

## US-CHINA ECONOMIC AND POLITICAL COMPETITION: IMPACT ON GLOBAL CHANGE

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### Abstract

The increasing economic and political competition between the United States and China is a defining feature of the 21st century, with profound implications for the global order. This article examines the multifaceted nature of this rivalry, exploring its impact on global trade, finance, security, and governance. We argue that while economic interdependence has created incentives for cooperation, the pursuit of national interests and ideological differences has fueled strategic competition.

The article analyzes the key areas of competition, including trade wars, technological decoupling, and vying for influence in international institutions. We highlight how this rivalry is reshaping global value chains, accelerating technological innovation, and leading to a bifurcation of global governance structures. Furthermore, we examine the impact on developing countries, many of which face pressure to choose sides or navigate a multipolar world.

The article concludes by discussing potential scenarios for the future of US-China relations and their implications for global stability and prosperity. We argue that managing this rivalry effectively is crucial for mitigating risks and fostering a more cooperative and inclusive international order.

**Keywords:** US-China Relations, Global Power Competition, Economic Interdependence, Strategic Competition, Trade Wars, Technological Decoupling

In all likelihood, it's the increasing competition between the United States and China that has marked the distinctive feature of today's world arena with serious implications for international policy and economic structures. As the most prominent global economies, the policies pursued by the US and China govern the global growth, technological advancement, and political transition direction taken at the global level. [10] In the past, the US acted as the world leader due to its great financial strength and advanced innovative capacities and possessed strong relations with many countries, while rapid economic development in China and its aggressive foreign economic policies raised its ambitions to increase its global status, with growing geopolitical and economic tension between these two great powers. [7]

The investigation of the rivalry between the United States and China is of great international significance due to its wide-ranging implications. The conflict between those two great powers impacts not only their bilateral relations but also shapes global trade channels, international organizations, and the distribution of the international security system. [13] Key elements of that competition include economic clashes, trade limitations, sanctions, and the struggle for dominance in new technologies like 5G and artificial intelligence. Moreover, the United States and China create more tensions worldwide because their respective democratic and authoritarian ideological frameworks are diametrically opposed to each other. [16]

The overarching central dimension of the global economic competition between the United States and China ranges from trade and investment to advanced technological leadership and monetary policy. [14] The outcomes of such competitive interaction affect international economic relations directly; they underpin changes in global trading regimes, investment flow, and political alliances.

This has been manifested in visible economic rivalry through considerable trade competition, which is a part of their general global rivalry. While imposing tariffs this year, 2018, was an indication that the government was determined to check the Chinese influence on international markets. These were heavy tariffs on a broad range of products originating from China – ranging from steel to aluminum and electronics – in an effort to cut the U.S. trade deficit and keep Chinese goods from penetrating the American market. In effect, China's rise of tariffs on U.S. imports further increased tensions within the bilateral relationship. [3]

Another aspect is that trade agreements do not lag behind in this international rivalry between the two leading countries. The United States does its best to reach both bilateral and multilateral agreements which would contain the high-flying position of China, while China is stepping up its participation in global trade efforts reflected in RCEP. [8] All these factors act directly on the balance of worldwide imports and exports, moving the balances of international trade flows.

It is one of the most crucial dimensions of US-China economic rivalry over whose big projects could sway developing nations. In this regard, one of such ambitious projects is the Chinese One Belt, One Road program initiated in 2013 to create a web of infrastructure linking China with Europe, Asia, and Africa at large. [15] This is a major economic venture, as it combines heavy infrastructural investment in areas such as transportation, energy, and communication across the developing world.

In this view, the US is trying to establish alternative investment initiatives, like the Build Back Better World program, for financing infrastructure construction in LDCs. [19] Similar projects are designed for sustainable development and, at the same time, meet other international standards. The race for investments involves both economic and political influence since the latter does affect international relations and strategic deals with new territories.

Another important field of economic competition between the United States and China is



financial policy. It goes without saying that international financial markets have been, and are being, influenced by US and Chinese exchanges with reserve currencies and exchange rates. The US Dollar has remained the world's dominant reserve currency to date, which thus keeps the US in command of global financial systems. Meanwhile, China is actively promoting the internationalization of renminbi in the hope of being used more in international settlement and trade. [2]

China, meanwhile, is already active in diversifying the foreign exchange reserves in view of reducing their dependence on the US dollar and increasing the global standing of the renminbi, especially through projects like the One Belt, One Road program. Events of this kind make the competitive relations between the two currency systems fall into the processes labeled 'currency wars, when countries create favorable macro conditions for themselves with accordingly prepared exchange rates and reserve currencies.

Technological rivalry between the US and China has been at the heart of their economic competition. This battle for technological superiority in areas of information technology, artificial intelligence, among other frontiers, has become consequential for maintaining economic and hence strategic primacy. While semiconductors, software, and cybersecurity, among others, have belonged to the category where the US has dominated, China has rapidly escalated investment and activities in this regard to achieve parity in these critical technological fields.

The rise of Chinese tech giants, Huawei and ZTE, to leadership positions in the world on 5G has raised concerns within the US. In response to this, there have been US-imposed sanctions and export restrictions with the intent of preventing technology transfer and limiting any further progress of China in these spheres. [17] This competitive dynamic, particularly in artificial intelligence and quantum computing, is becoming seen as an important driver of the future course of the global economic and political landscape.

A significant facet of the technological contest between the United States and China involves the competition for leadership within the digital economy, especially concerning big data and digital platforms. [18] Within the American marketplace, major contenders comprise technology behemoths such as Google, Facebook, and Amazon, whereas in China, analogous influential roles are filled by firms like Alibaba, Tencent, and Baidu. These tech companies dominate the global economic systems so hard that they can overwhelmingly offer digital services and control huge data resources.

The growing rivalry in cyberspace is stemming from the divergent policies of the United States and China on data governance and cyber policies. The emergent Chinese way, with its increasingly salient state-mandated data governance that emphasizes national security, could not be any starker from the liberal way in which the United States goes about it. It raises extraordinary tension internationally and is still a strong factor in creating international norms for digital governance. [4]

In sum, a political race between the US and China is a key part of the broader competition on a worldwide basis.

While economic leadership is being pursued by both countries to remain the head runners, politico-economic leadership positions in the world are vied through macro mechanisms involving the use of international organizations, construction of strategic alliances, and practice of soft power diplomacy. This rivalry between two such powers is fateful for international stability, accelerating the formation of new geopolitical coalitions and the shift in the global balance of power.

The United Nations, World Trade Organization, and International Monetary Fund are some of the major fora where the United States and China competitively pursue opportunities to augment respective influences. A multilateral organization forms the critical logic where key leadership positions are one of the strategic imperatives common for both nations because that occupation will determine global political and economic interactions. [6]

Or, in other words, it has traditionally assumed leadership within the United Nations and associated international bodies such as the International Monetary Fund and the World Trade Organization by leading such forums toward the expression of its own economic and political interests. The latter country has over time established influence, mostly by deploying economic diplomacy as well as giving development aid to the developing nations, thus ensuring that the country secured favorable votes within these international organizations for itself. An example is China, which has of late taken on an active role in the World Trade Organization in behalf of developing countries, a move that therefore empowers it as an international actor.

In this context, competition between the US and China in international organizations is a tussle of influence; ideological, political, and economic concept-based. While, on one side, the US always lobbies with democratic values and principles of the free market, China stakes its claim on state sovereignty, a multipolar world order, and non-interference with internal issues of countries. [5]

This in turn is constructed by alliances to create a counter-hegemony for global influence. The US is busy reinforcing its alliances with the countries of Europe and Asia to further embed itself within NATO and construct new bilateral military and economic agreements. Cooperation with partners within NATO and in other frameworks, for instance, the Quadrilateral Security Dialogue, therefore offers the United States an opportunity to contain China's rising influence in the Indo-Pacific but within bounds permitted by a balance of power. China, on the other hand, builds up influence in countries from Africa and Latin America, spanning Asia through its Belt and Road economic initiative. This enables China to forge novel types of international alliance, which provide monetary supplies and infrastructural projects to developing countries in return for political support and privileged access to strategic resources. For example, China continues to invest in Africa, building its transport and energy infrastructure and further securing its political position on the continent. [11] Thus, political



rivalry for strategic partners has become a crucial part of the general global struggle between the United States and China, determining the features of the geopolitical landscape and the process of forming new regional blocs.

Regional security challenges create one of the most important facets of the United States-China geopolitical rivalry, especially in the Asia-Pacific region. The situation regarding Taiwan, where the U.S. maintains a 'one China' policy but at the same time works to balance and restrain Chinese influence, represents one of the most urgent points of conflict. The PRC perceives Taiwan as an integral part of its territorial integrity and US involvement as a violation of that integrity. This type of conflict increases regional tension and has broad implications for global stability. [20].

Likewise, the South China Sea has emerged as another flashpoint in the rivalry between the two powers. China's claims in most of the strategic waters have drawn protests from regional countries as well as the U.S. [1] Leading military exercises and patrols in the South China Sea raise the risks of a direct confrontation between U.S. and Chinese forces.

In this regard, the geopolitical rivalry between the United States and China over regional security-related matters significantly impacts international relations and enhances the instability witnessed across the globe.

Ideological differences appear in the different ways of promoting political systems on a global basis between the United States and China. Throughout history, the US has continuously voiced a call for democratic ideals based upon the rule of law, human rights, and freedom of expression—the prescripts making themselves highly visible through international bodies and bilateral relations in order to facilitate the establishment of political coalitions with like-minded democracies. [18]

In its place, China proposes a quite different authoritarian model that emphasizes the priority of the state's stability and state-led economic growth. This model is taken by many developing countries to be instinctively the kind of central authority modernization requires; one could also read them as having an ideological competition taken as two distinct tendencies toward international organizations: the United States is pushing to liberalize these organizations with democratic reforms, and China is upholding the principle of noninterference in sovereign states' internal affairs.

Soft power represents an essential strategy in the ideological competition that underlies the two superpowers, being those of the United States and China, in regards to the capacity to influence other countries through cultural, educational, and values-based policies. The United States has traditionally operated through and based its policies on soft power—using American educational institutions, media outlets, and cultural exchange programs to disseminate its values and force-multiply its global reach. Other programs, such as Fulbright scholarships and other educational grants, have proven essential to solidifying US relations with the rest of the world through the admission of foreign students. [9] Equally important is China's recent

advancement in culture creation through its Confucian Institutes that introduce language and cultural education services in nearly every country worldwide, especially within the developing world. China invests in education-related projects and awarding scholarships to students from Africa, Asia, and Latin America to boost its prestige in the international arena and foster closer political ties with other countries. Another way soft power function is in the information domain; China has been actively building international media outlets such as CGTN to represent its narrative on global events and weaken the dominant influence of Western voices. Meanwhile, the U.S.A. continues to use its global media to spread its ideologies of democracy and human rights.

This economic contest between the United States and China has recast worldwide trade networks, supply chains, and financial markets. Trade wars and economic sanctions have forced many countries to reconsider their economic policies, look for diversification of supply sources, and find new markets. This has given rise to an increasingly greater role being played by regional economic blocs like ASEAN, the European Union, and BRICS. The groups work even more together to stabilize a world shaken by these two nations' disagreements and to protect their interests.

Competition between the US and China also configures the geometry of international alliances. The formation of economic blocs like the Trans-Pacific Partnership and the Regional Comprehensive Economic Partnership reflects the shifting nature of global political power. Such competition is replicated at the international standards related to environmental, labor, and technological domains, where countries are left with little option but to comply with either American or Chinese standards.

In this respect, the technological competition between the US and China is not integrated but instead represents a world divided into two spheres of influence. This then has implications for innovation and R&D because countries are made to join either the American or Chinese technology ecosystem, which then sets the parameters within which new global standards are developed in this field.

This competition with China defines the moment for the international community in a more engaging rivalry between the United States and China. As this analysis has shown, the implications of this competition reach out much further beyond the two countries' bilateral relationship into trade, technological development, and geopolitical alignments across the globe. Besides economic interdependence that provides incentives to co-operate, divergence in national interests with ideological differences feeds strategic competition, which makes the globe complex and uncertain.

To navigate this competition, one first has to understand, in no simplistic terms, the varied rivalry facets that are possible, along with implications. As a matter of fact, a badly managed competition will serve to increase instability globally and undermine the rules-based international order. On the contrary, dialogue, the search for common interest, and cooperation



on global challenges could reduce risks and create space toward a more stable and prosperous future. A proactive engagement by all stakeholders at all levels will be required, as the trajectory of US-China relations is certain to shape the 21st century.

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