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Transitioning Power through Geo-economics: The Rise of China and Challenges to the United States Economic Hegemony

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Abstract:

The 'Rise of China' is considered the most significant development of the 21st century. It has changed the nature of power transition in international politics. Unlike previous changes in the global distribution of power and prestige through violent means, China is adopting peaceful options to materialize the change in its favour. The 'tides of history' concept propagated by Charles Duran is happening to benefit China. Two strategies are crucial for China in this regard. Firstly, the concept 'Tianxia (All Under Heaven)' creates prospects for a positive-sum game. Secondly, the adoption of geoeconomics to propagate its national interest by application of economic aspects instead of destructive geostrategic approaches. However, the transition which is happening at both regional and global levels creating challenges for the economic hegemony of the United States as well. For example, the creation of 'The Asian Infrastructure Investment Bank (AIIB) is successfully challenging the United States (US) backed 'International Monetary Fund (IMF), and the initiation of 'One Belt One Road (OBOR) is creating China's hard and soft power prospects along traditional 'Silk Roads', the horn of Africa, Southeast Asia, South Asia and Latin America. Due to all these changes at regional and global levels, the world seems to enter a new 'geoeconomic order' led by China to reshape the global economy, patterns of interactions and the existence of an American-dominated 'rule-based order'.

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INTRODUCTION:

The changes in the world order mostly occurred because of the rise of Chinaⁱ. Its rise is an economic phenomenonⁱⁱ. This huge economic success of the country within a short period is because of its geo-economic strategy. This strategy means the comprehensive utilization of economic aspects to gain geopolitical and geostrategic objectives. The genesis of the concerned strategy lies at the end of the Cold War. Edward N. Luttwak suggested that the endpoint of the war does not mean the permanent triumph of one system over another, rather, it is the transformation of the conflict from the military realm to the economic realmⁱⁱⁱ

The current developments in international politics suggest that the ‘liberal international order’ is fading away and being replaced with a new ‘geoeconomic order’. The shift occurred in this context because of the securitization of economic policy and the economization of strategic policy^{iv}. The development intends to change the global rules and norms of international relations. The new rules in contrast to the previous one are based on multiple poles of power. They emerged visibly after the shutdown of ‘The World Trade Organization (WTO) Appellate Body’ on 10 January 2019, the Rise of China, the US withdrawal from Afghanistan and Russia's invasion of Ukraine^v. It is within this context that it is stated that the global distribution of power is in a transition phase. It is transitioning in favour of the emerging great powers, especially China. However, the change as stated above, is not occurring in the military domain, rather, it is in the economic one China is leading. The change is creating challenges for the United States in economic, political, and social sectors. The biggest question is whether the regional and global orders will change or not.

Key Words: Geoeconomics, Power transition, Rise of China, AIIB, World Bank, Emerging Great Powers, Regional and global orders.

THEORETICAL FRAMEWORK:

Theory of Geoeconomics:

Economic interactions between and among the states have dominated post-Cold War politics. Owing to the importance of this phenomenon, Edward N Luttwak introduced the concept of 'geo-economics, which means that the economic might can ensure geopolitical and geostrategic gains.^{vi} In addition to him, other renowned scholars like Scholvin and Wigell also used and suggested this concept. They believed that the demise Cold War was not the end point of ideological contestation or the triumph of one another, but the transformation of conflict towards economic realms.^{vii} From that point onwards geoeconomics is considered the important point in the attainment of foreign policy objectives. Furthermore, scholars have contrasting views of Edward Luttwak, according to them, the economy and military cannot be separated instead they are overlapping. Adding further, many scholars attribute geographical conditions as important in the shaping of economic preferences. While other scholars considered some aspects of geography as geo-economics.^{viii}

The concept of geo-economics is overly complex, it cannot be distinguished from geopolitics. Therefore, this concept can be understood in two aspects. Firstly, "the overlapping nature of domestic economic policies and transformation in national and geopolitical power. Secondly, the economic consequences of those transformations in national power and geopolitical trends"^{ix}. The first aspect means that transformation in domestic policies strongly impacts the country's behaviour with other countries. For example, an increase in economic strength enables the state to increase its geopolitical weight. The second point suggests what will be the possible outcomes of this geopolitical change. Some scholars like Sanjaya Baru suggest that "geoeconomics is the impact of the economy over geopolitics and vice versa"^x. Elaborating on this point, the economic fallout will have an impact on geopolitical change. Transformation of economic might towards military might is necessary otherwise it will have no geopolitical leverage. "Japan's example is best suited in this context. The country has a strong economy, but it has no strong military that's why Japan is not a country having crucial geopolitical weight"^{xi}. China is using geoeconomics as

a foreign policy tool to advance its interests. The initiation of ‘One-Belt-One-Road’ is an economic phenomenon and it can change the economic order of the region and abroad. To implement a geoeconomics strategy, geopolitical factors are also important.

Theory of Power Transition:

The Rise of China and the challenges it posed to the universality of American world order is an important topic under discussion in the field of International Relations. The primary question posed here is whether China-US are bound to engage in perpetual conflict for the leadership of the world. If the conflict is supposed to happen whether it will be a military or just limited to economic competition like it is happening currently. To understand this complex phenomenon, the research paper relies on the ‘Theory of Power Transition’.

The history of the world is based on “the rise and fall of the great powers”^{xii}. Most of the transition took place because of the great wars. For example, the starting point of the Iberian powers, the Ottomans, the Hapsburg Empire, Great Britain, and the United States all rose because of the War. All these war-like transitions compelled a famous historian E.H. Carr to label “the problem of peaceful change” as the main puzzle of International Relations^{xiii}. Furthermore, other scholars of International Relations suggest that “great powers emerge from great wars”^{xiv}. It means war happens when peace processes fail.

Using historical factors as a frame of reference, Arnold Toynbee stated that “it is the lesson of history that a phase of ‘General war’ is followed by some sort of normalization in the form of a ‘breathing space’. After that an era of ‘supplementary wars’ starts which completes the process of power transition”^{xv}. In addition, the earliest scholars like Wight who is an expert on war studies suggest that “throughout history major wars occurred regularly. A general peace follows it, then a string of small wars, and again, a general peace is followed as the world order has changed”^{xvi}.

Charles F. Duran in his first book “*The Politics of Assimilation: Hegemony and its Aftermath*”^{xvii} developed the concept of “Shifting Tides of History” as a cause of great wars. In his other

book “*Systems in Crisis: New Imperatives of High Politics at Century’s End*”^{xxviii} Duran presented a very bold, accurate and vast concept of the current balance of power, a futuristic outlook of International Relations and the major problems which may be confronted by this transformation. He tried to present the reasons why transition is bound to happen because of the wars. Explaining his ‘Cyclic Theory’ Duran highlights how structural compulsions and unexpected and inescapable ‘tides of history’ turn against states and limit their powers. However, he also suggested that this change is not predetermined rigidly. The transition in world order can also be peaceful and cooperative. It is argued that the Rise of China is a good example in this regard. Its rise is peaceful and based on a win-win situation. Robert Gilpin while taking a neo-realist approach in his book “*War and Change in World Politics*”^{xxix} says that the resolution of power transition occurs through a hegemonic war as the victorious power establishes equilibrium. Hegemonic powers always try to mould the system according to their interests. However, the fall of the hegemonic powers is inevitable because of various factors like maintaining a hegemonic position is too costly, loss of economic and technological dominance, depleting resource base necessary for the maintenance resource base, differential growth, and distribution of power among states acting on a global level. Similarly, Immanuel Wallerstein, who is a new Marxist and proponent of ‘World System Theory’ suggests that the world has experienced a series of hegemonic wars. After the war, the world experienced relative maturity and then hegemony. For him, hegemonic wars are a regular happening^{xx}.

The Organskien power transition theory establishes a strong link between war and power transition. In contrast to classical realism, Organski believes that the international system is not anarchical but hierarchical. A dominant state creates hegemony or leads the coalition of what he called ‘satisfied states. Peace is preserved in this system if the power is enjoyed by those powers. War breaks out when a dissatisfied power begins to overtake the status quo. Within increasing gaps in power, the chances of war also increased^{xxi}.

Thus, it is understood that power transition theory believes in ‘power parity’ and ‘dissatisfaction’ as necessary preconditions to maintain the international system^{xxii}. Scholars attached to this conception argue that parity is when established power maintains about eighty per cent of.

However, parity ends when the rising power exceeds about twenty per cent of the resources necessary for challenging the system^{xxiii}. The biggest question is who will initiate the war. The establishment or rising power? Power transition theorists are divided on this matter. The Rise of China is a significant element of the 21st century. Due to its rise in the economic domain, it is argued that this research paper incorporates the views of power transition theorists like Charles Duran who suggests that the transition can happen peacefully as the case with China. In addition it refutes the arguments of those theorists who firmly believe that no transition can happen without war.

POWER TRANSITIONS IN HISTORICAL CONTEXT:

Conceptualizing the Great Powers Transitions and Identities:

For centuries theoreticians and scholars of international relations tried to theorize and understand the power transition. Realists portrayed the nature of the world as conflictual where the self-interest of the states is more important than individual interest. The structure of the system is anarchical where might is right and the self-help mechanism works to extract national. Moreover, realists intend that states are primary actors, and the balance of power mechanism works to create relative stability^{xxiv}. Instability normally occurs when the system changes predominantly in military realms^{xxv}. In contrast, liberal and institutionalist approaches towards world politics believe in cooperation, usage of soft power and economic interdependence as means to achieve an end in the form of a peaceful transition^{xxvi}. Lastly, constructivists reject the deterministic nature of international politics. In contrast, they believe that individual actors shape the dynamics of international politics according to their interests^{xxvii}.

Scholars of international relations have focused on the reasons behind the rise and fall of the great powers. The primary focus is on the relative power position and distribution of power between the great powers^{xxviii}. Realists believe in pessimism and liberal optimism while constructivists suggest the social construction of anarchy, cooperation and all these patterns of international interactions. In addition to all the assumptions developed by these different and antagonistic theoretical trends, the Hegemonic Stability Theory suggests a unique debate on the

phenomenon of power transition. Though it's not a realist theory it supports realist claims that military dominance is a major point to understand the power and prestige of the hegemonic state. Furthermore, the theory suggests without the hard power capabilities of a hegemonic state, all agreements of cooperation and collaboration bear no fruit^{xxix}.

It is a brute fact that the history of five hundred years does not provide an optimistic picture of power transitions. Graham Allison's research suggests that in the last sixteen power transitions, only four happened without a war^{xxx}. Is it necessary that the Rise of China and its motivations to become an international actor will happen because of violent conflict? The research paper does not support any such chance, rather, it argues that the rise is not because of military but economic means. In addition, it does not challenge the current international structure rather it focuses on cooperation within the liberal international system while primarily focusing on economic means^{xxxi}. Before 2015, China firmly believed in this concept, however, a shift in its narrative and approach occurred once the 2008 global financial crisis and the United States 'Pivot to Asia' provided an opportunity for China to act aggressively and claim its leadership role in changing world order.

Four Cases of Power Transitions in International Politics:

Though in history many power transitions occurred which changed the existing world orders. The paper relies on four different cases which witnessed this phenomenon. These are the cases which experienced military risks in direct or indirect forms^{xxxii}. The transitions occurred because of the 'Great Power Competition'. The first competition occurred between Britain and France which resulted in a power transition in the late 18th to early 19th century. The second case is between the United Kingdom and imperial Germany in the late 19th to the mid-20th century. The third case is between the UK and the United States (through peaceful transition). The fourth case is between the United States and imperial Japan in the early 20th century.

Importantly, all these transitions and great power competitions happened in the system of multipolarity. In this system, the power is distributed between various poles. The multiple centres of power make the issue more complex for the smooth functioning of the system. The

complexity of the multipolar order often creates tensions between the great powers. Fierce competition over resources and the distribution of power and prestige happens on the global level. Keeping in view this point, the current system is also drifting more towards multipolarity. The important power in that multipolar order will be China because of its huge economic clout. In addition, three out of four above-mentioned cases resulted in war. The big question on which the paper is relied upon is whether China and the US will be locked into a military conflict or whether the transition will be a peaceful one. To understand this issue deeply, a detailed historical analysis of these cases is necessary.

1. Case of France and the United Kingdom:

Between 1790 to 1820 the great powers competition occurred because of the multipolar nature of the world system. The French Revolution and its aftermath created enough mess for the great powers to engage in a military competition for power and prestige. At that time the great powers were Russia, Britain, Austria-Hungary, Prussia, and the Ottoman Empire.

France and the United Kingdom were locked into a hegemonic rivalry throughout hundred years ago. From 1650 to 1790 France was the established power of the system. However, competition over resources at the international level occurred between the two powers. They fought wars in this regard, especially at the proxy level in their colonies. The French Revolution was a major event which shifted power from France (which was an established power) to ‘Great Britain’ which was the rising power. After the 1790s, the UK became the dominant power in Europe as well as globally because of its superior royal navy^{xxxiii}.

Furthermore, the United Kingdom and France competed for the centuries. They established and competed over a mercantile economic system. The European-based rivalries were shifted into their former colonies. For example, in the subcontinent, Great Britain sided with Mahrattas and other Hindu forces who were against Siraj Ud Dula and Tipu Sultan in Bengal and Mysore. France helped Bengal and Mysore against Britain. In Egypt, Africa, and all other areas where their colonies were strong, the pattern of conflict for the sake of power and prestige happened. In addition, populist trends in France created a threat to Great Britain because in London there were forces inspired by France to thwart the monarchy^{xxxiv}

2. Case of Imperial Germany and Great Britain:

The unification of thirty-nine Prussian states because of Otto Van Bismark who is famously known as the ‘Iron Chancellor’ because of his great genius and accurate application of the ‘Blood and Iron’ policy. The unification resulted in the creation of a German state. He generously organized and strengthened the newly united state, especially in military terms. The invention of the needle gun, the mobilization of the German army by railway timetables, precision and accuracy in marching and the strong combination of both material and non-material aspects made the army unchallenged in the entire European continent^{xxxv}. This strength of the German military created effective tension for the established power (Great Britain) in all domains.

Germany threatened Britain in naval competition as well. With this development, the European continent was divided into two poles of power. German victories against Denmark, Austria and France enabled the state to extract major resources and get access to cheap labour necessary for imperial ambitions^{xxxvi}. Within a short period, Germany surpassed Great Britain in steel production in 1910^{xxxvii}. From 1870 to 1939, Germany increased coal production by eight hundred percent as compared to Great Britain's of two hundred percent^{xxxviii}. Germany went further, the country introduced *Weltpolitik* which means the shift focus from domestic to overseas colonies and focus on colonial expansion through high seas fleet^{xxxix}. In addition, fear of encirclement, naval rivalry, the Schlieffen Plan and economic factors culminated in the First World War. The reason was clear: the Thucydides trap between rising and established power.

3. Case of the United States and Imperial Japan:

Both countries fought wars over the dominance of the Pacific Ocean and Asia-Pacific region for economic reasons. The established power was the United States as for the region of Asia Pacific is concerned. Japan acted as a rising power to thwart the United States' imprints from the oceanic areas in the mentioned region. American economic interests in the region dates back to the arrival of commodore Mathew Parrey in 1850s when Japan was given a chance to modernize or face American imperialism. Japan chose the first choice and modernized at such a pace that after sometimes it challenged the United States' position in the region. It was a period of American ‘Open Door Diplomacy’ where the belief in free and unhindered trade was focused. Resultantly,

The rising Japan started imperial expansion even in China the country created its tentacles and demanded ‘Twenty-One Demands’ depicting Japan’s economic and territorial importance there^{xi}.

Japan gradually rose especially after the First World War. The ‘Treaty of Five Nations’ also included Japan to assert its influence. Despite the liberal and war-free euphoria established after the ‘League of Nations’, Japan increased its power, especially in the military realm. It attacked China Manchuria in 1931 and again in 1937 attacked the Nanking area of China. The country ignored the warnings of established powers like Great Britain and the United States in this regard. America tried to contain Japan’s growing influence, however, it failed to do so^{xli}. Importantly, the main issue again was the growing power rivalry between the established and the rising power. However, Japan did not replace the United States but attacked the United States in ‘Pearl Harbor’ and sided with Germany in the ‘Second World War’.

4. Case of Great Britain and the United States:

Though the power transition in this case happened peacefully yet both states competed in the economic domain. The decline of Great Britain was the turning point for the United States to rise. America surpassed or in some cases paralleled Great Britain in economic industrialization and manufacturing products etc.^{xlii} Their rivalries had bitter experiences from the past. Before and the aftermath of the American Revolution created disdain in Britain about the American conception of liberal democracy. The demise of old European colonies and empires was also the reason for the theory's antagonistic historical experience^{xliii}.

The Rise of Germany and the threat it posed to the leadership of the UK in Europe created space for the rapprochement between both countries^{xliiv}. The United States at that time was an isolationist power. The reproachment crated future dividends for both countries in future as well. They both collaborated in the ‘First World War’ and the ‘Second World War’. Britain succeeded in defeating Germany and the United States became able to break its isolationist policy and enter the political order of the world as a great power^{xlv}. Later, the development led to the formal replacement of the United States as a hegemonic power instead of Britain. Realists argue that it was an understanding from the British side that America upheld the same conception about economic, social, political, and military matters as Britain did. For them, Britain considers it as

the prolongation of their ideas of them in the form of the American order. Liberals propagate contrasting views; they suggest it's the victory of cooperation in an otherwise hostile environment. Adding further, they propagate the belief that norms, values and peaceful transition are possible. Hegemonic Transition theorists perceive that transition is a logical and similar perception political, economic, and social orders of both countries. It is argued that the Rise of China possessed all the elements of a peaceful rising. It is not bound to engage in any conflict with the United States in any conflict because of complex interdependence and fear of great annihilation if the war is bound to happen.

HOW CHINA IS TRANSITIONING POWER THROUGH GEO-ECONOMICS:

Defining Geo-economics:

Geoeconomics can be defined as the material cause and effects on multiple actors on a global level.^{xlvi} Geoeconomics correlates with geopolitics. Their equal channelization is important for interstate geostrategic rivalries. Edward Luttwak was the first who use the term 'geoeconomics' in his article titled "From Geopolitics to Geoeconomics: Logic of Conflict, Grammar of Commerce". In this article, he tried to thoroughly examine the United States' position on trade with Japan. In that era, geoeconomics emerged as a proper frame of reference to understand international disputes. Military conflicts can be sustained through strong economic might. Therefore, geoeconomics was considered an element of power. Moreover, "it was assumed that power distribution at the international level would depend on geoeconomics distribution"^{xlvii}. In addition, primacy in international politics started to be associated with geoeconomics. A strong economy enables states to buy weaponry and other related types of equipment necessary for domination in the global arena. Furthermore, according to Giovanni Grevi "geoeconomics means the conversion of economic assets into political leverage and the proper utilization of the acquired political strength to gain economic superiority through both cooperative and competitive means"^{xlviii}. Fareed Zakaria highlighted the importance of 'geoeconomics' in these terms "the importance of budget for effective geostrategic power"^{xlix}. However, it is pertinent to

mention that geoeconomics for the first time was used in the 17th-century mercantilism period. But its validity and relevance in the geopolitical and geostrategic realms could not take that space. To conclude, geoeconomics means the utilization of economic might to attain geopolitical influence. Both geoeconomics and geopolitics are important in interstate relations to gain geostrategic dominance.

Understanding the Nexus between Geo-economics, the Rise of China and Power

Transition:

The 'rise of China has changed the power distribution in world politics. Its rise is attributed to the economic miracle achieved because of Deng Xiaoping's reforms. These reforms proved very crucial for China. These reforms made China the 2nd largest economy across the globe and estimation suggests that in the upcoming decades, it will be the world's number one economy. The era which marked the turning point in the history of China to emerge as an economic giant is almost the same as that of the emergence of the term 'geoeconomics'. Geoeconomics means the formation and execution of economic policies to enhance the prosperity of the country and gain geopolitical interests. In addition, geopolitical gains will ensure leverage in geostrategic influence as well. This concept was put forward by Edward Luttwak in the 1990s. The case of China can be explained through the Luttwakian concept of state-centrism and essentialism because the country is strictly controlled by the state. Non-Luttwakin tradition has a limited scope here. To understand this phenomenon further, the nexus between geoeconomics and the rise of China is important. To begin with, China's new economic policies need to be mentioned.

China Adopting New Economic Policies:

Since the 1970s, the country has grown immensely in the field of economy. Luttwakian tradition of geoeconomics suggests that the country must initiate such type of domestic economic policies which can strengthen the economy and in return, its foreign policy must be able to achieve geopolitical gains as well. Keeping in view the importance of this, China historically maintained a high rate of savings.¹ It helped China to invest domestically and the highest "lander of the global network." Production increased because of the country's investment in the fields having

higher chances of profit like agriculture, services, and trade. The country's economic openness can be divided into phases. The first one is when Deng Xiaoping opened to country and liberalized it. The second one was started in 2013 by the current President Xi Jinping. It is known as the "second opening-up." The focus shifted from "export-oriented to import-oriented and outward investment model"^{li}. This shift in economic policies has opened a great space for the country to invest abroad and gain geopolitical objectives. Its benevolent economic policies have great admiration in countries having weak economic infrastructures. For example, Pakistan and South African countries. As Pakistan has a prime geographical location, cementing ties with it will have great geopolitical and geostrategic leverage for China.

Adding further, in April 2012 China issued the "Guiding Options on Strengthening Import and Promoting Balanced Development of Foreign Trade"^{lii}. Important decisions in this regard had been taken in the "Third Plenary Session of the 18th Communist Party Central Committee" in November 2013. The decision is based on: "to create an open economic system, to create 'free trade zone', multilateral trade institutions and support to the local areas"^{liii}. All of these contributed to the foreign policy of China which is dominated by geoeconomics endeavors. To discuss it in detail, it is pertinent to discuss the economic principles on which the country's foreign policy stands.

Understanding the Economic Principles of China:

Every country tries to prioritize its foreign policy to gain multiple objectives for itself. For various countries, the gains could be achieved through hostility and keeping in danger the interest of other nations. While others try to achieve the desired objectives through peaceful means and respecting the sovereignty of other nations. In the case of China, the country never tried to violate the interests of other countries in terms of interference in the military or other forms. The peaceful rise of China and its commitment to a 'win-win' situation is attributed to Deng Xiaoping's foreign policy dictum of "wait for the right time and hide strength from the world"^{liv}. This shows the passivity of the country's foreign policy. The Chinese foreign policy

has encountered new economic conditions and patterns which can be summarized in the following points:

Firstly, the country will defend economic globalization and free trade. China will try to enhance the level and productivity of local industries and businesses to the extent that it may compete with global markets. To achieve the desired objective, the country will facilitate free interactions of economic activities across borders. Secondly, in this openness in the economy, special focus will be given to Asia. This will provide China with an opportunity to maintain good relations with Asian countries and create new norms for economic interactions and the chances for the internationalization of the Yuan shall be increased.^{lv} Thirdly, China will try to maintain good bilateral relations with great powers like the United States. Lastly, the country is trying to give special focus to multilateralism. In this regard, new institutions like ‘Asian Infrastructure Investment Bank (AIIB)’ and projects like the ‘Belt and Road Initiative’ have been initiated. However, the United States policies of ‘Pivot 1’ and ‘Indo-Pacific Strategy’ have also contributed to the expansion of the project.^{lvi}

Foreign Policy of Economics:

To maintain a prominent position in world politics, the country has tried to construct an economic foreign policy. The economic policy focuses on maintaining good relations based on a win-win strategy with all the nations of the world, however, special focus would be given to Asian countries. This ‘Chinese Dream’ is evident from the country’s commitments to multilateral institutions or efforts to sign agreements based on multilateral engagements and free trade with countries to maintain peace and stability in the existing international system. To shed light on this phenomenon further, China’s geoeconomics endeavours are evident from the points mentioned below:

3.1. Respecting and increasing commitments to international financial institutions.

With the increase in its growth and productivity, China also increased its commitments to existing financial institutions which include: ‘The World Bank (WB),’ ‘The International

Monetary Fund (IMF),’ and the ‘World Trade Organizations (Bretton Wood System).’ Adding to this, China’s struggle to create its institutions is also based on the rules and regulations of the current financial institutions.^{lvii} Furthermore, the actions of the country show its real behaviour in the regional and international system. The same is the case with China as many actions it took to show that the country is committed to financial institutions. These actions include China being the third largest stakeholder in the United Nations (UN) peacekeeping missions, obligations of the rules and regulations of the G-20 Group, and the 2015 decision of the International Monetary Fund (IMF) to declare the Yuan as the currency of reserve. Other steps include China’s role as a donor to ‘The International Development Association (IDA)’ and the country bank aided and provided help of every kind to the various projects in Africa.^{lviii} All of these show the seriousness of the country’s approach toward respecting and participating in financial institutions. With growing China’s economic influence, the country may also increase its approach in different sectors.

3.2. Creation of Multilateral Institutions and Initiatives

Proper utilization and advancement of economic interest require institutions and initiatives to function. China is trying to do the same. Following are some of the practical steps in this regard:

Asian Infrastructure Investment Bank: The creation of this bank is considered a milestone for China to advance its objectives. Four objectives can be extracted by China from this bank. First, by providing financial assistance, Chinese companies may operate abroad. Secondly, it will increase the economic relations between China and those countries which receive help from it. Thirdly, the Bank could enhance the outreach of China in such a way that the country can challenge the rules and regulations of the existing institutions. Having inclusive policies and huge economic benefits, the bank has created distrust between recipient countries and the existing institutions like ‘World Bank (WB)’ and ‘International Monetary Fund (IMF)’. Thus, increasing the chances for the new international economic rules.^{lix} In addition, the failures of the above-mentioned especially in voting rights give strength to this bank because it has inclusive

voting rights. Some scholars also portray this bank as the main competitor of the International Monetary Fund. The Asian Economic order is influenced by the policies of this bank.

Regional Comprehensive Economic Partnership: to enhance regional integration and improve economic organizations between the member states, this initiative is very crucial. “In 2011, efforts with the help of Japan and other countries happened to create such a system which can ensure free trade among the participating countries. ‘Regional Comprehensive Economic Partnership’ was the outcome of such efforts”^{lx}. Though not implemented ideally, this partnership still shows China’s geoeconomic approach to solving geopolitical and geostrategic issues.

‘One-Belt-One-Road Initiative (OBOR)’: This is considered the mature initiative of the current Chinese President Xi Jinping. Xi intends to pursue the Chinese dream and achieve the place for China that it deserves. OBOR is the most important and clear manifestation of the geoeconomic struggle in China. However, it could have geostrategic implications as well. Economically, this initiative will enhance the movement of China toward the outside world and especially competitiveness can increase in the construction sector. The regional integration could gain new currency and China’s economic policy will ensure more growth for the country itself. In contrast, some are of the view that “growing China’s economic influence can ensure political benefits for China too. In return, the country can convert these two powers to develop military strength as well.”^{lxi}.

3.3. Asia first: Geoeconomics, China and East Asian countries:

East Asian countries are in the neighbourhood of China. They are most important for China as far as regional integration is concerned. China under President Xi Jinping is especially focusing on this region. The country seeks to promote trade with these countries. According to recent statistics, China is the most trading country with East Asian countries. The contrary perception assumes that as geoeconomics is used for geopolitical gains which in return ensure geostrategic leverage, in this context, China is also trying to maximize its security apparatus and decrease

other countries' balancing policies. "Asian countries have always tried to discourage balancing policies of other countries to achieve absolute security threshold"^{lxii}.

3.4. China's economic policy towards South Asian countries:

After President Xi Jinping took office, great focus was given to maintaining good economic and strategic relations with 'South Asian countries. The growing economic influence of China and its inclusive policies based on regionalism attracted many South Asian countries. In addition, the Participation of China in ASEAN+3 and playing, the main role in the creation of institutions like 'The Asian Infrastructure Investment Bank (AIIB)' further created policies of acceptance for China in those countries.^{lxiii} Furthermore, "China's success in the Southeast lies in its policy which is based on hardware rather than software. That policy created immense opportunities for the recipient countries"^{lxiv}. It is anticipated that China's influence may further increase in this region because of some new initiatives like 'One-Belt-One-Road (OBOR).' This project is intended to connect all parts of the South Asian region consisting of different infrastructures and energy projects. It is considered a game changer by many countries like Pakistan. Besides all these, this project tends to alleviate millions of people from extreme poverty throughout the South Asian region.

3.5. China geoeconomics policy and the geographic west:

Since 2013, China has significantly increased its relations with countries located on its western borders. It is considered a two-pronged strategy. Firstly, under the umbrella of geoeconomic steps, China is trying to increase its economic dividends in the area. Secondly, it will provide China with a greater chance to counter the United States 'Asia Pivot policy. Thus, economic-cum-strategic designs are the real objectives. Moreover, the success of 'The Belt and Road Initiative (BRI)' requires China's active role in this region. From there, the ways to Central Asia, Middle East and South Asia can be influenced. In this regard, some scholars anticipate that "though China's influence in East Asia has irritated the United States and increased the chances of confrontation there, such types of danger are missing in Central Asia, South Asia and the Middle East"^{lxv}. However, it does not mean that China is ignoring the East. The country is

focusing on this region as well. The presence of Chinese companies will increase the economic growth of China and can help the country to become the number one economy in the upcoming decades. Elaborating further, Beijing's quest to strengthen relations with Afghanistan via Pakistan especially when Afghanistan is ruled by the Taliban is a clear manifestation that the country's geoeconomics policy has ambitions in diverse countries. Its success will change the region's geostrategic landscape towards geoeconomics. The contest and victory will be acquired based on 'gifts of jades and silk' while replacing the old methods of 'barrels and guns.'

Analyzing Challenges to the United States' Economic Hegemony Because of the Rise of China:

China posed various challenges to the economic hegemony of the US. The country has impacted the global norms and procedures of international institutions. China's emergence and its aspirations to become the leader of economic apparatuses at both regional and international levels is evident from the following initiatives.

The first is the initiation of 'One Belt One Road (OBOR)' which is replacing the United States economic hegemony. The initiative has six projects ranging from China to South Asia, Southeast Asia, ASEAN, Europe, Eurasia, Central Asia, Africa, and the Middle East^{lxvi}. Under this project, the focus is given to infrastructure development, communication channels at both land and sea and the production of energy resources. Out of 193 about 140 countries have shown interest in Chinese-led development projects^{lxvii}. These are the areas in which this project initiated by China is directly affecting the interests of the United States in the concerned domain.

Secondly, China also initiated the AIIB and BRICS new development bank with the objective of the provision of financial support to OBOR. China has more shares than any country in these projects to influence the norm and agenda setting^{lxviii}. For China, the success of all these may fulfil the Chinese dream which is based on the creation of a harmonious world, a constructive situation for the regional countries, and improvement in the existing economic infrastructure^{lxix}. With the initiation of AIIB and BRICS, China has successfully broken the hegemony of the 'International Monetary Fund (IMF), and 'World Bank (WB)'. China has provided an inclusive

and opportunistic way for the developing world to look for investment and economic opportunities away from the direct or indirect influence of the United States^{lxx}.

Furthermore, the increasing economic strength of China is also posing a grave threat to the geopolitical interests of the US. Thinkers in the ‘Council on Foreign Relations, and Foreign Affairs analyzed that if the current growth of China continues, it will enable China to create its political order as well^{lxxi}. In addition, dominance in economic and political realms will also enable the country to dominate the security apparatus at both regional and international levels. In this matter, an Asian alternative to the United States is posing serious threats to its hegemony^{lxxii}. From the point of view of China, Asia needs an alternative strategy to resolve their problems through mutual dialogue, cooperation, and self-respect^{lxxiii}.

In addition, China also claims that instability and chaos in some countries of Asia are because of the presence of the military strength of the US. The Obama government's ‘Pivot to Asia’ means the containment of China and an attempt to manage the affairs of the region. These apprehensions of China and the security dilemma of the United States have locked both countries into an intense conflict for power and prestige at the global level^{lxxiv}.

The challenges created because of the ‘Rise of China’ are serious because the supremacy of the US is in trouble and the threat of a Great War cannot be minimized. However, through mutual dialogue and cooperation the issue may be resolved peacefully. Accommodation instead of confrontation with China can avoid another ‘Thucydides trap’ between both countries.

CONCLUSION:

The ‘Rise of China’ is the biggest miracle of the 21st century. Its rise is because of geo-economics policy which means extensive usage of economic means to achieve geostrategic and geopolitical ends. Furthermore, China’s way of economic growth is known as ‘Capitalism with Chinese Characteristics’ which suggests liberalization of the economy but state-controlled

political apparatus and economic enterprises. This new form of capitalism is based on the initiation of new projects like ‘The Asian Infrastructure Investment Bank (AIIB), BRICS New Development Bank, and Silk Road Fund. The concerned initiatives are doing two things. Firstly, it is attracting the developing countries to rely more on China. Secondly, these institutions are successfully providing an alternative to America's dominated ‘International Monetary Fund(IMF), and World Bank. By doing so, power transition is going on in political, economic, social and somehow military domains. In contrast, to the widely perceived chance of a military between China and the United States, it is anticipated that the conflict will be going on in the economic realm. This is because the complex economic interdependence between both countries creates hindrances in the way of military conflicts. Challenges of a serious nature are there for the economic dominance of the United States. However, the United States needs to realize that it is the ‘March of History’ as suggested by Hegel that no country will be strong forever. In addition, Charles F. Duran's ‘Tides of History’ also cements the fact that changes in global leadership are the usual pattern of the world. Therefore, greater restraint instead of a greater military bloodbath is needed for humanity in this age of power transition.

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