



## GLOBALIZATION, DEGLOBALIZATION, AND THE US-CHINA COMPETITION: THE BALANCE BETWEEN GEOPOLITICS AND GEOECONOMICS

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**ABSTRACT:** This article examines how the globalization and deglobalization processes have affected great power politics in general and the US-China strategic competition in particular. It argues that the post-Cold War globalization process has resulted in the relative rise of geoeconomics vis-à-vis geopolitics in great power politics, and that the deglobalization process after the 2008 global crisis has further reinforced this trend. The article accepts that geopolitical power competition continues to be relevant in great power politics. However, it remains limited to specific regional contexts. Currently, the Asia-Pacific region represents one of the most critical geopolitical fault lines which harbors the risk of growing military tensions and crises between the US and China. Such crises would likely jeopardize Beijing's 'peaceful rise' strategy pursued by geoeconomic means. The article concludes that economic globalization alone does not necessarily bring less conflictual, more stable, and rule-based great power relations, which defies the neoliberal expectations of the early post-Cold War era.

**Keywords:** Globalization, Deglobalization, Great Power Politics, Geoeconomics, China.

**Jel Codes:** F50, F60.

## GLOBALİZASYON, DEGLOBALİZASYON VE ABD-ÇİN REKABETİ: JEOPOLİTİK VE JEOEKONOMİ ARASINDAKİ DENGE

**ÖZ:** Bu makale, globalizasyon ve deglobalizasyon süreçlerinin genel olarak büyük güç siyasetini ve özel olarak ABD-Çin stratejik rekabetini nasıl etkilediğini incelemektedir. Makale, Soğuk Savaş sonrası küreselleşme sürecinin etkisiyle büyük güç siyasetinde jeopolitik rekabete nazaran jeoekonomik mücadelenin ön plana çıktığını ve 2008 küresel krizinden sonra başlayan deglobalizasyon sürecinin bu eğilimi daha da güçlendirdiğini iddia etmektedir. Çalışma büyük güç politikalarında jeopolitik rekabetin yaşanmaya devam ettiğini kabul etmekte, ancak bunun belirli bölgesel alanlarla sınırlı kaldığını öne sürmektedir. Günümüzde Asya Pasifik bölgesi, Amerika Birleşik Devletleri ve Çin arasında büyüyen gerilimler ve askeri kriz risklerini barındıran en kritik jeopolitik fay hatlarından birini temsil etmektedir. Bu tür askeri krizler Pekin tarafından izlenen ve jeoekonomik araçlarla dayanan 'barışçıl yükselme' stratejisini riske atma olasılığına sahiptir. Sonuç olarak makale, ekonomik küreselleşmenin tek başına daha az çatışmalı, daha istikrarlı ve kurallara dayalı büyük güç ilişkilerini beraberinde getirmediği fikrine varmaktadır. Bu durum Soğuk Savaş sonrası dönemde ortaya atılan neoliberal varsayım ve beklentilerle çelişmektedir.

**Anahtar Kelimeler:** Globalizasyon, Deglobalizasyon, Büyük Güç Politikaları, Jeoekonomi, Çin.

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## 1. INTRODUCTION

Globalization has always been a critical factor that has shaped great power politics throughout history. It is possible to trace Western-led globalization back to the 16<sup>th</sup> Century (Modelski, 2003). However, it began to take its current form only after World War II when the US and its Western industrialized and democratic allies established a comprehensive set of ideas, values, and institutions to reinforce global governance over significant issue areas (Owen, 2021). After the end of the Cold War, this system was expanded throughout the world under the leadership of the United States which remained as the sole superpower with clear superiority to all other major powers. Washington had high expectations that the liberal economic and political order would expand to cover all other states including great powers. This would have secured the stability and future of the liberal order and prevented the return of 'out fashioned' great power politics (see Ripsman, 2021). Other great powers such as China and Russia were expected to pursue their collective economic, political, and security interests within the liberal order without attempting to challenge or undermine it.

However, these expectations have not been realized and the future of the liberal order came under serious risk, especially after the 2008 global economic crisis. Economic globalization has not resulted in the expansion of the neoliberal democratic system into the domestic politics of other great powers. In non-Western powers like China and Russia political and security establishments have maintained their authoritarian control on domestic and foreign policies, while government agencies have been quick to reassess an authority over national economic assets. Under the conditions of the global economy and interdependence, they have begun to increasingly use economic instruments instead of, or in addition to military tools to undermine the US hegemony and the liberal order.

The resurgence of great power competition based on economic means, especially between the US and China, has accelerated the current deglobalization process. The 2008 financial crisis has already reinforced economic protectionism and nationalism in many countries from different regions of the world. The rise of China's comparative advantages in production, commerce, and investments has further increased the US-China tensions in the economic realm which have also unfolded into trade wars. Today, the strategic competition between the US and China has strong economic characteristics. While challenging the US hegemony, China avoids traditional geopolitical methods such as military power projections or alliance formation, which Beijing associates with the old type of power politics of the Cold War era (see Ying, 2016). Instead, China focuses on enlarging economic interdependence with other states including traditional allies of the US from all over the world. Such independence with growing asymmetric characteristics could be utilized by Beijing both to maintain its economic growth and to undermine the US-led collective efforts to balance China's rise as a great power in the longer term.

This article examines how globalization and deglobalization processes have impacted great power politics, focusing on the US-China competition. It suggests that both the globalization wave between the 1990s and the late 2000s and the deglobalization wave after the 2008 crisis have contributed to the rise of geoeconomics vis-à-vis traditional geopolitics concerning great power politics at the global level. The article accepts that geopolitical competition between great powers continues to be relevant, but under certain regional contexts. The resurgence of global geopolitical competition is not likely unless great powers collectively balance the US relying on military instruments or there is a direct military conflict involving great powers from different regions. The regional geopolitical fault line between the US and China is the Asia-Pacific region. If China seeks to establish regional hegemony by challenging the US military influence in the Asia-Pacific, this might lead to serious geopolitical crises which would consolidate the US-led alliances and jeopardize China's 'peaceful rise' strategy through economic means. In this regard, the study underlines the comparative advantages of the United States in geopolitics and of China in geoeconomics and suggests that the future of the US-China competition would be shaped by the balance between geopolitics and geoeconomics.

International relations scholars have considered globalization and interdependence as stabilizing forces concerning international politics and great power relations for several decades (Baldwin, 1980; Keohane, 1989, 1990; Doyle, 1997). Their studies emphasize that increasing economic interdependence brought by globalization induces states to cooperate rather than to conflict with each other. As states become tied to each other for their prosperity, they will follow their mutual benefits and avoid conflictual

relations that would harm all parties by disrupting their economic relations. However, as seen in recent American-Chinese relations, high-level interdependence does not ensure that states will focus on furthering their economic cooperation in pursuit of their mutual benefits in various areas such as trade, investment, and technology. The main argument of this article is that globalization and economic interdependence create new problems, uncertainties, and conflicts concerning great power relations. By focusing on US-China relations, the article will show how the changes in the comparative economic advantages of these powers and the controversies between their domestic economic models have led to the rise of geoeconomic competition under the conditions of high-level interdependence.

It is important to note that the study mainly considers the international factors structuring the dynamics of competition between the US and China. In this respect, the article deals with the concept of power in relational terms concerning its projection and the resulting impacts at the international level rather than in absolute terms regarding the national capabilities of each side. Following Holsti's (1967: 194) approach, power is defined here as "the general capacity of a state to control the behavior of others." This definition considers not only the capabilities used to wield influence but also "the acts (process, relationship) of influencing other states;" and "the responses [of other states] to the act." In this regard, the article will show how great powers increasingly use economic instruments rather than military tools to influence the behaviors of other states, which leads to the relative rise of geoeconomics vis-à-vis geopolitics at the global level. Because of this perspective dealing with power at the international system level, most of the intra-state variables such as domestic factors that slow down or accelerate the economic growth of the US and China are overlooked by this study. This represents one of the most significant limitations of this article.

The article uses the qualitative method to comprehend the changing dynamics, instruments, and objectives in great power politics during the processes of globalization and deglobalization. To achieve this, it focuses on actual developments and events like the rising competition over international trade, investments, and economic corridors, commercial disputes and trade wars between great powers, as well as geopolitical tensions that continue in limited regional contexts. The study aims to put forward the complex interactions between globalization, deglobalization, and great power politics by emphasizing all those developments and exploring the causal connections between them. The article primarily aims to contribute to the theoretical discussions on the impacts of globalization and deglobalization on great power politics, whereas some significant points are supported by data from international trade and foreign direct investments.

The first section discusses how the globalization and deglobalization processes have impacted international power politics paying regard to three historical periods, the Cold War era, the US-led globalization wave between the 1990s and the late 2000s, and the post-2008 global crisis period. The second section deals with the transformation of great power politics and the strategic competition between the US and China by focusing on its two significant dimensions, geopolitics, and geoeconomics. Besides putting forward the analytical differences between these two concepts, it also examines why globalization and deglobalization have led to the relative rise of geoeconomic competition between the US and China and which factors have resulted in geoeconomic conflicts between the two great powers. Lastly, the third section examines the comparative advantages of the United States and China concerning the geopolitical and geoeconomic great power competition between themselves. In conclusion, the article's main findings are discussed considering both theoretical implications and political implications for the US-China relations.

## **2. GLOBALIZATION, DEGLOBALIZATION, AND GREAT POWER POLITICS**

Globalization is a comprehensive and complicated process deeply reshaping international relations, which makes it a difficult concept to define. Broadly speaking, globalization could be described as the expansion of political, economic, and social activities "beyond the state on an international and transnational scale" (Ripsman and Paul, 2010). Globalization is a multidimensional process that results in growing interconnectedness between nation states in different areas such as economy, politics, security, and social and cultural relations (Keohane and Nye, 2000). Besides creating new opportunities for various actors in international relations, global interconnectedness may also bring new uncertainties, conflicts, and fast-spreading crises expanding from local to global and global to local. Such crises tend to

reinforce political and social forces calling for a retreat from globalization and greater national control over transboundary movements which would lead to ‘deglobalization.’

Yet, much of the writing in the International Relations literature since the 1980s has emphasized the positive impacts of globalization on interstate relations in general, and great power politics in particular. Neoliberal scholars have taken the lead to underline that globalization leads to the creation of ‘international institutions,’ which support the transition toward a more stable and peaceful world (Keohane, 1989, 1990; Keohane and Martin, 1995). International institutions create certain norms, rules, and procedures which all restrain the arbitrary behavior of states. According to such perspective, institutions not only change the dynamics of power politics but supplant them entirely (see Goddard and Nexon, 2016). Scholars have also portrayed ‘economic interdependence’ as another pacifying factor, as it increases the opportunity cost of using force against an economic partner and the relative efficiency of investment and commerce in extracting resources from foreign territory compared to the use of force (Baldwin, 1980; Doyle, 1997; Ripsman, 2021).

The third important factor emphasized by optimistic IR scholars has been the spread of democracy through the globalization process. It has been expected that open markets and trade would provide both economic and political development. Global economic growth would strengthen and expand the middle-class constituencies in different countries which had historically been the main driving force for democratic political reforms (Freiberg, 2021/22). The democratization process would create internal and external constraints on the use and misuse of power, which would restructure the relationship between the increasing number of democracies (Kornprobst and Paul, 2021). As market democracies share domestic norms of equity, compromise, negotiation, and trust, their governments are expected to be more likely to settle their common disputes through mutual respect, negotiation, compromise, and contract rather than conflict or coercion (see Mousseau, 2000).

All those discussions have been shaped by the historical fact that the globalization process since about the end of WWII has unfolded under American leadership which aimed to build and consolidate an economically open and politically liberal international order. After three decades of a deglobalization period in the first half of the 20th Century, which was marked by the Great Depression and two World Wars, the US led a new globalization wave by creating multilateral institutions, trade agreements, political partnerships, and military alliances. Those arrangements after WWII laid the foundation of the liberal international order encompassing the Western Hemisphere, Western Europe, and the industrialized capitalist states of East Asia (Ikenberry, 2014; Freiberg, 2021/22). After the Cold War, this liberal order was expanded toward former communist states and Third World countries through market reforms, democratization, and the enlargement of Western-originated economic, political, and security institutions (see Lind and Wolhforth, 2019). As a result, the modern version of globalization is generally associated with the liberal international order based on the set of ideas, values, and institutions established after WWII by the US and its industrial-democratic allies to manage economic interactions, promote democracy, and reinforce global governance across a variety of issue areas (Owen, 2021).

According to John Ikenberry, the US supported the expansion of the liberal order after the Cold War not just to reinforce its dominance in international affairs but also to manage great power politics. The expansion of multilateral institutions, agreements, and alliances was expected to consolidate global norms and rules which would undermine the legitimacy of 19th Century-style balance of power politics, spheres of influence, attempts for regional dominance, and territorial conquests (Ikenberry, 2014). In this regard, the integration of China and Russia into the liberal order was especially critical as they were Washington’s major power rivals with the largest economic and military potential, respectively, to challenge this order. The US objective was to fully integrate those states into the international open economy, ensure their membership in as many international institutions as possible, and assist in transforming them into liberal democracies. Until the early 2010s, China and Russia’s integration into key economic institutions, the World Bank, IMF, and World Trade Organization (WTO), was completed. However, their integration into the global economy failed to promote democratization and liberalization in any of those countries (see Mearsheimer, 2019). Furthermore, the US/Western efforts to promote democracy in Eastern Europe through various methods including supporting color revolutions and expanding the EU and NATO magnified Russia’s geopolitical threat perceptions and authoritarian regime security concerns. Ironically, those developments were followed by Russia’s invasion of Georgia and

Ukraine and the re-emergence of traditional geopolitical competition in Eastern Europe (see Pleakhanov, 2016; Freire, 2022).

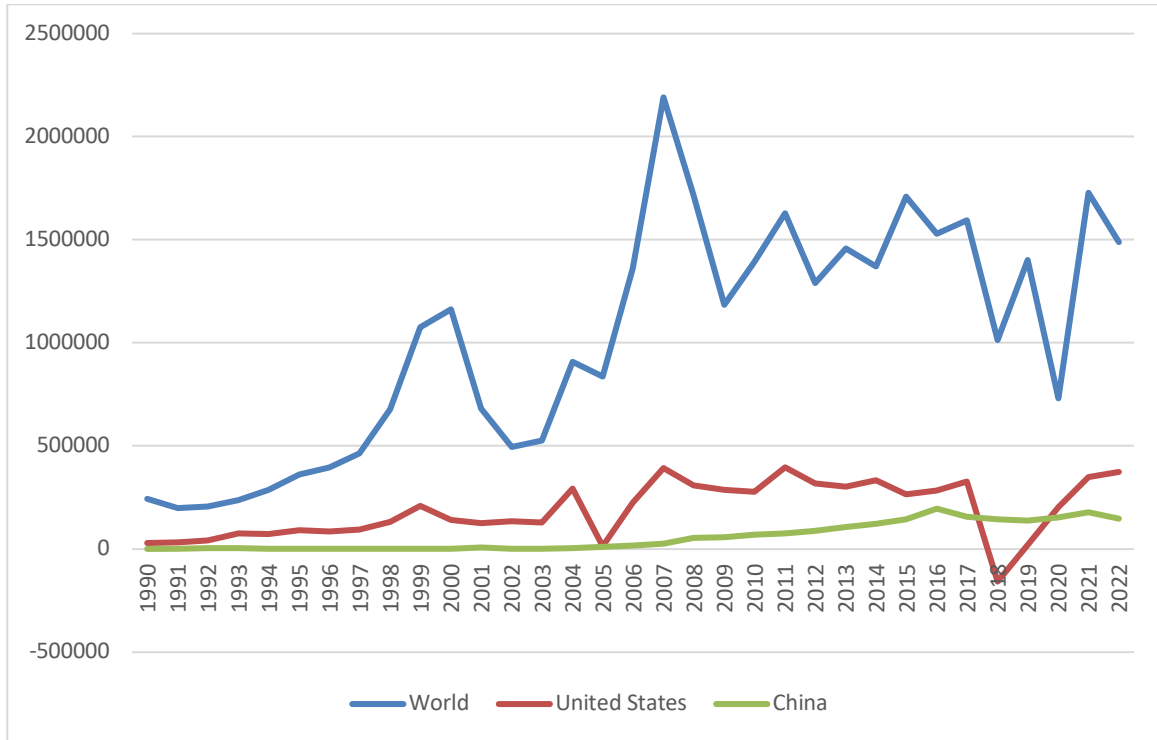
Although China and Russia benefited from globalization, they remained uneasy with the Western-oriented nature of this project, as it created increasing pressures on them to adopt liberal political and economic values, institutions, and practices. Over time, the US' potential great power rivals had a growing suspicion that the liberal order was set up to restrain their power and autonomy on an international scale and therefore to prolong American supremacy. This perception led them to look for alternatives to it (Ripsman, 2021). Since the 2000s, China and Russia sought to promote a comprehensive collection of 'illiberal' ideas, norms, and practices such as sovereignty, non-interference, strong leadership, and centralized state (Bettiza and Lewis, 2020). China and Russia's conception of state-led economic development runs contrary to liberalism as it advocates that economics must always be subordinated to politics. Especially China aims to politically mobilize its growing economic power to consolidate its authoritarian control at home and to reinforce its international standing vis-à-vis all states and, in particular, the American global hegemon (see Horemuž, 2015; Freiberg, 2021/22).

By the 2010s, it has been evident that the US/Western efforts to foster economic interdependence would not automatically lead to the creation of a liberal-democratic domestic order in other major powers. This was especially true for China which has greatly benefited from globalization concerning its relatively high-level GDP growth rates but remained authoritarian in governance without any hope of change in the near future (see Witt, 2019). Although globalization forced the Chinese state to make some reforms to accommodate market forces and adapt to the set of internationally negotiated rules and institutions, the Chinese Communist Party did not give up its determination to retain a monopoly on domestic politics and, accordingly, an overall control on the national economy (Zheng, 2004; Freiberg 2021/22). Contrary to earlier Western expectations, the domestic model of political economy in China did not evolve into 'neoliberalism' but 'state capitalism' that combines features of a market economy with significant government intervention in crucial sectors. Chinese state-owned enterprises and banks seek to create and manipulate asymmetric trade and investment relations with other countries in order to reinforce China's global political leverage and great power status (Scholvin and Wigell, 2018; Owen, 2021). This approach also finds resonance in Russia's approach to international trade, investment, and energy policies (see Wigell and Wihma, 2016).

In the 21<sup>st</sup> Century, we face two distinct forms of capitalism which decisively shape the contemporary great powers' approach toward globalization. The first variant is liberal capitalism which originated in the Western world and continues to be championed by the US leadership. The second one is state-led or authoritarian capitalism which is represented by China but also prevails in other parts of the Eurasian continent (Milanovic, 2019). State capitalist countries including China use their economic power to pursue their certain strategic interests which pose challenges to the Western-dominated global economic order. China relies on state-owned enterprises to gain advantages in key sectors of the global economy including manufacturing, construction, telecommunications, and international finance. Besides, China is accused of engaging in unfair trade practices such as state subsidies and currency manipulation (Schneider-Petsinger et.al., 2019). Such claims encourage the US and some Western powers to take some countermeasures. This leads to the re-rise of economic nationalism, protectionism, and trade wars, as states from both sides of the dispute seek to safeguard their own interests and maintain their economic competitiveness (Paul, 2023). In this regard, the competition and tensions between state capitalism and liberalism are significant drivers of the current deglobalization process which alter the dynamics of the global economy and great power politics.

If globalization is the expansion of international and transnational exchanges, deglobalization refers to a reduction in global interchanges and a re-establishment of national control on trade, politics, and social issues. The current era deglobalization process started as a call to reclaim national authority over economic and political issues from liberal institutions like WTO, IMF, and World Bank (Ripsman, 2021). The 2008 global crisis bolstered such demands, as it exposed the vulnerabilities of the global economic system based on neoliberal principles. An increasing number of states appealed to protectionist measures to reduce their vulnerability to external shocks such as a retraction of global trade and investment (Vargas-Hernández, 2003). Furthermore, the crisis triggered a shift in economic power and influence away from the United States and Europe toward non-Western rising powers such as China.

While losing ground in foreign direct investment (FDI) and international trade the US adopted some protectionist measures vis-à-vis China and its other major trade partners (Park, 2020).



**Graphic 1.** Foreign direct investment outflows (million dollars)

Source: United Nations Conference on Trade and Development Database, <https://unctad.org/data-visualization/global-foreign-direct-investment-flows-over-last-30-years>

As shown in Graphic 1, there have been serious downs and fluctuations concerning global foreign direct investments since the 2008 global crisis. However, China's foreign direct investments have remained at a more stable level and continued to rise despite the global crisis. Besides the global crisis period, the US FDI has also shrunk during the 2017-2020 period coinciding with President Donald Trump's term in office, who is known for his anti-globalist and economic nationalist tendencies (Shehadi, 2020). Between these years, the US FDI outflows declined from \$327,8 million to \$204,6 million, while the number even dropped to a negative level in 2018. Indeed, the US companies' changing approach towards foreign direct investments was in parallel with Donald Trump's economic policies. Since his election campaign, he has been a fierce critic of globalization suggesting that it exacerbates domestic economic problems such as unemployment. Advocating the America First principle, Trump has called on US firms to invest in their home country and threatened companies investing overseas with higher taxes (Chandy and Seidel, 2016). Donald Trump's policies as the president of the United States, the hegemonic power of the liberal economic order, have been interpreted as evidence of the continuous deglobalization trend which had already started with the global crisis of 2008 (Zakaria, 2020).

The COVID-19 pandemic also contributed to the deglobalization process, as it fueled Western concerns about the overreliance on China's supply chains for essential products and exacerbated the US-China tensions based on accusations of blame for the outbreak and the handling of the pandemic. In general, nation states became increasingly concerned about their growing dependence on foreign sources for essential goods in the globalized economy undergirded by transnational supply chains. There were some proposals in the Western world, including the diversification of supply chains in the world to ensure at least that they would not be completely dependent on a single state such as China. Other radical solutions advocated nationalization and localization of production by returning all manufacturing of critical goods to home countries, starting from the most significant ones such as medical supplies



(Christensen, 2020; Sarkis, 2020). Those proposals seemed to ignore the massive opportunity costs of such moves in terms of global efficiency and prosperity, as well as would-be negative impacts concerning interstate political relations. This international atmosphere reinforced political and social forces worldwide which advocate for a retreat from globalization, an increased national control over the domestic economy and international exchanges, and a renewed emphasis on the nation state and nationalism (see Zongze, 2012; Agwu, 2021).

The deglobalization process was accompanied by the rise of populism and nationalism which undermined liberal and democratic values in the US and the EU, whereas the rest of the world, particularly Eurasia, witnessed an upsurge of authoritarianism characterized by the consolidation of the government control over economic, political and social affairs (see Freedom House, 2022). This changing global atmosphere facilitated China's efforts to promote and expand its own vision of globalization based on state-led development and conservative values such as national sovereignty. Such initiatives are supported not only by interstate diplomatic and economic relations but also by a network of international organizations that were set as alternatives to Western-led liberal institutions established after WWII. Shanghai Cooperation Organization (SCO), Asian Infrastructure Investment Bank (AIIB), BRICS (Brazil, Russia, India, China, and South Africa), and New Development Bank (NDB) associated with BRICS are international institutions that have recently increased their appeal, especially among emerging economies and authoritarian countries (Cooley and Nexon, 2020a; Almeida and Silva, 2018). Furthermore, China's Belt and Road Initiative has promoted large-scale financial and investment opportunities for developing countries without any democratic conditionality, which has been fueling Beijing's economic clout in the Global South (Yağcı, 2018).

Currently, the liberal international order is challenged not only from the outside but also from the inside, given the internal problems of the Western world such as the rise of populist and nationalist leaders, the erosion of democratic norms and values, and the declining appeal of multilateralism and liberal institutions. For example, the US reduced its support to liberal international organizations during Donald Trump's term in office and began to criticize their functions, decisions, and policies based on narrowly defined American national interests. President Trump's preference for a transactional approach to international relations over broader commitments to international institutions and cooperation signaled that the US may not be willing to pay for the high price of maintaining the liberal order under the changing global economic conditions (Cooley and Nexon, 2020a). All those developments put the future of the liberal international order in jeopardy while rendering it much more vulnerable to rising challenges by non-Western powers including Russia and China.

The discussion represented in this section allows us to draw significant conclusions about the impacts of the globalization and deglobalization processes on great power competition since the 1990s. First, globalization has not ensured less conflictual great power relations through the expansion of economic interdependence, democracy, and international institutions. Such expectations are based on a biased perspective associating globalization directly with the characteristics of the US-led liberal hegemony, which currently faces serious challenges from other major powers, particularly China. When great powers differ in their approach toward capitalism and globalization, the growing interdependence may lead to new disagreements and disputes. Furthermore, international institutions themselves may turn to instruments of great power competition, particularly when they are led by rival major powers defending alternative norms and pursuing competing economic interests.

Secondly, the globalization process after the Cold War has altered the dynamics of great power politics introducing new economic and institutional tools which play an increasingly greater role compared to traditional military instruments. Following their integration into the global economy, the US major power rivals have adapted themselves to use such geoeconomic instruments in international power politics. The deglobalization process driven by economic nationalism and protectionism has not reversed but further reinforced this trend in great power politics, which marks the rise of geoeconomics vis-à-vis traditional geopolitics at the international system level.

### 3. TRANSFORMATION OF GREAT POWER POLITICS AND THE US-CHINA COMPETITION: GEOPOLITICAL AND GEOECONOMIC DIMENSIONS

This section aims to take the discussion on globalization and deglobalization's impacts on great power competition forward, by focusing directly on its two significant dimensions, geopolitics and geoeconomics. Whereas geopolitics traditionally relies on military power and instruments, geoeconomics combines and utilizes a set of economic tools in international politics. The coexistence of economic and military instruments in the current era of international politics and their close interrelatedness has led to confusing definitions for geopolitics and geoeconomics, with no clear borders formed between these key concepts (Scholvin and Wigell, 2018). However, such a separation is both crucial and necessary not only because geopolitics and geoeconomics rely on different instruments but also because they generate distinct resulting impacts in international politics (Wigell and Vihma, 2016).

Geopolitics is primarily based on military instruments including military alliances, bases, installations, interventions, and operations (see Luttwak, 1990, 1994; Starr and Siverson, 1990). The sides of a geopolitical competition aim at establishing spheres of influence with definite borders which is preserved based on a military balance of power. Once established the military status quo and balance of power define acceptable and unacceptable types of behavior for local states and outside powers with an interest in the region. The ultimate end of geopolitics is ensuring 'physical control' over specific geographical contexts (see Luttwak, 1994).

Geopolitical power competition brings about high-level threat perceptions, counterbalancing, bandwagoning, and hence, 'centripetal forces' concerning the relationship between allied states (Wigell and Vihma, 2016). High-level threats result in the establishment of asymmetrical military alliances between great powers and smaller states, in which great powers commit security assistance to their weaker allies in exchange for significant concessions in their domestic and foreign policies (Morrow, 1991). Such military alliances are mutually exclusive in which the members deepen their cooperation with each other to deter outsiders. Therefore, military alliances build formidable barriers against geopolitical interventions towards regions falling under the sphere of influence of a given great power.

On the other side, geoeconomics is based on economic instruments that are used to manipulate interstate relations and to project power over different geographical contexts. It is a branch of power politics that utilizes economic tools such as foreign investments, financial aid, economic sanctions, trade, energy, and commodity policies (Blackwill and Harris 2016). The ultimate objective of geoeconomics is not to ensure 'physical control' but to promote 'asymmetric interdependence' with other states located in critical geographic contexts. Such interdependence could be used to manipulate economic relations in order to influence those states' critical political and economic decisions (see Diesen 2019). So that geoeconomic players could promote more advantageous economic deals, ensure their control over critical land and maritime trade corridors, and increase their share in regional and global markets. These will enable those powers to increase their relative wealth and power on a global scale (see Beeson, 2018).

Compared to geopolitics, geoeconomics generates lower-level threat perceptions, underbalancing, hedging, and 'centrifugal forces' in international relations (Wigell and Vihma, 2016). In geoeconomics states do not create military alliances but international economic institutions, regional integration projects, and trade agreements. Those economic institutions and blocs maintain a mix of competitive and cooperative relations with each other due to the complex structure of the current era global economy. Therefore, such economic groupings are not as much as mutually exclusive as military alliances. There are always significant trade, finance, and production relations between economic rivals, which are not easy to terminate or redirect (see Acharya, 2017). The level of global interdependence facilitates geoeconomic players' moves to wedge the existing military alliances by selectively accommodating the economic interests of allied states within those coalitions (Wigell and Vihma, 2016).

Hence, geoeconomic initiatives provide an effective way for great powers to politically penetrate into traditional spheres of influence of other major powers without provoking defensive mechanisms of military alliances. Such initiatives aim to undermine the balancing capability of those alliances in the longer term. In this regard, geoeconomic agents focus on expanding and managing interdependence with other states located in critical regions such as strategic trade corridors and their neighborhoods where they would most likely face such a balancing coalition. In this regard, the prefix "geo" emphasizes the



geographical dimension and objectives associated with geoeconomics such as establishing a sphere of influence by a great power in a specific region. These strategic objectives separate geoeconomics from what could be simply defined as economics (Baracuh, 2019). As Baracuh (2019) suggests, economic power has three main components: resources, markets, and rules that structure economic interactions between states. Accordingly, a geoeconomic strategy followed by a major power aims to increase its access to critical resources and markets and its ability to control the international flow of trade, investments, and the ensuing interdependences. Geoeconomic strategies also include the creation of international economic projects, programs, and institutions that would help major states shape the rules of economic and commercial relations between states (Roberts, Moraes and Ferguson, 2018). Those would all increase the economic clout of a given great power in a specific geographical context.

During the Cold War era, geopolitics maintained its preeminence vis-à-vis geoeconomics concerning great power politics due to several factors. First of all, there was far less economic interdependence between the US and its great power rivals, as well as between Washington's allies and pro-socialist states (Maher, 2018). For example, the Warsaw Pact countries did not enjoy the increasing level of global trade and foreign direct investments up until their integration into the world economy in the 1990s (Ripsman 2021). Because the US' main great power adversaries, the Soviet Union and China, were not fully integrated into the global economy, they have mostly been confronted and contained through geopolitical initiatives such as the formation of regional military alliances and arms buildup (see Diesen, 2021). Besides, the US' undisputed economic supremacy which was marked by its incomparable GDP was never challenged by any other great power in the 20th Century (Tammen et al. 2000). It was another reason why geopolitics overshadowed geoeconomic competition during the Cold War.

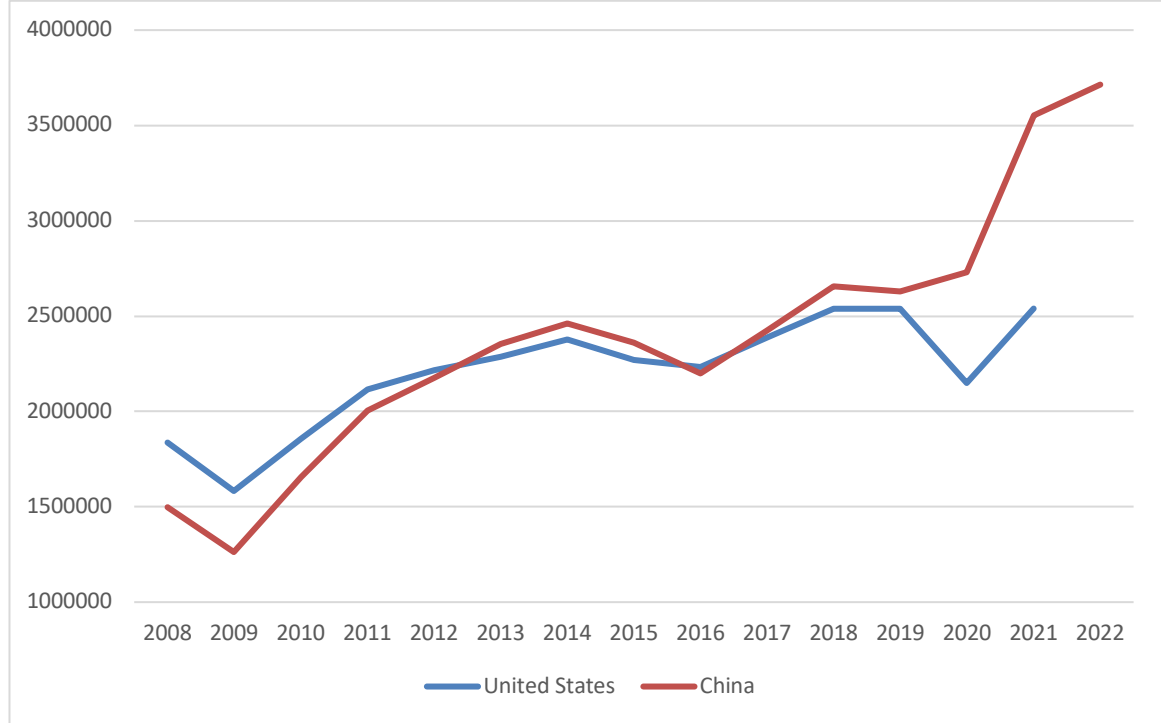
The worldwide globalization wave between the 1990s and 2008 changed these conditions that had favored geopolitics versus geoeconomics in previous decades. As noted in the first section, one of the US objectives in promoting globalization was to mitigate traditional geopolitical competition drawing on military means and balance of power politics. The expansion of the liberal economic system towards former communist countries and the Third World brought an unprecedented level of interdependence on a global scale. Especially economic interdependence between the US and China boosted to high and complex levels that would have been inconceivable in the context of American-Soviet relations (Gertz and Evers, 2020).

Under these conditions, China and other major powers hesitated to engage in direct geopolitical confrontation with Washington fearing that it would harm trade, investment, and commercial links with the United States and therefore derail their economies. They began to follow more tacit and indirect forms of balancing against the US that fall short of geopolitical initiatives such as military alliance building (Paul, 2004, 2005). This type of indirect resistance strategy is called by some scholars as 'soft balancing' which draws on non-military instruments including diplomatic and economic means. Soft balancers also form regional economic blocs that boost trade and economic development for members while diverting commerce away from nonmembers. This would enable them to change relative economic power at the global level at least in the long run (Pape, 2005, Paul 2004, 2005).

During the deglobalization process after the 2008 economic crisis, the trend of the rise of geoeconomics vis-à-vis geopolitics has not weakened but further strengthened. Facing a decline in global demand and the problem of overcapacity due to the crisis, China decided to step up its foreign direct investments which were expected to enlarge export demands (Shen and Chan, 2018; Sum, 2020). In 2013, China declared the Belt and Road Initiative (BRI) which is a \$1 trillion massive investment project targeting developing countries in Eurasia and Africa. The BRI's overall geoeconomic vision focuses on developing economic corridors from China to Europe over land and sea under Beijing's terms and leadership. The project seeks to place China at the epicenter of new economic networks through increased investments in roads, railways, ports, oil and gas pipelines, and other infrastructure (Leonard 2016; Gertz and Evers 2020). These geoeconomic power projections seek to further increase Beijing's comparative advantages in economy and trade, to expand its share in global markets, and to enhance its political clout in a vast geographical space. The BRI eventually aims to bind participant countries to China's economic orbit, standards, and technology by building asymmetrical interdependence with them (Cooley and Nexon, 2020a).

Following Beijing's announcement of its ambitious BRI project in 2013, China's global exports of goods and services exceeded those of the United States (see Graphic 2). The Trump administration has

adopted protectionist measures in trade vis-à-vis China which seemed to temporarily slow down but did not terminate this trend (see Pettis, 2021). In 2022, China's total export of goods and services reached above \$3,5 trillion surpassing the US exports by 1 trillion dollars at the global level.



**Graphic 2.** Exports of goods and services by the US and China (million dollars)

Source: World Bank Database, <https://data.worldbank.org/>

Besides the BRI project that expands China's global economic clout, Beijing also relies on multilateral institutions such as SCO, BRICS, NDB, and AIIB in its geoeconomic strategy. Those institutions include members that jointly pursue the objectives of increasing their relative economic position and challenging the US dominance of the global economy (see Acharya, 2017; Maher, 2018). In this regard, China's and other rising powers' hesitation to embrace the US-led liberal international order along with its norms, rules, principles, and institutions and their alternative globalization visions favoring their own strategic interests led to the resurgence of great power competition based on economic instruments. The US and its allies from different regions sought to respond to Chinese geoeconomic initiatives by designing alternative programs and projects focusing on infrastructure and transportation investments. The rise of geoeconomic competition was accompanied by the declaration of a number of significant geoeconomic initiatives based on the competing strategic interests of different powers (Table 1).

**Table 1.** Competing geoeconomic projects declared since the early 2010s

Title	Announced by	Objectives
<b>Belt and Road Initiative</b>	China, 2013	To build and develop economic corridors through the overland Silk Road Economic Belt and the ocean-based 21st Century Maritime Silk Road, to boost China's infrastructure, transportation, and technology investments in those critical regions.
<b>Act East Policy</b>	India, 2014	To strengthen relations between India and the ASEAN (Association of Southeast Asian Nations) countries, to establish new land corridors connecting India to Southeast Asia and East Asia, and to counterweigh China's geoeconomic influence.
<b>Partnership for Quality Infrastructure: Investment for Asia's Future</b>	Japan, 2015	To address Asian nations' massive demand for infrastructure development in cooperation with international organizations such as G20, the World Bank, and the Asian Development Bank, to build new land and maritime routes to enhance connectivity between the Bengal Bay and the South China Sea, to balance China's growing regional economic clout.
<b>New Northern Policy and New Southern Policy</b>	South Korea, 2017	To enlarge South Korean engagement on new projects of infrastructure such as ports, railroads, and waterways through China, Mongolia, Central Asia, Russia, and Eastern Europe corridor, as well as the Arctic Ocean (from the North), to develop South Korea's connectivity with the ASEAN nations and India (from the South).
<b>Eurasian Economic Union</b>	Russian Federation, 2015	To enhance Russia's regional clout by developing economic, commercial, and energy cooperation with post-Soviet states, to improve the collective bargaining power of the members to lessen their asymmetrical dependence on China and the EU.
<b>Trans-European Transport Network (TEN-T)</b>	European Union, 2013 (new updates and regulations)	To build a powerful transport network around Europe by expanding infrastructure investments through specific corridors including the Baltic-Adriatic, Mediterranean, and Orient/East-Med corridors. These corridors will supplement the Mediterranean Partnership, the Eastern Partnership, and other accords aimed at strengthening relations between the EU and neighboring regions.
<b>New Silk Road Initiative</b>	United States, 2011 (not implemented)	To establish new North-South transport and commercial lines via Central Asia and Afghanistan, to supplement Eurasia's East-West routes, and to develop energy corridors in order to meet the growing demands of South Asian economies.
<b>India-Middle East-Europe economic corridor</b>	United States, 2023	To develop trade routes through India, Saudi Arabia, the United Arab Emirates, Jordan, Israel, and the EU by increasing investments in ports and railways, to enhance economic ties between the US allies and partners, to counterbalance China's BRI project and its expanding role in international infrastructure investments.

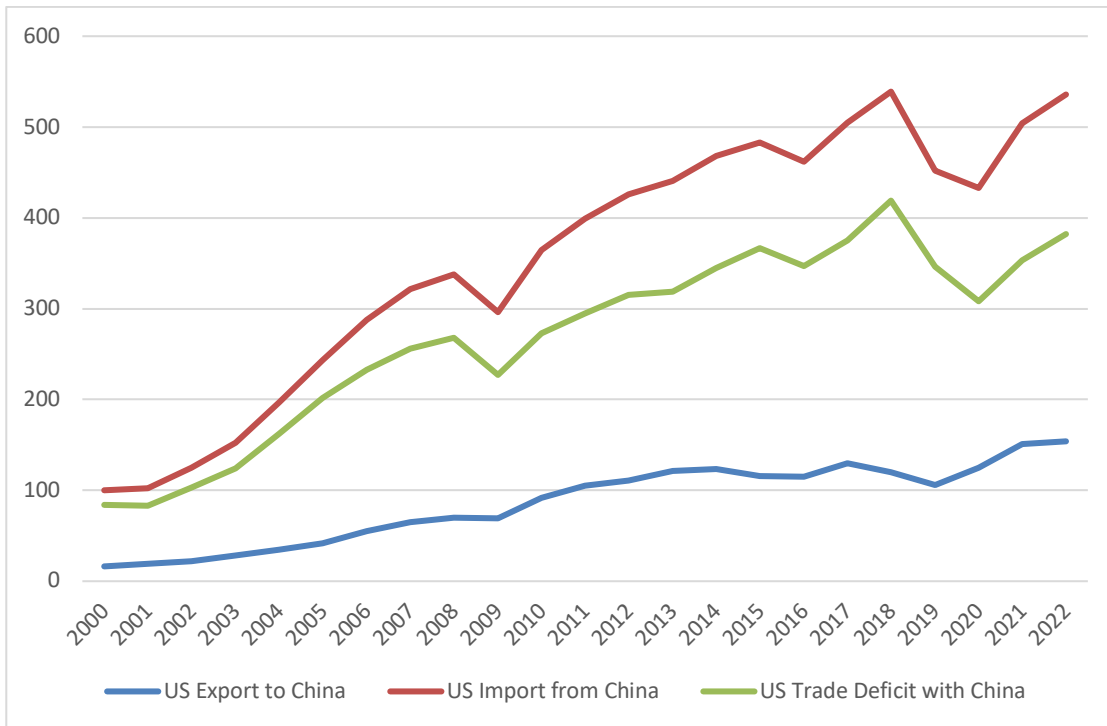
Sources: Ecologise, 2020; Palit, 2016; Ministry of Foreign Affairs of Japan, 2015; Botto, 2021; Diesen 2021; European Commission, 2023; U.S. Department of State, 2017, Ellis-Petersen, 2023.

It is obvious that both globalization and deglobalization waves following each other served to the rise of geoeconomics in great power politics. Since the 1990s, the US strategy to expand the liberal international order towards the non-Western world including Eastern Europe, Post-Soviet Eurasia, and South and East Asia relied primarily on financial, economic, and institutional instruments. Indeed, the growing interdependence managed to mitigate military competition and confrontation at the global level. However, it failed to create multilateral, cooperative, and harmonious great power relations as expected by neoliberal scholars. It is primarily because the unprecedented level of global interdependence created new problems that fed great power tensions (Maher, 2018). In most interdependencies, states are not equally dependent on each other. Therefore, interdependence creates asymmetric dependencies and vulnerabilities that great powers tend to avoid. Managing the political and strategic implications of

interdependence is very difficult, especially for the US and China. Interdependence has already created significant tensions and frictions between the United States and China over different issues including currency rates, property rights, investment regulations, and standardization. Such problems trigger the revival of mercantilist trade strategies and the increase of protectionism which accelerate the current deglobalization process (Maher 2018).

In this regard, globalization created fault lines in the global economy which serves the deglobalization process intertwined with a growing geoeconomic competition (Ripsman, 2021). Given the irreconcilable contradictions between liberal capitalism and state capitalism, the resolution of problems and disputes between the US and China becomes increasingly difficult. China's domestic economic model enables it to follow an effective geoeconomic approach whose objectives are set in terms of relative gains in power, not absolute gains in welfare. State capitalism provides China with crucial geoeconomic assets that Western nations do not have, namely state-owned banks and companies. Beijing tries to ensure the maximum possible access of its own companies to markets, capital, commodities, technology, data, and resources of other nations while preserving its right to limit foreign companies' access to its own economy. The Chinese state seeks purposefully to create 'national champions,' that would dominate domestic, regional, and global markets by assisting them to acquire comparative advantages (Freiberg, 2021/22; Scholvin and Wigell, 2018).

In this respect, Washington accuses the Chinese government of intervening in the free play of market forces at both domestic and international levels with several illegitimate tactics such as currency manipulation, state subsidies, import barriers, forced transfer, and stealing of technology (Freiberg, 2021/22). Since the 2008 global crisis, China's increasing relative gains in the global economy heightened American threat perceptions from Beijing based on the long-term economic, technological, and military implications of the rise of China. These considerations led to a shift away from the 'economic mindset' that characterized the international economic order of the 1990s and toward a 'security mindset' that characterizes the geoeconomic world order of the current era. The securitization of economic policy is translated into (geo)economization of strategic policy at the global level (Roberts, Moraes & Ferguson, 2018).



**Graphic 3.** The US bilateral trade with China (billion dollars)

Source: United States Census Bureau, <https://www.census.gov/foreign-trade/balance/c5700.html>

Graphic 3 shows how the Chinese-American interdependence grows asymmetrically concerning the bilateral trade between the two great powers. In 2018, the US trade deficit with China reached a record level exceeding \$400 billion, which coincided with the escalation of the trade war declared by the Trump administration against China. In early 2018, Trump declared tariffs on solar panels as well as aluminum and steel for all nations. As a major actor in the solar panel and steel sectors, China reacted by imposing tariffs on \$3 billion worth of American products. In 2019, Washington imposed tariffs of 15% on \$300 billion of Chinese imports and 30% on an additional \$250 billion of Chinese products. China responded by levying a 5% to 10% tariff on American products valued at \$75 billion and a 20% to 25% tax on products worth \$110 billion (Buchholz, 2020). Despite having an impact on bilateral trade, those measurements were not successful concerning the expected outcomes in the US economy and the trade relationship with China, while the trade deficit continued to grow (Bahar, 2017; Pettis, 2021). Furthermore, according to an analysis of the World Bank (2023), China has turned out to be more central to the networks of global trade in the past several years despite the trade war with the US.

Concerned by the potential risks of China's rise based on state-capitalist practices, President Biden continued to impose tariffs on Chinese imports and set some additional trade restrictions. He also adopted unprecedented export regulations limiting Beijing's ability to acquire sophisticated technology and prohibited certain American investments in Chinese high-tech industries (Siripurapu and Berman, 2023). In his recent speech focusing on the US international economic strategy, the US National Security Advisor Jake Sullivan, emphasized that Washington wanted China out of the supply chain concerning technologies of strategic importance, whereas they could cooperate with Beijing in other sectors and economic issues (Dollar, 2023). The imposition of unilateral tariffs harms America's credibility as a promoter of free trade and demonstrates the continuous trend toward deglobalization. Those developments also mark the increasing use of economic tools and measurements by great powers, which contributes to the further rise of geoeconomics under the conditions of high-level interdependence.

Despite the relative rise of geoeconomics in the current world order, geopolitical power competition keeps its relevance under limited regional contexts. Since the 1990s, the US policy to expand the liberal order has partially drawn on military instruments but in a restrained manner. The US offshore democracy promotion campaigns have expanded into military interventions aiming at bringing dictatorship regimes down in Afghanistan and the Middle East. This inevitably triggered threat perceptions of major powers positioned nearby, not to mention Russia (see Pape, 2005). Besides Washington pushed for NATO enlargement eastward as it was seen as a key institutional instrument to spread liberalism and democracy in Eastern Europe and to expand the zone of stability towards this region (see Lucarelli, 2002; Zagorcheva, 2012). The expansion of the US geopolitical influence triggered Russia's counterbalancing actions and led to indirect military conflicts between Washington and the Kremlin in certain countries such as Georgia, Syria, and Ukraine (see Korolev, 2018).

However, there are several reasons why those military crises would remain limited at a regional scale and would not expand into a global geopolitical competition comparable to the Cold War. First of all, Russia's geopolitical projections are constrained in certain geographic contexts where it has maintained a traditional military presence and influence since the Cold War years. In this regard, such moves by Russia just seek to preserve the political and military status quo in those regions. Secondly, great powers such as Russia and China avoid forming a military alliance to balance the US military power preponderance at the global level. Given the level of global interdependence, the renewal of such a military competition between great powers would create serious handicaps for the economic security of each one (see Paul, 2004: 10; Ying, 2016). In this regard, Russia and China also hesitate to provide direct military support to each other's regional disputes and conflicts such as Ukraine and Taiwan, which would risk the escalation of such crises from regional to global (see Ying, 2016; Korolev and Portyakov, 2018).

Indeed, China has more compelling economic capabilities that would ensure the sustainment of an all-around geopolitical competition alone vis-à-vis the US. However, Chinese leadership repudiates old-style power politics based on military power projections and alliances. Beijing neither tries to break existing security alliances nor create new ones at regional and global levels (Deng and Moore, 2004; Ikenberry, 2014). This provides advantages for Beijing's geoeconomic power projections that seek to overcome the barriers of military alliances by integrating other states into the Chinese economy (Owen, 2021). Nevertheless, there are possibilities for military tensions and conflicts between China and the US

allies at a regional scale in the Asia-Pacific. As examined later, such regional tensions might create disadvantages for the 'peaceful rise' strategy pursued by Beijing through geoeconomic means.

#### 4. COMPARATIVE ADVANTAGES OF THE UNITED STATES AND CHINA IN THE 21<sup>ST</sup>-CENTURY GREAT POWER POLITICS

After examining the rise of geoeconomics at the global level and underlining the endurance of geopolitics at regional levels, it is significant to consider the comparative advantages of the US and China in the current era great power politics, especially since the beginning of deglobalization. The primary advantage of the US vis-à-vis all other great powers is its ongoing material power primacy covering many significant aspects of national power. The United States has the greatest military, economic, financial, and technological capabilities in the world, which leads some scholars to portray the current system still as unipolar (Beckley, 2018; Brooks and Wohlforth, 2023). Furthermore, the standing institutions of the liberal order such as the World Bank, IMF, World Bank, and the dollar-dominated international financial system continue to undergird American structural power to manage global economic issues (Freiberg, 2021/22).

In the area of geopolitics, the US maintains the largest military and political alliance network throughout the world, which also extends to China's neighborhood. The containment of Russia and China since the aftermath of WWII through regional alliances still provides Washington with significant advantages in projecting military power and managing its geopolitical interests (see Öztürk and İrfanođlu, 2021). The US maintains military partnerships approximately with 50 states including industrial European nations and Asia-Pacific countries such as Japan, South Korea, the Philippines, Thailand, Australia, and New Zealand. On the other side, Russia has less than ten allies which are small regional states looking for Moscow's military and economic support, whereas China holds only one formal alliance relationship with its neighbor North Korea (Ikenberry, 2014; Resnick and Sworn, 2023). It is true that military alliances are getting weaker at the global level and do not provide all-out barriers against China's economic rise. Yet, the US' ongoing geopolitical partnership with China's neighbors might create crucial advantages for Washington in case of growing tensions and conflicts in the Asia-Pacific. China's ambitious claims over maritime rights and contested islands and the changing naval balance of power in the Asia-Pacific region increase regional powers' threat perceptions from Beijing (see Oliveira, 2021). In case of a military crisis or conflict, those geopolitical threats might be utilized by the US to remobilize its regional allies against China and to reinforce its political economic, and military cooperation with all those states.

Nonetheless, all these geopolitical advantages of the US could not be easily translated into geoeconomics at the global level. Given the complex global economic structure, it seems not possible to build formidable defensive walls against China's rising influence that is mainly based on geoeconomic instruments. The military, political, and ideological alliances are getting weaker under the centrifugal forces of the current geoeconomic order. This represents one of the greatest disadvantages of Washington vis-à-vis China. All of the US allies maintain a high degree of interdependence with China which directly or indirectly contributes to the latter's rise. Even American close allies in Europe such as Britain, Germany, and Italy look for benefits of economic, financial, and technological cooperation with China. In this regard, they are not willing to jeopardize their relationship with China for the sake of Washington, their long-standing ally (see Twining 2015; Brattberg et al. 2021, Bermann, 2021). Chinese 'selective accommodation tactics' towards individual states based on its own strategic interests seek to undermine existing military alliances further. Weaker states in Asia-Pacific, Eastern Europe, and the Middle East are much more vulnerable to such tactics as they deeply need foreign investments and financial sources offered by Beijing. Chinese geoeconomic initiatives encourage other countries including the US' long-standing allies and partners towards hedging and underbalancing concerning their interactions with China (see Smith, 2019). As China creates asymmetric interdependence with those states, it is getting more difficult for Washington to mobilize its traditional military allies and other partners to protect the liberal international order along with its norms, values, and institutions vis-à-vis rising China and other non-Western powers.



The United States' inability to form a comprehensive geoeconomic strategy to effectively confront China's economic rise since the 2008 global crisis has also put Washington in a disadvantageous position. China's rising comparative advantages in production and trade led to some recent steps by the United States representing a retreat from defending the liberal principles in the world economy. The Trump administration's policies to increase the US' wealth and economic power include not very feasible solutions under the conditions of the global economy, such as re-directing US foreign investments into America to expand domestic production and jobs (Bahar, 2017; Stiglitz, 2018). Besides turning towards economic protectionism, the Trump leadership also showed reluctance to bear the high costs of maintaining liberal hegemonic order and began to focus more attention on short-term and narrowly defined American interests. Donald Trump apparently downgraded the US support to liberal international institutions, which cast doubts on America's willingness to supply economic and military goods at the global level (Cooley and Nexon, 2020a, 2020b).

Therefore, the Trump administration played into the hands of other major powers who sought to undermine the liberal order by weakening Western-led institutions, delegitimizing their visions, setting alternative institutional frameworks, and providing economic goods such as infrastructure investments. By reassuring the US commitment to international institutions and its long-standing allies, the Joe Biden administration started a cautious return to internationalism, whose success is yet to be confirmed (Engel and Hansen, 2022). Nonetheless, the US relative decline could also push it to further isolation from the world, given American domestic grievances about the domestic economic repercussions of globalization and the declining support for liberalism-oriented foreign policy (see Paul, 2021).

The weakening of liberalism throughout the world represents another disadvantage of the United States in its great power competition with China. In the early 1990s, the collapse of the Soviet Union and communism resulted in the foundation of the normative superiority of the US based on liberal democratic values. Those values became the main source of the US soft power and influence to reshape international and domestic politics in different regions. The former communist and socialist countries were defined as transition countries that were expected to be integrated into the liberal world order under the guidance of Western-led institutions such as the World Bank, IMF, and WTO (see Lukin, 2014). Since the 2008 global crisis, however, it has been commonplace to consider the West to be in normative retreat. The credit crisis in the US was followed by a Eurozone crisis in the EU, which has eroded the public image of Western economic systems as superior to others (Cooley, 2015). The worsening of social and economic problems, waves of migration, and the growing danger of terrorism fueled nationalism, populist tendencies, and illiberal political factions in both the United States and the EU (Cooley, 2015; Walker, 2016; Keating and Kaczmarek, 2019). The EU which was once the US' greatest partner concerning the integration of Eurasian countries into the liberal order has lost its capacity to restructure its neighborhood through soft power due to its internal political and economic problems and the weakening of further enlargement prospects (Ultan and Ornek, 2015). All those developments could increase the comparative attractiveness of alternative economic models such as state-led economic development and new international projects and institutions including the BRI and the AIIB which serve Chinese geoeconomic interests (Li, 2020).

Considering China's advantages in its great power competition with the US, one should start with its huge population base and its economic implications. With four times bigger population, China has to improve its economic productivity just to one-quarter of that of the US to reach the latter's GDP. If China ever achieves the output per capita of the most advanced-level industrialized countries, its economy might expand to be four times larger than that of the United States (Freiberg, 2021/22). The authoritarian management of this huge economic power through geoeconomic projects designed by a party-state provides additional advantages to China. The party-state has a free hand to decide whether to use national sources to develop internal socio-economic conditions or to use growing economic power for further geoeconomic expansion. A.F.K Organski (1958) who predicted that China would be the eventual superpower rival of the United States already discussed the relative advantages of authoritarian states in strategic management of the economy. According to him, the internal conditions of authoritarian countries could provide more rapid economic growth under state control. Also, those states find it easier to form single and unified domestic and foreign policies without facing domestic disagreements and resistance.

The transition period from communism to state capitalism in the post-Cold War era has not decreased but further increased those advantages of China. (see Scholvin and Wigell, 2018). In today's globalized system, states have to collaborate with private businesses that constitute the complex networks of the international economy, including transnational banks, payment companies, energy providers, technological companies, and infrastructure builders in order to exercise their geoeconomic power and achieve their objectives. Close and collaborative relationships between government entities and companies operate as a force multiplier. Geoeconomic power improves when businesses are aligned with state strategies and initiatives and keen to collaborate with government agencies to fulfill them. Chinese state capitalist model designed and controlled by the Communist Party represents one of the best examples of this. Given the strong and broad relationships that exist between the Chinese government and its business community, the knowledge, capacities, and interests of the Chinese state and its enterprises are tightly aligned. However, in other states where governments and business enterprises are less closely aligned, government agencies find it much harder to weaponize interdependence and project geoeconomic influence in different regions. For example, the US leadership has been stating over the years that it wishes to develop greater commercial links between the US and Africa, but American companies have been very slow to react in ways to fulfill this objective (Gertz and Evers, 2020). In the 21<sup>st</sup> Century, China achieved to surpass the US as the continent's primary commercial partner and investment provider, while Washington is still attempting to catch up with Beijing (Wang, 2020; Öztürk, 2022).

Global interdependence that was boosted since the 1990s has also increased China's relative advantages in the 21<sup>st</sup> Century great power politics. This interdependence enables China to support its rise through economic relations with a wide range of states in different areas of the world including the US, its formal military allies, and even some of China's regional adversaries. Today, China is the biggest trade partner of 120 states located in different regions such as South America Africa, the Middle East, and Asia. Those countries include China's neighbors Vietnam, Taiwan, South Korea, and Japan, whereas the EU also has China as its largest external commercial partner (Green, 2023). Besides its comparative trade advantages, China's rejection of geopolitical power politics and its adoption of the 'peaceful rise' doctrine emphasizing mutual benefit, cooperation, and economic development helps Beijing to sustain its economic relationship at a high level with all those states (see Jackson, 2014).

Despite all these advantages of China in geoeconomics, there are significant disadvantages of Beijing vis-à-vis the United States concerning geopolitical competition scenarios. Like many rising great powers in history, China could eventually seek to remove other great powers' military influence from its close neighborhood. As offensive realist theory suggests great powers aim to establish a regional hegemony in their own region. According to this perspective, China will gradually convert its economic power to military capabilities. Beijing will also seek to remove US military forces operating in its neighborhood so that it will be able to establish a military hegemony in Asia-Pacific (see Mearsheimer, 2014). Over the last two decades, China has developed a sophisticated anti-access/area-denial (A2/AD) system around the Strait of Taiwan, the East China Sea, and the South China Sea, which includes submarines, anti-ship, anti-air, and anti-ballistic weaponry, and other naval and aerial assets. This system provides a 'counter intervention' strategy that aims to limit the intervention and deterrence abilities of the United States and its local allies vis-à-vis China. As a consequence, the United States is gradually shifting its military strategy away from force projection and toward stronger "forward presence, counterstrike, and deterrent capabilities" (Meraner, 2023). If this contention over the military status quo continues, this would further feed the militarization of the Asia-Pacific region and strengthen asymmetrical military alliances in the region as the US regional allies would turn to Washington for increased security guarantees. It would inevitably shift the balance between geoeconomic and geopolitical competition between China and the US towards the latter.

Today, the Asia-Pacific region represents one of the greatest fault lines of geopolitics, which harbors the risk of a growing military contention between the most powerful country in the world and a rising challenger. Given the nuclear deterrence and complex economic interdependence in the global system, both sides would likely restrain themselves from falling into direct military conflict, which has been achieved by the US and the Soviet Union even under the Cold War conditions. This would prevent the expansion of geopolitical crises from regional to global. Yet, China's military policies and hegemonic

stance in the Asia-Pacific waters would trigger balancing initiatives by regional powers and the United States. This might force Beijing to channel its national resources from geoeconomic to geopolitical means that are comparably less profitable and more provocative. It could eventually slow down China's economic growth.

Currently, China is the second-largest military spender behind the US accounting for 13% of the world's military expenditures and 20% of non-US spending, a figure that has gradually increased over the last two decades (Maher, 2018). This makes analysts question whether Chinese military intentions are oriented toward defense or expansion. According to some, China would eventually seek to secure its boosting investments over developing trade corridors relying on its own military capabilities. For example, Chinese investments in the ports of regional states like Sri Lanka, Myanmar, Bangladesh, and Pakistan raised concerns that those maritime facilities may turn into China's naval bases at some time in the future (see Hornat, 2016; Lo, 2017). In this regard, China's actions in neighboring seas have created uncertainty for many of its neighbors, which has put their vital commercial and maritime interests at stake (Maher, 2018).

China's approach towards the Taiwan issue appears as the most critical factor concerning the security and stability of the Asia-Pacific region. It is also a crucial case to observe China's geostrategic approach towards its neighborhood as Beijing often combines geoeconomic instruments and geopolitical threats in its policy toward Taiwan. China has been seeking reunification with the island through economic plans and initiatives such as institutionalizing economic cooperation and cross-strait trade, as well as establishing a single market with Taiwan. (Economist, 2019, Chang and Yang, 2020). At the same time, however, Beijing does not avoid issuing military threats to the Taipei government to deter it from taking more steps toward independence, as China sees Taiwan as an issue of territorial integrity and national pride. In 2019, Chinese leader Xi Jinping stressed that China will never abandon the option of using force and will take all necessary measures to bring Taiwan back into the People's Republic of China. This militarily threatening approach is also supported by an increased level of naval exercises and large-scale military incursions near the island. (Chang and Yang, 2020; Yang, 2023).

After Russia's invasion of Ukraine, the Taiwan problem turned into a more heated issue. Some analysts argue that the Ukraine war would encourage China to invade Taiwan as it proved that the US avoids being directly involved in military conflict against a nuclear-armed adversary in its close neighborhood. Others focus on the impacts of the Ukraine war on international politics and suggest that the developments following Russia's invasion will deter Beijing from taking the military option against Taiwan. The Ukraine conflict has brought European allies together under US leadership and NATO, which had been called "brain-dead" by French President Emanuel Macron just a couple of years ago (Rutland, 2023; Becker et al., 2022). More importantly, China's ambiguous stance towards Russia's invasion has prompted the EU to support some steps by the US to oppose China's attempts to control critical areas of global trade and technology, though Brussels has previously been hesitant to join the trade war between the US and China. The Ukraine conflict has also united key Asian allies such as Taiwan, South Korea, and Japan behind the US leadership which have all participated in the international sanctions on Russia. According to some analysts, the US military allies from Europe and Asia-Pacific will likely impose coordinated sanctions on China in case of a similar conflict scenario in Taiwan. Given China's enormous level of interdependence with the EU and the US, those sanctions would be extremely destructive to China's economy and accordingly its geoeconomic power projections (Rutland, 2023).

Besides the Taiwan issue, the South China dispute has been another factor involving the risk of military escalations between China, the US, and regional American allies. Since 2009, Beijing has strengthened its territorial claims in the South China Sea through several methods including land reclamation, the militarization of islands under its control, and the use of legal claims and diplomatic power. China's ambitious arguments concerning the dispute contradict the sovereignty claims of several regional states including the Philippines, Vietnam, Malaysia, Indonesia, and Taiwan (Mastro, 2020). China, for its part, has been swiftly upgrading its military capabilities and growing its naval presence in contested areas and critical maritime chokepoints (Fravel and Glaser, 2022). Those developments have disturbed the US regarding its geoeconomic concerns and geopolitical alliance commitments. The US aims to prevent an entire Chinese control over the South China Sea to ensure free and open access to this area for economic and commercial reasons and to sustain the international norm of freedom of navigation. Secondly, the growing military tensions in the region bear the risk of entrapment into a direct

conflict with China, given the US' alliance relationship with regional states contesting for territory over the South China Sea such as the Philippines (Mastro 2020).

Since 2016, China's conventional military actions in the South China Sea have risen in terms of both complexity and aggressiveness. Those activities have included frequently organized military exercises focusing on various aspects including anti-surface warfare and air campaigns. China's military exercises have temporarily hindered navigation and extended toward the disputed areas of the South China Sea (Mastro, 2021; Al Jazeera, 2023). In response to Chinese intimidation tactics vis-à-vis littoral states, the US has grown its naval and air presence and began to organize large-scale military exercises with its regional allies (Fravel and Glaser, 2022). One of China's primary methods for pushing its claims has been to increase the risks for others exercising their rights by harassing other littoral states' oil and gas exploration platforms, fishing boats, and military vessels, which has recently led to serious military faceoffs (Mastro, 2020). These increased hostilities in the South China Sea along with growing military deployments of China and the US in the Asia Pacific have heightened the potential of a crisis triggered by miscalculations or unintentional incidents in the air or at sea. As the military jets and warships of China and the US operate in close proximity to one another, the possibility of a direct collision remains present, which could uncontrollably escalate toward larger armed conflicts in the region (International Crisis Group, 2022).

If military tensions and crises between China, the US, and its regional allies grow to threaten the free flow of trade in the Asia-Pacific region, it would not be without repercussions in other regions. Asia-Pacific and Indo-Pacific regions include significant trade routes and seaways for international trade, which have been seen as crucial by European countries since the age of colonialism (see Medcalf, 2018). The growing military tensions over there may enforce political, diplomatic, and military cooperation between the Western countries. Furthermore, some NATO states with advanced naval and air capabilities might come to signal to support the position of the United States and Washington's regional allies. If serious military crises emerge, the US could also lead some international measurements against China's behavior risking open trade, which in this case would be viewed as more legitimate by Western countries. Even though European countries may hesitate to grant active support to US military initiatives, such crises could lead to coordinated diplomatic and economic sanctions by the US and the EU against China which would aim at deterring Beijing's dangerous moves risking direct great power conflicts and international trade.

In such a scenario, the geopolitical competition would be still limited to a certain geographical context but it would also have some global geoeconomic repercussions. The rise of geopolitical threats would reinforce the asymmetrical alliance relationship between the US and its traditional allies in Asia and Europe. Such threats may also shift economic and technological cooperation away from China due to rising relative gains concerns in Western countries. China's relations and economic cooperation with its neighbors and Western advanced economies would be damaged. This might consequently put Beijing's 'peaceful rise' strategy at serious risk.

## CONCLUSION

This article examined the impacts of globalization and deglobalization processes on great power relations, which enables us to draw significant conclusions about the changing dynamics of international politics. First of all, the analysis represented above put forward the 'two-way' interactions between the globalization/deglobalization processes and great power politics. While these two processes have reshaped great power politics, the significant changes in the latter have also served as an impetus for globalization and deglobalization. The rise and decline of specific great powers, the changing economic balance of power between them, and their comparative advantages in economy and trade appear to be the primary factors shaping the general tendency towards globalization or deglobalization. Between 1990 and 2008, the collapse of the communist Soviet Union, the unipolar balance of power, and the US economic and normative supremacy enabled Washington to lead a worldwide globalization process. Since 2008, however, the economic rise of China, the growing level of interdependence between great powers, and Beijing's increasing comparative advantages vis-à-vis the US have moved strategic competition between great powers to a geoeconomic level and furthered deglobalization.

The second important conclusion drawn from the analysis above is that the future of the US-China competition will be shaped by the balance of geopolitical and geoeconomic competition. The comparative analysis presented in the article puts forward China's greater advantages vis-à-vis the US in geoeconomics. China developed its comparative advantages in economics and trade during the globalization wave of the 1990s, while the 2008 global crisis led to a further shift of economic power from Western countries to Asia. During the deglobalization era, China began to project geoeconomic power more directly utilizing its state-capitalist system, accumulated capital, and developing technological capabilities whereas the US could not find an effective strategy to undermine Beijing's geoeconomic initiatives. Rather, Washington chose to move further towards economic projectionism, which opened more space for China in geoeconomics at the global level.

On the other side, the article put forward China's significant disadvantages vis-à-vis the United States in geopolitics which poses risks for the future of Beijing's peaceful rise strategy. The current geopolitical situation induce Beijing to denounce traditional great power politics based on military instruments. The contemporary military status quo in Asia-Pacific was formed based on the post-WWII arrangements and still favors the United States. Any high-profile attempt by Beijing to remove the US from China's neighborhood would be perceived as dangerous revisionism that put international peace and security at great risk. A regional military crisis would also consolidate the US-led alliances in the Asia-Pacific region, as we have seen in Europe after Russia's invasion of Ukraine. Furthermore, a geopolitical crisis may also lead to some economic sanctions on China collectively imposed by the US and its allies. This would accelerate deglobalization in a way disfavoring Chinese geoeconomic interests. In this regard, this study's approach drawing on the analytical differences between geopolitics and geoeconomics may be useful for future research on the great power competition between the United States and China.

Last but not least, the article demonstrated how the irreconcilable contradictions between liberalism and state-led capitalism have also been major drivers of deglobalization in the current era. In the post-Cold War era, global economic integration has not been accompanied by a democratic transformation in non-Western great powers. This is an important reason why the Western expectations concerning the positive impacts of globalization in great power politics have not been fulfilled. Today managing global interdependence seems to be much harder because the strongest economic and military powers in the world, the United States and China, do not share a similar domestic system, common norms and values, and vigorous interests in institutional cooperation. The US and China's attempts to promote their economic, normative, military, and superiority at global and regional levels will continue to stimulate geoeconomic and geopolitical conflicts which would in turn accelerate deglobalization. All those evaluations put forward that economic globalization alone does not necessarily bring less conflictual, more stable, and rule-based great power relations, which defies the neoliberal expectations of the 1990s.

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