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Between market and state: the evolution of Australia's economic statecraft

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ABSTRACT

For nearly four decades, Australia's domestic and international economic policies were anchored by the promotion of open, transparent, and rules-based market exchange. This was considered the best way to increase both Australia's prosperity and its security, and that belief guided Canberra's approach to economic statecraft. However, emerging concerns about the vulnerabilities arising from economic interdependence, and the increasingly blurry line between economics and security amid great power rivalry between China and the United States, have placed Australian policy orthodoxy in a difficult position. In this paper, we investigate how these dynamics are shaping change and continuity in Australia's economic statecraft, and in doing so offer three contributions. First, to advance the emerging comparative economic statecraft research agenda, we propose a modified concept of economic statecraft that captures a wider range of activities undertaken by non-great powers and a distinction between state-based and market-based actions which allows for within- and cross-case comparisons. Second, empirically, we sketch the historical evolution of Australia's approach and examine three salient domains in which it has recently pursued new economic statecraft initiatives. Finally, in evaluating recent change and continuity, our third contribution is to identify new variables that may illuminate the conditions under which states adapt their prevailing approach to economic statecraft.

KEYWORDS Economic statecraft; economic security; Australia

1. Introduction

What does the economic statecraft of an open, medium-sized economy with a deep commitment to the liberal, rules-based multilateral trade regime look like, and how has it changed in an era of resurgent great

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power competition and increasingly blurry lines between economics and security? This paper interrogates these questions by examining Australia—a state that has received scant attention in the literature on economic statecraft. Despite being a major trading nation with G20 membership, long recognized to exercise influence in world politics commensurate with 'middle power' status (Beeson & Higgott, 2014; Cooper, Higgott & Nossal, 1993; Ravenhill, 1998), little—if any—scholarly research has explicitly considered Australia's policies through the conceptual lens of economic statecraft. Instead, where Australia does receive attention in the existing literature, it tends to be on the receiving end, navigating the fallout from its allies' strategic use of trade (Wesley, 2016), or as the target of other states' economic statecraft (Ferguson, Waldron & Lim, 2022; Wong, 2021).

Such limited treatment is conspicuous given the growing body of new research on the economic statecraft of a wider range of actors than has typically been studied in the past—including Japan (Igata & Glosserman, 2021; Liao & Katada, 2021), South Korea (Aggarwal & Reddie, 2020; Thurbon & Weiss, 2021) and the European Union (Kalyanpur & Newman, 2019; Olsen, 2022)—and likely stems from the fact that Australia has generally eschewed many of the activities that preoccupy much of the field's focus. Often lacking the leverage to influence other states on its own, Canberra has not frequently deployed unilateral sanctions or inducements. Nor, historically, has it actively purchased equity stakes in strategic resources, sought to develop large infrastructure projects abroad, or engaged in any of the other typical actions now associated with economic statecraft and geoeconomics in the 21st century. Yet, as recent appeals for a comparative economic statecraft research agenda (Reilly, 2021, Ch 7) highlight, there is considerable variation in the way that states seek to use economic policy instruments to achieve strategic objectives in world politics, and studying a broader range of actors offers a potentially fruitful avenue to increase our understanding of the different means through and conditions under which economic statecraft is conducted.

In studying Australia, we offer three contributions. The first is to advance the emerging comparative economic statecraft agenda conceptually. Synthesizing insights from recent studies that extend the traditional research agenda to new empirical frontiers, we advance a modified concept of economic statecraft that departs from Baldwin (1985), and propose an analytical distinction between 'market-based' and 'state-based' approaches. While many forms of the latter—which involve governments suppressing or sidestepping ordinary market terms of exchange in order to generate or mitigate strategic consequences arising from economic activity—are well understood, the same cannot be said for market-based approaches, in which states deliberately *elevate* the role of market forces to achieve such effects. Underlining the latter allows us to uncover a wider range of initiatives that are central to understanding why and how relatively under-studied, open, medium-sized economies—such as Australia, Canada and New Zealand—engage in economic statecraft.

Our second contribution is empirical. We describe the evolution of Australia's approach to economic statecraft from the early 20th century until the early 2010s, distinguishing an early post-war era in which state-based logics were dominant from a more liberal, 'market-based' era which prevailed from the 1980s. We then investigate whether and, if so, to what extent Australia has departed from that liberal approach in recent years by examining three salient domains of economic statecraft in which the government has undertaken actions in response to perceived security risks seen to emanate from economic activity associated with the People's Republic of China: regulating market access, fostering critical minerals projects, and pursuing infrastructure initiatives in the Pacific Islands region. Our final contribution is theoretical. We evaluate observed patterns of change and continuity in Australia's approach heuristically, to identify variables that may illuminate the conditions under which states depart from established approaches to economic statecraft. We also leverage the evidence from our empirical section to illustrate and refine the conceptual scope of state- and market-based approaches.

The paper proceeds as follows. Section 2 synthesizes the research program to propose a modified conceptualization of economic statecraft. In section 3, we sketch an outline of Australia's historical approach to economic statecraft before specifying the baseline from which we consider how that approach has changed in response to new challenges that have emerged over the past decade. Section 4 sketches vignettes of three areas in which Australia has recently utilized economic statecraft. Section 5 evaluates recent patterns of change and continuity in Australia's approach, and Section 6 considers the implications of our analysis and concludes with recommendations for research.

2. Conceptualizing economic statecraft

Any conceptualization of economic statecraft must begin with David Baldwin's influential 1985 text. The crux of Baldwin's contribution was to draw scholarly attention to the use of *economic* policy instruments as tools of 'statecraft', by which he meant 'attempts [by states] to exercise power, i.e. to get others to do what they would not otherwise do' (1985, 9). The study of economic statecraft has undergone something of a renaissance over the past decade, with two factors in particular reviving scholarly interest. One is China's active use of economic policy tools to advance its foreign policy objectives and influence other actors in world politics (see Breslin & Nesadurai, this issue). The second has been a gradual shift in perceptions regarding the relationship between economics and national security (Roberts, Moraes & Ferguson, 2019) prompted, among other things, by the salience of new technology and industrial policy to great power competition between the United States (US) and China (Kennedy & Lim, 2018), and the growing frequency with which economic interdependence has been 'weaponized' by different states in recent years (Farrell & Newman, 2019).

This resurgence of interest in the relationship between economic exchange, power, and security has seen the concept of economic statecraft employed to study a growing range of actors—including Brazil (Dalgaard, 2017), Russia (Svoboda, 2019), Japan (Igata & Glosserman, 2021), South Korea (Thurbon & Weiss, 2021) and the European Union (Olsen, 2022)—and instruments, including inducements (Wong, 2021), sovereign lending (Armijo & Katada, 2015), infrastructure investment (Lim & Mukherjee, 2019), trade in services (Lim, Ferguson & Bishop, 2020), and other types of domestic and international laws that regulate economic exchange (Ferguson, 2022). As observed by Breslin and Nesadurai in the introduction to this special issue, this flurry of research raises questions about the utility of the concept to cover such a wide variety of state actions.

Our (re)conceptualization of economic statecraft is based on two distinct pillars. First, we orient the *ends* of economic statecraft specifically around issues of security. Insofar as Baldwin's original concept was primarily focused on *means*, the ends of economic statecraft were defined broadly so as to capture any goal of foreign policy that necessitates influencing the behavior of other actors.[1] As Norris (2016, 2017) has argued, while this may have been appropriate for Baldwin's purpose of drawing scholarly attention to the then-relatively less appreciated potential of economic policy instruments during the 1980s, it is less helpful for contemporary international relations inquiry concerned with narrower research questions about the precise conditions under and mechanisms through which states can harness economic exchange to achieve strategic objectives. We follow more analytically precise definitions that anchor the ends of economic statecraft around the management of 'security externalities' arising from economic activity, by which scholars mean the consequences of economic exchange which are not fully internalized by the participants in a transaction, and which are either beneficial or adverse for a state's national security (see, e.g., Lim & Mukherjee, 2019; Norris, 2016).

Tweaking the concept in this way means it no longer needs to be tethered exclusively toward instances where states seek to shape the behavior of other actors in world politics (Baldwin's original focus). While using economic sticks or carrots toward that end remains a prominent method through which states seek to achieve strategic objectives, it does not capture the full range of ways through which economic policy instruments may affect security outcomes. Expanding, restricting or otherwise modifying the nature of certain types of economic exchange may enhance or erode a state's security in other ways, such as via dual-use technology transfer (Norris, 2017), the gleaning of sensitive information (Farrell & Newman, 2019), or simply enhancing the efficiency of an economy and thus freeing up capacity that may be devoted toward battlefield preparedness (Gowa & Mansfield, 1993).

The second pillar is concerned with the means through which states engage in economic statecraft. Whereas extant research has overwhelmingly focused on outwardly-focused policy instruments, such as the classic economic sanction, others argue economic statecraft ought to encompass interventions that states conduct in their own domestic economies. Aggarwal and Reddie, for example, advocate a conception of economic statecraft broad enough to capture important new empirical trends at the intersection of economics and security, such as states 'making strategic investments in their own markets related to critical emerging technologies' and 'using tools such as industrial policy and new legislation designed to impact cross-border investment, mergers, and acquisitions' (2020, 2). Likewise, Thurbon and Weiss seek to extend the concept to capture '*domestic* policy tools being deployed for primarily *geoeconomic* purposes' (2021, 107, emphasis in original), such as efforts to foster breakthroughs in emerging technologies so as to 'fend off, outflank, or move in step with rival economic powers' (109).

We agree, and thus conceptualize economic statecraft as actions taken by states in the economic domain that seek to generate or obstruct security externalities. Such measures may be offensive/proactive or defensive/reactive in nature, and they may be directed at international or domestic economic activities. Adopting this conceptualization, we also draw a new analytical distinction, according to whether economic statecraft actions reflect 'market-based' or 'state-based' principles. Such a distinction has seldom been drawn in earlier research,[2] but can enable within- and cross-case comparisons of states' economic statecraft activities.[3] We anchor it around two baseline metrics. Building on insights from sketches of 'realist' political economy (Drezner, 2010; Kirshner, 2009), our starting point is to focus on the relative balance between state and market in a given activity. Whereas a state-based approach to economic statecraft seeks to manage the security externalities of economic exchange by restricting the role of market forces (bringing the nature and terms of exchange under greater state control), a market-based approach does the opposite, taking actions that seek to relinquish or restrict state influence over the economic exchange in question and thereby elevate the influence of markets (reflecting a belief that market-based exchange may be optimal for generating positive or minimizing negative security externalities arising from economic activity). Second, whereas a market-based approach seeks to nurture rules and institutions that are binding and non-discriminatory, a state-based approach eschews such constraints and seeks to retain wide discretion for governments to intervene in the economic domain. We seek to refine the scope of these indicators in our analysis below.

3. Australia's historical approach to economic statecraft

Australia's historical approach to economic statecraft has largely been driven by the perceived necessities stemming from its structural position in the global economy.[4] '[S]mall, exposed and often alone' (Capling, 2001, 1) for much of the 20th century, Australia's limited domestic market rendered it highly reliant on the export of its abundant primary resource commodities and the import of manufactured goods. Lacking leverage to unilaterally influence its trading partners and wary of any interruptions to global exchange, pre-World War II (WWII) governments eschewed many of the policies typically associated with economic statecraft and instead pursued a dual strategy of prioritizing trade within the British imperial framework (and the access and relative predictability this afforded), coupled with high levels of domestic protection to promote industrial development and employment.[5]

3.1. The early post-war era

Australia's approach in the post-WWII era can be divided into two distinct phases. The first, lasting from 1945 until the late 1970s, was one of limited and cautious use of economic statecraft that often turned away from market-based logics. As a state aware that it could 'neither bully nor buy its way in the world' (Varghese, 2015), Australia actively supported efforts to construct the post-war multilateral trade regime and was one of the original 23 signatories to the General Agreement on Tariffs and Trade (GATT). However, governments did not actively seek to shape these institutions to promote trade liberalization and the development of global market forces with a view to enhancing Australian national security. Rather, while Canberra embraced and promoted rules-based trade,[6] it was a reluctant trade liberalizer. As an exporter of agricultural products (which were initially excluded from tariff reduction rounds), Australia abstained from the reciprocal trade liberalization process for manufactures undertaken by other developed countries leading into the 1970s (Corden, 1996).

Throughout these decades, protectionist and nationalist impulses led Australia to maintain high tariffs and industrial policy measures to promote full employment and develop a domestic manufacturing base (Bell, 1993; Capling & Galligan, 1992).[7] Outwardly, Australia engaged in limited manipulation of economic exchange in pursuit of strategic goals. Even where endorsed by United Nations resolutions, Australia was often reluctant to impose economic sanctions (see, e.g., Jordan, 2020; Sutter, 1985). On occasion, Canberra did unilaterally threaten to disrupt certain exchange to promote its trading interests. In 1964, for example, the government sought to deter Washington from restricting Australian meat exports by threatening to reduce imports of US tobacco, airplanes and tractors (Cooper, 1992, 358), but there is little evidence Canberra took similar actions with an explicit view to promoting national security objectives. The provision of aid was, however, sometimes shaped by Cold War strategic imperatives, and instrumentally deployed to support anti-communist leaders in states in Australia's near abroad (Hameiri, 2008; Day & Wells, 2021).

3.2. The market-based era

The second period, which lasted from the 1980s up until at least the 2008–09 global financial crisis, was one in which Australia's economic policy more broadly, including its economic statecraft, shifted pointedly toward market-based logics. Where Canberra sought to manipulate economic exchange within or across borders for strategic purposes, it was largely done in a way that promoted—rather than suppressed—the role of market forces.

The shift toward markets occurred in the context of increasing economic globalization and the rise of 'neoliberalism' and economic rationalism that took hold in Australia and other Western states during the early 1980s (Pusey, 1991). During this era, and especially following the election of the center-left Hawke Labor government in 1983, Australia dramatically reduced its average tariffs and other barriers to trade, liberalized its investment regime, privatized much of the formerly state-controlled sector, pivoted to a performance-oriented aid program, and began to promote trade liberalization much more actively both within the GATT (and later World Trade Organization (WTO)) system and subsequently through bilateral and regional trade and investment agreements, with numerous deals with key partners coming into force from the 2000s onwards (Wilson, 2021). The government also wound back support for domestic manufacturing, leading the industry to collapse from representing more than a quarter of national GDP in the 1960s to approximately 5% in the 2010s (see Fenna, 2016). The depth of Australia's commitment to this economic restructuring is widely regarded as an 'extraordinary turnaround' from the country's traditional approach (Bell, 1997, 1).

It also manifested in a new style of economic statecraft, albeit one that was not always overt, nor which typically involved instruments that preoccupy much of the economic statecraft research agenda. For example, although Australia used sanctions somewhat more frequently in this period, it was still done sparingly, for 'symbolic' rather than 'instrumental' purposes (Nossal, 1991), and always in concert with allies. We highlight three issue areas that illustrate Australia's market-based approach. The first involves institution building. From the start of this second era, the Australian government took a much more active role in shaping different agendas in the international trade and investment regime toward greater liberalization. This was most visible in Australia's leadership of the Cairns Group of agricultural exporting nations during GATT/WTO multilateral trade negotiations (Higgott & Cooper 1990) and in driving forward the creation of the Asia Pacific Economic Cooperation (APEC) dialogue (Cooper, Higgott & Nossal, 1993). These efforts to shape the direction of trade liberalization and elevate the role of market forces in global exchange were not merely driven by economic motives, but crucially a belief that limiting the scope for other states to intervene in their markets and deepening interdependence with key partners would produce tangible security benefits.[8]

A second domain that illustrates Australia's pivot to market-based economic statecraft is foreign aid. While aid policy became more oriented toward promoting development and reducing poverty in the 1980s and 1990s (Davis, 2011), the provision of financial assistance to states in Australia's near abroad—in particular, the Pacific Islands and Southeast Asia—became more explicitly about the management of security externalities in the early 2000s, amidst growing concern about the risk of 'failed states' in the wake of the 9/11 terrorist attacks (Hameiri, 2008). Consequently, Australian aid policy toward countries including Solomon Islands, Timor-Leste, Papua New Guinea (PNG) and Nauru pivoted to a focus on state building. While some assistance involved the direct funding of specific projects and programs, an underlying objective was the cultivation of robust markets (including via conditionalities requiring trade liberalization and other economic reform), which Canberra argued would reinforce state capacity, increase prosperity and promote political stability (Hawksley, 2009; Rosser, 2016). Here, again, market promotion was paramount to Australia's approach—not, as Hameiri cautions, because of a 'neo-liberal messianic fervor for extending liberal markets to all' (2008, 365), or in order to gain market access for Australian firms, but because of prevailing beliefs about the relationship between forms of economic governance and political stability.

Whereas the former domains concerned outward economic statecraft activities, the final—which concerns Australia's approach to energy security, especially liquid fuel supplies—involved both external and internal components. Internally, despite dwindling domestic supply and refinery capacity and growing reliance on global markets, consecutive Australian governments declined to intervene in the domestic energy market in order to minimize any risks of potential negative security externalities arising from supply disruptions (Blackburn, 2013).[9] Instead, energy markets were continually liberalized because of a view that greater competitive pressures would lead to efficiencies, flexibility and resilience that would yield net benefits from a security perspective. This also reflected a belief that '[u]nnecessary government intervention … pushes up energy costs and hinders the markets in driving costs down' for consumers (Department of Industry and Science, 2015, 4). Simultaneously, externally—as commentators have observed (Wesley, 2007, 46) and the Australian government has explicitly acknowledged—the state maintained the view that the most efficient way to promote energy security was by building and participating in open global markets that are reliable 'because of [their] depth, liquidity and diversity' (Department of Industry and Science, 2015, 26). Toward that end, Australia actively promoted the development of open and transparent global energy markets. There is strong empirical evidence to suggest these markets—such as that for oil (Hughes & Long, 2015)—are capable of adjusting effectively to supply disruptions. Nevertheless, the extent of Australia's reliance on market mechanisms in this period diverged from that of comparable countries which did more inwardly to monitor their fuel supply chains and took more active measures to manage their energy supply and demand (Department of the Environment and Energy, 2019). Indeed, for extended periods of time Australia was the only net importer of oil that was a member of the International Energy Agency which did not maintain the minimum 90-day strategic oil reserve, and which did not mandate industry actors to maintain set stocks (Carter, Quicke & Armistead, 2022).

In other areas, Canberra appeared to refrain from engaging in economic statecraft at all. Weiss and Thurbon (2021, 6) highlight that, insofar as Australian governments maintained modest industrial policies—such as those to encourage the domestic development of certain emerging technologies—they did not seek to influence particular forms of economic activity with a specific view to managing security externalities. The same can largely be said of Australia's approach to regulating foreign direct investment. Australia maintained an open investment regime throughout this second era, however debates emerged in the late 2000s about the increased screening of certain investments by state-controlled entities, especially those with ties to the Chinese government (Drysdale & Findlay, 2009; Reilly, 2012). While some interpreted an uptick in government intervention starting in 2008 as indicating a shift to more actively managing economic exchange due to security concerns, the evidence overwhelmingly suggests that decisions at that time were shaped by standard 'nationalist' political economy motivations and in particular concerns that specific investments would distort competitive market dynamics (Wilson, 2011, 284).

The above trends largely continued into the early-2010s and set the baseline against which we assess whether and, if so, to what extent Australia has recently diverged from the market-based approach that defined its economic statecraft from the 1980s. Where governments sought to manage or generate security externalities arising from economic exchange in that era, intervention occurred in ways that elevated the role of market forces rather than restricting them. In other areas, economic statecraft was eschewed entirely, and interventions in economic exchange were predominantly motivated by standard political economy concerns or fears that ordinary market forces might be distorted.

4. Recent developments in Australia's economic statecraft

The 2008–09 global financial crisis is commonly identified as the beginning of the end of the 'neoliberal' or 'Washington Consensus' model of globalization. The reputational damage to the prevailing economic order would aggregate over the 2010s with three other forces that have legitimized greater state involvement in markets to pursue broader national objectives (Lim, 2019). The first is the return of great power rivalry occasioned by China's resurgence, and the alternative (and by many economic metrics successful) model of economic organization Beijing embodied (Breslin, 2011). The second is the rise of populist, nationalist and anti-establishment political movements around the world—exemplified by US President Donald Trump—which have often been actively hostile to the multilateral trade regime (Colgan & Keohane, 2017). Third is the securitization of economic policy whereby a growing number of policy domains including trade, technology and education, are increasingly perceived to engage core national security interests (Roberts, Moraes & Ferguson, 2019).

These factors increased the legitimacy and appeal of increased state authority over markets, generating permissive conditions for greater state-based forms of economic statecraft. Recent examples of policy movement in this direction include the US's CHIPS and Science Act, the European Union's Anti-Coercion Instrument, and Japan's Economic Security Promotion Act. But how has Australia responded to these developments? These factors have also come to Australia's shores, most prominently in the form of multiple policy challenges posed by China's rise—Beijing's expanding interests and its growing economic power to pursue them. Our case studies therefore explore the extent to which Australia's economic statecraft vis-a-vis China has stayed consistent with the country's broader policy legacy of openness and market-based governance, or has increasingly acquired state-based characteristics amid growing geopolitical pressures. The cases are examined for heuristic purposes (George & Bennett, 2005). Given our intent is not theory testing but rather theory development, the logic of our case selection was to prioritize the most salient instances where the Australian government appealed to security when taking economic actions. This maximizes the scope to observe any processes of—and potential variables or mechanisms underpinning—change in approach.

We provide vignettes of three categories of economic statecraft activity. For each, we document the perceived problem and apparent objective in solving it (what security externality was the government seeking to manage?) and the policy tools through which solutions were pursued (how was the action operationalized?). We seek to illustrate a range of salient examples from each activity domain, before turning in the next section to what the patterns of change and continuity reveal about the conditions under which states may adapt their prevailing approach to economic statecraft.

4.1. Limiting market access

The first domain involves efforts to regulate the ability of Chinese economic actors to participate in the Australian economy. This has primarily occurred in two ways: first, via intensified screening of foreign investment, and second, by excluding foreign firms from supplying goods or services to specific domestic sectors.

4.1.1. Investment screening

Beginning in 2016, Canberra has more actively blocked investments on national security grounds, while increasing its capacity to screen foreign investment proposals for potential security externalities. Four interventions are particularly notable. In 2016 the Turnbull government abruptly intervened to block the sale of a 99-year lease and controlling stake in Ausgrid (Australia's largest electricity network) to two bidders, China's government-owned State Grid Corporation and Hong Kong-based Cheung Kong Infrastructure (CKI). The bids, reported to be considerably larger than the eventually succesful offer of an Australian consortium, were rejected on national security grounds—in particular, due to concerns about critical infrastructure supported by the grid, including a US-Australian joint defense facility at Pine Gap (Hartcher, 2018). Subsequently, in 2018, a $13b bid by CKI for the APA Group (which ran more than half of Australia's gas pipeline network) was rejected by Treasurer Josh Frydenberg as 'contrary to the national interest'. Though Frydenberg claimed the concern was 'undue concentration of foreign ownership by a single company group', the deal had been approved by Australia's competition regulator, and was thus widely believed to be driven by security considerations (Jennings, 2018; Kehoe, 2018).

The next intervention occurred in August 2020, when Treasurer Frydenberg effectively blocked China Mengniu Dairy Company's proposed $430m acquisition of Lion Dairy and Drinks by declaring it contrary to the national interest. Mengniu was not state-owned, Lion was already foreign-owned (by Japan's Kirin), and the deal had been endorsed by Australia's Treasury Department and Foreign Investment Review Board (FIRB). Nevertheless, although the rationale was not elaborated, the Treasurer intervened in a move interpreted either as a tit-for-tat response to recent Chinese sanctions (Fickling, 2020) or to undercut an investment some believed to be motivated by Chinese food security objectives (Shoebridge, 2020). Against this backdrop, the government also announced an overhaul of the foreign investment review framework, which expanded its scope for blocking investments by introducing a new, explicit national security test, expanding the definition of national security, removing the monetary threshold triggering national security review, and empowering the Treasurer to order divestments if security issues arose after deals are concluded (FIRB, 2020).

This policy infrastructure came into effect on 1 January 2021. That same month, the Treasurer blocked China State Construction Engineering Corporation (CSCEC)'s planned $300m acquisition of Probuild (a South African-owned construction company) on national security grounds. The deal raised concerns because of CSCEC's apparent links with China's defense industry, and because Probuild was involved in the construction of two projects deemed to be sensitive—a state police department headquarters, and the headquarters of a company involved in the production of COVID-19 vaccines (Kehoe et al., 2021). Although the decision was derided as an 'act of economic suicide' by some Australian observers (Durie, 2021), others argued it was justified because of the 'unique characteristics of China's political economy and objectives of the Communist Party' (Lee, 2021). Consideration of these latter factors, and a resulting concern that Chinese economic actors might not always act according to commercial considerations, appear to have underpinned the intervention in each of the aforementioned cases. This was especially true after the passage of China's 2017 National Intelligence Law, with provisions that compel Chinese companies to provide authorities access to information, and which had—in the view of senior Australian officials—'done away with the distinction between private and state-owned companies' in China (Grigg, 2019).

The above actions, and other blocked investments,[10] represent a shift in Australia's approach to balancing the economic benefits of foreign investment against its potential risks. Treasurer Josh Frydenberg acknowledged as much in 2021 when he noted:

> I have increasingly seen foreign investment applications that are being pursued not necessarily for commercial objectives but strategic objectives, and as you know *I have said no to applications that in the past may have been approved* (emphasis added, Frydenberg, 2021a).

The latter point is key. Indeed, even approvals from as recent as 2015 seem at odds with more recent decision-making, such as the controversial 99-year lease Chinese company Landbridge Group secured over the strategically important Darwin Port (a decision reviewed on security grounds in 2021 by the Morrison government and subjected to an additional and ongoing security review by the newly elected Albanese government in 2022) and China Communications Construction Company's acquisition of Probuild rival John Holland, a construction company involved in potentially sensitive infrastructure work including rail, airport and tunnel projects (Wiggins, 2020). While national security considerations have always featured in Australia's regulation of foreign investment, Canberra has begun more actively regulating inbound investment flows in order to manage perceived security externalities that, previously, had not created such concern—even if doing so may be economically costly: after a peak of US$11.5b in 2016, Chinese investment in Australia declined to just US$585m in 2021 (Ferguson et al., 2022). Many argue the increased scrutiny of proposed investments—and associated risks of rejections and delays—has been a major factor driving this trend (see, e.g., Smyth, 2021). That said, since 2016 China's overall external investment has seen a significant and sustained decline, suggesting that Australia's growing scrutiny of Chinese investment may not be the only driver at play.

4.1.2. ICT exclusions

Australia has also taken steps to limit the participation of specific Chinese firms in its information and communications technology (ICT) sector. Two actions are notable. One occurred relatively early, in 2011, and is perhaps the first example of Canberra taking a more activist approach to managing the potential security externalities of economic exchange in recent years. On the advice of Australia's domestic security and intelligence agency—the Australian Security Intelligence Organisation (ASIO)—the government privately decided not to accept any bids from Huawei for contracts working on Australia's $38b national broadband network (NBN). The ban was publicly confirmed by the Gillard government in 2012, and explicitly justified on the grounds of national security. In particular, the government cited concerns about cybersecurity and infrastructure resilience, with Attorney-General Nicola Roxon noting the decision was 'consistent with the government's practice for ensuring the security and resilience of Australia's critical infrastructure more broadly'.

Subsequently, in 2018, the Turnbull government effectively banned both Huawei and ZTE from participating in the roll out of Australia's 5G network on security grounds when it introduced a law excluding 'vendors who are likely to be subject to extrajudicial directions from a foreign government that conflict with Australian law'. As was the case with the investment decisions, the 2017 codification of Beijing's authority to utilize Chinese private and public sector companies to pursue the country's national strategic objectives was the decisive consideration motivating the 5G exclusion (Gilding, 2020). Former Prime Minister Malcolm Turnbull plainly stated the government's apparent concerns after leaving office:

> [I]f the Chinese Communist Party called on Huawei to act against Australia's interests, it would have to do it. Huawei says, 'Oh no, we would refuse.' That's laughable. They would have no option but to comply (Hartcher, 2021).

Whereas the 2011 NBN decision excluded Huawei from a government contract, the 2018 5G decision was a significant escalation because it prohibited all Australian telecommunications companies from using Chinese vendors Huawei and ZTE to build their ICT infrastructure. Beyond eliciting outrage and opposition from Beijing, the decision was a dramatic departure from Australia's longstanding liberal approach to the participation of foreign companies in the Australian market. It was also internationally unprecedented, making Australia the first country globally to wholly exclude Chinese ICT companies from its domestic market.

4.1.3. Summary

Limitations on foreign investment are not unknown in the history of Australian economic policy (Uren, 2015), and foreign investment and procurement are both domains more prone to economic nationalism. Nevertheless, that explicit national security justifications provided for outright denials of market access is a notable shift, with China unmistakably the focus. Canberra has not sought to deny the economic benefits of openness to foreign firms, but in certain circumstances it has assessed that the negative security externalities from allowing market transactions to proceed are unacceptably high.

4.2. Critical minerals

The second domain in which Australia has pursued new economic statecraft initiatives relates to the production and supply of critical minerals. Reliable access to critical minerals such as rare earth elements, lithium and cobalt has emerged as a prominent security issue over the past decade because they are essential inputs for a wide range of defense, industrial and renewable energy technologies. China overwhelmingly dominates their supply to global markets, especially via its mid-stream role in refining (Castillo & Purdy, 2022). Concerns that Beijing might leverage this position for coercive purposes, as it appeared to do during a 2010 dispute with Japan (Vekasi, 2019), have prompted a range of countries—including Australia—to build out new critical minerals supply chains and reduce their dependence on China. Within this context, Canberra has pursued two initiatives: first, as a state with abundant critical mineral reserves, it has independently sought to cultivate its domestic extraction and refinery capacity; second, it has pursued a variety of agreements with international partners to foster investment and develop new supply chains.

4.2.1. Domestic initiatives

Following the 2019 release of Australia's first Critical Minerals Strategy, the government established a Critical Minerals Facilitation Office to provide strategic advice, finance and support for the exploration, extraction, production and the processing of critical minerals. Although the strategy is underpinned by a variety of objectives—including domestic job creation—it was also framed as contributing to the security of Australia and its allies (Department of Industry, Science and Resources, 2022a). In a statement accompanying a suite of loans in 2022, Energy and Industry Minister Angus Taylor made the security angle explicit:

> China currently dominates around 70 to 80 per cent of global critical minerals production and continues to consolidate its hold over these supply chains. *This initiative is designed to address that dominance* (emphasis added, Taylor, 2022).

Equally notable is the way these loans are disbursed. In recent years, the Australian government has dramatically expanded its financing capabilities, primarily through the reinvigoration of its export credit agency, Export Finance Australia (EFA), formerly known as the Export Finance Insurance Corporation (EFIC). In the preceding era, the agency's function was largely limited to providing loans and export insurance for commercial exporters confronted with market gaps, consistent with OECD guidelines (Bunte, Gertz & Zeitz, 2022). Indeed, as recently as 2014 there had been calls to either dramatically wind back its operations (from the Australian Productivity Commission) or abolish it altogether (from the National Commission of Audit) because it was not seen to be providing 'value for money' (Potter, 2014). Since 2017 however, EFA's remit has been steadily broadened to enable the provision of larger loans and, in a sharp break from the past, engage in previously forbidden activities, including making equity investments and funding overseas infrastructure projects (Zhou, 2021). The relevant Minister can designate a project to be in the 'national interest', with financing provided even upon terms and conditions that do not meet ordinary commercial standards.

These developments facilitated a 'cash splash' on critical minerals (Thompson, 2019), whereby Canberra has provided a wide range of financial support to de-risk new projects. At the center of this thrust is a $2b Critical Minerals Facility administered by EFA, which has funded several projects, including Australia's first integrated rare earths facility that will be developed by Iluka Resources following a $1.25b non-recourse loan in 2022 (Department of Industry, Science and Resources, 2022b). Through other government programs, including the $1.3b Modern Manufacturing Initiative and the $5b Northern Australia Infrastructure Facility, more than $500m has been devoted to at least 10 other critical minerals projects since 2021 (Department of Industry, Science and Resources, 2022a).

These developments indicate a remarkable turnaround. During the peak of Australia's market-based era, government reports explicitly rejected the idea that Canberra should directly involve itself in the production of such resources:

> Normal market forces … will be the determinants of change. Most of this activity will be undertaken by larger, established companies and … there is little influence that the Government can or should have (Industry Commission, 1995, 99).

That attitude persisted into the 2000s. While the government sought to provide a favorable investment environment for mining, it did not offer companies direct financial support. Indeed, when Lynas, the first firm to extract rare earth elements in Australia, was experiencing difficulties during the early 2010s, it was finance from Tokyo (via a US$250m loan facility from Sojitz and the Japan, Oil, Gas and Metals National Corporation)—not Canberra—that helped it survive and provide an alternative to Chinese supply (Ghols & Hughes, 2021, 622).

In funding recent projects and offering to absorb losses that may arise from unsuccessful ventures, the government has arguably shifted back to its early 20th century statist roots of offering support to infant industries and emerging projects that are not yet deemed commercially viable. In the past, critical mineral projects in Australia struggled because it was extraordinarily difficult for them to secure equity or debt financing. Issues such as the absence of stable or transparent prices and the technical difficulty of extraction and processing meant they were deemed to entail significant risk (Uren, 2019; Yellishetty, 2022). Canberra's new willingness to underwrite that risk appears to have been decisive. As Iluka Resources, the recipient of the biggest loan provided so far, claimed: 'Our final investment decision [to build a new rare earths plant] *would not have been taken without the support of the Australian government*' (emphasis added, Paul & Swaminathan, 2022).

4.2.2. Strategic partnerships

Simultaneously, Canberra is also pursuing a range of bilateral and multilateral agreements to foster investment in Australian critical minerals projects and facilitate collaboration on the construction of new critical minerals supply chains. Bilaterally, Australia has signed agreements with likeminded security partners—the US (2019), India (2020), and most recently in December 2021, South Korea—another state concerned about over-reliance on Chinese supply (Smith, 2022). Australia also announced a Supply Chain Resilience Initiative with India and Japan in September 2020, which has a critical minerals component, and joined nine other states in signing on to the US-led 'Global Minerals Security' partnership which will also facilitate investment in Australian projects in order to strengthen global supply chains. It is expected that such partnerships will facilitate a range of new investments, including from US government financing agencies (Cranston, 2022).

4.2.3. Summary

Being a major minerals exporter and market leader, one might expect the Australian government to take a light touch in the industry. Canberra's non-intervention when Lynas experienced difficulties in the early 2010s bears that out, which therefore highlights the extraordinary turnaround in recent years. Explicit anxieties about China's dominance of the sector triggered government intervention, de-risking and supporting critical minerals projects that otherwise appeared commercially unviable. Moreover, Canberra is utilizing the sector as a basis for economic cooperation with trusted security partners, not to pursue the traditional goal of maximizing the gains from trade, but to establish supply chains secure from disruption or influence from Beijing.

4.3. Pacific interventions

Recent Australian governments perceive China's growing footprint in the Pacific Islands region to pose a geopolitical challenge (Wallis et al., 2022). The response has been a Pacific 'Step-up' program, first introduced in 2016 (as a ‘step-change’) and significantly expanded in November 2018. Two types of initiatives in this domain are notable: first, Australian efforts—sometimes independently, other times with international partners—to develop infrastructure in place of Chinese companies; second, subsidizing Australian firms to purchase sensitive infrastructure in the region. While the program has traditional components that are not specifically directed toward managing security externalities, such as significant increases in official development assistance (ODA) and an expanded labor mobility scheme, some initiatives appear more directly to respond to emerging security challenges.

4.3.1. Infrastructure development

Policymakers have had increasing concerns about the involvement of Chinese economic actors in the development of infrastructure projects abroad via the Belt and Road Initiative (BRI). In the Pacific Islands region, this has been most prominent with regard to undersea ICT cables. Chinese companies constructing or operating such cables has been perceived by Australian officials as a security risk, as some judge that it may enable Beijing to disrupt or intercept data flowing through them (Wroe, 2018). Accordingly, Australia has intervened to prevent Chinese involvement in several cable projects. Twice this was done independently. The most notable instance occurred in January 2018, when Canberra intervened to prevent Huawei’s cable subsidiary, Huawei Marine, from building a cable connecting Solomon Islands, PNG and Australia. Huawei had originally been contracted to do the work by Solomon Islands in 2016, but Australian officials successfully objected, offering $136m to fund approximately two thirds of the 4,700km Coral Sea Cable System (Doran & Dziedzic, 2018). Following this, Australia established the $2b Australian Infrastructure Financing Facility for the Pacific (AIFFP) to provide $1.5b in loans and $0.5b in grants for infrastructure projects in the region, to be administered by the reinvigorated EFA, which also had its callable capital increased by $1b. The Coral Sea Cable was completed in 2019. That year, Australia also announced it would support the development of a second cable project, connecting Timor-Leste to Australia (Massola, 2019).

In other cases, Australia acted in concert with other international partners. In 2020, Australia, Japan and the US announced their first project under a new Trilateral Partnership for Infrastructure Investment—a 110 km spur cable, to be built by Japan’s NEC, connecting Palau to the Echo subsea cable system which connects Singapore and the US (Clark, 2021). Through the AIFFP, Australia is contributing approximately one third of the US$30m funding. In 2021, Australia again partnered with Japan and the US to provide financing and implementation support for a new undersea cable to improve internet connectivity for Nauru, Kiribati and the Federated States of Micronesia. Huawei Marine had originally submitted a bid for the East Micronesia Cable project, triggering security concerns among the partnership (ABC, 2021).

Canberra has initiated other infrastructure developments via the AIFFP to offset China's perceived influence in PNG. First, in 2018, Australia joined the US, New Zealand and Japan in establishing the PNG Electrification Partnership, under which Canberra will provide $250m for a range of energy projects. The Partnership emerged due to concerns about growing energy infrastructure debt owed by PNG to China (Sharma et al., 2021). Most recently, following growing concerns about China's port development proposals in the country (such as for New Daru City: Whiting, 2021), in January 2022 Canberra also announced it would provide $580m in loans and grants for the upgrade of six PNG ports (Tillett, 2022).

4.3.2. Infrastructure acquisition

Beyond funding new infrastructure, there has also been one instance where Canberra directed an Australian company to acquire an existing ICT business in the Pacific. In May 2020, rumors emerged that Digicel Pacific, the largest cellular phone carrier in the region with operations and infrastructure across six Pacific Island states (Samoa, Fiji, Tonga, Vanuatu, Nauru and PNG), was in talks with China Mobile about a potential sale. Later that year, Digicel announced it was looking to sell the business and had received several unsolicited offers. This caused significant concern among Australian security officials, who feared the company's assets could be leveraged by Chinese actors for espionage or influence in regional politics (Kehoe, 2021).

In a remarkable shift away from the government's past approach, Canberra directly intervened and coordinated a takeover by an Australian company. The $2.1b deal, announced in October 2021, saw Telstra (itself a formerly state-owned telecommunications company privatized during the previous era) contribute $361m and acquire full control of Digicel. The government provided the remaining $1.8b via EFA's 'national interest' account. This intervention occurred despite the absence of a clear bid by any Chinese actors. As one official noted, 'No one thought China Mobile was immediately going to buy the company, but we didn't want to leave a vacuum either' (Packham, 2021). It is widely believed that Telstra would have had 'no interest in [the deal] without the government's prodding and the generous taxpayer funding allowing it to proceed' (Hewett, 2021). Insofar as the government deliberately directed the behavior of a large firm, it represented a dramatic departure from the 'hands-off approach' toward the foreign activities of Australian economic actors that had prevailed in Canberra in recent decades (Hameiri, 2021).

4.3.3. Summary

By its very nature, ODA is funded and led by governments, not markets. Nor is the balance between funding infrastructure—the foundation of China's BRI—and traditional human development categories such as health and education, necessarily indicative of a shift. What is revealing about these cases, however, is Canberra's clear intention not merely to fund projects, but to directly control who delivers the work, by setting tight parameters on how infrastructure is constructed and operated. In the past, we posit, Australia would have been satisfied with undersea cable contracts going to the most competitive bidder, and would not have so patently directed and subsidized an acquisition like Digicel. The state is therefore playing an (even more) enhanced role in Australia's ODA program, driven we argue by rising anxieties regarding China's growing influence.

5. Continuity and change in Australia's economic statecraft

5.1. Continuity

The previous section sought to establish that, across several salient policy domains in recent years, Australian economic statecraft has reflected state-based logics, in a clear departure from a legacy of market-based practices. However, one should not infer that Canberra is fully embracing a statist model. In other respects, Australia's economic statecraft exhibits strong continuities, consistent with the belief that market-based logics can support broader strategic objectives. In its 2017 Foreign Policy White Paper, the government wrote:

> Australia's economic and security interests are closely intertwined…[and] best served by deepening regional economic integration in a way that maximises growth through open trade and investment on market-based principles (Department of Foreign Affairs and Trade, 2017, 44).

Throughout this recent period Canberra has continued its tradition of working in coalitions to shape the international institutional environment to promote a rules-based trading system. Australia played a key role in the G20's post-2008 reforms (Wesley, 2016), was instrumental in promoting the (Comprehensive and Progressive) Trans-Pacific Partnership trade agreement after the US withdrawal in 2016, and worked with partners to ensure transparent and accountable governance arrangements within China's Asian Infrastructure Investment Bank in 2015 (Wilson, 2021). Even in infrastructure, perhaps motivated in part by the recognition that it could not compete dollar-for-dollar (or 'dollar-for-yuan') with China, Australia has coordinated with Japan and the US to develop the Blue Dot Network (BDN), a global certification framework for infrastructure projects designed to promote a range of shared best practices and standards, such as transparency, financial viability, and sustainability. First announced in 2019, and recently elevated as a component of the G7's Build Back Better World, the BDN is widely seen as a response to China's BRI (Losos & Robert Fetter, 2022). This kind of institutional response, which seeks to elevate the role of market forces in order to minimize the risk of situations where unsustainable national debts may undermine the sovereignty of developing economies, aligns closely with the market-based model of Australian economic statecraft.

Continuity was also seen in Australia's response to China's apparent economic coercion. Following a series of bilateral political disputes, Beijing imposed restrictions on a wide range of Australian exports in 2020. Officials interpreted these actions as coercive, constituting threats to Australia's policy autonomy and thus national security (Tillett et al., 2020; Dennett, 2021). Analysts, commentators, and even a small number of Australian parliamentarians advocated for (market-distorting) measures to punish China (Glaser, 2021; Hanson, Currey, & Beattie, 2020). However, despite calls to retaliate, or at least provide direct financial support to compensate the losses of affected industries, Canberra's response instead focused on market-oriented support.

First, the government sought to blunt the sanctions' impact by improving exporters' access to new markets. Externally, this meant stepping up negotiation efforts with other export partners, including specific access arrangements for affected exports (Department of Agriculture, Fisheries and Forestry, 2022a) and hastening the conclusion of new free trade agreements with the United Kingdom and India. As a result, the government claimed to have opened or improved access to 46 different agricultural or fisheries export markets in 2021–22 (Department of Agricultural, Fisheries and Forestry, 2022b). Internally, these efforts resulted in new or reformed initiatives to assist those exporters seeking to expand existing or cultivate new markets. For example, the $85.9m Agri-Business Expansion Initiative, announced in December 2020, funded a range of new initiatives, including an expanded mechanism for exporters to receive tailored advice, new scientific research, training opportunities, and additional short-term agricultural counsellors (who are posted to help build relationships in targeted markets). In late 2020, the $157m Export Market Development Grants Scheme, which supports export promotion expenses (such as those related to marketing), was reformed to increase eligibility, and allow easier access to payments (Sadler, 2022). Notably, however, Canberra did not instruct firms to end their reliance on the Chinese market, but instead encouraged firms to inform themselves of potential risks, and if necessary, adopt a 'China-plus' approach.

Second, Canberra took Beijing to the WTO, challenging Beijing's barriers on bottled wine (WTO, 2021a) and barley (WTO, 2021b). This meant Australia's direct response to China was firmly embedded within the existing system of rules and institutions, consistent with its long-term strategy of supporting the rules-based trading system. As outlined by Prime Minister Scott Morrison in June 2021, Australia believes the WTO system can operate as a constraint on the use of coercive trade measures, thereby generating positive security externalities:

> A well-functioning WTO that sets clear rules, arbitrates disputes objectively and efficiently and penalises bad behaviour when it occurs…can be one of the most powerful tools the international community has to counter economic coercion (Barlow, 2021).

5.2. Evaluating continuity and change

In September 2021 two senior ministers of the Morrison government delivered speeches that together highlight the tensions facing Australia's economic statecraft. In a speech titled 'Economic statecraft in a challenging time', Trade Minister Dan Tehan sought to promote, or perhaps defend, a market-based legacy:

> [W]hen economic statecraft is working at its best, trade is flowing freely and everyone is benefitting … Free trade and open markets backed by clear rules that are fairly enforced offers the clearest path for all countries to … prosper. Australia believes in the power of open, global markets. We practice what we preach (Tehan, 2021).

Yet a few weeks prior to that, Treasurer Josh Frydenberg gave a speech titled 'Building resilience and the return of strategic competition' in which he described Australia as being 'on the frontline' of a strategic competition 'blurring the lines between economics, politics and national security' and facing pressure from China 'more sharply than most other countries' (Frydenberg, 2021b). Frydenberg argued that 'economic resilience is key to our strategic interests and our economic interests', and trumpeted a series of state-based policies including several discussed above as bolstering the country's security.

The speeches highlight the two-track approach reflected in Australia's recent economic statecraft. On one hand, as a middle power on the international stage, Australia appears most influential politically within a robust rules-based institutional framework, and most prosperous economically when markets, including its own, are free and open. However, the rise of strategic competition, specifically the challenge posed by China's growing economic power and presence, is generating strategic vulnerabilities that cannot satisfactorily be mitigated via steadfast commitment to market-based policies. Accordingly, Canberra is finding itself creating policy architectures across multiple domains that afford a greater role for the state, and making specific decisions—most prominently government support for Telstra's acquisition of Digicel and Iluka's establishment of a rare earth's mine, both through the vastly expanded EFA—that are remarkable departures from decades of broadly liberal policy orthodoxy.

The patterns of change and continuity suggest two variables that we surmise are worthy of further study to explore the conditions under which non-great powers adapt their approaches to economic statecraft. The first grapples with a state's 'agency' or capability. While it is trite to observe that the range of available actions is limited by what a state can realistically achieve, the economic statecraft literature is mostly silent on the causes of these limitations. Economic size and the degree of asymmetry in interdependent economic relationships obviously matter; however, states' policy agency will be relatively greatest on their own territory where they exercise sovereign control over economic activity. Moreover, structural factors such as the state's position in the global economy and related economic networks, the effectiveness of the state's political institutions, and the relationship between private and public market actors, will all likely guide (and constrain) policy options. In the Australian case, the most dramatic changes have occurred domestically or in Australia's immediate neighborhood (such as the Coral Sea Cable, which begins in Sydney, or Digicel which is headquartered in Australia's closest neighbor, PNG). By contrast, where it has sought to manage new security externalities further afield (such as infrastructure funding in the Indo-Pacific generally) or arising from relationships where it has less leverage (as with China's trade restrictions), it has persisted with its prevailing approach. Similar trends have been observed in recent studies of how other non-great powers are adapting their approaches (Govella, 2021, 199). Future research might seek to develop a more robust concept of economic statecraft agency, and investigate its role across a wider number of cases.

The second is varying patterns of securitization across different economic relationships and domains (see Lai, this issue). As the above vignettes made clear, the changes in Australia's approach overwhelmingly occurred where there are shifting perceptions of security risks associated with China's economic activity. For better or worse, and whether justified or not, various forms of exchange that were unremarkable a decade ago are now considered unacceptable. While the underlying security externalities vary from case to case, there has been an overall shift in the way that the Australian government perceives Chinese economic actors and initiatives that is consistent with a broader 'securitization' of China's influence in Australia (Chubb, 2023). Such threat assessments drive economic statecraft, but will vary cross-nationally based upon factors including underlying preferences and historical experience. Expressing the opposite sentiment to Australia, in 2019 Malaysian Prime Minister Mahathir Mohamed expressed a desire to make use of Huawei's technology 'as much as possible', despite conceding '[y]es, there may be some spying. But what is there to spy (on) exactly in Malaysia? We are an open book' (Woodhouse, 2019). This speaks to the need to explore the origins of threat perceptions as well as policymaking capabilities in conducting comparative analysis of how states adapt their economic statecraft.

6. Conclusion

This paper proposed a more focused and contemporary conceptualization of economic statecraft—actions taken by states in the economic domain that seek to generate or obstruct security externalities—to anchor analysis of the understudied case of Australia. Across several policy domains—regulating inbound foreign investment and domestic market access, fostering local production capacity in critical minerals, and in its infrastructure footprint in the Pacific Islands—Canberra has recently adopted decisive, and historically unprecedented, state-based policy solutions. Yet in other areas, notably in responding to China's apparent economic coercion, Australia largely maintained its prevailing approach of adopting market-based solutions to security challenges in the economic domain. Australia's evolving approach thus represents a model of flexibility and variegation in how economic statecraft is used to protect national security interests, depending on whether actions are domestically or internationally focused, and the specific policy domain concerned. In so doing, Canberra has undertaken an iterative recalibration of market-based principles and state-based prerogatives.

We postulate that our conceptualization of economic statecraft was indeed useful in studying how Australia seeks to achieve strategic goals in the economic domain. Reorienting the ends of economic statecraft from causing behavioral change in targets to a focus on managing security externalities arising from economic exchange allowed us to effectively capture the interests, threat perceptions and underlying logics motivating Canberra's policy responses. It also enabled an analytically useful distinction to be drawn between market-based and state-based forms of economic statecraft, which in turn illuminated both change and continuity in Australia's management of challenges posed by China over the past decade. For a country whose domestic and foreign economic policy has for decades been thoroughly grounded in market-based principles, the changes observed are significant. They also raise several questions for future research that were beyond the scope of this paper.

Given our primary objective was to characterize and evaluate the evolution of Canberra's approach, our empirical focus remained squarely on Australia. However, by putting Australia in comparative perspective with other users of economic statecraft, future scholarship could investigate a variety of theoretical issues. For example, under what conditions will states pursue a market-based approach? Why did Australia eschew state-based strategies for several decades while other non-great powers, such as Japan and South Korea, embraced them? Possible explanations might include the position a state occupies in global markets, the structure of its trading relationships, or indeed its conflict expectations, and this could be investigated by tracking variation in such factors and approaches taken to economic statecraft over time. Another question concerns the consequences of shifting from a market- to state-based approach (or vice versa) for the efficacy of a government's economic statecraft. Despite decades of deep structural reforms that minimized the role of the state in the market, Canberra has nevertheless so far proven able to reinject itself and successfully achieve discrete objectives. If future state-based actions require more significant interventions and exercising control over larger numbers of commercial actors, it will be important to consider the extent to which the structural legacies of Australia's recent past may constrain it from achieving its goals. One example might be Canberra's emerging plans to 'reshore' some manufacturing capacity. If countries with more recent state-based legacies such as South Korea and Japan have had limited success at reshoring (see Katada, Lim & Wan, this issue), how will Australia fare? Investigating such issues will afford new insights into the conditions under which states are able to adjust their prevailing approach to economic statecraft.

Moving forward, we see great potential in the comparative economic statecraft research program, especially for providing more granular analyses that illuminate the actions and choices of smaller states. The state/market distinction (we argue) offers one useful distinction, but other distinctions emerging from our analysis—including whether actions are directed domestically or internationally, undertaken unilaterally or in coalitions, and offensive/proactive or defensive/reactive in nature—may also be fertile avenues for research. Examining such variation in how non-great powers employ economic statecraft, and how they relate to new variables such as agency and the securitization of different economic relationships, promises to offer valuable new insights into how patterns of economic conflict and cooperation will evolve in an era of heightened geoeconomic competition.

Notes

1. When discussing the types of goals that might be pursued, Baldwin quotes the following from Hans Morgenthau's classic *Politics Among Nations* with approval: "The goals that might be pursued by nations in their foreign policy can run the whole gamut of objectives that any nation has ever pursued or might possibly pursue" (1985, pp. 32-33).
2. One exception that we seek to build upon is Katada (2020), which describes Japan's shift from a 'neomercantilist' strategy (with heavy state intervention) to a 'liberal' strategy (which promoted the functioning of open markets). By drawing attention to economic statecraft that occurs by expanding, rather than restricting, the role of markets in particular forms of exchange we hope to illustrate how the concept can be fruitfully applied to study the actions of a wider range of non-great powers.
3. We suggest that this is a helpful departure point for beginning to identify and measure changes in approach to economic statecraft. The conditions under which such change occurs is poorly understood, but is an important area of inquiry for the emerging comparative economic statecraft research agenda (Reilly 2021, 170-1).
4. The label 'economic statecraft' is seldom applied to Australian actions. The closest concept to receive scholarly attention is Australian 'economic diplomacy', which concerns the use of political and diplomatic instruments to advance economic objectives. See, e.g., Sainsbury 2016; Fry-McKibben & Nguyen 2019.
5. Insofar as policies aimed to promote import-substitution due to security concerns about supply disruptions, they might be considered examples of state-based economic statecraft. Much early Australian protectionism, however, appears to have been driven by standard political economy logics. See Anderson and Garnaut (1987).
6. Commitment to the rules can, for example, be seen in that even where Australia stalled on liberalization it primarily offered protection in (transparent) forms that the GATT preferred, such as tariffs and safeguards. See Capling 2001, 220 (fn 7).
7. Again, insofar as security concerns about supply disruption figured in these policies—especially during the early days of the Cold War when WWII supply shortages were fresh in policymakers' minds (Okamoto 2006, 18-21)—they might be characterized as state-based economic statecraft.
8. A clear summary of that belief is seen in a report the Department of Foreign Affairs and Trade (DFAT) issued during the negotiation of Australia's free trade agreement with the US in 2001: "[The] system of economic relationships bound by international legal rights has emerged … to promote political goals and advance national security. The building of economic linkages

and the attendant interdependence that it creates is a new tool in international relations. Where economic interdependence between states is deep, it can directly enhance national security" (Department of Foreign Affairs and Trade 2001, 5).

9. Wesley (2007, 29) notes one potential explanation for this is that, unlike other non-great powers such as Japan and France, Australia experienced limited 'energy insecurity' during the OPEC oil shocks in the 1970s because of its high level of self-sufficiency during that era.
10. The Chinese embassy alleged in November 2020 that Australia had rejected more than 10 Chinese investments since 2018. Earlier that year, Treasurer Josh Frydenberg acknowledged some rejections had not been made public: "I actually have rejected a number of proposed acquisitions, some of which you know about and some of which you don't. And the reason why you don't is because the application comes in, I assess it and I say no and then they withdraw that application before it ever sees the light of day" (Uren, 2020).

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