Examinator’s guidance POL1005, Fall 2017

All tasks and sub-tasks must be performed.

Task 1 (counts 70 %)

(A) As a newly-hired employee of Eurasia Group, you are tasked with the responsibility of preparing the report Top Risks 2018. Take as your point of departure the definition of risk as [probability × impact]. What two headlines (expected geopolitical developments with economic consequences) make it to the top of your list? Present a brief justification of your choice.

This task is based on a group and class discussion in Lecture 13. Eurasia Group’s report for 2017 is on the reading list and was discussed in Lecture 2, and it also helps create a point of departure for this task. Irrespective of what risks are chosen and what predictions are made (and answers will likely differ greatly with regard to topics), we can expect good students to be very explicit about the probability-vs.-impact issue. For example, some will probably mention the conflict between the U.S. and North Korea. The justification for such a choice is key, though. Is war a high-probability event? Why is this so? What are the likely economic consequences – regionally and globally – of any eventual war? These are the questions that solid student texts must confront head-on.

(B) Give an account of the most central risk-management strategies that Statoil implemented prior to the 2013 In Amenas attack. Is it reasonable to argue that these were adequate?

I spoke at length about the In Amenas attack on Lecture 2, based on the official investigation report into the event (Statoil 2013). Students have two chapters from this report on the reading list; one is a brief summary of the incident, the other centers on Statoil’s risk-assessment procedures prior to the attack. We can, inter alia, expect that students briefly
refer to pre-attack worries relating to the ‘Arab Spring’ uprisings; geographical/geopolitical issues linked to the Libyan War and Libya’s porous border with Algeria; transportation issues; Staoil’s use of external risk consultancies; the company’s evacuation procedures; its local hiring policies; and Staoil’s (and its partners) reliance on Algerian authorities for the plant’s ‘outer’ security. The second part of the task – about whether Staoil’s strategies were adequate – does not, or should not, necessarily lead to the simple and circular conclusion that the attack actually happened which proves that the strategies were inadequate; students should be rewarded for (briefly) discussing or intimating that the attack was spectacular and unprecedented (and therefore maybe belonging to the black-swan category of events that one cannot reasonably be expected to foresee).

(C) Which of the following events can – and which cannot – reasonably be described as ‘black swans’? Justify your answers briefly.

- The election of Donald Trump as U.S. president
- ‘Brexit’
- The terror attacks in Western Europe 2015–2017
- The ‘Arab Spring’

Based on the definition of a black swan (Taleb & Blyth 2011; Jervis 2009; Lecture 3) as an outlier – that is, a rare, virtually unpredictable event with low probability but high impact – it might (but only might) be reasonable to view all of these as black swans. However, sound reasoning and reflections can easily lead to a different conclusion. Terror attacks, for example, have long been highly-expected events (i.e. white swans?) even if one cannot pinpoint the exact time and place of their occurrence (i.e. black swans?).

(D) What do Bremmer and Roubini (2011) mean by the concept of G-Zero?

This concept, covered by Lecture 6 and by Bremmer & Roubini (2011), seeks to describe major powers’ (purported) lack of will and/or ability to assume global economic leadership. The G-7 institution, in particular, has (previously) functioned as a venue for such leadership, making possible coordination of principles and policies relating to international trade, investment, national monetary and fiscal issues, and security. According to the authors,
global changes in the balance of power, spurred by the 2008 financial crisis, constitute a root cause of the current lack of such coordination or leadership. The result is increased interstate conflict.

(E) Take as your point of departure today’s major powers. Of the theories accounted for by Pollins (2008), which describes the relationship between economics and war, which do you consider to be the most relevant one for international politics today?

This task is covered by Lecture 8 and, of course, by Pollins (2008). Given the formulation of the task, students obviously have a fair amount of leeway. What we seek are two things: (1) a brief, precise account of the chosen theory; (2) a justification for highlighting this theory (including relevant references to current affairs). Apart from these strictures, we can expect a wide variety of answers. In Lecture 8, I reviewed the war-chest theory (growing economic power can be converted into increased military spending and the creation of a ‘militarized’ mindset; lateral pressure theory (growth leads to a geographical expansion of interests, which in turn might lead to conflicts over resources or markets); diversionary-war theory (foreign-policy crises are substituted for a focus on economic problems at home, creating a ‘rally ‘round the flag’ effect); power-transition theory and theories about hegemonic stability and change (conflict between system leader and rising power over system leadership); power-cycle theory (partly similar but partly broader than the power-transition theories); peace (or war) by trade theories (the cost of conflict, and perhaps thus its likelihood, rises with increasing international trade, though increased trade might also augment interstate friction); theory of the long wave and leadership cycle (very broad economic cycles are correlated with system-wide peace and conflict); and theories about the conflict-reducing role of globalization (also linked to Brooks’s (1999) arguments centering on FDI).

(F) Why is the rivalry/conflict between Saudi Arabia and Iran so significant for the whole world economy? What instruments/strategies does Saudi Arabia use to increase its (and reduce Iran’s) regional influence?
We have briefly discussed this issue in several of the lectures, but in particular in Lecture 11. The issue is also covered by the report of BCA Research (2016). The answer here basically revolves around the matter of oil. Saudi Arabia has long been considered the most vital of all oil-producing states (and has functioned as the ‘leader’ of OPEC), with Iran following not far behind. Internal instability (and especially regime change) would pose major problems and risks with regard to oil production, exports, and prices – and would threaten global regional economic stability considering the marked price insensitivity of oil. External developments/conflicts are also of vital importance in this regard. Many argue that the U.S. now has less influence in the Middle East than was previously the case, and that the current conflict (‘Cold War’) between Iran and Saudi Arabia has increased in scope and seriousness due to this ‘power vacuum.’ Until now, however, the actuality of conflicts or wars has mostly been limited to – in an economic sense – less economically vital countries, such as Syria and Yemen. This might change, and herein lies one of the main risks. Iran has long, and Saudi Arabia has increasingly, followed independent geopolitical strategies covering virtually the whole gamut of geoeconomic, military, and soft-power tools, including direct military action (though not directed against each other); monetary and military support of proxies, including rebel or ‘terrorist’ organizations; and ideological and rhetorical ‘warfare.’

(G) Give an account of what Carlson et al. (2013) mean by the argument that the UN’s Convention on the Law of the Sea (UNCLOS) creates a system of layered sovereignty.

This is from Lecture 12. The key here is to problematize the definitions of maritime rights, considering that they ‘create’ borders at sea delineating areas over which the state in question have rights and responsibilities that vary with distance from the baseline (physical territory). This easily creates what the authors refer to as multiple spheres of overlapping rights, and it forms a basis for ‘creeping jurisdiction’ and hence interstate conflicts. We can expect students to refer to these definitions (territorial waters, contiguous zone, exclusive economic zone, extended continental shelf). Perhaps the majority will also refer to real-world examples. There exist plenty of those – with the South China Sea conflicts representing the most famous one.
Task 2 (counts 30 %)

Present a definition of geoeconomics, and give a brief account of central geoeconomic instruments. Give an account of possible reasons why geoeconomics seems to have become an increasingly important element in international politics. Present concrete, recent examples of events where global or regional major powers have used geoeconomic instruments.

Geoeconomics was discussed in Lectures 9-10, and the topic is covered in works by Baru (2012); Blackwill & Harris (2016); Luttwak (1990); Vihma (2017); Wigell & Vihma (2016); and Yu (2016). There are three main parts to this task. In the first, definitional one, students might refer to or problematize the causal direction; that is, and in the words of Baru (2012), is geoeconomics about the ‘the geopolitical consequences of economic phenomena’ or ‘the economic consequences of trends in geopolitics and national power’? The lectures have used the former definition, in line with the book chapters by Blackwill & Harris (2016). Thus, central geoeconomic instruments include, again according to Blackwill & Harris (2016), trade policy; investment policy; economic sanctions; cyber strategies; aid; monetary policy; and energy and commodity policies.

Secondly, Vihma (2017), who draws significantly on Luttwak (1990) and his prediction that the end of the Cold War would witness a continuation of what he called the ‘Logic of Conflict’ (but more through the use of economic rather than military means), argues that geoeconomics has become more salient in later years due to six key developments: the rise of China; the rise of state capitalism; the financial crisis; the growing focus on resource scarcity; recent interstate conflicts and the ‘return’ of spheres-of-influence thinking; and the effects of (alleged) multipolarity on international economic institutions.

Thirdly, there is an abundance of recent examples of geoeconomic strategies used by the world’s major powers. I spent an hour or so in Lecture 9 walking students through many of these, highlighting in particular cases involving the U.S., China (whose ‘One Belt, On Road’ project is reviewed by Yu (2016)), Russia, India, Turkey, Iran, and Saudi Arabia.