government to bring its procedures into compliance with international trade regulations.



- The procurement of raw materials and goods can be used strategically to prevent a target country from obtaining essential resources.
- Businesses often face difficulties accessing foreign markets due to various restrictive practices such as:
  - ✓ Promotion of a specific brand
  - ✓ Mandatory non-competitive practices
  - ✓ Licensing agreements
  - ✓ Exclusive distribution and franchising
  - ✓ Management contracts
- In 1995, Fuji signed exclusive distribution agreements with Japanese production companies, which hindered Kodak's ability to access the Japanese market. In response, Kodak appealed to the U.S. government and the WTO, requesting sanctions against Fuji. However, the WTO rejected Kodak's claims, ruling that Japan had not violated trade rules.







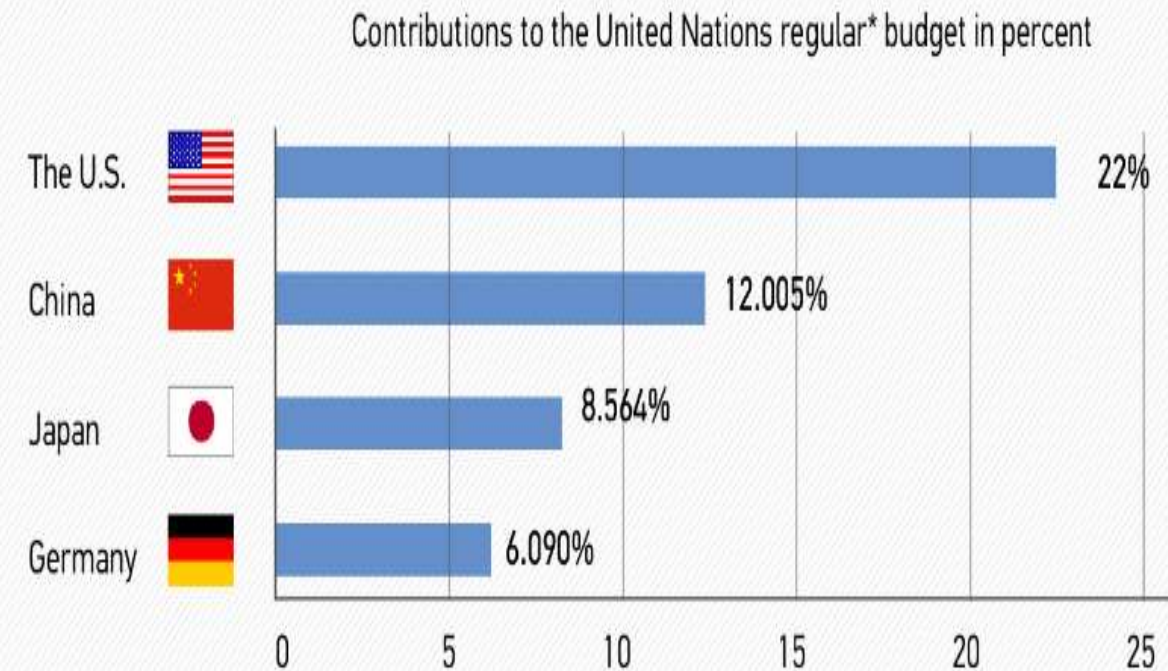
POSITIVE	NEGATIVE
Inclusion in the GSP	Export subsidies
Decreasing Tariffs	Increasing tariffs
Import Licenses	Embargo
Granting MFN clause	Dumping
	Restrictions / delays in issuing and /or modifying import licenses
	Boycott
	Exclusive dealing
	Quotas

1. Providing favorable loans to a country for specific objectives.
2. Encouraging exports or granting export credits.
3. Excluding or restricting foreign investments in certain sectors of the economy.
4. Imposing restrictions on the repatriation of profits and applying capital export controls.
5. Debt restructuring or re-negotiation.
6. Offering insurance services to protect FDI, especially against political risks.



7. Requiring the participation of local partners' in FDI.
8. Imposing technology import requirements or prohibiting technology exports.
9. Reducing or withdrawing credits for economic aid, or delaying the transfer of financial resources.
10. Withholding or abolishing contributions to IOs, or delaying debt payments to influence their policy.
11. Freezing or confiscating assets, seizing property, and denying access to the country's bank accounts.
12. Providing arms systems free of charge.

## WHO ARE THE BIGGEST CONTRIBUTORS TO THE UN?



The four countries together finance 49% of the entire UN budget.

*\*Does not include peacekeeping costs and the current contributions scale valid for 2019-2021.*

**Source:** United Nations



POSITIVE	NEGATIVE
<b>IMPORTS &amp; EXPORTS OF CAPITAL</b>	<b>IMPORTS &amp; EXPORTS OF CAPITAL</b>
Granting of credits	Controls or restrictions on capital repatriation
<b>INVESTMENTS ABROAD</b>	
Insurance guarantees	
<b>DOMESTIC INVESTMENTS</b>	<b>DOMESTIC INVESTMENTS</b>
Reduction of taxation on foreign investments	Increase in taxation/requirement for local partners' participation in FDI/ technology import requirements/technology export prohibition/exclusion or limitation of investments
<b>CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS</b>	<b>CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS</b>
Timely payment/increase in contributions	Payment delays/reduction or elimination of contributions
<b>DEBT</b>	<b>DEBT</b>
Restructuring/renegotiation	Refusal of debt restructuring/renegotiation
<b>ECONOMIC AID</b>	<b>DENIAL OF ECONOMIC AID</b>

- **1944:** Establishment of the International Bank for Reconstruction and Development (the World Bank), and the IMF.
- **1947:** The Truman Doctrine, which provided economic and military aid (including to Greece and Turkey).
- **1948-52:** The Marshall Plan's first program.
- **1948:** Founding of the OECD.
- **1961:** Establishment of the Development Assistance Committee (DAC) within the OECD.
- **1960s:** Establishment of agencies for donor cooperation (USAID, SIDA, NORAD, CIDA, etc.).



1. Geopolitical, political, and strategic implications:
  - ✓ Cold War: Used by Western countries as a tool to contain the USSR.
  - ✓ Post-9/11: Employed as an instrument to prevent terrorist attacks.
  - ✓ Achievement of foreign policy goals: Rewarding friendly regimes, forging alliances, winning the sympathy of local population, preventing recipient states from aligning with adversaries.
2. Promotion of international economic development (e.g., aid to Eastern European countries to support their participation in international trade).
3. Humanitarian or ethical reasons (in cases of major natural disasters, crises, or military operations).
4. Reform of the recipient state (strengthening of democratic institutions, combating corruption, etc.).
5. Securing trade advantages (facilitating exports, protecting investments, etc.).



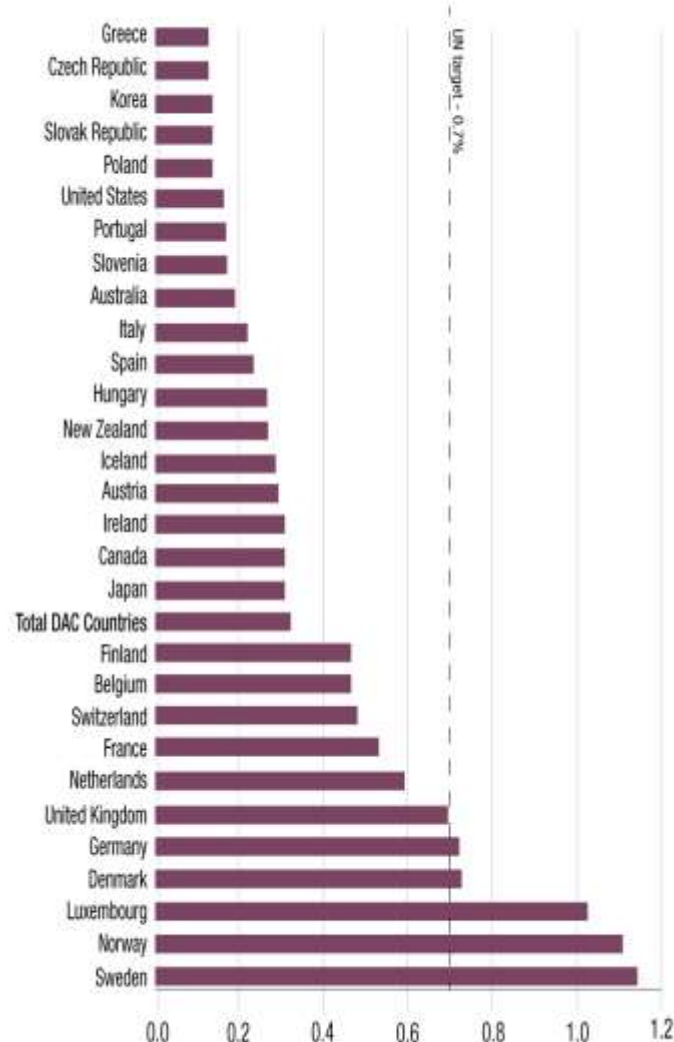


# ECONOMIC AID

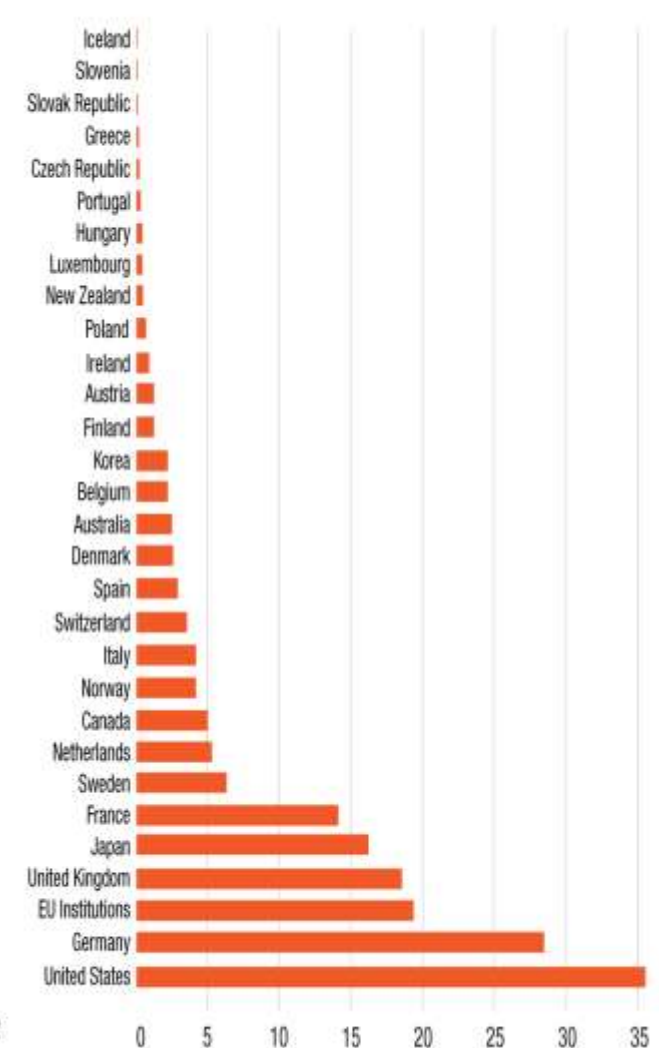
## Factors of participation

1. Volume of aid relative to a country's capabilities (e.g., the USA ranks first in absolute aid amounts but much lower as a % of GDP compared to other countries).
2. Historical circumstances and contingencies (e.g., France's influence in its former African colonies).
3. Securing support for aid provision services (ensuring cooperation and backing from the country's central administration).
4. Nature of the specific objectives pursued by each state (whether they are part of a comprehensive strategic planning or based on situational/variable approaches. For instance, the USSR's aid to Cuba followed a strategic plan, while aid to Turkey was more situational).

ODA grant equivalent as percent of GNI (2020)

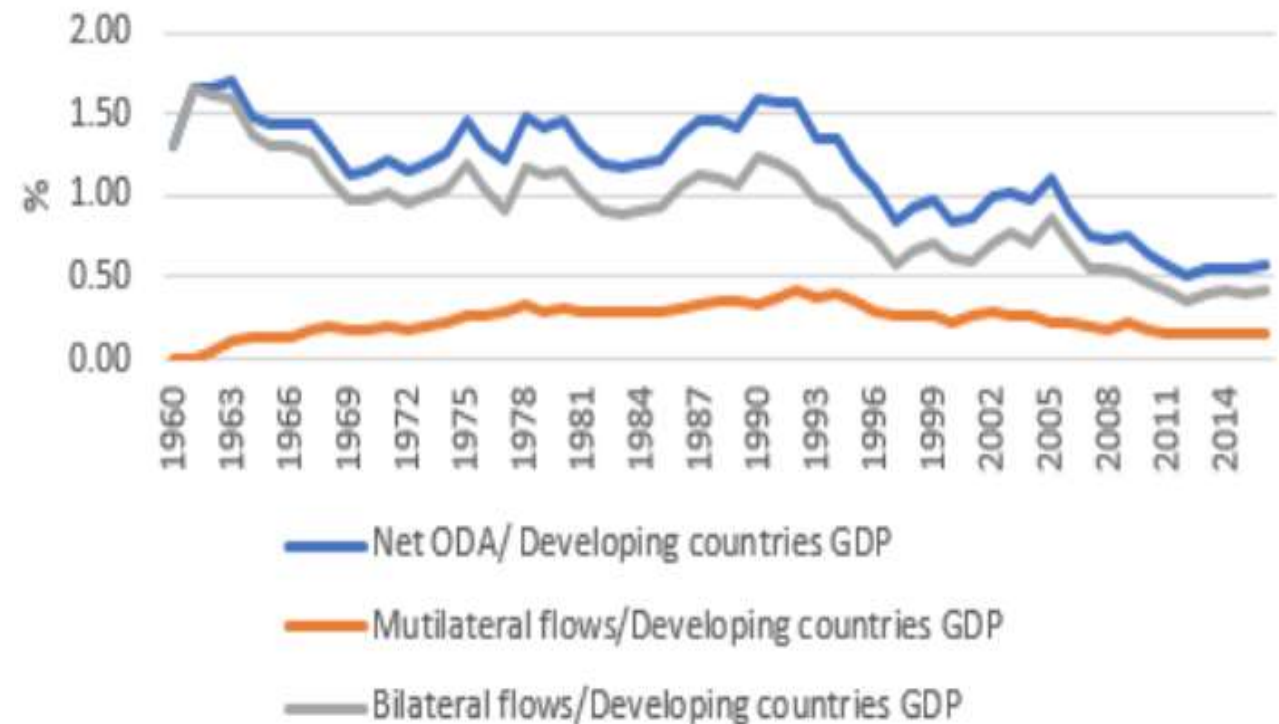


ODA grant equivalent - USD billion (2020)



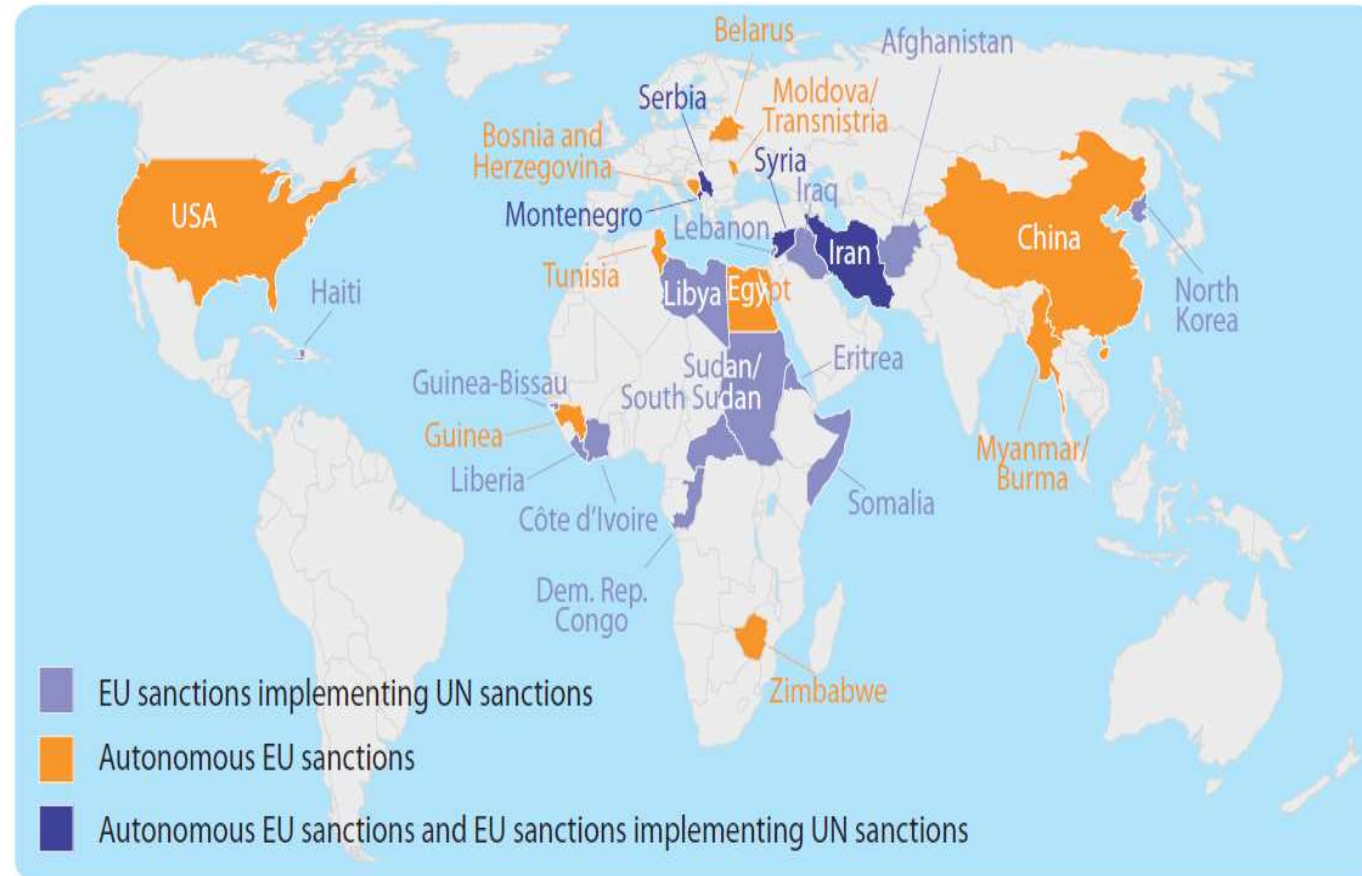
- Declining trend (% of GDP) due to unmet goals until the early '70s.
- Donor fatigue emerged in the early '90s, influenced by factors such as:
  - ✓ The collapse of the bipolar world and the resulting lack of geopolitical incentives.
  - ✓ Weak performance of Western economies and large fiscal deficits.
- Partially replaced by NGOs.

AID flow as a share of developing countries  
GDP



- A significant tool for implementing the Common Foreign and Security Policy (CFSP) is its integration within a comprehensive policy approach. This strategy includes political dialogue, complementary efforts, and the use of additional available instruments.
- The EU enforces:
  1. Mandatory sanctions endorsed by the UN Security Council to uphold or restore international peace and security.
  2. Autonomous sanctions which may involve seeking cooperation with states or regional organizations.

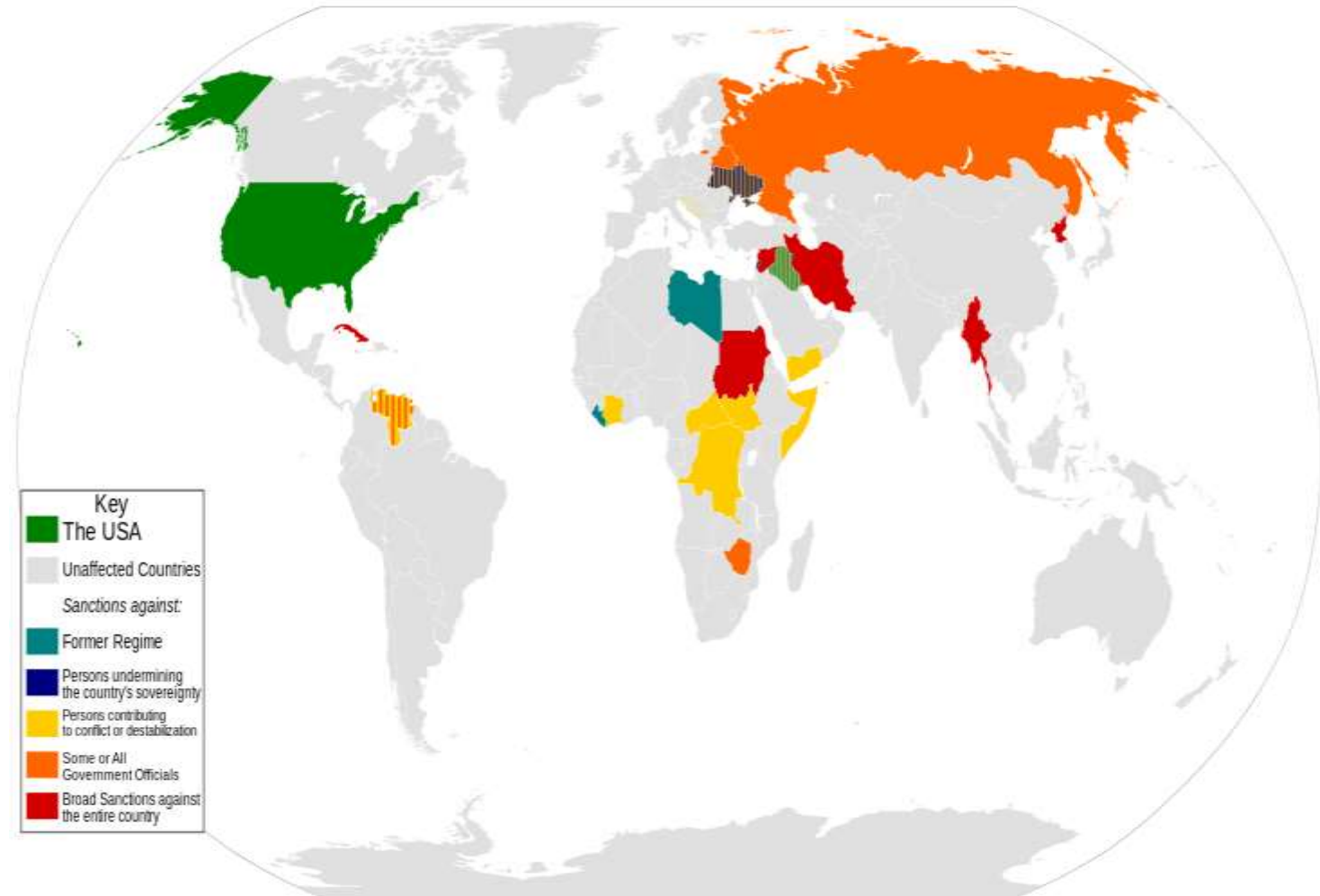
Countries targeted by EU sanctions



Source: Based on the [EEAS list of CFSP sanctions in force](#) and the legal study [Comment choisir ses mesures restrictives? Guide pratique des sanctions de l'UE](#) by Charlotte Beaucillon.



- The most notable targets were countries that the US classified as 'state sponsors of terrorism.'
- Some of the sanctioned countries are members of the WTO, but WTO rules permit trade restrictions imposed for non-economic purposes.
- **OFAC (Office of Foreign Assets Control):** The financial intelligence and enforcement agency of the US Department of the Treasury responsible for administering and enforcing US sanctions programs.



- **Targeted sanctions** are measures directed at **specific individuals or entities**, rather than broad actions that impact entire populations or sectors. They are designed to influence or penalize particular actors without imposing widespread economic burdens on the general public.
- Forms of targeted sanctions:
  - ✓ **Asset freezes:** Blocking access to funds or property belonging to designated individuals or entities.
  - ✓ **Travel bans:** Denying visas or entry to specific persons.
  - ✓ **Arms embargoes:** Prohibiting the sale or transfer of weapons or military equipment to designated individuals, groups, or regions.
  - ✓ **Financial measures:** Restricting access to the international financial system, limiting the ability to conduct financial transactions.
  - ✓ **Diplomatic measures:** Expelling diplomats or downgrading diplomatic relations to exert targeted pressure.

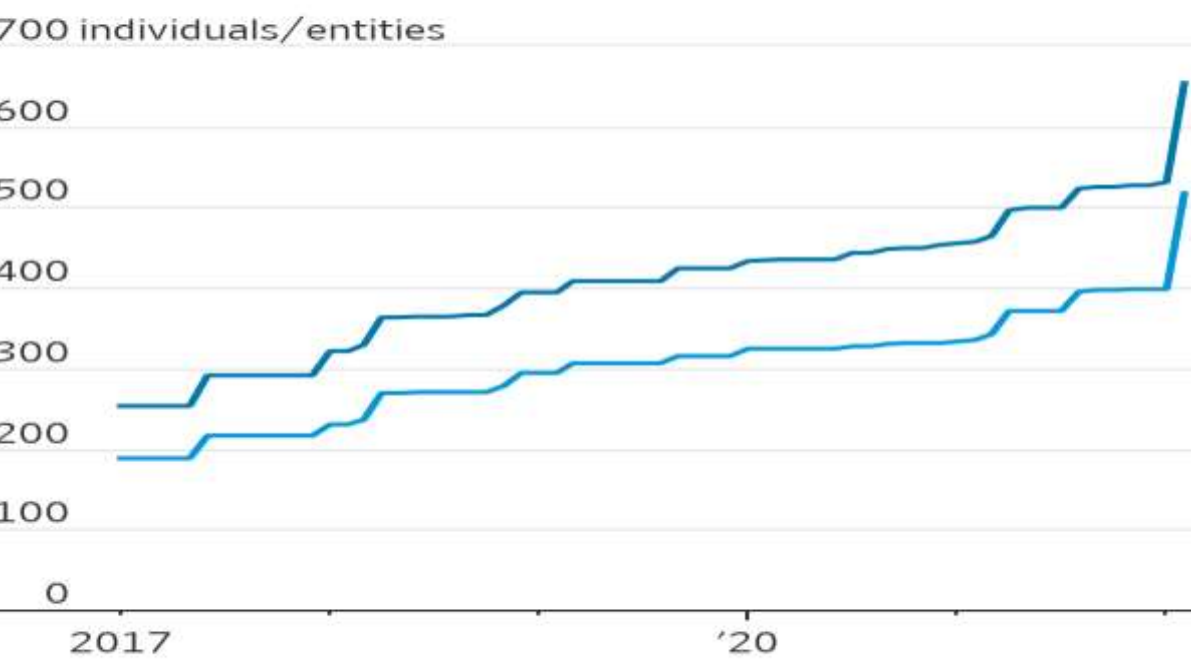


# SANCTIONS

## Targeted or Smart Sanctions

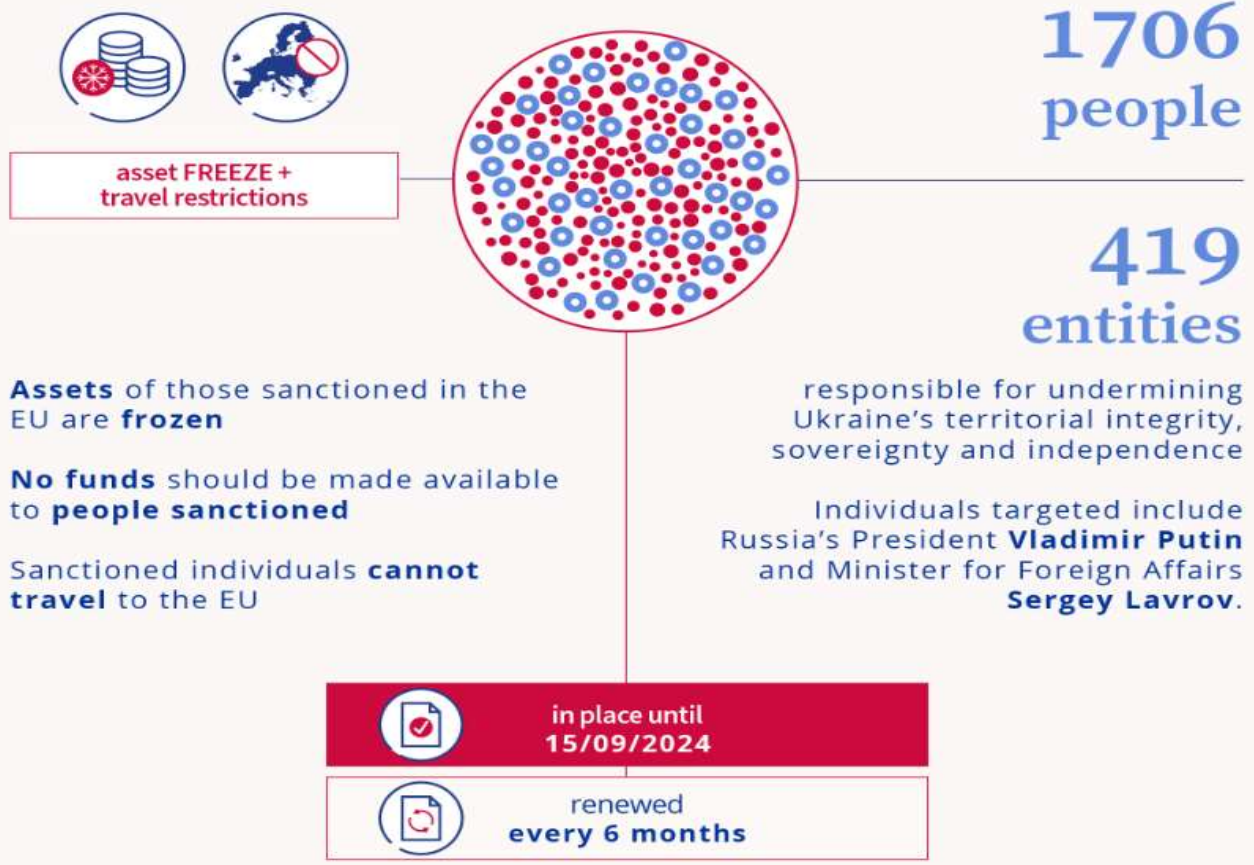
### U.S. Ratchets Up Russia-Related Sanctions

- Overall number of individuals and entities cited by Russia-specific sanctions regimes
- Russian nationals and Russia-based entities under sanctions



Note: Figures include those sanctioned by Office of Foreign Assets Control through eight Russia-specific programs. February 2022 figures as of Feb. 24.  
Source: Dow Jones Risk & Compliance

### Sanctions against individuals and entities



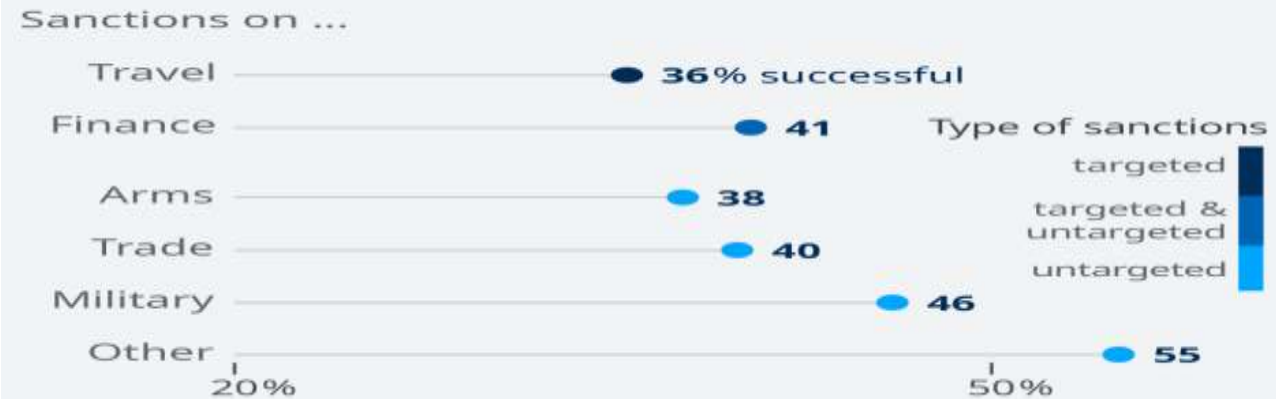


# SANCTIONS

## Effectiveness

1. Third-party governments and organizations may expand trade with sanctioned countries.
2. Sanctioned countries already experiencing economic chaos may feel limited additional impact.
3. Sanctions have reduced effectiveness when measures target only imports.
4. The interests of economic groups often differ from those of the government.
5. States may shift alliances without facing significant consequences (e.g. the Barre regime in Somalia).

### “Targeted” sanctions' chances of success



Source: Global Sanctions Database, 1995–2019

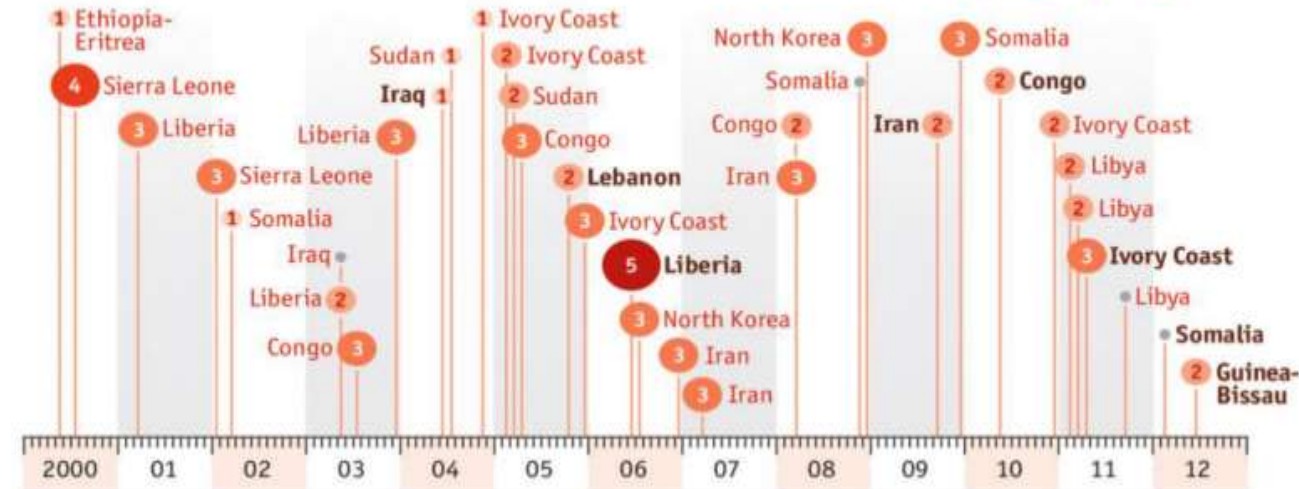
#### Pressure points

UN targeted sanctions

Lifted/still in force

Estimated effectiveness  
(Out of five, 1 = least effective)

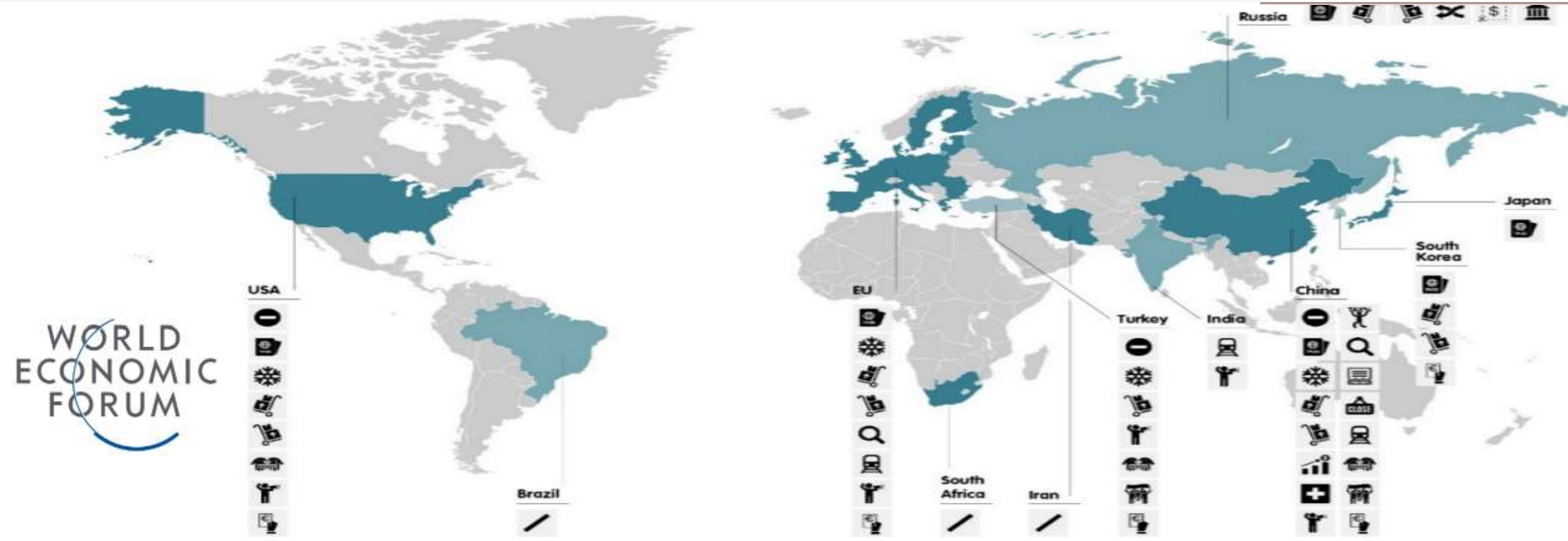
1 2 3 4 5 na



Source: UN Targeted Sanctions Project at the Graduate Institute, Geneva; *The Economist*

# SANCTIONS

Use of tools by powerful countries



- 
- Full economic blockade

Travel/visa bans

Freezing of financial assets

Import bans/restrictions

Export bans/restrictions

Tariff increase

Aid suspension

Cancelling/interrupting intl meetings/negotiations

Unfavourable taxation

Increase import/export inspections

Withholding agreed loans

Closing businesses/expropriation

Encouraging public boycotts

Denying regulatory approval/licenses

Cutting transportation links

Financial sanctions

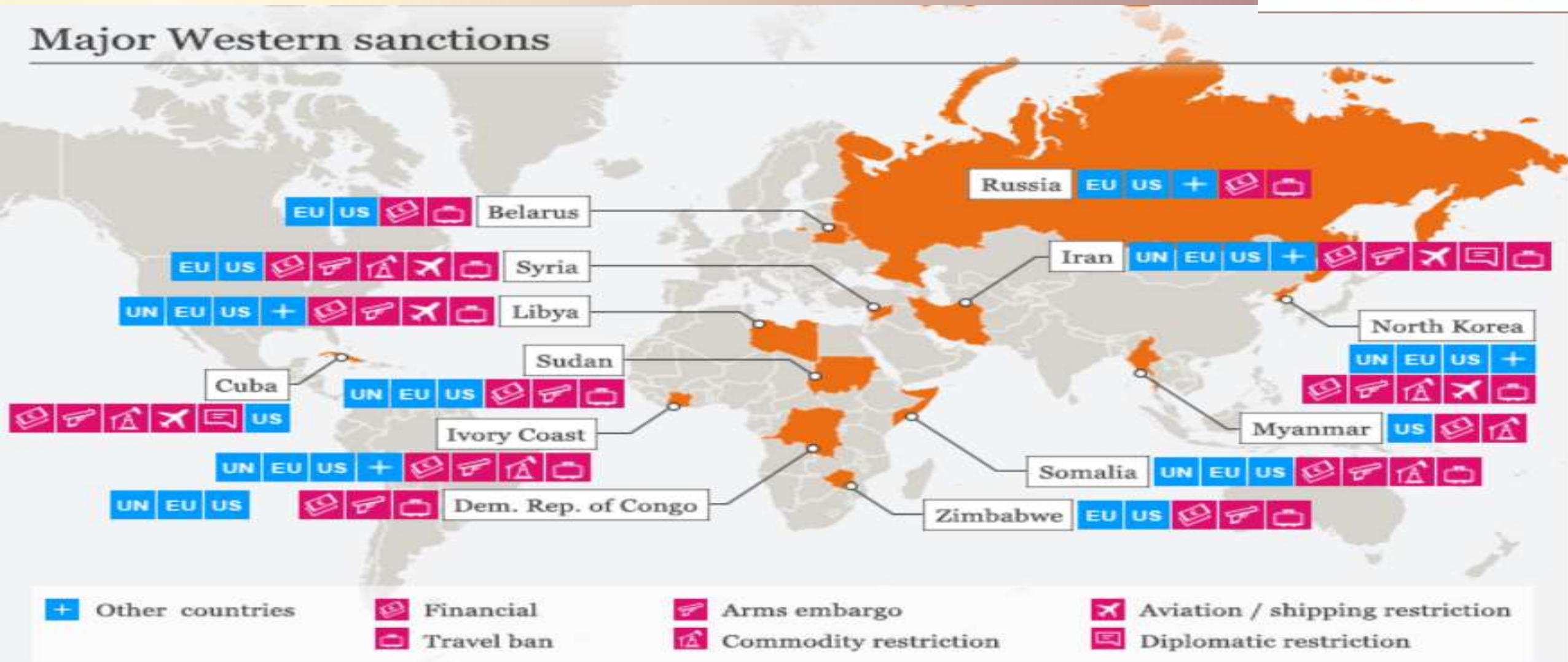


# SANCTIONS

## Targeted Countries



### Major Western sanctions





# SANCTIONS

## Russia

### SANCTIONS PLACED ON RUSSIA BY GOVERNMENTS AROUND THE WORLD

#### EU

- Targeting '70% of the Russian banking market'
- Export ban on equipment and technology for energy sector
- Freezing assets of Vladimir Putin's inner circle

#### CANADA

- Sanctions against 58 individuals and entities
- Export permits for goods in aerospace and mining are cancelled

#### USA

- Blocking Russia's technology and defence imports
- Sanctions on Russian banks and 'corrupt billionaires'
- Blocking 13 major companies from raising money in US

#### UK

- Asset freezes on all major Russian banks including against VTB
- Prohibit all major Russian companies from raising funds in City
- Sanctions against more than 100 individuals, firms and subsidiaries

#### SOUTH KOREA

- Will join international sanctions but won't consider unilateral sanctions

#### JAPAN

- Measures targeting exports of semiconductors
- Asset freezes placed on financial institutions
- Suspension of visas for Russian individuals

#### TAIWAN

- Government will 'harshly scrutinise' exports to Russia
- Will 'coordinate closely with US and other like-minded countries'

#### NEW ZEALAND

- Prohibiting export of goods to the Russian military
- Cutting trade with Russia and imposing travel bans

#### AUSTRALIA

- Sanctions on 25 individuals and four financial institutions
- Targeting entities involved in developing and selling military equipment

- **Economic Warfare** involves an economic strategy that uses measures intended to weaken the economy of another state.
- **Economic Statecraft** refers to a state's ability to employ economic tools to enhance its influence abroad and achieve foreign policy objectives.





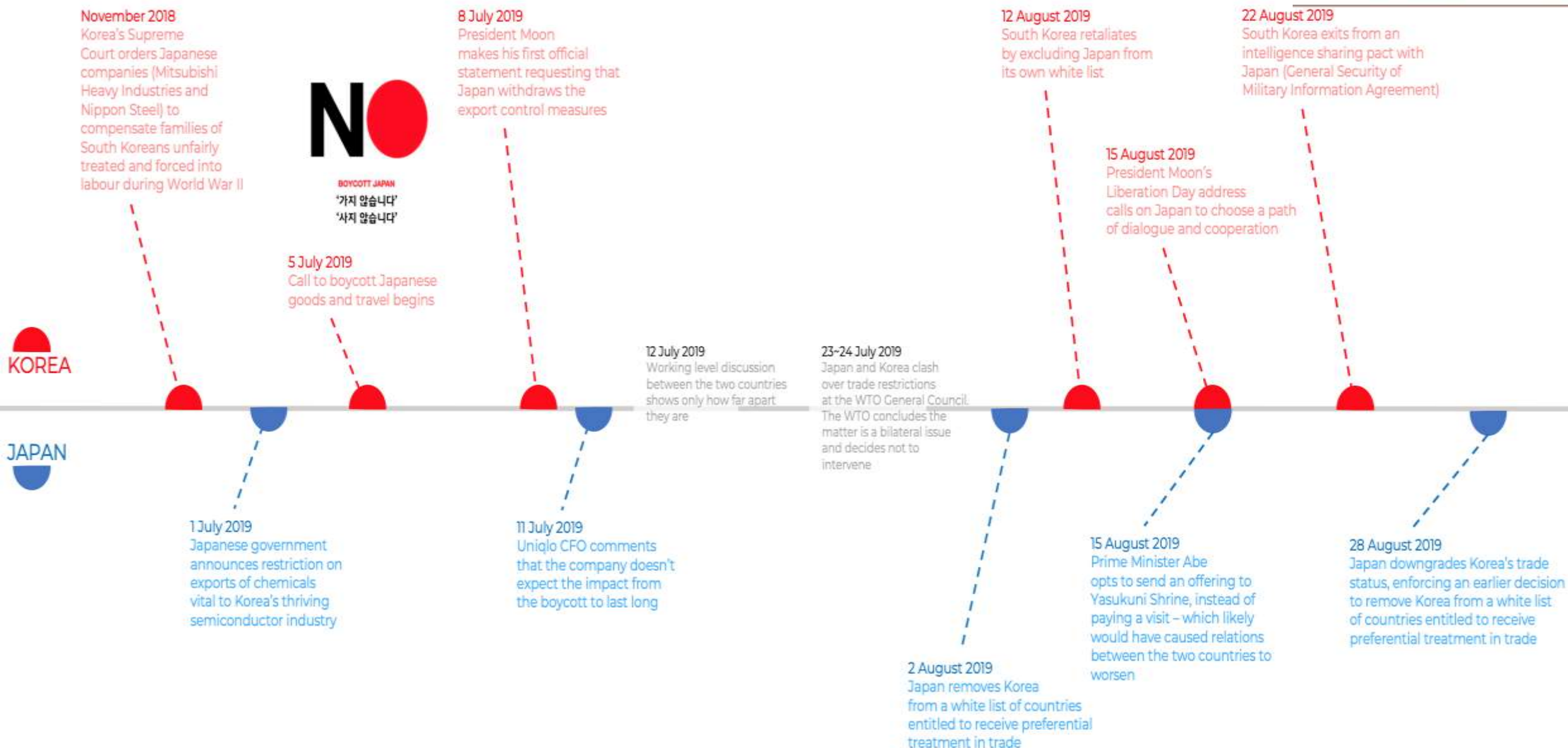
# ECONOMIC WARFARE

## ROK vs Japan Timeline



MSc in

International  
Negotiations







- **Institution:** Council of the EU
- **Role:** Trade Minister
- **Scenario Assignment:** 17 Nov (13:00)
- **M-S Strategy:** 26 Nov (23:59)
  - ✓ Total points: 100
  - ✓ Points per target: 10-40
- **Support Options:** BCG (6932 447470)
- **Council of the EU:** 28 Nov (18:00)
- **Voting System:** Qualified Majority
  - ✓ 65% population
  - ✓ 55% M-S ( 9 M-S)
- **Evaluation:** Points for completed goals/judges
- **'Winners':** (min) 3 m-s by quantitative goals +  
2 m-s by judges
- **Trophy:** Bonus (+ 1)
- **Farewell 'party':** 28 Nov (21:30)
- **Feedback:** 01 Dec (20:00)