



# Asia Pacific Political and Economic Outlook

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## A Quarter-Century Ago...

- Neoliberal internationalism becomes the regional religion...
  - US benign hegemony: too many benefits, too hard to challenge
  - A new wave of institution-building
  - The stability-development deal
  - Info-tech optimism
- National-regional-global synergies drive globalisation

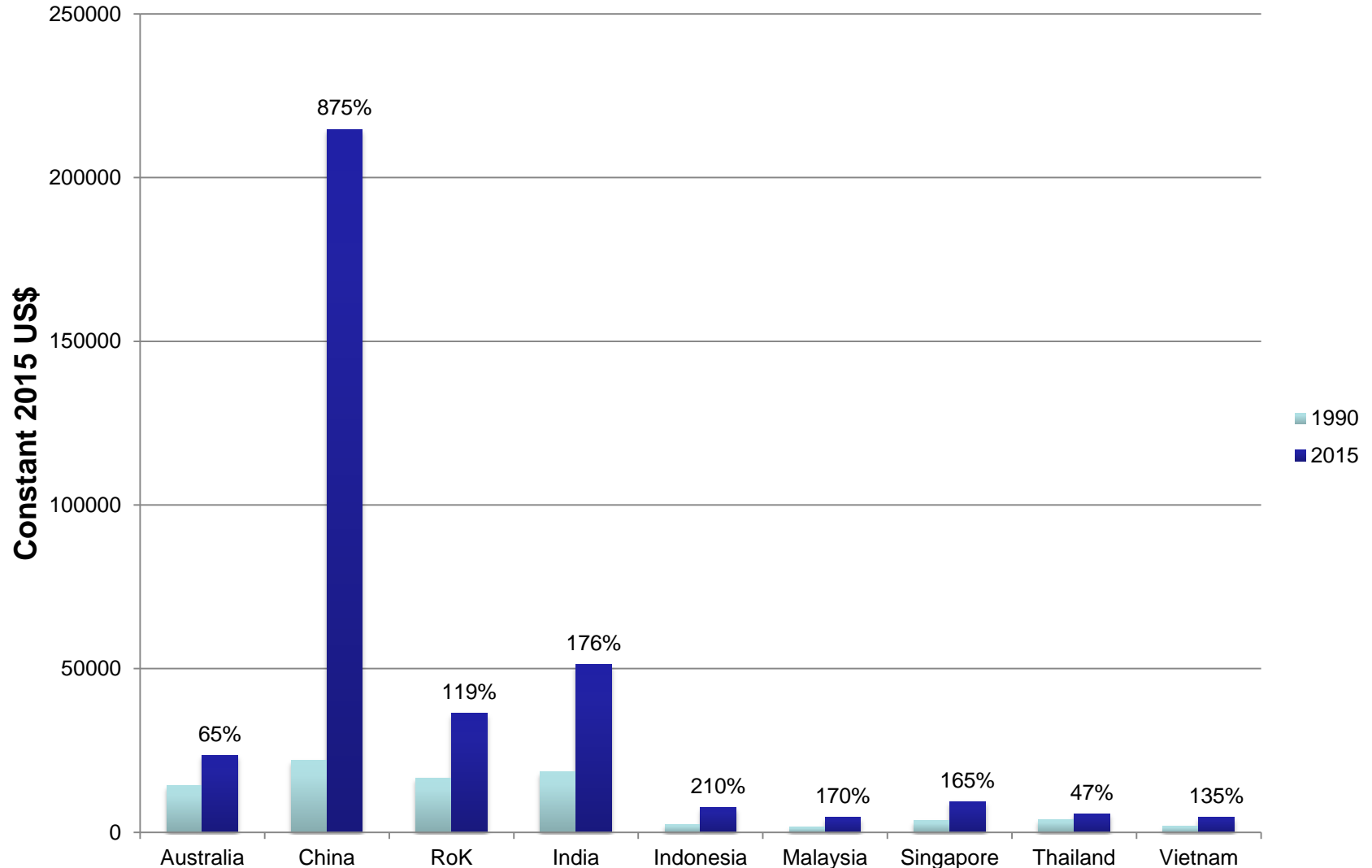
# The Asia-Pacific Agenda

- Invest the region in American strategic primacy
- Convert alliances from threat-focused to order-promoting
- Create institutions to “socialise” former/potential rivals
- Bet on a competitive liberalisation dynamic

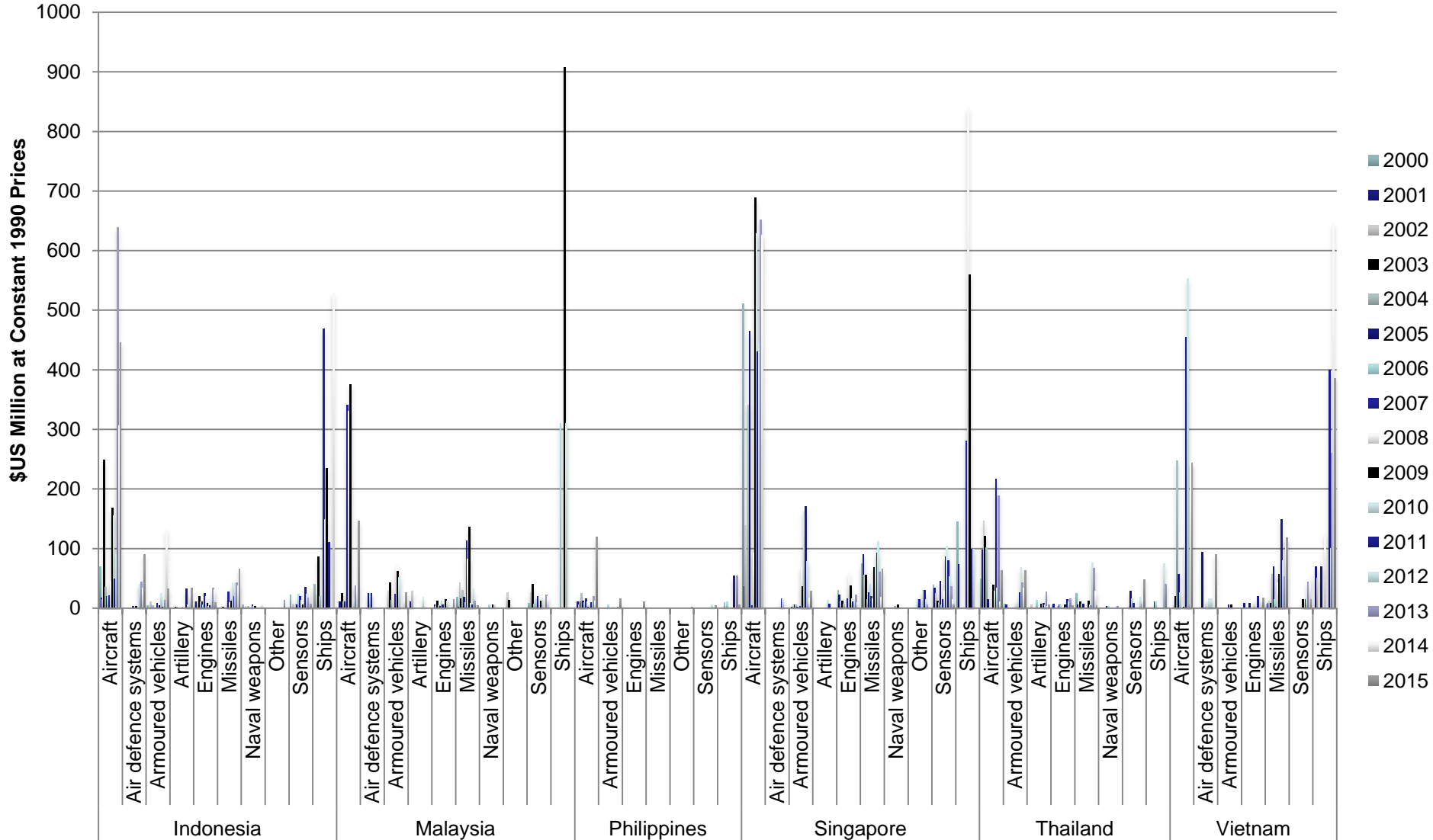
## Ghosts in the Machine...

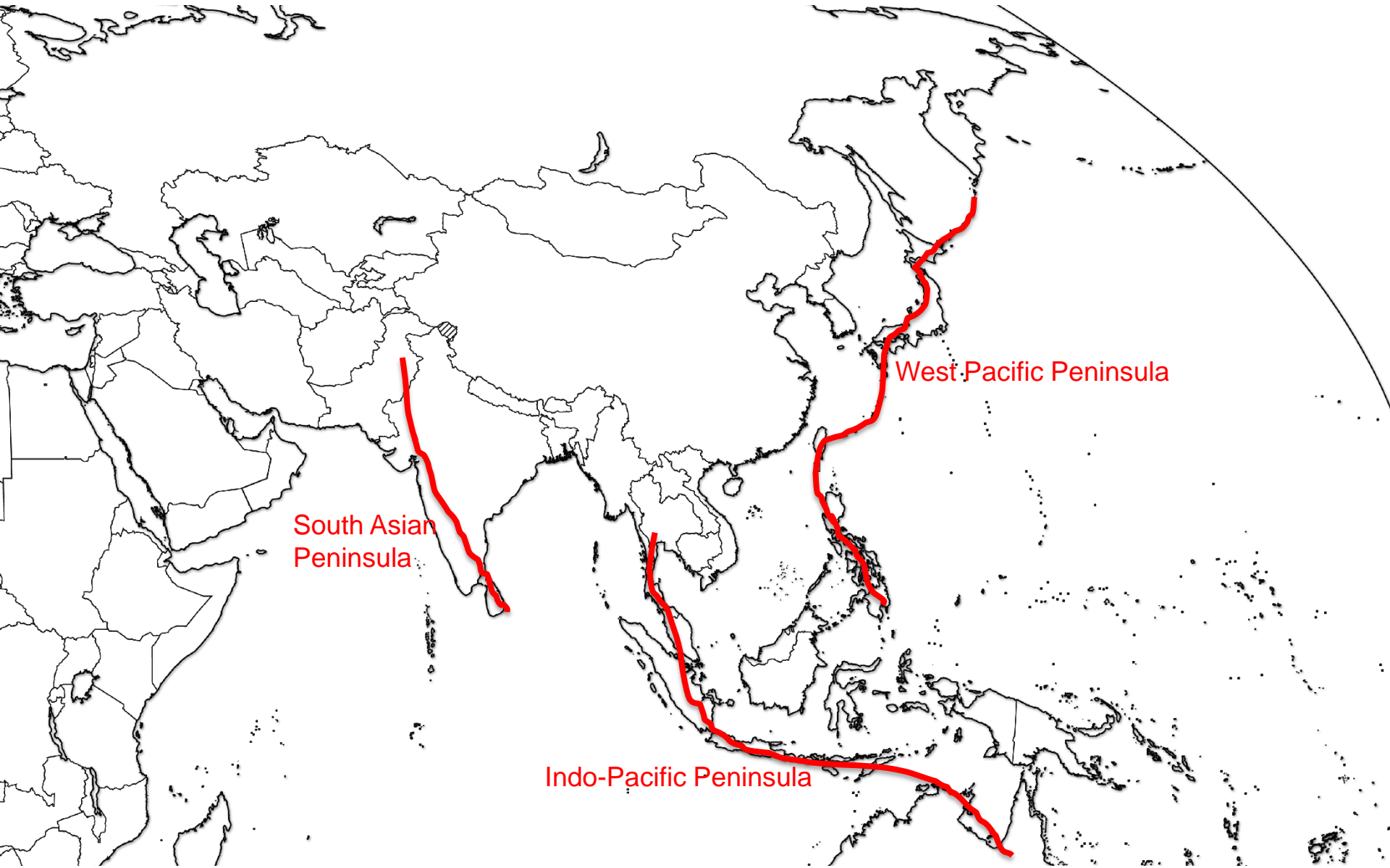
- China's opening + distributed production networks = a new economic geography
- Direct challenge to American primacy
- Spreading strategic claustrophobia
- Institutions: who's socialising whom?
- The neoliberal project stalls
  - Asian Financial Crisis
  - The lustre of state capitalism

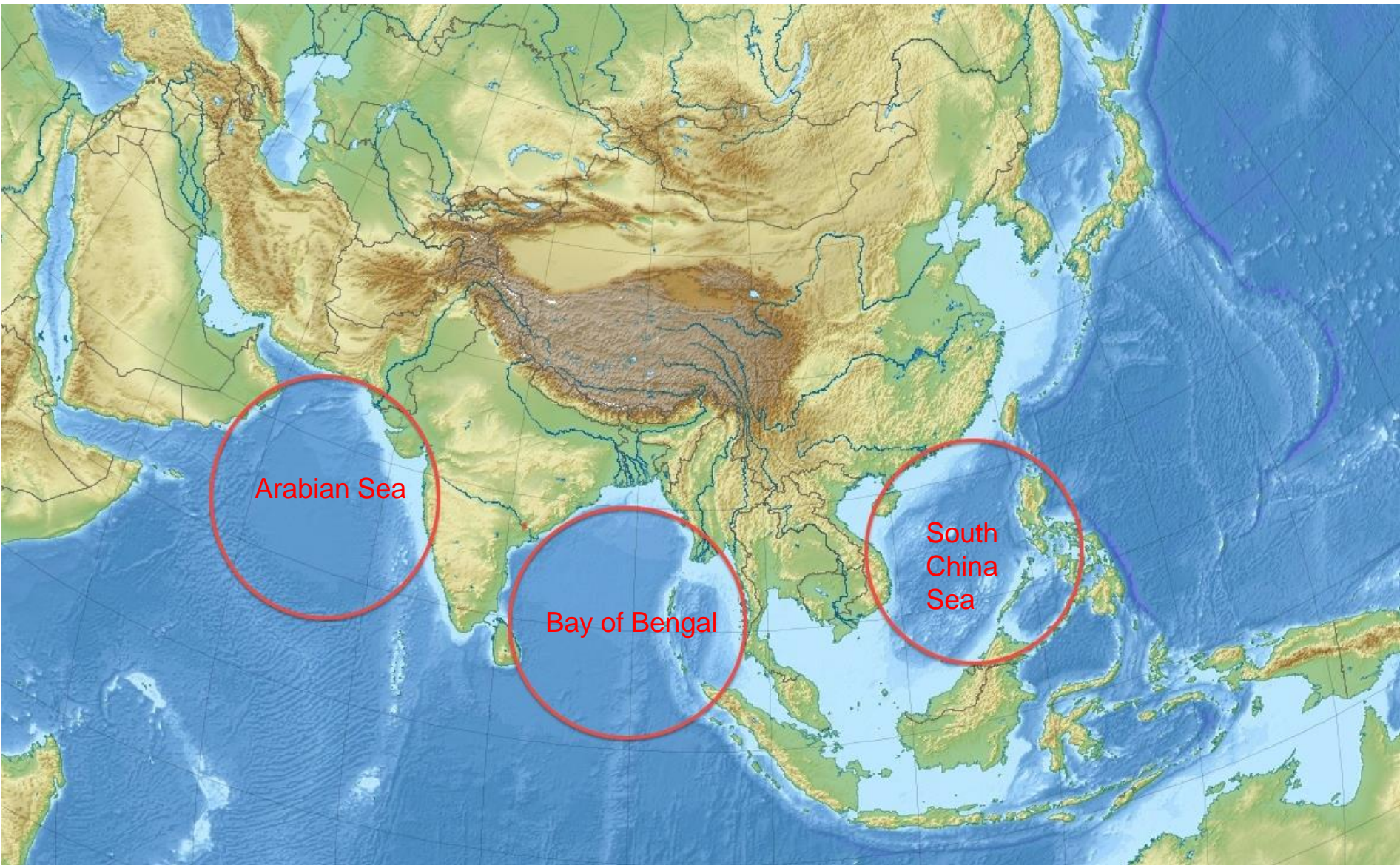
## Growth in Asia Pacific Military Spending 1990-2015



## Arms Imports to Southeast Asia 2000-2015









# China's New Purpose

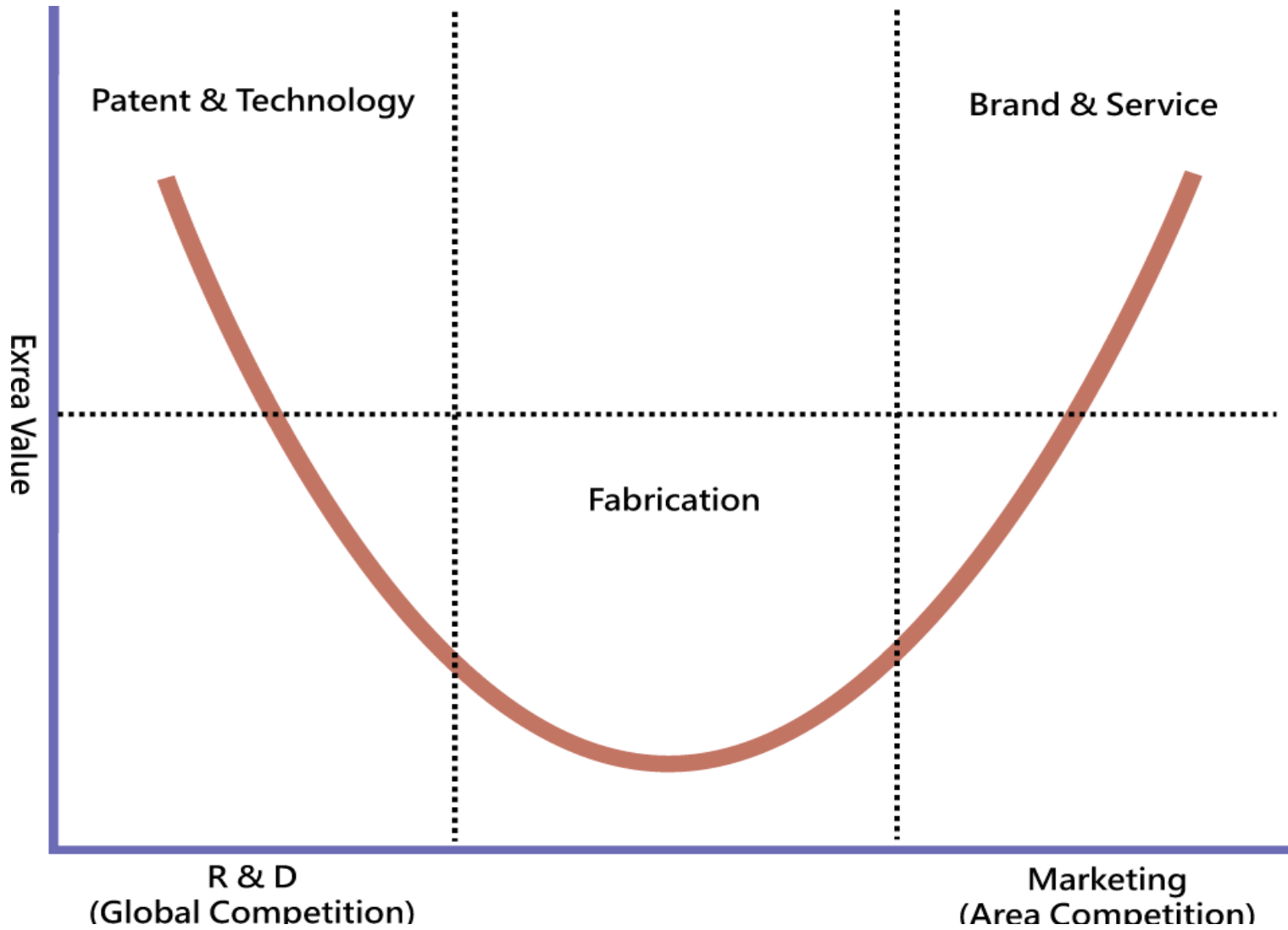
- The need to rebalance the domestic economy
- Demonstrate international benefits of growth
- Contest significant areas where it is a price-taker
- Build legitimacy and soft power
- Achieve all-round global pre-eminence



Source: Xinhua.

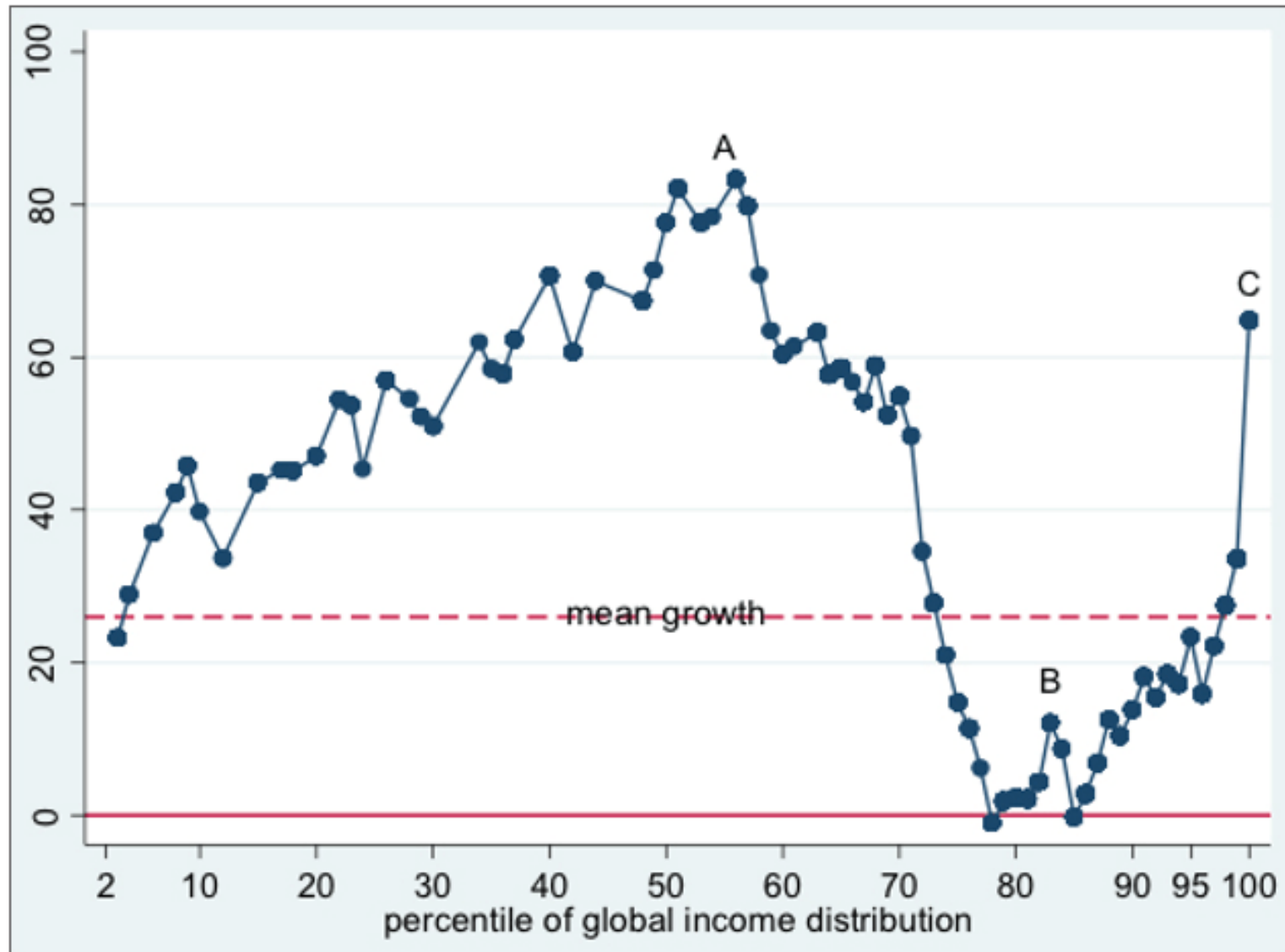
## Belt and Road

- Export excess capacity
- Move up the distributed production chain
- Set standards in key sectors
- Mitigate supply vulnerabilities
- Outflank containment moves
- Institutional entrepreneurship
- Socialise the benefits of China's rise
- New form of liberalisation & development



## World goods and services trade volume (percent change)





# The Indo-Pacific Concept

- An attempt to find a multipolar framework after American primacy
- Institutionally pessimistic
- Security-first, economics-second
- “Rules based order” as a legitimacy challenge to China’s rise
- The challenge of weak powers and partial orders

# Imperatives for trade-dependent small states

- Contest erratic great power behaviour – impartially
- Emphasise the dangers of uncontrolled rivalry
- Build better institutions
- Rediscover creative coalition-building
- Diversify trade and investment networks