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Economics and security

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What is the relationship between economics and security, and how should strategists think about these two seemingly disparate areas of policy? Since the 1930s and 1940s, scholars such as Jacob Viner and E.H. Carr have recognised that economic and security aspects of policy-making ought to be studied in an integrated way. However, the economics–security nexus was traditionally neglected in Western International Relations and strategic studies scholarship. Michael Mastanduno suggests that in the early years of the Cold War, these fields became narrowly focused on military instruments of security at the expense of economic and other instruments of policy. This was partly due to the absence of direct economic contact between the United States and the Soviet Union and partly because the most important aspect of this bipolar system was nuclear deterrence and the potential for nuclear war. Whereas nuclear deterrence and other areas of military security and foreign policy were considered ‘high’ politics, economic matters were firmly relegated to the area of ‘low’ politics.² By the 1970s, US international relations scholarship was characterised by the development of two prominent subfields—international political economy and security studies—and scholars working in these subfields

1 I am grateful to Andrew Kennedy and Satish Chand for helpful comments on an earlier draft of this chapter, and to the organisers of the conference ‘SDSC at 50: New Directions in Strategic Thinking 2.0’, where this chapter was first presented.

2 Michael Mastanduno, ‘Economics and security in statecraft and scholarship’, *International Organization* 52, no. 4, 1998, p. 836.

asked different questions, used different methodological tools and typically published in different journals. As a result, the relationship between economics and security was systematically understudied within international relations.³ Outside the discipline of international relations, international economists were naturally focused on questions relating to the global economy but tended to be less interested in the 'political and strategic dimensions of international economic relations'.⁴

Despite this neglect, there are of course several possible conceptual linkages that may be drawn between economics and security. At its most basic, economic growth allows government to devote greater resources to national defence expenditure and therefore economic wealth is the foundation of national military power. Traditionally, economic factors such as access to raw materials and technology, production of goods such as steel and iron, and a state's manufacturing capacity have all been considered important indices of national power. Economic growth also leads to growing demand for energy resources among states and therefore can become a source of international conflict between states as they compete for scarce resources. Conversely, economic decline can be a source of insecurity. States that are perceived to be in a position of decline may be more likely to take preventive military action in order to bolster their power position. Economics and security are also directly related because states may use economic sanctions and other economic instruments in their pursuit of wider strategic goals. Alternatively, states may use security policies to promote economic goals, such as by engaging in expansionist military behaviour to obtain access to territory or raw materials.⁵ Or, as work by Thomas Christensen on Maoist China has shown, states may use limited forms of military conflict to mobilise a domestic population towards the pursuit of major economic campaigns.⁶

Moreover, there is an increasingly extensive research agenda in international relations on the linkage between economic interdependence and security. Liberal internationalists, and the strand of commercial liberalism in particular, view trade, investment and other economic ties as a force for

3 Ibid., pp. 837–41.

4 Ibid., p. 836.

5 Brendan Taylor and Bruce Luckham, 'Economics and security', in *Strategy and Security in the Asia Pacific*, ed. Robert Ayson and Desmond Ball, Allen & Unwin, Sydney, 2006, pp. 138–51.

6 Thomas J. Christensen, *Useful Adversaries: Grand Strategy, Domestic Mobilization, and Sino-American Conflict, 1947–1958*, Princeton University Press, Princeton, 1996, Chapter 6.

peace between states.⁷ The self-interested pursuit of power by states can be mediated by economic interdependence, thereby offering 'the possibility of escaping ... a vicious cycle and finding new patterns of cooperation among states'.⁸ At the most basic level is the view that, in an interdependent relationship, the potential loss of economic ties makes the cost of conflict between states so high as to act as a deterring factor.⁹ Polachek demonstrates that countries with significant trade relations are less likely to engage in conflict with one another owing to fear of the welfare losses that would arise from the breaking of trade relations.¹⁰ Not surprisingly, states that engage in the trade of strategic goods are thought to be especially deterred from conflict because of the higher welfare losses that arise from potential disruption to the supply of goods such as oil and other raw materials.¹¹ Yet the connection between interdependence and cooperation does not only derive from states' concern for the welfare losses associated with conflict. Keohane views economic interdependence as a basis for institution-building between states, which can foster mechanisms for information sharing, trust-building and conflict resolution.¹² In a parallel argument, Rosecrance suggests that trade is a superior method of the traditional military or imperialist means of acquiring products and markets in the international system.¹³ Furthermore, Gartzke, Li and Boehmer find that economic interdependence provides states with non-violent methods of signalling their intentions, thereby allowing states to display their resolve without the need for costly military conflicts.¹⁴ Finally, at the extreme end of the liberal view is the hypothesis that economic interdependence has led to the melting away of nation-state borders, thus reducing the relevance of state-based issues in a globalised or regionalised world.¹⁵

7 John R. Oneal, Frances Oneal, Zeev Maoz and Bruce Russett, 'The liberal peace: Interdependence, democracy, and international conflict, 1950–85', *Journal of Peace Research* 33, no. 1, 1996, p. 23; R. Rosecrance, *The Rise of the Trading State: Commerce and Conquest in the Modern World*, Basic Books, New York, 1986, pp. 24–5.

8 Rosecrance, *The Rise of the Trading State*, p. ix.

9 John R. Oneal and Bruce Russett, 'The Kantian peace: The Pacific benefits of democracy, interdependence, and international organizations, 1885–1992', *World Politics* 52, no. 1, 1999, p. 3.

10 Solomon William Polachek, 'Conflict and trade', *Journal of Conflict Resolution* 24, no. 1, 1980, p. 57.

11 Ibid., pp. 67–71.

12 Robert O. Keohane, 'International liberalism reconsidered', in *The Economic Limits to Modern Politics*, ed. John Dunn, Cambridge University Press, Cambridge, 1990.

13 Rosecrance, *The Rise of the Trading State*, pp. 30–9.

14 Erik Gartzke, Quan Li and Charles Boehmer, 'Investing in the peace: Economic interdependence and international conflict', *International Organization* 55, no. 2, 2001, pp. 418–19.

15 Kenichi Ohmae, *The End of the Nation State: The Rise of Regional Economies*, Free Press Paperbacks, New York, 1995.

To realists, this liberal view of the world is misguided. Buzan challenges the relationship between economic interdependence and peace by arguing that the 'long peace' that has existed since 1945 is due to the presence of nuclear deterrence and the structural stability associated with an international system of bipolarity, rather than economic interdependence.¹⁶ Furthermore, although observers have been forced to accept the presence of high economic interdependence in the Asia Pacific in particular, Morrison questions whether this interdependence has been sufficient to alter states' competitive behaviour.¹⁷ To realists, economic interests will always remain subordinate to military ones for:

so long as countries have reason to fear the recurrence of war, no emphasis on the economic benefits of international trade will induce them to forego such a measure of economic self-sufficiency as their Governments consider feasible and desirable for their military security.¹⁸

In fact, realists further extend these concerns and argue that economic interdependence may even become a source of conflict between states. In contrast to the liberal view that interdependence promotes information-sharing and mutual respect between states, Kenneth Waltz argued that the closer contact and greater range of potentially competitive issues brought about by interdependence raises the likelihood of conflict.¹⁹ Economic interdependence may also be a source of conflict if the costs and benefits of the interdependent relationship are not symmetrically distributed. If states' dependence on one another is not evenly balanced, asymmetric interdependence can be exploited as a source of power, thereby eroding the peaceful outcomes of interdependence.²⁰ Doran speaks of the 'gloved hand' of power concealed by an asymmetric relationship in which smaller states are subject to the paternalism of those more dominant.²¹

16 Barry Buzan, 'Economic structure and international security: The limits of the liberal case', *International Organization* 38, no. 4, 1984, pp. 605–7.

17 Charles E. Morrison, 'Interdependence, policy networks, and security in Asia Pacific', in *Asia-Pacific Security: The Economics–Politics Nexus*, ed. Stuart Harris and Andrew Mack, Allen & Unwin, Sydney, 1997, p. 123.

18 Heinz Arndt, 1944, quoted in Robert Gilpin, 'Economic interdependence and national security in historical perspective', in *Economic Issues and National Security*, ed. Klaus Knorr and Frank N. Trager, Regents Press of Kansas for the National Security Education Program, Lawrence, 1977, p. 52.

19 Kenneth N. Waltz, 'The myth of national interdependence', in *The International Corporation*, ed. Charles E. Kindleberger, MIT Press, Cambridge, MA, 1970, p. 205.

20 Robert O. Keohane and Joseph S. Nye, *Power and Interdependence*, Little, Brown & Company, Boston and Toronto, 1977, p. 11; Albert O. Hirschman, *National Power and the Structure of Foreign Trade*, University of California Press, Berkeley and Los Angeles, 1945, p. 15.

21 Charles F. Doran, 'Living with asymmetry', *Mershon International Studies Review* 38, no. 2, 1994, p. 260.

Essentially, while an asymmetric relationship might not necessarily lead to conflict between states, 'the existence and abuse of unequal power within asymmetrical relations creates a predisposition for conflict that is greater than that found in symmetrical trade relations'.²²

The view that asymmetry could become a source of conflict stems from the neorealist concern for relative gains or losses in power between states, rather than absolute gains or losses. States' concern for this relative distribution of power—who will gain more?—is the result of existing in an anarchical international system.²³ As Mastanduno explains, 'Anarchy breeds fear and distrust, leading nation-states to worry, at the extreme, that they will be conquered or destroyed by their more powerful counterparts'.²⁴ Because economic power is a particularly fungible form of power, economic gains could be easily transferred into military ones. Indeed, gains from trade create economic efficiencies, potentially freeing resources for increased military spending. In economic terms, this is referred to as a security externality. While trade between allied states can create a positive externality in the form of greater military spending and shared security for both, trade with an adversary also leads to greater military spending and therefore a decline in the security position of one state relative to another.²⁵

Since the end of the Cold War, considerable intellectual effort has been expended in wading through these competing claims to determine whether economic interdependence is a force for peace or a source of conflict between states.²⁶ Yet, in many cases, the underlying debate between realists and liberals

22 Katherine Barbieri, 'Economic interdependence: A path to peace or a source of interstate conflict?', *Journal of Peace Research* 33, no. 1, 1996, p. 32.

23 Joseph M. Grieco, 'Anarchy and the limits of cooperation: A realist critique of the newest liberal institutionalism', *International Organization* 42, no. 3, 1988, p. 500.

24 Michael Mastanduno, 'Do relative gains matter? America's response to Japanese industrial policy', *International Security* 16, no. 1, 1991, p. 78.

25 Joanne Gowa and Edward D. Mansfield, 'Power politics and international trade', *American Political Science Review* 87, no. 2, 1993, pp. 408–10.

26 See Barbieri, 'Economic interdependence'; Gowa and Mansfield, 'Power politics and international trade'; Jean-Marc F. Blanchard, Edward D. Mansfield and Norrin M. Ripsman, *Power and the Purse: Economic Statecraft, Interdependence, and National Security*, Frank Cass, London, 2000; Gartzke, Li and Boehmer, 'Investing in the peace'; Scott L. Kastner, 'Does economic integration across the Taiwan Strait make military conflict less likely?', *Journal of East Asian Studies* 6, 2006; Edward D. Mansfield and Jon C. Pevehouse, 'Trade blocs, trade flows, and international conflict', *International Organization* 54, no. 4, 2000; Brian M. Pollins, 'Does trade still follow the flag?', *American Political Science Review* 83, no. 2, 1989; Richard Rosecrance, 'Economics and national security: The evolutionary process', in *Asia-Pacific Security: The Economics–Politics Nexus*, ed. Stuart Harris and Andrew Mack, Allen & Unwin, Sydney, 1997.

remains unresolved.²⁷ Two recent edited volumes by T.J. Pempel and Avery Goldstein and Edward Mansfield have further contributed to these debates by examining the economics–security nexus within the context of East and North-East Asia in particular.²⁸ These volumes contain new empirical evidence about the economic implications of maritime disputes, the role of energy insecurity and the relationship between economics, security and technology in East Asia. But, as Evelyn Goh’s recent review of these works points out, these two volumes are emblematic of an ongoing shortcoming in much of the existing literature on economics and security—that is, these works ‘treat the liberal assumption that economic interdependence leads to security, implicitly or explicitly, as the leading theory to prove or disprove’.²⁹ They therefore expend most of their intellectual energy trying to determine whether economic or security factors are the key independent variable explaining the outcome of peace or conflict. As Goh and the editors of these volumes themselves note, there is still no consensus on the answer to this question; it is possible to find evidence that supports either explanation. It is precisely for this reason that the debate continues to rage between realists and liberals, between pessimists and optimists, and between those who focus on security-driven explanations and those who focus on economics-driven explanations.

More importantly, though, many of these traditional approaches to studying the relationship between economics and security do not capture empirical reality, particularly in Asia where the nexus between economic and security factors is related in much more interesting and diverse ways. The China–Japan relationship, for instance, is emblematic of a relationship that has been shaped consistently by both extensive economic ties and considerable political and security tensions. Indeed, tense political–security relations and thriving economic relations between China and Japan are not a contradiction but rather two sides of the same coin. After World War II, Japan’s industrial capabilities made Japan not only a model of a modern and powerful nation and an important source of industrial goods and expertise for Communist China, but also a latent

27 For an excellent overview of this literature, see Christina Davis, ‘Linkage diplomacy: Economic and security bargaining in the Anglo-Japanese alliance, 1902–23’, *International Security* 33, no. 3, 2008–09, pp. 147–9.

28 Avery Goldstein and Edward D. Mansfield (eds), *The Nexus of Economics, Security, and International Relations in East Asia*, Stanford University Press, Stanford, 2012; T.J. Pempel (ed.), *The Economic–Security Nexus in Northeast Asia*, Routledge, New York, 2013.

29 Evelyn Goh, ‘Making headway on the ‘economic–security nexus’: Contributions from South-East Asia’, *Asian Forum* 1, no. 3, 2013.

military threat to China. These dual conceptions of Japan have shaped Chinese thinking since the late 19th century and continued to pervade the thinking of the Chinese Communist Party after 1949. Crucially, the existence of these dual conceptions poses a challenge to both the liberal thesis that economic ties must necessarily breed closer political and security relations and the realist contention that close political and security ties are a prerequisite for economic interdependence. Instead, the China–Japan relationship demonstrates that insecurity can motivate economic engagement. Between 1949 and 1971, Chinese officials sought economic engagement with Japan because of a profound sense of insecurity about China’s low levels of industrial development and limited ability to win modern, industrialised wars. It was precisely because Japan served as a latent threat to China that Chinese officials looked to Japan for advice, goods and technology about how to ‘catch up’ and become a modern, industrialised and powerful state.³⁰

In addition, these existing approaches often fail to capture the importance of domestic factors in understanding the nexus between economics and security. For example, in his new book on Asian security, Robert Ayson writes about the uneven effects of economic transformation occurring within China, where coastal fringes are developing much faster than inner provinces. This has a major impact on domestic security (often resulting in protests by state-owned company employees) and has undermined the legitimacy of Communist Party rule and a strengthening of the state’s internal security apparatus. Equally, in India, uneven economic development is an important driver of internal violence.³¹ Christina Davis’s work on the relationship between alliances and economics also highlights the need to better understand domestic drivers of economic and security policy-making. Much of the early literature on alliances and economics argued definitively that countries with military alliances were much more likely to enjoy strong trade and investment ties. Yet Davis’s research on the Anglo–Japanese alliance of the early 1900s demonstrates that alliances might not necessarily lead to larger or more favourable economic relations between two states. This is because when a state offers special investment rights, unilateral

30 Amy King, *China–Japan Relations after World War Two: Empire, Industry and War, 1949–1971*, Cambridge University Press, Cambridge, 2016. In fact, the ongoing combination of political–security tensions and close trade and investment ties in the China–Japan relationship continues to motivate new findings on the economics–security nexus, as an important recent study demonstrates: Christina L. Davis and Sophie Meunier, ‘Business as usual? Economic responses to political tensions’, *American Journal of Political Science*, 55, no. 3, 2011, pp. 628–46.

31 Robert Ayson, *Asia’s Security*, Palgrave, London, 2015, pp. 98–9.

trade liberalisation or other preferential economic treatment to an ally, it faces domestic opposition from business groups whose interests might be harmed by the proposed economic deal.³² In these cases, domestic business groups will place political pressure on their government to impose higher tariffs and export quotas to protect their market share. Consequently, a state might pursue economic policies that actually harm the economic interests of its ally in order to meet the demands of domestic business interests.

The role of domestic factors continues to be vitally important in understanding the economic–security nexus in the contemporary Asia-Pacific region. For example, the Australia, New Zealand, United States (ANZUS) alliance demonstrates how domestic interest groups in both countries have successfully lobbied for economic policies that have harmed the economic interests of the allied partner state. In the 1960s and 1970s, the staunch protectionism of Australia’s agricultural, textiles and manufacturing sectors led to significant Australian discrimination against US exports and frequent trade disputes between the two countries. In the 1980s, the United States retreated from the liberalisation agenda being pursued by Australia and instead erected trade barriers and signed preferential trade agreements that were fundamentally harmful to Australia’s economic interests in Asia. In the 2000s, the two countries were motivated by foreign policy and security objectives to develop a bilateral preferential trade agreement: the Australia–United States Free Trade Agreement. Yet the agreement that was ultimately signed was detrimental to the Australian agricultural sector and consumers of intellectual property.³³ Working in the opposite direction, Miles Kahler and Scott Kastner’s work on the China–Taiwan relationship has shown that cross-Strait economic ties have had a transformative effect on domestic politics in Taiwan. In particular, the growing cross-Strait economic relationship in the 1990s and early 2000s led to the emergence of strong political constituencies in Taiwan that opposed Taiwanese independence or other foreign and security policy moves that could endanger Taiwan’s economic

32 Davis, ‘Linkage diplomacy’.

33 Amy King, ‘Economic links between Australia and the United States’, in *Australia’s American Alliance: Towards a New Era?*, ed. Peter Dean, Stephan Fruehling and Brendan Taylor, Melbourne University Press, Melbourne, 2016, pp. 98–118.

relationship with mainland China.³⁴ How these economic factors affect Taiwanese domestic politics and the cross-Straits relationship under the administration of President Tsai Ing-wen, who came to power in 2016, will be a rich area for future research.

These and other examples serve to highlight the need to find new ways to understand the nexus between economics and security. Moreover, the examples suggest that there is nothing innate or predetermined about the relationship between economics and security; an important first step for researchers is to better understand how states actually conceptualise this relationship. One way to achieve this is to explore critical junctures: key historical moments when countries' thinking about the relationship between economics and security has evolved in important directions. In the United States, the experience of World Wars I and II was powerful in shaping government officials' understanding of the economics–security nexus. Robert Pollard argues that US officials became 'preoccupied' with the security implications of foreign economic policy in the 1940s because they had seen how economic nationalism, closed economic blocs and national depressions had led to major conflict in Europe and Asia; and how states had used economic sanctions, currency manipulation and blockades as weapons of war.³⁵ Subsequently, in the wake of World War II, the Truman Administration pursued the goal of 'economic security', a concept that, in their eyes, meant to 'create an open world economic order that would serve US strategic purposes' by preventing the recurrence of dangerous economic nationalism, depression and war.³⁶ The US goal was to create an open economic order that would ensure freedom of the seas, free trade, equal access to raw materials and international collaboration in the economic realm.

In Japan, the concept of 'economic security' also evolved in a similar era, as Japanese military officers and political officials observed the defeat of Germany—the superior military power—in World War I. As Michael Barnhart has shown, Japan's search for economic security in the wake of World War I stemmed from the belief that:

34 M. Kahler and Scott L. Kastner, 'Strategic uses of economic interdependence: Engagement policies on the Korean Peninsula and across the Taiwan Strait', *Journal of Peace Research* 43, no. 5, 2006, pp. 523–41.

35 Robert A. Pollard, *Economic Security and the Origins of the Cold War, 1945–1950*, Columbia University Press, New York, 1985, pp. 4–5.

36 *Ibid.*, p. 2.

Future wars would be fought not only with guns but with the entire resources of nations, from engineers to doctors, from cotton to iron ore. Without these requisites of *economic* security, the mightiest army would be paralyzed. And without a modern industrial base that could be mobilized in time of need, even these requisites would prove useless. A nation that could not supply all of its own needs in wartime, a nation that was vulnerable to economic pressure from other nations, would be neither truly secure nor truly sovereign.³⁷

These views about the importance of self-sufficiency, particularly in relation to strategic goods, prompted Japan's imperial reach into North and South-East Asia during the 1920s and 1930s. For Japan, a resource-poor nation, the goal of economic self-reliance could only be achieved through imperialism. Thus, building on its existing colonies in Formosa (Taiwan) and Korea, Japan colonised the major new territory of Manchuria (North-East China). These colonies provided access to raw materials such as coal, iron ore and soy bean; opened up new export markets for Japanese products; and allowed Japan to build major light and heavy industrial sectors that could fuel Japan's war machine.³⁸ Japan's imperial expansion and pursuit of economic autarky would ultimately draw it into outright war with China and later with the United States. The disastrous consequences of Japan's search for 'economic security' meant that, after their country's defeat in World War II, Japan's leaders were required to come up with a new approach to securing Japan and gaining access to badly needed raw materials and export markets. One outcome of this was the development in the 1970s and 1980s of a new concept of 'comprehensive security' (*sōgō anzen hoshō*), which acknowledged Japan's dependence on the external world for access to resources, markets and security.³⁹ Japan's post-war concept of comprehensive security rested on the premise that Japanese security could not be grasped in terms of isolated notions of military, economic and political security; rather, these separate factors were 'interactive indexes of Japan's national power'.⁴⁰ Because of these experiences of war and defeat, the Japanese understanding of the

37 Michael A. Barnhart, *Japan Prepares for Total War: The Search for Economic Security, 1919–1941*, Cornell University Press, Ithaca and London, 1987, p. 18 (emphasis in original).

38 Ibid., Chapter 1.

39 J.W.M. Chapman, Reinhard Drifte and I.T.M. Gow, *Japan's Quest for Comprehensive Security: Defence, Diplomacy, Dependence*, Frances Pinter Publishers, London, 1983, p. xvii; Y. Soeya, 'Japan: Normative constraints versus structural imperatives', in *Asian Security Practice: Material and Ideational Influences*, ed. M. Alagappa, Stanford University Press, Stanford, 1998, pp. 216–17.

40 M.G. L'Estrange, *The Internationalization of Japan's Security Policy: Challenges and Dilemmas for a Reluctant Power*, Policy Papers in International Affairs 36, Institute of International Studies, University of California, Berkeley, 1990, p. 16.

relationship between economics and security is centred around the notion that economic strength cannot be separated from national or military strength; the two are directly correlated.⁴¹

Beyond critical junctures, researchers at the Strategic & Defence Studies Centre (SDSC) continue to explore the intersection between economics and security in Asia, a research program that builds upon a distinguished history of scholarship by academics including Stuart Harris, Desmond Ball and Brendan Taylor. In October 2015, the Centre hosted a major workshop entitled ‘Unpacking the economics–security nexus in Asia: New concepts, questions and research approaches’. The workshop brought together scholars from around Australia who are engaged in innovative research and using new concepts, methods and case studies to interrogate the relationship between economics and security. Participants in the workshop drew on a wide range of concepts and methodological approaches, including geo-economics and geopolitics, economic nationalism, economic sanctions, strategic geography and foreign policy analysis and case studies ranging from Indonesian resource nationalism, Chinese economic statecraft, oil and economic coercion and the securitisation of finance.

Not surprisingly, a number of workshop papers focused on China and interrogated Chinese economic statecraft, its connectivity projects and technological innovation and the strategic implications of its economic rise. For example, Darren Lim at The Australian National University (ANU) is investigating the conditions under which China might use economic interdependence as an instrument to coerce other states, noting that there is strong variation in the occasions on which China has been able to exert pressure on trading partners. Lim’s research importantly recognises the need to develop new measures of dependence and coercion because existing measures of dependence assume 20th-century conditions and therefore fail to view trade as part of a complex production network. In addition, Evelyn Goh is examining China’s infrastructure-building drive across mainland South-East Asia, South Asia and Central Asia since the late 1990s. While this aspect of China’s periphery strategy has garnered increasing attention because of the highly publicised ‘Belt and Road Initiative’⁴² (BRI) under President Xi Jinping, Goh argues that

41 Reinhard Drifte, *Japan’s Security Relations with China since 1989: From Balancing to Bandwagoning?*, Routledge Curzon, London, 2003, p. 2.

42 ‘Belt and Road’ is also known as ‘One Belt, One Road’.

BRI is but one element of a wider strategy designed to deal with China's periphery and the outside world, which contains renewed geographical and geopolitical elements. Drawing on her background as a geographer, Goh is exploring how 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.⁴³

Another major focus of the workshop was how to analyse the complex linkages between the domestic and the international levels while simultaneously unpacking the economics–security nexus. One scholar doing just this is Andrew Kennedy, based at ANU, whose research examines the role of technology and innovation in shaping the relationship between the United States and rising powers such as India and China. Kennedy notes that the world's most powerful state, the United States, is locked in a technological embrace with two rising competitors—China and India—despite theoretical predictions that the United States should distrust and shun collaboration with these rival powers. Yet the pattern of US technological collaboration with China and India is inconsistent. The United States remains a highly welcoming destination for foreign graduate students but has also placed limits on the migration of skilled labour and has not increased the number of skilled workers coming into the country since 2004. To explain this variation, Kennedy argues, we need to understand the role of subnational actors, such as research and development (R&D)–intensive firms and research universities and the lobbying role they play in US domestic politics. These actors have a natural openness to skilled labour and, to the extent that they can ward off political opposition, play a powerful role in lobbying the federal government on migration policies.⁴⁴

So what does all this mean for the field of strategic studies? First, it is vital that we do not return to the drift of the 1970s, when economics and security occupied increasingly separate realms. Strategists must pay closer attention to the myriad ways in which economic factors affect security outcomes, and the economic drivers underpinning some of the

43 For more on these projects, see Amy King and Evelyn Goh, 'Unpacking the economic–security nexus in Asia: New Concepts, Questions and Research Approaches', Workshop Report, ANU Research School of Asia and the Pacific, 1 October 2015; sdsc.bellschool.anu.edu.au/sites/default/files/uploads/2016-07/2015_12_15_economic-security_nexus_asia_web.pdf (retrieved 20 January 2018).

44 Ibid. See also Andrew Kennedy, 'Unequal partners: US collaboration with China and India in research and development', *Political Science Quarterly* 132, no. 1, 2017, pp. 63–86.

key strategic challenges of our age: resource insecurity, trade ‘wars’ and economic influence and coercion. Second, we must be clear that we cannot take an either/or approach to studying economics and security. Both sets of factors will shape Asia’s future and the relationships between states in this region. It is therefore imperative that scholars find new and better ways of unpacking the connections between economics and security rather than assuming that one or the other will predominate. Third, as we deepen our research into the economics–security nexus, it is imperative that strategists consider the changes that have occurred in the global economy over the past half-century. Today, foreign direct investment, skilled migration and global value chains comprise increasingly important dimensions of the ways in which states interact in the world economy, yet the literature has failed to keep pace and tends to remain narrowly focused on trade.⁴⁵ Research that focuses on the security implications of these newer forms of economic interdependence is badly needed. Finally, recent trends in research in this field have demonstrated the vital importance of opening up the ‘black box’ of the state to understand how domestic factors affect the relationship between economics and security. And here, a field such as strategic studies is particularly well placed to consider the domestic level given its long-standing focus on how domestic factors shape decision-making during moments of crisis.⁴⁶ Economics and security factors are intimately connected in state policy-making. It is time for strategic studies to incorporate economics once more.

45 Some recent exceptions include Darren J. Lim and Rohan Mukherjee, ‘What money can’t buy: The security externalities of Chinese economic statecraft in post-war Sri Lanka’, *Asian Security*, 28 December 2017; Andrew Kennedy, *The Conflicted Superpower: America’s Collaboration with China and India in Global Innovation*, Columbia University Press, New York, 2018; John Ravenhill, ‘Production networks and Asia’s international relations’, in *Oxford Handbook of the International Relations of Asia*, ed. Saadia Pekkanen, John Ravenhill and Rosemary Foot, Oxford University Press, Oxford, 2014, pp. 348–68.

46 Graham Allison and Philip Zelikow, *Essence of Decision*, 2nd edn, Addison-Wesley, New York, 1999; Stephen D. Krasner, ‘Are bureaucracies important? Or Allison Wonderland’, *Foreign Policy*, no. 7, 1972, pp. 159–79; Jutta Weldes, ‘Constructing national interests’, *European Journal of International Relations* 2, no. 3, 1996, pp. 275–318.

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