

The rise of China and the U.S.-led world order

A Case Study of the U.S.-China trade war

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Abstract

Over the past four decades, China has experienced unseen economic growth and is today the second-largest economy in the world. The rise of China has inarguably been one of the most important and influential subjects within the field of international relations and international political economy. This paper attempts to provide an analytical framework that conceptualises and illustrates the complexity of the rise of China and its impact and implications for the U.S.-led world order. To accomplish this, this paper has combined the more conventional international relations theories of realism, liberalism and social constructivism with the perspectives of the more unconventional theories of world-systems theory and neo-Gramscian theory. The scope of this paper has not been an attempt to prove either of the theories "right" or "wrong", but rather to integrate the five theories' perspectives to offer an alternative and more holistic understanding of the rise of China. Our findings show that all theories are applicable and help to examine the challenges and opportunities the rise of China inflict on the U.S.-led world. With our theoretical application, we conclude that the rise of China has created a more multipolar world order. To illustrate the explanatory power and verify the findings of each theory, this paper has implemented the ongoing trade war between the United States and China as our case-study. With the use of our theoretical framework, this paper intends to illustrate the multifaceted rationalities behind the United States' decision to launch a trade war against China. Our findings indicate that the trade war was not only launched to reduce the trade deficit with China but also as an attempt to postpone the power transition and to hamper the Chinese development model's norm diffusion and China's growing influence in global governance. This paper concludes that the trade war (until now) has not fulfilled the alleged objectives of the Trump administration.

LIST OF ABBREVIATIONS

AI	Artificial Intelligence
AIIB	Asian Infrastructure Investment Bank
BC	Beijing Consensus
BRI	Belt and Road Initiative
CCP	Chinese Communist Party
IMF	International Monetary Fund
IPE	International Political Economy
IR	International Relations
MDB	Multilateral Development Bank
MIC-2025	Made in China 2025
NDB	New Development Bank
UN	United Nations
U.S.	United States
PRC	People's Republic of China
PPP	Purchasing Power Parity
SOE	State-Owned Enterprise
WB	World Bank
WC	Washington Consensus
WEF	World Economic Forum
WWII	World War II

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1. Introduction

In the aftermath of WWII, and particularly after the collapse of the USSR, the United States (U.S.) has been the absolute economic, military and political power in the world. By creating and establishing the Bretton Woods system, the U.S. has played a dominant role in shaping the global economy and the international system. However, the world is now facing the emergence of a new economic and political world power, namely China.

1.1 Economic rise

The economic rise of China has no historical precedent. China has experienced close to double-digit economic growth in GDP annually since its trade liberalisation in the late 1970s. Between 1979 and 2018, the Chinese economy has doubled every eight years on an average (Morrison 2019: 5), meaning that China today is the world's second-largest economy in terms of total GDP, only surpassed by the U.S. (The World Bank 2020a). Nevertheless, in 2014, China overtook the throne from the U.S. as the world's largest economy on a purchasing power parity (PPP) basis (Bird 2014). This was a memorable and momentous achievement since the U.S. has been the uncontested largest economy in the world for several decades. Nevertheless, China has already managed to surpass the U.S. on several other economic indicators and measures. China is now the largest holder of foreign currency reserves and the world's largest manufacturer and consumer of most products (Morrison 2019: 1; Allison 2017: 9). China has swiftly emerged as an economic superpower. This is also manifested by the increased global foothold of Chinese companies. The Chinese companies such as Alibaba, Tencent and Huawei have entered the top ranking of global companies and have gradually become peer competitors to some of the largest companies in the U.S. Today the number of Chinese companies on the Fortune 500 Global Companies list is almost equivalent to the number of American companies (Mourdoukoutas 2019).

The 2008 global financial crisis has proven to be a significant turning point for the global economy. Not only did China manage to survive the crisis relatively unrestrained, but China quickly became the main engine for global economic growth. While the West was struggling to find its feet, China in 2009, became the world's largest exporter of goods. Just four years later, in 2013, China became the

world's largest trading nation, in which China remoulded into the biggest trading partner for 124 different countries (Monaghan 2014; China Briefing 2013).

1.2 Technological rise

In recent years, China has put the innovation and technology sectors high on the agenda, hoping to make these sectors the engine for economic growth. More specifically, China has set out to modernise its industrial capability. In 2015, the Chinese Communist Party (CCP) officially drummed the "Made in China 2025" (MIC-2025) plan, which aims to increase China's global technological competitiveness. The MIC-2025 initiative allows the Chinese authorities to provide subsidy schemes, low-interest loans and support for domestic companies across ten key industries, such as robotics and smart manufacturing. China seeks to increase its grip on the global supply chain (ISDP 2018: 1-5). Two years later, in 2017, the CCP officially released the "Next Generation Artificial Intelligence Development Plan", a plan describing how China wants to become the world's leading nation in artificial intelligence (AI) by 2030 (Zhihao 2019). China's ambitions and expectations are high, but so are the commitment and investments. The automotive sector is a useful benchmark for capsulising a country's technological competitiveness as it combines many different technologies, manufacturing processes and cybersecurity. Correspondingly, China is now the largest automaker, and the largest auto market in the world (Allison 2017: 9). High-speed railways, facial recognition systems, QR code payments, and soon 5G communication, are a part of life in the big cities in China. China is swiftly emerging as a technological superpower. A few decades ago, the Chinese city of Shenzhen, also referred to as "China's Silicon Valley", was a small fishing village. Today Shenzhen is an advanced megacity and one of the leading tech capitals of the world. The Chinese tech giants Huawei and Tencent are both headquartered in Shenzhen and both ranks among the top tech companies in the world.

1.3 Military rise

Fuelled by the economic and technological rise, the CCP has set out to modernise the Chinese military, making it more durable and more technologically advanced. It was breath-taking to watch the Chinese military parade live on TV October 1st last year in Beijing, at the 70th anniversary of the People's Republic of China (PRC). Thousands of soldiers marched as China unveiled new advanced weapons in their military arsenal. Officially, China has hovered around 2% of its GDP to its defence

budget over the past two decades. Due to the enormous Chinese economic growth, the Chinese defence budget has increased significantly. Between 2008 and 2018, the Chinese military defence budget has increased from \$108 to \$239 billion. Today the People's Liberation Army is considered to be one of the most advanced militaries in the world (Maizland 2020). Historically, China has decried the U.S.' military bases overseas. As a result, most political observers were probably taken by surprise when the CCP in November 2015 announced the decision to establish a permanent military base in the Horn of Africa country of Djibouti (Cabestan 2019: 1-2). China has also displayed its military presence elsewhere, in particular, in the South China Sea. In this regard, some observers emphasise that China has pursued a more assertive strategy which has increased the tensions between China and some of its neighbouring countries (Thayer 2011: 77-78).

1.4 The rise of China within global governance

China has since the late 1970s evolved from total isolation to active participation in several of the existing international institutions. This transition was also manifested when China in 2001 joined the World Trade Organization (WTO). China also holds one of the five permanent seats in the United Nations (UN) Security Council and is today the second-largest contributor to the UN peacekeeping budget (Yin 2019). Historically, China has voiced its criticism of the division of power in the existing transnational organisations, claiming that it represents another era and that it favours the U.S. and its allies. Even though the latest reforms of both the IMF and the World Bank have allowed more Chinese influence, China has now built a network of new institutions under China's leadership. This includes the New Development Bank (NDB), formerly BRICS Bank, and the Asian Infrastructure Investment Bank (AIIB). Several scholars emphasise that the establishment of the new Chinese institutions is motivated by the U.S.' unwillingness to reform the existing international organisations to reflect the contemporary reality of today's world economy (Daksueva & Yilmaz 2018: 97-98).

The AIIB was formally established in 2016 and is a multilateral development bank (MDB) that first and foremost provides financing for infrastructure projects across Asia. Most countries welcomed the AIIB; however, American diplomats have openly and actively sought to discourage other countries from joining the bank, saying that the AIIB is unlikely to uphold the same standards on issues like the environment and human rights as the World Bank (Anderlini 2014). Nevertheless, the AIIB has been remarkably successful in recruiting members. The UK became the first EU country to join the

bank in 2015, but other U.S. allies, including Australia and South Korea, have also joined the bank (Bird 2015).

The new Chinese-led institutions are the cornerstones of the so-called Beijing Consensus (BC) which is starting to be endorsed globally. The global endorsement of the BC is driven by the alternative and unique development model that China offers in comparison to what the IMF and the World Bank historically have offered (Yağcı 2016: 41-42). The BC has become exceedingly appealing for especially developing countries as China showcases how it managed to secure steadily sustained economic growth and in record time, get millions of people out of poverty. With the increased dissatisfaction with the Washington Consensus (WC) and the indisputable success of the BC, the former Western-colonised continents of Africa and South America have gradually committed to the BC (So 2014: 447-448).

As China continues to play a more prominent role in global governance, the U.S. has gradually withdrawn from the international system. The U.S. has disengaged from several international treaties, more recently, the TTP and the Paris Agreement. President Trump's "America First" policy continues to leave its footprint on the U.S.' position in the international system. Since the Trump administration was sworn into office, Trump has promised to be "tough" on China. In the Trump Administration's first official National Security Strategy from December 2017, China was labelled alongside with Russia as a "revisionist power" with the intention to undermine American values and interests (Trump 2017: 25). In line with the "tough on China" policies, Trump has set out to delink the two economies. In the proposition to bring manufacturing jobs back to the U.S. and to reduce the trade deficit with China, Trump imposed tariffs on a wide range of Chinese products. While Trump heads toward a protectionist approach, President Xi Jinping has set out to defend the free market. At the World Economic Forum (WEF) in Davos, Switzerland in 2017, Xi Jinping gave a speech that was embraced as a vigorous defence on free trade and international cooperation. In the speech Xi Jinping stated: "*we must promote trade and investment, liberalisation and facilitation through opening up – and say no to protectionism*", clearly attacking Trump, who himself was absent from the WEF (Bruce-Lockhart 2017).

1.5 Research question

The rise of China will undoubtedly become the most decisive event of the 21st Century. Scholars are now trying to grasp the rise of China. The recurring question is how the rise of China will continue to unfold and what the impact and implications for the existing world order and the global economy will be. Are the U.S. and China set for a collision course? Will China overthrow the international liberal order? Or has China simply lost hope in the U.S.-led institutions, and is, therefore, seeking to make an alternative system? Answering these questions is not straightforward and easy. However, China has shaken the balance of power by its increasing influence in global economic and political affairs. China has offered a new alternative in terms of international institutions, but also in terms of economic development, appealing especially to developing countries. The reality is that the world is now facing the rise of a global power whose values are radically different from those of the U.S.

In light of the aforementioned, this thesis aims to provide a comprehensive understanding of the rise of China and its implications and impact for the U.S.-led world. Thus, we wish to answer the following problem formulation:

"How to conceptualise and analyse the implications and impact that the rise of China has brought about to the U.S.-led world order?"

To shortly elaborate on our problem formulation, we believe that the world is currently witnessing a power transition. The underlying reason for this is the rise of China. However, we wish to design an analytical framework that illustrate the complexity of the rise of China and the opportunities and challenges that it may inflict on the U.S.-led world order.

2. Methodology

This chapter is designed to present our primary methodological considerations. Firstly, we will elaborate on the objective of this thesis. Secondly, we will present our research design. Thirdly, we will clarify the applied theories used to address our research question. Fourthly, we will discuss the case-study and the choice of data. Lastly, we will elaborate on the main limitations of this thesis.

2.1 The objective of the thesis

The rapid rise of China has been one of the most significant talking points of our lifetime. China has not just become a superpower in terms of production, but also with regards to technology and innovation. The implications and impact of China's rise for the U.S.-led world order have been discussed from several different perspectives; however, realism and liberalism with their containment (danger) and integration (opportunity) narratives are the two main competing perspectives. Nevertheless, we will argue that, to some extent, the two above-mentioned international relations (IR) theories have dominated the current debate about China's rise to a disproportionate degree – for several reasons. We will assert that realism is simply too pessimistic about the risk of conflict and even war and that it neglects the economic interdependence between the two countries. Besides, both countries possess nuclear weapons, and therefore, a war between the two countries could mean the end of the world. In contrast, we will assert that liberalism is too optimistic about China's smooth incorporation into the liberal world order. We will assert that the integration of China into the liberal world order can also entail obstacles and struggles. With China's rising economic power, the scenario in which China seeks to shift its status from being, figuratively, the "tenant" to being the "landlord" of the international system, does not seem unlikely to us. From our perspective, this scenario will require a process of adjustments and acceptance of norms and values that do not necessarily converge with U.S.' norms and values.

Both of us have spent time in China, and we consider the generally hostile Western rhetoric towards China to be unnuanced. We still believe that both the liberalist and the realist narrative make valid points with regards to China that deserve to come under analytical scrutiny. However, we genuinely believe that the contemporary realism and liberalism interpretation of U.S. and China relations lacks nuances from other theories that would provide a more holistic and comprehensive understanding.

Our main objective is to design a comprehensive framework to understand the complexity of China's rise and the challenges and opportunities the rise of China may inflict on the U.S.-led world order.

2.2 Research design

This thesis is a qualitative research project based upon existing qualitative and quantitative data. To address the research question adequately, we have decided to implement a two-fold approach. On the one hand, we will address our problem formulation guided by a comprehensive theoretical application to conceptualise and analyse the implications and impact that the rise of China has brought about to the U.S.-led world order. On the other hand, we seek to verify our main findings empirically through a case study. Figure 1 illustrates our research design:

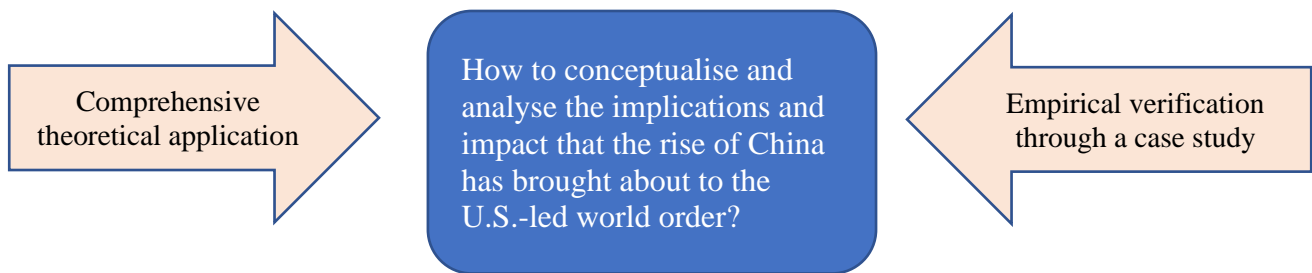


Figure 1: Research design

In this thesis, we seek to go beyond the mainstream debate approach categorised by realism and liberalism. Instead, our goal is to combine realism and liberalism with the theories of world-systems theory, neo-Gramscian theory, and social constructivism to provide a more holistic understanding. This means that the thesis will be theory-driven, as we believe that a high degree of diversified theoretical data is necessary to address our research question comprehensively. Our research goal is not to provide a solution to any problem but rather to provide an assessment of the challenges and opportunities posed by increased Chinese economic and political influence on the U.S.-led world order. The theories will bring their different "realities" of the impact that the Chinese expansion has upon the U.S.-led world order that combined leads to a broad conclusion.

The case study used for empirical verification is the ongoing trade war between the U.S. and China. The rationale behind picking this case will be discussed later in this chapter. However, we have

chosen to adopt this single-case study method for a couple of reasons. Firstly, this method is particularly useful in exploring and understanding manifold and complex issues, since this method is considered to be a *"robust research method, particularly when a holistic, in-depth investigation is required"* (Zainal 2007: 1). We consider the chosen topic to be deeply complex, but by adopting this approach, we believe that our research question will be addressed comprehensively. Secondly, the ongoing trade war will allow us to examine a contemporary conflict between the U.S. and China and discuss the findings of the applied theories. Put differently the case-study serves as a method for analysing and verifying the explanations provided by the theories.

2.3 Clarification of applied theories

As stated earlier, this study is a theory-driven thesis involving the implementation of several different theories of IR. Each theory is applied to investigate different aspects that China's rise has brought about to the U.S.-led world order. Our theoretical framework is illustrated in figure 2.

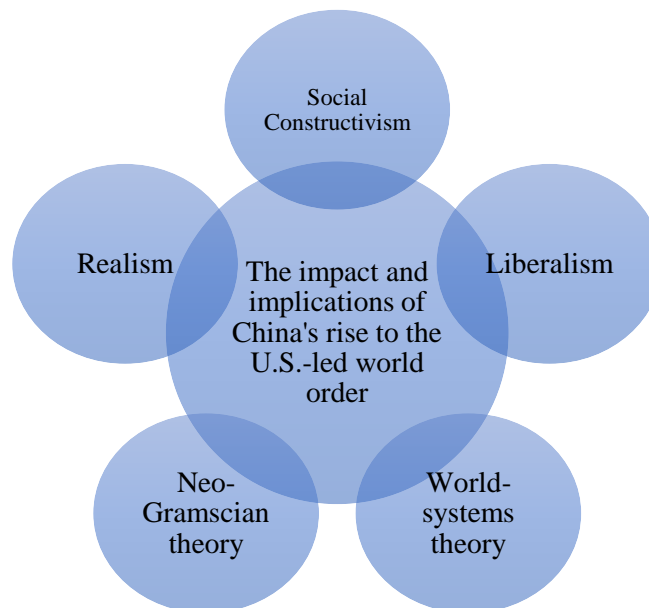


Figure 2: Theoretical framework

2.3.1 Realism

Realism is often regarded as the mainstream conventional IR theory to analyse interstate relations through the framework of material factors such as military, technological and economic capabilities. Realism is applied since it takes a contradictory methodological approach in which the relationship

between the U.S. and China is a zero-sum game (Jackson & Sørensen 2019: 111-112). The historical domination of realism in the U.S. foreign policy, and especially under the current Trump administration, makes realism's approach essential to understanding the U.S.-China power structure and the pessimistic approach towards China.

2.3.2 Liberalism

Liberalism is another mainstream conventional IR theory that takes the Lockean approach of peaceful cooperation and competition, providing mutual gains (Jackson & Sørensen 2019: 111-112). In this thesis liberalism is applied, on the one hand, to explain the rise of China within the liberal world order. On the other hand, it is applied to analyse China's attempt to establish an alternative world order with "Chinese characteristics" by establishing counter-hegemonic institutions with Chinese leadership.

2.3.3 Social constructivism

Social constructivism will be used to provide an alternative to the material-orientated theories by emphasising the importance of ideational aspects of U.S.-China relations. In this thesis, social constructivism is applied to analyse the level of norm diffusion with regard to the unique Chinese development model.

2.3.4 World-systems theory

The world-systems theory gives an alternative perspective to the mainstream IR theoretical debate by analysing the U.S.-China relationship through the perspective of the global value and supply chain. In this thesis, world-systems theory is applied to conceptualise the rise of China through the framework of "hegemonic cycle". Secondly, to analyse the rise of China and its impact on the global division of labour. Thirdly, to explore the rise of China and its implications for the traditional stratification of the global economic structure in terms of the core, semi-periphery and periphery.

2.3.5 Neo-Gramscian theory

The neo-Gramscian theory is applied to conceptualise the rise of China through an alternative definition of hegemony based upon the interplay between ideational, material and institutional power that together shapes world order. To provide an understanding of the impact and implications of

China's rise for the U.S.-led world order, we will analyse the reciprocal elements that together combine China's internal hegemony. The critical school brings nuances and perspectives into the discussion that is neglected in most social science work. Both critical theory and social constructivism are implemented to appear "*as a counter-argument to conventional thinking*" (Worth 2011: 373) in seeking amore holistic understanding of the rise of China.

2.4 Choice of data

2.4.1 Case-study: the U.S.-China trade war

In this thesis, the primary data will be the ongoing U.S.-China trade war. We have chosen the trade war between the U.S. and China as our empirical verification since it addresses the main argument of each chosen theory. We believe that by using the trade war as empirical verification, we can explore some of the deficits in both the interpretation of U.S.-China relations and the ongoing trade war. From our perspective, it is not just a trade war per se. On the surface, it is about trade (import and export), technology and supply chain, but we will assert that under the surface it also concerns the Chinese development model and its norm diffusion and China's growing influence in global governance and international institutions. By this means, we will argue that the trade war is launched to target China on several different aspects to prevent or delay the rise of China. In the next section that follows, we will elaborate on the U.S.' targets of the trade war.

Figure 3 illustrates the four different aspects that we will assert are the U.S.' targets of the ongoing trade war. Each aspect will be analysed through our theoretical framework. Although we have categorised the aspects surrounding the case separately, we still consider them to be reciprocally interrelated. It is worth mentioning that other students and scholars may highlight different factors depending on their theoretical framework. However, we consider the selected aspects as being the most essential in answering our research question.

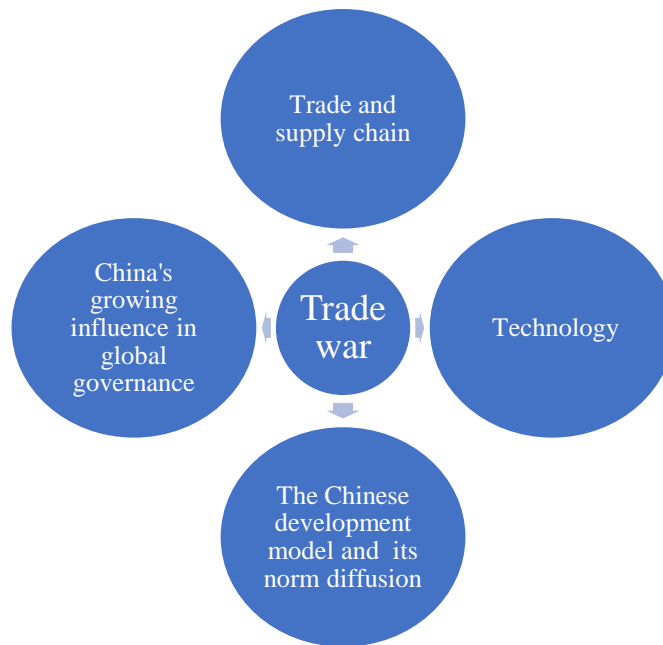


Figure 3: The targets of the trade war

The target of the trade war (1): Trade and supply chain

From an outside perspective, the trade war seems to be driven by the U.S.' trade deficit with China. Nevertheless, we argue that the trade war is also motivated by China's increasing occupation and upscale movement in the global supply chain. In this regard, we will discuss how the U.S. has set out to change the situation by trying to "lure" U.S. companies back to the U.S., seeking to decrease its dependency on China and reduce its trade deficit.

The target of the trade war (2): Technology

As mentioned earlier, China has invested heavily in technology and China has officially announced the MIC-2025 plan that seeks to transform China into the world's technological powerhouse. In this regard, we argue that the U.S. is worried that the Chinese technological advancement will overtake the U.S.' "technological monopoly". The trade war seems to be technology-oriented since China's main exports to the U.S. (technology) are now being tariffed substantially. The Chinese tech companies like Huawei can today be considered as a peer competitor to American tech companies. The U.S. has now restricted Huawei and other Chinese tech companies on several different fronts.

The target of the trade war (3): The Chinese development model and its norm diffusion

Under the surface of the trade war, we make the argument that the U.S. through the trade war is also targeting the Chinese development model and its norm diffusion. The U.S. has voiced complaints that Chinese enterprises have an "unfair" advantage due to Chinese state subsidies. The conflict addresses an ideological dispute between the U.S. and China's understanding of development. Heavily funded state-owned enterprises (SOE) makes it difficult for U.S. companies to compete in the Chinese market and therefore contributes to the U.S. current trade deficit. The U.S. is struggling to counter-balance the rise of China in terms of technology, military and production due to the Chinese development model. At the same time, we emphasise that the norm diffusion that Chinese development has achieved threatens the WC as developing and developed countries are starting to emulate Chinese development logic.

The target of the trade war (4): China's growing influence in global governance

As mentioned in the introduction, China has increased its influence in several of the existing international institutions. At the same time, China has established counter-hegemonic institutions such as the AIIB and NDB. The U.S. has actively sought to obstruct the formation of AIIB by lobbying countries not to join the bank. In this regard, we argue that the trade war is also launched to decrease China's influence in global governance. Both China and the U.S. are trying to form a historical bloc that can shape the norms of international institutions closer towards their own interests. The U.S. has been trying to isolate China by using its authority within the Bretton Woods system to change the institutions. We argue that the motivation to do that is to make the rules less aligned with Chinese interests.

2.4.2 Qualitative and quantitative data to support the case-study and the theoretical application

This thesis has obtained information from the use of secondary sources to support the case-study and the five theoretical explanations. Most of our qualitative data originate from academic journal articles and books. Furthermore, especially concerning the ongoing trade war, this thesis will draw upon information from several news articles published by global or local news outlets. In this regard, we have carefully chosen the news outlets to maintain a certain degree of objectivity by using various of both American and Chinese news outlets, primarily the New York Times, the Financial Times, China Daily and South China Morning Post. This thesis has also collected information from primary sources,

which derive predominantly from official statements, speeches and reports. However, all information obtained from primary sources have been met with scrutiny and understood in the current context of the U.S.-China trade war. Furthermore, quantitative data will be implemented and applied in this thesis to verify and support the obtained qualitative data. Most of the quantitative data are statistics and graphs ranging from economic, trade and technology data. The quantitative data mainly originate from international databases, primarily MarketWatch, the IMF and the World Bank. More generally, most of our data is post the global financial crisis in 2008 as this triggered an extended focus on the rise of China.

2.5 Limitations

The main limitation of this thesis is that by choosing to implement theories that are all founded in the West, our theoretical framework takes the usual Western approach, which can be seen as a theoretical bias. Nevertheless, since we are not familiar with any mature Chinese IR theories, this approach is rational. We are aware that all theories are based on Western thinkers and that this may produce cultural flaws. However, we will compensate for that by using a range of Eastern as well as Western scholars. Additionally, we will verify our main points with the use of quantitative data as well as official statements from the Chinese and U.S. governments.

Secondly, we acknowledge that foreign policy is an extension of domestic policy, but we have decided to limit ourselves in this context, and therefore this thesis excludes analysis of domestic issues. Nevertheless, we believe that the trade war against China is heavily driven by American domestic politics in which both presidential candidates are condemning China. We uphold that domestic matters profoundly influence foreign policy and thereby also affect how the U.S. and China interact within the international system. Our theories and research question focus on external matters and do not analyse domestic matters, even though those matters certainly have an impact on U.S.-China relations. Additionally, by implementing the trade war as our case-study that continues to unfold, we risk that there are some aspects that we cannot incorporate and cover due to the time limitation. Thirdly, we have attained from analysing the two current presidents; however, we believe that their "America First" and the "Chinese Dream" mantras can make a settlement in any dispute less likely, as they risk losing face domestically by making concessions. Both presidents have promoted brawny nationalism, which could make settlements be portrayed as prostrations.

2.6 Thesis structure overview:

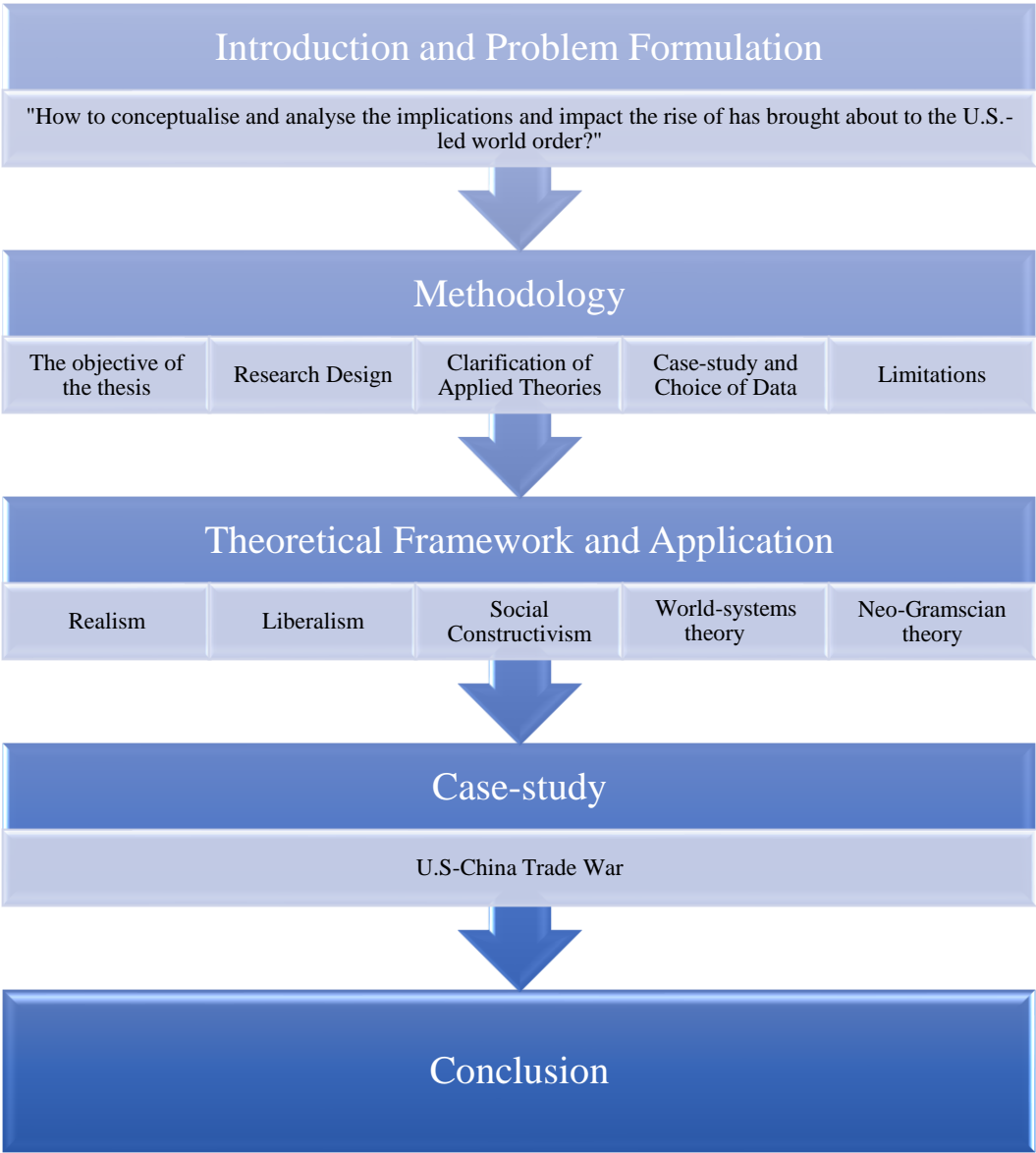


Figure 4: Thesis structure overview

3. Theoretical framework and application

This chapter is designed to present our theoretical framework and application. The chronological order will be as follows: realism, liberalism, social constructivism, world-systems theory and neo-Gramscian theory. Lastly, we will briefly summarise the applied theories.

3.1 Realism and the rise of China

Realism can be categorised into three distinct branches, classical, neo-classical and structural realism (neo-realism). Overall, realism can be summarised down to three core assumptions (Johnson & Tayer 2016). Firstly, states are the main principle actors of the international system. Realism believes that states solely shape global affairs and world politics; however, realism accepts that states may engage themselves in institutions but solely to pursue their national interests. Secondly, the behaviour of states is mainly influenced and shaped by the structure and architecture of the international system, which is considered to be anarchic (Mearsheimer 2001: 17-18).

Realism considers states' behavioural pattern to be a product of the anarchistic external nature of global politics. The anarchistic system has no higher authority to help in case a state is under siege by an antagonistic force. The fact that no states can feel safe creates a precarious anarchistic system where all states are preserving power-maximisation for security interests, rather than particular norms and ideals. There is a high degree of uncertainty and lack of trust between states in the international system since all states act selfishly and therefore, never can be sure about other states' intentions. Thirdly, states are rational actors. Realism believes that states are governed through the framework of rational decision-making. Decisions are based upon calculations about power and maximising material gains, in which states compete for the largest share of power in the international system. This creates a relatively predictable international system where all states speak the language of power and maximisation of material gains. Cultural norms, governmental systems and ideas are, therefore, irrelevant towards reaching an understanding of IR (Mearsheimer 2001: 10-18; Glaser 2011: 82).

While referring to realism as a single theory, it is rather considered a paradigm that involves different branches, including the "hegemonic stability theory" and the "power transition theory". The hegemonic stability theory contends that the power structure of the international system is hierarchical and that the stability of the international system is dependent on one single powerful state's (hegemon)

ability and willingness to provide security and public goods for other states. The hegemonic stability theory has been used to explain the U.S.' dominant position in the international system in the aftermath of WWII (Webb & Krasner 1989: 185). The power transition theory sought to explain the relationship between great powers and the risk of war. The power transition theory shares the assumption that the international power structure is hierarchical. According to the power transition theory, "power parity" and "dissatisfaction with the status quo" are the key components that increase the level of conflict and potential for war between the existing and rising power (Zhu 2005: 3). By this means, power transitions can be peaceful if the rising power is satisfied with the existing order (Kim & Gates 2015: 220).

According to realism, the international order is sustained through the material power of the U.S., meaning that when the U.S. and China reach equilibrium in terms of material power, it will disrupt the balance of power of the international system (Lemke 2004: 55–56). The pessimistic approach of realism assumes that the conflict of interest between the U.S. and China is inevitable due to the external global structure, which creates a security dilemma that encourages hostility. Historically, power transitions have led to instability for the existing world order. Now realist scholars and different historians predict that the rise of China and the decline of the U.S. will be a repetition of history. The founding father of offensive realism, John Mearsheimer, believes that *"China cannot rise peacefully"* (Mearsheimer 2010) due to the high degree of distrust between the rising power (China) and the current hegemon (the U.S.). However, Mearsheimer's prediction is based upon several assumptions, namely that China will continue to grow, and eventually surpass the U.S, but also that China is likely to expand its power to obtain regional hegemony in Asia. This will, according to Mearsheimer, lead to an intense security competition between the U.S. and China (Mearsheimer 2004: 1-3). Ultimately, the U.S.' reaction to China's attempt to reach regional hegemony is to constrain Chinese power maximisation as much as possible (Feng & He 2017: 25). Whether or not the U.S. would suffer from economic losses with a "containment strategy" on China is, according to Mearsheimer, of less importance, because the U.S. and China compete for power and security superiority even at high economic risk, and are both willing to sacrifice economic prosperity for security. Conclusively, Mearsheimer argues that: *"there will be all sorts of situation where politics trumps economics"* (Navarro 2016).

Other scholars and historians are less pessimistic in their predictions. In the book *"Destined for War: Can American and China Escape Thucydides's Trap"* the Harvard historian Graham Allison argues

that conflict and war between the U.S. and China are not inevitable, but stresses that there is need for caution handling of both Washington and Beijing to secure a peaceful power transition. With the application of historical data, Allison argues that in twelve out of sixteen cases, the power transitions have ended in violent conflicts. In other words, hegemonic shifts and power transitions rarely take place without an armed conflict (Allison 2017).

Historically, the realist school of thought has inarguably influenced the U.S. foreign policy, which was partly demonstrated by the leak of the U.S. Defense Guidance of 1992, which stated that: *"The United States was now the most powerful state in the world by far and it planned to remain in that exalted position"* (Mearsheimer 2004: 3). It is, however, more questionable if there is evidence to conclude that China also pays tribute to the realist-thinking. Nevertheless, the Chinese defence spokesperson stated in a public announcement that *"the theory that a strong country must seek hegemony will never apply to China"* (Can China become a military superpower | Inside story, 2019). Nonetheless, China has with the "Chinese Dream" clearly expressed its ambition to return to its former global power status. China has strengthened its military capabilities, and some scholars argue that China has pursued a more proactive path at the global scene, a path some scholars predict, will become more assertive as China continues to rise in the international system. As explained by the neorealist and former CIA (Central Intelligence Agency) consultant Professor Robert Art:

"Of course we cannot know with certainty what course China will follow once it has reached the power it clearly desires, but we would do well to expect much the same for China as has happened with every other emergent great power of the modern era: its ambitions will grow as its capabilities increase" (Art 2010: 361).

Professor Art's pessimistic realist approach towards China illustrates the cynical and negative worldview of realism, but also the U.S.' anxiety about a more powerful China. In sum, realism (generally) predicts that the U.S. will try to curb and contain the rise of China, which will increase the level of tension between the two countries. The primary rationale for the U.S. to engage in a conflict with China is to stop or delay the material advancements that China has made with regards to military, technology and economic development. At the same time, realism (generally) believes that China will utilise its newly acquired material power to overthrow the U.S.-led world. In other words, according to realism, a peaceful power transition between the U.S. and China seems unlikely.

3.2 Liberalism and the rise of China

Liberalism believes in values such as democracy and civil rights and claims a moral responsibility to promote those values universally. Liberalism accepts the realist assumption that the world system is anarchic and that states' own interests define state behaviour. The Lockean approach of competitive states mutually benefiting from trade encourages the creation of institutions. These institutions facilitate mutual gains generated through trade and secure a level playing field. Liberalism claims that all states have interests in common: "*which can only be realised through cooperation*" (Keohane 1984: 6). Liberalism mainly applies to economic and trade institutions such as WTO, WB and the IMF rather than military alliances such as NATO. In contradiction to realism, liberalism takes a non-statist approach, meaning that the norms and values of international institutions shape a state's behaviour and therefore are powerful forces in IR (Keohane 2005: xi).

Hegemony is hard to define due to liberal theory's non-statist framework, where states are governed within the framework of international institutions. Major realist factors to identify hegemony such as military power is a less critical element from liberalism's global governance perspective. Liberalism recognises that powerful states have a leading role in shaping world politics through international regimes, although they are not solely a product of hegemonic powers as international institutions act independently of the hegemon (Keohane 1984). By this means, dominating the institutions' narrative is essential for states to maximise influence and power, and thereby become a rule-maker rather than a rule-abider.

Under the realm of liberalism, the liberal interdependence theory claims that a high degree of economic interdependence among states diminish the likelihood for armed conflicts since countries have a genuine interest in reaching diplomatic settlements in order to avoid economic losses (Mansfield 1995). Power transitions are not necessarily problematic, but partly irrelevant as trade conditions and economic development mainly are dictated by global institutions which in liberalist terms is defined as *the rule of gains*. Globalisation and institutionalism keep states' rivalry and disputes from escalating to war (Keohane & Nye 1977).

On the one hand, liberalism does not consider a potential power shift between China and the U.S. to have any significant impact on the U.S.-led world order, which, according to liberalism, is mainly driven by international institutions. In contrast to the more pessimistic approach of realism, liberalism sees the rise of China as a success, in which China has become a responsible stakeholder in many of

the international institutions. At the same time, several scholars argue that China has actually managed to rise, or at least massively benefitted from its integration into the U.S.-led capitalist system (Beeson 2016: 204-205), which China, according to liberalism seeks to preserve rather than overthrow. As a result, liberalism is generally more optimistic about a peaceful power transition between the U.S. and China. Nevertheless, global power transitions are complex and full of obstacles; however, China is now facing an international order that is *"hard to overturn and easy to join"* (Ikenberry 2008: 24). According to Ikenberry, the emergence of new rising powers, in particular China, will be followed by a "fight" for status and authority within the liberal world order, in which China wants a more considerable say in the liberal order, but not a "fight" over the fundamental norms and principles of the liberal international order. As explained by Ikenberry: *"today's power transition represents not the defeat of the liberal order but its ultimate ascendance"* (Ikenberry 2011: 57-58).

The liberal international order is an open and rule-based system with easy access to trade, finance and technology; in other words, the essential mechanisms and features that any emerging powers, in particular China, needs and wants (Ikenberry 2018: 25-26). In this regard, the deep economic interdependence between the U.S. and China is firstly mutually beneficial, but also, prevents a collapse of the liberal order. The fact that the American and Chinese economies have become more intertwined, have made their interests more converging in terms of maintaining an open and rule-based international system. At the same time, free trade between the U.S. and China increases growth and innovation through increased competition that generates mutual gains. By this means, even with the rise of China and the hegemonic decline of U.S., the international institutions and liberal world order will most likely stand firm (Ikenberry 2008: 25). Accordingly, it is essential to notice that the rise of China, unlike the rise of the USSR, has been within the liberal international order.

According to liberalism, the best way for the U.S. to guarantee its hegemonic order is to strengthen the Bretton Wood system. The Bretton Woods system was founded to create a world government that could internationalise U.S. norms and interests (Ikenberry & Kupchan 1990). China has realised the importance and power of international institutions and has, therefore, built a network of Chinese-led institutions as an attempt to internationalise Chinese interests, in a similar way that the U.S. did in the aftermath of WWII. Although liberalism considers Chinese created institutions to reflect Chinese interests, liberalism emphasises the fact that the Chinese economy has adjusted towards the U.S.-led world order, by implementing liberal market reforms. In this regard, Ikenberry points out that China has no fundamentally different alternative to the U.S.-led world order, and that China since the late

1970s has become more compatible with the liberal norms by integrating themselves into the international liberal order (Dams & Van der Putten 2015: 12).

On the other hand, some liberalist scholars now start to question how China's increasing influence and leadership in many of the international institutions, combined with its different values and ideologies, will affect the international liberal order. Some liberal thinkers raise a concern about China's illiberal norms and values. The self-declared "liberal interventionist", Robert Kagan, points out that the *"growing power of China will mean the return of conflict over political and economic norms in global governance"* (Dams & Van der Putten 2015: 19). Authoritarian regimes, such as China, will be unwilling to topple other authoritarian regimes and thereby pose a challenge to the liberal norm set of actively promoting universal liberal values such as civil rights and democracy worldwide. The former Chinese president, Li Peng (1988-1998) told the former president of Iran, Rafsanjani (1989-1997) that *"China and Iran are united by a common desire to build a world order in which the selection of whatever social system by a country is the affair of the people of that country"* (Kagan 2008). In other words, Robert Kagan is concerned with the liberal world system's increased dependency on China, in which Chinese Confucianism and authoritarianism will become the future norm of the international system and thereby undermine liberal values, illustrating the paradox of conflicting ideologies and values within the international liberal order.

3.3 Social constructivism and the rise of China

Social constructivism criticises preceding IR theories, particularly realism and liberalism, for focusing excessively on material factors without taking into account social factors. This critique derives from the core premise of social constructivism, which is, that international politics is *"socially constructed"* (Wendt 1995: 71). According to social constructivism, the emergence of new powers cannot be narrowly defined by economic and material factors, but should also be defined by social, cultural and ideational factors. Social constructivism considers the relationships between states as analogous to the relationships between humans. States socialise, they have friends, rivals and enemies, and shared understandings and expectations characterise states' relationships. Social constructivists do not neglect the impact of material capabilities; however, they claim that material capabilities *"only acquire meaning for human action through the structure of shared knowledge in which they are embedded"* (Wendt 1995: 73). Within the current world order, the material capabilities

of states have different "meanings" depending on social relations, ideas and shared knowledge between states. Put differently; material capabilities only acquire meaning when put into a social context.

While realism and liberalism mutually agree that anarchy is a normal condition of the international system, the social constructivists provide a more holistic view of anarchy, saying that: *"anarchy is what states make of it"* (Wendt 1992: 396). Instead, it is intersubjective understandings on the *"distribution of knowledge"* that form a state's behaviour and its perception of other states (Wendt 1992: 396-397). States' foreign policy towards other states is dictated by its understanding of the specific state, not by anarchy of the international system or the distribution of power. By this means, social constructivism goes beyond the (more or less) one-dimensional concept of states by realism, where all states are potential threats, but emphasises instead that states can be a variety of things to different states simultaneously. Nevertheless, social constructivism acknowledges that social relations and human behaviour are affected by the external structure of the global system while still arguing that the system is based upon ideas that can change over time (Palan 2000: 579).

While most other theories focus on the material impact of the rise of China, social constructivism theory helps to emphasise the ideational impact brought about by the rise of China. In this regard, to illustrate China's normative diffusion and its spill-over effect on other states and traditional MDBs, the Chinese established institution AIIB is a useful example of Chinese norm diffusion. In terms of development, the AIIB is offering loans without "political interference" (Schettler 2020), and lesser strings attached, which distinguishes the AIIB from other traditional MDBs like the World Bank and the IMF (Qing 2015). Accordingly, the overall guidelines and policies of the AIIB are guided by another important Chinese soft-power mechanism, namely the Chinese foreign aid programs, which emphasises the importance of infrastructure and the overall principles of "no strings attached" and "mutual benefit" (Peng & Tok: 740).

Social constructivism considers norm diffusion to be a three-step process: *"Firstly, a new desired norm is set. Secondly, this norm is internalised. Third and lastly, socialisation and learning effects take place that make the norm universal"* (Wendt 1992: 413). China has by establishing its own institutions such as AIIB reached step three, by managing to universalise Chinese development norms. Although Chinese norms are becoming universal, social constructivists like Pu emphasises that China does not provide an alternative to the liberal world order. China has through its engagement with other BRICS countries defined certain liberal values which it does not support such as liberal

democracy and interventionism but without providing a realistic alternative to the liberal world system which China has become integrated into. The close integration into the liberal world order combined with its incapability to provide an alternative has resulted in Chinese norms becoming closer intertwined with liberal norms. China, therefore, finds themselves in a situation where it defends the liberal world order while the U.S. is attacking it (Pu 2012: 367).

Social constructivism considers much of the U.S.' "anxiety" related to the rise of China, to be caused by China's development model's norm diffusion. China has evolved and is now inspiring other countries to emulate Chinese norms with regards to governmental and development structures. This is a blowback for the U.S. that post-WWII has obtained cultural, economic and political hegemony. The rise of China is not a threat to liberal institutionalism or capitalism. The Chinese development model is not radical or threatening to the U.S.-led world order in itself. The West's fear of China is based upon norm diffusion rather than the power transition theory. Washington has historically been extremely resentful towards countries that denounce the WC. Historically, the U.S. has pressured, isolated and intervened against countries following different ideologies or development models. The U.S.' reactionary foreign policy (especially in Latin America) has always been justified by universalism and antagonism. During the Cold War, the U.S. defended their support for anti-democratic forces, and military coup d' états as a defensive response against the global threat of communism. Since the fall of the USSR (1991), the U.S. has continued to justify its interventionist foreign policy through universalism and antagonism. The U.S. is still today sanctioning under-developed countries such as Cuba and Venezuela through the argumentation of universalism, although the Trump administration rhetorically favours an isolationist "America First" agenda. The idea of isolating, sanctioning and intervening in countries such as Venezuela and Cuba are not because their anti-WC development model has been an existential threat towards the U.S., but rather because of its norm diffusion (Daugherty 2019).

The U.S. understands that WC has become unpopular all among Latin America and the rest of the developing world and that any country achieving moderate success through an alternative development model risks to be emulated by other third world countries (Li 2016: 16). Relatively small countries like Cuba, Venezuela and Bolivia under Morales (2006-2019) are easy to isolate and disrupt, but China is different. Unlike some of the socialist anti-WC governments in Latin America, China has been prosperous in creating more growth than any other country in the economic history. The U.S. reactionary response towards China is not solely based upon a strategic fear of norm

diffusion but also the feeling of humiliation. American politicians are seeking excuses not just to explain the decreased popularity of WC but also to undermine the Chinese development success story. Washington has explained the Chinese development success through the narrative of unfair Chinese trade practices taking advantage of the U.S. Factors such as Chinese technological thefts, currency manipulation and illegitimate Chinese patents are being blamed by the Trump administration for the U.S. decline in living standards (Kucik 2018).

Another U.S. narrative has been that China has achieved economic success by emulating WC principles by liberalising its labour market. Although some of the U.S.' complaints might be justified, it still is a scapegoat to claim that the Chinese growth has come solely from emulating and cheating the U.S. The U.S. has now also begun criticising China with regards to the outbreak of the coronavirus, in which President Trump has addressed it as the "Chinese virus". The U.S. foreign secretary has stated that he has direct evidence documenting that the coronavirus originated from a Wuhan laboratory (Borger 2020). This has created an anti-Chinese incentive where both U.S. presidential candidates (Biden and Trump) are trying to outflank each other on "tough" on China rhetoric (Unprepared | Joe Biden For President; Martin & Haberman 2020). The fact that the U.S. seems to fear China and its norm diffusion is based upon the U.S.' realist narrative assuming that if or when China becomes more powerful than the U.S., China will become a threat towards U.S. security. The U.S. realist narrative could risk becoming a self-fulfilling prophecy as it leads to hostility among the two states (Houghton 2009).

3.4 World-systems theory and the rise of China

The world-systems theory was developed by Immanuel Wallerstein and sought to explain why states have different levels of economic development by analyzing the global capitalist system as a single unit. According to the world-systems theory, it is the world-system that generates "unequal exchange", and thereby, to explain the economic development and changes of states, we must first understand the global capitalist system. According to the world-systems theory, all states are unified by the global division of labour, which can be understood as the global capitalist system's labour force and supply chain. The global division of labour is structured on a three-layered hierarchy, consisting of core, semi-periphery and periphery (Coccia 2019: 459-460).

The global division of labour is not fixed since the relocation of capital and production takes place continuously, meaning that states periodically occupy different positions in the hierarchy in terms of consumption, production and profit. The world-system is considered to be a non-static and dynamic system, which allows movement and change within the system (Li & Zhang 2018: 11). In other words, states can move up and down in the hierarchy. States are not stuck in the semi-periphery or periphery but can move up the hierarchy and into the core by, for example, nurturing domestic industries or decreasing dependency on the core. At the same time, states in the core are not guaranteed its continuing position but can move down the hierarchy.

States in the periphery usually export commodities, raw materials and produce industrial products with the use of its cheap unskilled labour force to the core and semi-periphery. The periphery does not benefit from the extraction of commodities since most of the surplus is transferred to the core (Grell-Brisk 2017: 3). States in the periphery are dependent on finished products, knowledge and technology imports from the core. States in the semi-periphery contain features of both the periphery and core and thereby in terms of economic power stand between the periphery and core (Chirot & Hall 1982: 85). The core uses the semi-periphery for capital investments when the core's organized labour forces succeed in pressuring up the wages. The core exports its manufacturing industries to the periphery and semi-periphery to reduce labour cost. The core countries rely on its highly educated well-paid labour force specialized within advanced industries and technology (Chirot & Hall 1982: 85). The core needs the periphery to invest its surpluses, which results in their expansion.

More generally, the global capitalist system is over time affected by cyclical rhythms, which represents both short upturns and downturns in the economy and long-term trends of either economic stagnation, growth or decline (Wallerstein 2011a: 276). These cyclical rhythms are followed by "hegemonic cycles", which describes the rise and fall of hegemonic powers in the world-system (Li 2016: 10). According to the world-systems theory, a hegemonic power is a single state that has *"simultaneous superior economic efficiency in production, trade and finance"* (McCormik 1990: 128). From the perspective of world-systems theory, the rise and fall of hegemonic powers (hegemonic cycle) can be understood as a multilayered process that follows three specific steps. Firstly, the rising hegemonic power (China) achieves supremacy in productivity, which secondly, enables the rising hegemonic power to dominate international trade. Thirdly, the achieved dominance in international trade provides the rising hegemonic power with exceedingly wealth and capital that enables it to dominate in global finance. Synchronized with this process is the decline of the existing

hegemonic power, which loses its dominance following the same chronological order: production, trade and finance (Wallerstein & Chase-Dunn & Suter 2015: 125).

In light of China's enormous economic rise and increasing domination in international trade, different scholars and experts now predict that the rise of China seems to represent yet another "hegemonic cycle" in the world-system. By this means, that China will become the next hegemonic power in the world-system after the U.S. However, according to the world-systems theory, the decline and the rise of hegemonic powers are a slow process. Nevertheless, the existing hegemonic power will, over time, contribute to the economic strengthening of other states since all states in the global capitalist system always need more markets to expand. As a result, the existing hegemonic power, over time, loses its competitive and productive superiority over other states (Wallerstein 2011b: xxii-xxiv). This tendency seems apparent in the context of U.S.-China relations. With the official recognition by the U.S. of the PRC and the break with Taiwan in 1979, the U.S. sought to expand its market reach, take advantage of cheap labour production, and leverage the enormous Chinese market. By signing the "U.S.-China Relations Act of 2000", the U.S. opened the door for China to join the WTO in 2001. Put differently, the U.S. has "helped" to facilitate China's economic rise in the pursuit of its own economic interests, and thereby also, gradually lost its productive superiority over China as American companies have outsourced their production to China.

From the perspective of the world-systems theory, the global economy is continuously changing and evolving. The rise of new hegemonic powers (China) is a fundamental and normal condition of the world-system, in fact, understood as needed reoccurring driving force for the global capitalist system as a whole. China's rise to become a new hegemonic power is not an existential threat to the global capitalist system taking into account that *"the system's fundamental law of value, especially the mode of production and capital accumulation, is maintained"* (Li & Zhang 2018: 13). In fact, as China moves towards the core, it is increasingly benefitting from the global capitalist system's embedded unequal structure and unequal exchange and has, therefore, no reason to change or overthrow the current global capitalist system. As explained by Professor Marilyn Grell-Brisk:

"China does not seek to fundamentally transform the system. Everything China has done, from opening its market, to its major economic reforms and most recently, a supposed move toward domestic consumption to stimulate economic growth, has been with the goal of profiting from the world-economic system as it stands" (Grell-Brisk 2017: 9).

The rise of China as a new hegemonic power is not abnormal but rather illustrates how the global capitalist system evolves and manages to accommodate and absorb new driving forces into the system. According to professor Li Xing and Zhang Shengjun, the rise of China in the global capitalist system is regarded as both an opportunity and challenge for other countries, as professor Li and Zhang explains: *"It is an opportunity in terms of room for maneuver and upward mobility for some countries, yet a challenge and downward mobility for other"* (Li & Zhang 2018: 16). The rise of China will enforce structural changes in the global capitalist system and have a positive spill-over effect for some countries. In this regard, China's friendly and deep relationship with countries in the periphery (Latin America and Africa) or countries within reach of China's geopolitical strategies like the BRI, could benefit from the rise of China within the global capitalist system.

Nevertheless, the rapid development of China has led to a destratification of traditional global power structure of the core, semi-periphery and periphery in terms of value and supply chain. From a historical perspective, military, finance and knowledge have been monopolized in the core while the semi-periphery and periphery countries have been specialized in labour-intensive industries, commodities and raw materials (Chirot 1984). However, China has rapidly "jumped" from intensive labour to be one of the leading exporters of high-tech goods and technologies (Cantin & Taylor 2008: 6). China has with the strategies of the MIC-2025 plan clearly expressed its ambition to move up the global supply chain, which inevitably will lead to resistance as it will increase the competition for the traditional core states, and thus reduce their surpluses.

Historically, the structure of the world economy has been relatively stable in terms of a small core, relatively larger semi-periphery and a large periphery (Grell-Brisk 2017). But what happens to the conventional structure of the global economy when a country like China that has lifted 850 million people out of poverty over the past four decades (World Bank 2020b) and is averagely generating two billionaires every week (BBC 2018), is marching towards the core?

According to research done by professor Marilyn Grell-Brisk, China moved from the periphery to the semi-periphery around the year of 2001. This movement changed the traditional three-layered structure of the global economy (small core, relatively larger semi-periphery and a large periphery), in which the semi-periphery became larger than the periphery due to China's large population. According to professor Marilyn Grell-Brisk, this led to an *"overcrowded"* semi-periphery, increasing the risk of *"open military aggression"* as there would be increased intersecting interests in terms of exploitation of the countries in the periphery (Grell-Brisk 2017: 8-11). With the use of GNI (Gross

National Income) data, which, according to professor Salvatore Babones is *"a sound approach to delineating the zones of the world-economy"* (Babones 2005: 39), the research illustrates that China is now moving closer towards the core (Grell-Brisk 2017: 5). The rise of China seems to have altered the conventional structure of the global economy. China's movement towards the core could have the same effect, leading to an "overcrowded" core, in which some core countries might be "pushed" back into the semi-periphery or a gradual shift towards a global economic structure with a large core and periphery and a small semi-periphery. However, according to world-systems theory, the three-layered structure in terms of a small core, relatively larger periphery and a large periphery is the fundamental condition of the global capitalist system and: *"When this ceases, the world-system disintegrates"* (Isaac 2017: 122). In sum, the world-systems theory illustrates the more multidimensional framework, in which the rise of China involves both opportunities and challenges for the U.S. led-world order and the global capitalist system.

3.5 Neo-Gramscian theory and the rise of China

Neo-Gramscian theory originates from the work of Italian communist Antonio Gramsci. Several scholars, most significantly, Robert W. Cox has later applied Gramsci's ideas and concepts to IR and IPE, in particular the concept of world order and hegemony. Robert W. Cox sought to take the national definition of hegemony to the international level and apply it to IR and IPE. Robert W. Cox has also presented several different terms and concepts contributing to the development of the neo-Gramscian theory, which includes: "historical bloc" and "war of position" (Cox 1983: 162-174). According to Robert W. Cox, the process towards world hegemony starts within the national boundaries as he explains:

"the task of changing world order begins with the long, laborious effort to build new historical blocs within national boundaries [xxx] a world hegemony is thus in its beginnings an outward expansion of the internal (national hegemony) established by a dominant social class" (Cox 1983: 174).

In other words, the process of reaching global hegemony is achieved through the expansion of national hegemony, and it is, therefore, essential to define national hegemony to understand global hegemony. To understand neo-Gramsci's definition of national hegemony, we will have to explain the interface between ideas, material capabilities and institutions as they shape the form of state and world order. As illustrated in figure 5, national hegemony is based upon a trimodal interplay between

material capabilities, institutions and ideas (Li 2016: 8). Put differently, through the lens of neo-Gramscian theory, rising powers combine both ideational, material, and institutional power to shape the new world order.

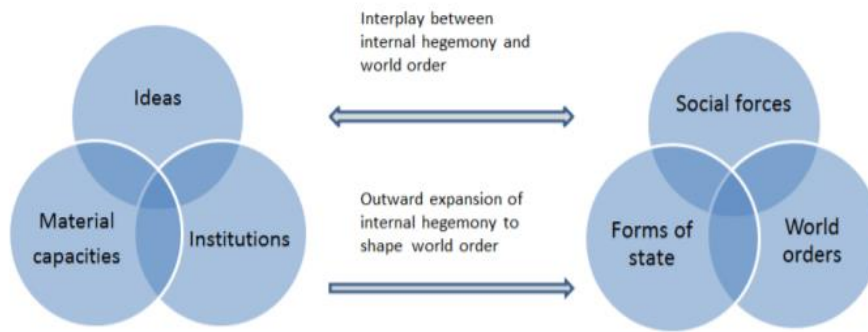


Figure 5: The nexus of internal hegemony and its external expansion from a neo-Gramscian IR perspective

Source: (Li 2016, p. 8)

The national ideas and material capabilities are used to establish institutions that can spread the national ideas externally and thereby shape the new world order. Institutions are typically a mixture of ideas and material capabilities and are commonly being used as a stabilising factor to perpetuate a particular order. Institutions tend to *"take on their own life"* (Cox 1983: 136) in the sense that they start to develop their own ideas that in some cases are founded upon collective images (Peng 2018: 52). Institutionalism is therefore closely connected to Gramsci's definition of hegemony as institutions contain a coalition of ideas and material capabilities that combine rule.

According to the neo-Gramscian theory, global hegemony is upheld by a "historical bloc", which is understood as a *"coalition of social forces united under a common hegemonic project"* (Peng 2018: 54), and this coalition of social forces define the world order. According to Robert W. Cox, *"[...] only a war of position can, in the run, bring about structural changes"* (Cox 1983: 173) to the world order. War of position is a strategy of *"actively building a counter-hegemony within an established hegemony"* (Cox 1983: 165). In other words, the war of position is a strategy of gradual progression of gaining more power and influence with the established order, and then (eventually) form and establish a new historical bloc (counter-hegemony) (Peng 2018: 53).

The world order has since the establishment of the Bretton Woods system been built upon U.S.' ideals. The U.S. accounted for around 50 per cent of world GDP at the ending of WWII and has since then used its material capabilities to universalise its ideals of the "American Dream". China is now the second-largest economy in the world (in terms of total GDP) and has started to use its material capabilities to create counter-hegemonic institutions to universalise its national "Chinese Dream". Figure 6 shows the reciprocal elements that, according to neo-Gramscian theory, together represents internal hegemony (national hegemony). Figure 7 illustrates some of the elements that combined represents Chinese hegemony, namely the interplay between Chinese material, ideational and institutional power.

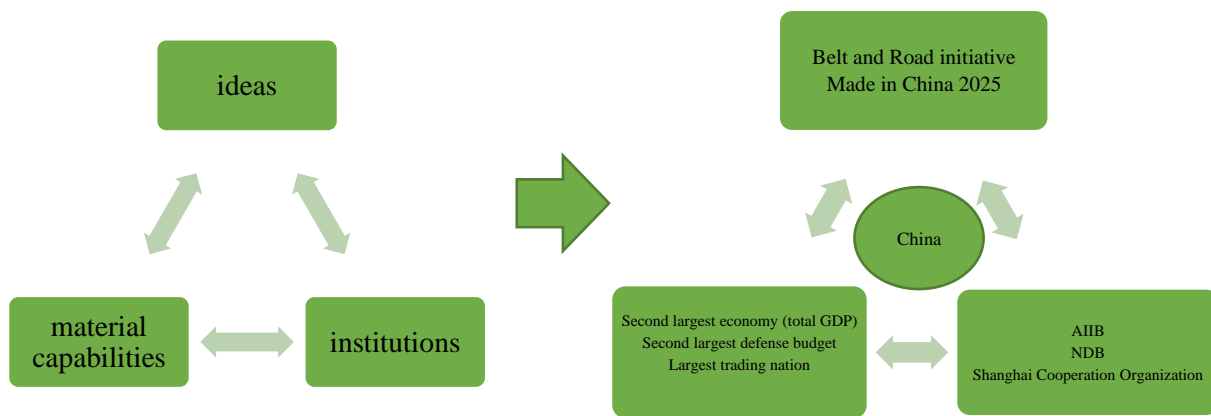


Figure 6: Internal hegemony

Source (Cox 1983, p. 165)

Figure 7: Chinese hegemony

Source: (Author's own compilation)

In terms of ideas, China has, especially under the leadership of Xi Jinping, proposed numerous ideas and initiatives ranging from economic development to global governance. Nevertheless, this section seeks to illustrate the transition from the strategy that historically have characterised Chinese foreign policy; namely, Deng Xiaoping's strategy of "Hide your strength, bide your time", towards the large-scale visionary Chinese strategies and ideas of the BRI and MIC-2025 plan. The low-profile strategy of "Hide your strength, bide your time" of Deng Xiaoping emphasised China's overall strategy of focusing on internal problems, working hard, wait and eventually enter the international scene with more capacity as explained by Deng Xiaoping in 1992:

"We will only become a big political power if we keep a low profile (TGYH) and work hard for some years; and we will then have more weight in international affairs" (Chen & Wang 2011: 197).

In other words, China understood that to gain global influence and status; it must first achieve material gains. The material gains achieved through China's integration into the U.S.-led world order are now being used to institutionalise Chinese ideas and norms and established a counter-hegemonic historic bloc which represents capitalism with "Chinese characteristics".

China has since the late 1970s, progressed from an anti-revisionist isolated communist state to an active member of the U.S.-led world order (Peng 2018: 59). China has expanded its influence and power within the U.S.-led world order through active participation in the Western-dominated international institutions while building a counter-hegemonic bloc through its own trans-national institutions, noteworthy, the AIIB, NDB and Shanghai Cooperation Organisation. China seems to be inspired by the "war of position" strategy and is now successfully convincing other U.S. allies to join its institutions and is, therefore, moving from being a rule-follower towards being a rule-maker (Peng 2018: 49). The Chinese establishment of counter-hegemonic institutions has resulted in a more multipolar world order where the U.S.-led world order now is facing competition from Chinese counter-hegemonic institutions. In other words, through the lens of neo-Gramscian theory, China seems to be in the transition of making a new coherent alternative historical bloc to challenge the U.S.-led world order through the war of position strategy.

3.6 Summary of the applied theories

The five theoretical perspectives explicitly point in various directions, thus illustrating the complexity of the rise of China. By emphasising different aspects with regards to the implications and impact that the rise of China has brought about to the U.S.-led world order, the five theoretical frameworks reach different outcomes. Even though the five theoretical perspectives are categorized separately, we consider them inseparable in understanding the various challenges and opportunities caused by the rise of China. At the same time, the five theoretical perspectives are both overlapping and supplementing each other. In the next chapter, we seek to empirically verify the main points of each theory.

4. Case-study: the multifaceted implications of the U.S.-China trade war

This chapter is dedicated to present the case-study of this thesis. The trade war has triggered our curiosity and interest in writing this thesis as we wonder why the U.S would start a trade war against its biggest trading partner well-knowing that it will hurt the U.S economy. Has the realist narrative of the Trump administration become a self-fulfilling prophecy? The trade war seems to be driven by realism to consolidate U.S. hegemony and to stop or at least slow down the speed of the power transition. From our perspective, some of the U.S rationalities seem visible while others seem less visible, and therefore we find the trade war to be an overall good empirical case to verify our multidimensional theoretical analysis. Nevertheless, we wish to begin by providing a brief section to explain and introduce the ongoing trade war from the start until now.

4.1 Introduction to the trade war

Donald Trump won the U.S. 2016 election on an anti-establishment protectionist platform where he promised to renegotiate the trade agreements with China which Trump has categorised as the *"greatest thefts in the history of the world"* (Stracqualursi 2017). The U.S. has accused China of not playing by the rules by committing intellectual thefts, manipulating their currency, favouring domestic industries and forcing technology transfer. Trump has argued that American and Chinese companies cannot compete fairly because of the various policies of CCP such as the MIC 2025 plan that offers subsidy schemes and different methods of support for Chinese companies (Trump 2018).

In March 2018, the U.S. decided to impose 25 per cent tariffs on steel imports (not only China), which China decided to retaliate on just two weeks later by imposing tariffs ranging from 15-25 per cent on different American products worth US\$3 billion (Wong & Koty 2020). The primary explanation the U.S. gave for engaging in a trade war was to reduce its trade deficit with China and to pressure China to change its "unfair trade practices" (Bose & Shalal 2019).

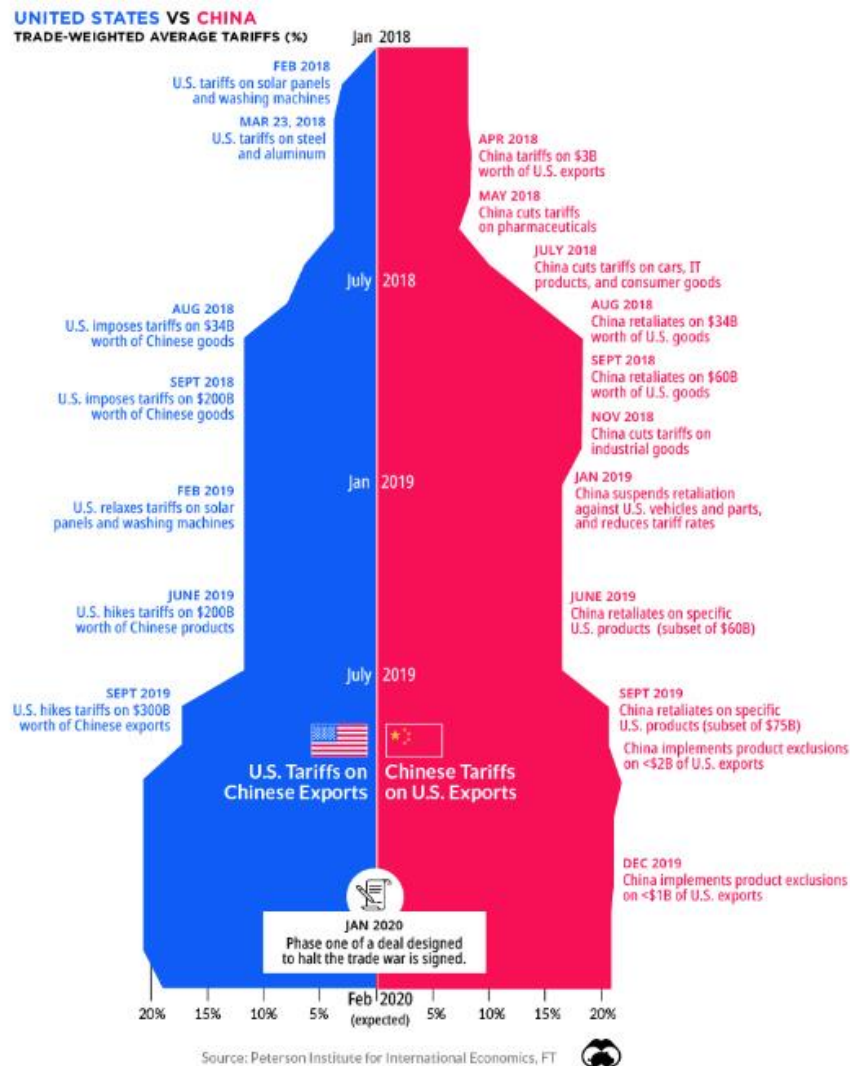


Figure 8: Timeline of the ongoing trade war

Source: (Visual Capitalist 2020)

To help the reader get a better overview of the ongoing trade war, we have implemented figure 8, illustrating each step taken from the U.S. and China beginning in early 2018 until the phase one deal was signed on January 15th 2020. The most significant steps taken in the trade war will be described below.

In June 2018 the U.S. announced that it on July 6th would impose 25 per cent tariffs worth 16 billion dollars on Chinese goods which made China retaliate with tariffs worth 34 billion of U.S. goods. On August 1st the U.S. decided to increase a planned 10 per cent tariff on Chinese goods to a 25 per cent tariff. Six days later the U.S. imposed an additional 25 per cent tariffs on a list of Chinese goods

which resulted in a similar retaliation from China who imposed tariffs worth the same amount (16 billion dollars) on U.S. goods. On September 24th 2018, the announced 10 per cent tariffs on 200 billion dollars on Chinese goods kicked in. The tariffs are by far the most significant step that the Trump administration has taken so far, which resulted in Chinese retaliation on U.S exports for 80 billion dollars. After almost 6 months of negotiation, Trump shocked the world economy by tweeting that he intended to raise the already implemented 10 per cent of tariffs on Chinese goods worth 200 billion to 25 per cent. The increased tariffs were implemented five days after the announcement on May 10th. After some back and forth, Trump announced on October 11th that a phase one deal had been reached (Politi 2020).

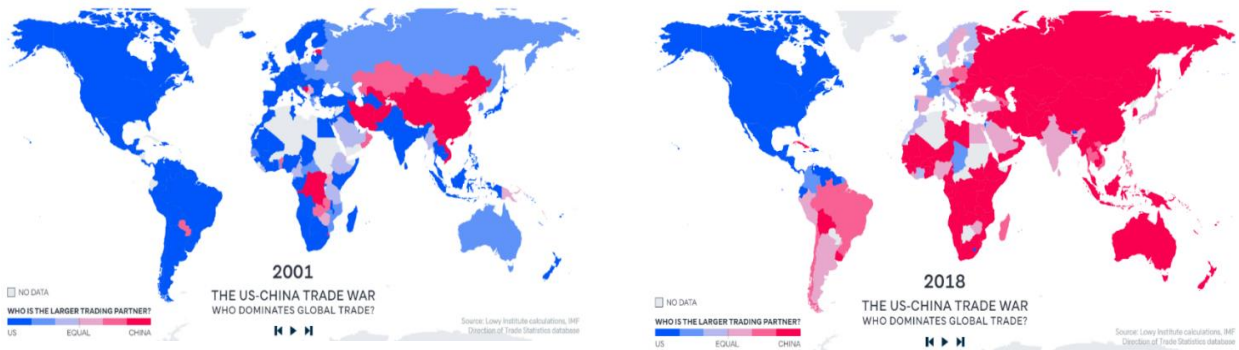
4.2 The phase one deal

The phase one deal included the repetition of some old Chinese agreed commitments such as no of devaluation the currency and not forcing U.S. companies to hand over technologies to gain access to the Chinese market. The phase one deal also included commitments on four specific areas. Firstly, China agreed to increase its funding for the intellectual property protection agency and strengthen the patent and piracy rules (Politi 2020). Secondly, China accepted the loosening of specific trade and health standards barriers which would make it easier for the U.S. agriculture industry to export products to China. Thirdly, China promised to implement measures to open its financial services sector up for U.S. competition, in return, the U.S. has made pledges of allowing certain Chinese financial services to receive equal treatment on U.S. soil (Politi 2020). Fourthly, China agreed to buy U.S. goods for 200 billion dollars more than they did in 2017. More specifically, 77.7 billion dollars in manufacturing purchases, 52.4 billion dollars in energy product purchases and 32 billion dollars in agriculture products (Politi 2020). The commitments agreed on in the phase one deal was relatively modest and did not comprehensively address significant disputes such as the significant state subsidies being provided to Chinese companies and Chinese restrictions limiting U.S. companies access to the Chinese market. It also left U.S. tariffs on Chinese goods worth 370 billion dollars untouched (Lee 2020).

4.3 The target of the trade war (1): Trade and supply chain

Over the past four decades, many American companies have outsourced their production to China to benefit from lower wages and production costs. However, the Trump administration has now started to encourage and force American companies to move their production and supply chains out of China. In August 2019, Trump stated that American companies should *"immediately start looking for an alternative to China"* (Reed 2019). The U.S. hopes that the trade war can force U.S. companies back to promote domestic production but also to decrease dependency on China. Nevertheless, it is questionable whether the imposed tariffs will force American companies back to the U.S. due to the higher labour and production costs. However, the tariffs will most likely put pressure on American companies to look for alternatives to China, especially if a de-escalation of the current trade war seems unlikely. This would eventually decrease the U.S.' dependency on China. Accordingly, some of the large American tech companies, more precisely, Apple, Google and Microsoft have allegedly started to consider moving more of their production base out of China and into countries like Thailand and Vietnam to dodge the imposed tariffs (Kharpal 2020). Regardless, the process of redirecting the American supply chains out of China will, according to several economists and experts, be complicated and challenging because the global technology sector relies on Chinese production and labour force (Mirchandani 2020).

The U.S. has, for several decades, been the largest trading nation in the world. Nevertheless, the rise of China has led to a restructuring of the existing trading pattern, in which China gradually has "overtaken" the U.S.' dominant position. As shown in figure 9, the U.S. was the largest trading partner to most countries in the world, including most periphery, semi-periphery and core countries. However, China was in 2018 the largest trading partner to most countries in the world. Especially countries in the periphery (South America and Africa) show a significant transition from American to Chinese trade dominance. In the light of the world-systems theory, figure 9 seems to support the prediction that the rise of China represents yet another "hegemonic cycle" in the global capitalist system. At the same time, the empirical data thereby verifies the theoretical explanation that a rising hegemonic power (China) always occupies primarily productivity, then international trade and finally global finance.



*Figure 9: U.S. and China global trade comparison
2001-2018*

Source: (Visual Capitalist 2020)

China has since its integration with the global division of labour in the late 1970s upgraded its traditional industries' global competitiveness. At the same time, the Chinese division of labour has also gradually moved from low-value-added production to high-value-added production (Yuyang 2011), allowing China to increase its surpluses in the world-system. As shown in figure 10, China's share of global technology exports across various products has increased significantly in the period between 2007 and 2017. Correspondingly, as illustrated in figure 11, China's exports of high-tech products to EU-27 has over the past decade increased notably. In 2019, China accounted for more than 30% of non-EU countries total exports of high-tech products to the EU (Eurostat 2020).

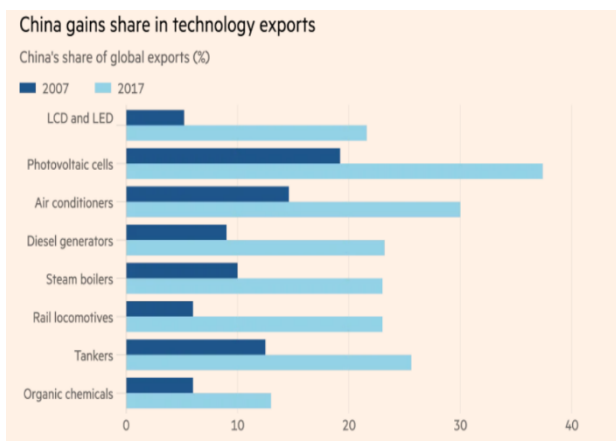


Figure 10: China's share of global technology exports between 2007-2017

Source: (Financial Times 2018)

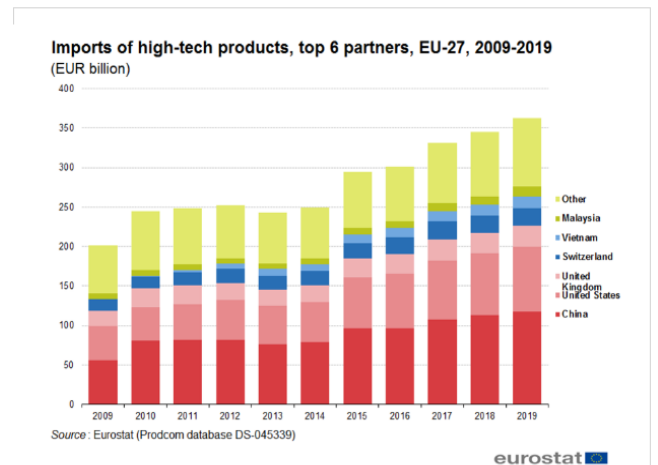


Figure 11: EU imports of high-tech products from non-EU members between 2009-2019

Source: (Eurostat 2020)

China has managed to dominate the more traditional core industries which decrease the profit margin of the traditional core countries in the world-system, including the U.S. China's changing role within the global division of labour has also affected the U.S.-China bilateral trade. As illustrated in figure 12, the U.S. has over the past decade had a steadily increasing trade deficit with China with regards to ICT products. Correspondingly, as shown in figure 13, most of the U.S. trade deficit with China in 2017 came from imports of Chinese produced computers, electronics and electrical equipment. On the other hand, the U.S. mainly generates trade surplus with exports of agricultural products and raw materials to China. While most scholars "categorize" China as a semi-periphery country, China, to some degree, has a core-periphery trade relationship with the U.S., inevitably contributing to the enlargement of the U.S.' trade deficit with China.



Figure 12: U.S.-China trade in ICT products between 2009-2018
Source: (IDSA 2019)

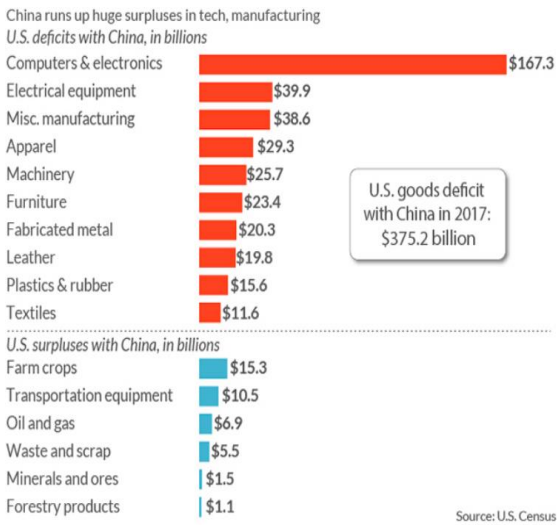


Figure 13: U.S. trade deficits and surpluses with China in 2017
Source: (MarketWatch 2018)

The U.S. has realized the economic and political vulnerability of relying extensively on China across crucial industries, and therefore the U.S. has set out to decrease its dependency on China. Nevertheless, this project might be easier said than done. As shown in figure 14, many countries have become exceedingly dependent on China for parts and components for electrical and electronic goods, including the U.S., which imports more than 40% from China. In light of the current COVID-19 pandemic, the U.S. has shown itself vulnerable as it relies on medical suppliers from China. Figure 15 illustrates the increased level of dependency the U.S. has on Chinese manufactured medical

products related to fighting the COVID-19 pandemic. The U.S. Chief negotiator for the ongoing trade war with China Mr. Lighthizer stated: *"We are learning in this crisis that overdependence on other countries as a source of cheap medical products and supplies has created a strategic vulnerability to our economy"* (Williams 2020). The COVID-19 pandemic has proven to be a game-changer in the trade war since the pandemic has increased the level of interdependence between the U.S. and China. China now has a medical manufacturing sector that the U.S. depends on and which provides China with another ace in the hand during further U.S.-China trade negotiations. The U.S. medical supply chains were even before the COVID-19 outbreak highly dependent on countries such as India and China. Only 28 per cent of the manufacturing facilities making API's (active pharmaceutical ingredient) for the U.S. market are located in the U.S. (Evans & Meinsenheimer 2020).

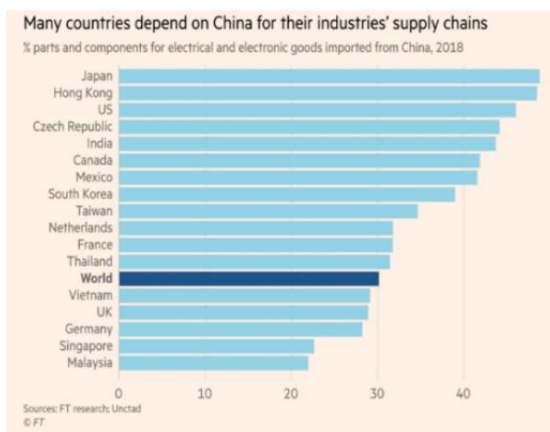


Figure 14: % parts and components for electrical and electronic goods imported from China in 2018
Source: (Financial Times 2020)

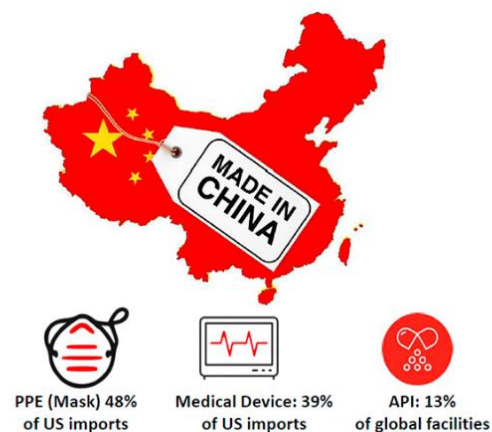


Figure 15: U.S. imports of Chinese medical suppliers related to the COVID-19
Source: (Site Selection 2020)

From the perspective of the world-systems theory, the trade war illustrates the U.S.' attempt to slow down China's continuing movement towards the core. At the same time, the U.S. wishes to decrease its dependency on China as this eventually would reduce its trade deficit with China. Nevertheless, the data presented in this section also illustrates how difficult it will be for the U.S. to remove China from its supply chains as China has become the absolute leading producer of electronics and medical supplies. At the same time, the American companies have spent years building their production bases and supply chain operations in China. According to several experts, not only American companies but all companies face the reality that other optional countries *"may not have the capacity in terms of*

skilled labor, infrastructure and raw materials to meet the demands of the firms looking for alternatives to China" (Pandey 2020).

4.4 The target of the trade war (2): Technology

In the extension of the section above, China's changing role within the global supply chain is unmistakably closely intertwined with China's technological advancement. China has by enormous investments in technology managed to increase its productivity and manufacturing output, but also successfully crawled higher on the global supply chain.

As explained earlier in this paper, realism seems to be the fundamental rationality for the current trade war and driven mainly by issues related to technology. From the perspective of realism and the power transition theory, the launch of the trade war illustrates the apparent fear in the U.S. The U.S. fears that the rise of China could generate a hegemonic power transition from Washington to Beijing, in which technological power, trade surplus and high-tech industries gradually flow towards China. This transition would enable China to become a technological, military and economic hegemonic power. China has clearly expressed its ambition to become a technological superpower in the MIC-2025 plan. From the perspective of realism, this plan is a clear threat to U.S. tech companies and U.S. technological hegemony. Following this rationale, the U.S. must seek to halt the MIC-2025 plan; otherwise, the power transition will become a reality and thereby lead to a large-scale conflict between the U.S. and China. The MIC-2025 plan has been the hub of concern in the Trump administration, as a matter of fact, Trump has stated that the imposed tariffs (also) are implemented to obstruct the MIC-2025 plan (Hopewell 2018).

The U.S. hopes to slow down the Chinese technological transformation to delay or postpone the power transition by imposing tariffs on Chinese exports to the U.S, which, to a large extent, consist of computers and electronic components (illustrated in the previous section). The U.S. wants to prevent Chinese companies from acquiring American technologies, but also to make it difficult for Chinese tech companies to operate in the American market. Put differently, not only has the U.S. initiated a trade war against China, but the U.S. has also updated its security mechanism to filtrate inward foreign investments to deter Chinese companies from importing American technology through the acquisition of American companies. The U.S. has also sought to cut and limit the

cooperation between Chinese and American tech companies. The U.S. has imposed restrictions on U.S. companies that work with several Chinese tech companies, most significantly, Huawei (Kwan 2020: 55-56).

The U.S. has, for a long time, raised concern about Huawei's 5G communication roll-out program, and actively sought to limit its access to the American market while discouraging other countries from using Huawei. According to several military experts, 5G communication will be paramount in future military technology, and therefore also influence future technological warfare and cybersecurity (Zhen 2019). The U.S. fears that Huawei 5G-rollout will not only give China a technological edge but also a military edge. As a result, the U.S. decided in May 2019 to add Huawei to the "Entity List". This means that Huawei no longer can buy high-tech components and equipment from American companies without the American government's approval (Shepardson & Freifeld 2019). The restrictions against Huawei are aimed to hinder its access to American-produced smartphone and computer chips and other vital components that Huawei needs in its high-speed wireless networks. The Trump administration has clearly set out to "contain" Huawei and used the access to American-produced chips as a bargain in the current trade war. Nevertheless, some analysts point out that the U.S.' restrictions could potentially backfire by accelerating the Chinese investments and companies' development of domestic technology and the production of the Chinese chips (Horwitz 2020). By this means, the U.S. might "push" Huawei to be even more innovative. At the same time, Huawei has openly upheld that it has access to chips from both Samsung in South Korea, Mediatek in Taiwan and Spreadtrum in mainland China (Ting-Fang & Li 2020). The restrictions might slowdown Huawei in the short run, but might increase its technological capacity and self-sufficiency in the long run. At the same time, the U.S. allows other countries to benefit from increased exports to Huawei that originally were American exports.

Several experts have reached the conclusion that the trade war most likely will be insufficient in stopping China's technological advancement (Zhang 2018: 63). Trump might be unable to fulfil the goal of obstructing the MIC-2025 plan, meaning that China will continue to transform into a technological superpower. Even though China can no longer easily import American technology, China still has access to foreign technology elsewhere. We both wonder why the U.S. suddenly has changed its position towards China, in which technological "decoupling" with China is desirable? Why is the U.S. willing to sacrifice millions of dollars in exports to Huawei? To answer these

questions, it is according to realism (partly) essential to study changes in the distribution of power between the two countries from a technological perspective. As shown in figure 16, the gap in research and development (R&D) funding between the U.S. and China has rapidly narrowed. In less than 17 years, China's R&D funding has more than quadrupled. R&D funding is an indicator that measures a country's investment in technology, innovation and new knowledge. As illustrated in figure 17, China has, by far, surpassed the U.S. in total resident patent applications. Patent applications are property rights to an information and knowledge commodity, and may thus be an indicator or benchmark of innovative activities and new inventions in a specific country. Furthermore, as shown in figure 18, China is, according to a report made by CTIA (an American trade association) leading the global race to 5G communication. By this means, China is currently ahead of the U.S. in terms of readiness for the implementation of 5G communication.

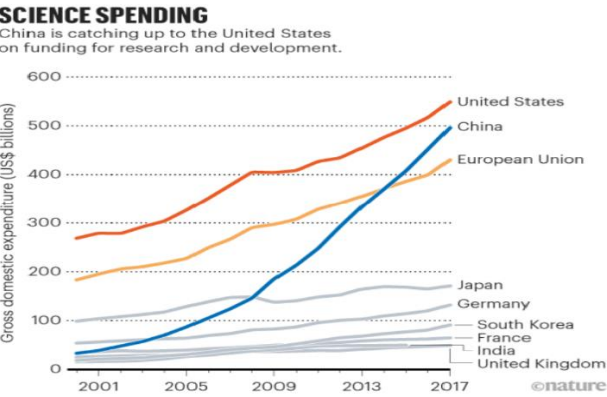


Figure 16: Science spending comparison 2001-2017
Source: (Nature 2020)

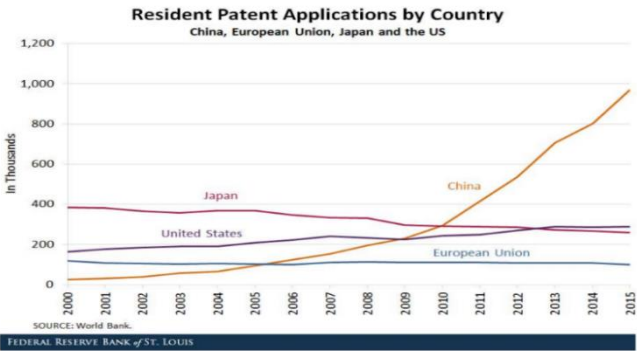


Figure 17: Resident patent applications comparison 2000-2015
Source: (St. Louis Fed 2017)

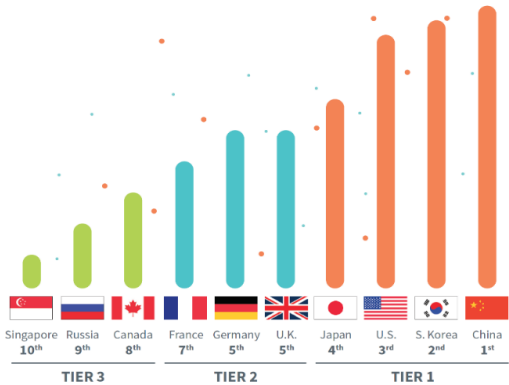


Figure 18: 5G readiness country comparison
Source: (CTIA 2018, p. 6)

Even though the comparison of the technological competitiveness and capabilities between two countries unmistakable involves other factors and elements, the U.S. and China seem to move closer and closer towards parity in terms of technological competitiveness. The data presented in this section empirically verify the theoretical explanation of realism and the power transition theory, namely that when the power level between the existing hegemon (U.S.) and the rising power (China) become more or less equivalent, conflicts will occur. From a technological perspective, China is rapidly becoming a challenger to the U.S. The trade war combined with technological "decoupling" and the restrictions against Chinese tech companies, in particular Huawei, verify the U.S.' attempt to prolong its technological hegemony and contain China, as predicted by the power transition theory. The trade war and the restrictions can thereby be seen as a step towards the "containment strategy" as advocated by the offensive realist scholar, John Mearsheimer. At the same time, in light of the world-systems theory, the empirical data presented in this section, indicate that knowledge and technology have been "de-monopolized" from the core as China has started to surpass some of the traditional core countries for instance within the field of 5G communication.

4.5 The target of the trade war (3): The Chinese development model and its norm diffusion

From the perspective of social constructivism, the U.S launched trade war could be an outcome of how China successfully has started to initiate and propose new ideas to IPE which challenges the WC. One of the main arguments for the U.S. to engage in a trade war has been to force China to change its "unfair trade practices". In May 2018, Trump stated that:

“For many years, China has pursued industrial policies and unfair trade practices — including dumping, discriminatory non-tariff barriers, forced technology transfer, over capacity, and industrial subsidies — that champion Chinese firms and make it impossible for many United States firms to compete on a level playing field” (Trump 2018).

The U.S. argues that American and Chinese companies cannot compete fairly because the CCP uses state subsidies to support domestic companies. As a result, the U.S. has initiated a trade war against China as an attempt to "destroy" the Chinese state-capitalist development model and its reputation. Trump has warned that the U.S. will use “*all available tools*” (Mayeda 2018) to stop BC from

undermining global competition. The U.S. fears that the BC and its norm diffusion will polarise countries towards China, allowing China to change the norms and rules of the international system.

The Warsaw Institute expert, Pawel Paszak, noted that the big elephant in the room, namely the Chinese-state capitalist model was not addressed during the phase one trade deal signed on the 15th of January 2020: *"This is yet far from offering up a solution to the most severe problem, which is a far-reaching interference of the Chinese state in its domestic economy"* (Paszak 2020). The Chinese state's intertwined relationship with its economy has been an example of Chinese orchestrated capitalism managing to create some of the most profitable companies in the world. For example, Huawei, which has managed to outcompete the U.S. tech giants in domains such as 5G communication. The so-called BC has proven itself to be successful within a U.S.-led world order. Managing Director of the realist think tank Kissinger Associates stated back in 2004, that what is happening in China *"has begun to remake the whole landscape of international development"* (Huang 2010: 32). The dissatisfaction with neo-liberal WC reforms combined with the indisputable success of Chinese development has resulted in the norm diffusion of Chinese development and governmental ideas which like Chinese investments are spreading all across the globe, from Latin America to Europe. Liberalism has always assumed that the liberalisation of markets leads to democracy and that creating growth through a free market system works better in a democratic system (Fukuyama 1989). Chinese authoritarian state-capitalism has proven that narrative to be evidently wrong as China has managed to improve GDP per capita from 200 dollars in 1980 to 6000 dollars in 2012 (Huang, Fang, Xu, and Qin 2013: 35). The neo-liberal magazine The Economist defends Donald Trump's approach towards Chinese development, stating that:

"Mr. Trump is... right that America needs to reset expectations about Chinese behaviour. Today's trading system fails to prevent China's state-backed firms from blurring the line between commercial interests and the national interest" (Ross 2018).

The Economist recognises that private companies are being outcompeted by Chinese SOE's. They, therefore, want to restrict the relationship between companies and the state to improve private companies' competitiveness.

The U.S. is starting to fear Chinese norm diffusion while anti-liberal norms are gaining popularity all across the world. Chinese development is intertwined with its political and economic systems which radically differentiate from Western liberal norms. The professor from China Centre for Economic Research at Peking University, Yao Yang, argues that the fact that China is not a democracy

encourages the government to ignore special interests of the voting constituency and *"consistently pursue policies which serve the general interest"* (Kennedy 2010: 474). This criticism of democracy as being insufficient to generate economic growth and adequately represent the whole population has gained popularity since the global financial crisis in 2008. More authoritarian parties (especially from the right) have now gained popularity all across the world. The governments of Austria, Hungary and Poland are now heavily influenced by anti-liberal and anti-democratic parties. In Asia, the Philippines (a historically close western ally) has under the leadership of the authoritarian nationalist Duterte moved closer towards China (Krastev and Holmes 2019).

The post-WWII norms that U.S. hegemony was established upon now seem fragile and incapable of gaining popular support in the developed and developing world. The norm diffusion of the economically successful Chinese development is inspiring anti-liberal intellectual thinkers to question the efficiency of liberal democracy to generate economic growth. The famous Radical left thinker Dr Slavoj Zizek stated that: *"China, Vietnam, and so on, are more and more appearing as the most efficient managers of global capitalism"*. (Slavoj Zizek' maybe fukuyama has won') Dr Zizek points out that ex-communist governments' efficient management of capitalism is a humiliating blow for the liberal school of economics. The main dispute between the U.S. and China is not about theoretical development disagreements but rather about BC's norm diffusion. In a period where Western universalism and economic wisdom are fragile concepts, China has rapidly moved from the periphery to the core of IPE.

Despite becoming more intertwined with Western founded international organisations, China has also begun to establish its own institutions which accelerate the expansion of Chinese norm diffusion. Chinese led institutions provide an alternative to the unpopular WC, administered through the IMF and WB. The BC is a political term created by the Managing Director of Kissinger Associates Joshua Ramo who in 2004 published the essay *"The Beijing consensus"*. In this essay, Ramo argues that BC has become a peer competitor to WC (Kennedy 2010). His claim has been challenged by other economists who argue that Ramo's definition of BC is inadequate and that China, since the 1970s has borrowed large parts of WC. Political science professor Kennedy argues that Chinese development since the late 1970s has followed 8 of the 10 main elements of WC, and therefore should not be seen as an ideological alternative to WC (Kennedy 2010).

China has implemented WC reforms and therefore adopted some Western development ideas which have allowed them to enter and dominate the world economy. China has since the 1970s had a

pragmatic approach to development. Xi Jinping stated back in 2014: *"China uses both the 'visible hand' and the 'invisible hand' to develop its economy"* (Ross 2018). The statement illustrates China's non-ideological approach and its willingness to combine state interference with market competition. The battle of development ideas could also be framed as the decline of WC which has been criticized by nations all across the world, including the IMF, to be insufficient (Aldrick 2017; Huang 2010:31). The failures of WC policies in third world countries in Latin America and Africa as well as rich developed countries such as the UK and Spain have pushed many countries closer towards the more pragmatic approach of BC (Huang 2010: 31).

The U.S. criticises China for subsidising Chinese enterprises and thereby discriminating against private U.S. enterprises in the Chinese market. This criticism attacks the Chinese development model from an ideological WC perspective, which advocates that states should not intervene in free-market competition. The U.S. has globally benefited significantly from free-market competition norms. American companies have successfully established themselves in states all across the world by outcompeting local and national enterprises. China so far refuses, unlike most periphery or semi-periphery countries, to allow the U.S. to influence structural changes on the Chinese domestic state-capitalist model. The Chinese idea of protectionism is not a new one, since most countries in the developed world have ways to protect their own companies. However, protectionist measures favouring domestic industries is a dangerous tendency from a U.S. point of view. If BC is emulated by the periphery and semi-periphery countries it would impact U.S. enterprise revenues and influence worldwide. The development of Chinese domestic industries has now given U.S. enterprises competition on the global market. The ongoing tendency of Chinese tech outcompeting U.S. tech in certain areas is a blow for liberalism and WC which always claimed that innovation and growth are inseparable from liberal free-market democracy norms (Ross 2018). The U.S. must try to stop the norm diffusion of BC to save WC. China has gradually been adjusting its development model towards the global capitalist system to join it. China gave up its communist anti-revisionist ideals as they realised that a communist country could not succeed in a capitalist world order. China has succeeded in creating economic growth through a pragmatic development model which sometimes borrows reforms from WC. State capitalism which secures the protection and development of its own enterprises and a high degree of governmental oppression, securing stability. The economic growth that China has generated is now being observed and emulated all across the world. China's success and its norm diffusion are concerning the U.S. which starts to see China as a peer competitor towards Western cultural economic and political hegemony (So 2014).

4.6 The target of the trade war (4): China's growing influence in global governance

The trade war is one, among other things, the U.S. has put in place to obstruct the rise of "Chinese hegemony". The U.S. wishes to slow down Chinese economic growth as this eventually would decrease China's increasing influence in global governance. At the same time, the U.S.' launch of a trade war comes as an attempt to mobilise institutional support from its historic bloc against Chinese ideals and institutions. The plan from Washington is to counter Beijing's "war of position" strategy, in which Beijing is trying to persuade U.S. allies to join its counter-hegemonic institutions in order to universalise Chinese norms (interests). The U.S. has framed China's increasing leadership in international institutions as a threat to the international liberal order. In the prelude of the NATO Summit in London 2019, an anonymous U.S. administration official stated that *"China presents a challenge to NATO and wants to undermine the rules-based international order"* (Reuters 2019). The U.S. has also set out to put institutional pressure on China to open the Chinese market further for American companies and force China to change its trade and development practices into a more liberal path. The Trump administration has reached out to the EU and Japan that alongside with the U.S. in January 2020 compiled a proposal for the WTO to implement more tight global rules in terms of state support and government subsidies, targeting the Chinese governmental state capitalist model (Brundsen 2020).

The U.S. wishes to radically change the dynamics and practices of its own institutions to be more hostile towards China as an attempt to erupt the advancement of Chinese material, ideational and institutional power. The neo-Gramscian theory considers institutions to be powerful and tend to *"take on their own life"* (Cox 1983: 136) which has happened with U.S. institutions like the WTO that has ruled in favour of China by defining the U.S.' imposed tariffs on some Chinese goods to be illegal (Weinland 2019).

According to liberalism and neo-Gramscian theory, the best way for the U.S. to secure its hegemonic position would be to strengthen the relationships with its allies through the Bretton Woods institutions. Nevertheless, the U.S. has since the Trump administration was sworn into office, delegitimised international institutions while antagonising core allies such as Germany, Canada and France (Shalal 2019). The ongoing trade war will not have a financial winner since it harms both economies. However, the impacts of the ongoing trade war with regards to leadership in international

institutions seem to favour China. China has become the defender of institutionalism and global trade while the Trump administration has advocated isolationism through its "America First" narrative, which has driven U.S. allies into the arms of China.

The neo-Gramscian theory considers institutions as an essential tool for a national state to universalise their values and shape a new world order. The U.S. has successfully managed to build up a world order around U.S. ideas and values. China has, through its change of strategy, adjusted its economy towards the U.S.-led world order, which has transformed the Chinese economy into the second biggest in the world. China is now starting to use its material gains generated through the U.S.-led world order to create counter-hegemonic institutions. The U.S. does not want to see that its own shaped world order is helping China to reach material gains and alliances that are being used to spread Chinese ideas through counter-hegemonic institutions. The U.S. is, therefore, trying to isolate China by making the case that China is violating global institutional norms (Paszak 2020).

The trade war has harmed the level of trust in the Bretton Woods institutions. Not only did the tariffs imposed upon China violate WTO rules (Weinland 2019), but it also escalated a trade war between two deeply intertwined economies. Trump has called NATO obsolete, threatened to withdraw financial support from WHO under the coronavirus outbreak, denounced "globalism" during a speech to the UN (Borger 2019) and threatened with withdrawing from the WTO (Jan & Phansalkar 2019). All of Trump's rhetorical attacks against institutions have weakened U.S.'s global influence as it has jeopardised the support of U.S.' core allies that depend on the U.S.-led institutional world order. The outcome of U.S. isolationism might fragment the Bretton Woods System *"into an array of bilateral and minilateral arrangements"* (Ikenberry 2008: 35). The EU has already started to engage in the creation of a short-term alternative to WTO which appellate body (AB) is not functioning as the U.S. continues to use their veto function to block any new judges that are being appointed and blocking budget allocations to AB. As a result, the WTO has lost its authority to punish states that engage in illegal activity and therefore overall damaged free trade norms (Beattie 2019).

The trade war has failed in isolating China and instead isolated the U.S. further from its allies. The harsh U.S. rhetoric against its allies and its own institutions combined with its hard rhetorical and retaliatory line towards China has resulted in the EU further trying to separate themselves from the U.S. position. The French president Macron has used the aggressive U.S. line towards China and the Bretton Woods system to argue for closer EU-China trading relations (DW 2019). The EU and China are currently negotiating a bilateral investment agreement which would further increase the economic

interdependence between the EU and China. The Chinese "war of position" strategy appears to have been successful in strengthening the economic and diplomatic ties with historic U.S. allies that have joined the Chinese counter-hegemonic institutions such as the AIIB. The fact that China now has primary membership in institutions such as the AIIB "*may be hastening an erosion of U.S. power*" (Ikenberry and Lim 2017: 13). As illustrated in figure 19, several of the AIIB's founding members are key U.S. allies that dismissed the U.S. denunciation of AIIB and joined it (Perlez 2015).

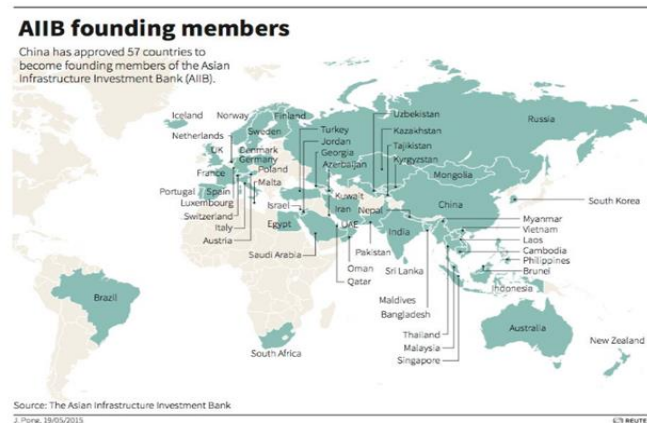


Figure 19: AIIB founding members
Source: (China-US Focus 2017)

Since institutions require multilateral participation, there are limits for the degree of power that China can consolidate on its own (Ikenberry and Lim 2017: 2). For example, back in 2014, China wanted 50 per cent of AIIB's voting share which would provide them with a simple majority; however, Western European participants, more precisely Germany and the UK, negotiated it down to 26 per cent which only gave China veto power over "*Supermajority decisions*" (Ikenberry and Lim 2017: 14). The example of AIIB shows from a liberalist perspective that "*The road to the East runs through the West*" (Ikenberry 2008: 25) and although China has moved from a rule abider towards a rule-maker it still relies on liberal countries' support to become a global leader. According to neo-Gramscian theory, hegemonic powers also need consensus, as explained by Robert. W. Cox:

"to become hegemonic, a state would have to found and protect a world order which was universal in conception, i.e., not an order in which one state directly exploits others but an order which most other states (or at least those within the reach of the hegemony) could find compatible with their interests" (Cox 1983: 171).

By this means, China's outward expansion of its internal hegemony is also determined by its ability to unfold consensus and persuasive ideas that can "convince" its partnering states that the new world order would serve their interest. A great example of this is the enormous BRI. Figure 20 illustrates how Chinese-led financial institutions such as AIIB, the SRF and the NDB (The BRICS bank) are going to combine the Chinese idea of BRI with Chinese material capabilities resulting in further universalisation of Chinese ideas. China is trying to promote itself as a responsible hegemonic stakeholder working to provide mutual gains for the world. This example shows the interconnection between Chinese generated material gains, Chinese institutions and Chinese ideas and how they combined shape world order.

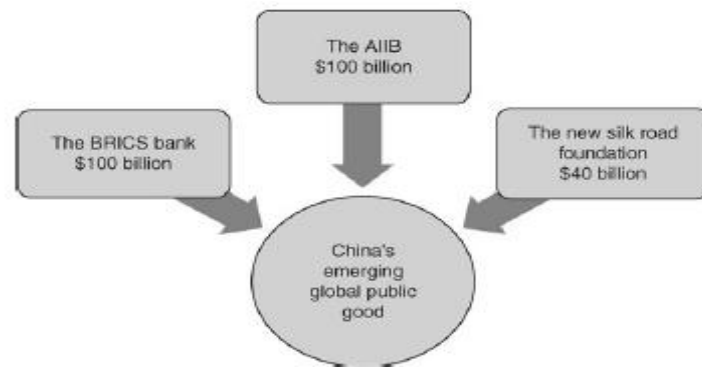


Figure 20: The emergence of a Chinese financial order

Source: (Christensen & Li 2016, p. 35)

The U.S. has under the Obama administration successfully managed to reassure the U.S. commitment to the Bretton Woods system which suffered a severe blow during the Bush administration. According to a Gallup survey, the U.S. went from a global leadership approval rating of 34 per cent in 2008 when Bush left office into 48 per cent in 2016 when Obama left office. Since Trump was sworn into office the U.S.' global leadership approval has gone down to 31 per cent, which is less than China that enjoys a 34 per cent global approval rating (Ray 2019). When Xi Jinping delivered the keynote speech at the prestigious Davos Summit in 2017, he was embraced by many as the leader and defender of free trade and globalism (Barking & Piper 2017). China's increased global influence from integrating itself into the global system and the U.S. decline rooted by the U.S. isolationist approach verifies liberalism and neo-Gramscian theory's assumption that institutions are an essential tool to gain and maintain hegemony.

Both liberalism and neo-Gramscian theory consider the U.S. rejection of internationalism to have weakened the Western bloc. The liberal world order is now being promoted by China, that due to its economic success within the system seems to have an interest in securing the status quo (Ikenberry 2016). China has changed from being an anti-revisionist isolated communist nation into being an advanced state capitalist country that reaches diplomatic solutions through international institutions. China has achieved a remarkable transformation, but these achievements have been reached by adjusting its economy closer towards a liberal world order that now is under siege (Peng 2018). The trade war and the Trump administration's denouncement of internationalism have created a vacuum of global leadership which China now is trying to fulfil. China has participated and integrated itself into the liberal institutional world order, which is easy to join but difficult to leave (Ikenberry 2008). By embracing the U.S.-led world order while building up its own counter-hegemonic institutions, China has managed to re-balance global authority from Washington to Beijing (Ikenberry and Lim 2017: 13)

The U.S. launched trade war has been denounced by most U.S.' allies that consider the trade war to be irrational. U.S core allies (EU, Australia and Canada) fear that further economic escalation between the U.S. and China would have a devastating impact on the global economy. The U.S. delegitimisation of the Bretton Woods system combined with its unpopular trade war with China has accelerated the U.S.-led world order faster towards multipolarity. China's historical bloc will continue to shape the world system through its material capabilities, counter-hegemonic institutions and ideas.

4.7 Summary of the case-study

Our theoretical framework has helped to explain the multifaceted rationalities behind the U.S.' decision to launch a trade war against China, but also to understand how the U.S. hopes to fulfil its multi-purposed desire of delaying the rise of China on various fronts. Nevertheless, the ongoing trade war has, according to our analysis, resulting in the decline of U.S. hegemony. Realism considered the U.S.' launch of the trade war to be a reasonable attempt by the U.S. to prolong China's "catching up". The trade war aims to reduce the relative gains that China, according to realism, has achieved through its trading partnerships. The U.S. attempt to force American companies to remove China from its supply chains has proven challenging since the global tech industry relies heavily on Chinese products and production. The Chinese tech industry will, therefore, be difficult to avoid entirely. The U.S.

attempt to stop Chinese upward movement in the global supply chain has come too late. China is already today the biggest trading partner to most countries around the world and the world's biggest tech exporter. The U.S. has tried to counter Chinese advancements during the trade war by tariffing Chinese exports (that mostly involve tech equipment) and sanctioning the Chinese tech giant Huawei that is outcompeting U.S. tech companies in 5G communication.

Social constructivism argues that the U.S. feels humiliated by being outcompeted by the Chinese development model and therefore launches a trade war to stop Chinese state capitalism and its norm diffusion. The WC's decline in popularity combined with the success story of Chinese development has made many developing countries, where WC has failed, emulate the BC. The WC historical bloc is now being pressured by the BC historical bloc which, due to increased material and institutional capabilities, has universalized its ideas. WC historical bloc is trying to use its material and institutional power to unite its allies against Chinese state-capitalism and thereby secure the continuation of WC hegemony. This has proven difficult since many of the U.S. core allies and the Bretton Woods institutions have accepted China's development model as an integrated part of the global system since it still operates within the framework of global capitalism.

Key U.S. allies rely on China in many areas and therefore, do not feel the need to call out China on its development model. By this means, the U.S. seems to stand alone with its demands. Both liberalism and neo-Gramscian theory conclude that the U.S. pressure imposed on the Bretton Woods system to take a harder stand on China and the reactionary retaliatory U.S. behaviour towards global institutions and its allies have resulted in the decline of the U.S.-led world order. Liberalism emphasizes that the U.S. will maximize its global influence by abiding and expanding its own institutions. The Trump administration has decided to do the exact opposite by denouncing internationalism through institutions, engaging in trade wars with core allies (France, Canada and Mexico), while at the same time launching a trade war with China. China has, unlike the U.S., expanded its counter-hegemonic institutions while trying to improve its relationship with the Bretton Woods institutions and U.S. core allies. Neo-Gramscian theory emphasis how China has used its material gains to create institutions that have universalized the ideas which drive Chinese national hegemony. China has through projects such as the BRI managed to frame Chinese interests to provide mutual gains globally and has, therefore legitimized its own position as a responsible stake-holder. Chinese promotion of institutionalism and mutual gains has further complicated the U.S.' attempt to isolate China via institutions. All U.S. attempts to isolate China have appeared to have the opposite

effect. The U.S. has chosen to launch a trade war against a strong economy which its key allies and the U.S. itself rely on. The U.S. has demonstrated its own fragility by standing alone. The U.S. has overplayed its hand by starting a trade war without the support of its core allies. U.S.'s core allies do not want a conflict with China and are therefore distancing themselves from the Trump administration's hard-line on China. All theories conclude that the U.S. has not met any of its alleged objectives through the trade war. Although the trade war is still ongoing, it is difficult to imagine that the U.S.'s alleged objectives for engaging in the trade war will be achieved.

5. Conclusion

In this thesis we have answered the research question: “How to conceptualise and analyse the implications and impact that the rise of China has brought about to the U.S.-led world order” by combining the more mainstream IR theories of realism, liberalism and social constructivism with the more unconventional IR theories of world-systems theory and neo-Gramscian theory. Our decision to implement this theoretical framework was based on our wish to illustrate the complexity of the rise of China. At the same time, to demonstrate that each theory has explanatory power that combined helps to explain the rise of China and its impact and implications for the U.S.-led world order. Our theoretical application verified each theory’s main points with regards to the rise of China’s impact on the U.S.-led world order.

Realism identifies the rise of China as a threat to the U.S.-led world order. According to the power transition theory, the U.S. containment towards China may encourage further escalation between the U.S and China. The decline of U.S. hegemony will, according to hegemonic stability theory, result in a bipolar world order. This can be an obstacle for peace in the international system and stability in the world economy. Liberalism on the other hand emphasised the economic and innovative opportunities that China could and has provided to the world system. The rise of China within the liberal world order should, according to liberalism, be defined as a victory for liberal institutionalism as it shows the strength and flexibility of the liberal shaped world system. However, some liberalists are also concerned about the rise of China within the liberal order as it may jeopardize fundamental liberal values such as democracy and civil rights. Through the lens of social constructivism, we argued that the U.S. fear of Chinese norm diffusion partly explains U.S. hostility towards China. The

U.S. sees BC as a potential peer competitor to WC. The BC is, according to neo-Gramscian theory, becoming universalised due to the outward expansion of Chinese national hegemony.

World-systems theory defines China as the next hegemonic power that eventually will dominate productivity, international trade and global finance and thereby become the new driving force of the global capitalist system. The rise of China as the next hegemonic power will bring structural changes within the world-system which is regarded as both an opportunity and a challenge for other countries in the world-system. China has quickly changed its role within the global division of labour by investing substantially in technology which has accelerated China's upscale movement in the global supply chain. China has made itself unavoidable in domains such as technology where China has started to outcompete some of the traditional core countries.

According to neo-Gramscian theory, China's generated material gains have been used to found Chinese-led institutions that are spreading Chinese ideals to the rest of the world. China's "War of position strategy" has been proven efficient in achieving closer economic and diplomatic ties with the U.S.' key allies which has further equalised the power distribution between the U.S. and Chinese historical blocs. Chinese counter hegemonic institutions such as the AIIB are now serving prominent U.S. allies such as Germany and the U.K and thereby gaining further legitimacy.

Our theoretical framework concludes that China is on an evolving path towards hegemony. However, our theories differentiate in their view of the hegemonic power transition. Liberalism and social constructivism consider the power transition to be partly irrelevant. The world-systems theory and neo-Gramscian theory predict a relatively peaceful power transition where China will secure the continuation of the current world order that is mutually beneficial for China and the U.S. Only realism seems pessimistic about the decline of the U.S. unipolar world order which from its perspective will result in hostility among the existing hegemon (U.S.) and the rising hegemon (China). Through our theoretical application, we conclude that the rise of China has accelerated the transition towards a more multipolar world order.

From our perspective, the impact of the rise of China is extraordinarily complex and deserves extensive focus and analysis. On the one hand, the rise of China involves several "threats" and constraints for the U.S.-led world order. On the other hand, the rise of China brings opportunities for the global economy and unseen inclusiveness for developing and emerging countries. At the same time, the rise of China will make room for structural changes in the existing world order. Furthermore, the so-called liberal interventions might be countered by Chinese Confucianism and create a less

reactionary world system. Nevertheless, what happens after U.S. unipolarity definitively ends, will most likely not only depend on the U.S. and China as many other countries are rapidly catching up.

To illustrate that all theories are applicable in the analysis of the rise of China, we decided to implement the ongoing trade war between the U.S. and China as our case-study. Although the trade war seems to be driven by realism as an attempt to consolidate U.S. hegemony, this thesis has tried to illustrate that the trade war also aimed towards several alternative targets. It attempted to obstruct China's increasing leadership through international institutions and the Chinese development model and its norm diffusion. Nevertheless, according to our analysis, the trade war will most likely not achieve its alleged objectives for several reasons. Firstly, the U.S.' plan to redirect American supply chains out of China will be a costly, complicated and slow process. Secondly, the trade war will most likely be insufficient in stopping Chinese technological advancements. Thirdly, Chinese institutions have, as a result of the U.S. denunciation of the Bretton Woods system, gained authority as they provide a functional alternative to the U.S.-led world order. And fourthly, BC has been normalised within the international system and continues to be emulated all across the world. More generally, this thesis asserts that the trade war has weakened the U.S.' global influence and alliances, and thereby paved the way for China to gain more influence by strengthening its alliances with U.S. allies. The trade war continues to unfold, and the conflict has escalated in the light of the current coronavirus outbreak, meaning that the resolution seems far away. The outcome of the trade war depends on a variety of internal and external factors.

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