

Asia's New Growth Trajectory: Navigating an International Economic Landscape Fractured by Great Power Rivalry (Supplement)

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World Order:

A community of nations; together with a shared understanding of norms, conventions, and rules that guide the behavior of those nations.

Alternative World Orders; each an n -tuple of attributes

1. Level playing field with multilateralism and inclusiveness; Rules-based and transparent, international rule of law; Security of national sovereignty; Open trading system. Collectively rational management of global public good
Unipolarity / Multipolarity.

2. Hegemony (Kindleberger-style benevolent leadership)

3. Mutually beneficial (win-win) bilateral engagements. Client-patron networks of interests in production and value chains. Assisted trade "special and differential treatment".

4. Core-periphery / Leader-follower tributary relations - Tribute in respect, followership, or payment in return for leadership, security, protection, and authority over the rules of the game.

5. Arbitrary exercise of power - international Hobbesian "state of nature". Roving banditry. Using predatory economics to intimidate other nations. Abusive and unfair trade practice. Systematically biased treatment of domestic and foreign companies.

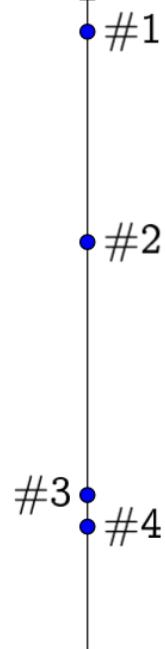
6. Universalism and individual rights-centered agreements. Values, not interests. **Democracy**.

7. **Republicanism**. Pluralism and pragmatism. Relationships and responsibilities; duties-based social understanding

World Order:

1. An object of choice for different players holding a diversity of interests
2. An equilibrium outcome for some mechanism or game form

Axis of Power



A geometry of world order

1. Zero-sum by construction, thus confrontational
2. Winner-take-all
3. Differences magnified (“democracy vs authoritarianism”)
4. Non-inclusive

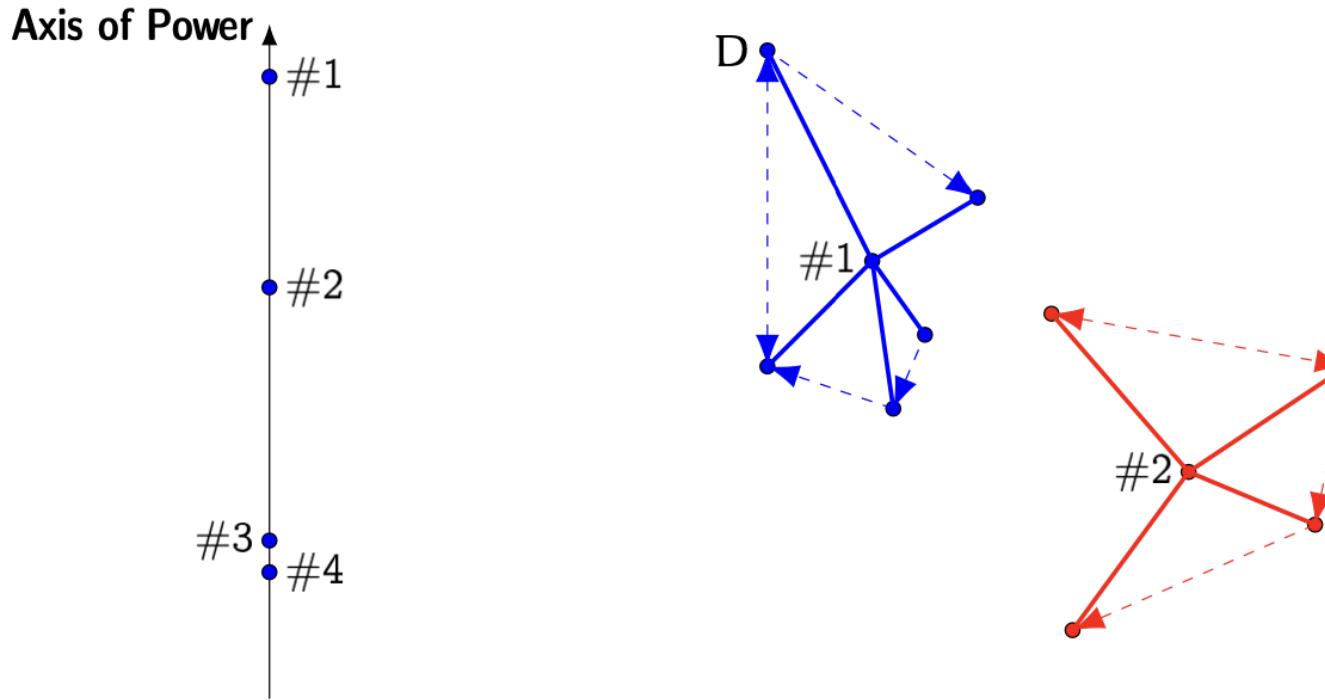
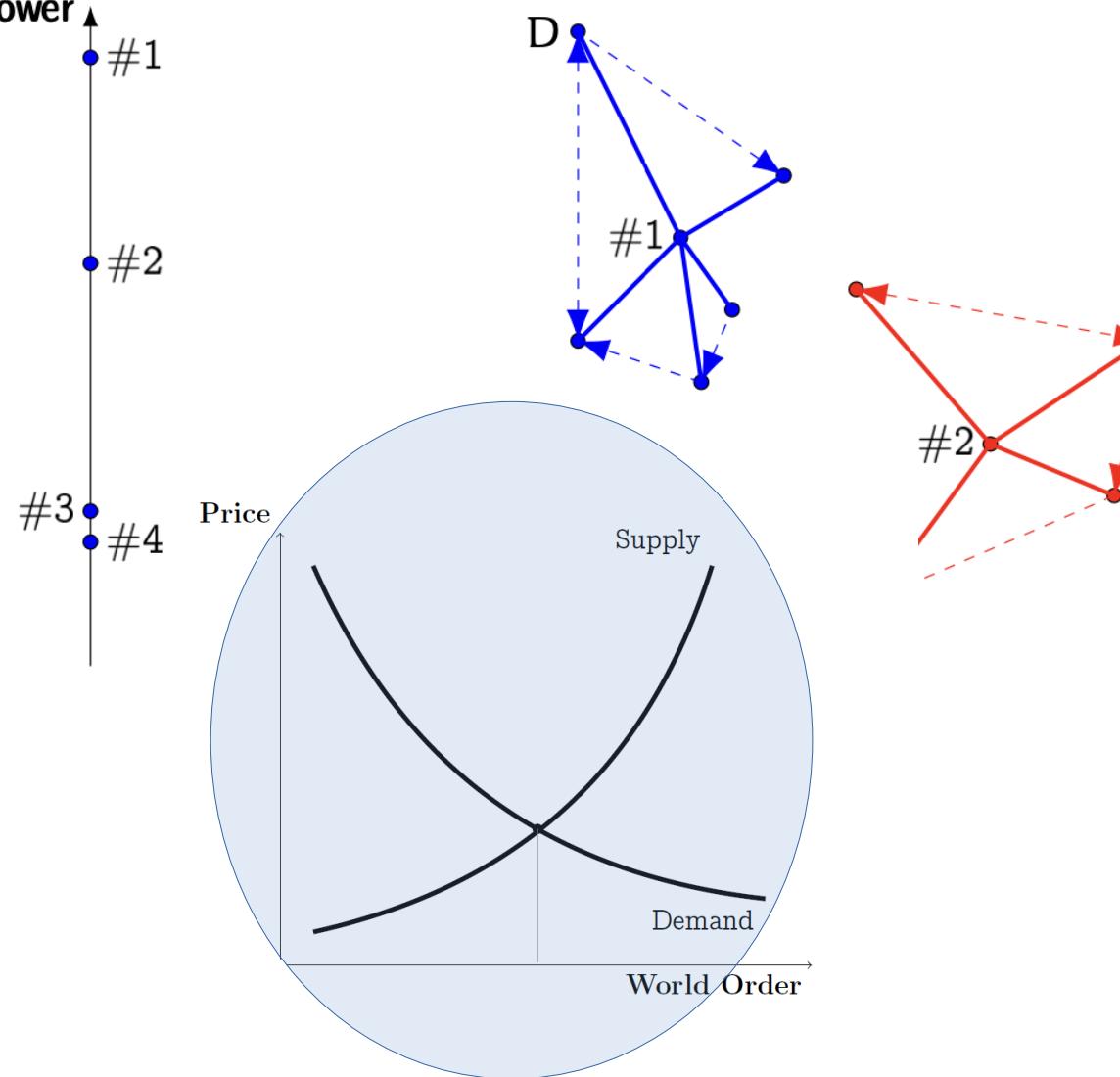


Figure 1: Alternative World Orders: On the left, (a) a linear hierarchy of nations along a vertical axis of power; on the right, (b) potential multiple spheres of influence on a plane centered on nations #1 and #2 respectively: every nation within the group connects with the center nation but relations between those on the periphery are neither always extant nor symmetric.

Axis of Power



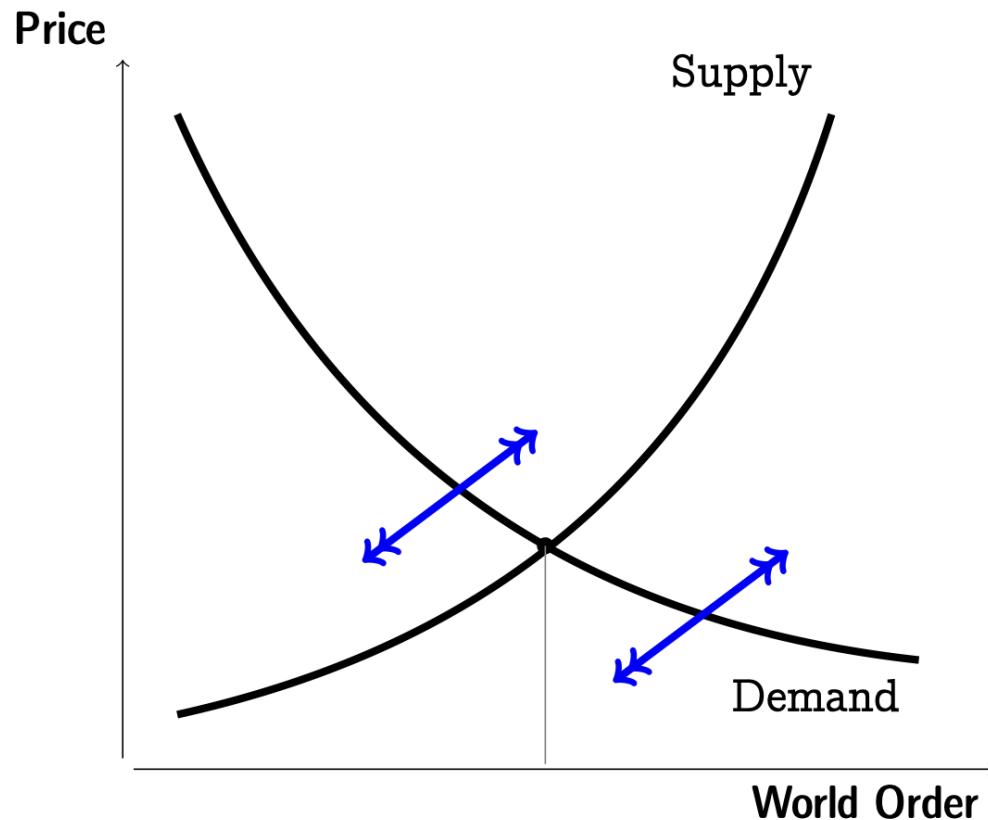


Figure 1: Demand and Supply in World Order. Perturbations in demand shift equilibrium world order when the supply curve has positive finite slope. The supply schedule itself is invariant.

Why Great Powers...

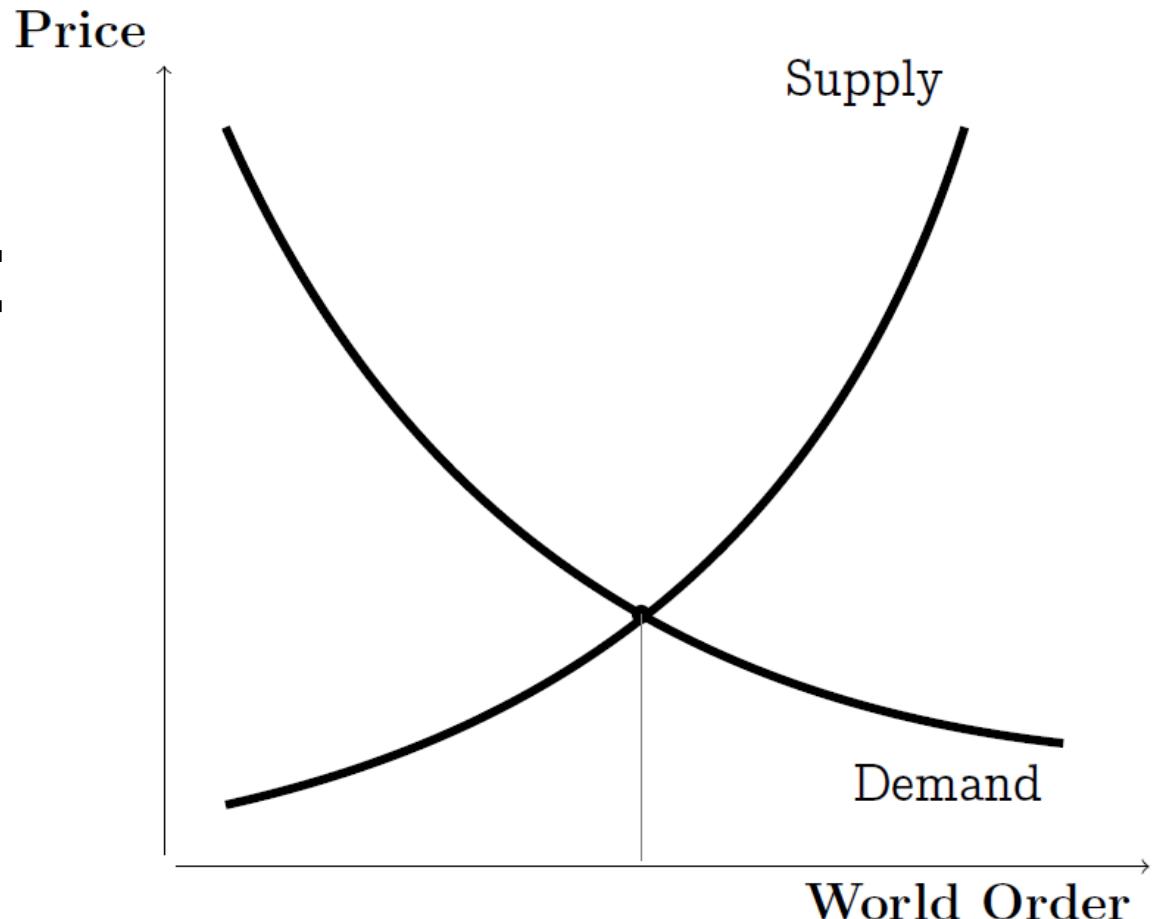
1. ... when the world is mostly small states?
2. ... when the world's richest nations are uniformly small (with one exception)?

Why Great Powers?

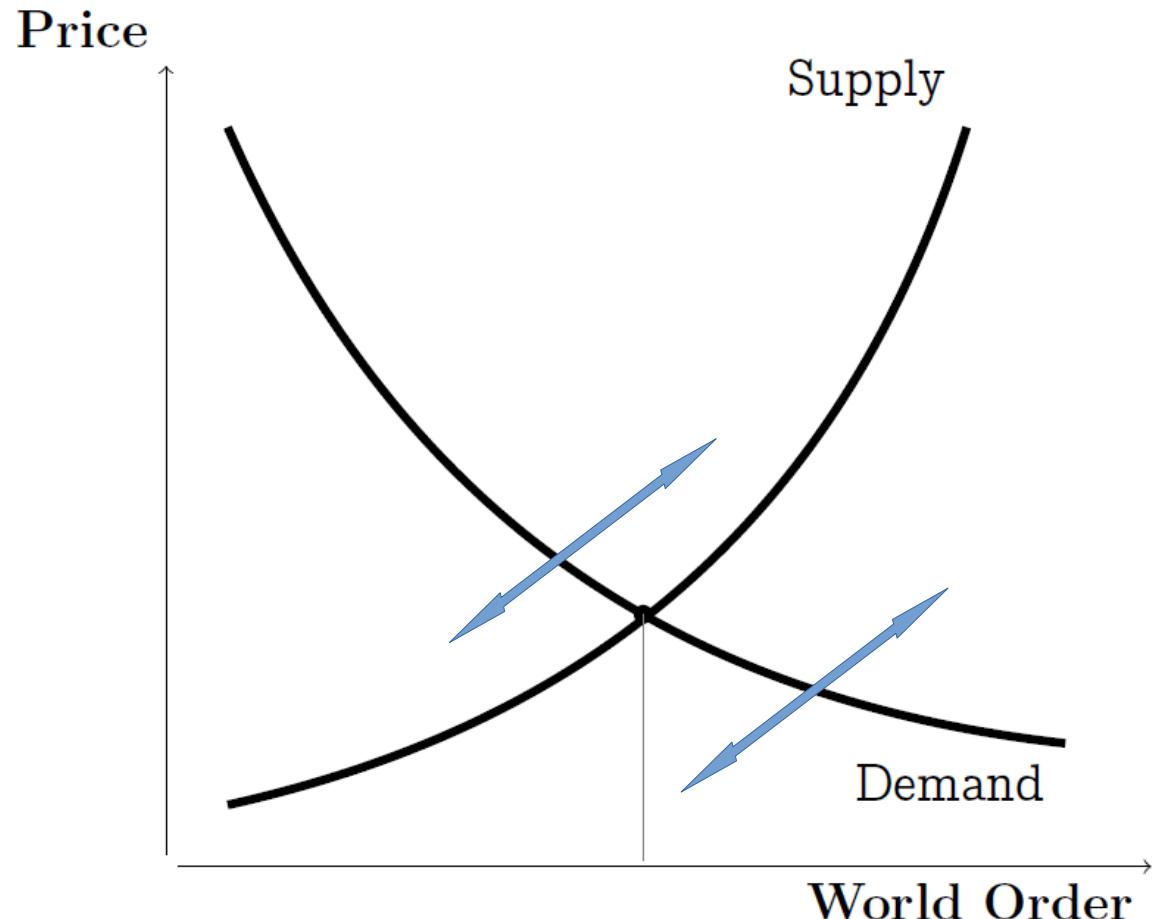
1. ... some needs are big, not just for global public goods;
2. ... wars and other state-level security challenges.

Massive economies of scale

World Order: Supply and Demand



World Order Supply and Demand



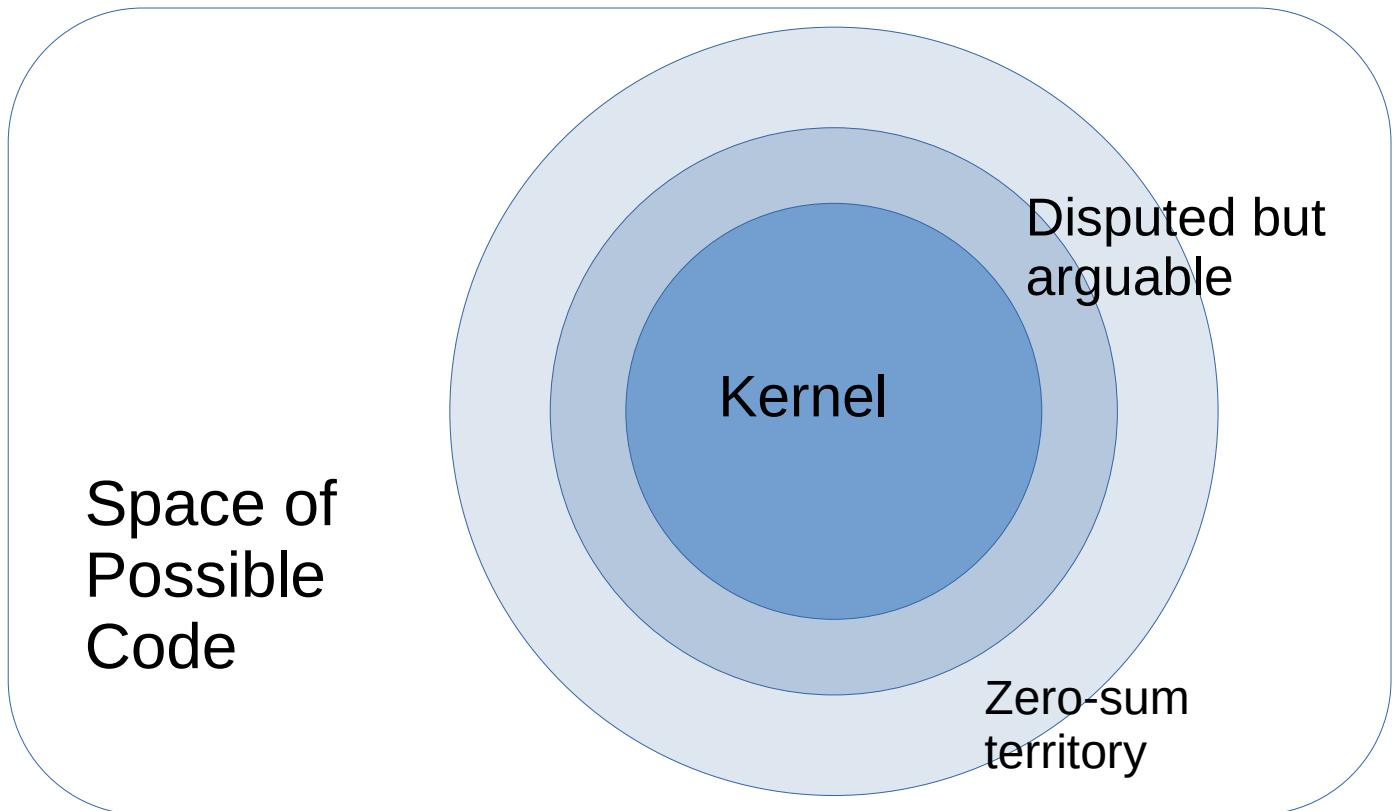
	Collaborate	Confront
Collaborate	(+5, +5)	(-10, +10)
Confront	(+10, -10)	(-5, -5)

Table 1: Prisoners Dilemma. The unique equilibrium in the game is $(-5, -5)$ with both nations playing **Confront**, even though the unselected $(5, 5)$ **Collaborate** outcome is both feasible and better for everyone.

	A	B
1	(+5, -5)	(-10, +10)
2	(+10, -10)	(-5, +5)

Table 2: Zero-sum Game. Regardless of specific actions by different nations, whatever one nation gains is exactly that the other loses. Equilibrium is (2, B) but notice that the other diagonal entry (1, A) is not socially preferred to the equilibrium. This is unlike a Prisoners Dilemma setting such as Table 1 in the earlier text, where everyone can agree Collaboration is preferred but is simply not reachable. Indeed, in this zero-sum game, there is no other outcome preferred by everyone to the equilibrium (2, B).

World Order: Concentric Circles



Historical evidence: When lesser states effected nominally undesired change

Sparta vs Athens ... and Thebes and Corinth. Post Thucydides Trap and the Pelopponesian War

- Battle of Leuctra and the victory of Thebes General Epaminondas

Ottawa Treaty and the Anti-Personnel Mine Ban Convention

- 164 nations by 2022 (excluding Great Powers)

Non-Aligned Movement. Bandung 1955

- To counter the emerging bipolarity
- National sovereignty and territorial integrity
- Not to be drawn

Plurilateralism

- Regional energy grids
- Friends not alone
- MPIA Multi-Party Interim Appeal Arbitration Agreement

Historical evidence: When lesser states effected nominally undesired change

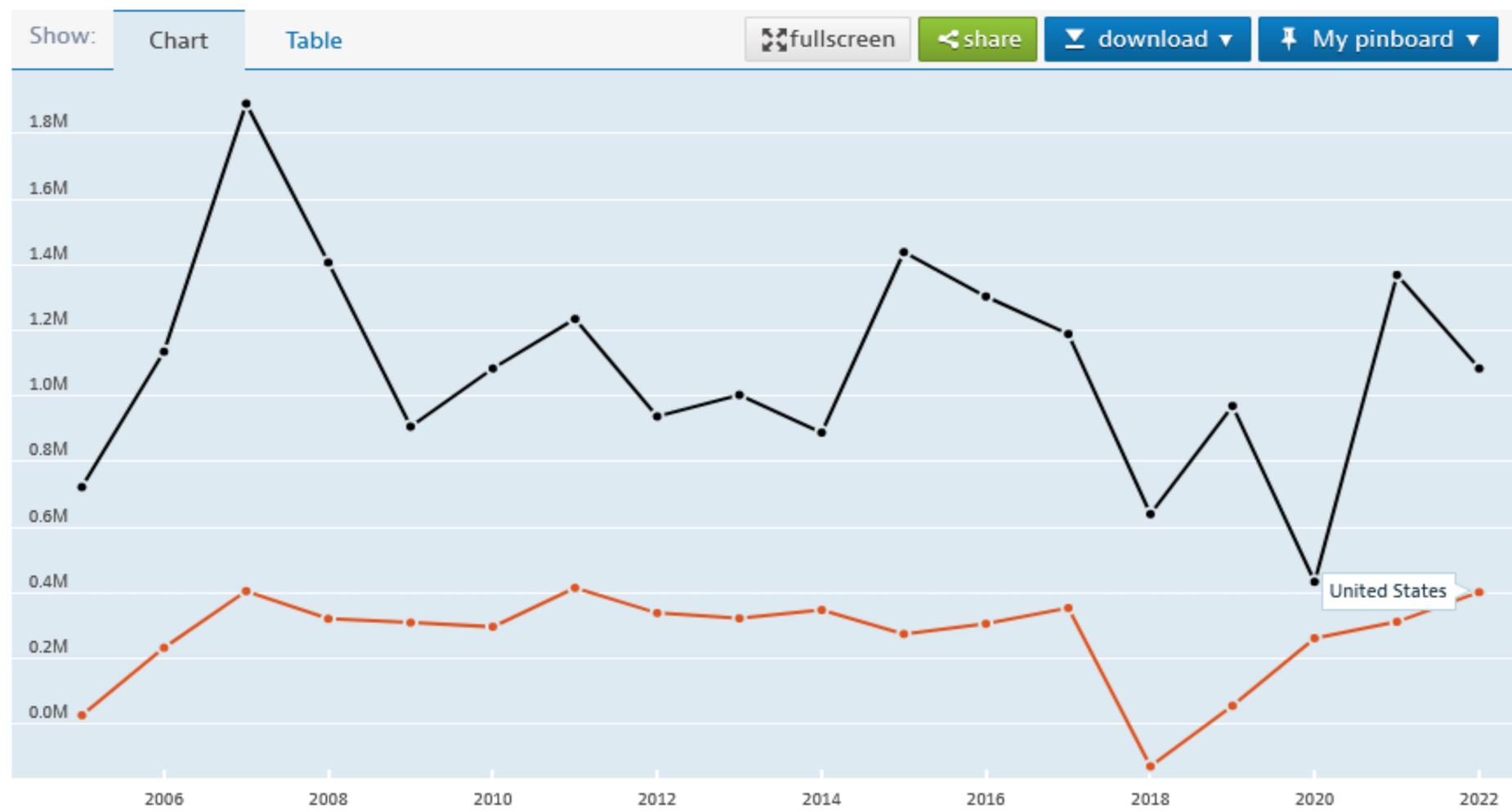
1. Berlin Wall:
East Germany vs
Soviets

2. Nicaragua, ICJ,
and the US

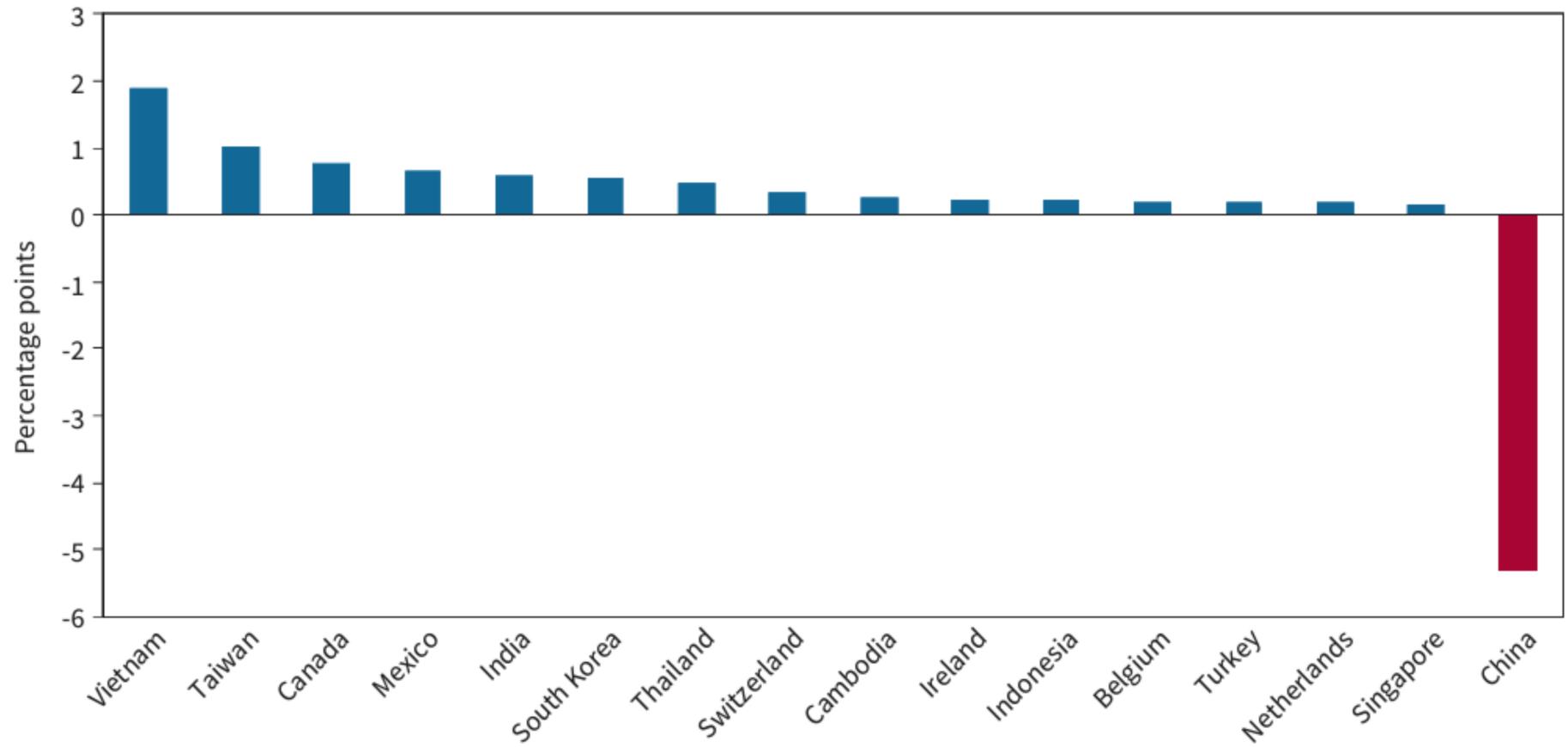
3. Korea's dynastic
transitions and the
acceptance of 14th-C Ming
hegemony

4. Japan's domestic order
building under the
Tokugawa Shogunate and
its challenge to 17th-C Qing
hegemony

5. Israeli lobby and
US Foreign Policy

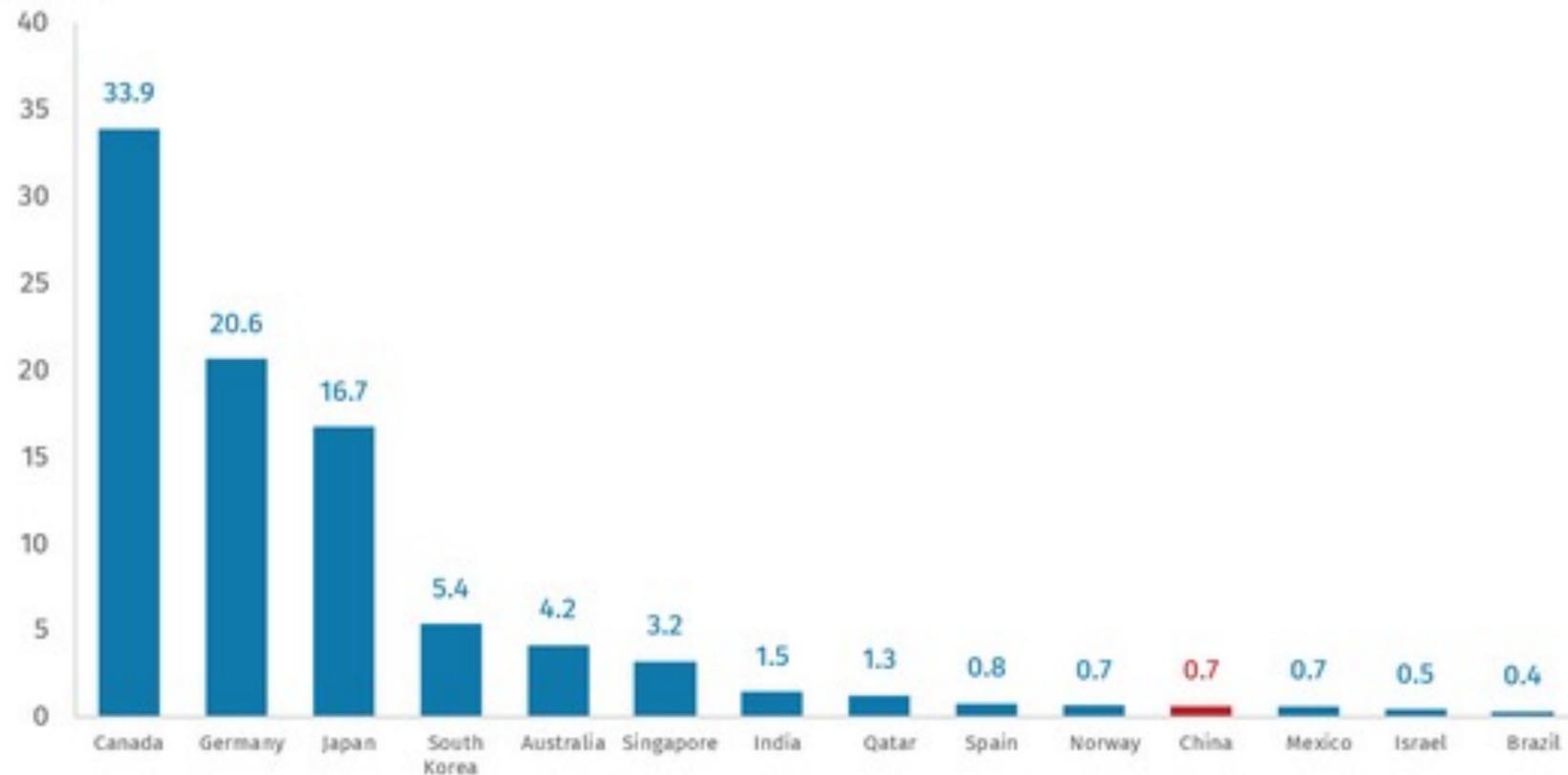


Changes in US Imports by Partner Country, 2017-2022



Average Annual New FDI Expenditures in the US (2019-2022), Selected Countries*

USD billion



Source: US Bureau of Economic Analysis. *FDI expenditures in the US are calculated using first-year expenditures. First-year expenditures include expenditures in the year in which the transaction occurred.