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**THE ASIA PACIFIC'S "AGE OF UNCERTAINTY"
GREAT POWER COMPETITION, GLOBALISATION, AND THE ECONOMIC-
SECURITY NEXUS**

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Abstract

We live in an “age of uncertainty”. On the one hand, a power transition seems to be upon us: China has risen, the United States’ resolve and commitment are uncertain, and other regional powers with different political systems are also resurgent. On the other hand, unprecedented globalised inter-dependence creates connectivity and vulnerability in equal measure. Alongside these trends, the onset of the “Fourth Industrial Revolution” promises rapid and unpredictable technological change that could revolutionise defence, economic, and social organisations and relations. Amid these rapid and seemingly chaotic shifts, the inter-connections between economics and security not only become more complex, but also more urgent and significant. In what follows, the most important elements of our age of uncertainty are distilled. The paper then sketches three ways in which the economic-security nexus needs to be understood and managed in the Asia Pacific¹ if we are to weather the ongoing transition.

KEYWORDS: Asia Pacific, East Asia, great power competition, globalisation, economic-security nexus, uncertainty

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¹ In this paper, I use “Asia Pacific” when referring to the trans-Pacific region comprising East Asia, Oceania, and the Americas. When my discussion pertains to the region encompassing China, Japan, the Koreas, Taiwan, and the Southeast Asian countries, I use “East Asia”.

Context: Our Age of Uncertainty

In a well-known trilogy of books on what he called the ages of revolution, empire, and capitalism, the eminent historian Eric Hobsbawm analysed the pivotal “long 19th century”.² Hobsbawm’s thesis was that two socio-political-economic revolutions – the French Revolution and the Industrial Revolution – catalysed modern European history, and – via colonialism and imperialism – world history. In a subsequent book about the period from the start of World War 2 to the fall of the Soviet Union, Hobsbawm saw the “short 20th century” as being characterised by the failures of state socialism, capitalism, and nationalism.³

This paper suggests that via a post-Cold War interregnum⁴ that saw a brief “unipolar moment”,⁵ we have now entered an “age of uncertainty” characterised by unprecedented economic inter-dependence, and renewed and expanded great power competition, fuelled by globalisation and what some call the “Fourth Industrial Revolution” (4IR).

Economic inter-dependence and globalisation are not new phenomena. However, nothing highlights the current extent of globalised inter-dependence more acutely than the COVID-19 pandemic which emerged in central China towards the end of 2019 and continues to rage across the world. Facilitated by the spread of economic and technological means of rapid interaction, and global just-in-time production systems and networks, our webs of socio-economic inter-dependence create connectivity and vulnerability in equal measure.⁶ Expressions of such concerns that prevailed in the post-Cold War context — for example, about terrorism and cybersecurity — are now overshadowed by the intertwined threats to health, food, and economic security, which even raises the spectre of social revolution at the heart of the western democratic world.

In the Asia Pacific context, a crucial element of the region’s strategic landscape over the past few decades has been the renewal of great power competition, which we had grown comfortable without after the Cold War ended. Now, a power transition seems to be upon us: China, undoubtedly, has risen; the United States’ resolve and commitment are uncertain, especially under the Trump presidency; and other regional powers with different political systems are also resurgent (particularly India, Japan, and Russia). Great power competition has correspondingly expanded in both scope and domain. Apart from the US-China trade war that has preoccupied policymakers around the world since 2018, a great power contestation-defined strategic environment now routinely includes power play in troubled areas like Iran,

² Hobsbawm, Eric. *The Age of Revolution: Europe 1789–1848*. London: Weidenfeld & Nicolson, 1962.

Hobsbawm, Eric. *The Age of Capital: 1848–1875*. London: Weidenfeld & Nicolson, 1975.

Hobsbawm, Eric. *The Age of Empire: 1875–1914*. London: Weidenfeld & Nicolson, 1987.

³ Hobsbawm, Eric. *The Age of Extremes: The Short Twentieth Century, 1914–1991*. London: Penguin, 1994.

⁴ Goh, Evelyn. *The Struggle for Order: Hegemony, Hierarchy, and Transition in Post-Cold War East Asia*. Oxford: Oxford University Press, 2013.

⁵ Krauthammer, Charles. “The Unipolar Moment.” *Foreign Affairs* 70:1 (1990-91): 23-33. Doi: 10.2307/20044692.

⁶ Goh, Evelyn, and Jochen Prantl. “COVID-19 is exposing the complexity of connectivity.” *East Asia Forum*, April 8, 2020: www.eastasiaforum.org/2020/04/08/covid-19-is-exposing-the-complexity-of-connectivity/

frigates colliding in the South China Sea, new forms of political interference in others' domestic politics, and competition over issues spanning development financing to contributions to the World Health Organization.

Overlaying this are the promises and perils of the 4IR.⁷ Proponents see this as a revolution in the proper sense: a disjuncture from the previous phase of technological development, marked by new abilities to blur the divides between the physical, digital, and biological. They project the cumulative impacts of rapid and greatly increasing technological breakthroughs in many diverse fields — including quantum computing, biotechnology, artificial intelligence (AI), robotics, and nanotechnology — arguing that the synergies among these developments and the exponential speed at which these changes are happening will create unprecedented effects for industries, countries, and societies. While the effects have been most prominent in specific sectors to date, the transformations in work, services, and production engendered by the COVID-19 pandemic may prove to be the tipping-point, after which 4IR's transformative and disruptive impacts become clearer across the system.

What is the upshot for scholars and policymakers who have to grapple with these uncertainties? First, this “age of uncertainty” is marked by accentuated pluralism. Expressed simply, there are *more actors, more factors, and more vectors*. In the defence realm following the Cold War, we had already become more familiar with this pluralism in, for instance, the growing range of security actors including informal combatants, mercenaries, terrorists, individual extremists, and cyber hackers. We have also increasingly recognised “non-traditional” security issues like environmental degradation, migration, poverty, systematic social alienation, and pandemics. And defence establishments around the world have been absorbing and trying to leverage the impacts of AI, blockchain technology, and other aspects of 4IR for defence systems and operations. In the following sections, this paper demonstrates that this accentuated pluralism is a bigger, systemic condition, which generates cumulative impacts.

Second, we are faced with unavoidable complexity. In terms of international order, we have transitioned from the structural overlay of the bipolar Cold War to a mash-up of “unknown unknowns”: butterfly effects, wild cards, black swans, and even black elephants. The notion of complexity references (i) the high degree of connectivity between the individual components of a system; (ii) fundamental disproportionality between cause and effect (a seemingly small trigger such as the collapse of Lehman Brothers in 2008 can generate non-linear, cascading effects such as the Global Financial Crisis); and (iii) the quality of emergence: new phenomena can emerge from the interactions of the individual components of a complex system.⁸ The latter quality is especially important: connections and interactions between parts of the system create outcomes that are inherently unpredictable *ex ante* and are revealed only when they occur, giving rise to strategic surprises such as 9/11, or SARS, the first coronavirus epidemic that broke out in East Asia in 2003. It is no surprise that, from the 1990s,

⁷ Schwab, Klaus. *The Fourth Industrial Revolution*. Geneva: World Economic Forum, 2016.

⁸ Mitchell, Melanie. *Complexity: A Guided Tour*. New York: Oxford University Press, 2009.

strategists increasingly adopted the management concept about dealing with a volatile, uncertain, complex, and ambiguous (VUCA) world.⁹

When faced with complex problems, rather than fixating on the immediate manifestation of the issue, strategic policymakers need to think about the systemic context. Crucially, they need to focus on picking key nodes and vital relationships; identifying entry points for significant leverage; and considering how to shape the system as a whole to build optimal diversity and resilience.¹⁰ At the same time, today's strategic policymaking establishments need to possess collective knowledge about quite a lot of particular things. While this may sound daunting, especially to states with relatively fewer resources, this is a lesson already well learnt from post-Cold War counter-terrorism, which turned out to require knowledge about religion, ideology, international finance, as well as the politics, sociology, and criminology of multiple countries and regions. The rest of this paper is an effort to highlight some key areas of – too often siloed – knowledge, which are essential for strategists working in the Asia Pacific's age of uncertainty.

Great Power Competition and International Order

I published a book in 2013 titled *The Struggle for Order* that chronicled the short interregnum of US hegemony in East Asia. I analysed East Asian states' primary reasons for favouring US hegemony, and highlighted China's shortcomings in terms of the vital leadership functions of providing public goods and a compelling vision for a different regional order. However, the book ended by explicitly asserting that the result of the ongoing order transition was yet unclear. Since then, the picture has become clearer. The region is leading the world towards an international system with more actors, more factors, and more vectors. We can observe "disaggregated change in [the] different arenas" of security, economics, and institutions as a direct result of great power competition and the forces of globalisation.¹¹

Great power competition is, by 2020, a fact of life in the Asia Pacific. Sino-American discord, tension, and conflict are evident, whether in the trade, geopolitical, institutional, or pandemic realms. More significantly, their strategic planning and thinking have shifted into competition mode. For example, as the Policy Planning Staff in the United States Department of State re-conceptualised strategy towards China, the then-Director warned that this is "the first time that we will have a great power competitor that is not Caucasian... a fight with a really different civilization and a different ideology... [one that] the United States hasn't had... before". In contrast, the US-Soviet Cold War was

⁹ Bennis, Warren, and Burt Nanus. *Leaders: The Strategies for Taking Charge*. New York: Harper and Row, 1985.

¹⁰ Goh, Evelyn, and Jochen Prantl, eds. "Strategic Diplomacy in Northeast Asia." *Global Asia* 11:4 (2016): 1-64.

Goh, Evelyn, and Jochen Prantl. "Why Strategic Diplomacy Matters for Southeast Asia." *East Asia Forum Quarterly* 9:2 (2017): 36-9.

Goh, Evelyn, and Jochen Prantl. "COVID-19 is exposing the complexity of connectivity." *East Asia Forum*, April 8, 2020: www.eastasiaforum.org/2020/04/08/covid-19-is-exposing-the-complexity-of-connectivity/

¹¹ Goh, Evelyn. "Contesting Hegemonic Order: China in East Asia." *Security Studies* 28:3 (2019): 614-44. Doi: <https://doi.org/10.1080/09636412.2019.1604989>

“a fight within the Western family”.¹² During the trade war with the United States, China’s leaders felt sufficiently under pressure to depart from the Party line of peaceful and cooperative intent to promise to “rise up” against US bullying and to engage in “a new Long March”.¹³ Beyond the rhetoric, strategists and analysts on both sides increasingly accept the inevitability of mutual competition — if not outright conflict — and are preparing for it.¹⁴

There are deeper, structural implications of this renewed great power competition. Fundamentally, it means the end of the United States’ preponderance in East Asia – it is no longer the only credible great power game in town. Structurally, the region is moving from a security order that was based on a single pillar (US primacy centred on its hub-and-spokes alliance relationships), to one that rests on multiple stilts of different sizes and functions (akin to, say, the traditional architectural style favoured for houses in the tropics). I prefer this analogy to the popular alternatives involving poles or cinemas. To be clear: this does not mean that the United States disappears from the landscape, either in the region or the world. It *does* mean that the United States is no longer East Asia’s *only* pillar, shelter, or policeman. It may not even be a pillar, shelter, or policeman in some issue areas. In normative terms, it means the end of US hegemony in this part of the world, with hegemony understood as authority stemming from the consent of followers.¹⁵ The distinction is important, because consent is an intervening variable: it can be “sticky” and prolong an order transition even after the incumbent hegemon has been materially overtaken by a rising challenger, or it can be “fluid” and accelerate a transition in favour of a rising challenger even before the latter is willing to take up the mantle of leadership.

¹² Gehrke, Joel. “State Department preparing for clash of civilizations with China.” *The Washington Examiner*, April 30, 2019. www.washingtonexaminer.com/policy/defense-national-security/state-department-preparing-for-clash-of-civilizations-with-china

¹³ Lee, Amanda. “China won’t back down in trade war with US: commerce minister.” *South China Morning Post*, October 10, 2018. www.scmp.com/economy/china-economy/article/2167715/china-wont-back-down-trade-war-us-commerce-minister.

Zhou, Xin. “Xi Jinping calls for ‘new Long March’ in dramatic sign that China is preparing for protracted trade war.” *South China Morning Post*, May 21, 2019. www.scmp.com/economy/china-economy/article/3011186/xi-jinping-calls-new-long-march-dramatic-sign-china-preparing

¹⁴ Wang, Jisi. “Xinguan yiqing xia de zhongmei guanxi.” [China-US Relations amid the COVID-19 Pandemic] Speech at the National School of Development, Peking University, Beijing, March 26, 2020. www.nsd.pku.edu.cn/sylm/gd/501976.htm.

Zhao, Minghao. “Is a New Cold War Inevitable? Chinese Perspectives on US–China Strategic Competition.” *The Chinese Journal of International Politics* 12:3 (Autumn 2019): 371-94. Doi: <https://doi.org/10.1093/cjip/poz010>.

Berger, David H. *Commandant’s Planning Guidance: 38th Commandant of the [US] Marine Corps*. 2019.

www.hqmc.marines.mil/Portals/142/Docs/%2038th%20Commandant%27s%20Planning%20Guidance_2019.pdf?ver=2019-07-16-200152-700. McMaster, H. R. “How China Sees the World and how we should see China.” *The Atlantic*, May 19, 2020.

www.theatlantic.com/magazine/archive/2020/05/mcmaster-china-strategy/609088/.

Tellis, Ashley J., Alison Szalwinski, and Michael Wills, eds. *Strategic Asia 2020: U.S.-China Competition for Global Influence*. Seattle: National Bureau of Asian Research, 2020.

¹⁵ Goh, Evelyn. *The Struggle for Order: Hegemony, Hierarchy, and Transition in Post–Cold War East Asia*. Oxford: Oxford University Press, 2013.

For the Asia Pacific more broadly, the end of US hegemony has generated two significant strategic trends, arising from the security choices being made by regional states during this time of uncertainty.

First, the greater resort to self-help. This is best illustrated in Northeast Asia, where the most exciting development of 2018–2019 was the spate of summitry initiated by South Korean President Moon Jae-In. Moon's determined pursuit of the progressives' agenda of détente with North Korea was facilitated by the uncertainties surrounding the Obama administration's partial pivot to Asia, subsequently intensified with President Trump's erratic attention span and demands for US allies to bear greater costs. Moon's landmark April 2018 summit with North Korean leader Kim Jong Un and brokerage of the Trump-Kim summits helped regain some Korean control over the peninsula's future. While this included risks – Moon had to absorb the blowback of Trump's shock cancellation of annual US-ROK military exercises – and while Korean peninsula issues still require China and the United States for management and resolution, inter-Korean relations and the ROK's role now constitute a stronger third leg. In Japan, Prime Minister Abe Shinzo, while working hardest at maintaining the US alliance under Trump, also had to deal with many other aspects of the relationship being damaged, including US withdrawal from the Trans-Pacific Partnership (TPP) regional trade agreement and growing doubts about US commitment to regional institutions. These uncertainties compelled Abe to seek rapprochement with China despite bilateral tensions over territorial and historical disputes. In 2018 and 2019, Abe and Xi revived bilateral summits, with Xi's visit to Japan in April 2019 being the first visit by a Chinese President since 2010. The two leaders pledged to promote "free and fair trade" and to be "eternal neighbours".¹⁶ The annual Trilateral Summit between China, Japan, and South Korea was also revived in 2018 after a six-year hiatus.

Self-help has also included US allies in Northeast Asia looking southwards and region-wide. In 2019, Moon's administration elevated economic and political relations with Southeast Asia under the banner of his "New Southern Policy".¹⁷ Since 2013, Abe's Japan has led in reviving strategic interest in Southeast Asia, steadily growing its patchwork of economic and security assistance and cooperation with key countries including those which have territorial and maritime conflicts with China, such as Indonesia, Vietnam, and the Philippines.¹⁸ Notably, Tokyo has more actively tried to articulate a vision of a broader regional order based on liberal principles separate from US leadership.¹⁹

¹⁶ Sim, Walter. "Japan and China vow to be 'eternal neighbours' at Abe-Xi summit meeting in Osaka." *The Straits Times*, June 27, 2019. www.straitstimes.com/asia/east-asia/japan-and-china-vow-to-be-eternal-neighbours-at-xi-abe-summit-meeting-in-osaka

¹⁷ Easley, Leif-Eric, and Sea Young Kim. "New North-Southeast Asia Security Links: Defending, Recentering, and Extending Regional Order." *Australian Journal of Politics & History*, advance online publication (2019). Doi: [www.doi.org/10.1111/ajph.12586](https://doi.org/10.1111/ajph.12586)

¹⁸ Arase, David. "Japan's Strategic Balancing Act in Southeast Asia." *ISEAS Perspective no. 94* (2019). www.iseas.edu.sg/images/pdf/ISEAS_Perspective_2019_94.pdf

¹⁹ Tamaki, Nobuhiko. "Japan's Quest for a Rules-based International Order: The Japan-US Alliance and the Decline of US Liberal Hegemony." *Contemporary Politics*, (forthcoming). Koga, Kei. "Japan's 'Indo-Pacific' question: countering China or shaping a new regional order?" *International Affairs* 96:1 (January 2020): 49-73. Doi: <https://doi.org/10.1093/ia/iiz241>

Self-help is also evident in how the “spokes” of the US alliance system have tried to join up, creating new relationships among the regional satellites rather than channelling their interactions only through the US hub. The most publicised example is the Quadrilateral Initiative involving Japan, Australia, and India alongside the US, spearheaded by Abe in 2007 and resurrected in 2017. While much debated, the Quad is notable for its explicit values-based framing that stresses cooperation between democracies committed to – another Abe administration initiative – a “Free and Open Indo-Pacific”. Also significant is the plethora of “mini-lateral” security cooperation among sub-combinations of the four member states, including military exercises and high-level dialogues.²⁰ A less widely-advertised example is the Australia-Singapore Military Training Initiative inked in 2018 under the broader bilateral Comprehensive Strategic Partnership, a 25-year, A\$2.25 billion agreement for the small Southeast Asian security partner to build facilities and increase the number of troops it has on rotation in Australia from 6,000 to 14,000 annually.²¹ Some scholars go so far as to suggest that US allies and security partners in the Asia Pacific are restructuring their pre-existing bilateral security relationships with the US into a “networked security architecture”.²²

Second is the growing importance of regional dynamics now that the systemic preponderance of the United States is increasingly contested. We get competing regional imaginaries, not just competing great powers. For me, geopolitics is a way of looking at the world, one that considers the links between political power, geography, and cultural diversity. It is about imagining and prioritising some form of connectivity — which parts or who are connected to each other more importantly than with others? Thus, geopolitical competition is essentially a contest over which imagined connected community is most important. In Asia today, there are three competing imagined regions: the “Asia Pacific”; the “(continental) Belt and (maritime) Road”; and the “Indo-Pacific”. Of course, there are other sub- and trans-regional projects, but these three are most significant because of the resources committed to them.

The “Asia Pacific” is the trans-Pacific imaginary comprising East Asia, Oceania, and the Americas. This meta-region is the classic imagined community transformed into reality through the determined application of enormous resources over time. Since 1898, the projection of superior US military, political, and economic power into the Western Pacific has dramatically mediated what strategists call the loss-of-force gradient over a vast distance. The enormity of this enterprise is clear when we look at the Mercator projection map centred on the Pacific Ocean, which represents the US military’s Pacific Command theatre of operations. The lived reality of the constructed “Asia Pacific” imaginary is ensured by the reciprocal connections that East Asia and Oceania have forged with North

²⁰ Buchan, Patrick Gerard, and Benjamin Rimland. “Defining the Diamond: The Past, Present, and Future of the Quadrilateral Security Dialogue.” *CSIS Briefs*, March 16, 2020. www.csis.org/analysis/defining-diamond-past-present-and-future-quadrilateral-security-dialogue

²¹ Some information about this military cooperation is provided by the Australian Department of Defence, “Australia-Singapore Military Training Initiative.” Accessed June 3, 2020. www.defence.gov.au/Initiatives/ASMTI/.

²² Dian, Matteo, and Hugo Meijer. “Networking Hegemony: Alliance Dynamics in East Asia.” *International Politics* 57 (2020): 131-49.

America in particular in the post-war era.²³ This inter-dependence was institutionalised in APEC (Asia Pacific Economic Cooperation), the post-Cold War world's first mega-regional trade forum. The "Asia Pacific" was the preponderant regional imaginary for much of the post-Cold War interregnum, even though we also saw the regional construction of the "East Asia" imaginary from around the time of the Asian Financial Crisis.

However, it was China's entry into the global economy and its rapid rise as an economic power that propelled the major competing regional imaginary of our age. Centred on what has come to be called the Belt and Road Initiative (BRI), this agglomeration of economic and geopolitical initiatives essentially aims to globalise China's economy by forging continental and maritime connections westwards through to Europe and the Middle East, in effect (re-)creating a greater Eurasian imaginary. This is the key competing regional imaginary because enormous Chinese political resources and a high-level, whole-of-government effort have been poured into creating business, investment, and political opportunities connecting all parts of China to old and new investors and markets.²⁴ Again, this enterprise acquires a lived reality because of the responses of others. On the one hand, multiple participating countries (including many US allies and partners) have made BRI possible by selling assets, cooperating with Chinese enterprises, receiving loans for infrastructure building and other forms of investment, or becoming members of the Asian Infrastructure Investment Bank.²⁵

On the other hand, other countries and constituencies suspicious of the Chinese government's intentions and practices have created a counter-veiling regional imaginary – the "Indo-Pacific". Its propagation within the Australian discourse might have created the impression that this two-ocean imaginary is mainly an allergic reaction to the BRI and opportunism by some Australia strategists trying to justify an Oceanic place in the evolving geopolitical great game. However, underlying the original idea is a palpable worry that the combination of US decline and China's rise, as well as India's re-emergence, compels new strategic thinking and cooperation to manage multipolar rivalry.²⁶ The Indo-Pacific imaginary looks likely to last, if only because significant others have logrolled with it. Trump adopted the "Indo-Pacific" term from the 2017 US National Security Strategy onwards, and in May 2018, the US Pacific Command was renamed the Indo-Pacific Command. Importantly too, two-time Japanese Prime Minister Abe has had the unique opportunity to resuscitate his idea of the confluence of the Pacific and Indian Oceans bringing about a "broader Asia", tied to the "Arc of Freedom and Prosperity" along the outer rim of the Eurasian continent he advocated during his first tenure in 2005 –2007. Both ideas were resurrected as Japan's "Free and Open Indo-Pacific Strategy" in 2016,²⁷ which in turn has

²³ Dirlík, Arif. "The Asia-Pacific Idea: Reality and Representation in the Invention of a Regional Structure." *Journal of World History* 3:1 (Spring 1992): 55-79.

²⁴ Ye, Min. *The Belt Road and Beyond: State-Mobilised Globalization in China, 1998–2018*. UK: Cambridge University Press, 2020.

²⁵ Goh, Evelyn. "Contesting Hegemonic Order: China in East Asia." *Security Studies* 28:3 (2019): 614-44. Doi: <https://doi.org/10.1080/09636412.2019.1604989>

²⁶ Medcalf, Rory. *Contest for the Indo-Pacific: Why China Won't Map the Future*. Melbourne: La Trobe University Press, 2020.

²⁷ For a useful insight into the Abe government's iteration of a strategy developed over more than a decade, see Ministry of Foreign Affairs of Japan. "Free and Open Indo-Pacific." Accessed June 3, 2020. www.mofa.go.jp/policy/page25e_000278.html

galvanised the Quad and also seen growing engagement from other regional actors such as ASEAN and Taiwan.

All three imaginaries will compete for the foreseeable future. But fundamentally, the geopolitical competition in our age of uncertainty will not be between binary continental and maritime great powers; it cannot be, simply because China is successfully blurring that divide and others wish to countervail or contain Chinese power where it spreads. So, instead, the competition will turn on how effectively these great powers integrate and leverage the inter-dependence between the maritime and continental aspects of power in Asia.

Globalisation and Deeper Power Shifts

Indeed, in our globalised world, inter-dependence develops many new forms. At a basic level, intensifying economic inter-dependence creates greater connectivity among the different parts of the global system. However, the inter-dependence that has grown out of the unprecedented surge in global economic activity over the past three decades has also been asymmetrical, unevenly distributed, and itself compelling redistributions. When we take into account the economic side of the story, it becomes evident that the great power dynamics discussed above belie a deeper power shift.

This crucial part of the story can be told in two steps. First, the rise of “a more global South”, as the 2013 United Nations Human Development Report put it. A significant number of developing countries – most notably but not only, China – have used state intervention and have tapped into global capital to spur their economies. They have generated remarkable new transboundary flows of goods, services, and people; and global production “is rebalancing in ways not seen for 150 years”.²⁸ From 1980 to 2011, South-South trade as a proportion of world merchandise trade grew from 8 to 27 per cent. During the same period, the proportion of North-North merchandise trade fell from 47 to 30 per cent. The same report projected that, by 2050, the three key emerging economies of Brazil, China, and India will together account for 40 per cent of global output, surpassing the projected combined production of the G7, which will fall to around 20 per cent. This trend is influenced by the population sizes in developing countries, and – more importantly – by the rapid rise of their middle classes with corresponding consumer spending power. An influential study²⁹ showed that by 2015, there were over 3 billion people globally who fell into the middle-class category, roughly half of whom lived in Asia. *Circa 2020*, the middle class will constitute a majority of the global population. In what is the most rapid expansion of the middle class the world has ever seen, almost 90 per cent of the next billion entrants into the global middle class will be in Asia: 380 million Indians, 350 million Chinese, and 210 million other Asians. At the time of Kharas’ updated study and prior to the COVID-19 pandemic, middle-class

²⁸ UNDP (United Nations Development Programme). *Human Development Report 2013*. <http://hdr.undp.org/en/content/human-development-report-2013>

²⁹ Kharas, Homi. “The Unprecedented Expansion of the Global Middle Class: An Update.” *Global Economy & Development Working Paper 100* (February 2017). www.brookings.edu/wp-content/uploads/2017/02/global_20170228_global-middle-class.pdf

consumption accounted for more than one-third of the global economy, and was growing by about 4 per cent annually, faster than the average GDP growth.

The second step in this story is the diffusion of economic power away from its previous concentration in the west. To be clear, I am not referring to an absolute decline of the west (yet) – for example, the G7 middle class still exists and has continued to grow, though at a lower rate. It is simply the “rise of the rest”, which has altered the relative distribution of global economic activity, be it production, consumption, or investment. This is best captured in Quah’s³⁰ modelling which showed the dramatic eastward shift in the world’s economic centre of gravity. Using GDP figures from 700 locations to calculate the average location of global economic activity, he placed the global economy’s centre of gravity somewhere in the middle of the Atlantic Ocean *circa* 1980. This reflected the dominance of North American and Western European economies. By 2008, that centre of gravity had shifted to a location on the Eurasian continent, east of Helsinki and Bucharest. Extrapolating economic growth figures, Quah projected that, by 2050, the world’s economic centre of gravity would relocate to a point midway between India and China. A 2012 McKinsey Global Institute report plotted longer-term data to reach a similar conclusion – that by 2025, the economic centre of gravity would return to the Asian continent, after a westward sojourn since around 1820.³¹

At a systemic level, this deep shift manifests as a marked reorientation of global trade, starting with significantly reduced dependency on western or developed markets. A 2019 *Bloomberg* report indicated that, by 2017, 53 per cent of all global bilateral trade involved at least one emerging market, up from 38 per cent in 1997. The number of countries in the world whose majority trade was with emerging markets rose from 19 to 64 during the same 20-year period.³² In other words, producers in developing countries have loosened their previous dependence on demand from developed markets. These producers, along with producers from developed countries, are channelling more goods, services, and employment to developing countries and emerging economies, where new consumer markets are growing dramatically. In other words, the wealth of nations no longer primarily depends on western consumption.

Thus, in the socio-economic realm, we find a clear parallel to the architectural shift taking place in Asian geopolitics suggested above. The result of the deeper economic power diffusion globally is, once again, more actors, more factors, and more vectors. But unlike great power politics, in the economic arena, we also find fewer zero-sum games and a marked decline in binaries. This is especially so from the point of view of “the rest”. Consider, for example, the proliferation of free trade agreements

³⁰ Quah, Danny. “The Global Economy’s Shifting Centre of Gravity.” *Global Policy* 2:1 (2011): 3-9. Doi: <https://doi.org/10.1111/j.1758-5899.2010.00066.x>

³¹ Dobbs, Richard et al. *Urban world: Cities and the rise of the consuming class*. 2012. www.mckinsey.com/featured-insights/urbanization/urban-world-cities-and-the-rise-of-the-consuming-class

³² Tartar, Andre, and Cedric Sam. “How the Rise of Developing Countries has Disrupted Global Trade.” *Bloomberg New Economy*, May 7, 2019. www.bloomberg.com/graphics/2019-bloomberg-new-economy/global-trade-developing-nations/

in the Indo-Asia Pacific regions. Despite the popular perception that regional economies have had to choose between the US-led TPP and a China-dominated Regional Comprehensive Economic Partnership (RCEP), the reality is that when the revised Comprehensive and Progressive TPP came into effect at the end of 2018 without the United States, at least seven member states chose to be simultaneously part of RCEP.³³ The logic behind having a foot in both camps, as expressed by a prominent Singaporean diplomat, emphasises the positive-sum potential of the current choices, while hedging against uncertainties down the line:

... international relations are not sporting events in which a “win” for one side is necessarily a “loss” for the other. China’s rise is not America’s decline except relatively. In absolute terms, both are and will remain substantial powers. Neither is without weaknesses. Neither’s future development is going to be described by a straight-line trajectory up or down³⁴

Other regional countries may find it harder to abandon the binary thinking which served them well in the past. In recent years, for example, Australia has struggled between its dedicated security and identity ties with the United States, and its growing economic dependence on China. In May 2020, this dilemma resurfaced with a vengeance as Beijing began to impose import restrictions on various important Australian exports, in response to Canberra’s call for an international inquiry into the origin of COVID-19, including China’s role. As one leading politician put it, the national discourse needs to go beyond treating security and economics as “two disconnected camps”, because they are now uncomfortably intertwined:

[While] it is absolutely right that the defence, intelligence, and security community be on the lookout for threats to Australia’s sovereignty and well-being It’s also [our] business ... to build Australia’s economic strength, which is a key contributor to our national security. This means maintaining and expanding a robust trade and investment relationship with China³⁵

The Economic-Security Nexus

Thus far, I have concentrated on showing that the Asia Pacific’s age of uncertainty stems from the cross currents of rapid change in the geopolitical and socio-economic realms in recent decades. This creates a particular problem. How should we – scholars and policymakers – usefully connect the security and economic parts of the story? In this final section, I identify three problematic intersections of economics

³³ Australia, Brunei, Japan, Malaysia, New Zealand, Singapore, and Vietnam.

³⁴ Kausikan, Bilahari. “Thinking About Geopolitics in East Asia.” Keynote address to the RAAF Air Power Conference, March 2018.

³⁵ Wong, Penny. “A New Phase in Australia’s Relations with China.” Keynote speech to AIIA National Conference, October 14, 2019. www.internationalaffairs.org.au/news-item/aiia-national-conference-2019-senator-penny-wongs-keynote-speech/

and security that are most salient for our region, to highlight key challenges of the economic-security nexus that urgently needs to be understood and managed during the ongoing transition.

The economic foundations of hegemony

There is a myth that we can have the United States as a security provider on the one hand and China as an economic powerhouse on the other, in a cosy binary arrangement that will continue to fuel the Asia Pacific's security and prosperity. Unfortunately, the post-war US-led international order was built on the *nexus* between economics and security. The United States sustained the following bargain with its allies and supporter states. The US provided access to its market and security guarantees, in exchange for supporter states' political, security, and economic cooperation, including under-valuing their currencies and buying US debt. The latter facilitated massive US spending, including state spending on US military projection in East Asia. In economic terms, the United States could sustain massive deficits because its supporter states around the world accumulated surpluses. When China joined the capitalist world economy, it quickly became the most conspicuous US supporter country, overtaking Germany and Japan to hold the largest foreign government share of US debt by 2016. This is what we mean when we say that China's contemporary resurgence occurred within the US hegemonic order and was aided by the United States.

However, China's rise also occurred just as the US hegemonic bargain was proving itself unsustainable, and significantly exacerbated the attendant systemic problems. The US-centric model of running the global economy had already been dealt a severe blow by the Asian Financial Crisis of 1997, and the 2009 Global Financial Crisis. The latter event vividly drove the point home to US markets and consumers, reinforcing the global redistribution of economic power away from North America and Western Europe.³⁶ After the 2009 crisis, the surplus-deficit bargain unravelled, as US leaders confronted the necessity of reducing domestic consumption and borrowing.³⁷ Since then, the previous Cold War-era belief that the United States should maintain an asymmetrically open economy because this would facilitate the strategic purpose of strengthening its allies and supporter states, has been increasingly questioned. Especially under the Trump administration, the mantra now is for "more equal" economic relations and mutual access to goods, investment and ownership, and "stricter reciprocity", such that the United States would "treat other countries in the same way that they treat us".³⁸ For its part, China – along with other surplus countries such as Japan – has grown increasingly concerned

³⁶ Kirshner, Jonathan. *American Power after the Global Financial Crisis*. Ithaca: Cornell University Press, 2014.

³⁷ Mastanduno, Michael. "Order and Change in World Politics: The Financial Crisis and the Breakdown of the US-China Grand Bargain." In *Power, Order and Change in World Politics*, edited by G. John Ikenberry, 162-91. Cambridge: Cambridge University Press, 2014.

³⁸ Harris, Jennifer M. "Writing New Rules for the U.S.-China Investment Relationship." *Council on Foreign Relations Discussion Paper* (December 2017). www.cfr.org/sites/default/files/report_pdf/Discussion_Paper_Harris_China_OR.pdf.

Diamond, Larry, and Orville Schell, eds. *China's Influence and American Interests: Promoting Constructive Vigilance*. Stanford, California: Hoover Institution Press, 2020.

about its own domestic monetary stability, and potential entrapment and losses in financing too much US debt.³⁹ Thus, even as Washington becomes less tolerant of China's export-led growth strategy, China has focused on developing its own domestic consumer market, diversifying its foreign reserves away from the US dollar, and internationalising its own currency.

The point here is that the US-China trade war is but one manifestation of a systemic crisis. The post-war US economic-security bargain is broken, and we are all in the midst of groping towards a new bargain. During this messy and uncertain transition, Asia Pacific states not only have to consider how to navigate the potential decoupling of the US and Chinese economies, they also have to exert all domestic political and economic levers and regional institutional avenues in the process of finding their place in this new global economic restructuring. It was against this backdrop that, at a critical juncture in the TPP negotiations in mid-2015, the Singapore Foreign Minister bluntly reminded a Washington DC audience that "trade is strategy" and "if you don't do this deal, what are your levers of power? ... your only lever to shape the architecture, to influence events, [will be] the Seventh Fleet and that's not the lever you want to use".⁴⁰ The Singapore government at the time evidently considered the TPP a crucial instrument in negotiating a new economic-security bargain that would keep the United States as a vital player in the region. In this ongoing struggle, we can expect most East Asian economies to pay serious attention to sharpening the tools of industrial policy – making more effective state intervention in economic and development policies⁴¹ – and to exploiting opportunities afforded by 4IR to mitigate economic vulnerabilities and to shape comparative advantages.⁴²

China's "connectivity power"

In the midst of the dissolving hegemonic bargain, China under President Xi Jinping has invested heavily in building "connectivity power", the influence a central government accrues through

³⁹ Goh, Evelyn. "Contesting Hegemonic Order: China in East Asia." *Security Studies* 28:3 (2019): 614-44. Doi: <https://doi.org/10.1080/09636412.2019.1604989>

⁴⁰ Au Yong, Jeremy. "Shanmugam: US risks losing credibility in Asia." *The Straits Times*, June 17, 2015. www.straitstimes.com/singapore/shanmugam-us-risks-losing-credibility-in-asia

⁴¹ Yeung, Henry Wai-chung. *Strategic Coupling: East Asian Industrial Transformation in the New Global Economy History*. Ithaca: Cornell University Press, 2016.

⁴² Key examples are found in Northeast Asia. For instance, in 2016 the Abe government launched the Japan Revitalization Strategy, stressing the need to harness 4IR technologies to create a "revolution in productivity" that would compensate for Japan's limited workforce, but also to develop new social and industrial structures in response to 4IR. See METI (Japan Ministry of Economy, Trade and Industry). *Vision of New Industrial Structure: Japan's strategies for taking the lead in the Fourth Industrial Revolution*. April 27, 2016. www.meti.go.jp/english/policy/economy/industrial_council/pdf/innovation160427a.pdf.

Similarly, South Korea, which has often led the pack in technological innovation, has a Presidential Committee on 4IR, which advocates the introduction of crypto-products into the financial system and recommends that Seoul should lead in developing international regulations for holding and exchanging crypto-assets. See Yoon, Young-sil. "Korea Needs to Allow Financial Companies to Release Cryptocurrency-related Products, a Presidential Commission Says." *Business Korea*, January 6, 2020. www.businesskorea.co.kr/news/articleView.html?idxno=39847.

Yet another example is Taiwan, where, since 2016, the government has introduced a raft of policies and incentives to stimulate the next generation of "intelligent manufacturing" to help maintain the competitive edge for the island's vital electronics manufacturing industry. See O'Meara, Sarah. "From plastic toys to Industry 4.0: How Taiwan is using science to upgrade its manufacturing." *Nature Briefing*, January 15, 2020. www.nature.com/articles/d41586-020-00060-1.

infrastructure projects that connect its domestic periphery and neighbouring states to the central core economy.⁴³ Together with the state-led push for Chinese enterprises and regions to increase their mutual investment with global capital, the numerous transregional projects gathered under the BRI umbrella highlight this. Since 2014, when the rest of the world began to take notice, China's growing connectivity power has had two major effects at the nexus of economics and security.

First, it is giving more flesh to the eastward shift in the centre of global economic activity. China's investments in both hard and soft infrastructure is capping the reorientation of its surrounding regions that had been underway as many of its neighbours took advantage of the past 30 years of China's rapid economic growth. But the BRI's main political effect is to elevate many regional peripheries, and to create alternative nodes and relationships within the system that were not there before. In Central, South, and Southeast Asia, BRI projects emphasise many developing countries and peripheral states that have been neglected, taken for granted, or treated as mere arenas by other major powers. Stressing the developmental imperative that is deeply shared among these post-colonial, developing countries, Beijing also emphasises how security is ultimately assured by economic growth and the mutual benefits of regional development. While they may be sceptical of the relative distribution of benefits, many of these elites welcome Beijing's emphasis on political non-interference, bilateralism, and statist forms of economic regulation, which help in safeguarding their regime security.⁴⁴ Critics of BRI highlight valid sustainability concerns surrounding many projects, but they tend to miss the normative convergence between economic deals and regime security. There is also often the flawed assumption that these peripheries previously enjoyed an ideal, sustainable model of development that China's practices derailed.

Second, China's connectivity power vividly reminds us of some modes of international power that the Asia Pacific may have forgotten during the interregnum of an offshore hegemon. Networks are, of course, channels of influence. As the stock of physical infrastructure – roads, railways, pipelines, and electricity grids – come into use, these networks will create flows of goods, currency, investment, labour, energy resources, technology, and intellectual property. These are concrete means of intensifying interdependence with China, which as a primary consumer market wields enormous nodal structural power. Connectivity facilitates power projection for the entity that becomes the main hub at the centre of the networks thus created – reinforcing the trend of “all roads leading to China”. Existing economic ties with China have already caused many Asian states to pre-empt Chinese preferences when they make certain political choices, such as voting in the United Nations.⁴⁵ The growing global shifts in trade, investment, and energy patterns across the BRI regional imaginary will oblige more countries and corporations to take China's interests into account systematically in their policies, activities, and

⁴³ Goh, Evelyn, and James Reilly. “The Power of Connectivity: China's Belt & Road Initiative.” *East Asia Forum Quarterly* (October–December 2017): 33-4.

⁴⁴ Goh, Evelyn. “Contesting Hegemonic Order: China in East Asia.” *Security Studies* 28:3 (2019): 614-44. Doi: <https://doi.org/10.1080/09636412.2019.1604989>

⁴⁵ Foot, Rosemary, and Rana Siu Inboden. “China's Influence on Asian States During the Creation of the UN Human Rights Council: 2005–2007.” In *Rising China's Influence in Developing Asia*, edited by Evelyn Goh, 237-58. Oxford: Oxford University Press, 2016.

planning. This is not new; Albert Hirschman's⁴⁶ classic study of German trade strategy in the interwar period alluded to how business interests profiting from relations with a foreign power would – in domestic politics – “exert a powerful influence in favour of a “friendly” attitude towards the state to the imports of which they owe their interests”. The point is, these modes of influence do not require coercion; they operate through the reshaping of national interests as economic and thus political interdependence grows with China.

Moreover, China's growing role as a global node of production, investment, and consumption brings with it governance requirements. Whether we like it or not, Beijing is regulating the connectivity it is building, making rules, and setting standards across the many domains implicated in the BRI, and it is also globalising its capital markets. These regulatory arenas include the terms of trade, legal frameworks, transport and communication, as well as new areas such as AI and other elements of 4IR development and usage. These areas of governance are not just regional; many have implications for evolving global practices and agreements. By growing its governance footprint, China is also developing its international role as a public goods provider. While this process will be difficult and controversial, it may prove vital to China becoming an indispensable global power at a time when the US-led international order is challenged externally and undermined internally.

Globalisation's discontents

The major factor undermining the post-war US-led international order also resides at the nexus of security and economics. This is the threat posed from within, by those who feel alienated, dispossessed, or marginalised by globalisation, and also live in political systems that afford them opportunities to express their discontents and to generate resistance. There is significant literature on a series of “development traps” that poor countries are prone to, whether as a result of endemic conflict, natural resource endowments, or weak governance.⁴⁷ All these pitfalls remain. However, equally concerning is the “left-behind” trap in developed and emerging economies. In his 2001 book, *Globalization and Its Discontents*, Joseph Stiglitz highlighted how globalisation created gross inequalities of income and production between the richest and poorest countries. By 2018, Stiglitz had updated his work to include an analysis of how the systemic unfairness of globalisation had also “doubled back to savage the middle classes in the very countries (the United States and western European states) who wrote the system's rules in the first place”.⁴⁸ The downside of the shift and diffusion of global economic power over the past 30 years of globalisation is that the western and developed world lost some of their economic share. As Stiglitz points out, significant proportions of middle- and lower-income wage earners in the most advanced industrial countries are now also losers

⁴⁶ Hirschman, Albert O. *National Power and the Structure of Foreign Trade*. University of California Press, 1945.

⁴⁷ Collier, Paul. *The Bottom Billion: Why the Poorest Countries are Failing and What Can Be Done About It*. Oxford: Oxford University Press, 2007.

Easterly, William. *The White Man's Burden: Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good*. London: Penguin, 2006.

⁴⁸ Hockenos, Paul. “Globalization and its Discontents Revisited.” *International Politics and Society*, May 2, 2018. www.ips-journal.eu/book-reviews/article/show/globalization-and-its-discontents-revisited-2708/

of globalisation, especially since the Global Financial Crisis. Depressed wages, low employment and skills training opportunities, and regressive prospects for social mobility within developed economies have, in turn, fuelled the insurgencies of our time.

Trump's election, Brexit, and the rise of the European far right reflect what Mishra⁴⁹ calls an "age of anger" on the part of those left behind – mainly disenchanted young men who fail to grasp the promised fruits of modernity – and seething with existential resentment. Looking back, the 11 September 2001 terrorist attacks in the United States and subsequent counter-terrorism campaigns in Asia, the Middle East, and Africa alerted many about the potential dire consequences of such existential resentment. Transnational terrorism is a prominent consequence of uneven globalisation and those both alienated by its liberal character and empowered by its instruments. In response, we witnessed the rise of the national security state and securitisation of multiple aspects of surveillance and policing in national and foreign policy, creating a highly securitised "ambient" atmosphere. In hindsight, the fundamental attributes of extreme globalisation were already evident in the early 2000s, with extreme inter-dependence and sensitivity, and enhanced polarisation. But now that we are also grappling with the uncertainties of a power transition, we may expect that the interaction between old geopolitical problems and new globalisation will generate complex outcomes that often include unintended consequences.

Looking across the Asia Pacific, we may face a confluence of development traps. In some of the currently fastest growing economies in the region, the left-behind trap may eventuate sooner than we expect, exacerbated by the much-discussed "middle income trap" – industrialising countries that are unable to retain competitiveness because they cannot transition from resource-based growth to productivity-driven growth. While there is no easy solution, it is clear that the intertwining of economic and security concerns means that the relatively weak and marginal are nevertheless important. There is a Neapolitan saying to the effect that these three are powerful: the Pope, the King, and the one who has nothing (in colloquial Italian: *tre sono i potenti: il Papa, il Re, e chi non ha niente*). Whether it is slum dwellers during a pandemic, or potential extremists among those left behind by globalisation, those who have nothing can still create disproportionate system effects. Development thus becomes about distributing globalisation's benefits and managing its discontents, for which a holistic notion of security is essential.

⁴⁹ Mishra, Pankraj. *Age of Anger: A History of the Present*. New York: Macmillan, 2017.

Conclusion

In mid-2017, when I gave the first version of a lecture on this topic, I assured an audience of defence policymakers that, “for now, it is not yet a brave, or scary, or completely new world: we are facing mainly an intensification of key existing tensions that generate new and often unexpected challenges. But we should expect accelerated innovation and exaggerated impacts not too far down the line.” In mid-2020, I feel we are now some way down that line.

I am sure the surface of the debate will continue to focus for a while on questions of whether we are in a new US-China Cold War, or whether and how to contain or “stand up to” China. On this issue, I concur with Joseph Nye’s (2019) observation that “with less preponderance and a more complex world, American exceptionalism in terms of its economic and military power should focus on sharing the provision of global public goods, particularly those that require “power with” others... but America’s place in that world may be threatened more by the rise of populist politics at home than the rise of other powers abroad.” At the same time, I am even more convinced that today, a wider range of states and actors than before can exercise real agency in making choices that can shape our region. I hope that the big picture survey I have provided here helps convey a wider sense of possibilities to our present and future strategic leaders.

Returning to where we began, Hobsbawm’s thesis that the long 19th century was shaped by twin political and economic revolutions seems remarkably relevant as we hang off the precipice of a system change in the Asia Pacific. I wonder about the emergent effects of the multiple revolutions that will determine the outcome of our age of uncertainty.

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Evelyn moved to Australia and the ANU in August 2013, and has held previous faculty positions at Royal Holloway University of London (2008-13); the University of Oxford (2006-8); and the Rajaratnam School of International Studies in Singapore (2002-5). She has held various visiting positions, including Public Policy Scholar at the Woodrow Wilson Center, and Southeast Asian Fellow at the East-West Center, both in Washington DC. Major project grants include a UK Economic & Social Research Council Mid-Career Fellowship (2011-12); an Australian Research Council Discovery Grant (2019-2022); an East Asia Institute Fellowship (2011); and research grants from the British Academy, MacArthur Foundation, Sasakawa Peace Foundation, and Chiang Ching-kuo Foundation.

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