



Australian  
National  
University



UNPACKING THE ECONOMIC-SECURITY  
NEXUS IN ASIA: NEW CONCEPTS,  
QUESTIONS AND RESEARCH APPROACHES  
WORKSHOP REPORT

Strategic & Defence  
Studies Centre

Coral Bell School of  
Asia Pacific Affairs

ANU College of  
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Workshop sponsored by the  
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Asia and the Pacific**

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# OVERVIEW



## Unpacking the economic-security nexus in Asia: New concepts, questions and research approaches

1 October 2015, Canberra, Australia.

Workshop Convenors

**Dr Amy King and Prof Evelyn Goh**

Sponsored by the

**ANU Research School of Asia and the Pacific**

### Workshop Theme

Asia's international order is changing. It is vital for scholars and policy-makers to better understand how economic interdependence shapes security outcomes in Asia; how policy-makers prioritise their economic and security interests; how states use economic instruments to achieve strategic objectives; and how demand for resources, infrastructure and new trade mechanisms is shaping regional order. This workshop therefore sought to bring together a group of scholars who are engaged in innovative research on the nexus between economics and security in Asia. To date, research in this area has tended towards a limited range of theoretical (realist and liberal) and methodological (large-n) approaches, and has focused on only a small handful of empirical case studies (typically those involving the United States and Japan). A number of researchers at the ANU and around Australia are now engaged in innovative research that attempts to push beyond existing approaches and cases. The purpose of this workshop was to provide an opportunity for scholars to discuss, critique and collaborate on the key concepts, questions and methodologies driving our research.

### Workshop participants and format

Participants in the workshop were selected because they come from a range of disciplines, including history, political science, economics, development studies, area studies and law; and because they draw on a wide range of conceptual and methodological approaches, including geo-economics and geopolitics, resource nationalism, economic sanctions, the history of ideas, strategic geography, foreign policy analysis, and International Relations theory.

# EXECUTIVE SUMMARY

On the 1st of October, 2015, the Australian National University (ANU) hosted a workshop which brought together academics and PhD students engaged in innovative research on the nexus between economics and security in Asia.

During the first session of the day, **Michael Wesley** presented his project about China's economic diplomacy, commissioned by the Australian Minerals Council, which asks whether China is trying to use economic statecraft to its benefit and to what effect. **Darren Lim** described his current project investigating the conditions under which China might use economic interdependence as an instrument to coerce other states.

**Priya Chacko** then outlined her work on unpacking the social foundations of India's 'geo-economic' strategies, and explaining their political, economic, and social outcomes. Continuing on the theme of geo-economics, the panel's final speaker, **Kanishka Jayasuriya**, discussed his project about sub-national contestation over competing higher education regulatory geographies in the Asia-Pacific.

The second session saw **Evelyn Goh** present on her new study of China's growing infrastructure-building initiatives as an identifiable "geo-strategy" towards Greater Asia, focusing on motivations for China's 'march Westwards' symbolised by the 'One Belt, One Road' programmes. **Dirk van der Kley** then presented **James Reilly's** paper, which provided a comprehensive overview of the key trends in the study of Chinese economic statecraft, especially the growing focus on domestic factors, and specific techniques of economic statecraft. **Amy King** discussed her ongoing work on economic nationalism in China, presenting a project that aims to trace the origins of economic nationalist ideas in China and examine the groups of actors that espoused them. Finally, **Greg Austin** discussed the urgent need to take into account how technology, especially in the form of the digital age, has further narrowed the potential for individual states to pursue nationalistic economic policies.

**Shiro Armstrong** began the third session, describing the research process behind his paper, 'The Politics of Japan-China Trade and the Role of the World Trade System', which analyses the extent to which the state of the bilateral political relationship affects trade. **Ryosuke Hanada** then reviewed **Andrew Walter's** paper, 'Open economy politics and international security dynamics', focusing on using systemic variables – rather than domestic factors – to explain why Britain chose to cooperate with others, including its adversaries, during financial crises prior to World War I. **Jikon Lai** rounded out Panel 3 by presenting his research on the "double securitisation" of finance, with a specific emphasis on Islamic finance. Lai is interested in the implications of the specific ethics of Islamic finance, and the impact of its growing international profile on global finance regimes.

The final panel saw **Andrew Kennedy** speak about his ongoing

work that tries to explain, using the politics of domestic lobbying, the variations in US open-ness to inflows of skilled workers and graduate students from China and India over time. **Aurelia George Mulgan** explained her latest project, which investigates the securitization of trade policies in Japan. Mulgan has been surprised at her preliminary findings, which indicate that decisions about the Trans-Pacific Partnership have been handled largely as trade policy, without explicit security considerations. **Llewelyn Hughes** followed with a presentation of his research (with Austin Long) on whether and how oil can be used as a tool for economic coercion. His finding is that the nature of the oil market and its fragmented supply chain makes this tool unavailable to all states except those with naval superiority. **Eve Warburton** ended the day's presentations with a discussion of her PhD research on rising resource nationalism in Indonesia, and why attempts at nationalist mobilisation may reap varying results in two different resource sectors, mining and palm oil production.

Following each round of presentations, participants engaged in discussions about both the presenters' projects and the wider related issues. Questions concerning methodology were raised, including the difficulties of measurement (for example of trade interdependence) and the problems associated with identifying and isolating individual independent variables. Definitional issues were also highlighted, particularly regarding concepts such as 'economic nationalism', 'geo-economics' and 'coercion'.

China featured heavily in the discussions, both as a focus of research and a feature of wider themes needing to be understood. While each research project differed in its approach, many were concerned with determining what China is doing – whether with economic statecraft, connectivity projects or technological innovation – why, and how. Such discussions reflect prevalent regional concerns regarding the security implications of China's economic rise.

Another key feature of discussions was the domestic/international divide. There was significant agreement that researchers need to open up the 'black box' of the state to explain foreign policies or international behaviour. However, this cannot come at the expense of seriously investigating systemic and other variables; rather, the key challenge is how to analyse the complex linkages between the domestic and the international, at the same time as grappling with the economic-security nexus.

In unpacking the economic-security nexus, participants at this workshop collectively highlighted four methodological entry-points. First, they reconsider the likelihood, ways and extent to which economic and security considerations might be 'traded off' each other. For instance, Walter, Armstrong and Mulgan all address various expectations that economic cooperation and exchange ought to have certain impacts upon, or be constrained or facilitated by the state of, political relations. Second, many contributors examined the political uses of economic tools, in the form of economic statecraft (Goh, Reilly, Walter) or coercion (Wesley, Lim, Hughes). Authors focusing on nationalism in the economic realms (King, Austin, Warburton) help to deepen this theme in a timely manner. Also emphasising characteristics particular to the contemporary international system are the third group, who stress how particular manifestations of globalisation

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have complicated state and sub-state capacities to deal with the political economies of finance (Lai), higher education (Jayasuriya, Kennedy), migration (Kennedy), and cyber-security (Austin). Finally, various contributors proposed new emphases on geography that might allow us to study the nexus between economics and security without necessarily having to privilege one at the expense of the other, including geo-strategy (Goh), geo-economics (Chacko), and regulatory geographies (Jayasuriya).

# PANEL 1

*Michael Wesley, Bell School, ANU* | The strategic effects of China's economic diplomacy

*Darren Lim, School of Politics and International Relations, ANU* | Coercive economic diplomacy in East Asia

*Priya Chacko, University of Adelaide* | Myanmar and India: regimes of citizenship and the limits of geo-economic engagement

*Kanishka Jayasuriya, University of Adelaide* | Geo-economics and competing regulatory geographies in the Asia-Pacific Chair / Discussant | *Evelyn Goh, Bell School, ANU*

The panel's first speaker, **Michael Wesley**, spoke about his current research, 'The Strategic Effects of China's Economic Diplomacy', commissioned by the Minerals Council of Australia. Wesley's focus is on how China's economic diplomacy is shaping global and regional economies, and the implications for Australia.

Wesley first outlined the context for his project. Many nations have developed or further deepened economic ties with China since the Asian Financial Crisis, happy to enmesh their economy with China's given its rapid growth. However, they have also tried to strengthen their political, economic and security relations with the United States (US) and its allies. China plays down the strategic intent behind its economic statecraft, claiming, for instance, that its 'One Belt, One Road' initiative is not directed against any state but rather for mutual benefit. These somewhat contradictory trends led Wesley to ask whether China's economic diplomacy is indeed benign.

Wesley outlined the three main elements of his research project. First, he is seeking to understand whether China's economic statecraft is a key part of its response to the contested strategic environment. Second, Wesley plans to examine whether China's economic diplomacy can alter norms and regional economic structures to its benefit. Grounding his approach in the "varieties of capitalism" literature, he will examine Chinese government views on whether the current economic order helps or hinders key areas of the Chinese economy. He also plans to focus on the use of economic diplomacy in relation to trade, investment, currency and resources. The third part of the project will consider whether China's economic diplomacy yields the expected results – does it give any strategic advantage to China? For this section, Wesley plans to use Albert Hirschman's distinction between power and influence to gauge the extent to which the enmeshment of smaller economies with China's much larger economy might confer coercive leverage upon the latter.

The panel's second speaker, **Darren Lim**, described his current project, based on his PhD thesis. Lim's motivation for the project stems from China's adoption of economic responses to security challenges such as the Scarborough Shoal incident with the Philippines and the nationalisation of the Senkaku Islands by Japan. In particular, Lim is interested in the extent to which China is able to exert pressure on trading partners, for instance, why in the case of the Philippines did China choose to boycott bananas and not other products? Lim seeks to determine the links between economic interdependence and power, by determining the conditions under which interdependence can be used as an instrument of coercion by China.

Lim identified some methodological problems that his project needed to overcome, including how to measure interdependence. Existing measures for determining dependence do not take into account key variables such as a target state's ability to transfer its trade elsewhere if it were subjected to sanctions. In addition, they assume an asymmetry in exit costs; that is, the losses suffered by actors when they switch alternative economic opportunities. Much of the existing scholarship on the topic assumes twentieth century conditions for modelling, treating trade as dyadic instead of as part of a complex network.

A further problem is how to determine causation between interdependence and coercion. As Lim explained, even if interdependence and exit costs could be measured, those measurements alone would not necessarily translate into assumed capacities for wielding coercive power.

In an effort to overcome such problems, Lim designed a qualitative research project that would a) investigate the micro-foundations of interdependence in order to determine the exit costs for a country; and b) examine the causal mechanism between economic interdependence and power. His research involved in-depth interviews with key actors involved in trade policy, including interest groups and government officials. One of the key goals was to determine to what degree Chinese interests were accommodated by those states targeted by Chinese economic coercion, and why.

Lim admitted that there were weaknesses in his research, namely the ability to measure exit costs for China, and the level of political influence of pro-Chinese economic interests within target states.

**Priya Chacko** then presented the conceptual framework for the wider project on which her paper is based, focusing on India's developing geo-economic strategies. Chacko's project privileges the impacts of India's significant economic reforms since liberalisation in the 1990s over strategic changes such as the end of the Cold War, in explaining Indian foreign policy.

Her research framework centres on the concept of 'geo-economics', an increasingly popular term in the academic literature, which tends to be used to study the geo-politics of states especially driven by economic rationale, or the politics of controlling natural resources. In contrast, Chacko's approach, influenced by Marxist political geography, emphasises how varieties of capitalism generate variations in state-society relations at the domestic level – through empowering certain actors at the expense of others, for instance – and give rise to new conceptions of the relationship between geography and economics, with international implications. Chacko argues that the current era of post-Fordist capitalism privileges 'geo-economics', which is re-casting the notion of geopolitics.

Chacko outlined that her wider project is concerned with determining what geo-economic strategies India is using; who is driving those policies and why; what outcomes they have delivered to date; and how these strategies intersect with changing state-society relations in India. Her three case studies are first, what Chacko termed the "rescaling of the Indian state" – the growing involvement of regional and sub-regional state actors in efforts to increase trade and investment. Second, the "commodification" of the Indian state through soft power

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initiatives and activities to mobilise the Indian diaspora in order to increase inward investment. Third, attempts to develop the Indian state as an “entrepreneurial agent”, supplying business for the Indian private sector. These studies allow analysis of Indian geo-economic discourses and practices that transcend the domestic versus foreign policy divide.

Chacko concluded by outlining her research methodology, which includes documentary analysis and interviews.

The panel's final speaker, **Kanishka Jayasuriya**, outlined his latest research project about the political economy of higher education and knowledge capitalism. Jayasuriya's project has three main parts, focusing on (a) the recent restructuring of the higher education sector and the domestic effect of higher education rankings; (b) mobility programmes such as overseas training, policies on returnees, and the impact of economic nationalism; and (c) international global regulatory standards and the contestations surrounding these overlapping regulatory regimes. This project is related to Jayasuriya's wider research focus on competing regulatory geographies in the Asia-Pacific region. As part of this wider project, Jayasuriya has identified three key political economy drivers of new geo-economic strategies in Asia: the emergence of supply chain capitalism; the growing trans-nationalisation of capital; and the growth of service (or post-industrial) capitalism. Jayasuriya's wider concern is to go beyond regarding economic statecraft as merely “geopolitics writ large”. In unpacking geo-economics in the realm of competing regulatory geographies, he also aims to overcome the tendency to essentialise each state, by revealing how state and business actors engage in contestation within states, but also across coalitions and networks.

## Discussion

The discussion following the presentations focused on four main topics: influence, measurements, the link between the international and the domestic, and the idea of China as an outlier or revisionist power.

Numerous forms of influence were identified during the discussion including influence on states, institutions, rules and norms. Panellists agreed that there is a need to focus also on the targets of influence, rather than only on the influence wielder, usually China. The issue of measuring influence was also discussed, and particularly the challenge of how to isolate China's potential for influence within the complex international production and trading networks. The difference between influence and coercion was questioned, particularly in terms of whether there are contrasting understandings of economic diplomacy. Linked to this was discussion about how to account for the logic of consequences and the potential economic costs of coercion.

There was disagreement during the discussion as to whether China should be considered an outlier or revisionist state. It was recognised that this idea should be questioned, rather than assumed. For example, the temporal element may be important – China might comply temporarily with certain rules or norms in order to gain entry into institutions so as to change these rules later on. Chinese revisionism may also vary with issue area.

Problems of measurement were also discussed. Such problems

included, in the case of Lim's work, how to categorise states in terms of economic vulnerabilities; and in the case of Wesley's project, how to evaluate phasal phenomenon. The issue of quantitative versus qualitative data was also discussed. While it was recognised that qualitative data was needed to examine influence, problems then arise regarding how to isolate and measure the effects of particular variables, such as in the case of Lim's work, the influence of lobby groups versus that of the Chinese state.

Another key element of the discussion was how to optimise the connections between research on domestic factors and analysis of foreign policy and systemic variables. For instance, varieties of capitalism are not necessarily state-based and can result in competing intra-state stakeholders as well as inter-state interest groups. At the same time, apparently trans-national enterprises such as the Trans-Pacific Partnership may also be interpreted as regulatory efforts to discipline ‘outlier’ economies like China by exerting external pressure to bring about difficult domestic economic reforms within China. Furthermore, states can also learn from each other: India may be mimicking some elements of China's geo-economic strategies. Numerous further areas for research were proposed, including how different Asian countries see economic diplomacy in relation to their political aims; how contestation regarding foreign policy occurs within a state; and how international institutions are used to bring about changes at the domestic level.

## PANEL 2

*Evelyn Goh, Bell School, ANU* | Infrastructure as geo-strategy: China's 'connectivity' project in Greater Asia

*James Reilly, University of Sydney* | China's economic statecraft (Discussed by Dirk van der Kley, PhD student, CASS, ANU)

*Amy King, Bell School, ANU* | China's economic nationalists

*Greg Austin, ADFA* | Digital impacts on China's economic statecraft: two case studies

Chair / Discussant | *Andrew Kennedy, Crawford School, ANU*

**Evelyn Goh** began by presenting the preliminary conceptualisation of her project, 'Infrastructure as Geo-strategy: China's "Connectivity" Project in Greater Asia'. This project builds upon Goh's previous work on China's "strategic regionalism" and infrastructure building in the Mekong River region. Goh is interested in understanding China's infrastructure-building drive across mainland Southeast Asia, South Asia, and Central Asia since the late 1990s. While this aspect of China's periphery strategy has garnered increasing international attention over recent years because of the highly-publicised 'One Belt, One Road' (OBOR) initiative under President Xi Jinping, Goh argued that OBOR is but one element of a wider strategy to deal with China's periphery and the outside world, which contains renewed geographical and geopolitical elements.

Goh's working assumption is that China is reviving an older tradition of geo-strategy as a result of numerous push and pull factors, including the constraints on China's ambitions in maritime Asia, and the need to tackle problems like energy security and insurgencies at its western peripheries.

Goh's research framework centres on two key concepts: geo-strategy and connectivity. Goh explained that geo-strategy encompasses new assemblages of space, as well as a longer-term purposefulness, Connectivity is about linking up otherwise disparate locations, populations and resources.

Goh seeks to unpack these concepts in three main ways. First, by investigating how Chinese policy-makers understand the concept of connectivity, particularly in relation to notions of China as the 'middle' state. Second, by determining how power and interdependence inter-relate in Chinese motivations behind the connectivity agenda. Third, by exploring what role connectivity plays in "hegemonic enterprises" in general, investigating whether it is an enduring strategic approach and what difference globalisation makes to it.

Goh highlighted contemporary shifts in China's foreign policies and strategic approaches as the context of her project, for instance the move from China's 'peaceful rise' and 'hide and bide' approach, to a much more proactive foreign policy in recent years, including ideas such as the "march Westwards" and "new model of great power relations."

As such, the empirical side of Goh's project has two foci: the motivations behind both the OBOR initiative and the march Westwards; and cases and practices of infrastructure building both in terms of hardware (the buildings of oil pipelines, for instance) and software (institutions and forums).

The second speaker on the panel, **Dirk van der Kley**, presented **James Reilly's** paper, 'China's Economic Statecraft'.

Van Der Kley began by giving a summary of Reilly's paper, derived from a broader book project and meant to be an overview of China's economic statecraft.

Van der Kley highlighted on four themes in Reilly's paper. First, Reilly identifies key trends in the field of economic statecraft, including the trend towards studying economic statecraft using three main approaches – actor-based, technique-based and regional. Van der Kley argued that although Reilly sees these as separate, they appear not to be mutually exclusive.

In the field of Chinese economic statecraft in particular, three trends are important: first, growing recognition that China's political industrial complex is both complex and often incoherent. The second trend is the greater focus on domestic structural factors that influence how China interacts with other international actors economically. The third is the increasing focus on the domestic actors that shape China's economic preferences.

Reilly's paper argues that China employs three main techniques in economic statecraft: foreign aid or direct investment; expanding trade through preferential trade agreements; and the altering of monetary policies. Reilly sees China as wanting to achieve two goals using these techniques: to strengthen Chinese ability to respond to economic crises, and to put in place a longer-term strategy to enmesh other states within its growing economic orbit.

Van der Kley ended his presentation by reflecting on the strengths and weaknesses of Reilly's approach. The paper gives a concise overview of economic statecraft and its use in China. However, van der Kley would have liked the paper to have also provided explanations for when China would attempt to use the different economic statecraft techniques at its disposal. He also felt there was insufficient differentiation between commercial and economic statecraft activities. An issue was whether the first two categories of approaches to studying economic statecraft – technique-based and goal-focused – would have been sufficient without the third 'regional category. Van der Kley's final concern related to the lack of integration between actor-based analysis and statecraft analysis, and the need for more empirical detail on how actors mobilise their resources during the implementation of economic statecraft. This point was noted by Reilly himself, who writes: "The field would benefit from further studies examining how domestic actors shape China's economic statecraft at the stage of policy implementation."

**Amy King** then presented the early stages of her new project on 'China's Economic Nationalists'. At the heart of King's project is a desire to understand the relationship between Chinese foreign economic policy and nationalism. As such King's work revolves around four central research questions. First, King is looking to uncover the economic ideas of China's nationalists, in particular the link between these ideas and the foreign economic policies they supported. Second, King is hoping to discover how China's national goals are defined and then interpreted by the different actors within China, and which foreign economic policies these actors support. Third, King plans to trace how foreign economic policy ideas have evolved at critical junctures since the emergence of Chinese nationalist movements in the 1920s. Finally, King wishes to understand the historical context in which foreign economic policy ideas developed and how and by whom

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they were maintained over time.

King's project comes out of earlier findings from her PhD research regarding Chinese foreign policy in the first half of the Cold War.

King explained that her work is underpinned by a number of key themes. The first relates to the Chinese experience of Japanese imperialism, which shaped China's understanding of what it meant to be a modern state. The experience prompted economic policies aimed at obtaining Japanese industrial goods and technological expertise for the purposes of modernising China.

The second relates to recent work on the role of different actors within the Chinese state and society. In projects on China's nuclear energy sector and rare earths exports, King has observed how different actors—all of whom regard themselves as acting within China's "national interests" pursue quite different, and at times conflicting, policy choices.

King explained that these ideas from earlier research show the need to further explore the economic dimensions of Chinese nationalism, acknowledge that actors within China may hold different policy ideas that all advance the cause of Chinese nationalism, and determine how these actors are constrained by the international system.

King has drawn on Eric Helleiner's work on "economic nationalism" in developing her project and, in particular, Helleiner's tracing of the historical origins of economic nationalist ideas in 19th century Europe. This "thicker" approach will allow her to avoid conflating economic nationalism with protectionism, and instead to examine the historical and geographical contexts in which economic nationalist ideas emerged in China, and the identities of those who espoused them. Similar work has been done concerning Japan's more recent economic nationalism, showing that historical ideas continued to shape Japan's foreign policy in the 1950s, 1960s and 1970s. King explained that she is conscious of taking into account the changes within China since the 1920s when undertaking her project. She also highlighted the importance of not conflating the nation and the state.

Rounding out the panel presentations was **Greg Austin** with his project, 'Digital Impacts of China's Economic Statecraft'.

Austin began by describing the Chinese reaction to Edward Snowden's leaking of classified US government information. As a result of the leaks, the Chinese government decided to improve their cyber security capabilities, make China into a cyber power and assert economic nationalism in the cyber industry in order to create a sharper sense of security. China introduced special regulatory measures for areas such as the banking sector in 2014, something that Austin sees as an example of both economic nationalism and techno-nationalism. However, those regulations were suspended after the US objected to them. Austin argued that this episode is an example of Chinese economic nationalism rearing its head, but being shut down by the US.

Austin then explained the main idea behind his current work: that the digital age has exacerbated the impacts of globalisation, narrowing states' room for manoeuvre in erecting policies that reflect economic nationalism. The most significant

impacts of the digital age have been on intensifying the speed of communications, creating non-hierarchical ubiquity, disaggregating state power, and increased the influence of the private sector and the netizen.

Austin argued that the academic world has not yet come to terms with these impacts, especially their ramifications for economic statecraft.

Austin then explained that in further developing the project, he would focus on three main case studies. The first would relate to US-China relations and the trade and financial flows between them from a security perspective, in particular how economic nationalism comes into play when finances must move through a global network that is in fact protected by US cyber security measures.

The second case study would relate to the nationalities of global corporations in the information and communication technology sector. This would involve determining if companies can be truly international.

The third case study would explore the changes in technology transfer between the US and China.

Austin concluded by saying that such case studies had not been the subject of academic investigation before but warranted attention.

### Discussion

The biggest theme of the discussion following the second panel's presentations was China, with many questions about what China is doing, and how and why it is doing it. Some participants asked whether China is attempting to build an empire through its activities in Central Asia. While the idea of China building, or re-building, a formal empire was dismissed, the idea of China attempting to imitate US imperialism through the provision of public goods was seen as more plausible. Another suggestion was that China is trying to consolidate its own state control and re-configure power structures in Asia, something that should be considered different from empire building.

The nature of China's activities was also discussed, particularly whether they can be seen as zero or positive sum, or as offensive or defensive. It was argued that rather than seeing China's activities in those dichotomous terms, a more useful approach is to conceive of each activity as having a different focus. Nevertheless, it is important to recognise that the Chinese leadership tends to prioritise its domestic imperatives and domestic audiences.

China's ability to pursue connectivity as an agenda was also questioned. One argument made was that connectivity is in fact a tool rather than an agenda, and that it is unclear whether China has the resources to use such a tool effectively. Another point raised was whether China would be able to pursue connectivity, as either an agenda or a tool, in Central Asia given that the situation in East Asia demands so much of its time and resources.

Moving away from the issue of China specifically, the complicated relationship between interdependence and economic statecraft was another key theme of Panel 2's

discussion. Questions were raised as to how states might pursue economic statecraft vis-à-vis other states with which they are significantly interdependent (for example, the US and China). The effects of asymmetry was also discussed, for instance in the case of China and its disadvantage vis-à-vis the US in terms of cyber power. Though the debate was inconclusive regarding these questions, there was a general agreement that such matters warranted further academic investigation.

The third theme of Panel 2's discussion was that of economic nationalism. It was recognised that the topic is a contested one, and that more work needs to be done to identify the different types of economic nationalism that have emerged both in China and more generally. In terms of Asia today, participants wondered whether China is actually creating its own concept of economic nationalism, different from those used in Europe. The difficulty of distinguishing between mercantilism and economic nationalism was also recognised.

## PANEL 3

*Shiro Armstrong, Crawford School, ANU* | The politics of Japan-China trade and the role of the world trade system

*Andrew Walter, University of Melbourne* | Open economy politics and international security dynamics: explaining international cooperation in financial crises (Discussed by Ryosuke Hanada, PhD Student, Crawford School, ANU)

*Jikon Lai, University of Melbourne* | Securitising the securitisation of finance and the financialisation of ethics

Chair / Discussant | *Llewelyn Hughes, Crawford School, ANU*

**Shiro Armstrong** began the third panel's presentations with a talk on his paper, "The Politics of Japan-China Trade and the Role of the World Trade System." At the heart of the research project behind the paper was the issue of how much the political relationship between two countries can affect the economic relationship they share. In Armstrong's case, the relationship in question was that between China and Japan.

Armstrong began by outlining the state of the economic relationship between the two countries, and the growth, in particular, of Japanese exports and investment in China since 1990. What Armstrong sought to determine was whether the amount of trade and investment between China and Japan was higher than expected given their problematic political relationship.

Armstrong explained that he began the project by developing a benchmark for measuring the difference between the political and economic aspects of two countries' relationship. Using a gravity model framework, Armstrong was able to estimate a counterfactual – that the larger and closer two economies are, the more they should trade. However, this model proved problematic in that it could provide a measure of whether a trade relationship is performing above or below what the model predicts, but could not determine whether politics or another factor explained the underperformance in a particular trade relationship. Armstrong overcame these problems by combining the gravity model with stochastic frontier analysis.

Armstrong found that in general China-Japan trade is currently performing at a higher level than expected. While the two average around 30% in their other trade relationships, the China-Japan relationship is functioning at around 35%, despite growing political distance between the two countries.

Armstrong then provided an explanation for this higher than expected Japan-China trade relationship. Armstrong believes a key explanatory factor is China's decision to join the World Trade Organisation, which gave other states more confidence in China than they had previously held.

Armstrong finished by outlining later additions to the research project, namely the consideration of trade relationships in East and South Asia.

The next presenter, **Ryosuke Hanada**, reviewed **Andrew Walter's** paper "Open economy politics and international security dynamics: explaining international cooperation in financial crises." Hanada explained that Walter's paper is concerned with why states cooperate during international financial crises, and provides empirical cases focusing on the years leading up to World War One (WWI). Walter's paper

critiques the Open Economy Politics (OEP) approach which has dominated this literature, and which has prioritised the role of domestic level factors in explaining state behaviour in international crises. Walter instead argues that a state's economic policy is more likely to be determined by national security considerations when interstate rivalry and global insecurity increase.

To test this claim, Walter's paper examines three case studies from an era in which international insecurity was on the rise: the Bank of England's role as an International Lender of Last Resort (ILLR) in the financial crises of 1890, 1906-7 and 1908-14.

Drawing on a rich array of European archival sources, Walter demonstrates that states paid increasing attention to "diplomatic and geostrategic considerations" in Bank lending as the European states-system became increasingly insecure and characterised by interstate rivalry in the lead up to WWI.

Walter also challenges the periodisation of the years between 1870 and 1914 in much of the OEP literature. Whereas the OEP literature regards 1870-1914 as one period characterised by common domestic-level factors, Walter's findings instead show that 1870-1914 can be divided into three distinct periods based on how states responded to varying levels of insecurity in the international system.

Hanada finished by outlining what he thought were the strengths and limitations of Walter's approach. Hanada praised Walter's effort to explain states' economic policies in the event of an international crisis, and his efforts to incorporate international-level factors. However, Hanada felt that Walter could have developed a more precise measurement of the level of "insecurity" in the international system. Hanada also queried the study's applicability to the 21st century, given that Walter excludes cases involving international institutions.

The panel's final speaker, **Jikon Lai**, presented his current project "Securitising the securitisation of finance and the financialisation of ethics." In this project, Lai hopes to bring considerations of Islamic finance into the ever-increasing conversation around the links between economics and security.

Lai explained that the project was inspired by Marieke de Goede's work on financial security, which prompted Lai to consider whether the Copenhagen School's concept of 'securitization' could be used to explain the recent growth of Islamic finance.

Islamic finance, according to Lai, has three key features. The first, *riba*, posits that one should not make money from money alone. The second, *gharar*, emphasises the need for "economic materiality," namely through asset based transactions. The third, *maisir*, instructs people to avoid speculation and particular activities, such as the consumption of alcohol and pork, and gambling.

Despite different usages of the term 'securitization', Lai suggested that the concept is useful for analysing new discourse in the Islamic finance sector. This emerging discourse highlights that Islamic finance is less exposed to financial risk, and that is a more inclusive, ethical and fairer form of financial security. Nevertheless, Lai concluded his presentation by discussing the way in which efforts to develop Islamic finance—particularly

by standardising how ethical values are embodied in financial products and processes—may actually lead to greater “insecurity”.

## Discussion

Comments and questions made during the discussion following the third panellists’ presentations centred around three key themes. The first was the idea of trade between rivals. Questions were asked regarding the links between Armstrong’s work and that of other scholars on trade between rivals, and whether that literature might offer alternative explanations for the current economic relationship between China and Japan. In addition, discussion focused on the need to better specify the causal chain between China’s commitment to the WTO and the finding that political tensions had not affected the China-Japan economic relationship. Questions were also raised about the nature of the economic sector and, in particular, whether growing “political distance” between China and Japan has different effects on trade as compared to investment.

The second key theme of the discussion was the nature of the globalised economy. As was the case in previous panels, discussion again turned to the question of how to measure causal effects in a global trade system characterised by supply chains. For instance, is trade in intermediate goods less likely to be diverted during political downturns than trade in final goods? Discussions focused on whether Armstrong’s characterisation of the bilateral trade relationship was able to capture the characteristics of supply-chain production, and similarly, whether Walter’s findings on the 19th century could be applied to the 21st century given these new forms of economic interdependence. Discussants also highlighted the need to further explore the link between states and the global trading system, not only in terms of a state’s place in the global supply chain but also in terms of the constraining effects of the system on a state’s behaviour.

The third main theme in Panel 3’s discussion was the “on-the-ground” effects of Islamic finance. For instance, the issue of prohibited goods was discussed with questions raised as to whether Western capital fills the holes left in domestic markets because of the restrictions on Islamic financial investment. Other questions were raised about whether Islamic finance became increasingly popular following the Global Financial Crisis of 2008, or if there has been a rise in the number of institutions offering Islamic finance products. Given the prominence of terrorist groups such as Islamic State and the conflation of Islam with terrorism, discussants also wondered whether the general ‘securitization’ of finance would disadvantage Islamic finance.

## PANEL 4

*Andrew Kennedy, Crawford School, ANU* | Superpower without a strategy: Explaining U.S. policy toward Chinese and Indian knowledge workers and students

*Aurelia George Mulgan, ADFA* | Securitising the TPP: elite perceptions of the strategic gains for Japan

*Llewelyn Hughes, Crawford School, ANU* | Resource security and state intervention in energy markets

*Eve Warburton, Bell School, ANU* | The dimensions of resource nationalism: comparative lessons from the Indonesian case

Chair / Discussant | *Amy King, Bell School, ANU*

**Andrew Kennedy** began Panel 4 with a presentation of his current research project on the role of technology and innovation in shaping the relationship between the United States and rising powers such as India and China. Kennedy is currently working on two projects based on the idea that technological innovation is important for globalisation and rising powers, but in this workshop he focused on his project on US collaboration with India and China in the field of global innovation. In this project, Kennedy has focused on the flow of highly skilled workers and graduate students from China and India to the US.

Kennedy explained the puzzle behind his paper: although IR theory would predict that the most dominant state globally would absorb vast amounts of human capital, the US has not consistently followed this pattern of behaviour over time. The US has placed limits on the migration of skilled labour, and has not increased the number of skilled workers coming into the country since 2004. The US does not, however, have a cap on the number of graduate students it allows into its graduate schools.

Kennedy therefore sought to explain why the US is more open to students rather than skilled workers and why its level of openness has changed over time. In order to unpack this issue, Kennedy developed a domestic politics approach, and focused on the lobbying role played by different actors such as R&D intensive firms and high-tech capital within the US. Kennedy found that such firms have a natural openness to skilled labour, are very powerful actors within the US, and generally face little opposition from other parts of the political economy. However, Kennedy also found that the level of openness in US immigration policy depends on the amount of opposition faced by high-tech capital. Kennedy identified the paper as having both strengths and weaknesses. The paper provides an in-depth study of US policymaking and a strong domestic politics explanation for labour flows. However, Kennedy has not yet looked at this dynamic in other advanced economies, and the paper does not consider the Chinese or Indian side of the story of skilled labour migration.

**Aurelia George Mulgan** then spoke about her latest project, which is concerned with the securitization of Japanese trade policies. The project is in its very early stages, and George Mulgan is still in the process of developing the conceptual framework. George Mulgan explained that the project aims to understand the relative weighting of trade, economic, geopolitical and security objectives in Japan's choice of regional trade agreements, specially the Trans-Pacific Partnership (TPP) and the Regional Comprehensive Economic Partnership (RCEP). Specifically, George Mulgan seeks to uncover the extent to

which geopolitical and security considerations have intruded into the process of Japanese government decision-making on the TPP and RCEP. The key concept within the project is that of 'securitization', whereby trade policies become framed as security issues and are therefore dealt with in the security domain of policy-making.

George Mulgan explained the four stages of her research. The first will be a strategic analysis, in which she seeks to relate trade policy issues to the wider regional security environment. The second and third stages will feature policy discourse analysis and decisional analysis respectively, as George Mulgan examines the policy debate within Japan to see how security issues are intruding into debates and political decisions. The final stage looks at the security benefits to Japan from its trade policy decisions. In terms of methodology, the project relies on qualitative data.

George Mulgan sees the strengths of the project lying in the fact that neither the TPP nor RCEP have been analysed from a security perspective. In terms of weaknesses, George Mulgan explained that her chosen case studies may not in fact be able to be studied from a securitization perspective. For example, initial analysis suggests that the TPP has been handled purely as a trade policy, and security considerations have not affected political decision-making.

**Llewelyn Hughes** then presented his co-authored paper (with Austin Long), "Is There an Oil Weapon?: Security Implications of Changes in the Structure of the International Oil Market," and discussed his ongoing project on resource security. The paper is concerned with the use of oil as an instrument of economic coercion, while the wider project takes a more political economy-centred focus. In the published paper, Hughes and Long sought to critically examine the assumption that oil could be used for the purposes of coercion. Typically, it is assumed that because there are few substitutes for oil, states are highly vulnerable to disruptions in oil supply. However, Hughes and Long argue that existing accounts of the relationship between oil and coercion insufficiently capture the reality of the oil market and its fragmented supply chain. That supply chain includes upstream (exploration and production), midstream (commercial and military maritime transport) and downstream (refining and distribution) segments. Hughes explained that nearly all of these supply chain segments have become increasingly less concentrated over time, and the paper demonstrates—using a comparative, historical approach—how new players have emerged in the exporting, production, commercial shipping, refining and distribution segments. However, one critical segment—military (naval) power—remains highly concentrated, with the United States and its allies monopolising control of key naval platforms. Austin and Long argue that the United States remains capable of wielding oil as a weapon because of its dominance in naval power.

The panel's final presenter, **Eve Warburton**, spoke about a paper she is developing as part of her PhD. Warburton's PhD thesis is concerned with the resource economy and resource nationalism in Indonesia, an area of particular interest given that Indonesia's growth in the last ten years has been driven by its exports of raw materials and commodities.

Warburton's research questions relate to the rise of resource nationalism in Indonesia, and specifically why resource nationalism manifests in different ways across resource sectors, and why nationalist mobilisation relating to these resources might fail.

The literature on resource nationalism has expanded to consider how and why countries respond to resource booms in different ways, suggesting that resource booms do not necessarily translate into automatic increases in resource nationalism. However, Warburton has identified numerous gaps in the existing literature concerning resource nationalism, including the need to look at different actor groups within the state, the need to look at instances where resource nationalism has failed to develop, and the need for better definition and understanding of the concept of resource nationalism.

Warburton explained that she used a multidimensional framework when examining resource nationalism in Indonesia. This included looking at a developmentalist level, in which actors attempt to increase government intervention in resource markets; a political level, where political elites use mass preferences for nationalist policies; and a rent-seeking level, in which actors seek personal profits.

Warburton focused on two industries in Indonesia as her case studies: mining and palm oil. She found that in the case of the mining industry, all three levels of actors were active. In the case of the palm oil sector, however, only two of the three – the political and rent-seeking groups – were involved.

## Discussion

One unifying quality of all the papers in this panel was the way in which they had used rich new empirical findings to strengthen conceptual and theoretical arguments. Both Hughes and Warburton, for instance, were strengthening the theoretical literature on economic coercion and resource nationalism, respectively, through their empirical studies of the oil market, mining and palm oil. Likewise, Kennedy and George Mulgan were seeking to enhance the migration and political economy literature, and the securitization literature, respectively, by injecting important new case studies. Nevertheless, questions were also raised about the conceptual value of 'securitization' for George Mulgan's project, given her early and significant finding that trade and security issues were treated separately by Japanese decision-makers.

Discussion also focused on the connections between papers in this panel and those in earlier panels. In particular, workshop participants drew connections between Hughes' findings on the segmentation of the global oil market and Austin's observations about the segmented nature of cyber security and international financial transactions. In both cases, China remains relatively vulnerable to US monopolies. Similarly, Hughes' argument that non-US allies remain relatively vulnerable to US naval superiority might offer useful insights to Goh's research on China's "march Westwards" and its investment in oil pipelines and other infrastructure.

The final theme of the discussion was the need to examine domestic level factors when considering state behaviour. It was remarked that each of the papers placed a strong focus

on domestic policy and domestic actors, and took seriously the need to incorporate domestic levels of analysis in their explanations. Indeed, participants noted that Kennedy's work in particular, actually focused more on the domestic economy of the US than its foreign policies or wider international systemic conditions. However, participants also noted the importance of frameworks that incorporated both domestic and international level factors. In the case of Warburton's research, for instance, questions were raised about how international institutions and regimes affected or constrained Indonesia's resource policy decisions.

# PLENARY SESSION AND CLOSING DISCUSSION

Led by PhD students at the ANU.

*Ryosuke Hanada* | PhD student, Crawford School

*Dirk Van Der Kley* | PhD student, Centre for Arab and Islamic Studies, CASS

*Eve Warburton* | PhD student, Bell School

*Gail Ma* | PhD student, Bell School

Chair / Discussant | *Amy King*, Bell School, ANU

**Gail Ma** began the plenary session by reflecting on key lessons she had drawn from each panel. Ma felt that each paper would be useful for her going forward with her thesis, as would the ideas about how complex the security-economics nexus is in Asia. In particular, Ma came to appreciate the difficulty of separating security and economics both in terms of theory and measurement of influence. She also raised the challenge of how to understand the motivating factors behind an actor's behaviour, particularly in the case of a state such as China.

**Dirk van der Kley** commented that the discussions throughout the day had raised questions for him that he will need to consider in his PhD research. Van der Kley felt that the workshop had made him consider the difficulties of measuring, proving and operationalising aspects of his research. The presentations and discussions had also made him consider the difficulty of transforming economic power into political influence, the problem of studying dynamic systems, and whether the One Belt, One Road initiative will have any real benefits for China.

**Ryosuke Hanada** began by reflecting on the difficulty but importance of presenting and critiquing the work of others. For him, the experience emphasised the importance of having clear research questions and variables. He commented that the workshop reinforced two key issues in particular: the need to focus on a state's domestic situation in order to explain its foreign policy and the need to be aware of the complexity of global networks and supply chains. Hanada commented on the growing importance of security to his own country, Japan, especially in relation to China's rise.

**Eve Warburton** commented that the workshop had made her realise the importance of taking an interdisciplinary approach to research, and recognising the diversity of factors that influence economic policy.

# WORKSHOP PROGRAMME

9am – 9.15am | **Welcome & Overview of the Workshop**

9.15 – 10.45am | **Panel 1** (Crawford Seminar Room 9)

*Michael Wesley, Bell School, ANU* | The strategic effects of China's economic diplomacy

*Darren Lim, School of Politics and International Relations, ANU* | Coercive economic diplomacy in East Asia

*Priya Chacko, University of Adelaide* | Myanmar and India: regimes of citizenship and the limits of geo-economic engagement

*Kanishka Jayasuriya, University of Adelaide* | Geo-economics and competing regulatory geographies in the Asia-Pacific

Chair / Discussant | *Evelyn Goh, Bell School, ANU*

## Morning Tea

11.15am – 12.45pm | **Panel 2** (Crawford Seminar Room 9)

*Evelyn Goh, Bell School, ANU* | Infrastructure as geo-strategy: China's 'connectivity' project in Greater Asia

*James Reilly, University of Sydney* | China's economic statecraft (Discussed by Dirk van der Kley, PhD student, CASS, ANU)

*Amy King, Bell School, ANU* | China's economic nationalists

*Greg Austin, ADFA* | Digital impacts on China's economic statecraft: two case studies

Chair / Discussant | *Andrew Kennedy, Crawford School, ANU*

## Lunch

1.30pm – 3.00pm | **Panel 3** (Crawford Seminar Room 8)

*Shiro Armstrong, Crawford School, ANU* | The politics of Japan-China trade and the role of the world trade system

*Andrew Walter, University of Melbourne* | Open economy politics and international security dynamics: explaining international cooperation in financial crises (Discussed by Ryosuke Hanada, PhD Student, Crawford School, ANU)

*Jikon Lai, University of Melbourne* | Securitising the securitisation of finance and the financialisation of ethics

Chair / Discussant | *Llewelyn Hughes, Crawford School, ANU*

## Afternoon Tea

3.30pm – 5pm | **Panel 4** (Crawford Seminar Room 8)

*Andrew Kennedy, Crawford School, ANU* | Superpower without a strategy: Explaining U.S. policy toward Chinese and Indian knowledge workers and students

*Aurelia George Mulgan, ADFA* | Securitising the TPP: elite perceptions of the strategic gains for Japan

*Llewelyn Hughes, Crawford School, ANU* | Resource security and state intervention in energy markets

*Eve Warburton, Bell School, ANU* | The dimensions of resource nationalism: comparative lessons from the Indonesian case

Chair / Discussant | *Amy King, Bell School, ANU*

5pm – 5.45pm | **Plenary session: Reflections on the concepts, questions and methodological approaches outlined during the workshop**

Led by PhD students at the ANU.

*Ryosuke Hanada* | PhD student, Crawford School

*Dirk Van Der Kley* | PhD student, Centre for Arab and Islamic Studies, CASS

*Eve Warburton* | PhD student, Bell School

*Gail Ma* | PhD student, Bell School

Chair / Discussant | *Amy King, Bell School, ANU*

6.30pm | **Workshop Dinner**

# LIST OF PARTICIPANTS

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**Photo credit: Giridharan Ramasubramanian**



*Participants at the workshop Unpacking the Economic-Security Nexus in Asia*

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