

Warwick Powell: U.S. Wars on Iran & Russia Leave China Stronger

Warwick Powell is an Adjunct Professor at the University of the Queensland University of Technology, and a Senior Fellow at the Teihe Institute. Powell discusses how the US/West's wars on Iran and Russia impact Asia. Warwick Powell's Substack: <https://warwickpowell.substack.com/> Thermoconomics in a Time of Monsters: <https://www.amazon.co.uk/Thermoconomics-Time-Monsters-International-Geopolitical-ebook/dp/B0GRGQ9BMQ> Follow Warwick Powell's Substack: <https://warwickpowell.substack.com/> Follow Prof. Glenn Diesen: Substack: <https://glennDiesen.substack.com/> X/Twitter: https://x.com/Glenn_Diesen Patreon: <https://www.patreon.com/glennDiesen> Support the research by Prof. Glenn Diesen: PayPal: <https://www.paypal.com/paypalme/glennDiesen> Buy me a Coffee: buymeacoffee.com/gdieseng Go Fund Me: <https://gofund.me/09ea012f> Books by Prof. Glenn Diesen: <https://www.amazon.com/stores/author/B09FPQ4MDL>

#Glenn

Thank you very much.

#Glenn

The war in Iran appears to be heating up yet again, and most of the focus tends to be on how it reshapes the Middle East and how it impacts the West. But how do you see this influencing East Asia?

#Warwick Powell

Well, it's certainly influencing East Asia in ways that I think are, in a sense, longer term and more structural. Obviously, the impact on the flow of oil is having an immediate effect, particularly on the economies of Southeast Asia, as well as places like Australia, which are increasingly, or incredibly, dependent upon the crude flows from the Middle East and the distilled fuels that are manufactured from that. The regional economies—and we could even walk through them almost one by one—but by and large, I think it's fair to say that they are, or have been, significantly exposed to the curtailment of oil flows and have had to adjust. They've adjusted in a couple of ways. One is, of course, reaching out to Russia and Indonesia. Malaysia has done so, and indeed Japan has too, in relation to securing their ongoing position with the Sakhalin-2 project.

And the benefit of doing that, of course, is that the oil from the Urals is of a similar chemical composition and type to the oil that comes from the Middle East, which is particularly suited for the manufacture of things like diesel, which underpins most modern industrial economies. Singapore has

officially refused to take oil from Russia, so it has had to find some other workaround. So firstly, I think we are seeing some effects on regional oil and liquid fuel markets. The second thing, of course, is the impact on oil, fertilizers, and petrochemicals markets, which are already disrupting various industries in the region. The Japanese naphtha market and the industries dependent upon that are already experiencing considerable constraints, and they are now, or industries are now, compelled to reach out to suppliers in China for alternative supply options.

I think one of the longer-term issues, Glenn, is that these energy shocks ultimately don't just sort of end one day and then you go back to the status quo ante. The likely implications are, I think, manifold. Firstly, we've already seen at a consumer level increased interest and demand for electrified transportation—EVs from China, not to put too fine a point on it—and Chinese EV exports into Southeast Asia and indeed into Australia itself have increased dramatically in the course of the last 100 days. We're also seeing an increased interest in the capacity of a broad range of energy technologies that can assist countries to become less exposed to these kinds of risks going forward. And that really goes to the heart of energy sovereignty. And Chinese clean energy technologies are central to that story.

So I think that those energy, petrochemical, and fertilizer issues, of course, are having a dramatic impact, both short term and long term. The other dimension, Glenn, is the, I guess you'd call it, the military or the defense or the narrowly defined security dimension. And it's quite obvious now that the United States' forward projection structure, the architecture of its power projection globally, as it is based on a network of bases in allied countries, is actually no longer defensible. So we've seen the destruction of many bases, or sufficient damage to the bases in the Persian Gulf to warrant the Americans pulling back, and whether or not they go back in to repair those or indeed are welcomed back in is going to be, I think, another issue that we'll need to come back to when the dust at some point hopefully settles—sooner rather than later, of course.

The inability of the United States to defend those bases has actually sent shockwaves throughout Southeast and East Asia because the entire United States architecture, the so-called deterrence posture in Asia or American preponderance or American hegemony in Asia, has been premised on a network of American military bases dotting the so-called First Island Chain. So from Japan through to the Philippines, and if those bases are not defensible or it's no longer viable to sustain the defense of those bases, then the entire security architecture of the region, coupled with China's expanded military posture and capabilities on the back of 40-odd years of modernization, is really sending some shockwaves across the region, and strategic thinkers, defense analysts, and others are really having to rethink just about everything that they were taught at school, so to speak.

#Glenn

Well, it's interesting what you mentioned about those bases in the Gulf states, because I would link it to a wider phenomenon. That is, after the Cold War, as we know, the United States pursued a very hegemonic approach to international security, again, built into its security strategy. That is, the U.S.

would dominate essentially every corner of the planet, and this would be the source of peace and security. That is, you know, there's no great power rivalry if there's only the U.S. having the final say everywhere. Well, you know, this worked to some extent in the 90s when the U.S. dominated. But the whole point is, as the world now, we see, becomes more multipolar, obviously, with the rise of China spearheading this development, the U.S. has to adjust to reality.

You can't just pretend as if the world isn't multipolar, that the US is still a hegemon, because what happens if the US tries to be everywhere at the same time? Well, if it tries to prioritize everything, it's not prioritizing anything at all. And I think for this reason, it would then begin to suffer the consequences. And I think the war in Ukraine, to some extent, has demonstrated this, because first the United States was just pumping all its weapons to fight Russia, and then it went on to—well, it has to fight—this all had to happen while it's trying to pivot to the East, to Asia, and then, of course, it's going to fight Iran.

Then it discovers it doesn't really have all the weapons it needs anymore, especially the interceptor missiles, because, well, it all went to Ukraine. So they begin to divert missiles to Europe, to Ukraine, all these weapons which had to be sent to the Middle East. But in the Middle East, they obviously prioritized Israel. But this wasn't enough. They also had to get weapons out of places like South Korea, again, the interceptor missiles especially. And as a result of this, the failure to prioritize, trying to be everywhere at the same time, the result, as I said, is it's not prioritizing anything.

That means the Europeans now feel betrayed because America is trying to, well, essentially outsource the whole war to the Europeans. In the Middle East, you see the Gulf states are not very happy because the U.S. has painted a target on them and is now unable to protect them sufficiently. And lastly, of course, you see now in East Asia, where the U.S. was supposed to pivot to the east. That meant for frontline states, they risk becoming a frontline against countries like China. However, in return, they're supposed to have guaranteed protection from the United States. This is the benefit of being a frontline state.

But what happens now that these countries put a target on themselves by, as we saw in the Gulf, being used as instruments against American rivals? In other words, they become a legitimate target for America's adversaries. And at the same time, the U.S. can't protect them. How is this impacting the regional security arrangements, or at least the discussions about security? Because I would think that the wider lesson of the world here is perhaps we should be careful before hedging our entire security on a declining hegemon who is willing to use you as a tool. I mean, essentially making Ukrainians and Gulf states out of all of us.

#Warwick Powell

Look, I think that there are a few dimensions to how regional nation-states are responding, and the responses, of course, are a little bit varied. Japan, as we've discussed before, has been undergoing a period of remilitarization, and this has been going on for, you know, really a decade or so. And it has

been doing that for both domestic political reasons, but also, I think, from Japan's perspective, reasons related to its own concerns about the ability of the United States to offer that security blanket again. Same for South Korea. We know that in South Korea, the general population has been quite distrustful of the United States' ability to, or willingness even, to deliver protection under the American nuclear umbrella. There have been growing demands in South Korea for the government to progress down the path of nuclearization.

Same in Japan, of course. So in North Asia, we're starting to see, I think, a fairly active, muscular reaction, if you will. Now, this, of course, dovetails quite nicely into a wider American strategy, which is to outsource nuclear funding and material responsibility, as well as frontline human bodies' responsibility and risk, to so-called allied states. There are difficulties, of course, for the U.S. when this happens, because as these other states become progressively more powerful in and of their own right, the United States will come under increasing pressure in terms of its own ability to hold the position. So it's a bit of a balancing act at the moment. Naturally, having tens of thousands of American soldiers based in Japan and in South Korea certainly helps the United States keep those two countries under the thumb, so to speak.

Similarly, I think we've seen in the Philippines the current administration seeking to move quite a lot closer to Washington again, and they've done so for a number of years. So again, it's a difficult situation for them because, at the same time, the problems of oil flow from the Gulf War, or from this version of the war in the Persian Gulf, have really caused significant economic problems in the Philippines, with inflation. And the Philippines has actually reached out to China, and China has acceded to the Philippines' requests for support in terms of the supply of oil and other fuels, to the point where, in fact, Marcos indicated back in mid to late March this year that the Philippines were interested in re-engaging Beijing around the idea of joint exploration and development of oil resources in the South China Sea.

So the region is in quite a lot of flux. The domestic opposition in the Philippines, just as there is domestic opposition in Japan to the remilitarization, I think is building up something of a head of steam because there are growing concerns that not only is the United States, in a sense, throwing many countries increasingly under the proverbial bus, but that it's actually no longer in the national interest because the Americans aren't able to do exactly as you suggested, which is to offer protection so long as these countries carry some burden. And it's interesting to see how these debates are unfolding.

Australia has, of course, also seen the reignition of a public debate around the question of AUKUS. At the Singapore Shangri-La Dialogue a week or so ago, the Australian Defence Minister, Richard Marles, announced some changes to the AUKUS deal structure, which has catalyzed, really, a very cynical response from the Australian public, who are increasingly less inclined to buy the entire proposition. To a point, Glenn, and I know you've spent some time in Australia, you'll appreciate that it takes a fair bit for these sorts of things to happen in this country, that a People's Commission of Inquiry into AUKUS, which I think is actually a first ever, has been initiated by a group spearheaded

by former Federal Labor Minister Peter Garrett, together with some other notable Australians, specifically to investigate the merits and the handling and the process of this entire AUKUS deal on the basis that the Parliament itself has failed singularly to do so.

So the debates are starting to unfold. The regional security architecture is in flux, and I think we are going to have to sort of hold on tight and put the seatbelts on as the United States seeks to, indirectly through its proxies and allies, maintain a position in Asia whilst these allies are thinking through how they can begin to hedge more effectively. The last thing I'll note, and this is really, I think, the capstone, if you will, on the changing context of the thinking, is Pete Hegseth's comments at the Shangri-La Dialogue, where in the keynote speech he talked about the United States seeing itself as playing a role in Asia so as to ensure that no single power can be a regional hegemon. And that's remarkable because, in my living memory, the United States has always insisted that it is the sole hegemon in Asia and that no one else will be.

So Pete Hegseth, following on behind Donald Trump's broader posture, I think, is acknowledging that the world has changed and that the United States is no longer in a position to act unilaterally or singularly within the region. You can imagine how much discomfort that brings to those who've built an entire architecture, policy, strategy, and institutional livelihoods around the idea that the Americans would be the dominant player forever. Well, they're not, and the world is, as a result, changing. I don't know how this will unfold. I've got some views as to what would be, I think, in my view, better, but I think that there's a long way to go yet before the dust settles in Asia. This is just the beginning of a major reconfiguration.

#Glenn

Well, it's this reconfiguration. I mean, it's not unique to East Asia. That is when, you know, under the unipolar moment, being a frontline state was often quite attractive. One got a lot of resources, your security would be absolute. But this is my point: when you're shifting towards a multipolar system, it can go both ways. On one hand, if one seeks to balance off a bit and not become a frontline state, then one can prosper if you're able to hedge between the great powers—that is, to diversify ties. But of course, there's always the risk that the declining hegemon would essentially use its partners, to throw them as proxies against the rivals.

And yes, as you said, I did live in Australia for about 14 years, and I remember even speaking with the former prime minister, John Howard, and he was also making this point that as China continued to rise, Australia shouldn't have to choose between China and the U.S. Essentially, for me, this meant, yeah, avoid being a frontline state. Diversify your ties. Don't be forced to pick any side. I mean, I was a few days ago in Georgia. They essentially are trying to do the same thing. We don't have to choose. We can get along with the Russians and the Europeans. Don't make us into frontline states. This is what, essentially, Henry Kissinger wrote back in 2014: for God's sake, don't make Ukraine into a frontline state.

Don't make it choose, because it will be destroyed. So I think a lot of countries are going down this path. But how do you see—because you mentioned Japan—how do you see them being able to do this? Because one condition of having more autonomy means, of course, you have to militarize. Well, not militarize, but be less dependent on an external actor, be it for economy or security. You can, again, do this through diversification. But if Japan is, again, rearming itself, it can go two ways. One, it can use this as a tool for autonomy—that is, it doesn't anymore have to do whatever the U.S. wants, which is probably good for its security, because a declining, destructive hegemon—you don't want to outsource your foreign policy to them.

On the other hand, it could also mean that Japan is arming itself to the teeth, as it could be used as a frontline state. And I see the same in Europe, essentially. That is, I would usually be welcoming that the Europeans are building their own military capabilities so they don't have to outsource their security to the U.S., which has very different interests than the Europeans. But instead, you get the impression that the Europeans are simply now preparing for war with Russia to essentially destroy themselves. So, that's what I was wondering with Japan. What direction do you think they're going? Is this to assert autonomy as a source of peace, or do you think they will become a militarized hub as an instrument of the United States?

#Warwick Powell

Well, it could go either way. I mean, I think that this is partly the sort of double-edged sword, if you will, of where Japan's been going now for the best part of the last decade. On the one hand, of course, it's occupied by the Americans and has been a critical ally for the U.S. But once your military bases, or America's military bases in Japan, are no longer viably defensible, it does raise the medium-term questions as to whether, in fact, the architecture itself is going to serve its purposes. Now, I think one of the interesting things that we'll need to keep a very close eye on is whether or not the Americans slowly reconfigure their frontline exposure themselves.

They have very quietly slipped some forces out of Okinawa, and this was before the war broke out earlier this year in Iran, where they moved some forces from Okinawa into the Persian Gulf. Last year, from memory, or it might have been the year before now, some troops were taken out of Okinawa and relocated to Guam. But I think the hard power question in the end is going to be whether or not the bases are defensible. And recent modeling on the defensibility of these bases, given the shortages in the American arsenal, given the nature of the Chinese capabilities, and given what we've learned from the war against Iran, would suggest that these bases and most of the airplanes—a good proportion of them that are stored there—won't last to the end of the first week of any serious conflict.

Now, I think anyone who is serious in this space understands that, and it is doubtful that the Americans will want to expose that capability and infrastructure to the sorts of risks that we're talking about. Certainly, I don't think that the military planners anticipated the debacle that has been the war against Iran, and the fact that it's totally exposed the Americans and their limitations. It's,

you know, the last thing a hegemon would ever want to do, partly to be a bully, partly to never have to act as a bully—you just need to make sure that people are fearful that you could. But the recent events suggest that the United States' capabilities are far less robust and deep than I think many people had originally expected.

And in fact, I think you'll see in even American commentary and public debate amongst its supporters, the policymakers and strategic thinkers, that some of these realities are dawning on the Americans inside the Beltway as well—that maybe they really have reached some limits, and they really need to rethink just about everything. You know, pulling out quickly is just a terrible thing for an American president to have to do, so there's nothing going to happen in the short term on that front. But look, Japan is going to continue its rearming. Whether it is for its own greater autonomy will depend a little bit on the extent to which the United States can keep them under control. But if the United States is seeking to push the Japanese more to the front line, then the Japanese will reach a point where they will be, notwithstanding American bases in Japan, an American ally that has a little bit more room to move. That's a concern across the region. You know, not everybody views the Japanese remilitarization favorably.

Obviously, Beijing has expressed its concerns. But there are many people across Southeast Asia who continue to have lingering memories of what happened last time Japan rearmed and the militarization that wreaked havoc across Southeast Asia. So, you know, this is going to make for a very, I think, potentially very tense period in Asia as a result of all of this. You know, as much as I think Beijing, at a certain level, would be favorable to pushing the Americans out of Asia, they're also sensible enough to understand that the historic role the Americans have played in Asia is that they've kept Japan under some control.

And if that disappears over time, then the question will come, well, how do you keep Japan sort of contained? The upside in all of this, if we're talking in sort of brutal terms, is that the Chinese economy and its industrial power far outweigh anything that the region could muster, whether it's Japan or whether it's Australia or whoever. And it is ludicrous for any of those countries to think that they are in a position to even mount a balancing act, which is why, of course, they're desperate to try and keep the Americans in as well. But, you know, just put it into some context.

The Chinese economy represents 60% of the GDP of the region, meaning the 10 ASEAN states plus Japan, Korea, Australia, and New Zealand. Sixty percent. China is the only industrial superpower in the world. Over 30% of manufacturing value added comes from China, and by 2035 that's going to be close to 40%. The idea that other countries can somehow pose a serious military challenge to China is foolhardy and it's dangerous, and I'd encourage people across the region to actually just realize that. The real issue isn't whether you can muscle up to China. The real issue is how do you live with China being the major power in the region.

#Glenn

Yeah. Well, there's some parallels again to Europe because, you know, after World War II, one of the achievements, if you will, of the United States was that you had three key economic regions of the world. You had East Asia, you had Europe, and North America. And the U.S. was able to, well, essentially through its heavy military presence in Germany and Japan, use these as nodes in a larger American empire. And in Europe, yes, you said one concern when the U.S. starts to pull down, pull away, would be what happens to these countries then. Again, one should also be careful what one wishes for, because if the U.S. now leaves Japan to their own, will they begin to remilitarize? Will they seek nuclear weapons for security? And you see something similar now in Europe.

I mean, the United States, no one's really sure where it's going to be tomorrow in terms of capabilities or intentions. And as a result, you now have the German authorities under the, well, gruesomely unpopular rule of Chancellor Merz, arguing that Germany should become the largest military force in Europe. And it's similar with the Japanese. Not everyone in this part of the world remembers with great fondness this German military power, but of course, they also put themselves now in the crosshairs of the Russians. And if you look towards Asia, as you said, not everyone remembers with fondness Japanese military might, and also the Chinese will, of course, take a look at them with a lot more suspicion. So my point is, whenever there's a rapid change to the regional order, you will often see a security competition begin to emerge.

So the Japanese will be worried about China. China will then become more worried about Japan, and conflict will begin to build. But as you said, what is different in Asia, though, or East Asia, would be the power of China. I mean, there seems to be a strong imbalance there. So in other words, the Japanese can't really do anything to knock out the Chinese. But how do you see this sustaining itself for the long run? Because many people are pointing out, and for good reason, that the Americans are also pointing out that part of their objective in Iran is to weaken China — that is, kind of in terms of energy. And how do you see the Chinese economy sustaining itself, though, relatively, I guess, compared to its neighboring states, which the U.S. would like to use to balance it?

#Warwick Powell

Yeah, look, I know that the Americans have for many years talked about different ways in which they could choke China's energy sources, particularly maritime oil transportation. And I think if you sort of argued this 25 years ago, you'd say that that would have a significant impact on China's economy and its fundamental energy foundations. But the world's changed actually quite a lot since then. The energy structure of the Chinese economy is, firstly, far less dependent on oil, generally speaking, compared to what it once was. China hit peak diesel about two years ago.

And the aggregate amount of diesel consumed by the Chinese economy has fallen since. So that's your first point. The second point is that China has, for 20-odd years, been embarking on a major and quite radical transformation of its energy structure through diversifying its energy-generating

capabilities and ultimately leading through the breakthroughs in electrification and electricity storage, the battery systems, and renewable energy. China, of course, is building more coal-fired power stations and nuclear power stations than anybody else in the world combined.

So in that sense, I think the world's just different, and China is no longer as dependent upon Middle Eastern oil as it was. The other thing to recall, of course, is that in that time, the terrestrial transportation networks across Eurasia have improved significantly, and Russia and the Central Asian states are also now suppliers of oil and gas to China, to the extent that China is importing those natural resources. And those terrestrial transportation networks will be far harder to interdict than choke points such as in Eurasia. Of course, that's not to say that Americans or others might not seek to disrupt those flows, whether it's through sabotage or other forms of terror, but, you know, there's more than one way in which oil and gas flows to China today than 25 years ago. And of course, global warming has seen the Arctic becoming increasingly viable for more months of the year than ever as a transportation route. And I think we are going to see that continue to expand as well. The other thing to remember, and people often talk about the American grand strategy, is that this is all about America becoming the global oil or energy monopoly. Right. You've just got to look at the numbers.

The global energy market is actually far more fragmented than that implies. And because there are many ways in which energy gets moved and there are many new energy technologies, it's almost impossible for any single state to actually fulfill that ambition, even if they had that ambition. The area in which the United States actually has the greatest say in terms of the global energy markets is LNG. But let's not forget that LNG plays a relatively small part in global energy. It's an important part in certain things, but in the scheme of things, it's comparatively small as a proportion of energy, whether it's coal, renewable, or oil.

So I think whilst there are strategic discussions around choking these choke points, the actual nature of global energy, the distribution of its resources, and the capacity of countries to have alternatives today compared to 25 years ago, it just means that even if you had these ambitions, it's almost impossible to carry them out. So in that sense, I think that horse has bolted. The Chinese economy, from an energy point of view, is really incredibly well prepared for these kinds of events. And as the decades unfold, say over the next five and ten years, the extent to which China's economy will be dependent upon crude oil from external sources such as the Middle East will diminish even more. Of course, China's got massive reserves, and it keeps massive reserves going.

Reserves to a point where people, observers, are conceding that in fact known reserves may actually understate the extent of China's reserves at all. So China has reduced its demand on global crude over the course of the last hundred days, and yet economically it hasn't missed a beat, which tells you, I think, the ability of the economic system to adapt effectively, and also the depth of the reserves that it actually has. So, yeah, look, I think that horse has bolted, and it's largely fanciful

now that people think that there's actually a serious capacity of the Americans to execute this kind of containment strategy. I'm not saying that the Americans don't have this idea in mind. I'm simply saying that the ability to execute this is countered by reality, basically.

#Glenn

So I guess, in short, do you think China will come out strengthened as a result of the war, not just against Iran, but against Russia as well?

#Warwick Powell

Yeah, look, I think China will come out, you know, reasonably unscathed, and it will do that for a number of reasons. One is obviously its own preparedness for these energy crises. The second one is that global demand for Chinese clean energy technologies is growing, and we're going to see not only Chinese exports of these technologies and final products like EVs, but I think we are going to see an era of increased Chinese foreign direct investment as these know-hows and capabilities in fixed capital begin to expand globally and deliver factories, particularly in the global south, enabling the global south to manufacture much of its own renewable energy capabilities over time and to assemble motor vehicles and eventually also build many of these parts.

You know, China's going to be able to consolidate its supply chains and, in many respects, consolidate its position in the region itself. So in Asia, you know, the other dimension of all of these geopolitical insecurities actually is the increasing concentration and integration of the Southeast Asian economies and the Chinese economy together. And that kind of intertwining becomes very, very difficult to unwind, whether it's at an energetic level or in the flow of raw commodities and finished products.

And of course, now we're starting to see the expansion of the payment systems right across Southeast Asia, integrating with Chinese payment systems as well as ASEAN's own payment capabilities, all of which reduces exposure and dependency on American infrastructure and American institutions, whether they be the dollar or SWIFT. And it will provide, I think, regions with the ability ultimately to have a greater say in their own futures, with less need to be as mindful and as wary of the Americans as they historically have been. And again, the caveat here is that the Americans do have significant resources to cause many disruptions.

They still control a lot of the technical infrastructure in the world. And if there's one resource that the Americans have built and sustained over the course of the last 80 years, it is a very, very wide network of very, very well-skilled and trained NGOs and intelligence systems across many countries, which enables them to activate interference actions at a minimum, all the way through to instigating all sorts of dirty quasi-kinetic activities.

#Glenn

How do you see India falling in place here? Because my impression of India is that they're always leaning a little bit. That is, on one hand, there's the desire to continue essentially its Cold War tradition of non-alignment. That is, if it wends itself too closely to one side, it's going to develop excessive dependence. Again, this is the logic of developing nuclear weapons as well—avoiding, you know, becoming another Japan essentially, subordinated to the U.S. So on one hand, it wants to take this position.

And in a multipolar world, this means it's, you know, part of BRICS. It needs to link itself closely with China, Russia, as well as the United States and other large powers. So on one hand, it seems to be tilting there. On the other hand, they're also anxious about China and often with outright hostility. So it's always this vulnerability that they could lean too heavily into this Indo-Pacific partnership, where they essentially join a de facto bloc of the United States and thus get captured. How do you see them adjusting here? Well, it's hard to read Indians at times, to be honest.

#Warwick Powell

Well, I think that's by intent to some extent, and it's sort of built into the institutional habits of Indian foreign policy. As you say, it has a long tradition of being non-aligned, and partly being non-aligned means that from one perspective, it looks like it wavers from one side to another. But that's partly what non-alignment does. I think India, of course, does face some of its own challenges, and in large part those challenges relate to the state of its own economic development and the extent to which it is dependent upon engagement with the United States economy for some of that.

There is a section of the Indian economic elite that maintains very, very close connections with the US. And let's not forget that countries aren't unitary actors. You know, we also have different vested interests involved within countries that often have divergent interests and divergent perspectives on how they need to pursue their foreign policy interests. And the Indian economic elite does tilt very heavily towards Washington. There are a lot of historical reasons for that. But the Indian political elite, I think, are in a sense caught in a bind.

It has a lot of anxieties about China, and there's a whole bunch of history around that. But at the same time, you know, China's not going anywhere, and they share a land border. And so there are some realities that are unavoidable. And the real question in the end, I think, for India is how does it become actually a more autonomous economic actor that is less exposed to the risks of essentially having its livelihood interfered with by one of the great states, particularly the United States. We've seen during this last hundred days that India does have huge problems when it comes to fertilizer and access to energy.

And it needs to overcome much of that. It's got significant domestic infrastructure challenges that need to be overcome. It has not really successfully industrialized. In some respects, the economic growth in India is underpinned by the expansion of a services economy, much of which is also tied to the growth of American IT, which has outsourced a lot of the support infrastructure and industries

to India. So I think that some of the ambitions articulated by the Modi government from its very early days around Indian industrialization have yet to deliver fruit. And until India can actually establish some kind of serious industrial base of its own, it's always going to be, I think, caught between a rock and a hard place.

Again, I'm not here to tell the Indians what they should or shouldn't do, but it seems to me that India, if you think very, very long term, would be wise to figure out how it can establish a more cordial relationship with China. And China, of course, has a role to play in that, and understand that being good neighbors is actually in each other's own interest, as well as in the interest of some of the key sections of their societies. And that's going to require political leadership domestically in India that can overcome some of those anxieties and feelings that Indians have towards China, particularly after the war, which, by the way, is six decades ago now.

But I understand that people have memories and they have feelings about these things, but leadership is needed to, in a sense, transcend some of these to create a new platform that will enable India to fulfill much of the promise. You'll remember 40 years ago, many people talked about India really as the next shining light after the Asian tigers. And, well, in fact, it wasn't the next shining light at all 40 years on, even though the GDPs were back in 1985 or so roughly the same. China is the one that has expanded and has reached a point where its GDP is five to six times larger than India's. So India's got a lot of work to do. And, you know, it does need to actually enable itself to be, if it wants to be a genuine and non-aligned player within the region, it actually needs to become, I think, a little bit tougher when it comes to particularly the Americans. And that's a real challenge still for India. Yeah.

#Glenn

Well, there's always going to be some security competition, so the Indians will always have some legitimate reasons to be concerned. The problem is—of China, that is—but the problem is once the solution becomes embracing this bloc politics, it only intensifies from there on. And again, the subservience to the U.S. would grow. The Indians could then be seen, for good reasons, as a pawn against the Chinese, which will then undermine India even further. So it can often be very attractive and appealing to lean into this kind of bloc politics.

But as your former Prime Minister Keating once said, East Asia needs a NATO security architecture like it needs cancer. It really has the possibility and opportunity to pursue something. We seek security with each other, not security against each other. But in such a scenario—because I don't like to pick on the Americans—but if you are pursuing a hegemon, this depends on alliance systems to make your allies obedient and your adversaries weakened. So this divide and rule, it's not new. So this is a very dangerous time, I think. Yeah.

#Warwick Powell

Look, you're right. And this issue of bloc politics as an attractive short-term reaction is something that needs to be resisted because there is an opportunity actually for the Asia-Pacific, including also heading into South Asia. So I'm talking about India and Pakistan, to actually create something by themselves, for themselves. And we've got, I think, some elements that could be worked on towards that end. ASEAN, as you know, is the principal vehicle for regional diplomacy for Southeast Asia. Southeast Asia comprises many relatively small nations, and ASEAN has been a really important way by which they can cohere a perspective and achieve a consensus view on a broad range of issues.

And whilst many bloc political perspectives would criticize the way ASEAN goes about doing its thing, in fact, I think if you just took half a minute to take half a step back and then reflect on ASEAN's conduct and behavior, you'll actually think that ASEAN has been quietly incredibly successful. It has been able to hold together an incredibly diverse region. And whilst at times it is slow—consensus often is—it has been able to keep a region at relative peace and focus very much on the things that the region itself has common interests around, namely agriculture, economic development, and prosperity. It brokered the world's largest free trade agreement at the time, which is the Regional Comprehensive Economic Partnership, which was signed about four years ago. And India was actually part of those discussions right up until the moment for signatures.

So India, I think, has an opportunity to rethink its economic relationships and the trading arrangements that exist across the region. And really, whilst I understand the history of protectionism in India, the opportunity to open up trade flows does ultimately create really major opportunities across the entire region. And it's something that I would encourage, of course, ASEAN and India and all of the members of RCEP to reach out to India and engage with them to work through what the issues are that held India back from coming on board. We also have extensions out of the RCEP dealing with digital trade. I mean, we've got Latin American countries expressing interest in joining RCEP, right? So reaching right across the Pacific to build the economic architecture that enables multi-regional and multilateral collaboration.

The payments architecture, as I mentioned earlier, is actually well-developed, and it enables countries within the region to settle trade in national currencies, which is of tremendous benefit. It's cheaper, it's quicker, and it's safer, right, with less exposure to foreign exchange risks, less exposure to risks of liquidity crises, which happened in the Asian financial crisis period, and ultimately can deliver to the region an architecture that emphasizes economic development as a common objective. And it's also one that can bring Japan and Korea to the table. Now, this requires ASEAN to, in many ways, step up. And this means that Indonesia, in many ways, will be the key player, even more so in my view than Singapore.

Indonesia is the one state within ASEAN that has the capacity to emerge over the next half century as the second major state within the region. Not a great state like China, for obvious reasons, but certainly rivaling, I think, Japan in terms of the heft that it brings to the region. And that could actually be an important ballast underpinning a multipolar region. And if countries actually could imagine a region built on indivisible security, then with ASEAN playing really the pivotal role, the sort

of pressure is brought to bear on countries like China and India and Japan to actually see themselves as part of a greater region. And I think that there's good prospects for that.

I think that China would find that proposition actually quite appealing in a broad sense. And interestingly, I think, and this really touches on this broader Eurasian question, that the Shanghai Cooperation Organization offers a model that can easily be extended into Southeast Asia and North Asia, delivering the kind of multilateral or, you know, multipolar security that the region could really benefit from. And, you know, the last point really in all of this, we sort of think of Asia in a very narrow sense, of course, but I often remind my friends that Russia is also a Pacific power, and it would be remiss not to engage the Russians in Asia-Pacific security as well.

And again, the SCO offers many learnings, I think, institutionally and from an ethos and behavioral point of view. And it's a way then of actually countering bloc politics, because bloc politics, as you say, is a cancer that leads to security competition, that then leads to security dilemmas, arms races, and ultimately intensifies suspicions. And as suspicions intensify, at some point there's a miscalculation somewhere or another, and, you know, the region is plunged into conflict. It is avoidable. I look across at Europe and I think to myself, the lessons of non-peace warfare in Europe really are the ones that Asia should absorb, and absorb quickly. And the principal lesson is, don't fall into the trap of bloc politics.

#Glenn

Well, in Europe, indivisible security used to be considered a goal. It was common sense. It's what would allow us to transcend bloc politics. Today, it's become something controversial. It's seen with suspicion as possibly some Russian ploy. So I want you to be a little bit careful about taking the lessons of Europe in recent years seriously. On Indonesia, though, this is possibly the most underestimated country in all of East Asia. But we can get to that next time, I guess. So to wrap it up, where were you?

#Warwick Powell

I spent a little bit of time in Indonesia, actually, not so long ago, in discussions with folks in the finance industry. And I think Indonesia, as you say, is an underestimated and poorly understood country in terms of the region and its role globally. And it's one that, you know, behoves all of us, I think, to better understand.

#Glenn

Where can people find you?

#Warwick Powell

People can find me on my Substack, warwickpearl.substack.com. And people can also buy my latest book, *Thermoeconomics and the Time of Monsters*, on Amazon.

#Glenn

Excellent. I'll leave a link to both in the description. So, thank you very much.

#Warwick Powell

Thank you, Glenn. Great.