no. 40 A Parting of the Ways?
U.S. Economic Security and Trilateralism in the Asia-Pacific

J.D. Kenneth Boutin
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ABSTRACT

Diverging economic security interests are complicating economic and political relations between Australia, China, and the United States, threatening the extensive economic interdependence that has developed over the past three decades. Concerns deriving from China’s ‘rise’ have the potential to generate a more politicized regional economic environment with significant implications for efforts by political authorities in Australia, China, and the United States to pursue economic security and for their relationships with each other.

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Introduction

Economic and political relations between the states that are the subject of this study are complex. This is due in no small part to the importance attached to economic security in Australia, China, and the United States. While there are particular common interests, political authorities in these states pursue distinct economic security agendas with conflicting requirements that entail significant implications for the compatibility of their foreign economic policies. The politico-military and economic ‘rise’ of China is bringing contrasting economic security interests in the Asia-Pacific region into sharp focus.

Concern over China’s objectives and the resulting transformation of the regional politico-military and economic landscape is encouraging heightened attention to the economic requirements of national security on the part of authorities in the United States, though the Sino-American relationship cannot be reduced to one of mere strategic competition. This study considers the prospects for trilateralism, focusing on the environment for economic relations between Australia, China, and the United States. It examines the foundations of economic security in the United States and Australia, the economic security impact of China’s rise, and the implications of changing U.S. economic security policy. Efforts by U.S. authorities to promote their multi-faceted economic security requirements in light of the perceived challenge from China potentially threaten the common ground of economic interdependence in the Asia-Pacific and thus the basis for trilateralism.

An important caveat is in order. The U.S. policy environment is complex where China is concerned. Various institutional actors with dissimilar and potentially conflicting perspectives and interests contribute to the ‘China policy’ of the United States. Space limitations preclude detailed discussion of relevant policy dynamics, however, or even the survey of recent economic security-related initiatives by the United States. This study focuses instead on key policy trends and developments and their impact and implications.

Economic Security Considered

Before examining the foundations of economic security in the United States and Australia, it is necessary to address a number of conceptual issues. Economic security is no less amorphous and contested a concept than security itself. There is no commonly-accepted definition of economic security, despite the increasing currency of the term in scholarly and policy circles alike. Alternative understandings of economic security continue to co-exist despite the general conceptual and policy trends outlined below.

Consideration of economic security is best established in the context of national security. This state-centric approach, which is referred to here as ‘national economic security,’ is relatively narrow in focus and effectively realist in perspective, as suggested by terminology such as ‘economic defence’ and ‘economic warfare’ and the propensity to examine economic issues in an adversarial inter-state context.1 There is a distinct temporal dimension as well, with a characteristic focus on issues of pressing policy concern.

This approach to economic security encourages a focus on the material basis of national security, particularly in respect to the resources required by defence establishments, and trends and developments which impact in these terms. Economic statecraft through the use of economic instruments to attain security objectives that if economic in nature, are significant through their national security implications also constitutes an important feature of national economic security policy.

Formal consideration of economic security issues in an alternative context emerged relatively recently. Official attention to economic issues in this context was encouraged by the policy space opened up by the end of the Cold War. The importance attached to what

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Comprehensive economic security is more complex than national economic security. As its title suggests, the scope of comprehensive economic security is much broader. It encompasses a diverse set of issues, ranging from economic growth and competitiveness to distributive equity and the socio-economic impact of economic trends and developments. This breadth is closely related to another key feature of comprehensive economic security: no longer is the state the sole or even a necessary referent of security. Comprehensive economic security is defined by a switch from a focus on the economic welfare of states to the welfare of groups within states. Comprehensive economic security may focus on human, societal, or regime security, or some combination of these. This can be accompanied by concern over social cohesion and stability, particularly where the objective is regime security.

Comprehensive economic security is noteworthy in another important respect. Concern over the issues involved encourages a longer-term perspective than typically is associated with national economic security, such as on the basis of economic progress. This is manifest in attention to the arrangements and processes underlying sustainable development alongside issues of more immediate concern. This in turn encourages a more positive perspective toward inter-state economic collaboration, where common economic objectives provide considerable potential for mutually-beneficial interdependence.

Though the stakes involved in comprehensive economic security may appear less critical than those of national economic security, where states may face existential threats, it involves objectives that are no less daunting. These constitute something of a moving target in that they tend to be far more ambiguous and unpredictable as a result of the domestic and international contexts in which they are pursued. Popular expectations tend to increase in tandem with the success of political authorities in raising living standards, for example, while the adoption of market-oriented policies forces political authorities to balance the potential benefits against the risks of increasing vulnerability to exogenous economic trends and developments over which they have little or no control. Beverly Crawford terms this the ‘economic security dilemma’.

How political authorities approach economic security rarely is straightforward, particularly where they pursue conflicting national and comprehensive economic security objectives. Crucial differences in underlying premises and core concerns mean that political authorities are confronted by challenging policy requirements which potentially encourage counter-productive policy responses. Economic collaboration potentially contributes to defence-industrial as well as economic development in states that may constitute or emerge as politico-military rivals, for example. This can force political authorities to carefully consider their policy options and ensures that there are no definitive economic security policy imperatives.

Economic Security in the United States

The economic security policy of the United States continues to evolve, with increasing efforts to promote national and comprehensive economic security concurrently. As well
as generally complicating its foreign economic policy, this has major implications for the response of the United States to the rise of China.

U.S. authorities traditionally approached economic issues in national security terms. Considerable importance was attached to the development of autonomous industrial capabilities from an early point in the history of the United States. This focus was maintained through the Cold War, with defence-driven protectionism a prominent feature of U.S. policy. As one official study noted, ‘the maintenance and protection of a broad U.S. technological base is vital to national security’. Economic measures often constituted an important pillar of national security initiatives. These were integral to efforts by the United States to structure the post-war Asia-Pacific security environment through the ‘San Francisco system’ of states for example.

The importance attached to national economic security in the United States did not abate with the end of the Cold War, with China supplanting the Soviet Union as the focus of suspicion in conservative circles. The importance of national economic security has been reinforced by post-9/11 concern over ‘homeland security,’ in which the technological capabilities of the United States are regarded as providing an important advantage in defeating the terrorist threat. Post-Cold War U.S. economic security policy devotes considerable attention to the capacity of the defence-industrial base to serve the defence establishment and to its integrity in the face of globalizing pressures threatening national autonomy in crucial industrial sectors. This can be seen in the continuing importance of the Committee on Foreign Investment in the United States (CFIUS), which considers the national security implications of foreign acquisitions of and investment in American firms, particularly those active in the defence sector. Moreover, there is strong interest in adapting the CFIUS process to changing economic conditions. Extensive reliance on instruments of economic statecraft similarly remains a feature of U.S. foreign policy despite the established ideological preference for market-based policy approaches.

The United States was a relatively late convert to conceptualizing economic security in comprehensive terms. This fact notwithstanding, recognition of the importance of the objectives involved is well established in the United States. Relevant U.S. policy efforts have been directed primarily at the structural level, rather than towards the development of institutions, though this has occurred as well. This is manifest in the central role of the United States in developing, sustaining, and deepening the Bretton Woods-based liberal international economic order, even if its approach to economic regionalism has been likened to ‘competitive liberalisation’. Such an approach was facilitated by the capacity of the private sector in the United States to drive economic progress and prosperity. This effectively relieved U.S. authorities of the need to address the requirements of comprehensive economic security other than through helping to provide international and domestic environments and collective goods conducive to the success of American industry.

Comprehensive economic security has generated sustained policy attention in the United States since the late 1980s. As well as benefitting from the post-Cold War political environment, this is a product of concern over what is perceived as an eroding position

relative to major economic competitors such as China and India. Recognition of popular welfare as a security issue was reflected in President Jimmy Carter’s ‘Economic Security Council’ initiative and was cited by President George W. Bush as an important reason for encouraging domestic technological innovation. The acrimonious nature of economic policy debate within the United States at the present time testifies to the depth of concern over the issues involved.

The continuing importance of national economic security in the United States complicates the policy agenda by forcing authorities to promote national and comprehensive economic security objectives simultaneously, and to attempt to harmonize these wherever possible. The experience of the United States demonstrates the difficulties inherent in reconciling national and comprehensive economic security. Considerable tension is apparent in U.S. policy, with authorities often forced to choose between disparate policy objectives, and supporting the liberal international economic order in the interest of economic prosperity while resorting to illiberal measures such as sanctions in the interest of national security. The continuing importance of both facets of economic security and the strength of concerned domestic constituencies ensure that U.S. authorities will continue to face a significant policy dilemma where economic security is concerned.

The central position of national economic security in the U.S. policy agenda and the manner in which it is pursued have important international repercussions. U.S. authorities are more inclined than their counterparts elsewhere to consider economic issues through the lenses of national security. Not only is it the case that the U.S. government devotes considerable attention to the requirements of national security though its foreign economic policy, but national economic security considerations cast a large shadow over its economic relations in general. Economic ties with other states have proven very sensitive to the state of U.S. national security, with the U.S. government demonstrating its willingness to subordinate comprehensive economic security objectives to those of national economic security where these conflict. The United States has on a number of occasions sought to reorient economic mechanisms such as Asia Pacific Economic Cooperation (APEC) to address national security issues, for example. The characteristic U.S. economic statecraft approach adds to the difficulty of insulating the pursuit of comprehensive economic security from national security concerns.

The limited scope for U.S. authorities to pursue comprehensive economic security in isolation from national economic security has little direct impact on relations with Australia, with which the United States shares a close security relationship, but is a crucial factor in the context of Sino-American economic relations. China’s dual character as a major economic partner in terms of trade and investment, and as a politico-military rival – at least in some quarters – ensures that its rise figures prominently in U.S. policy considerations. Sino-American economic interdependence is well established and continues to deepen, but is vulnerable to U.S. national security concerns. Concerns over China are compounded by the threat to the synergies underlying their complementary economic positions resulting from the declining compatibility of their high-technology industries in sectors such as aerospace, information technology, and biotechnology. China’s developmental trajectory suggests that the industrial gap with the United States will continue to diminish, resulting in increasing competition between U.S. and Chinese firms.

**Australian Economic Security**

Economic security in Australia is straightforward compared to that of the United States.

Australian economic security is quite distinct in that it is only indirectly bound up with national security concerns. The comprehensive economic security focus of Australian authorities is driven by the perceived requirements of economic growth and prosperity. The export-oriented nature of the Australian economy resulting from a relatively small population means that Australia’s economic security concerns largely correspond to the ‘market access security’ category of Christopher Dent. This is manifest in the persistent attention devoted to developing trade relations with key export markets such as China and India.

This has made it possible for Australian authorities to pursue highly-divergent national and economic security policies. In both cases these involve asymmetric relationships. Australia maintains a close security relationship with the United States while avidly engaging China in economic terms, without any apparent conflict. Australia has displayed far greater determination to engage multilateral economic frameworks in the region than the United States, and has done so over an extended period, without regarding this as jeopardizing its national security. Where national security and economic security do overlap in Australia is in terms of the importance of regional stability to economic prosperity. This encourages strong support for the Asia-Pacific security role of the United States, which is considered crucial to regional stability.

While there is no appreciable policy dilemma facing Australian authorities where economic security is concerned, Australian requirements do have notable implications for trilateralism. These render Australia vulnerable to developments in both China and the United States, whether these occur by design or otherwise. Australia’s economic security interests are best served by stable and amicable Sino-American relations, and it is critical that Australia be able to adapt to changes in the Sino-American relationship. Australia’s capacity to do so is complicated by its relatively marginal position within the trilateral relationship, which limits its capacity to develop and pursue policy initiatives.

**China’s Economic and Politico-Military Rise**

China’s rise is having a mixed impact within the Asia-Pacific region. Its economic rise provides opportunities for particular industrial sectors in some states while curtailing them in other cases, while its politico-military rise is generating greater concern in some states than others, thereby encouraging a range of policy responses across the region. Some key features and the implications of China’s economic and politico-military rise are explored in this section.

The economic and politico-military facets of China’s rise are closely related. Its economic development provides the means for an ambitious defence modernization program and contributes to China’s regional political influence, while growing Chinese political influence increases the prospects for securing its economic objectives in both bilateral and multilateral contexts. The extent as well as the pace of China’s rise reinforce diverse economic security concerns in the United States and elsewhere in the region.

China’s economic rise since its hesitant and limited opening to the global economy in the late 1970s has been nothing short of impressive. China’s profile in terms of production, research and development (R&D), resources, finance (including outward foreign direct

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investment), and services has been transformed over the course of three decades to the point where China constitutes a key economic pillar regionally and globally. There is every prospect that this trend will continue and that its regional and global economic importance will continue to increase.

China’s economic rise cannot be considered in isolation from the structural transformation produced by economic globalization, particularly in the context of the Asia-Pacific region. There has been a progressive deepening of regional economic interdependence encompassing many aspects of commercial activity. This is manifest in regional trans-national industrial integration trends. Industrial integration first developed in terms of production in the 1960s, and in recent years this has broadened and deepened in concert with the changing demands of export competitiveness and the expanding ranks of Asia-Pacific export-oriented economies. Chinese high-technology industry successfully built on the opportunities provided by this trend to emerge as a source of technological innovation, and China increasingly features as a destination for foreign investment in R&D, with firms attracted by the advantages of working with local firms as well as by the incentives offered by Chinese authorities.17

Regional economic interdependence is as much a political as an economic phenomenon in that the domestic and international political space provided by governments has been crucial.18 The scope for mutually-beneficial economic collaboration and the perceived benefits in terms of comprehensive economic security have been crucial to political acceptance and support for the processes involved. In many states interdependence is regarded as providing a strong basis for economic progress through contributing to the development of internationally-competitive industries. Regional industrial integration reflected the complementary strengths of firms based in different states and minimized the potential competitive pressures of regional industrial overcapacity, impeding the development of deep-rooted economic rivalries.19

Economic interdependence entails complex security implications. The risks and the benefits tend to be distributed unequally between states.20 Deepening interdependence potentially enhances security at the domestic level by contributing to popular welfare, but increases vulnerability at the international level through creating dependency on export markets.21 Economic interdependence is predicated upon highly compatible economic security interests, and thus most likely to develop in the absence of strong conflicting national security concerns.

Asia-Pacific economic interdependence faces an unprecedented challenge. The very success of regional interdependence may prove its undoing. Interdependence is threatened by heightened economic security concerns, not least those stemming from China’s impressive economic development. China’s seemingly-inexorable industrial progress and the eroding economic synergies and heightened export competition that result threaten a number of states’ efforts to attain important national and comprehensive economic security objectives.

The impact of China’s economic rise is exacerbated by the effect of deepening integration into transnational economic processes. This generally increases vulnerability through

restricting the capacity of political authorities to unilaterally address issues of concern. Not only is it the case that it is much more difficult to do so without impacting negatively on the local economy, but the scope for this often is limited by bi- and multilateral commitments entered into in the interest of supporting economic progress. This effect is particularly marked in this region, where economic processes increasingly are tied to China. As a result, while concern over the security implications of China’s economic progress may encourage political intervention in economic processes, this may prove impractical or impossible.

China’s economic development and the more demanding requirements of economic collaboration that result have important implications for trilateralism. Economic security considerations played a largely positive role in the past. The comprehensive economic security interests of most Asia-Pacific states were highly compatible, and there was common interest in deepening economic collaboration. The economic importance of China to the United States and other states, including the regional friends and allies of the United States, is growing. This is accompanied by increasing vulnerability, the dangers of which have been demonstrated by China on more than one occasion. As a Chinese official said of Taiwan, ‘Our economy is our best weapon. We won’t attack them. We will buy them. It’s very Chinese.’

For Australia, the potential for Chinese authorities to intervene in ways harmful to its interests was demonstrated by the arrest and conviction of a number of staff of the firm Rio Tinto in 2010, though the extent to which this case represented any deliberate Chinese policy remains unclear. Despite China’s potential, however, comprehensive economic security concerns continue to encourage continued economic engagement of China on the part of political authorities in Australia, the United States, and elsewhere in the region.

China’s politico-military rise has been less dramatic than its economic rise, but is generating even greater concern, particularly in the United States, and is contributing to the transformation of the regional security landscape. China’s position in the Asia-Pacific now is more prominent than at any point in its modern history. As well as increasing its bilateral and multilateral political engagement of Asia-Pacific states, China is adopting a more conspicuous military posture in the region, particularly where contested claims in the South China Sea are concerned. Perhaps more significantly, Chinese engagement of states through the forum of regional security mechanisms such as the ASEAN Regional Forum (ARF) is growing.

This trend has been accompanied by the development of China’s military capabilities in relative as well as absolute terms, as the People’s Liberation Army (PLA) evolves from an establishment capable of territorial defence into one able to support a broad range of political objectives in and to a limited extent beyond the regional environment. The transformation of the PLA is manifest in its introduction of increasingly advanced generations of armaments based on progressively greater indigenous technological inputs. This demonstrates China’s defence-industrial progress, which has been pursued in conjunction with general industrial development. The economic progress resulting from China’s efforts to promote comprehensive economic security is providing a strong basis for arms-related production and R&D, as well as the means of affording defence modernization. Economic interdependence thus has provided a basis for what is regarded in some quarters as threatening military development on the part of China. While the pursuit of defence modernization is not necessarily indicative of the intent or even the willingness of the political authorities responsible to employ military instruments in support of policy objectives, defence development in China often is read this way. High-profile arms programs such as the recent deployment of its first aircraft carrier reinforce concerns in the United States and elsewhere stemming from suspicion of the long-term
objectives of China’s leaders. China’s politico-military rise has important economic security implications for the Asia-Pacific region, with considerable potential to generate heightened attention to the requirements of national economic security. As noted above, the policy requirements associated with national economic security conflict with those of comprehensive economic security in important respects, and often prove incompatible. The increased politicization of regional economic relations through a stronger emphasis on developing national economic assets, such as ensuring the capacity of local industry to fulfil defence requirements, and on limiting the potential of industrial processes to support defence-industrial development elsewhere, threatens both economic regionalism and regionalization.

Economic Security Responses to the Rise of China

The rise of China impacts on economic security in the United States and Australia in dissimilar ways, reflecting the distinct perspectives and requirements of their policy communities. In the case of Australia, a rising China holds considerable promise as an export market. At the same time, however, China potentially provides a serious challenge. The importance attached to the economic relationship with China is such that the potential scope for Chinese authorities to exert leverage through the relationship is considerable, should they seek to exploit this potential. Even without this, Australia is very sensitive to changes in the regional economic landscape, whether they stem from China directly or indirectly through the response of the United States to the rise of China.

The common ground with China is eroding most where the United States is concerned. While the only direct economic threat faced by the United States is that stemming from increased competition for minerals and hydrocarbon resources, and it is less sensitive to changes in the regional economic landscape, China’s rise exacerbates the dilemmas of U.S. security policy while the more complex regional context of economic security complicates efforts to engage regional economic and political partners in the pursuit of important policy objectives.

Political authorities in the United States are particularly sensitive to the rise of China as a result of their penchant for considering economic trends and developments in terms of security, but regardless of this are encouraged to consider the security implications of this by the breadth of their security concerns. The rise of China is occurring in the context of the general securitization of U.S. foreign economic policy. While this trend has been underway for some time, it is growing more pronounced.24

The salience of national economic security in the United States renders the trends involved in the rise of China troubling to political authorities. The dominant official perspective at this time is reflected in the defence strategic review released in January 2012, which states that ‘Over the long term, China’s emergence as a regional power will have the potential to affect the U.S. economy and our security in a variety of ways.’25 Significantly, this document highlights the lack of ‘clarity of . . . strategic intentions’ underlying China’s military rise as a source of concern.26 Concerns such as these have driven recent initiatives to strengthen the regional military position of the United States. This perspective mirrors general concern in the United States over the perceived national economic security threat posed by China. John Mearsheimer, for example, argues that China’s economic growth contributes to its potential for hegemony, and that the United States had ‘a profound interest’ in slowing this.27

26 Ibid.
U.S. authorities face a challenge that is distinct from that confronting their counterparts in the region. The importance attached to both national and comprehensive economic security in the United States forces authorities to consider conflicting objectives and to reconcile them as best they can. U.S. differences with China are only partially offset by the continuing incentives for economic collaboration. The dilemmas facing U.S. authorities will grow more acute should national security concern over China’s rise strengthen further.

This U.S. policy concern cannot but impact significantly on the Sino-American relationship. This includes in economic as well as politico-military terms. The common ground manifest in U.S. support for the admission of China to the World Trade Organization (WTO) is eroding, though it remains substantial. Industrial relations constitute one noteworthy facet of the Sino-American economic relationship. Inter-firm ties have expanded and grown in importance as economic relations between China and the United States have deepened. U.S. authorities are currently addressing their national economic security concerns in this area by limiting collaboration in key industrial sectors. Restricting the capacity of U.S. firms to overcome their resource limitations in this manner potentially impacts negatively in comprehensive economic security terms, but is being pursued nonetheless.

The U.S. quest for economic security has a potential impact that extends well beyond the United States. This involves its regional structural implications. The impact of its concern over China’s economic and political rise is less readily apparent at this level, but has more far-reaching consequences for the United States and for trilateralism. This stems not so much from the role of the United States in regional economic institution-building as from its potential impact on how Asia-Pacific states approach economic interdependence. These prospects are explored below.

The United States and the Asia-Pacific Economic Landscape

The scope for concern over China’s rise to reshape the U.S. approach to economic issues in the Asia-Pacific, and thus the regional economic landscape, is considerable. While the United States has not driven the development of regional institutions (economic or otherwise), it has supported many of the economic initiatives launched by other states and has played a crucial role in introducing and promoting key norms that underlie prominent regional mechanisms. This has played a key role in the development of a dense network of interconnected bilateral and multilateral economic arrangements. The position of the United States as a ‘benign hegemon’ contributed to this.28 At the same time, however, U.S. authorities have sought to undermine regional multilateral initiatives which they regarded as detrimental to their interests. This can be seen in the U.S. approach to the original East Asian Economic Grouping (EAEG) initiative.29

Given the importance of the Asia-Pacific to the United States in economic and political terms, there is little prospect that it will disengage from the region. This includes in terms of regional multilateral political and economic processes that are considered important to the interests of the United States. Recognition of the growing importance of the region to the United States has been evident under the administration of President Barack Obama, and has driven increased bilateral and multilateral engagement of Asia-Pacific states in economic and other terms. The attendance of both President Obama and Secretary of State Hilary Clinton at the East Asia Summit in November 2011 strongly signalled U.S. intentions in this regard. Concern over the rise of China stands to reinforce this trend as U.S. authorities more carefully consider the terms of economic and politico-military engagement.

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U.S. authorities can be expected to exert more vigorous efforts to shape the regional economic landscape, particularly in terms of processes that that are perceived as threatening the autonomy and competitiveness of U.S. industry or which contribute to Chinese industrial capabilities. Increased efforts to address aspects of economic interdependence which impact negatively on national security are likely to include greater attention to the issue of industrial surveillance, to enhance the government’s capacity to deal with activities of concern, as well as strengthened industrial governance at the domestic and international levels, including through increased regulation.

The narrowing of the perceived scope for economic interdependence with China will necessarily affect U.S. relations with other Asia-Pacific states given the depth of regional economic integration. We can anticipate more complex bilateralism as U.S. authorities increase their efforts to set terms of economic relations that support their national and comprehensive economic security objectives. This potentially involves building on the security-related exemptions that typically are built into bilateral preferential trade agreements or direct intervention in cases of industrial collaboration where this is considered threatening to U.S. security interests, such as third-party collaboration by foreign firms working with U.S. firms. As recent experience in dealing with western European governments demonstrates, this can be a difficult exercise even in an environment of close political relations.

The potential scope for the United States to more effectively address its national economic security concerns in the manner outlined above is circumscribed by its comprehensive economic security requirements. The ongoing requirement to address comprehensive economic security concerns will temper the inclination to intervene in economic processes. While U.S. authorities may wish to protect the integrity of key firms or particular high-technology industrial sectors and to limit their potential contribution to industrial progress in China, they also must ensure their survival without increased direct state support, the scope for which is limited by a number of domestic and international factors, including U.S. participation in the WTO. Nonetheless, there remains considerable potential to complicate economic and political relations with Asia-Pacific states, including its regional friends and allies, as U.S. authorities seek to manage industrial relations without jeopardizing the basis for economic success.

More serious is the potential structural impact of the U.S. response to the rise of China. In seeking to set terms of economic relations that meet its national security requirements, the United States runs the risk of threatening the basis for collaboration that is crucial to economic interdependence. Heightened U.S. economic nationalism has the potential to discourage support for multilateral initiatives in the region, as was the case with fear over U.S. domination of APEC following the Asian Financial Crisis. This has major implications for the environment for trilateralism, as asymmetric as trilateralism is in practice. This also may encourage a similar policy shift on the part of other Asia-Pacific states mirroring state responses to the Great Depression. The greater the attention to national economic security, the more doubtful the long-term prospects for regional economic collaboration.

Alternatively, this may encourage forms of economic regionalism that exclude the United States. While this is a difficult exercise given the economic importance of the United States to states in the region, it is a logical response, particularly on the part of political authorities in China and elsewhere in the region where there is interest in limiting the role of the United States. It is important to note that interest in excluding the United States from important regional processes has been apparent on the part of particular actors in the region for some time. Malaysian Prime Minister Dr. Mahathir Mohamad’s East Asian Economic Caucus (EAEC) proposal of 1990, which featured such an approach, illustrates the potential for this. The capacity of China to offset the role of the United States in the regional economic landscape – which is growing – may prove crucial to this.

30 Higgott, p.434.
31 Acharya, p.154.
It is important to consider China's structural role in the regional economic landscape and how this may evolve as it rises. Any decline in American support for economic regionalism as this has developed in the Asia-Pacific enhances the potential of China stemming from its growing economic importance and its evident interest in assuming a more prominent role in the regional, not to mention global, economy. China has considerable potential to supplement or even supplant the United States in providing norms conducive to economic interdependence and thus to the environment for trilateralism. Recent trends in Chinese multilateralism, which have seen China engage an expanding list of economic mechanisms, suggest that its leaders are comfortable with the values underpinning multilateralism. China has been complicit for some time in maintaining regional stability in the Asia-Pacific region, such as in the aftermath of the Asian Financial Crisis of 1997-98, and has contributed to deepening economic regionalism, particularly in Southeast Asia. Its foreign economic policy has seen it enter into free-trade agreements with many of its neighbours, and Chinese authorities have sought to discourage the use of sanctions.\(^{32}\)

Long-term Chinese support for multilateralism cannot be assumed, however. The depth of China's commitment to the norms embodied in regional multilateral processes remains uncertain, not least because China's approach to multilateralism is still nascent and remains the subject of considerable debate within China.\(^{33}\) Given the guarded U.S. approach to multilateralism in the region, which Ralph Cossa characterizes as 'multilateralism with caveats',\(^{34}\) this would not necessarily substantially affect regional economic relations. There is substantial common ground between the United States and China in terms of many of the features of multilateral processes at the present time, even if political authorities in these states do not necessarily regard the inclusion of the other state in particular arrangements an important policy priority.

**Whither Trilateralism?**

The pressures on the regional economic landscape produced by China's rise and the U.S. policy response have major implications for trilateralism, but not in terms of any direct Sino-Australian-American economic relationship. Where economic issues are concerned, there are distinct Sino-American, U.S.-Australian, and Sino-Australian relationships. The same is true of security relationships. The concept of trilateralism is important in considering the broader relationship between these states; trilateralism does not so much a triangular relationship as the environment for relations between Australia, China, and the United States. The implications for trilateralism stem from the potential for the narrowing scope for economic interdependence. While interdependence does not require multilateralism, multilateralism has played a crucial role in structuring the international environment in a manner conducive to transnational commercial relations.

The potential impact of the weakened basis for interdependence differs across the region, based on states' economic strengths and the nature of their economic relations with each other. The general long-term prospects are cause for concern where Australia, China, and the United States are concerned.

The nature of Australia's economic and political relationships with China and the United States means that it is largely unaffected by the tensions accompanying China's economic and political rise. Political authorities are not confronted by the need to choose between an economic relationship with China which is based around the supply of natural resources and a political relationship with the United States which is based on common security interests in the Asia-Pacific region and beyond. At the same time, however,

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Australia potentially will suffer from a more fragmented regional economic environment which is less favourable to foreign investment and where there is reduced demand for natural resources, the extraction and export of which constitute a key pillar of the Australian economy. This constitutes a serious threat to Australian economic security over the long term.

More significant for the long-term prospects for trilateralism is the potential impact of the politicization of regional economic relations. Australia’s economic and security policy divide is threatened by deepening U.S. security concern over China. The demonstrated willingness of U.S. authorities to employ economic sanctions in support of important policy objectives often extends to securing the adherence of other states. This has important implications for Australia. China’s reliance on Australia for many of the resources necessary for its economic development renders Australia a logical partner to include in economic sanctions directed at China. This potentially would force Australian authorities to choose between a strong security relationship with the United States and a strong economic relationship with China.

The long-term prospects for the United States stemming from the rise of China and the national security requirements that result involve a deepening of the trends outlined above. One of the difficulties involved in considering the potential impact of this over the long term is the lack of precedents. The degree of economic interdependence found in the Asia-Pacific region at the present time is matched only by that of North America and Western Europe, and in neither of these cases is this threatened in a manner similar to this region. Growing tension over China’s rise potentially is very disruptive in economic terms, but the scope for comprehensive economic security interests to induce caution on the part of political authorities, thus mitigating the effects of concern over national security, remains unexplored.

It is instructive to consider past examples of how political and economic trends and developments have interacted in the region in the past. The perceived success of economic collaboration in fostering economic security contributed to declining concern over economic vulnerability and played a crucial role in encouraging state support for deepening economic interdependence in the region, while growing concern over the security implications of globalization engendered by the Asian Financial Crisis encouraged political authorities to reconsider their support for interdependence. While this offers little in the way of precedent, it does suggest the potential impact of the forces generated by China’s rise.

The issues raised by China’s economic and politico-military rise and how this is perceived in the United States are very instructive in terms of our understanding of trilateralism in the Asia-Pacific and how it operates. The region long has been notable for the apparent extent to which economic and security issues constituted distinct realms. The relative disaggregation of economic and politico-military issues in the region made it possible for political authorities to simultaneously pursue their national and comprehensive economic security with relatively little adverse impact on either. The correlation between security ties and economic ties was relatively weak as a result. No case illustrates this better than that of Australia. The result was a regional economic landscape that has been highly conducive to economic development and the pursuit of comprehensive economic security, as demonstrated by emerging industrial states such as South Korea and Singapore. It is noteworthy that China was readily accommodated into regional economic networks following its embarking on its program of economic reform and ‘opening,’ despite its substantial political differences with many of its neighbours.

Economic trilateralism in the Asia-Pacific demonstrates the importance of considering the impact of security issues at a structural level, as well as in more direct terms. The environment for relations between and involving different states, including those of an economic nature, plays a crucial role and is subject to a wide range of influences.

35 Kahler, pp.24-27.
This makes it necessary to look beyond any direct trilateral relationship in examining trilateralism. In the case of the three states that are the subject of this study, there is no simple trilateral economic relationship, despite considerable common ground in the importance of economic progress and the development of extensive transnational commercial relations. Instead, there are distinct bilateral economic relationships, which intersect through the regional structural environment.

Concluding Remarks

Efforts by U.S. authorities to promote economic security of the United States in an Asia-Pacific regional environment shaped by China’s economic and political rise highlight the indivisibility of political and economic issues in the region. Economic issues are but one important aspect of the complex security relationship that Asia-Pacific states share.

Ultimately, the prospects for trilateralism will be determined by a complex range of factors. These include the features of China’s economic and political rise, the form of the policy response of the United States, and the impact of the resulting trends and developments. The dynamics of economic security in the Asia-Pacific are complex, and the regional environment of interdependence is threatened to the extent that political authorities in the United States and elsewhere increase their focus on the economic requirements of national security.

References


