Preface and Acknowledgements

In early 2006 Edward Elgar surprised me with an invitation to make a second edition of my PhD thesis – which he had published as Economic Diplomacy, Trade and Commercial Policy in 1994; the original thesis was published in 1990 at Groningen University as Handel en diplomatie (Trade and diplomacy, in Dutch). I gratefully accepted the challenge of a comeback to a subject that I left in the mid-1990s. Of course I did: who gets a second chance in the scientific world? Moreover, a number of publications written after 1994 provided a good basis for a revised edition.

Eventually, however, the project became too intensive and we had to settle for a fully new title. The main reason was that too much new knowledge had been developed, new theories had emerged and important data sources had been updated (such as the Hufbauer et al. data set on economic sanctions published in April 2008). Indeed, both the scientific and the real policy world had dramatically changed, especially since the turn of the millennium. Thus a second edition could not ignore how much has changed and a new title was needed.

In comparison with Economic Diplomacy, Trade and Commercial Policy, three chapters by and large survived the editing: Chapter 2 which contains a review of literature and history of thought, Chapter 3 on modelling uncertain trade and Chapter 7 on the use of positive and negative sanctions. These chapters have been updated; references to new literature have of course been included and wherever publications since 1994 were relevant I included parts and pieces. Chapters 5 and 6 have been completely revised because I used a different research strategy although the empirical design of the original book can still be recognized in these two chapters. Anyhow, the analyses now cover data up to the mid-2000s and thus – compared with the original work – the data and findings have been moved forward by about 20 years. Chapters 1, 4 and 8 are completely new.

Edward Elgar’s interest in my book was not the only signal for renewed interest in the topic of my thesis. Firstly, I am really happy to have been invited to the conference ‘New Frontiers of Economic Diplomacy’ in Lisbon in May 2007 (where I presented what has become the first chapter of the present book). Secondly, I met great enthusiasm when I was co-organizing with Steven Brakman the conference ‘The Gravity Equation or: Why the World is not Flat’ (Groningen, October 2007, where I presented the work with Mina Yakop that eventually developed into Chapter 5 of this book). Thirdly, Chapter 6 was presented at a special economics of development
seminar at the Institute of Social Studies (The Hague, September 2008). Both the deadlines of these events and the discussions with the participants helped me to further this project.

On the Structure of the Book

This book is divided into four parts and an introductory chapter. The introduction sketches the trends and shifts in the world economic system influencing the impact and importance of economic diplomacy and at the same time gives a broad overview of recent theories and empirical findings. The Parts can be read independently (although they contain cross-references, of course). Readers that are, for example, only interested in economic sanctions can limit themselves to Part III; readers that want to know more about the economics of commercial diplomacy can focus on Part II. One benefit of this structure is that Parts can thus be used as *capita selecta* in courses in international economics and international political science.

Part I provides the scientific background for the discussions in later chapters. It contains an overview of the history of economic analysis of the interaction between economic and political variables in the field of international relations (Chapter 2) and a discussion of a neoclassical model of trade uncertainty which is one of the key analytical tools in this book. Non-technical readers may wish to skip Chapter 3 as it contains mathematics.

Part II deals with bilateral economic diplomacy and commercial policy. It investigates the reasons for government intervention. Chapter 4 critically discusses the available empirical evidence regarding the relation between international economics and productivity, both at the macro and the micro level, and the influence that governments can and cannot exercise thereon. Chapter 5 econometrically investigates two typical instruments of bilateral economic diplomacy. The chapter is accessible for non-technical readers provided that they are willing to skip an occasional equation.

Part III deals with economic sanctions. Chapter 6 deals with negative economic sanctions — that is with (threats of) punishment — and brings together the many literatures on the effectiveness of this instrument of economic diplomacy. Data issues are important in this field, especially since data sources from different scientific disciplines are combined, but in order to keep the discussion transparent and focussed, measurement issues have been contained in a data appendix. Chapter 7 is by necessity theoretical in nature: data on positive economic sanctions (rewards) are not available and thus only theory can provide a guide.

Finally, Part IV deals with policy issues and clarifies where new knowledge needs to be developed. In a sense, Chapter 8 answers the self-posed question of what topic I would choose for my PhD if I had to write the thesis at this moment.
This book is based on material that over the years has been published in *De Economist, Economic Modelling, ESB, Internationale Spectator, Journal of World Trade, Kyklos, Peace Economics, Peace Science, and Public Policy, Regional Science and Urban Economics* and *World Economy*. I have benefited a lot from comments by editors and anonymous references.

I am also indebted to a great many colleagues and friends that since 1986 gave me the opportunity to do research on this topic, provided research assistance, helped me to improve on my investigations, commented on drafts of (parts of) the manuscript, were co-authors and/or stimulated me to ‘make the difference’: (in alphabetical order and without any implication) Marten van den Berg, Jenny Boelens, Shane Bonetti, Steven Brakman, Gerrit Faber, Bart van de Gevel, Richard Gigengack, Heleen van Gorcum, Henri de Groot, Henk de Haan, Robert Haffner, Dick Kabel, Frank Kalshoven, Astrid Kampen, Pieter Karsdorp, Ger Lanjouw, Robert Lensink, Hans Linnemann, Charles van Marrewijk, Selwyn Moons, Ruud de Mooy, Harry Oldersma, Pedro Conceição Parreira, Jan Pen, Roderick van Schreven, Jarig van Sinderen, Jan Veenbergen, Marie-Lise van Veenstra, Pieter Waasdorp, Robert Went, Ed Westerhout, Mina Yakop and (of course) Hanneke Sassenburg.

Nieuw Vennep,
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