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# **The Decline of American Power and The Growing Presence of China from a Eurocentric Perspective**

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I would like to thank

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## **List of Abbreviations**

AI: Artificial Intelligence

AIIB: Asian Infrastructure Investment Bank

BRI: Belt Road Initiative

BRICS: Brazil, Russia, India, China and South Africa

CAI: Comprehensive Agreement on Investment

CCP: Chinese Communist Party

EU: European Union

GDP: Gross Domestic Product

GNI: Gross National Income

HDI: Human Development Index

ICJ: International Court of Justice

ICT index: Information and Communication Technologies Index

MoU: Memorandum of Understanding

NATO: North Atlantic Treaty Organization

OECD: The Organization for Economic Cooperation and Development

PLA: People's Liberation Army

PLASSF: People's Liberation Army Strategic Support Force

PPP: Purchasing power parity

PRC: People's Republic of China

RCEP: Regional Comprehensive Economic Partnership

SCO: Shanghai Cooperation Organization

SIPRI: Stockholm International Peace Research Institute

START: Strategic Arms Reduction Treaties

TTP: Trans-Pacific Partnership

U.S.: American

UNDP: United Nations Development Program

USA: United States of America

USSR: Union of Soviet Socialist Republics

WTO: World Trade Organization

WWI: World War One

WWII: World War Two

# Chapter I

## Introduction

The possibilities of cooperation and the conjunction of interests have provoked that Europe opens up to China progressively in the last decades. The global momentum gained in these last years by the communist Chinese political model is leading European authorities to reconsider its position towards collaboration in the economic sphere and in other areas such as the military. New bilateral agreements and results are emerging such as the EU-China Comprehensive Agreement on Investment (Cheng, 2019).

Besides this approach, the growing confrontation between China and the United States has led Europe to rethink its position in the liberal international order (Cheng, 2019). The EU must decide whether it wants to continue cooperating with China even if this means changing the traditional alliances, or stick to the former hegemonic system risking a decoupling from China.

There is a huge space for cooperation concerning the economic, the technological and the trade fields. Europe has a lot to offer to the new world order and could make a difference in influencing China's perspective in some controversial areas such as the compliance with humanitarian law. The design of this strategy is not only crucial for the following era based on multilateralism, but also for the reaffirmation of the foundations of the EU project.

## Purpose

This project aims to analyze the current *status quo* in the international system determining whether China has surpassed the United States in various of its capabilities and therefore how the European Union must develop a strategy to approach the Asian giant. To develop these ideas, there will be a data comparison within the economy and military of both powers. The PRC's growing presence is well known in the IR academics, but this project aims to evaluate whether that would threaten the American hegemony and would change the Chinese relationship with the European Union. Moreover, this research seeks to set the starting points of a stronger cooperation between Beijing and the EU and the limits of this rapprochement.

## **Theoretical Framework**

The following concepts of international relations will be key to understanding how States can modify their foreign policies according to their perceptions and interests within the economic and military fields. Moreover, the study of these concepts will be helpful for comprehending why China and the United States are improving their capabilities.

### *1. Liberal International Order*

The liberal international order is the system that has governed relations between States for almost a century. The decision to create this system connected with the idea that greater cooperation could lead to greater economic prosperity and international peace. The General Agreement on Tariffs and Trade was ratified in 1947 to create an international trading system that sought to pursue this goal of economic prosperity. Other institutions known as the Bretton Wood Institutions were created for achieving this same goal (Stein, 1984). These events took place during the Cold War, when the USA competed for the world hegemony with the USSR. The USA decided to implement several economic and military organizations such as the WTO and NATO to administrate this liberal international order (Cupitt, Whitlock, & Whitlock, 1993). After the fall of the USSR, the idea that liberal democracies could progress economically in a system led by the United States was consolidated. A period of complex integration and interdependence between States within the economic and military fields began.

It is essential to define the concept of order and what is the liberal international order. According to Mearsheimer (2019), an order is "*an organized group of international institutions that help govern the interactions among the Member States*". Orders can be modified as the interaction among States changes depending on their interests or shared values. The concept of the liberal international order is crucial for understanding the interactions between the States since the fall of the USSR. According to John Ikenberry (2018), the liberal international order is a "*distinctive type of order organized around open markets, multilateral institutions, cooperative security, alliance, partnership, democratic solidarity and United States of America hegemonic leadership*". This order composed of a series of multilateral institutions and alliances between countries who share common values has been willing to take responsibility and cooperate in searching

for solutions to global problems. However, certain events in the international system, such as economic resentment, populism, and nationalism, have led to a crisis within the liberal international order (John Ikenberry, 2018). Members within the international system are moving away from their liberal values and looking for alternatives within the international system (Amadi, 2020). The PRC might be able to challenge this order by constituting an alternative model which would impinge deeply on the current world order.

## *2. The concept of power*

A State's power is the ability to do things and control others or to get other to do what they otherwise would not do. This concept has become more relevant nowadays as there are States who are challenging the liberal international order with the use of their hard and soft power.

According to Joseph Nye (1990), hard power is the ability of a State to get others States to behave in a certain way that would result in a specific desired outcome through payments or coercing others using force. Hard power is usually perceived as depending on two different factors, *i.e.* economic and military strength. A country could also exercise its soft power, which is the ability to influence the behavior of other States through its culture, political values and foreign policies (Waltz, 1979).

These concepts have been gaining importance since China has proven to be an emerging power regionally and globally (Feigenbaum, 2017). China's growing economic importance has prompted many American allies to begin collaborating with the great Asian giant on free trade agreements and commercial initiatives such as the BRI. Moreover, this strength has been accompanied by the development of the PRC's military power. China has implemented new developments in its nuclear capabilities, global presence, and strengthening its cyber capabilities (Friedberg, 2018).

In addition, China has been using its soft power for luring States into its sphere of influence. Chinese foreign policy goals have been based on the Five Principles of Peaceful Coexistence which are the following: "*i) mutual respect for each other's territorial integrity and sovereignty; ii) mutual non-aggression; iii) mutual non-interference in each other's internal affairs; iv) equality and cooperation for mutual*

*benefit and; v) peaceful co-existence"* (Ogunnoiki, 2018). So far, the PRC has been able to attract developing countries with the non-conditionality clauses for foreign direct investment as well as investment initiatives. Other developed States still reject the Beijing government's disrespect for democratic and humanitarian values. The PRC uses its smart power, also known as the ability to combine hard and soft power resources into effective strategies, achieve its foreign policy goals and objectives, and attract these reluctant States (Ogunnoiki, 2018).

### **Timeline and geographical framework**

This paper analyses two capabilities of the USA and China in a comparative way. The period of analysis of both capabilities within this project will be the previous 9 years, that is from 2012 to 2021. This is also the span during which the current President of the People's Republic of China has acted as the General Secretary of the Chinese Communist Party. Arguably, Xi Jinping is the second most powerful individual in Modern Chinese history since Mao Zedong. Since the 18th Part Congress, Xi Jinping has strengthened its position within the PRC's and the PLA by surrounding himself with the most loyal and powerful people in China and using the anti-corruption campaign to decimate his opponents (Düben, 2020). His ability to change the bureaucratic system and his aim of transforming China into a great power are the main reasons why the study must be focused on this period (Benet, 2020).

### **Literature review**

Academia is puzzled by China's growing presence in the international system and the shift of the world center from the West to the East. Several authors have stressed the importance of the paradigm change in the world order where China is assuming the most important role since the onset of the 21<sup>st</sup> century. Their numerous contributions highlighted the increasing importance of China at the international level in the 20<sup>th</sup> century based on the Kuomintang documents, the Foreign Ministry Archives in Beijing, regional and local archives, and selected works from policymakers and American institutions (Xia & Liang, 2017). These documents showed already that China could be an important strategic economic partner in the Asian region due to its resources and interaction with other regional powers.



Since the 1980s, there has been incremental research funding in institutions and American universities such as the Fairbank Center for Chinese studies to acquire more knowledge about China's role in the world. Several international academic exchanges and the study of China's diplomacy were the crucial characteristics of this period, which helped create a new perspective of China. New debates emerged in academia in these last two decades of the 20<sup>th</sup> century, including the importance of Chinese leaders as well as the crisis between the USA and China (Weigelin-Schwiedrzik, 2006).

Moreover, Chinese authors in the 20<sup>th</sup> century highlighted the idea that the USA and China were facing what they conceived as a *New Cold War History*, a series of tensions in the period of 1945 to 1960 between the opposing geopolitical power blocs, one led by the NATO and the USA and the other by the USSR or the PRC (Xia, 2008). In this period, they explored concepts such as the triangular relations among China, the USA and Taiwan as well as the ones between the USA, the Soviet Union and the People's Republic of China. These comparisons helped demonstrate the factors that affected Sino-American relations and several other paradigms, such as the PRC's steady growing economy and the systemic rivalry (Gentle, 2015).

Most of these documents related to Sino-America relations in the 20<sup>th</sup> century did not meet the most rigorous standards (Xia & Liang, 2017). Few studies would consider the Chinese mindset based on its values and its goals. The study of China's diplomacy done by American authors was inadequate as it usually did not perceive the responses of Beijing to the U.S. policies. Moreover, this research lacked accuracy as it did not consider the variety of opinions within the Chinese government. Nowadays, major efforts from Chinese scholars have been made to understand the divergences within the Chinese government and academia. An influential group of Chinese scholars has looked into this range of opinions within the Chinese government and their policies at different levels and how this has affected the world order (Xia & Liang, 2017).

The nature, scale and growing pace of China as a State has been perceived as one of the most fascinating world phenomena by the academic community (Jha, 2020). The reports of Western think tanks such as the Centre of Strategic & International Studies and certain international organizations show the rapidness and effectiveness of this shift. The PRC

has evolved from an original situation in 1980 in which it had a GDP per capita of 194.805 to 10,261.679 dollars (World Bank [WB], 2020e). Moreover, China has brought down the extreme poverty rates amongst its population from 66.6% to 1.90% between 1990 and 2013 (Roser & Ortiz-Ospina, 2017). Many magazines, such as *Foreign Affairs*, highlight how the previous rural Chinese economy has been transformed into the modernized current high-tech economy (Mitter, 2021).

However, specific triggers must be considered in order to understand this change. On the one hand, it is necessary to consider the internal characteristics of China. Mohanty (2018) argues that debates on China's shift need to be considered according to multiple questions regarding the country's values and complex history. Ian Morris (2010), in his book *Why the West Rules for now: the patterns of history and what they reveal about the future*, establishes several patterns that are crucial to understanding the Eastern mindset and why it might prevail in the future. Morris (2010) describes two regions of the world in his book: The Eastern Core (China, Japan and Southeast Asia) and The Western Core (The Near East, Europe and also the United States). Morris (2010) argues that both regions experienced similar progress in ancient times with major technological advances, such as agriculture and the domestication of animals. However, the preponderance of the Western core was questioned by the East's social development in the sixth century AD. By the 15<sup>th</sup> century, the West's use of guns and ships changed the world center as they had more instruments to colonize and exercise their economic power in other territories. However, it would not be until the 19<sup>th</sup> century that the West would show a tremendous advantage over the East. From a Western perspective, the West was the only power that could lead the world; nevertheless, other regions and specifically China considered themselves as one of the principal actors in the world's progress (Morris, 2010). China's social indexes show that this world power has an older sense of its global role, which drives the Chinese policies nowadays (Xuetong, 2019).

Influential scholars such as Bai (2021) defend that there must be a previous analysis of Confucian precepts for understanding the Chinese view of the world order. Western authors have traditionally failed to understand China's behavior in the international system labeling it as realist. Nevertheless, as described in Yan Xuetong's book *Leadership and the Rise of Great Powers* (2019), Chinese leaders have sought to implement policies from a realist perspective that considers moral principles. China is aware of its tradition

and Confucian values to become what they conceive as the country at the center of the world's affairs (*中国*, *Zhongguo*) (Ames & Hershock, 2018). Besides, traditional Chinese position as part of the Third World is crucial to understand its leading role for other emerging powers, also known as the global South. The long-established losers of globalization are currently finding ways for climbing the world order with the help of China.

On the other hand, what is conceived by different scholars as the Chinese rise could have never been achieved if China had not benefited from globalization. As Dreher, Gassebner & Siemers (2012) pointed out, globalization has been possible due to the emergence of international trade, cross border relations and international organizations that have bolstered economic exchanges among States. Scholars of globalization tend to highlight the new paths that have been opened for the North/South Relation, stressing China's rise in the international system (Amadi, 2020). Globalization has been the key source for global social change and the key driver of the current world order.

Some authors argue that globalization has not always had good consequences (Valentim, 2016). This interconnectivity that wanted to perpetuate the liberal international order and the hegemony of industrialized societies has resulted in poverty and inequality (Bourguignon & Morrisson, 2002). Moreover, the literature on globalization emphasizes that States do not longer have the capacity to deal effectively with the ongoing changes. Movements across the world have fought against this liberal order that is going against their interests (Nye, 2017). The trade war against China, nationalism across Europe, and Brexit are only mere examples of this disenchantment with the liberal international order. Authors such as Hu and Spence (2017) have emphasized that the reaction against the free movement of people and trade without tariffs has been one of the most prominent characteristics of this period. However, there have been other factors that could bring a change to the liberal international order.

The majority of the recent global governance studies are pointing out the emerging debates on alternative governance (Amadi, 2020). They remark that these new relations –rather than obsolete institutions and bureaucratic command structures- would be the source of new economic opportunities and prosperity. Jim O’Neill (2018), the former chairman of Goldman Sachs division of asset management, perceives that this change

will be led by the United States and China economic-policy decision, as the most influential powers in the international system. China offers an alternative method to the international institutions system and the liberal international order based on American supremacy. However, some authors such as Spence (2015) argue that the capacity of changing the world order will be related not only to the capabilities of a country, but also to authority and governance.

The global international system does not evolve in just one way or any predetermined direction. As Yan Xuetong (2019) remarks, Beijing does not want to impose its system on other States, but it could set a precedent for other alternative methods of global governance. The gradual polarization of a world order led both by China and the United States could lead to a shift in the post-Cold War order (Xuetong, 2019).

Some scholars defend that the Chinese giant will surpass the United States in the following years (Layne, 2018). Nevertheless, others highlight the inconsistencies China has for doing so (Beckley, 2020). Those who support that China will surpass the United States in this century claim that China regards itself as a guarantor of its sovereignty and independence and would rather cooperate with other States through intergovernmental consensus rather than losing its sovereignty under a supranational organization (Han & Paul, 2020).

Since the beginning of the 2000s, Beijing has implemented policies towards a more globalist orientation to its greater role in the international system (Xuetong, 2019). China has bolstered its contribution to globalization with more active participation in international organizations and has created new China-centered institutions. As a clear reflection of this tendency to increase internationalization, China has launched the BRI (Belt Road Initiative) to build more bridges with States all over the world and shift global rules (Tekdal, 2018). China sees this strategy as the primary tool for regaining what it sees as its rightful excellent power status. The PRC has also challenged the long-standing Western institutions such as the World Bank and the United Nations, allotting more money to more influence inside these institutions (Zeng, 2017). The academia shows that this assertive approach could also bring a more active role of China in contributing to the global common goods.

Nevertheless, the academia is worried about the approach China is deploying to certain areas such as human rights, in which the authoritarian model of the Chinese Communist Party (CCP) could play an important role. Beijing's recent activities have shown that several internal policies do not comply with the Western conception of human rights (Xie, 2019).

China's supporters defend that the Chinese model of fostering regional and global development is better than any of those established by liberal democracies. China does not want to impose authoritarian reforms worldwide, as shown in States such as Ethiopia and Myanmar (Mitter, 2021). However, this does not mean that China does not look for their interests abroad. Think tanks such as the Council for Foreign Relations show that the goal of Xi Jinping, the current most powerful person in the PRC, is to reform the global governance system to fight for Beijing's values and priorities. Xi Jinping's figure is also crucial to understand why the Asian giant wants to achieve these goals. American strategists Kissinger and Brzezinski have remarked on Xi's attempt to readjust the liberal international order (Hanhimäki, 2019). The end of the *Pax Americana* questions whether a future *Pax Sinica* could occur in the following years (Layne, 2018).

Since the beginning of the decade, there was a considerable portion of the academia inspired by John A. Tatom (2009), who believed that China was not going surpass the United States in a short time as a hegemon. These authors claimed that China faced challenges on its developmental paths, taking as examples the differences between the rural population and urban population, the Western and Coastal region, and other social indexes like the Gini coefficient. Other authors added in these various factors the risk of epidemic diseases, the shortages of basic resources and the lack of legal certainty for enterprises. Moreover, some authors reveal that the institutions created after Bretton Woods and the policies derived from the Washington Consensus were so entrenched that it could be challenging to change them (Wu, 2016).

However, several European policymakers have perceived the current polarization of the world's politics and highlight the need for rethinking the relationship with China. Josep Borrell (2020), High Representative of the European Union for Foreign Affairs and Security, has pointed out that Europe must consider a new strategy regarding the future

world order. Charles Michel, President of the European Council, wants Europe to be one of the players of this new period and not the playing field (Umbach, 2021).

In addition, the academy is showing interest in the potential shift in the balance of power in which Beijing has a significant role to play. Georgina Higuera (2020), one of the most prolific Spanish authors about Sino-European relations, foresees that the West will rule but not for long. Major advancements in technology and the economy are taking place, leaving the Western world behind. Higuera (2020) argues that the crisis (危机, *Wēijī*) can also be seen as an opportunity and the European Union must benefit from this shift for a better future. The European Union has an unbalanced relationship with China based on inconsistent and incoherent policies, as the author Hanns W. Maull (2017) highlights in his research article "The politics of the EU: China's relationship with Europe". Consequently, taking this conceptual framework into account, European Member States must work for future cooperation with Beijing.

The white paper *EU-China – A strategic outlook* is one of the main pillars for redefining this new relationship with China (Cheng, 2019). It is essential to establish which are the outlines for the future rapprochement to the Asian giant. This paper highlights how China is viewed from a European perspective. China is considered both an economic partner, a negotiation partner, an economic competitor and a systemic rival. The future European strategies will be defined according to these points of view. Gustaaf Geeraerts (2018), a distinguished professor at Fudan University, stresses the opposing identities of the EU and China that rely on different visions of power and governance. The EU, a post-sovereign union, which relies on strong rule-based international institutions, defends certain humanitarian and idealistic values. On the contrary, China prioritizes its sovereignty and would rather cooperate than cede sovereignty in specific areas concerning compliance with human rights (Geeraerts, 2018).

### **Questions of the investigation**

A number of research questions operate in the background of this paper, such as whether China has already surpassed the United States in the economic capabilities and is keeping pace with it in its military development, or whether China will overtake the United States in these capabilities in the following years. In the end, this paper seeks to answer the question of whether China poses a threat to the liberal international order and, if so, how the European Union should develop a strategy to approach the Asian giant.

### **Objectives of the investigation**

This paper has five main goals. First, it aims to present the critical elements within the core capabilities of China and the USA. Secondly, it seeks to draw a comparison between both countries in the economic and military fields to achieve the third objective, which is to assess the threats to the liberal international order led by the United States. Fourthly, this paper aims to identify the progress made by China within the economic and military fields. Lastly, it aims to suggest different EU- China relationship strategies due to China's rise in both capabilities.

### **Methodology and structure**

The hypothesis of this project can be phrased as China being about to surpass the USA in the economic capabilities and presenting a real competition in its military ones. This allows to meaningfully pose the question of how the European Union should react. The following methods will help to conduct this research. First of all, this paper will analyze a broad number of sources and indicators, besides sources from related governments, since many of those official data do not reflect the actual reality of these two capabilities for security reasons or because they want to project a specific image to the international system. In order to provide empirical evidence of these capabilities, this paper will consider quantitative data from reports of credible international organizations such as the World Bank, the IMF, and think tanks specialized in the assessment of military capabilities and international presence. As De Salazar Serantes (2003) reminds, interpretative analysis by cross-referencing data from various sources of information and access to primary sources is of paramount importance to get a more realistic picture of the capabilities of both States

The comparison of data will lead to an inductive approach in which it will be considered if the changes within the economic and military fields of China and the United States (independent variable) will translate into a decrease of U.S. power and an increase of Chinese power (dependent variable).

Induction allows to theorize from particular cases and theory allows a deductive application to particular cases (Cervera, 2014). This inductive approach will lead to check whether China is succeeding in changing the liberal international order led by the USA. A qualitative analysis of sources coming from papers of scholars and other documents with accessible public information from governmental institutions will be used to answer this question. This method will consider the existence of various narratives and conflicting interests within the international system to understand China's soft power towards the U.S. allies such as the European Union.

Lastly, this project will consider how China's increasing importance in the international arena will shift the EU approach to Beijing, and several proposals will be considered. The aim of this final project thesis has an experimental nature since the objective is to deduct what the European Union must do by previously applying inductive reasoning of the Chinese capabilities along with the potential risks that these might imply.



## **Chapter II- Study of two major core capabilities of China and the United States**

### **II.I. The economy.**

#### *I. Introduction*

The international state system has a hierarchy that consists of less and more powerful States, with certain positions depending on their power capabilities. The hegemon is the actor that controls international economic and political interactions. The United States benefited from the Bretton Woods system by expanding a set of rules for the financial, economic system, which let this State rise dramatically in the international state hierarchy. Since the end of the Cold War, the USA has become the world leader and holds the first position in almost all the economic rankings (Cooley & Nexon, 2020). This unique position enabled the USA to maintain its position in the liberal international order. However, power distribution in the international system varies, threatening the hegemon's position. Globalization has been a powerful vehicle for developing countries to stimulate their economic growth by letting other nations to invest in their economies and removing trade barriers. This openness has resulted in higher living standards and improvements in tackling inequality worldwide. Besides, certain countries known as the BRICS (Brazil, Russia, India, China and South Africa) began to challenge the liberal order system by creating other financial institutions such as the New Development Bank that could help other States benefit from globalization (Amadi, 2020). China has climbed up all the international hierarchy system since the 1990s by integrating more profound into the global economy and transforming its economy into one of the biggest world trading partners. Currently, Beijing seeks to achieve a position in the hierarchy that will allow him to shape the world order and ultimately become the hegemon power. Several regional free-trade agreements, which exclude the USA, have been signed to secure Chinese interests worldwide (Friedberg, 2018). Beijing's main objective is to lure traditional American allies to enforce its economic ties with the PRC and build a well-off society. This strategy, included in several national documents such as China's 14th Five Year Plan and the 2035 vision, has helped raise 800 million people out of poverty (Morrisson, 2019). Moreover, the World Bank recognized this economic progress, which considers China's rise as "*the fastest sustained expansion by a major economy in history*" (Morrisson, 2019, p.189).

## *II. Analysis of economic capabilities*

Beijing's rise in the international hierarchy has led academia to question whether American economic hegemony is in danger (Han & Paul, 2020). It is difficult to measure one economy's relevance from one factor; there will be an analysis from several indicators that will consider the previous statement.

The PRC has undertaken a series of open economic policies, such as decentralizing the economy, removing trade barriers and foreign direct investment, and the privatization of crucial sectors to the Chinese economy, such as light industry and agriculture (Morrison, 2019). These strategies have directly impacted the Chinese economy, resulting in an economic growth rate of 6% to 7%, while the United States decreased its economic growth rate to 2% (WB, 2020a). The Chinese economy has matured and embraced the slower economic growth but maintains a considerable amount of GDP percentage rate. This economic situation, typical of developed societies, shows that there are some possibilities that China will overtake the United States in the future. (Morrison, 2019). Despite this promising belief, China still has a lower GDP than (only 14.34 trillion dollars) the United (21.43 trillion dollars) (WB, 2020d). However, if there is a comparison within the GDP that considers the PPP, China is considered the largest economy globally with 23.532 trillion dollars while the USA holds 21.433 trillion dollars in 2019 (WB, 2020b).

The GDP analysis would be futile if there is no significant study of the impact of this GDP growth. Consequently, there is a need to look at the GDP per capita. Chinese citizens have incremented their standard of living as the GDP per capita has increased from 6,316.918 dollars in 2012 to 10,621.679 dollars in 2019 (WB, 2020e). This could be considered one of the most remarkable changes in a country because Beijing has successfully achieved its GDP per capita in a short period. Although it is a huge step, the United States GDP per capita is still higher than the Chinese one with 65,297.518 (WB, 2020e)

If there is a comparison of data, it could be concluded that Beijing possesses a larger GDP in PPP and a faster GDP growth rate than the USA. However, GDP growth does not always result in an expansion of wealth (Beckley, 2020).

However, these indexes do not measure the quality of life of their citizens. The Gini index measures the degree to which the dissemination of wage among people or families inside an economy deviates from perfectly equal distribution. This index goes from 0 to 1 point, and the closer to 1, the more inequality there is. The United Nations has established that more than 0.4 is a warning level. According to Chinese reports and databases, China reached 0.46 in 2019, which means a warning inequality level in China (CEIC, 2019).

This level of inequality in China is partially due to the situation in less developed regions of China, such as Xinjiang (Cao, Duan, Liu, & Wei, 2018). Even if there is a considerable inequality gap between rural and urban regions, the Chinese government has implemented these past 10 years a series of policies that try to narrow this gap (Weiping, 2020). According to the OECD (2020), the United States stood at 0.434 in 2017, a better average than China, but not good. This data indicates that the USA inequality level is worrying. The U.S. rise in inequality is due to technological change, globalization, and other economic factors (Horowitz, Igielnik, & Kochhar, 2020). The wealth gap between American households has considerably increased, shrinking middle-income families median net worth by 20%. The Pew Research Center remarks that the wealthiest families are getting richer, while other households decrease their median net worth, doubling the wealth gap between both groups (Horowitz, Igielnik, & Kochhar, 2020). The prevailing inequality in the United States questions the viability of the American economic systems and its attractiveness to other States.

There is another indicator crucial for understanding the well-being of the citizens of both countries. The HDI is an index that governments have usually used to design ambitious and effective policies. This indicator, which goes from 0 to 1, measures achievement in specific dimensions of human development: health, education and decent living conditions. The first factor, health, is measured by life expectancy. Chinese life expectancy reaches 76.9 birth years compared to the American average of 78.9 years (United Nations Development Programme [UNDP], 2020b). This life expectancy is intrinsically linked to the quality of the health system of both countries. Chinese health care standards vary depending on which area you live in. For instance, developed regions such as Shanghai have much more specialized doctors and medical instruments than those less developed, such as Xinjiang (Gong, 2014). On the contrary, the United States does not have that difference, but the access to medical treatment can constitute a

disproportionate expense for an American household, which might not receive treatment if they do not have enough funds. These features demonstrate much to be done to improve their health systems to lengthen their citizen's life expectancy (Gong, 2014). In addition, nobody can measure the impact that COVID-19 will have on both health systems, but it is important to highlight that there will be changes concerning these features previously remarked. As individuals will be subjected to further medical control because more pandemics will come, these States would have to ensure high-quality medical treatment. The second factor, education, is measured by several factors such as the years of schooling among the adult population and the years that people above 25 years have received in life and the mean years of schooling. As we can see in the figure, China has an average of 14 expected years of schooling and 8.1 mean years of schooling, which is less than the American average of 16.3 expected years and 13.4 mean years of schooling (Beckley, 2020). Finally, the living standard is measured by the GNI per capita in dollars considering the purchasing power parity conversion rates of 2017 and other factors included in the Human Development Reports. China maintains a GNI per capita of 16,057 dollars, while the USA has a GNI per capita of 63,826 dollars (UNDP, 2020).

These numbers make the United States hold a better position in the ranking of HDI with a 0.926 and is the 17th in the world position, whereas the Chinese average HDI accounts for 0.761, the 85th (UNDP, 2020a). Concerning the HDI, for a good analysis, it is crucial to look at the quality of higher-education institutions, as States need a high-skilled workforce to become the hegemon power (Morrison, 2019). China is making significant efforts to fill the gap in higher education access by doubling the number of universities and increasing the student's enrollment rate to colleges from 8% to 30% (Beckley, 2020). This increase in Chinese people's enrollment in universities is a promising indicator of a high-skilled future workforce. Nevertheless, it is far from the U.S. level, which has 44% of its workforce with a college degree, while China has 10% (Beckley, 2020). This lack of people with higher degrees leads to a decrease in the prestige of Chinese universities. The Shanghai ranking, one of the most renowned annual publications of world university rankings, places 6 Chinese universities in the top 100, while the United States holds 42 universities (Times Higher Education, 2021). Moreover, even if Chinese universities have modernized rapidly, there is still a considerable gap in university's investment compared to the USA. Chinese tuition fees are meagre compared to the American universities;

therefore, there are lower wages to Chinese college teachers, which could pose a danger for China's rise in the following years (Beckley, 2020).

Considering the American preponderance in HDI, there is a need to evaluate why China might be threatening the American economy. There is an increasing Chinese bargaining power over the USA concerning the holding of public debt. According to the U.S. Treasury, China owns around 1.07 trillion dollars of American public debt (Buryk, Bashtannyk & Ragimov, 2019). China's main reason for such a massive amount of American debts lies in the large trade surplus in goods and services in the past few years. The primary concern related to this overdependence lies in the potential sell-off in the bond market, sending U.S. interests rates higher and decreasing the dollar demand.

Nevertheless, Beijing buys this amount of U.S. Treasuries because its currency is pegged to the dollar (Brautigam, 2020). China is the largest exporter in goods and services, with 24,978 trillion dollars in the world, according to the World Bank (2020c), followed by the United States. The importance of exports lies in their direct effect on economic growth. As exports rise, the aggregate demand will increase, and this will translate into higher economic growth. As the PRC still seeks to continue growing, it is not interested in reducing the reserve holdings of U.S. dollars because this will increase the price of Chinese exports, making Chinese products less competitive (Brautigam, 2020). Moreover, the U.S. has the advantage of borrowing money by using debt mechanisms based on their currency. This desire for liquid U.S. treasury securities allows the USA to keep a large budget and a deficit in the balance of payments, leading the USA to borrow at low interest rates (Sharma, 2020).

China's role in purchasing debt has turned China into the world banker, which has increased its soft power to the detriment of the American one. The new income from Beijing is being used to hold the majority of the State's public debts for securing Chinese interests abroad (Buryk, Bashtannyk & Ragimov, 2019). The unconditionality of Chinese loans is very attractive to States that had previously implemented harsh policies for receiving loans from pro-Western international financial institutions such as the IMF and World Bank. Some of these policies include hard preconditions, such as privatizing public institutions, cuts in social spending, and eliminating price controls (Eichengreen & Woods, 2016). Besides, some of them are related to transparency, environmental sustainability, the respect of human rights, preconditions that several developing

countries do not want to meet, as they think this is a direct violation of their sovereignty (Sharma, 2020). By borrowing money from China, these States can invest in infrastructure, energy, and other critical economic sectors to develop. There is much secrecy in these loan's requirements, as they are fixed with the borrowing country, and both often do not display the specifics of those agreements. Nevertheless, this unconditionality and confidentiality are depicted as an advantage. Therefore, China invests in these States while getting the funding needed to boost their economies (Eichengreen & Woods, 2016).

Following Beijing's strategies, China has invested in several projects such as the One Belt Road Initiative to achieve its desired position in the international hierarchy system through securing its interests abroad (Scobell, 2017). This maritime and terrestrial route composed of Chinese railways and industrial corridors will connect China worldwide with more than 60 countries. This initiative's infrastructural aspect includes creating, expanding, and upgrading pipelines, logistic infrastructure, highways, and ports. There are two significant classifications of routes: land-base and another terrestrial with logistic hubs across Asia, Africa, and Europe. The Silk Road Economic Belt, the terrestrial route, will connect China with Europe through Central Asia and the Persian Gulf. The Maritime Silk Road, the sea route, will consist of three main routes: one in the South Pacific, the other linking China with other Southern Asian countries that would end in West Asia and finally, one crossing Africa that will go to Europe (Cau, 2018). There are four main reasons why, in economic terms, China has decided to implement this initiative. Firstly, Beijing is willing to invest in these countries to secure its resources and future export trade. Currently, China relies heavily on trade routes that go through the Malacca Strait. The inclusion of new routes through Central Asia, Western Asia and Africa could reduce the danger of not receiving the energy supplies that come through the Malacca Strait. These regions contain vast natural gas sources, and this initiative is a mechanism to diversify energy trade routes (Enderwick, 2018).

Moreover, the transportation methods will also be modified to non-sea routes through pipelines, reducing Chinese dependency on sea routes. This improvement is crucial for China because several sea routes, such as the Malacca Strait route, are controlled by the USA and India, competitors of the Beijing regime. Secondly, this initiative will connect Chinese inner regions with other markets by constructing highways and ports. One of the

most prominent examples of this initiative has been constructing the port of Gwadar in Pakistan within the framework of the China-Pakistan Economic Corridor project, which aims to give access to overseas markets to Western Chinese provinces such as Xinjiang province through Pakistan. This unstable Chinese region full of natural resources will directly have access to the Arabian sea and the Gulf of Oman, which are some of the most critical regions for trade in the world, promoting its development and reducing its volatility (Cheng, Chen, Degterev, & Zhao, 2019). Thirdly, this initiative will be beneficial for the Chinese market, as it will relocate the excess capacity and workers of Chinese industries by exporting those commodities. For instance, China will be able to relocate the steel capacity in other countries.

Nevertheless, there are some doubts about the real chance of relocating these products to other markets because of the lack of demand and the high transportation costs (Enderwick, 2018). The fourth reason is related to the Chinese desire to change the world order and provide new institutions to alternative world order. To provide this initiative with the necessary funding for being viable, China created the Asian Infrastructure Investment Bank (AIIB) in 2014, whose primary role was to fund infrastructure creation in the Asian region (Cau, 2018). Besides, Beijing designed other entities to strengthen the BRI, such as the Silk Road Fund and the New Development Bank. Beijing believes that institutions will help consolidate a unique regional financial system based primarily on the yuan and other Asian currencies. While investing in other countries for further economic growth, China will potentially put pressure on the U.S. dollar rate, as there will be an increasing volume of yuan payments (Silin, Kapustina, Trevisan, & Drevalov, 2017). Despite the significant advantages of this plan, the BRI collides with previous initiatives such as the ASEAN Master Plan for Connectivity, which makes the academia doubt its effectiveness. There are several reasons to believe this previous statement. For instance, one of the most promising projects under the BRI, the Gwadar port project, has been slowed down because of Chinese investors' reluctance to this project due to profitability and security issues with terrorist groups (Kardon, Kennedy & Dutton, 2020). The economic balance of power will be related to the importance of alliances and economic partnerships. Therefore, China seems to have a commercial advantage compared to the USA who is backing down in the commercial and international sphere rather than implementing similar initiatives.

Along with this strategy, China decided to strengthen its position as the largest manufacturer (Feigenbaum, 2017). This tendency was driven initially by the beneficial conditions of the Chinese markets, such as low labor costs and low-cost goods. The Chinese government implemented a strategy known as Made in China 2025 to consolidate its privileged position by manufacturing higher value-added products. This pattern has led Beijing to portray itself as a level competitor, abandoning the notion that it was a second-class player on the international stage (Feigenbaum, 2017). However, there is still much to do to become equal in competitive terms.

Another crucial factor for understanding the U.S. concern of China's rise is the U.S. trade deficit. Some American policymakers and particularly the former president of the USA have criticized the overdependence on Chinese products. From their perspective, Chinese exports with low added value are creating unfair competition in strategic sectors that American companies used to lead (Metiu, 2020). This has led the USA to implement tariffs to protect American products and reduce this trade deficit. Besides, the USA has implemented more restrictive free-trade policies with other States and withdrew from free-trade agreements such as the Trans-Pacific Partnership (TTP) (Metiu, 2020). This strategy has refrained the USA from gaining more economic power within the Asian region, one of the biggest world markets. China has seized this opportunity by signing the Regional Comprehensive Economic Partnership in 2020, with 15 States representing 30% of the world's economic output (Gunia, 2020). After the ratification of this agreement, a vast free trade area will boost economic growth in this region by increasing 10% regional exports (Ying, 2021). The American strategy could be seen as a way to protect its economy; however, international trade is not a zero-sum game, and there are negative consequences for any country that imposes restrictions on trade. Custom duties lead to higher prices of imported products leading to a reduction in consumption. Besides, tariffs increase the cost of intermediate goods, which increase the final price of goods (Berthou, Jardet, Siena & Szczerbowicz, 2018). The fight for gaining back control over trade could be depicted more as a struggle for global hegemony than a struggle for recovering the economic stability of the U.S. companies (Kim, 2019).

Despite Chinese trade's and good economic prospects for becoming the world hegemon, Chinese reliance on specific economic sectors could lead to an economic phenomenon known as the middle-income trap, in which an economy stalls because it reaches a



relatively high level of development. Beijing could fall into this economic scenario if the annual GDP rate stalls at 3% or 4% (Glawe & Wagner, 2020). Besides, several triggers could lead to this situation: the lack of access to finance, the necessity of an economic system with legal certainty for firms to engage in entrepreneurial activities, and the low productivity growth. However, academia claims that China has not reached this point yet (Zhou, 2018). China could continue to grow at a considerable rate if it continues to maintain its first position in the share of high-tech exports and its ranking as the world largest manufacturer (Glawe & Wagner, 2020). This could directly impact the power's balance in the international system in the following years. However, data shows it is still soon to talk about China's hegemony in the economic area in general. Be that as it may, it is possible to speak already of its privileged position within the trading system and as a global public debt holder.

## **II.II. The military.**

### *I. Introduction*

Military power is one of the core elements of international politics. States have made considerable efforts to balance their military power concerning other State's military by increasing their capabilities or examining their strengths and weaknesses. The ultimate goal is to gain power over their counterparts, thus becoming the world hegemon (Ikenberry & Mearsheimer, 2001). From 1815 onwards, the United Kingdom became the global hegemonic power by controlling sea routes, establishing colonies worldwide thanks to the British Royal Navy and new technologies. This period of *Pax Britannica* declined after the rise of European industrial powers, which led to new wars (Cupitt, Whitlock & Whitlock, 1993). The start of WWI was the end of the *Pax Britannica*, which led other nations to compete for the global hegemony. The achievement of the American military hegemony has been a long process of assessing rival capabilities and benefiting from geostrategic opportunities. The USA decided to engage in wars by applying the Monroe Doctrine with European powers to annex more territories and gain economic benefits (Stein, 1984). At the end of WWI, European nations had to rebuild their societies and their military capabilities, and with WWII, most of them were destroyed to the ground (Cupitt, Whitlock & Whitlock, 1993). After WWII, two powers were fighting for global hegemony, the United States and the Soviet Union. Western European countries built strong relationships with the United States forging security alliances on bilateral and multilateral grounds such as NATO. In addition, the Soviet Union created an organization

for collective security known as the Warsaw Pact. Both powers began to create an arms race which included the building of nuclear warheads. The arms race was followed by a war in culture and propaganda. The image that countries had from these powers directly affected the power shift in this Cold War. The Soviet Union collapsed, at last, leaving the USA as the only hegemonic power (Cupitt, Whitlock & Whitlock, 1993). Since then, other military powers have emerged thanks to globalization and the liberalization of trade. These new powers possess conflicting interests, which could also be opposite to the U.S. interests. Power warfare has become more common these days because certain States such as China and Russia are dissatisfied with the American liberal international order and are trying to achieve their own foreign policy goals (He, 2017). China, the country with the largest activity military personnel at its disposal, might cause distress for American policymakers (Stockholm International Peace Research Institute [SIPRI], 2019). The escalating rhetoric and miscalculation of both States might create major conflicts in the future, which could impact other States as well. Therefore, it is necessary to first assess the military capabilities of both powers and their interests at stake.

## *II. Analysis of military capabilities.*

China has also been aware of the importance of this strategic opportunity period and seeks to benefit from it. Globalization and the growth of developing economies have changed the well-established ties of dependency within States (He, 2017). This change in the international system transformed the dynamics of the liberal international order and in the military field. States do not longer depend only on the protection of one country but have developed new alliances throughout the world. The CCP has designed a multidimensional strategy that seeks to project its power outside its national territory and immediate periphery to secure its interests and foreign policy goals (Office of the Secretary of Defense, 2020). Nevertheless, the USA still maintains strategic alliances with some of the most powerful countries, and Biden's administration claims that it will be crucial to manage challenges posed by Beijing (Powell, 2020).

One of the critical factors for understanding military capabilities of both States is the nuclear scorecard. This concept looks into both side's survivability in the face of a first strike by the other. This analysis considers the number, range and accuracy of the offensive weapons and the number and mobility of nuclear targets. China's nuclear power

compared to the United States is relatively small. However, China has made a great effort to modernize its nuclear forces. China improved its nuclear power with the introduction of the "road-mobile DF-31 (CSS-9) and DF-31A intercontinental ballistic missiles (ICBMs) and the Type 094 Jin-class ballistic missile submarine (SSBNs), capable of carrying 12 modern JL-2 submarine-launched ballistic missiles (SLBMs) with a range of approximately 7,400 km" (Heginbotham et al., 2015, p.28). Besides, China's constant introduction of new vehicles and missiles concerns the U.S. Department of Defense. While the USA is reducing its budget in strategic delivery systems and nuclear warheads, China is strengthening its nuclear military system (Heginbotham et al., 2015). Even if the USA has been complying with the NEW START treaty, it has not resulted in a dramatic halt of production of nuclear warheads. The United States is modernizing its nuclear arsenal but reducing the number of deployed warheads and other delivery systems. Moreover, the USA has approximately 6,200 nuclear warheads more than Chinese ones, accounting for 290 nuclear warheads (SIPRI, 2019). Admittedly, there will have to be a greater American disarming for China to surpass the USA. In the case of a nuclear war, the USA could easily retaliate China's warheads and attack Beijing back. However, in this hypothetical example, there would need to evaluate the alliances with other major nuclear powers such as India, Russia, Pakistan or North Korea, which are currently improving their nuclear systems in scale and number (SIPRI, 2019).

The expenditure on the military has always been considered as one of the most important factors for achieving military hegemony. Comparing defense expenditures between countries helps to assess the relative military strength of the State. The PRC has been increasingly rising its annual military budget for more than ten years even if its GDP growth rate has been steadily decreasing. On the one hand, China's importance to military expenditure has brought them to almost double their official defense budget in the last ten years, with a current expense of 174 billion dollars (Office of the Secretary of Defense, 2020). Data from 2010 through 2019 shows an increase at an annual average of approximately 8 per cent considering inflation-adjusted terms (Office of the Secretary of Defense, 2020). Based on its official defense spending figures, which omit several major categories of expenditures, the PRC can support continued growth in defense spending for at least five to ten years, based on economic data and growth projections (SIPRI, 2019). On the other hand, the American expenditure in the military in 2019, according to the Stockholm International Peace Research Institute, reached 732 billion dollars which

quadruplicate the Chinese expenditure on the military. The recent growth of American spending has been depicted as a competition between these powers (Weissmann, 2019). The assessment of this threat also constitutes a shift in power perception. If other nations believe that the USA, the global hegemon, could be threatened by China, there will be a direct effect on alliances, military actions and support to the USA. The increasing Chinese military presence in Asia is countering the U.S. military capabilities' traditional hegemony within this region (Heijmans & Calonzo, 2020). Therefore, the USA has developed a narrative to explain that China is an aggressive power that aims to change the liberal global order, which is a symbol of stability, peace, and prosperity. The USA and its allies would be the only ones capable of upholding the liberal international order and protecting its institutions and regional allies. Beijing is trying to counter this narrative by claiming that the PRC respects the internal affairs of other States and would rather cooperate with them than impose their foreign policy.

Even if the Chinese narrative is more appealing, the U.S. narrative is still the preponderant one in the region. As proof of this prevalence, a far more robust U.S. network of security partners shares the same liberal perspective. The U.S. alliances with central non-NATO States include Japan, South Korea, Thailand, the Philippines, and other Oceanian allies such as Australia and New Zealand. These States maintain stronger military and economic relationships with the USA and are wary of China's intentions (Mitter, 2021). In contrast, Beijing maintains one formal ally in the region, North Korea, and another informal ally, Russia. There are other countries such as Malaysia, Indonesia and Myanmar, which could be more subjected to Chinese soft power. For instance, people see Myanmar's closeness to China as a manifestation of Beijing's attempt to draw Myanmar into its sphere of influence through economic and military cooperation (Peng, 2021). Besides, Chinese influence could increase with the Shanghai Cooperation Organization (SCO), a political coalition that provides cooperation within several fields such as politics, military, and economy (Sun & Elmahly, 2018). This organization's priority is to secure Member's States interests in Asia and other regions of the world such as the Gulf of Aden. The SCO Member States and observer States population accounts for 1.5 billion people, and four of its Member States possess nuclear weapons (China, Russia, India and Pakistan) and one Observer State that is Iran which is developing a nuclear programme. Military cooperation is not as entrenched as within NATO due to the lack of normative framework and the revealing tensions between some of its Members (Sun & Elmahly,

2018). Besides, NATO Member States possess a much stronger military presence globally and are highly organized, while the SCO does not have such a solid military integration (Sun & Elmahly, 2018). Nevertheless, political and economic change are important crucial elements for the survival of alliances, and these organization's future would last as long as they secure the achievement of their Member States' goals.

In any of these cases, the USA still seem to be more prepared to confront China in an international conflict, as they have approximately 800 military bases worldwide. The PRC is aware of the U.S. superiority and therefore is building more military centers in *strategic strong points* (战略支点, *zhanlüe zhidian*), which could include future States such as Myanmar, Thailand, Singapore and Sri Lanka (Beauchamp-Mustafaga, 2020). One of the most important examples of this initiative is Djibouti's military base (Cabestan, 2020). This port's location is crucial as it is placed close to the Chinese operated Port of Doraleh, one of the primary connections for oil shipping from West Asia and North Africa. Beijing gets 60% of its oil from the African region, and therefore needs to secure this area (Cabestan, 2020). Moreover, this military base provides a unique position for conducting peacekeeping operations in Africa and protecting Chinese ships from Somalian pirates (Cabestan, 2020). The presence of a Chinese military base only 10 kilometers away from their strategic points has caused discomfort among Western countries, which believe that China will continue building military bases throughout the world for the same purposes.

One of the regions in which the PRC is building military bases is the South China Sea. Beijing is claiming sovereignty over vast territories in the South China Sea, such as the Paracel and Spratly islands. There are two main reasons for this policy. First of all, there is a vast amount of natural resources on the seafloor. According to the U.S. Energy Information Agency, there are approximately 11 billion barrels of crude oil and 190 trillion cubic feet of natural gas (Herberg, 2016). Secondly, Beijing is aware of the economic importance of this region as 30% of the world trade goes by this route (Borrell, 2021). The South China Sea is connected to the Strait of Malacca, which is the shortest and more economical passage between the Indian and Pacific oceans (Mastro, 2020). The Chinese narrative of leadership in the South China Sea directly collides with the Dominant U.S. narrative, which upholds international law.

The United Nations Convention on the Law of the Sea, which China ratified on the 15th of May 1996, grants countries sovereignty over waters that are not more than 200 miles from their coasts (Movaghar, 2020). However, in 1998 China promulgated the Law on the EZZ and the Continental shelf, claiming a territorial claim on this area based on the Nine-dash Line. This rule-based on Chinese history was planned because of future historical claims over the exclusive economic zones of other nations such as Singapore, the Philippines and Vietnam. The construction of Chinese military bases and other types of constructions in islands and coral reefs known as the Great Wall of Sand in the South China Sea led the Philippines to bring this case to the International Court of Justice (ICJ) (Movaghar, 2020). The ICJ delivered a verdict in which the dispute was settled in favor of the Philippines, claiming that the Nine-dash line rule was not a sufficient legal guarantee.

Nevertheless, Beijing has not accepted the verdict and defends its territorial claims over this territory. China has taken advantage of the COVID-19 pandemic to reinforce its military power on the South China Sea by building more bases and increasing the presence of its military ships (Heijmans & Calonzo, 2020). If China achieves this territorial claim, there will probably be a power shift in this region, favoring Beijing. Major U.S. allies such as Australia and New Zealand may have to change their foreign policy objectives if they want to secure their economic interests (Mastro, 2020). In fact, these States are increasing maritime cooperation with China in the South China Sea and East Asia because their major trade routes pass by there (Sun & Elmahly, 2018). This tendency accompanies Beijing's belief that increasing the interaction of the PLA's global military presence through interventions and assistance in military cooperation will increase Chinese bargaining power with other States. The final aim of this strategy is to align the liberal international order with the PRC's interests, even if it means outpacing the traditional military of the USA. Power shifts in the Pacific region, which is considered one of the key strategic points for economic security, could make room for a Chinese regional hegemony and threaten the credibility of the USA as a security partner.

U.S. military capabilities might be reduced in other crucial regions for the USA and its allies in the Pacific Ocean. China has modernized its airpower in the East Asian region near Taiwan and the Spratly Islands to assure victory in a multilateral conflict. Beijing owns more than 1,300 ballistic missiles and hundreds of cruise missiles that could hit

Taiwanese and Japanese military bases, crucial for the USA, within minutes (Lostumbo, Frelinger, Williams & Wilson, 2016). If the USA wants to achieve victory, it would need to send air fighters from further military bases, which could slow down the effectiveness of a counteroffensive. The USA was aware of this military underrepresentation of air forces and decided to send more bombers to these regions. If all the American aircraft enter into combat, they could efficiently destroy the antique Chinese bombers. However, the absence of American airbases within the region and the smaller American naval presence may threaten U.S. and allied economic interests (Alenezi, 2020).

The modernization of technologies has transcended the military sphere and has reached every other significant realm. The quality of life of most American and Chinese people has increased thanks to this modernization, but it has also made them more vulnerable to certain aggressions. Therefore, cybersecurity has gained importance on the agendas of every single State. Governments believe that protecting assets available through the Internet, and computer systems and networks from hackers, is vital to the functioning and stability of a nation and the livelihood of its people. Besides, States are also using cyber-attacks to gather military information of other States and weaken the competitor's economic and technological systems. The PLA has acknowledged this reality and decided to strengthen its cyberspace capabilities. This strategy will impact the future processing of information for efficient command decision and enable the PRC to adapt to an evolving changing world in the context of cyberwarfare (Jiang, 2020). China has introduced AI systems such as the autonomous command and control systems as well as new intelligence, surveillance and reconnaissance systems for creating massive databases for assessing and counteracting cyber-attacks to its political system (Klare, 2020). In addition, the PRC has created new sections within the PLA, such as the Strategic Support Force (PLASSF) and the Central Commission for Integrated Military and Civilian Development, for adapting to the modern cyberspace threats (Jiang, 2020). All these efforts may constitute a threat to American dominance in cyberspace.

Consequently, the USA has implemented civilian computer's systems and imposed sanctions on AI Chinese companies and strengthened its cooperation with the States part of the Five Eyes, an intelligence alliance that compromises Australia, New Zealand, Canada, and the United Kingdom and the USA. These former countries are implementing espionage strategies to counterbalance the astonishing amount of data collected through

AI by the PRC, crucial for developing a cyber conflict (Elder, 2020). However, the economic interests of Five-eye countries might play a crucial role in countering Chinese cyber threats. A very clear example is that of Australia, for which China has been a key partner accounting for the 32.6% of its exports in the 2018-2019 fiscal year (Townsend, 2020). The rising tensions due to cyber espionage and the Australian call for an international inquiry into Wuhan's laboratory prompted China to impose sanctions and tariffs on Australian goods such as wine, timber, beef, coal and lobsters (Townsend, 2020). Admittedly, Australia has reacted by condemning these reprisals, but it did not impose the same levies due to the Chinese significant economic importance in Australia (Townsend, 2020). The government of the State of Victoria, along with this perspective, signed a series of deals to implement the BRI in 2018 and 2019. However, on April 22, 2021, the federal government invoked a law for canceling these deals claiming that they were inconsistent with the Australian foreign policy goals and adverse to their foreign relations (Smyth, Shepherd & Hale, 2021). At first, this decision could be seen as a sign of rapprochement to the U.S. foreign policy values. However, this analysis needs to take a further look. U.S. allies such as Australia might be in the process of counterbalancing their national interests with their commercial interests with China. A balance of interests necessarily includes times when there will be a cooling of relations between China and U.S. allies. Despite this fact, it is hard to believe that global industries would omit the benefits of having good relationships with China to get access to the Chinese market and secure their economic interests.

Even if there are major advancements in Chinese cyberwarfare capabilities and strong Chinese economic soft power, the USA still holds a competitive advantage in network management and has a greater resiliency to cyberattacks (Elder, 2020). According to the ICT Development Index, which measures and compares developments in information and communication technology, China needs to develop more its cyber capabilities. The index, therefore, ranks China 80<sup>th</sup> in 2017, while the USA ranks 16<sup>th</sup> (Mumford, 2017). Besides, the PRC holds a lower capability of influence on the Internet, which translates to reducing China's ability to influence cyberspace (Al-Azwani, 2019). In conclusion, Beijing is currently able to attack U.S. interests by increasing its presence in cyberspace, but in a minor way.



Moreover, as previously remarked, Beijing cannot completely protect its cyberspace, leaving defenseless its national and international security systems, basic communications, and any other network connected to their cyberspace from cyber-attacks. The use of artificial intelligence is key to detecting, analyzing, preventing and responding to these threats. Vast quantities of data and intelligent algorithms are employed for detecting vulnerability patterns and preventing intrusions in cyberspace (Jiang, 2020). The power struggle in the international system entails the use of all necessary resources to ensure and protect the interests of each State. The competition between powers is leveled in all areas, including the development of AI. As a result, China has decided to carry out an ambitious AI game plan depicted in *Made in China 2025*. Implementing this plan will ensure the development of Chinese AI and meet these challenges and ultimately become the global leader in AI in 2030 (Jiang, 2020). This position will constitute one more step towards the desired world hegemony.

### **Chapter III. Eurocentric perspective on the power shift.**

Europe has long been considered the most vital American ally. The reconstruction of European economies through U.S. loans and the U.S. military protection since the end of WWII enforced the transatlantic partnership. The early configuration of the European Union was based on mutual cooperation between States enjoying the protection of the American umbrella. If the U.S. had not provided this security and peace, the European Union would not have become what it is today. Besides, the EU played also a decisive role in strengthening the liberal international order in which it saw many of its interests and ideas represented. The U.S. economic, technological and military superiority translated into a friendly European policy towards its Atlantic partner (Chen, 2016). However, recent developments have jeopardized the nature and sustainability of this privileged relationship. The USA decided to implement protectionist policies such as imposing tariffs on Europe and putting pressure on their European partners to increase their military spending in NATO. Moreover, the Trump Administration's political confrontation with the EU damaged the transatlantic relationship severely (Small, 2020).

In this climate of disenchantment and considering the shift of the geopolitical center towards Asia, the European Union has started to pay attention to this region. One of the most crucial economic partners in Asia is China because of the brilliant performance in

several economic indexes such as the GDP growth rate and the GDP, which considers the PPP. Even if there were some accusations related to intellectual property theft and malpractices in the access to markets, Europe has been aware of the need to boost economic relationships with China. The PRC is the second-largest trading partner of the EU after the United States, and the EU is China's largest trading partner (Cheng, 2019). This economic interdependence has been acknowledged in the multiple annual EU-China summits, the High-Level Strategic Dialogues, and High-Level Economic and Trade Dialogues. Moreover, the EU, which has been committed to achieving its long-awaited strategy, has seen China's rise as an opportunity to detach from the dependence on the U.S. military and economy (Saran & Deo, 2017).

The white paper *EU-China – A strategic outlook* established the main outlines for a realistic, balanced and multilateral approach to the Asian giant within different fields (Cheng, 2019). The language used within this paper has helped to build an equal relationship with China while showing relative freedom from fear of U.S. reprisals.

This paper purports excellent advancements in the vision of China as an economic partner. The EU's perception of power shift led European policymakers to work with their Chinese counterparts to design a set of strategies and agreements such as the EU-China Comprehensive Agreement on Investment (CAI).

The European Union and China are two of the world's three largest traders, which trade on average more than 1 billion euros per day (Cheng, 2019). Significant advancements in free trade agreements will be reached thanks to the negotiation of the CAI. This economic agreement related to foreign direct investment has been designed to strengthen both actors' economic cooperation (Zeng, 2021). On the one hand, The EU will reduce and eliminate capital contribution requirements within the Chinese market. Besides, the EU will achieve to remove restrictive rules concerning the transfer of technology and access to the Chinese market. On the other hand, China will get access to essential strategic European markets such as the renewable energy sector, fisheries, agriculture, audio-visual and public services. These clauses will permit the maintenance of an equal economic relationship with the Asian giant and enable the EU to benefit from the Chinese market's significant advantages (Zeng, 2021). This strategy's design goes further beyond what the EU and China expected, as it might be the cornerstone for the economic recovery

of the post-COVID era and the strengthening of global economic interdependence (Zeng, 2021).

Even if there are significant advantages in the signing of this agreement, specific sectors within the European Union see the signing of this agreement as a violation of the fundamental values and foundations of the Union itself (Witkowska, 2019). However, the EU has shown its bargaining power and regulatory strength by setting particular demands that go along with EU values and its mission in the world, including protecting the liberal international order. In this way, the European Union is confronting China as a systemic rival to what it conceives the world should be while remaining committed to multilateralism. The PRC made a significant concession in agreeing to observe international labor standards and elevate its efforts to fight climate change (Zeng, 2021).

Political issues related to the approach to the question of values is a complex area to assess. Human rights violations in Xinjiang or Hong Kong have been condemned by the European Union and raised skepticism about China's rise (Geeraerts, 2018). China perceives these remarks as improper and believes that they constitute a direct violation of its sovereignty. The PRC denounces and condemns any interference from the outside given that in its history China has been subjugated by other colonizing powers. Moreover, Chinese policies follow the logic of Confucianism which states that strict rules and iron control by the ruler are necessary to restore peace and achieve prosperity (Bai, 2021). Although these actions may complicate the relationship between both parties, the EU has decided to continue cooperating with China while also imposing sanctions such as those of March 21, 2021, for human rights abuses in Xinjiang (Ainger, 2021).

Since the USA has withdrawn from significant free trade agreements and implemented protectionist trade policies, the EU has looked for other options to continue growing economically. Within this tendency, several European Member States, mainly from Central and Eastern Europe, known as 17+1, decided to cooperate with China under the BRI initiative (Sarsenbayev & Veron, 2020). Significant Chinese investments in infrastructure and a broad range of industries have been made to pursue a fruitful economic relationship. The initial objective of reviving old factories and investing in people and local projects that could not find Western investors was slowed down due to the reluctance of the 17+1 countries to trust China. However, major projects such as the Greek port of Piraeus have proven this initiative's economic potential. Since the arrival

of Chinese investment in this infrastructure, Piraeus's port has become the second-largest port in the Mediterranean and the 36th in the world (Sarsenbayev & Veron, 2020). This successful example made Italy sign the MoU with China on March 23, 2019, to strengthen its infrastructure system, including ports and railways. As COVID-19 has reduced EU Member States public revenues and increased its public debts, more economic initiatives will follow (Ladi & Tsarouhas, 2020).

When it comes to collaborating with China in the military field, Europe is more cautious and pragmatic. Although there are some threats to the EU security system entrenched within the liberal international order, such as China's maritime claims in the South China Sea and the increasing Chinese military capabilities, Europe is willing to benefit from China's desire to cooperate in security fields, specifically in the technological sector (Higuera, 2020). Technological superiority is presented as an essential prerequisite of power in today's world, including military dominance (Ortega, 2020). The European Union wants to achieve strategic autonomy and digital sovereignty, distancing itself from the position of technological dependence on the USA (Higuera, 2020). The search for this emancipation began with the funding of the European institutions to the European technological market. The Commission granted 2 billion euros for the configuration of the European Innovation Council to turn new technological advances into a material reality (Georgina, 2020). However, the effort on the part of the European Union would be in vain if it does not cooperate with other leading technological powers in crucial sectors such as 5G and AI.

5G networks are those that connect millions of objects and systems through a common network. This interconnection can be beneficial by saving time and resources when synchronizing and collecting data from electronic devices (Ortega, 2020). The European technology market has not yet managed to develop competitive technological standards compared to the main Chinese developers such as Huawei and ZTE (Ortega, 2020). As a result, the leading European telecommunications operators have been investing and collaborating with these foreign companies for the implementation of this system in their customer's mobile devices (Ortega, 2020). This simple transaction between companies should not pose any danger; however, data collection through the implementation of these networks might jeopardize European citizens' security (Ulnicane, Eke, Knight, Ogoh, & Stahl, 2021). Several Member States part of the Five Eyes, such as France, have alleged

that the 5G networks implemented in cell phones may contain security holes that the PRC can use for spying purposes for data theft (Elder, 2020). European Member States also know that China has been using data collection to imprison political leaders and detention of minorities such as the Uighurs (Stark, 2021). Therefore, a significant part of EU policymakers is hesitant of the intentions of the Chinese giant and would like the EU to resolve these issues before moving any closer to Beijing. However, European institutions have decided to take up this challenge from a pragmatic and realistic perspective, benefiting from the multiple advantages of collaboration with China in implementing 5G and setting up a system that ensures the protection of human rights in the EU (Ulnicane et al., 2021). On July 2020, EU Member States, with the support of the Commission and the European Union Agency for Network and Information Security, the EU Agency for Cybersecurity, published a report on the implementation of the EU mitigation package (European Commission, 2020). According to this report, good progress has already been made in the implementation of some of the measures in the package, in particular in the harmonization of the rules concerning 5G, the supervision of foreign investment within the European market of 5G and the protection of privacy in cyberspace (European Commission, 2020). These measures succeed in protecting European cyberspace from the threats that other powers may pose in the technological field. The EU is aware that collaboration does not include lowering our guard but rather reinforcing it.

Another very different case is that of cooperation in the field of AI. The USA and China, are engaging in intense competition in AI (Han & Paul, 2020). The current U.S. leadership in IA is threatened by China, which is gaining more capabilities within this field. China's desire to become the world leader by 2030 has increased the climate of competition within both powers (Cesarin & Balbo, 2020). The Chinese expectation of being the principal AI power is supported by the advantages of its large market as well as the looseness of ethical boundaries regarding privacy and inclusion issues. Currently, the United States leads in AI, with China rapidly catching up and the European Union behind both. The Center for Data Innovation states this unbalance by measuring these power's capabilities in AI. The report states that: *"the United States leads in four of the six categories... (talent, research development, and hardware), China leads in two (adoption and data), and the European Union leads in none"* (Castro, McLaughlin, & Chivot, 2019, p.3). The increasing importance of China within this field would suggest *a priori* that the European Union is willing to cooperate with this Asian country to achieve digital sovereignty. However, the

collection of data through AI the Chinese authorities has a different purpose and use (Gill, 2020). China recollects data from civilian use for strengthening its defense capabilities and monitors its citizens. The PRC is building a digital system of social control, composed by algorithms that identify enemies to its political system. In Xinjiang, the regional government uses cameras with AI-powered facial recognition to identify those prone to terrorism who need to be send to reeducation camps (Stark, 2021). This monitoring is a clear example of the Chinese mindset of establishing strict controls to achieve peace and prosperity. The security and stability concern prevail over human right accusations from foreign countries. In contrast, the EU institutions are focused on promoting AI developments that use public and industrial data rather than personal data and with different purposes (Gill, 2020). The EU Commission's approach on Artificial intelligence of 2021 argues that European AI should be competitive and effective, but only if it respects European ethical values, thus complying with the General Data Protection Regulation implemented in 2018, which explicitly prohibits the use of data for extreme surveillance (Jiang, 2020). This different approach in the recollection of data and the use of AI has led the EU, in the context of this technological war, to position itself in favor of its transatlantic partner which shares the protection of civil liberties (Gill, 2020). Therefore, China is considered a systemic rival that can blur the lines of the EU intrinsic values such as transparency, safety, fairness and privacy within this technological field (Gill, 2020). However, the pandemic of COVID-19 might increase the use of AI to monitor and strengthen health care systems also in the European realm. The cooperation in this area with China may vary in a not so distant future, emphasizing the exchange of information in IA. The final aim of this strategy will be to save lives and to provide better health assistance.

#### **Chapter IV. Conclusions.**

China's rise has been depicted as a threat to the U.S. hegemony in the liberal international order (Xuetong, 2019). Even if there is an overstatement in the expansion of the Chinese economy and military as well as the relative loss of power for the United States, the previous analysis demonstrates that China may pose a potential risk for the U.S. status in several regions such as the South China Sea and the Pacific region. Besides, the increasing Chinese economic importance on trade and public debt holding, the militarization of trade routes and the increasing importance of the world's securitization might change well-

established U.S. alliances. These States might gauge the advantages and risks of implementing different policies favoring China. On the one hand, these States may be tempted to approach China to pursue their economic interests since their citizens' welfare and economic system depend on this attitude. Free trade agreements ratified by Beijing and U.S. allies such as the RCEP might become more frequent in the future (Gunia, 2020). On the other hand, U.S. allies might want to ensure their military interests in certain regions by cooperating with China for protecting their sovereignty over their territories and their commercial interests. For instance, maritime cooperation exercises of Chinese military with U.S. allies might increase within the following years (Sun & Elmahly, 2018).

China is a disruptive actor who is willing to lure U.S. allies into its sphere of influence by implementing economic and military policies which exclude the USA, the current hegemon (Morrisson, 2019). According to Sarah & Deo (2017), the PRC's final aim is to increase its hard and soft power to achieve global hegemony. Within this plan of action, Beijing has set up an international financial system made up of organizations such as the AIIB and strengthened its security organization's presence, such as the one in the SCO (Saran & Deo, 2017). Besides, the PRC has taken advantage of the COVID-19 pandemic to secure its foreign policy goals and seize new ground in the fight for increasing its soft power, as other countries would be distracted by their domestic issues (Heijmans & Calonzo, 2020). Even if this situation is advantageous for China, the previous analysis proves that the possibility of surpassing the USA in the economic and military field within years is far away from becoming a reality. The USA still holds the top position in leading economic indicators such as the GDP growth rate, the GDP per capita, the GNI index and a great position within the HDI. Moreover, the USA has a more significant military capacity in the most critical areas such as nuclear scorecard, defense expenditure, international presence with military bases worldwide and cyberwarfare capabilities. The COVID-19 pandemic could increase the differences between the capabilities and positions in the economic and military indicators of both States, so far benefiting China. Be that as it may, it is likely that China will attract traditional US allies such as the EU (Morrisson, 2019).

The second part of this project has demonstrated that the European Union has been aware of this power shift and is willing to benefit from a rapprochement with Beijing. As it has

been proven along with this thesis and European policymakers have claimed, the EU must cooperate with China leaving behind the differences that keep them apart. On the one hand, the EU is an intergovernmental and supranational organization that defends a specific vision in the world based on multilateralism and the defense of human rights. On the other hand, China is a country that defends its sovereignty and independence in the international order, relying on cooperation with other States for climbing in the liberal order that it understands as illegitimate. The EU approach to Beijing needs to follow the outlines published within the *EU-China a strategic outlook* (European Commission, 2019).

The EU must keep envisioning China as an economic partner. Free trade agreements such as the CAI and investments through projects such as the BRI will be decisive for the economic strengthening of the EU Member States. Besides, the ratification of free trade agreements such as CAI will also be the milestones in recovering the world economy after the COVID-19 pandemic (Zeng, 2021). Globalization and multilateralism have made it possible for China's economy to grow to current levels. Europe must continue to defend multilateralism and economic interdependence in the new era in which American hegemony in several areas may be eroded. The rapprochement of the EU to China may also be a warning signal to the United States, which has begun to shift its policy towards protectionism (Metiu, 2020). Europe must benefit from this perception by negotiating with both powers in the remarked areas.

Nevertheless, it must not be forgotten that China is a State that does not share all the values and interests that the European Union possesses. Therefore, here it is suggested that the EU must firmly uphold its values, but pursuing the pragmatism typical of neorealism in the face of China's rise.

The EU must collaborate with the PRC, one of the most leading countries in 5G and AI, for achieving the long-desired digital sovereignty. The development of EU technological capabilities will be crucial for defending the European Union cyberspace from foreign attacks and keeping up with the modernization of advanced technologies. This strategy must entail a strong cooperation with China in the development of 5G networks, exchanging information between telecommunication operators, but protecting European companies and infrastructures with the measures from the EU mitigation package. In contrast, the European Union must be more cautious about exchanging information and



cooperating with China on IA because of the risks it poses to the defense of the rights of its citizens (Ulnicane et al., 2021). The European Union must take advantage of its transatlantic partner's leading position to develop a stronger and more competitive IA sector. The preference to engage with the USA within this field does not mean that the European Union must not cooperate with China in the future, even if China is recognized as a systemic rival in this area for the time being.

The rapprochement of China with the EU will be beneficial for both parts. The rapprochement of China with the EU will strengthen the viability of the European project as it will level the playing field in the following years. According to Maull (2017), this strategy will be effective as long as the European Union and its Member States adopt a common policy with regard to commercial interests. China will also benefit from this rapprochement, as it will maintain multilateral cooperation with the EU to pursue its national interests and, in the more distant future, to become the world hegemon.

Moreover, the struggle for hegemonic power between the USA and China will change the liberal international order and the international system. China's growing importance in the international arena will result in more States deciding to collaborate with Beijing either in the economic or technological sphere. China will use its hard, soft and smart power to climb the international hierarchy, thus trying to reach leading positions in key sectors such as economics, military and technology. The EU must adapt to these changes within the international system by calculating both leading power's capabilities. Moreover, the possibility of other pandemic crises such as COVID-19 will increase the need for international cooperation with China and other States. In the following years, the EU's role and presence will be closely related to its ability to balance competing interests and negotiate with China and the USA. This task will be crucial for the future of the European Union and for the achievement of its strategic autonomy. As Charles Michel remarked, Europe must be a player, not the playing field for the next era (Umbach, 2021).

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