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# Convergence and Hegemony: The United States and China in the 21st Century

Daniel Wilcox

*Union College - Schenectady, NY*

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**Convergence and Hegemony**  
**The United States and China in the 21<sup>st</sup> Century**

by

Daniel Wilcox

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Submitted in partial fulfillment  
of the requirements for  
Honors in the Departments of Economics and Political Science

UNION COLLEGE

June, 2022

## **ABSTRACT**

WILCOX, DANIEL JAMES: Convergence and Hegemony: The United States and China in the 21<sup>st</sup> Century

ADVISORS: Eshragh Motahar, Robert Hislope

The extreme economic growth of the Republic of China is neither a new phenomenon nor a topic that has not been extensively examined, however, how this convergence of economic power between the United States and rising China translates to potential political power is an important area of discussion. The US has forced to face a tumultuous beginning to the 21<sup>st</sup> century. Characterized by unprecedented terrorist attacks, subsequent wars that have brought economic and moralistic costs, increasing domestic partisan division, and a questioning of what it is to be an American, it is an unthinkable reality following the 1991 downfall of the Soviet Union, and a perceived new era of American exceptionalism.

No longer can the US act with impunity around the world, using its relative wealth and influence to project its opinions and desires to any country it deems to be acting contrary to its interests. China, in many measurements, is now an economically more powerful country than the US, with a population more than four times the size, and a unity and purpose surrounding the Chinese Communist Party government. In economic and demographic measures then, it may seem that China has the advantage. However, does this economic capital translate into the hegemonic role the US has occupied since the end of the Second World War?

This thesis uses historical interpretations, political and economic theories, as well as economic regression and analysis, to make a judgment on the traditional portrayal of the US as a hegemonic power, and the potential usurpation of this role by a resurgent China. The paper finds an important relationship between Chinese GDP growth and trade, relative to the US, and

discusses the integration of both the US and China within international institutions made in the image of the West. Moreover, there is an exploration of different interpretations of hegemony, as well as an assessment of hegemony in the 21<sup>st</sup> century. This includes a debate on likely future scenarios surrounding both countries and the international landscape, before making a conclusion on how hegemony can be judged in the present day, involving the US and China as semi-hegemonic powers, potentially limited by a hegemonic system now outside of their control.

## **ACKNOWLEDGEMENT**

I would firstly like to thank my advisors, Professor Hislope and Professor Motahar, for all the help that they have given to me. One of the most valuable experiences that I will take away from this process is the at least weekly opportunities for discussion and exploration. Whether it be in an office, over Zoom, or in Jackson's Garden, I am extremely grateful for the time and passion that they have put into supporting me with my work. Up until the very end, they have inspired me to become a better researcher, always challenging me to look deeper, and create a project that I am excited to work on and produce. This has been a highlight of my college career. Moreover, I would also like to emphasize the support from professors throughout the college over the past four years to pursue my passions. In particular, my advisors who have been with me for most, if not all, of my college journey: Professor Mark Dallas, Professor Fuat Şener, and Professor Zhen Zhang. Each one has given me opportunities to thrive and push my college experience further.

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# CHAPTER I

## INTRODUCTION

The relationship between the United States of America and the People's Republic of China has gained increasingly notable publicity over the last two decades, especially following the Chinese accession to the World Trade Organization in December 2001. Since the beginning of China's reform period following the death of Chairman Mao Zedong and the rise of Deng Xiaoping as the paramount leader of the country, there has appeared to have been a transition away from a US-centric world, as was the norm post-WWII. With the Chinese economy being transformed toward "socialism with Chinese characteristics", also known as the Deng Xiaoping Theory, China began playing a much larger role in the global market economy dominated by the United States. For its part, the United States has been seemingly unwilling or unable to accept the rise of China as an issue to combat. With the War on Terror taking up much of the American political and economic capacity, China was able to grow largely without consequence, albeit up until the beginning of the 2010s, beginning with a 'Strategic Pivot' to the Asia-Pacific region by the Obama Administration, (Cruz De Castro 2013, 331). This focus on China has brought the issue of its place in the world vis-à-vis the United States to the forefront of American political life.

One of the largest areas of contention between the United States and China has been the trading relationship that has recently appeared to favor China and the manufacturing base that has been built there, potentially to the detriment of the American industrial sector. Former



American President Donald Trump brought this issue to a head with the initiation of a trade war between the two countries, in an attempt to reduce the trade deficit facing the United States. Despite a change in administration following the election and inauguration of Joe Biden in January 2021, the trade war is ongoing, spurred by a bipartisan focus on the potential challenge that China is placing on the United States' power in the world. This awareness is now much more pronounced and outwardly stated. President Biden for example explained during the COP26 conference in Glasgow in 2021 that he regards America's relationship with China as being "competition. It does not need to be a conflict" (Malloy 2021), suggesting a hope or necessity of the United States in maintaining positive relations with the country. Whether this situation is a challenge to a hegemonic United States or to the multilateral system that the United States has helped create following the Second World War, this is an issue that will be discussed. The pathway of the relationship between the United States and China is currently unclear, and it is therefore important to hypothesize the various potential relationships that may come about.

The United States has not faced a credible and potentially overwhelming threat to its position as the most powerful country in the world since the end of the Second World War. Although it could be argued that the Soviet Union was the only other dominant superpower that faced the United States during the Cold War period, even it was relatively isolated to its limited sphere of influence, as well as lackluster economic and manufacturing capabilities. However, China has now risen as a country that can increasingly compete with the US not only in traditional areas of manufacturing and technology, but also in areas of cultural significance, seen most recently in areas of sports, such as their hosting of the 2022 Winter Olympic Games, and censoring of those who speak out against members of the ruling Communist Party, as evidenced

in the case of Chinese tennis star Peng Shuai<sup>1</sup>. Attempting to analyze the reasons for which the areas of politics, economics, and cultural influence are connected and understanding why they are so integral for the potential relationships between the United States and China, is extremely important for preventing future conflict between these two nations.

The importance of attempting to understand the phenomenon of convergence of the two country's GDP figures as a percentage of the world GDP cannot be overstated. The factors that have caused this convergence over the past thirty years and beyond, as well as how both countries will politically react to the observable changes in the balance of power, will have a profound effect on how every other country will progress over the next century. These tensions can already be witnessed with the formation of certain alliances and agreements that can be interpreted as attempts to create or maintain relationships that can be used to thwart or contain the other country, with a recent example being the AUKUS agreement between the United States, Australia, and the United Kingdom. Touted as an agreement merely "investing in our greatest source of strength – our alliances" (The Economist 2021) by President Joe Biden, it is nonetheless an illustration of the fear felt by the United States and its western allies in particular, about the rise of a China that is unwilling to play within the boundaries made by the US following the Second World War and cemented by the dissolution of the Soviet Union in 1991. Meanwhile, within the Biden administration, there can be observed a desire or requirement to

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<sup>1</sup> <https://www.bbc.com/news/59338205> - Peng Shuai, the Chinese tennis star, made accusations against a former high-ranking official in the Chinese Communist Party on a Chinese social media site. These posts were subsequently removed and the whereabouts of the tennis player were unknown. After a call worldwide, including from the Women's Tennis Association (WTA), for the confirmation of Peng's safety following the deletion of the posts and her subsequent seeming disappearance, Peng re-emerged claiming a "huge misunderstanding", continuing to show up at events such as the Beijing Winter Olympics.

work multilaterally within groups or between countries, contrary to the behavior of the United States in previous conflicts, but most notably divergent from the previous Trump administration.

The structure of this paper is as follows: it will provide background regarding how China and the US have reached the situations that they find themselves in presently by first looking at the individual histories of the two countries. This will be followed by the history of the relationship between the United States and China and will focus most on post-1990 relations that were developing. During this period China began showing a willingness to integrate itself into the global capitalistic market, under the leadership of Deng Xiaoping. The paper will undertake a discussion of the potential political understandings of the relationship, with a particular focus on interpretations of hegemonic stability theory, and how economic power can translate in political hegemony. It will then conduct an empirical analysis of the underlying factors that have potentially caused this convergence in GDP data, and possible reasonings behind these results. Finding and understanding a correlation between the political and economic factors of the convergence of GDP values for the United States and China will help to conclude how power in one may create power in the other. Going forward it may help to explain why certain events or factors may or may not influence the political and economic relationship, and to what degree. Possible scenarios of the future roles of the United States and China in the world will conclude the paper.

Using data from a range of sources, including the International Monetary Fund and the World Bank, this paper will attempt to comprehend what effect these factors have had from 1990 to 2020. This will provide a concrete period of data and events to discuss, therefore leading to an

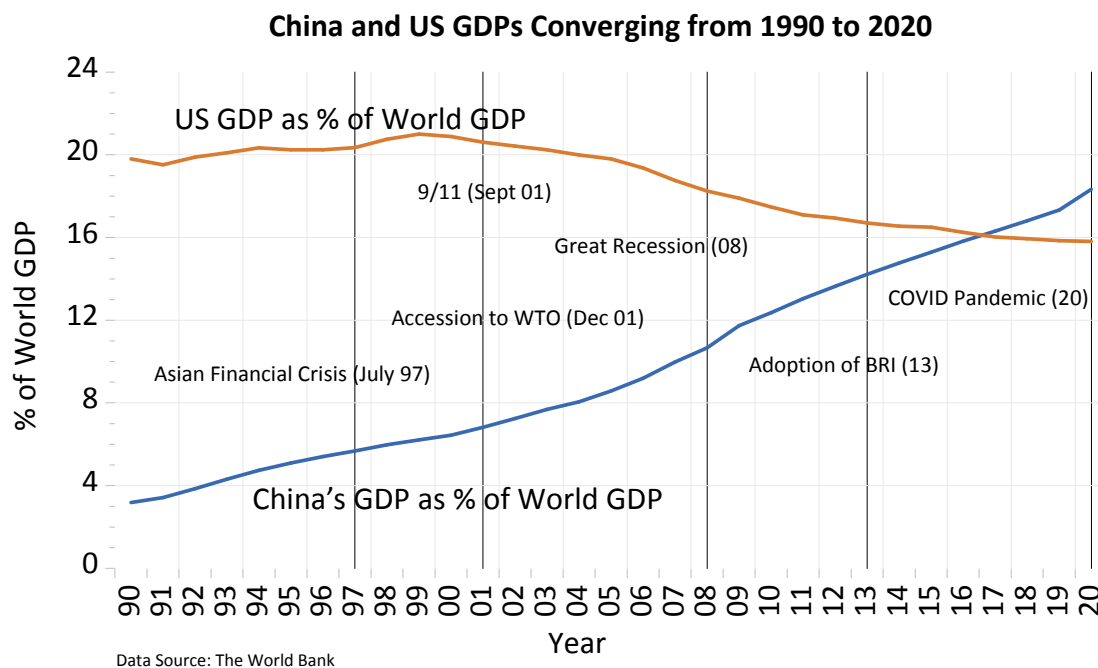
ability to empirically understand what has led to the convergence of GDP levels between the two countries, and to what extent activities carried out and controlled by the countries have allowed this level of growth to be so disproportionate, such as through levels of trade and foreign direct investment. Meanwhile also deciphering the potential inevitability of the growth being skewed toward a certain country over the other due to the characteristics of said countries, for example, size of the population, system of government, and therefore areas that it is much harder for a country to change or control for.

The perceived assertiveness and confidence that China is now exuding under the leadership of Xi Jinping, demonstrated by projects such as the Belt and Road Initiative (BRI), adopted by the Chinese government in 2013, has been used as an argument within the United States for it to take a much tougher stance with regards to China. This paper will also debate whether the post-WWII world order was situated as a unipolar system with the United States as a hegemon, for China to now usurp.

Understanding the behavior of China as being aggressive and an attempt to remake the world order in its image, or merely as a desire to play a major role in the system of international relations that have already been set up, is vital for examining the path that the country will take going forward while also considering the perceptions of its actions by other countries, most consequentially the United States. The outward arguments made by the Chinese and US governments must be understood in the context of their domestic audiences, as well as the larger strategy that both countries may be attempting to maneuver.

Finally, the question of which direction the power structure will likely head toward is one of the consequences that this paper will attempt to provide an insight into. This relationship, like all areas of international politics and economics, is in constant flux, meaning that the path is never really set unchangeably. However, there are events and past precedents that make the behaviors of the two actors much more predictable. With this open-mindedness, the paper will attempt to offer various scenarios regarding how the relationship will progress.

*Figure 1. Phenomenon of convergence, with convergence occurring in 2017*



## CHAPTER II

# HISTORY

### I. INTRODUCTION

Understanding the history that countries have lived through or overcome to reach where they are today helps indicate where they will potentially be going in the future, as well as the reasons for which they may do so. This section will make note of the potential experiences of China and the United States, to give further context to how we have now reached a point of the two countries being viewed in an adversarial light.

This chapter will also provide a discussion and demonstration of the existing literature surrounding the roles of the United States and China in the world, as well as their relationship with each other. There will be a focus on the application of the theories and the discussions of the real-world events that have occurred. There has been much discussion among scholars, as well as within the media, and the general population, about the connections and rivalry between the United States and China. Using some of the observations that have been made, I hope to inform my own scenarios of where the relationship between the two countries will be headed over the next few decades. It should of course be noted that although history, theories, and previous literature can be used to help us to understand the relationship, there are constant unforeseen and exogenous shocks that can divert the path of the world completely, such as the 9/11 attacks or the COVID pandemic.

## II. CHINA BEFORE THE 21<sup>ST</sup> CENTURY

China has had a long and varied history, going through evolutionary and revolutionary periods. For much of China's history, it was one of the foremost powers in the world, with the Song Dynasty era in around 1200 AD being the period viewed by many as a moment of economic might in China, with the country having "the most advanced technologies, the highest iron output, the highest urbanization rate, and the largest national economy in the world" (Zhu 2012, 104). It is also generally agreed that the nineteenth century brought the divergence of economic growth between China and western Europe, with various international conflicts such as the "two Opium Wars between China and Great Britain...and the Sino-Japanese War" (Zhu 2012, 105) weakening the sovereignty and ability for industrial growth within the country.

From the perspective of the Chinese, the advantage taken by these foreign powers created a century of humiliation. China was unable to effectively combat these powers, either militarily or diplomatically. Territories of the country were taken over and used to create trade zones benefitting the European powers, largely in the east. One of the most well-known examples is the territory of Hong Kong, taken over by the British in 1841 and only returned to China in 1997 under plans agreed between the Thatcher government of Britain and the then-Chinese premier Zhao Ziyang.

This culminated in the current People's Republic of China, under the one-party Chinese Communist Party, following the 1949 Communist Revolution led by Mao Zedong. Mao's China created a period of relative economic and cultural inwardness. Characterized by closing off the country following what was seen as the inability of the Kuomintang to protect the general

population throughout the early 20<sup>th</sup> century. Before the takeover by the CCP, the Kuomintang is generally agreed to have created conditions of malnutrition, corruption, and high inflation, enabling the Communists to gain power with relatively little resistance within the peasant class. The ability of the CCP to create a sense of collectivism and nationalism among the peasantry enabled it to establish control to a level that the Kuomintang was unable to do.

Following the death of Mao in 1976, economic reforms were instituted in China to attempt a reversal of the perceived and actualized failures associated with events such as the Cultural Revolution of 1966. These reforms, which included the opening of the country to foreign investment, integration in the globalized system of trade, and a movement away from wholly state-owned enterprises, attempted to allow China to escape the low economic growth and output that had plagued the country for the prior century. In 1978, China had a real GDP per capita of “only one-fortieth of the US level” (Zhu 2012, 103), starkly exposing the uphill struggle facing Chinese economic potential.

### III. CHINA IN THE NEW MILLENNIUM

With the reforms initiated being seen contemporarily as successful and necessary for the economic progression of the country, the new century did nothing to halt China’s attempts to rapidly increase the amount of growth it was seeing. China experienced annual GDP growth “at an average rate of 10.5%” (Wang 2017, 595) from 2000 to 2010. This rate would have been unthinkable before the economic reforms of the late 1970s. Importantly for this paper, it is noted that “China’s share of world GDP doubled from 7.5% to 15% between 2001 and 2012” (Wang 2017, 595), illustrating the speed with which China has been able to expand and grow relative to



other countries. These figures are two direct pieces of evidence illustrating the unprecedented growth of China during the 21<sup>st</sup> century, with several factors being noted as allowing for this growth to occur, including the accession to the World Trade Organization, creation of various institutions that China has been able to mold and head, as well as the U.S. distracted by the War on Terror and domestic divisions.

The beginning of the Xi Jinping presidency in 2013, the implementation of the Belt and Road Initiative (BRI), and various developments since then, including the rise of Chinese companies like Huawei, and the COVID-19 pandemic, have brought China to the front of global politics and business again. With recent activity from the CCP affirming Xi as one of the great leaders, along the lines of Mao Zedong and Deng Xiaoping, he will continue as the leader of China indefinitely. This confirms that these initiatives and increased focus on the economic and political influence that the country holds will continue in the same vein until at least the middle of the decade.

Countries including the United States and the United Kingdom have moved in an attempt to reduce the ability of certain Chinese companies, most notably Huawei, to conduct business within their borders and integrate themselves within various infrastructure projects. The UK for example at first allowed Huawei to be the main provider for its 5G infrastructure but eventually banned the company out of a fear of their connection to the Chinese government and intelligence services, accentuated by a US pressure for allies to reduce their reliance on the company to maintain intelligence relationships.<sup>2</sup> Although denied by Huawei, the role of the Chinese government in state-owned and even private enterprises is a consideration that many countries

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<sup>2</sup> <https://www.economist.com/briefing/2020/07/16/americas-war-on-huawei-nears-its-endgame>

are now more aware of. Although this has not been a complete disaster for the development of most Chinese companies, it raises the question regarding how much longer these companies will be able to expand and integrate themselves into foreign markets without intervention from those governments. The issue of cyber security has been increasingly critical to relations and trade around the world, but specifically the role of Russia and China concerning the security of elections and voting in Western countries.

China has become an increasingly activist country, willing to act in its interests even if that is to the detriment of others, as well as flexing its economic and military muscle to make its thoughts known. There are many examples of the country using its position and power in the world to act both within and outside of the international systems set up after the Second World War, including in curtailing the freedom of Hong Kong residents, with little international action aside from diplomatic condemnation.<sup>3</sup>

Firstly, the use of economic incentives, such as investment, to encourage or coerce recipient countries in a certain way cannot be overstated. China has instituted the Belt and Road Initiative to create a line of investment and influence around the world, using and expanding upon the traditional Silk Road. The actions and extent to which China has been able to act have differed based on the country, however it has more than likely contributed to the expanded ability of China to make inroads in markets in every continent, and places where the US had formerly been the dominant power.

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<sup>3</sup> <https://www.nytimes.com/2021/06/28/world/asia/china-hong-kong-security-law.html>

Secondly, China has also worked within international institutions and structures to cement its position as an influential nation. For example, within large political organizations such as the United Nations, where the People's Republic of China has been represented since 1971. Before this, the Republic of China government, based in Taiwan, was recognized as the representative of a Chinese state. Taiwan, which is still claimed by the PRC as its own under a One-China policy, has continued to gain recognition as an independent state in its own right, however the PRC's powerful position on the United Nations Security Council has ensured that this recognition does not come.<sup>4</sup> The United States and other Western nations have attempted to bring forward this recognition but have been unable to do so. This is an illustration of how the PRC has so successfully been able to use the international institutional systems built in the mid-20<sup>th</sup> century to make its position in the world unequivocal, as well as to bring down what could be potential adversaries or rivals.

Moreover, it is not only in political international organizations that the country has worked to establish itself as a powerful player. Increasingly the PRC is consolidating power with events like the Olympic Games and other sporting and cultural organizations. As with the previously mentioned case of Chinese tennis star Peng Shuai, as well as instances of the censoring of movies or actors for reasons varying from LGBTQ+ representation to dissatisfaction with critical comments toward the regime, it is not only within the sphere of hard power that China is attempting to make inroads.

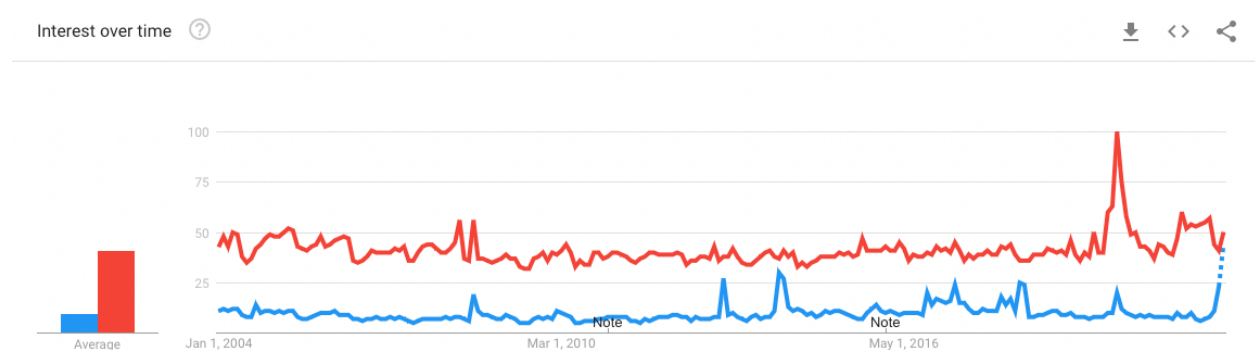
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<sup>4</sup> <https://www.brookings.edu/opinions/taiwans-un-dilemma-to-be-or-not-to-be/>

#### IV. THE RISE OF CHINA

It is vital to look deeper into how the People's Republic of China has risen from a place of relative insignificance in the middle of the 20<sup>th</sup> Century, to being seen as a potential rival to the most powerful nation in the world. Whereas the latter part of the last century was dominated by the Cold War and the struggle between the US and Soviet Union, China has now become the focus of interest for many Americans and the American government. The “strategic pivot to the Asia-Pacific region” (Renato Cruz de Castro 2013, 332) under the Obama administration demonstrates the US’ desire to focus much more on how China has been economically and politically rising in a world where the US has been distracted by its undertakings in the Middle East. This focus on China, especially relative to a former country of focus like Russia, can be crudely demonstrated using the following Google Trends illustration, which shows the larger interest in China compared to Russia since 2004, the earliest time period available on the website. It should be noted that this was prior to the 2022 invasion of Ukraine by Russia.

*Figure 2. Google search terms “Russia” and “China” relative interest<sup>5</sup>*



<sup>5</sup> <https://trends.google.com/trends/explore?date=all&geo=US&q=russia,china>, note: Interest over time, “Numbers represent search interest relative to the highest point on the chart for the given region and time. A value of 100 is the peak popularity for the term. A value of 50 means that the term is half as popular. A score of 0 means there was not enough data for this term.” Accessed February 17, 2022.

Michael Noonan, discussed how China has attempted to use its power to act as a potential rival, at least covertly, against the US. Taking advantage of its “expanded financial and military muscle” (Noonan 2015, 602) has created opportunities to overcome the previous economic might of the United States and has increasingly been used to diminish the effect of US and Western sanctions, not only toward China, but also those that may fall within China’s sphere of influence, such as Iran or other states with human-rights violations. Like other countries that may not have the hard resources to use as leverage, such as former global economic powerhouses, the UK and France, China has also made use of “soft power tools” (Noonan 2015, 602) that enable outsized influence on a state-by-state or more widespread basis. As listed by Noonan, some of the activities that China has engaged in over the past few decades are the creation of “parallel international institutions” (Noonan 2015, 602) such as the Asian Infrastructure Investment Bank, which have enabled China, as well as other member countries, to provide alternative forms of investment funding than those set up by the American-system post-WWII, and a use of media to spread (mis)information around the world.

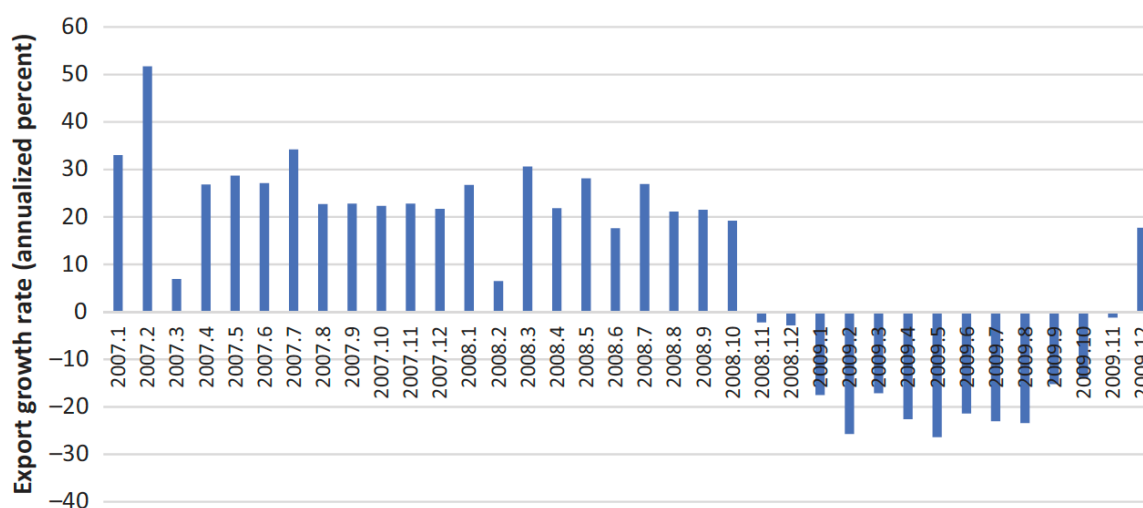
Additionally, Zhaohui Wang has discussed the economic rise of China, focusing on the period following the 2008 Financial Crisis. First, noting the “polar opposite” (Wang 2017, 596) economic situation that the US and China find themselves in, with the former holding current account deficits and the latter surpluses. Wang notes three differing explanations of China’s economic growth: firstly, there being a “convergence hypothesis” (Wang 2017, 596), which focuses on China’s growth being mainly predicated on its ability to export and would therefore see it accepting the “rules and regulations Western countries have established over the last century” (Wang 2017, 596). China would be continuing the liberalizing of global trade, just as

the US has largely sought to do, to support this continued growth. The first alternative proposition mentions China being “dissatisfied with the current global institutional presence” (Wang 2017, 596) created by the US, and therefore wanting to reform it, rather than completely replacing it. This has been called the “challenge hypothesis” (Wang 2017, 597). Lastly, Wang puts forward a “status-quo hypothesis” (Wang 2017, 597), predicated on a second Bretton Woods system that would keep the US in place as the center, but with Asia and China especially being the “new periphery” (Wang 2017, 597) as opposed to Europe and Japan. The paper does not align itself with any one of these hypotheses but notes that China is no longer a “rule-taker” but “some combination of a rule-maker... and a rule-breaker” (Wang 2017, 617), attempting to reform the current international system while also circumventing the system when wanting to do so, for its own benefit. This same argument could be made toward the US, that has built a system predicated on trade liberalization, but is willing to use sanctions and trade barriers for its geostrategic or economic benefit.

Wang describes US-China economic relations as being “symbiotic but asymmetric” (Wang 2017, 603). The symbiotic portion is put down to the dollar having a “core status” (Wang 2017, 603) in the international economic system, as well as the “dependence on foreign markets” (Wang 2017, 603), characteristic of a China that relies on manufacturing exports. Meanwhile, the asymmetric relationship is also a key part of this relationship according to Wang, due to the reliance China has on exporting its goods. Many of these goods go to the US market, which would be unable to buy such goods if China were to “dump its dollar reserves and destabilize the world economy” (Wang 2017, 607-608). Importantly, Wang points out the need to “examine interdependence and power relations” (Wang 2017, 607) which can make China more vulnerable

within this relationship than may at first be apparent.<sup>6</sup> There is therefore a connection made between the ability of American consumers to purchase Chinese-made goods, or goods in general, and the welfare of the Chinese manufacturing industry. This phenomenon, albeit in a situation that does not specify the United States, is evidenced in the following graph provided by Wang, through the knock-on effects of the 2008 Global Financial Crisis on Chinese export growth. It shows a decline in this growth rate of exports, thought to be at least partly caused by the economic downturns experienced by many of the markets that usually buy Chinese-made goods.

*Figure 3. China's monthly export growth rate 2007-2009<sup>7</sup>*



SOURCE: National Bureau of Statistics, People's Republic of China, <<http://data.stats.gov.cn/english/easyquery.htm?cn=A01>>.

<sup>6</sup> Robert Keohane and Joseph Nye, *Power and Interdependence: World Politics in Transition* (Boston: Little, Brown, 1973).

<sup>7</sup> Wang 2017, 608

## V. THE UNITED STATES OF AMERICA

The United States has been a main player in the world for much of the 20<sup>th</sup> century and beyond, especially following the Allied victory in the Second World War. With much of the pre-WWII powers having been decimated or exhausted by war and destruction, the US was able to take advantage of this when creating political and economic institutions unlike any that had been created before, including the United Nations (UN) and North Atlantic Treaty Organization (NATO), providing a platform for some countries to interact and discuss issues following the example of American economic liberalism. Creating these leading organizations enabled the country to bring others into its fold and influence, as well as ensuring that it had an advantage in trade and leverage.

The United States did face a threat in the form of the Soviet Union, with both vying for political, economic, and military supremacy. This period of the Cold War created a mentality of the world being split into two camps: the capitalist West and the communist East. Over this time, both the US and Soviet Union attempted to gain control of areas around the world through proxy wars and attempted nuclear dominance. This led to many countries announcing allegiance to one country or the other, as well as an iron curtain falling over Eastern Europe. However, following the fall of the Berlin Wall in 1989, and the dissolution of the Soviet Union two years later, the US was viewed as the sole superpower in the world.

Following this perceived triumph of American liberal capitalism over the communism of the Soviets, it was understood that the United States was free to spread its beliefs outside of what had been its traditional spheres of influence, into areas previously under the Soviet areas of



control. Eastern European countries such as Poland, Latvia, and Lithuania became a part of the American ‘success’ story, eventually ascending to organizations like the European Union, and moving further away from Russian influence. At points there had even been a belief of Russia itself joining the institutions that had been created to counter the power of its former state, such as NATO, however, these hopes were soon dashed.<sup>8</sup> Nonetheless, the United States entered the 21<sup>st</sup> century with the understanding of itself as the only country capable of projecting its power around the world unilaterally. This was evidenced following the 9/11 terrorist attacks in 2001, arguably moving the country’s attention away from the economic expansion being experienced in China and planting it firmly in various states in the Middle East. Most notably, Iraq and Afghanistan have taken up much of the resources of the United States, only ending in 2021 with a withdrawal planned by the Trump administration and carried out by the Biden administration. This action led to much criticism for how the process was carried out.<sup>9</sup> This distraction over the past 20 years has arguably allowed China to integrate itself into the economic framework that has enabled unprecedented growth, but also to insert itself into the vacuum left by American absence.

Interestingly, the role of China has domestically caused issues in the United States for more reasons than simply strategic or security ones. The phenomenon of largely manufacturing jobs moving out of the country and seemingly to countries like China has been noted as being one of the potential reasons for China being vilified increasingly since the beginning of the century. As noted by Pierce and Schott (2016), there does appear to be a relationship between the loss of manufacturing within the United States and the trade treatment that has been bestowed

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<sup>8</sup> <https://www.washingtonpost.com/archive/politics/2000/03/06/putin-says-why-not-to-russia-joining-nato/c1973032-c10f-4bff-9174-8cae673790cd/>

<sup>9</sup> <https://www.brookings.edu/blog/order-from-chaos/2021/11/09/biden-was-wrong-on-afghanistan/>

upon China following its accession to the World Trade Organization in 2001 (Pierce, Schott 2016). This creation of new tensions, that may or may not be warranted, especially within the general populace of the United States, is one of the areas that may have been pushing American politicians to strike a much tougher line with China.

Although it should be noted that the United States had not simply been ignoring China before this, with some suggesting that the US has been pursuing a “two-pronged approach” (Friedberg 2015, 89), attempting to both bring China into the fold of globalization, while attempting to constrain China’s influence, by maintaining a presence in the Asia-Pacific. This is of course to a level of success that is uncertain but increasingly viewed as having been futile (Friedberg 2015). The visit of US President Richard Nixon and Secretary of State Henry Kissinger to China in the 1970s created an opportunity for the normalization of relations. Before this normalization, the US had recognized Taiwan’s government as the true Chinese representative. This was reversed by the end of the 1970s, leading to the status quo that is now accepted, with the People’s Republic of China occupying the Chinese seat among the UN Security Council, made up of the victorious Allies of the Second World War.

## VI. THE UNITED STATES’ PLACE IN THE WORLD

The role that the United States plays in the world is under constant discussion and debate. Although the power of the United States relative to a majority of other countries is not in question, the unfettered influence that it has enjoyed almost universally has become a much more contested issue. The 20<sup>th</sup> century has brought an onslaught of challenges to the US both domestically and abroad, with the 2000 presidential election leading to a Supreme Court knife-

edge decision, of which we are still feeling the effects today, the 9/11 terrorist attack and subsequent War on Terror, invasions of Iraq and Afghanistan, and increasing partisanship and attacks on the democratic ideals of the country, being just a few of the challenges that the US has gone up against.

The US' place in the world has evolved over the past few decades, with much of the reason being due to events far away from its borders but that reverberate all around the world. The US, due to its central placement on the world stage, is therefore unable to escape these effects. The terrorist attacks in New York led to repercussions of which we are still affected, and as noted by Michael Noonan, created a "fundamental shift in the dynamic of the international system" (Noonan 2015, 601). Noonan argues that these attacks punctured the feeling of invulnerability felt within the US borders, and of course led to the longstanding Iraq (2003-2011) and Afghanistan (2001-2021) wars that many have compared to the failure in Vietnam in the middle of the 20<sup>th</sup> century. Noonan notes that these wars affected the US by "tying them down from responding to other contingencies" (Noonan 2015, 601) and "accelerated" (Noonan 2015, 601) the process of the US being overtaken by China, a country that in comparison was not distracted by conflicts on the other side of the world. Interestingly, Noonan does also mention Russia in addition to China, as being a country that benefited from the distracted US. Russia had of course been a main competitor of the US just over 10 years before the 9/11 attacks, in the form of the Soviet Union during the Cold War, and since then has become increasingly belligerent under the leadership of President Vladimir Putin. Noonan quotes American foreign policy experts A. Wes Mitchell and Jakub Grygiel in their discussion of the US "declin(ing)", and therefore Russia and China seemingly sizing up how the US is able to deal with the "outer

limits of its power commitments” (Noonan 2015, 602). Noonan attributes a description of this behavior by states like China and Russia to Robert Strausz-Hupé, in a paper on communist strategy, where it is described as the “communist world’s use of ‘nibbling expansion’ against the Free World” (Noonan 2015, 602), while not going so far as to declare full-scale war against the US.<sup>10</sup>

However, Noonan did want to clarify that he believed that the US would “remain *a* key player in international politics, if not *the* key player” (Noonan 2015, 603), because of the continued relative strength economically and militarily, as well as its “geographic location” (Noonan 2015, 603). It should be noted that this paper was written before the presidency of Donald Trump, who is argued to have thrown out the traditional rule book during his time as American leader. We can now look back on the US’ place in the world with the benefit of hindsight because of the seven years that have gone by since. Noonan does look to the future to discuss a successor to the United States in its role as a global leader, although Noonan does not mention the word hegemon in his paper. He speculates on the role of a “strong European federation of states” (Noonan 2015, 603), which seems even less likely following the withdrawal of the UK from the European Union in 2016, and is concluded with a quote from the geopolitical leader Robert Kaplan, who argued that there is “no successor for American power for a more liberal order” (Noonan 2015, 603), similar to the role taken up by the US following the decline of Great Britain.<sup>11</sup> Noonan continues by hypothesizing that the US will need to become more multilateral in its behavior, not due to an inability to carry out an action, but to aid in “burden

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<sup>10</sup> Robert Strausz-Hupé et al., *Protracted Conflict: A Challenging Study of Communist Strategy* (New York: Harper Colophon Books edition, 1963), p. xi.

<sup>11</sup> Robert D. Kaplan, “Supremacy by Stealth,” *The Atlantic*, July/Aug. 2003, <http://www.theatlantic.com/magazine/archive/2003/07/supremacy-by-stealth/302760/>.

sharing” (Noonan 2015, 604) and to “increase international legitimacy” (Noonan 2015, 604). US citizens have become increasingly wary of overexerting the country internationally, with roots in the 20<sup>th</sup> century Korean and Vietnam conflicts, but also more contemporarily with the War on Terror and on-going effects of the 2008 Financial Crisis, the COVID-19 pandemic, and other domestic issues taken upon by domestic leaders and activists, including former President Trump. This desire among the general population to focus more on domestic issues over international conflicts has arguably created an opportunity for countries like China and Russia to fill in these empty spheres of influence, and largely have bipartisan support in the US.<sup>12</sup> NATO is also mentioned by Noonan as providing an avenue for US multilateral activity, as well as the outsized budget of the US military, compared to every other country in the world.

The US has always placed an emphasis on the allies and partnerships that it has in different parts of the world. This does not necessarily mean that the US acts without its own national interests being of foremost concern, however these relationships have, and will increasingly be, important parts of American strategy. Two examples of partner countries in Asia, Japan and South Korea, are a prime illustration of where the US is wanting to work with allies in order to potentially contain China. Some have described a need for an “Asian NATO” (Rozman 2015, 348) useful to act as a potential deterrent to Chinese aggression in the region, as well as dispersing more of the responsibility to US allies, with another important ally in the region being Australia.<sup>13</sup>

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<sup>12</sup> <https://www.wsj.com/articles/biden-seeks-to-shift-focus-to-domestic-issues-after-afghanistan-exit-11630931401>

<sup>13</sup> <https://www.brookings.edu/research/the-case-for-australia-to-step-up-in-southeast-asia/>

## CHAPTER III

# POLITICAL AND ECONOMIC THEORIES

### I. INTRODUCTION

The work and conclusions that this paper will be completing are based on various political and economic theories that have guided the direction of the project. Although these theories are not necessarily all-encompassing or provide for all the explanations of how the relationship between the United States and China may have developed and will progress going forward, they lay a groundwork with which these conclusions can be made. This chapter will attempt to understand whether these theories are useful when looking at this relationship, asking the question of how China will potentially be evolving as a power vis-à-vis the United States, a force that has arguably been guiding the world for more than 70 years.

This thesis will be attempting to understand how there has been a potential shift in the balance of power between the United States and China but will be unable to unarguably choose a theory in international relations theory without some detractors. Thus, I have chosen to focus predominantly on hegemonic stability theory to ascertain the role that the United States has potentially occupied over the past 70 years. This chapter will begin by examining the typically accepted versions of hegemonic stability theory, before going more specifically into the propositions of individual thinkers. This theory provides the baseline for the thesis, with it being used to analyze the relationship that exists, as well as the potential paths forward.

Following this, economic theory will be introduced that will be used to integrate the economic and political relationships that exist and have been cemented over the past 20 years. Specifically, the convergence theory is one of the main economic theories that will be examined. With this theory being used to understand the main economic relationship that may potentially drive the other economic and political influence.

## II. HEGEMONIC STABILITY THEORY

The political theory that will be discussed is hegemonic stability theory. In the Merriam-Webster dictionary, hegemony is defined as meaning the “preponderant influence or authority over others” (Merriam-Webster Online, 2021). The importance of understanding whether we live in a world of hegemony, or a world of geopolitical interests, cannot be overstated. Although some countries may have a greater level of power relative to other countries, whether this increased power leads to more influence and an ability to pursue one’s naked interests, is vital for the discussion of the balance of power between the US and China. This section will understand the various interpretations of hegemony and attempt to find an overarching interpretation that is applicable for the contemporary world. It is important to note that at different points in history the type of hegemony, or even whether it does exist, can continually fluctuate and change. This section will look at what different authors have theorized about the existence of hegemonic stability theory, as well the potential drawbacks and arguments against it. At points there will also be a discussion into how hegemony links into other concepts of international relations, helping us to gain an understanding of why it is not a solitary theory.

Hegemony is intrinsically linked with power, with this being one of the focuses of Thanh Duong in their book 'Hegemonic Globalisation: U.S Centrality and Global Strategy in the Emerging World Order'. Power will be a reoccurring theme through this paper's discussions, especially when it comes to comparing the abilities and influence of the two countries being focused on. In his book, Duong analyzes "Four Spheres of Power" (Duong 2002, 37), which are then used to explain the theory of "hegemonic globalization" (Duong 2002, 37). These four types of power are described as being "political, cultural/ideological/symbolic attributes, economic resources and capabilities, and military strength and capabilities" (Duong 2002, 37), and are used to illustrate how hegemony is so reliant on this theory of which country has the most power relative to all others and can therefore influence and cajole as necessary.

Moreover, there are broad but distinct versions of hegemonic stability theory that differ in the way they theorize that a hegemon comes about and behaves. The first broad version would be a neorealist understanding of the theory that uses a state's desire and hunger for power to eventually lead them into attempting to become a hegemon. The strength needed to be classed as a hegemon is also not agreed to by all thinkers. As noted by Howard Lentner in his article discussing the role of hegemony and its relation to power and autonomy, some thinkers assume a hegemonic power as being one capable of world domination or being a "state that dominates all others" (Lentner 2005, 736). This theory, as commented by Lentner, was advocated by John J. Mearsheimer, who argues this exact point, that "great powers do not merely strive to be the strongest of all great powers... (it is to become) the only great power in the system" (Mearsheimer 2001, 1), which is the hegemon. However, a caveat to Mearsheimer's understanding of hegemony was its limitations to only a "regional hegemon" (Lentner 2005, 736)



rather than a world power. Intriguingly, Mearsheimer posits that the international system that exists is one of the main drivers of this sort of behavior, because of constant fear and subsequently aggression being seen as a necessity of survival. The three features outlined by Mearsheimer are the lack of a central authority, the existence of a military in all states, and the impossibility of knowing all about a potential rival's motives or future actions. (Mearsheimer 2001). Calling his understanding of this situation as an "offensive realism" (Mearsheimer 2001, 3), Mearsheimer's neorealist hegemony boils down to being about the military might of a nation being the path to success and hegemonic power. Important to note within Mearsheimer's argument is that the makeup of the states vying for hegemonic power is not important, in the sense that a state that is democratic is just as likely to go to war with another great power, as a state is non-democratic. He uses Germany in 1905 as an example to prove this point, arguing that it does not make a difference who the leader of Germany was at the time, "Bismarck, Kaiser Wilhelm, or Adolf Hitler" (Mearsheimer 2001, 6) or whether Germany was democratic or autocratic, it was actually "how much relative power that Germany possessed at the time" (Mearsheimer 2001, 6) that matters for this theory. Although, Mearsheimer notes that this simplification of the discussion may prevent the theory from being applicable in all situations.

In opposition to this understanding of hegemonic stability theory, neoliberal thinkers tend to focus much less on the pursuit of conflict by states, and rather on the desire for cooperation and stability. As noted by Mearsheimer, one of the theories advocated by liberal thinkers is the democratic peace theory, which states that "democracies do not go to war against other democracies" (Mearsheimer 2001, 9) which would of course be in opposition to the realist position advocated by Mearsheimer himself that the setup of a state does not matter, simply the

quest for absolute power. Moreover, the economic interdependence of states between each other, whether that be in the buying of each other's goods, or other types of trade, and therefore desire to "concentrate instead on accumulating wealth" (Mearsheimer 2001, 9) with the byproduct of this being continuous peace in the name of prosperity. Lastly, Mearsheimer notes the idea of international institutions being used by liberals as an argument in favor of promoting "cooperating among states" (Mearsheimer 2001, 9) and therefore again a reduction in the possibility of war. Self-interest then, according to the liberal way of thinking, can be diminished by pursuing democracy, peace, and cooperation, in opposition to a realist's opinion of affairs.

Outside of international theory, the idea of hegemony also exists. Antonio Gramsci, a founder of the Italian Communist Party, interpreted hegemony from a Marxist perspective that differed from the ideas and understandings of other theorists. Unlike those who focus on the concept of hegemony vis-à-vis states, Gramsci took a more micro approach whereby it could be described as "political leadership based on the consent of the led" (Bates 1975, 352). This interpretation of hegemony by Gramsci did focus on the relationships between different domestic groups within a society, and therefore have a "means to control and cajole other groups" (Duong 2002, 59) into following the path of that dominant group. This could be through a variety of forms, including the media and religious groups, but under the Gramscian theory is a basis for the formation of hegemony (Duong 2002).

However, this interpretation of hegemony can be applied in an international context. The Gramscian hegemony is not merely within an individual state, but permeates among states in the international system, creating a "world hegemony... all of which are rooted in a particular mode

of production” (Duong 2002, 60). If we look at the predominant system in place today, the capitalist system of industrialization and free trade, advocated by the West and headed by the United States, is unarguably the system that all are beholden to. Even if we are to look toward the east, we see that China is also an extensive player in the capitalist market system, albeit without describing itself as a capitalist country. It could be argued therefore that China is playing within the hegemonic capitalist system of production, a form of hegemony that bypasses the need of an individual state to be the hegemon, but rather represents and exemplifies the actions of the United States to cement its preferred ideology, and the preferred ideology of much of the Western world, into an unavoidable reality of the international system.

I have chosen several theorists of hegemonic stability theory that have been heralded as leaders of developing this theory and the discussions surrounding it. I will examine their interpretation of the theory, as well as attempting to ascertain the context within their understanding comes from. Within each thinker’s version of the theory, they frequently cite each other’s arguments with either praise or disdain, acknowledging the differences and similarities that each iteration of the theory has.

## A. IMMANUEL WALLERSTEIN

Immanuel Wallerstein describes hegemony as being a situation where “one power can largely impose its rules and its wishes” (Wallerstein 1983, 101) on other states, and even among its allies and similar powers. Interestingly, Wallerstein argues that there cannot simply be a relative strength in one area of the power dynamics between countries, such as by having a more powerful military for example, but that the hegemonic power must have a power advantage “so

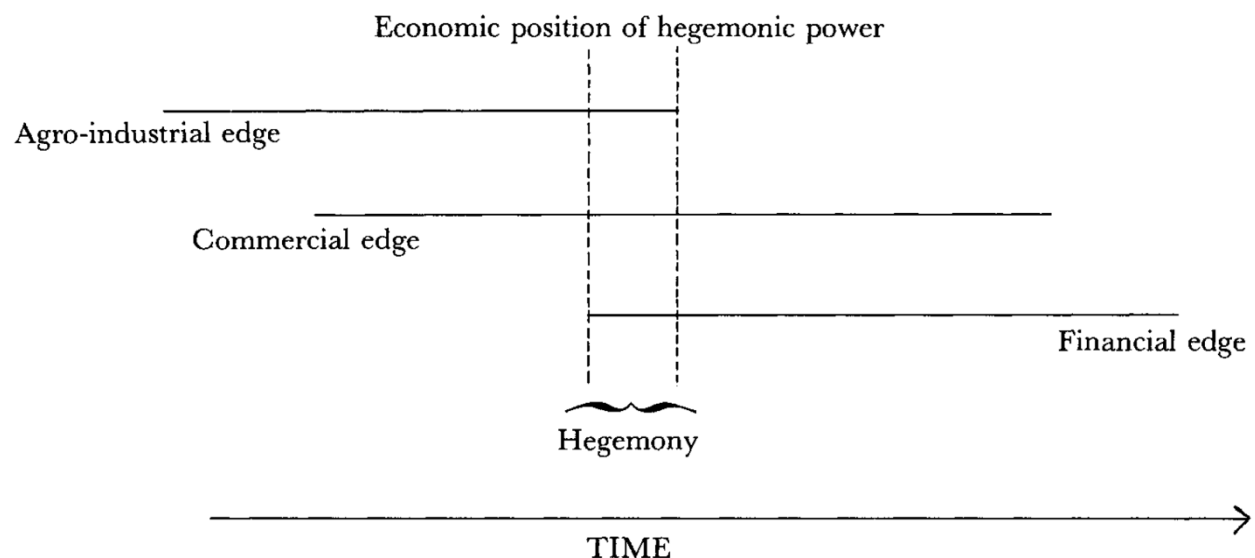
significant that allied major powers are de facto client states and opposed major powers feel relatively frustrated” (Wallerstein 1983, 101). This demonstrates that the power of the hegemonic power must be so great that other countries must be unable to pose a challenge to that main power. Although, it should be noted that Wallerstein qualifies this by stating one of the limits of the power, explaining that “omnipotence does not exist within the interstate system” (Wallerstein 1983, 102) and therefore that they are not necessarily able to act without consequence.

Importantly for our discussion surrounding the current state of the world, Wallerstein stresses that a system of hegemony is “rare and unstable” (Wallerstein 1983, 102) suggesting that although possible, it is much more likely for the world to be in a situation with no hegemonic power. With this analysis, Wallerstein contends that a “situation of rivalry within the interstate system” (Wallerstein 1983, 102) is the normal state of affairs, whereby there is no supreme power able to “impose its will on others” (Wallerstein 1983, 102) as would be the case in a hegemonic period. He even goes as far as to argue that the United States could only be classed as a hegemonic power between 1945 and 1967, which would place the end of their classification as a hegemon long before the marketization and industrialization of the China that we see today. However, along with his qualification of a hegemon needing to be strongest in a multitude of characteristics, Wallerstein explains that they only come into existence for that short period within which the state excels in three “economic domains” (Wallerstein 1983, 103), and is visualized in Chart 1. The overlapping of an “edge” in the agro-industry, commercial, and financial positions are argued as being a “short interval” (Wallerstein 1983, 103), and therefore

could be described as fleeting in nature, which would corroborate Wallerstein's previous claim of a mere 22 years of hegemony for the United States after the Second World War.

Whether this overlap is still needed for a country to be a hegemon could be argued for and against. With the world globalizing and becoming interconnected in ways that could barely have been imagined forty years ago, we now see countries much more connected and dependent on trade and specialization in industries than existed in prior periods of potential hegemony, as will be discussed next.

*Figure 4. Fleeting overlapping of economic areas argued as being a requirement of hegemony by Wallerstein.*<sup>14</sup>



<sup>14</sup> Wallerstein 1983, 103

Wallerstein uses his “restrictive definition” (Wallerstein 1983, 102) to describe the three periods of hegemony that fit these characteristics. The first is the United Provinces of the Dutch (1625-72), the second being the United Kingdom (1815-73), and the final being the United States (1945-67) (Wallerstein 1983, 102). Although these positions are not without their critics, especially when considering a hegemon from a different understanding, Wallerstein attempts to explain how they come about following a fall in the previous hegemonic power. He explains there being “contenders for succession” (Wallerstein 1983, 104) who are then vying for the role of hegemon following the fall of the current. In the case of the Dutch, Wallerstein says that the UK and the French were competing, meanwhile for the British, it was between the US and Germany, and for the Americans he uses the examples of the Japanese and western Europe. Importantly for our current understanding, we would no longer view either Japan or even western Europe as being a potential hegemonic successor to the United States, with China now having taken this role, especially regarding beginning to impede on US economic supremacy. Whether there is another power also vying for this position could be argued. A country with a similar population may be India, meanwhile a group of countries with the seeming desire to uphold the liberal system may be the European Union, which is what Wallerstein may have been pointing to, although did not then exist in its current form.

Another “analogy” put forward by Wallerstein is the idea of hegemonies being “advocates of global ‘liberalism’” (Wallerstein 1983, 102), and therefore ensuring the “free flow of the factors of production (goods, capital, and labor)” (Wallerstein 1983, 102). This would apply to the United States today, which works to ensure the free passage of goods using its navy, among other tools at its disposal. Of course, much of this use of force is for the state’s interests.

As acknowledged by Wallerstein, if it is to the benefit of a hegemonic state, it is willing and eager to interfere in the business of another state, whether that be political or otherwise. See the prolific cases of interference in South America by the United States, or the Vietnam War over the late 20<sup>th</sup> century, as just some examples.

## B. GEORGE MODELSKI

George Modelski puts forth a theory of hegemony that dates the first world hegemonic power back to Portugal, with the Dutch following afterward, two periods of British hegemony, and finally the US being a hegemonic power. Modelski uses a useful table to illustrate his understanding of the timeline of this theory.

*Figure 5. Table of Modelski's understanding of global hegemon and their period*<sup>15</sup>

*Table 2.6 Processes of globalization (930–2080)*

<i>From about (year)</i>	<i>Global system process</i>	<i>Global community process</i>	<i>Global political evolution (long cycles)</i>	<i>Global economic evolution</i>
930	preconditions	<b>EXPERIMENTS</b> Reforming	<b>EURASIAN TRANSITION</b> North Sung South Sung	<b>SUNG BREAKTHROUGH</b>
1190		Republican	Genoa Venice	<b>COMMERCIAL/ NAUTICAL REVOLUTION</b>
1430	global nucleus	Calvinist	<b>ATLANTIC EUROPE</b> Portugal Dutch Republic	<b>OCEANIC TRADE</b>
1640		Liberal	Britain I Britain II	<b>INDUSTRIAL TAKE-OFF</b>
1850	global organization	<b>DEMOCRACY</b> Democratic groundwork	<b>ATLANTIC-PACIFIC</b> USA	<b>INFORMATION</b> K17 Electric, steel K18 Electronics K19 Information industries K20
2080				

<sup>15</sup>*World System History: The Social Science of Long-Term Change*, edited by Robert A. Denemark, et al., Taylor & Francis Group, 2000. *ProQuest Ebook Central*, <https://ebookcentral.proquest.com/lib/union/detail.action?docID=166488>.

This theory of hegemony is based on the idea of the world in a “mechanism of global political evolution” (Denemark et al. 2000, 49), described by Modelski as a “long cycle” (Denemark et al. 2000, 49). This theory of the hegemonic system differs from previously discussed theorists with Modelski’s understanding of it being less chaotic and anarchistic, and more a simple transition from one hegemony to another. Importantly for hegemony, Modelski assumes that “the activities of economics are closely linked with and dominate the role of political activities” (Duong 2002, 62). Through this connection, it is therefore understood that a drop in the economic power of a hegemonic power will eventually lead to some process of decline and culmination into a loss of hegemonic status to a more economically powerful state. Like other theorists who discuss the role of war in the path of a hegemon, Duong explains that Modelski believes that “a long cycle begins with a major war” (Duong 2002, 62) which would then lead to that decline and delegitimization of the major power, and eventually a usurping power taking its place. This is a continuing process that reoccurs as that leading power loses economic legitimacy and thus influence.

### C. CHARLES KINDELBERGER

Charles Kindleberger theorizes hegemony from a neoliberal point of view, in opposition to the neorealist interpretation of global disorder being the only alternative. Similar to the points put forth by other theorists, Kindleberger does advocate a hegemonic power as being able to “exercise preponderant power and influence over other states and actors” (Duong 2002, 64), but differs in that this power is distributed within “political, economic and social structures” (Duong 2002, 64) that ensure an upholding of international rules. Kindleberger argues that the hegemony



must act as some sort of stabilizing power, that will maintain a following of the rules that it has created. This will “set standards of conduct for other countries” (Duong 2002, 64).

Similar to the Gramscian understanding of the need for an overarching system of rules for all countries to follow, Kindelberger advocates in his theory the use of institutions that work to set the rules that must be followed. Like the ideas of Wallerstein with the hegemon providing a benefit to all, Kindelberger takes this a step further by explaining that “the hegemon may benefit from the system... (but) only whilst others benefit as well” (Duong 2002, 64). This, therefore, cements the thought process of Kindelberger being that a hegemonic power is needed in the world to prevent instability

Through Kindelberger we can see an emphasis on the idea of hegemons providing public goods, allowing shared prosperity for periphery countries. This can include, but is not limited to, a currency with which things can be traded, a system of collective security, and an international system of rules. These shared goods should be accessible to all and are to provide stability to a state no matter how large or small.

#### D. MICHAEL WEBB & STEPHEN KRASNER

Michael Webb and Stephen Krasner attempt to assess the versions of hegemonic stability that have been theorized. As a general point they espouse that there can only be “international economic openness and stability...when there is a single dominant state” (Krasner, Webb 1989, 183), illustrating the widely held belief that the United States has acted in this dominant position

post-WWII, enabling the spreading of democracy, economic liberalism, and other American ideals.

The theory does not simply apply to the period following the Second World War, but certain authors have attributed other eras as being evidence of hegemony, such as “Britain in the late nineteenth century” (Krasner, Webb 1989, 183). Attempting to understand this theory and how it has been applied or derided throughout history is important in our discussion surrounding the environment that China is seemingly increasing its power relative to that of the United States, and thus can provide a potential insight into the relationship between the two. Krasner and Webb posit that the United States could be described as “still a hegemon, albeit a waning one” (Krasner, Webb 1989, 195), although this was an opinion more than thirty years ago. It is likely that this analysis would differ today following on from the fall of the Soviet Union, the rise of China, and the various economic and political events that have occurred throughout the world.

## E. LIMITS

The theory is not without its detractors, however, with there being an understanding among some theorists about the potential drawbacks associated with the idea of a hegemonic power being present in the world. Many theorists who advocate hegemonic stability do also question the usefulness of the theory in the modern world, in an era of multilateral organizations and a law- and rule-based system, albeit set up under a particular influence and modeled around a certain political and economic ideology, in this case, liberalism and the market.

It is therefore important to attempt to understand the limits of hegemonic stability theory, so that we may help to clarify whether this is a theory that is applicable in today's world, or whether it has been a situation that the world has found itself in prior, or even whether it is not something that countries have existed within. One of the strongest advocates of hegemony being an outdated concept, Robert Keohane, uses the international institutional system to argue that "cooperation can... develop on the basis of complementary interests" (Keohane 1984, 9). The prevalence of multilateralism within the world can be evidenced in a myriad locations, whether that be with the United Nations, an international organization fostered as a successor to the League of Nations, empowered to lead discussion, debate, and decision-making, including a majority of states in the world, or even groups like the European Union, which has brought countries together in a political and economic union, unlike anything that has arguably been seen in the European continent before. Having a multitude of powers around the world that can carry out policy and strategic actions for the betterment of themselves, but perhaps also not the detriment of others, may suggest that this theory of one power being above the rest is invalid.

Keohane uses rational choice theory to argue that many governments "seek to form international regimes on the basis of shared interests" (Keohane 1984, 107). Thus, it is likely that countries will want to join and support international regimes that exist, and "comply with regime rules" (Keohane 1984, 107) to maintain general rules and understandings, leading to a limit of the "flexibility of governments... to act in their myopic self-interest" (Keohane 1984, 108) and instead have the desire to support the international system through cooperation and mutual recognition of the rules. Keohane frequently mentions the importance of a state's reputation as being a large reason for which it partakes in and abides by the international regimes and systems,

arguing that those that do not follow these rules are given “a reputation as an unreliable partner” (Keohane 1984, 258) and will therefore be at a disadvantage at a later stage. Whether this is true for all countries equally could be contended, with a larger, more economically powerful country potentially able to have much more flexibility in ‘bending’ rules in its favor, with other relatively less powerful countries unable to protest in any tangible way. However, Keohane ends his argument by reasoning that those leaders who are “intelligent and farsighted” (Keohane 1984, 259) will be sure to follow the commitments made to the international institutions in order to guarantee that their future objectives will be attainable.

Similar to this understanding of international institutions playing a substantial role in ensuring that peace is maintained even when a hegemon is not present, John Ikenberry argues that organizations such as NATO have maintained relevance post-Cold War to the detriment of the neorealist theory of hegemony. He notes that the build-up of power within certain countries relative to others is “rendered less consequential and threatening because binding institutions restrain and regularize that power” (Ikenberry 2001, 248). Thus, much like the arguments put forth by Keohane, Ikenberry uses the idea of rules and regimes as a limitation on the power of potential hegemons, who then willingly give up this ability of being a hegemonic power for the collective good.

### III. HEGEMONY CONCLUSION

The theory of hegemonic stability is largely a discussion surrounding the relative power of one country to every other. This power can be understood through an economic and political lens, and has many differing interpretations, some of which we have explored in this chapter.

Essentially for our discussion, there is no singular understanding of what a hegemonic power is or will be, which provides us with the flexibility to debate different forms of hegemony that may arise.

To help us in our discussion of whether the US remains a hegemonic power, I will synthesize the main points that each author added to our understanding of what hegemonic theory is. When reaching our conclusion section, we will then be able to clearly utilize this concept in the context of the 21<sup>st</sup> century.

To begin with, Wallerstein provided us with his “restrictive definition” (Wallerstein 1983, 102), which denoted a hegemonic power as having an advantage in the areas of agriculture and industry, commerce, and finance. They also must advance liberalism, to ensure a flow of goods, capital, and labor. Modelski also links economic power with hegemonic power, with economic wealth relative to every other country translating into political power. Meanwhile, Kindelberger explains that a hegemon must act as a stabilizer for the world. It must set out a system of rules and processes that enable other countries to prosper and grow, while also benefiting the hegemon itself. Similarly, Webb and Krasner discuss the economic stability that a hegemon brings, allowing a dispersion of peace and prosperity.

What links all these interpretations together is the understanding of hegemony being the behavior of a state. However, this disregards other areas of potential power that could lend itself well to this particular theory. In this case, the role of non-state entities such as ideology and even

economics, could be other actors that may be described as displaying hegemonic tendencies, as was alluded to by Keohane, among others.

#### IV. CONVERGENCE THEORY

One of the economic theories that this paper will be relying upon to attempt in understanding the potential reasons for the expansive growth witnessed in China relative to the United States over the past thirty year is the convergence theory. Charles Jones discusses this convergence theory, making use of the ideas theorized by Aleksander Gerschenkron in 1952, and Moses Abramovitz in 1986, who described a pattern of low-income, developing countries growing at a much larger rate than richer countries, which leads to this reduction in the differences between the countries (Jones 1998). This is potentially an explanation for why China has so quickly been able to catch up and surpass the United States in terms of GDP, as has been illustrated by graph G1. Jones discusses an understanding of a country being above and below their “steady state” (Jones 1998, 61), with this steady state being determined by a country’s “levels of technology...rates of investment...(and) rates of population growth” (Jones 1998, 60). Using this theory, it could be explained why China has been experiencing this higher rate of growth, with it being cemented by Jones’ further qualification of the theory, with a “principle of transition dynamic” (Jones 1998, 62) describing how a country whose economy is acting less than its steady state level will grow at a faster rate in order to eventually reach that level. (Jones 1998).

Jones interestingly uses the examples of South Korea, Singapore, and Hong Kong, three of the four Asian Tigers, along with Japan, seen as a major success story in the late 20<sup>th</sup> century,

who all appear to have followed this path of high economic growth as set forth by the theory (Jones 1998). It could be argued that China, which has focused on investment, improving technology levels within the country, while not experiencing population growth to the same extent as previous decades, would follow these other countries in East Asia, as now experiencing this growth because of it being below what its equilibrium level is. As was seen with these other countries, however, this level of growth was not sustained to the same extent indefinitely, possibly bringing up the question of at what point China will be unable to maintain a level of growth comparable to the previous few decades.

## V. MY CONTRIBUTION

Bringing together much of this conceptualization of the political and economic theories and applying it to the contemporary world is how I will attempt to build upon the work that has already been completed about the United States and its relationship with China. Most notably, with the benefit of hindsight following the Trump Presidency and the COVID-19 pandemic, there appears to have been a widespread awakening among Western liberal democracies who now view China openly as a threat and rival. Although some may have theorized this path prior to the turn of the century, we are now able to understand exactly how various other events that were unforeseeable during the period where many theorists were writing. Phenomena such as the War on Terror or COVID-19 crisis created the path from relative indifference shown by the West toward China to a high level of focus and attempted curtailing of power.

The importance of ascertaining which theories can be attributed to the current situation that the world finds itself in with the relationship between two potentially competing powers will

become concrete in the coming chapter. Contextualizing and examining how a US or China that exists today could fit into being a type of hegemon, or not, is vital for us to then use our empirical understandings to either confirm or deny the kind of position that each nation holds in the world, between each other but also in their relationships with other countries through economic and political connections and influence.

As mentioned previously, expanding the definition of what a hegemonic power could be is also an important way of bringing this theory into a contemporary context. No longer limiting our understanding for a hegemon as being only a state is vital for our discussion as we begin looking at how this concept can be used for China and the US. As well, applying the theory of economic convergence is an important piece in the puzzle when examining how China's economic growth may or may not enable it to become a hegemon.



## CHAPTER IV

# ANALYTICAL FRAMEWORK AND EMPIRICAL RESULTS

### I. INTRODUCTION

This chapter will begin by providing a summary of the data sources that have been used to collect the data that I am using, and then how this data will be used in order to attempt to gain a greater understanding of various aspects of US and Chinese individual growth, and the potential correlations and differences between them. The theory of convergence is of course a leading reason why this topic is being looked at, as we see a lessening, and eventual convergence and reversal, in the values of US GDP and Chinese GDP.

### II. DATA SOURCES

The World Bank has been a major source for the data gathered during this project, because of the ease in availability of the data that it offers. Additionally, the International Monetary Fund has been used for the reserve currency data of each country. Initially, the period hoping to be looked at was much broader, spanning from around the middle of the 20<sup>th</sup> century to the present day, however, a lack in data, especially from China, has meant that the amount of reliable data that could be found for all areas has been required to be limited to a period of 1992 to 2019. This period does cover a large portion of the extreme growth that China has experienced since the institution of reform, as well as encompassing many of the important events that have affected the world economy in a significant way. This includes China's accession to the World

Trade Organization in 2001, the 2008 Global Financial Crisis, and the beginning of Xi Jinping as Chinese President in 2013 with his subsequent economic and political action.

### III. DATA

The different areas of data that have been gathered are for Chinese values, US values, and total world values. This is to provide the ability to look at these values as a percentage of the world total, where much of the analysis will subsequently be based. This analysis will then incorporate the theoretical understandings that have been discussed in previous chapters, to make a judgment on whether the economic relationship that has been found can potentially provide us with an understanding of the political situation between the countries, and thus their place in the world vis-à-vis each other.

*Table 1. Variable Descriptions*

Variable	Definition	Units	Time Period
x1	World GDP	GDP, PPP (constant 2017 international \$)	Yearly
x2	China GDP	GDP, PPP (constant 2017 international \$)	Yearly
x3	US GDP	GDP, PPP (constant 2017 international \$)	Yearly
x4	World GDP	GDP (current US\$)	Yearly
x5	China GDP	GDP (current US\$)	Yearly
x6	US GDP	GDP (current US\$)	Yearly
x7	World GDP/capita	GDP per capita (current US\$)	Yearly
x8	China GDP/capita	GDP per capita (current US\$)	Yearly
x9	US GDP/capita	GDP per capita (current US\$)	Yearly
x10	Total World Trade	Thousands of US\$	Yearly
x11	Total China Trade	Thousands of US\$	Yearly
x12	Total US Trade	Thousands of US\$	Yearly
x13	World FDI Outflows	BOP (current US\$)	Yearly
x14	World FDI Inflows	BOP (current US\$)	Yearly
x15	China FDI Outflows	BOP (current US\$)	Yearly
x16	China FDI Inflows	BOP (current US\$)	Yearly
x17	US FDI Outflows	BOP (current US\$)	Yearly
x18	US FDI Inflows	BOP (current US\$)	Yearly
x19	Total Reserve Currency	Millions of US\$	Quarterly
x20	China Reserve Currency	Millions of US\$	Quarterly
x21	US Reserve Currency	Millions of US\$	Quarterly
x22	China Total Factor Productivity	Constant National Prices (2017 = 1)	Yearly
x23	US Total Factor Productivity	Constant National Prices (2017 = 1)	Yearly

The above table shows the data that our analysis will be using. These particular values were chosen in order to ascertain not only the best economic indicators of the position of a country in the world, but also the potential political overspill that these numbers show. More specifically, for example, the use of trade and foreign direct investment may be used as economic indicators but also can be interpreted as providing political influence over the countries that are being traded with or that are being invested in.

*Table 2. Summary Statistics*

<b>Variable</b>	<b>Mean</b>	<b>Median</b>	<b>Maximum</b>	<b>Minimum</b>	<b>Std. Dev.</b>
World GDP (PPP)	1.24E+14	1.24E+14	1.30E+14	1.18E+14	5.32E+12
China GDP (PPP)	2.06E+13	2.06E+13	2.25E+13	1.86E+13	1.68E+12
US GDP (PPP)	1.98E+13	1.98E+13	2.06E+13	1.91E+13	6.45E+11
World GDP (Current US\$)	8.28E+13	8.37E+13	8.76E+13	7.63E+13	5.15E+12
China GDP (Current US\$)	1.29E+13	1.31E+13	1.43E+13	1.12E+13	1.42E+12
US GDP (Current US\$)	2.01E+13	2.01E+13	2.14E+13	1.87E+13	1.18E+12
World GDP/capita (Current US\$)	10950.17	11070.91	11395.41	10263.44	532.1163
China GDP/capita (Current US\$)	9240.133	9361.164	10143.84	8094.363	957.6058
US GDP/capita (Current US\$)	61618.75	61587.04	65279.53	58021.4	3199.456
Total World Trade (Thousands of US\$)	3.75E+10	3.81E+10	4.03E+10	3.35E+10	2.94E+09
Total China Trade (Thousands of US\$)	4.25E+09	4.34E+09	4.63E+09	3.69E+09	4.41E+08
Total US Trade (Thousands of US\$)	4.03E+09	4.08E+09	4.28E+09	3.70E+09	2.65E+08
World FDI Outflows (BOP (current US\$))	1.53E+12	1.61E+12	2.14E+12	7.56E+11	7.05E+11
World FDI Inflows (BOP (current US\$))	1.88E+12	1.86E+12	2.74E+12	1.07E+12	7.45E+11
China FDI Outflows (BOP (current US\$))	1.59E+11	1.41E+11	2.16E+11	1.37E+11	3.84E+10
China FDI Inflows (BOP (current US\$))	1.91E+11	1.81E+11	2.35E+11	1.66E+11	3.09E+10
US FDI Outflows (BOP (current US\$))	1.86E+11	2.44E+11	4.05E+11	-1.51E+11	2.41E+11
US FDI Inflows (BOP (current US\$))	3.64E+11	3.59E+11	4.74E+11	2.61E+11	8.73E+10
Total Reserve Currency (Millions of US\$)	11326675	11343969	11708244	10910519	346252.2
China Reserve Currency (Millions of US\$)	148602.6	145147.9	213337.2	90777.37	59175.61
US Reserve Currency (Millions of US\$)	6159771	6296866	6734976	5310374	647471.3
China Total Factor Productivity (Constant National Prices (2017 = 1))	0.889202	0.859152	1.024834	0.750894	0.101874
US Total Factor Productivity (Constant National Prices (2017 = 1))	0.934275	0.958748	1.016862	0.837511	0.055694

The above table shows the summary statistics for the main data variables. Especially evident in the GDP statistics is the variation of the data depending on how it is measured. This is also shown in the graphs that are created.

The next few pages will illustrate the data in graph form, to help provide an idea of how the data looks at face value.

*Figure 6. GDP (PPP)*

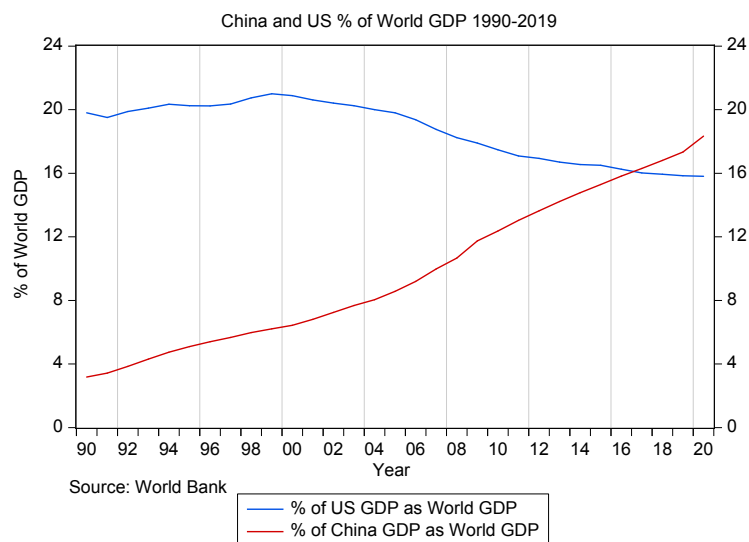
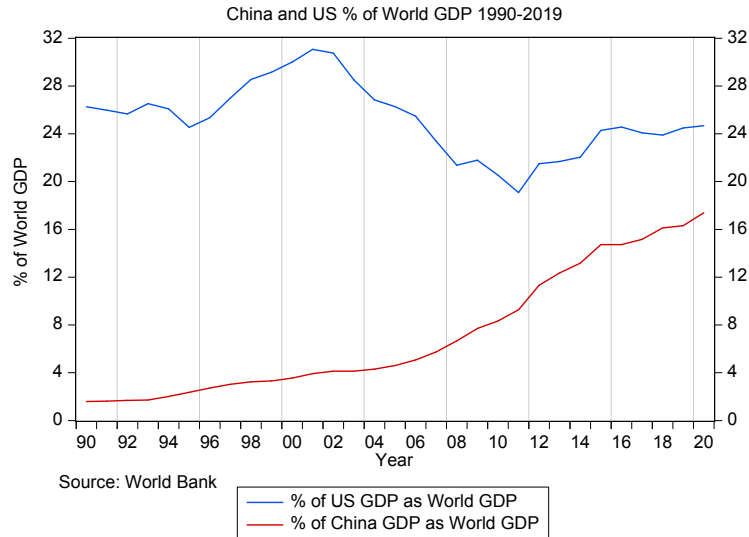
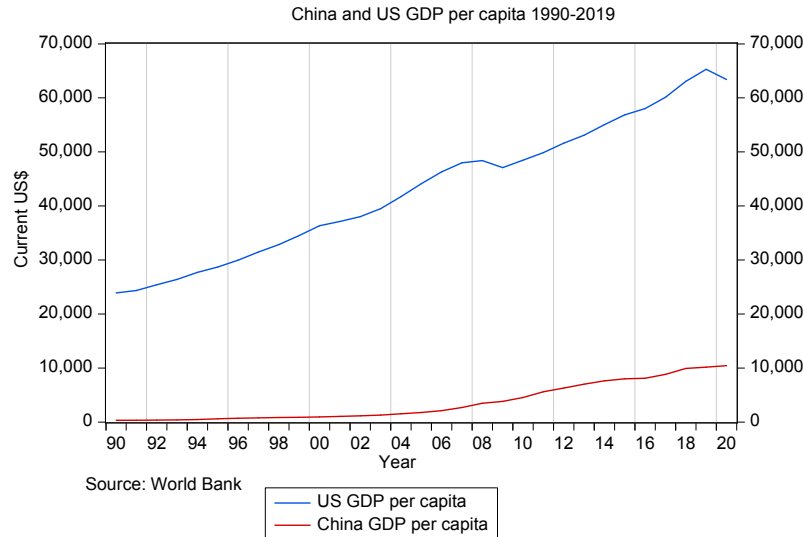


Figure 7. GDP (Current US\$ at market exchange rate)



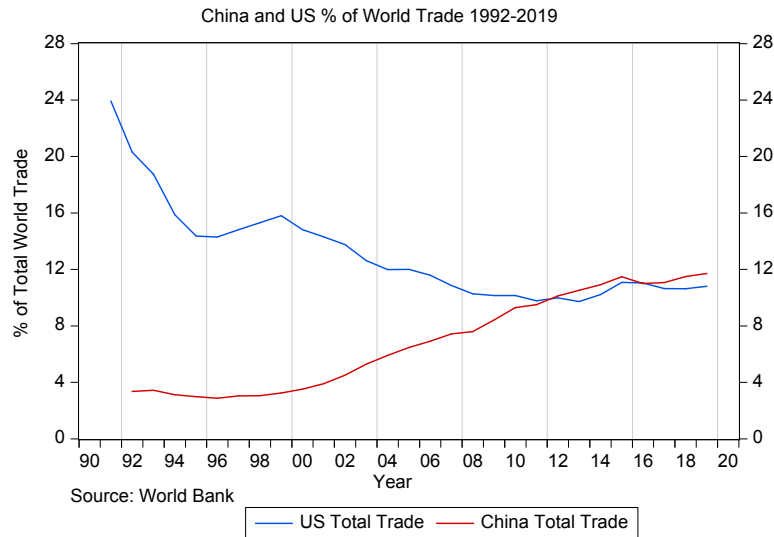
GDP data measured with purchasing power parity is the main focus for this paper because it shows most notably the convergence and overtaking of the GDP levels between the US and China. Although it should be noted that the other measure of GDP (current US\$) also illustrates a convergence, however not to the same extent as with PPP. It was decided that using the PPP value of GDP would also be better because this value is more commonly used to compare between different countries. Purchasing power parity values of GDP have a much greater ability for comparison between the outputs of a country, and this therefore makes them a powerful tool to use in our specific case, accounting for the outputs of the US and China.

Figure 8. GDP per capita (Current US\$)



This GDP per capita data demonstrates that China's GDP per capita is still many times smaller than the GDP per capita in the United States. GDP per capita allows us to see the GDP values when accounting for the number of individuals within a country and can therefore be translated into how prosperous individuals in a country are. However, it should be noted that GDP per capita does not illustrate how this wealth is spread out, with inequality not being measured, for example. Because my research is looking at the positions of the two countries in the world with a more holistic outlook, and with regards to international relations, I will not be using GDP per capita data in my regressions, although this basic data speaks for itself, with regards to the potential for growth in the China's GDP per capita.

Figure 9. Total trade (Thousands of US\$)



The rapid diminishing of the percentage of world trade that is made up by the US, as well as the more moderate, but still significant growth in the Chinese trade percentage within this same period, is illustrative of the deepening entrenchment and importance of China's trading relationship with other countries. With a convergence occurring around 2012, this is an illustration of the importance of Chinese trade, both its imports and exports, for other nations and major trading blocs that may have traditionally been more aligned to the United States.<sup>16</sup> Although it should be noted that once this convergence took place there was no significant continuation in the drop or rise in the US and China's trade, respectively, this reversal in fortunes has continued for the better part of a decade, as the data illustrates.

<sup>16</sup> <https://www.bbc.com/news/business-56093378>

#### IV. REGRESSIONS

The first generic model that I will be using will be looking at the dummy effects on the trade values for each country:

$$y_t = \beta_0 + \beta_1 \log(@trend) + \beta_2 dum + \beta_3 dum1 + \beta_4 dum2 + \beta_5 dum3 + \varepsilon_t$$

where  $y_t$  is either China Trade as a % of World Trade or US Trade as a % of World Trade,  $dum$  is a dummy variable representing China's World Trade Organization accession, and accounting for the amount of time for China to transition to membership (2004),  $dum1$  is a dummy variable representing the Global Financial Crisis (2009),  $dum2$  is a dummy variable representing the beginning of China's Belt and Road Initiative (2014), and  $dum3$  is a dummy variable representing the Asian Financial Crisis (1997).

The second generic model that I will be working around is as follows:

$$Dif_t = \beta_0 + \beta_1 x11tot + \beta_2 x12tot + \beta_3 x15tot + \beta_4 x16tot + \beta_5 x22 + \beta_6 dum \\ + \beta_7 dum1 + \beta_8 dum2 + \beta_9 dum3 + \varepsilon_t$$

where  $Dif_t$  is the difference between the US GDP as a % of World GDP and China GDP as a % of World GDP,  $x11tot$  is the % of China Trade as World Trade,  $x12tot$  is the % of US Trade as World Trade,  $x15tot$  is % of China FDI Outflows as World FDI Outflows,  $x16tot$  is % of US FDI Outflows as World FDI Outflows,  $x22$  is China Total Factor of Productivity,  $dum$  is a dummy variable representing China's World Trade Organization accession, and accounting for the



amount of time for China to transition to membership (2004), dum1 is a dummy variable representing the Global Financial Crisis (2009), dum2 is a dummy variable representing the beginning of China's Belt and Road Initiative (2014), and dum3 is a dummy variable representing the Asian Financial Crisis (1997).

## V. REGRESSION DISCUSSION

The regressions that I will be completing will look at some of the potential factors that have caused this convergence relationship between the GDP values of the US and China. By the end of this chapter, I aim to have a greater understanding of which elements are most influential in explaining why such a significant convergence of values has taken place, over such a short period of time.

I will first look at what appear to be the most important and fruitful results for my topic. In this regression, the dependent variable is based on my second generic equation, looking at the difference between the values of GDP between the US and China. For the independent variables I have included Chinese trade as a percentage of world trade, US trade as a percentage of world trade, China FDI inflows as a percentage of world FDI inflows, and a dummy variable for Chinese accession to the WTO, set at 2004. Before completing our regression, we would expect the signs for our independent variable coefficients would be negative for the Chinese trade variable, signifying a closing gap between US and China GDP with increased Chinese trade. The US trade variable should have a positive coefficient, signifying the opposite relationship of a growing gap between the two GDP values with increased US trade. The dummy variable, dum, is expected to have a positive coefficient because of the freer trading benefits that are associated

with the joining of the World Trade Organization, allowing China to play a more extensive role within the global trading system.

*Figure 10.*

Dependent Variable: D(X3TOT-X2TOT)  
Method: Least Squares  
Sample (adjusted): 1993 2019  
Included observations: 27 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.138313	0.093291	-1.482602	0.1524
D(X11TOT)	-0.364649	0.155216	-2.349296	0.0282
D(X12TOT)	0.162219	0.067670	2.397194	0.0254
D(X16TOT)	0.001811	0.012369	0.146386	0.8849
DUM	-0.575646	0.104287	-5.519851	0.0000
R-squared	0.677426	Mean dependent var	-0.648969	
Adjusted R-squared	0.618776	S.D. dependent var	0.386547	
S.E. of regression	0.238667	Akaike info criterion	0.138080	
Sum squared resid	1.253161	Schwarz criterion	0.378049	
Log likelihood	3.135924	Hannan-Quinn criter.	0.209435	
F-statistic	11.55036	Durbin-Watson stat	1.213342	
Prob(F-statistic)	0.000033			

As our regression shows us, three out of our four independent variables for this regression are significant, illustrating that there is a statistically significant effect on the independent variable of the US-China GDP gap from the Chinese trade variable, US trade variable, and an effect associated with the accession to the WTO. The variable of Chinese FDI inflows is not statistically significant. Our adjusted R-squared value is strong, with the model explaining around 61.88% of the variation associated with our dependent variable. Ideally the Durbin-Watson statistic should be in the neighborhood of 2. Our Durbin-Watson value of 1.21 indicates a certain amount of serial correlation. This is understandable given the fact that we may not have included all the variables which may also belong to this model. It is important to note

that we have used differencing in our regression, illustrated by the “D” before our non-dummy and non-constant variables. This differencing acknowledges that the underlying variables that we are using are non-stationary, and therefore differencing allows us to address this problem by allowing us to see whether a change in one variable is associated with a change in another variable. This issue of non-stationarity has therefore been resolved for our regression.

Looking at the specific results, and their underlying meanings, the signs for our two trade variables are expected. A negative coefficient signals a lessening of the gap between the two GDP levels, and therefore a converging of values, while a positive coefficient signals an increasing gap, and a divergence. For the first variable, X11TOT, the regression shows that as there is a one unit increase in the value of Chinese trade, this translates on average to a decreasing gap between US and China GDP levels of -0.365 points, holding all else constant. Moreover, the second variable, X12TOT, illustrates that a one unit increase in the value of US trade translates on average into an increased gap of 0.162 points on average, holding all else constant. These values are extremely interesting, as they show that there is a larger effect on the gap change in GDP values based on Chinese trade changes, relative to changes in US trade, signifying trade being more important to the Chinese GDP level compared to the US. This relative importance of trade will be returned to shortly. The dummy variable representing the years after joining the WTO also gives us an expected sign and statistically significant result, demonstrating that the years after this accession reduced the gap on average by -0.576 points relative to pre-WTO accession, holding all else constant. This makes sense with our foreknowledge, because of the benefits to China of joining a freer trade association and all the benefits provided through most favored nation status, etc.

The next regression completed is identical, apart from a removal of the previously non-statistically significant X16TOT variable, which showed Chinese FDI inflows. This second regression follows here, with all the previous expectations remaining the same.

*Figure 11.*

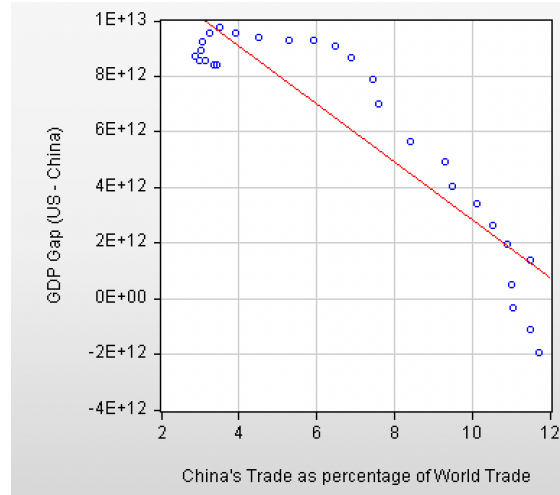
Dependent Variable: D(X3TOT-X2TOT)				
Method: Least Squares				
Sample (adjusted): 1993 2019				
Included observations: 27 after adjustments				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.140959	0.089555	-1.573994	0.1291
D(X11TOT)	-0.358416	0.146052	-2.454021	0.0221
D(X12TOT)	0.159565	0.063795	2.501214	0.0199
DUM	-0.575277	0.102014	-5.639193	0.0000
R-squared	0.677112	Mean dependent var		-0.648969
Adjusted R-squared	0.634996	S.D. dependent var		0.386547
S.E. of regression	0.233534	Akaike info criterion		0.064979
Sum squared resid	1.254382	Schwarz criterion		0.256955
Log likelihood	3.122781	Hannan-Quinn criter.		0.122064
F-statistic	16.07738	Durbin-Watson stat		1.214655
Prob(F-statistic)	0.000007			

This regression also provides statistically significant results for the three variables, with values of probability all lower than 0.05, showing a statistical significance level of 95%. The adjusted R-squared value explains that this model explains around 63.50% of the variation in the dependent variable, with the Durbin-Watson statistic being similar to the previous model. This regression again used differencing in the equation in order to address the issue of non-stationarity.

Looking at the specific results of the regression, they do echo what was discovered in the previous regression result. The signs that we expected are present. The first result shows a one unit increase in the Chinese trade variable leads on average to a -0.358 point closing of the gap in US and China GDP value, holding all else constant. The second variable shows an opposite relationship, as expected, with a one unit increase in the US trade variable leading to an increase in the GDP gap of on average 0.160 points, holding all else constant. Similarly, the dummy variable representing the years after accession to the WTO show that there is a decrease in the gap of on average -0.575 points, relative to the years before WTO accession. As mentioned previously, this is indicative of the positive benefits to China of the more open trading made possible by WTO membership.

As has been discussed, trade plays a massive role in the values of GDP, and there has been some indication of this not being an even effect for both the US and China, based on the coefficient values. This will therefore be investigated more closely through a comparison of the GDP gap and the two country's trade values. First, China will be investigated.

Figure 12.

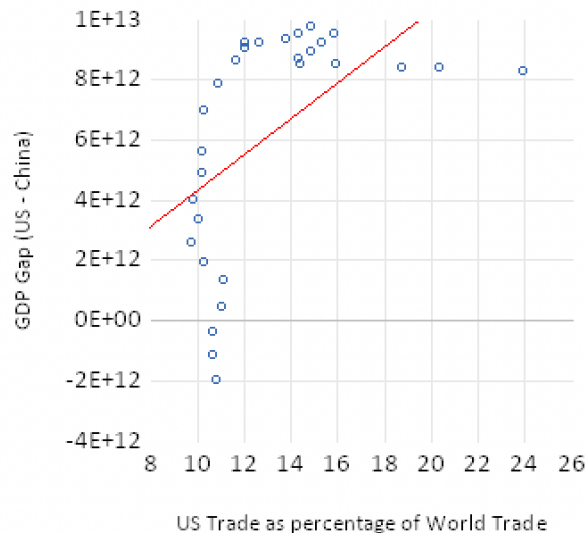


As figure 8 illustrates, there is an extremely negative relationship between the value of China's trade as a percentage of world trade and the GDP gap, which is consistent with our understanding of the relationship between Chinese trade and the GDP gap. As the value of Chinese trade increases, this increases China's GDP growth, reducing the gap between its value and the US' GDP value. This graph demonstrates that around the time of China's accession to the WTO and considering the period of time it takes to take advantage of these benefits, there was a significant increase in the rate of reduction in the GDP gap after this year. This increased rate of reduction continued steadily until around 2016, after which the rate of reduction increased further, making China's trade an even more significant effect on reducing the gap between GDP gap. This is particularly significant when thinking about the underlying political factors occurring around the same time. For example, on October 1, 2016, the Chinese Renminbi was added to the Special Drawing Rights basket, enabling an expansion in Chinese trade in the world, as well as a wider use of the Chinese currency. Interestingly, the addition of the Renminbi reduced the share of the US currency in the SDR basket by only 0.17% versus a reduction of

around 6.5% in the next largest currency, that being the Euro.<sup>17</sup> China is therefore able to benefit from the “lower transaction costs, greater ability to issue debt at favorable terms, and increased seigniorage” (Nabar and Tovar 2017, 251).

Next, we will look at the US trade values and see how they compare to strong relationship evidenced between the Chinese trade values and the shortening gap of GDP values.

*Figure 13.*



This graph illustrates the relationship that we would expect with our former analysis, with a positive relationship between the amount of US trade and the GDP gap between the two countries. To reiterate, this illustrates that as the percentage of US trade increases, this increases the value of US GDP and subsequently increases the gap. However, this figure also demonstrates the previously identified uneven relationship between Chinese trade affecting the GDP gap and

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<sup>17</sup> <https://www.imf.org/en/News/Articles/2016/09/29/AM16-NA093016IMF-Adds-Chinese-Renminbi-to-Special-Drawing-Rights-Basket>

US trade's effects. This figure shows that around the 2004 mark, where US trade as a percentage of world trade evens out at around 10-12 percent, the gap between the GDP levels reduces relatively quickly over the next 15 years. This therefore suggests that there are other factors that are now affecting the gap, with US trade values playing little role in the gap. This is of course around the same period as Chinese WTO membership, suggesting that China is not actually significantly affecting the ability of the US to trade, although may be preventing the US from growing its trade any further.

Next, I will look deeper into the trade statistics, because of the role that they have played so far in determining the gap in GDP levels. These regressions will be completed with the dependent variables being Chinese and US trade as world percentages, with dependent variables being various dummies that have previously been discussed. This will be in another attempt to ascertain the associated role that these events have played on the trend of the trade statistics for each country. Firstly, China's trade values will be looked at.

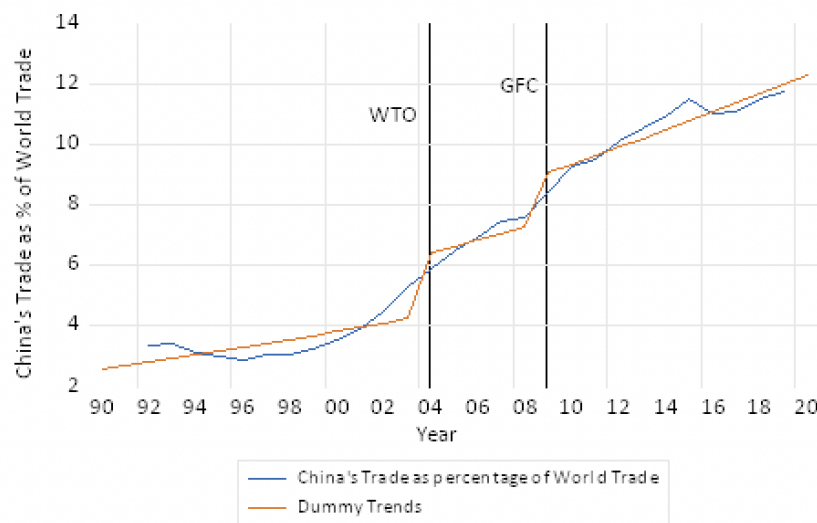
*Figure 14.*

Dependent Variable: LOG(X11TOT)				
Method: Least Squares				
Sample (adjusted): 1992 2019				
Included observations: 28 after adjustments				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-5.061263	1.337510	-3.784094	0.0010
LOG(@TREND)	1.652922	0.350529	4.715513	0.0001
DUM	0.390561	0.080639	4.843341	0.0001
DUM1	0.187318	0.070027	2.674930	0.0135
DUM2	0.019371	0.067716	0.286054	0.7774
R-squared	0.970160	Mean dependent var	1.798518	
Adjusted R-squared	0.964971	S.D. dependent var	0.530217	
S.E. of regression	0.099236	Akaike info criterion	-1.622201	
Sum squared resid	0.226499	Schwarz criterion	-1.384308	
Log likelihood	27.71082	Hannan-Quinn criter.	-1.549475	
F-statistic	186.9464	Durbin-Watson stat	0.873029	
Prob(F-statistic)	0.000000			



As this regression illustrates, the two dummy variables that statistically significant at the 95% level are those representing WTO accession and the Global Financial Crisis. The third dummy, that being the representation of the Belt and Road Initiative beginning, does not appear to be significant. These results then enable us to further understand the trend effects on China's trade. They can be illustrated on a graph, as follows.

*Figure 15.*



This is a visual representation of the trends found on the Chinese trade variable, and as was discussed previously, shows a positive trend based on the statistically significant variables that we have found.

## VI. SECTION CONCLUSION

The information that we have gained from the regression analyses has been useful in providing us with a greater understanding of how and why the convergence in GDP values has occurred. The powerful role that trade has in increasing China's economic power is undeniable. This cements the idea of China seemingly relying to a great extent on the continuation of trade in order to also continue its economic growth, at least in the past thirty years through and following the period of reforms. This should not of course discount the possibility of China diverging from manufacturing and trade as a main source of growth and following a trajectory of those industrialized countries that preceded it, such as the United States, United Kingdom, and much of western Europe.

The implications of this, especially when considering our understandings of hegemony, paint a picture of China having economic supremacy in the world to the detriment of the US. Although this does not necessarily mean that China will become the hegemonic power in the world, it does tick off one of the prerequisites for hegemony as put forward by Emmanuel Wallerstein among others. Whether this growth is sustained into the future is one of the important areas that future scholars should follow up on. China is of course becoming more integrated into institutions like the IMF, and is therefore able to benefit from what this entails, such as through an increasingly powerful currency, and the aforementioned seigniorage, allowing the country to make a profit because the "cost of producing currency is generally lower than the face value" (Corporate Finance Institute 2022).

As our Durbin-Watson value illustrated to us, serial correlation does exist within our regression calculations, signifying that there may be other variables that could be included in a future analysis, or that a non-linear specification of the relevant equations might have been warranted. During this research, regression analyses were completed on other variable groups which provided us with a much larger R-squared value. However, it should be noted that these regressions included a lower Durbin-Watson statistic, and therefore created a model that suffered from relatively higher serial correlation, or model misspecification.

## CHAPTER V

# SCENARIOS

### I. INTRODUCTION

This chapter will look at how our data and other discussions of the theory surrounding hegemony can be applied to the contemporary situation that the US and China find themselves in. It will build up various scenarios, discussing potential developments over the next few decades. These scenarios debate the potential change of dominant power in the world, as well as other alternative situations. They are non-exhaustive, meaning that they will not account for every possibility, but will attempt to cover the main paths that the world may take in the hierarchy of the international system.

### II. SCENARIOS

As noted at the beginning of this chapter, these scenarios are non-exhaustive, and I am not making predictions about any one being more likely than another. Although I will indicate a likelihood of the scenario occurring and why. It is however important to investigate the potential developments that the world may undertake, especially in a world that is currently so turbulent. We appear to be in constant and ongoing crises, and therefore it is vital to be aware of where these crises may potentially lead. Moreover, creating these scenarios can help pin down our understanding of hegemony. We will be able to discuss the economic and political realities that exist in the world. The period that I am looking toward extends to the end of the 21<sup>st</sup> century. Therefore, I am also assuming that the nation state remains the normal situation for much of the

world. This ensures that the scenarios I discuss remain focused on our current area of interest, that being the relative power of states toward and between each other. There have been authors that have looked beyond the nation state, such as Andreas Wimmer, who argues of a possibility of states having “disappeared or greatly transformed” (Wimmer 2021, 311), but only over a longer time scale. This may be useful if looking more deeply at the role of non-state actors in undertaking a hegemonic-like role, however the following scenarios will take place in a nation-dominated world as exists in the present.

### A. Scenario 1 – Status Quo

The US is still an extremely powerful country with massive amounts of hard and soft power, not to mention the largest military budget in the world. The most recent figures from 2020 suggest that the US has a military budget more than three times the expenditure of its next closest competitor, that being China, at over \$700 billion.<sup>18</sup> It does not therefore seem likely that any country is going to have the ability to overcome the military power and reach of the US, allowing it to maintain a position of at least semi-hegemonic power.

Throughout the next few decades there will be an increasing unwillingness in the US to continue taking on such a large global responsibility at high cost, with little overt reward, especially with China continuing to benefit from the relatively little responsibility it has. China will benefit from a US that continues to be stretched thin by its global commitments. It is also content with reaping the advantages of a continuing system of free trade and liberalism that allows it to export its goods. For how long this system could continue may vary from just a few

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<sup>18</sup> [https://data.worldbank.org/indicator/MS.MIL.XPND.CD?most\\_recent\\_value\\_desc=true](https://data.worldbank.org/indicator/MS.MIL.XPND.CD?most_recent_value_desc=true)

more years to indefinitely, based on the desires and behaviors of the two countries. This is not to mention the role of third-party countries, international institutions, the condition of the global economy, and other factors that we may yet not fully understand.

The US will continue to increasingly work on a multilateral basis, attempting to spread the responsibility and costs to allied countries. This would include the European Union and NATO allies, containing a nuclear-armed France helping to maintain security in Europe against a belligerent Russia. This is alongside a United Kingdom, also with nuclear capabilities, that is seeking to retain relevance on the world stage, as well as close partnership with the US. Additionally, in the Indo-Pacific region, an area of significant Chinese activity, it will work with allies including Australia and Japan, to act as checks on the growing military strength and actions of China. Empowering these nations to act independently is also important. Around the world, US diplomats and State Department officials will be traveling on missions that aim to uphold the partnerships it has with countries large and small. All the while China attempts to do the same, albeit with expansive trade deals and investment, in an effort to sweeten the deal. The US will attempt to respond in kind, although is limited by the caveats of democracy and human rights that it attaches to its deals. An arguable problem that China can undermine.

International institutions are of course an important part of this scenario. A vast majority of countries continue to act within and between the institutions created during the era of unarguable US hegemony. The post-war period left a vacuum of leadership, subsequently filled wholly by a US fresh off the victory of WWII. With an almost unprecedented desire for order and peace in the world, the US led the creation of the United Nations, and subsequent bodies that

continue to play an integral part in international relations and trade. Over the next 60 years, organizations such as the World Bank (1944), World Health Organization (1948), and the World Trade Organization (1995), cemented US-led liberalism and democracy, human rights and public health, and free trade guarantees, to a significant majority of the world's nations. These groups continue to play fundamental roles as the world heads through the middle and toward the end of the 21<sup>st</sup> century, thereby continuing an at least underlying role of influence for the US.

In the short term this is an extremely probable scenario, as we see it playing out today. Although we do have strife, suffering, and war, as well as a China that continues to economically prosper and seemingly exponentially grow, there is no immediate sign that China is wanting to take on a more expansive and overarching global role. To do this it would incur more costs for the same benefits that it already enjoys. That does not mean that some within China do not desire it to be more activist in global affairs, however this currently appears to be limited to economic activism and on an individual basis. Therefore, for the foreseeable future, the US maintains a semi-hegemonic role, whereby it continues to hold important and consequential influence in global affairs.

## B. Scenario 2 – Hegemonic China

This whole research project has been centered around the issue of China's meteoric rise from a country of low economic wealth and stagnation at the beginning of the 20<sup>th</sup> century, to being a major player in global affairs. It should therefore be hypothesized that China could become a global hegemon, with an ability to influence countries in everything from trade and defense policy to cultural and passive influences.

This has already begun to occur, with China being active in the international institutions that the US has used to spread liberal democracy and trade, while also creating alternative institutions including the New Development Bank (NDB) and the Asian Infrastructure Investment Bank (AIIB) to theoretically reduce its reliance on US-made, and dominated, organizations (Ikenberry and Lim, 2017). Not only does this work to reduce reliance for China, but it also allows other countries like Iran and Russia, to work around what would usually be crippling sanctions initiated by the US. This removes the power of the unilateral sanction by the US, ensuring that an alternative, and in some terms more powerful, country will be available to aid that country under siege. Although at first reducing the influence of the US, it also spreads Chinese authority within these countries and beyond.

China will take a much more active role in world affairs, showing a willingness to take over the role of the US in protecting trade and furthering economic prosperity for the world, ensuring that it maintains the advantage. The country makes use of the institutions created in the prior century, influencing these organizations to fit its will, while also creating institutions entirely in its own image. China attempts to model the path to hegemony taken by the US, with economic coercion, and occasional military displays of force, being used to create an unarguable understanding of which country is calling the shots.

Moreover, much of the Chinese population will experience a wealth even greater than that gained during the earlier 21<sup>st</sup> century. An era of the dominant middle class, as well as the maturing of China's economy would continue and accelerate the process of the country



offshoring manufacturing work to other countries of labor abundance and lower cost, a process already begun in a pre-Chinese hegemonic world.<sup>19</sup> Although not perfect, with some areas of influence being less secure, especially in Western countries, China is largely able to maintain world leadership by continuing to further economic prosperity and stability. With the beginning of the 21<sup>st</sup> century being tumultuous and prone to crisis, China works to create an era of peace, further establishing itself as a power of strength, in direct opposition to leadership of the US.

Although unlikely in the short term, the connections and relationships, as well as continuing reforms that China is making in the present, is likely to see it be almost coerced into a position of power and influence. Economically, the country could already be described as a hegemonic power, having advantages in its production, trade, and overall economic wealth, but how it is able to potentially translate this into political power and absolute advantage is yet to be seen. Furthermore, although not to be taken at face value, as recently as 2018, Chinese President Xi Jinping confronted this issue head on, stating that China will “never seek hegemony” (Wang 2018) even if it is able to do so.<sup>20</sup>

### C. Scenario 3 – Bipolar World

Through our discussion surrounding what a hegemon is and how a potential hegemon comes to be, we have found an intrinsic relationship between economic and political power. The question therefore arises about what happens if one player has an economic advantage, and another has political advantage. This appears to be the world that we are today living in and may lead to a world of two semi-hegemonic powers, those being China with its economic and trading

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<sup>19</sup> <https://english.ckgsb.edu.cn/knowledges/offshoring-full-circle-chinese-firms/>

<sup>20</sup> <https://apnews.com/article/4c9476378e184f238845337ba442715c>

lead, and the US that has created much of the world's international institutions and diplomatic networks in its own image.

This is an extremely interesting scenario for discussion. Comparisons could potentially be made to the Cold War period between the US and Soviet Union, which has also been described as a bipolar world. Although, the Soviet Union was unable to match the power of the US, leading to its eventual dissolution, this does not appear to be an issue that China will face. China is well integrated within the international trading system, relative to the Soviet Union in the 20<sup>th</sup> century. As well it is depended on for manufactured goods, meaning that it is a major player both within its sphere of influence, and in groups traditionally under US influence.

The US, for its part, is unable to counter the economic size and manufacturing capabilities of China. It could also be argued that its system of democratic elections, leading to a sometimes 180-degree change in direction every four or eight years, puts it at a strategic disadvantage to a country uniformly organized around a singular party. This relationship between each nation's government and people is important for understanding how and why a bipolar world may arise and may even be likely sooner rather than later. Although both countries are similar in their interdependence on trade and knowledge transfer, there is also a difference in systems that allow stark comparisons to be made. As well as a relative lack of cultural knowledge between the two countries, arguably more potent in the US compared to China, fueling the narrative of 'us and them' that has traditionally helped in the creation and maintenance of a global system that is separated into two. The seeds have been sown for this

situation with the rise in Asian hate and nationalism in the US<sup>21</sup> and increasing Chinese nationalism within the past decade.<sup>22</sup> This leads to a situation of distrust and potential for conflict, albeit with neither country powerful enough, or within the political structure, willing to combat a threat that also enables prosperity and the spreading of wealth.

This scenario fits well with an idea of hegemonic ideology. The US and China would be state representations of how, despite differences and deep distrust, both countries would coexist in order to maintain the benefits that capitalism and trade allows. Some may argue that we already live in this world, whereby China is the economic powerhouse of the world, whereas the US is the center of a Western sphere of liberalism and democracy. However, this situation, much like that faced during the Cold War, has a large probability for conflict and the clashing of ideologies, subsequently then, as a realist thinker may say, leading to a war in search of the true hegemonic power.

#### D. Scenario 4 – Third-Party Rise

In the middle of the 20<sup>th</sup> century, the idea of a powerful China was a far-flung concept, with a country still suffering from civil war and high levels of poverty. The late 20<sup>th</sup> century saw a focus on the power of Japan. What about if another country comes to dominate the latter half of the 21<sup>st</sup> century? India, for example, would appear to be a potential candidate. Already there has been discussion surrounding this possibility, with arguments being made that India's hegemonic future is inevitable, with it being a "natural leader in South Asia" (Khan 2008, 29).

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<sup>21</sup> <https://www.npr.org/sections/health-shots/2021/10/13/1045746655/1-in-4-asian-americans-recently-feared-their-household-being-targeted-poll-finds>

<sup>22</sup> <https://thediplomat.com/2020/05/how-chinese-nationalism-is-changing/>

Not only does it have an advantage of population, being forecast to overtake China within the next decade (Osborne 2019), but it is also a nuclear state, giving it with the military capabilities of which a potential hegemon is described by many theorists as requiring. Another advantage of India being a hypothesized future leader is its status as the 'largest democracy in the world'. Comparisons would likely be drawn between the transfer of hegemonic status from the UK to the US, which allowed the UK to pass power to a state that largely followed its own world view and ideological standpoint. It is therefore more likely that the US would be willing to allow a country like India, largely although not completely, allied with the values of the West, to become the global hegemon, over a country like China.

The argument could also be made that the European Union is a potential future hegemonic power, desiring greater independence from a US that has increasingly acted without thought for European interests. Moreover, it could be seen as wanted to provide an alternative to China in manufacturing and other trade areas, because of an increasing incompatibility of the organization and alleged Chinese human rights abuses.

This scenario, of a third-party hegemon, is much more unclear, due to our inability to completely predict what power may rise to this status, and under what circumstances. Although in the short term this may be an unlikely scenario, a bipolar world between China and this third-party, or even a multipolar world with multiple hegemonic states, could potentially be where the world is headed.

## CHAPTER VI

# CONCLUSION

### I. INTRODUCTION

This chapter will discuss the importance of our findings in the context of the US and China. As mentioned throughout this paper, the areas of international relations, geopolitics, and current affairs provide constantly moving parts that prevent a single concrete conclusion. This research paper will not provide all the answers surrounding exactly where the US and China will find themselves over the next few decades. The most important discussion surrounding whether the US is a hegemonic power and the potential role that China will play in usurping this status remains murky, however several certainties do exist that we are able to discuss.

### II. DISCUSSION OF FINDINGS AND CONTEXT

Chinese economic power vis-à-vis US economic power has undeniably grown an extreme amount over a short period of time. The threat facing the US during the Cold War era from the Soviet Union economically pales in comparison to the current situation. China, as a potential rival, is working toward, and in some measures has already surpassed, the economic superiority of the US. Whereas the Soviet Union was unable to match the economic might of the US and subsequently collapsed in part because of this, China is now integrated in the global trading market in a substantial way. With the benefits of membership in international institutions that have enabled access to markets all over the world at low to no trading barriers, such as the World Trade Organization and International Monetary Fund, China has used its comparative advantages

in labor supply and translated this into becoming the manufacturing capital of the world. The power of trade in increasing China's economic growth has been evidenced. The US and the West have also been distracted for the majority of the 21<sup>st</sup> century thus far in its wars in the Middle East, and subsequent domestic issues that continue to occur. This has arguably enabled China to increase its trading and economic abilities without another currently powerful state focusing on the future, (and now present), ramifications on the makeup of the international community. China's growth in trade from less than 4% of world trade in the early 1990s to more than 11% less than thirty years later is an illustration of the powerful role it has played in improving China's economic standing, further evidenced by the data and regressions completed in chapter 4.

I argue that the US previously could have been seen as a semi-hegemon under the definitions created by the various theorists that were discussed in chapter 3, because of the immense power that it has held over other countries during the post-war period. Although at various points throughout the 80 years following the Second World War there have been instances of US defeats and a lack of leadership, such as during the Vietnam War, there is no doubt the second half of the 20<sup>th</sup> century was owned by the power and influence of the US. This power has waned significantly over the past twenty or so years, culminating in a US that continues to be economically and politically powerful but not to the same extent seen during most of the 20<sup>th</sup> century. However, could this be a state that would fit the definition of a hegemon? Increasingly that answer would appear to be no, at least not in a traditional sense of a hegemon being a state that can impose its will upon all other countries without consequence. This is for a variety of reasons, including of course the changing power of China, but is not limited to this. The role of international institutions and the requirement for multilateralism to

make a difference in global affairs, as well as the US behaving in a way that acknowledges these new realities, suggests that there is an understanding within the US political class of their power being much more limited than was previously the case. An alternative understanding for this could again be the notion of a US unwilling to act without spreading the responsibility, and this providing itself with collateral. Importantly, this may not make the US less powerful than before, because of how close the interests of other allied states align with its own. It could therefore be viewed as a success of US foreign policy in spreading its values and ideals to states around the world, the ideological hegemon of liberalization and democracy, potentially.

The recent crisis between Russia and Ukraine, and the almost unprecedented cooperation seen among members of the NATO defense alliance and beyond, is an illustration of the changes in US power that have come to pass over the past few decades. Like the AUKUS agreement mentioned in this paper's introductory chapter, this desire of the US to work multilaterally, although not without precedent, is perhaps a sign of the US realizing the need for the empowerment of other nations and groups of nations, to also act as protectorates of the global system of liberalism. This can be concluded as being a sign of an unwillingness within the US political classes, as well as the general public more widely, of being the global policeman that they have largely held the role of following the Second World War. US administrations have long argued for Europe especially to take more responsibility for its defense, with frequent pushing for NATO members to spend 2% of their GDPs on this. This has however largely fallen on deaf ears. Unfortunately for Russia, and Vladimir Putin, the attack on Ukraine appears to have spurred a change in the thinking of some members of NATO who had previously refused to take a greater stake in their defense, notably the largest economy in Europe, Germany. Germany,

under the chancellorship of Olaf Scholz, has now announced a boost to military spending to 2% of GDP<sup>23</sup>, in an apparent U-turn in German foreign policy, in place since the end of the Second World War. One of the countries that will be paying the greatest attention to how events in Europe are playing out will be China. This wariness of China in taking a side in this conflict is evidenced by its unwillingness to either openly call out Russia or side with it, leading to abstentions in United Nations' votes and other indirect messages to maintain a balancing act between both groups. Of course, this could also be seen as China attempting to act as that *higher* power, above the fray of the other states, albeit not identical to the role played by a hegemonic United States.

As has been mentioned, an important discussion for this topic is whether it is only a state that can be a hegemon. In an era of globalism and internationalism, could it be argued that hegemony is no longer limited to Westphalian-era states but may expand into the realm of ideology? With this argument, it could be contended that neither the US is currently, or China in the future will be, a hegemonic state. Supplementing the state in this understanding is the capitalist ideology that permeates throughout the world. We have discussed the trading behavior of China and the benefits that it has brought the country, but the whole system of global trading is built surrounding the notion of capitalism and accumulation of wealth through the buying and selling of goods and services. China, although self- and popularly described as being a “communist” country, governed by the Chinese Communist Party, is one of the largest players within the market system, predicated on capitalist ideology. It may therefore be true that the US is hegemonic not as a state, but in its spreading of ideology and systems.

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<sup>23</sup> <https://www.wsj.com/articles/germany-to-raise-defense-spending-above-2-of-gdp-11645959425>



This strength of ideology as a potential hegemon has consequences and brings limitations for those countries that may seek to combat the capitalistic tendencies that much of the world is now bound by. The situation in Russia is a prime example of this phenomenon. The juxtaposition between the Soviet Union of much of the 20<sup>th</sup> century, isolated from the world by an Iron Curtain, with citizens unaware of and inexperienced with the lavishes of capitalist, Western society, does now not exist in the modern Russia. This has led to a population, overwhelmingly in the younger and more urban demographics, unwilling to give up the relative prosperity that they have grown up with.<sup>24</sup> There is no longer a complete means in which a country can cut itself out of the US-made global trading environment, with the economic benefits that this brings, while also always expecting its citizens to follow blindly while they experience hardship in a world that they know can be better. The role and power of private companies is also unparalleled within history, with the likes of Apple and McDonald's, and the vast economic wealth that they hold, also acting as arbiters of whether a country is civilized or moral.<sup>25</sup> Although Russia does not have an economy or market the size of China, it would not be far-fetched to imagine the same situation being true, albeit to a lesser extent.

This is of course strengthened by the international institutions that have been set up, and of which China is an active member and proponent, such as the WTO. These groups of nations whose sole function is to reduce trade barriers and spur on the global economy through trade is the epitome of US and Western philosophy for decades. I would argue that today there is no significant country that is truly communist, and therefore the US has already seemingly won the battle of hegemony. The self-sustaining and all-powerful system of the markets has been bought

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<sup>24</sup> <https://www.theguardian.com/commentisfree/2022/mar/01/young-russians-putin-digging-his-own-grave-ukraine-sanctions>

<sup>25</sup> <https://www.wsj.com/articles/mcdonalds-will-close-russian-locations-11646766232>

into by almost all countries in the world, both rich and poor, and large and small. This thought-process led to some, like Charles Lindblom, to describe the market as a prison, with it “(imprisoning) policy making, and... attempts to improve our institutions” (Lindblom 1982, 329), describing overtly the potential hegemonic system that we may currently be dominated by.

### III. SUGGESTIONS FOR FUTURE RESEARCH

Although there has been an exploration of hegemony, the role of economic supremacy, how the US and China fit into this dynamic, and various scenarios that involve both of them as important and influential countries, this topic still has much to be explored. Of course, focusing on only two countries without looking deeper into the wider variables of other nation states means that there may be a missing part of the puzzle. The European Union, for example, has been suggested as a future global leader, and therefore could be a candidate for investigation. Especially considering the discussions surrounding the singular nation state no longer being the only candidate for hegemonic power, the idea of a group of nations playing that sort of role would be an interesting area of focus.

Moreover, the world of international relations is never stationary. The interdependence between China and the rest of the world, that at first appears to benefit China enormously, may also provide a potential hazard to China’s economic growth and aspirations. The actions of countries in recent weeks in response to the aggression of Russia, suggests that there is much more willingness and capability for multi-state cooperation and punishment. This action now appears to be undertaken by countries that face economic and material losses, such as those now cutting off imports of Russian oil and other Russian commodities essential for their countries. Of

course, China's trade with the world spans much more than simply energy, and therefore it is unclear how willing or effective similar action taken against China may be.

#### IV. FINAL CONCLUSIONS

Overall, this thesis has found that judging whether the world exists in a system of hegemony is more complicated than it may first appear. The binary understanding of the theory followed by many thinkers may be unsuitable for a globalized world that has been working to bring down state borders. I am not arguing here that the idea of the state will go out of fashion, nor play an integral part in the future of international relations, but I do believe this relative importance will increasingly diminish. This path will not be smooth of course, with us having experienced moments and events of nationalism, from the 2016 Brexit referendum, election of Donald Trump, and most directly the invasion of the sovereign state of Ukraine by Russia. However gradual or inconsistent this path is, it is leading undeniably to a world of further integration and reliance.

China and the US may appear at first to be countries on a trajectory of collision. The convergence between their GDP values, and the seeming difference in their political aims suggest that at some point the role of most powerful country will be contested. Moreover, the sovereignty of Taiwan, and over the South China Sea, are just a couple of potential areas where the two countries may militarily come into conflict. China is also working to build up military alliances around the world, to counter those created by the US, with one notorious example being that between China and Pakistan, with a "China-Pakistan Economic Corridor...(being) the largest project of the BRI at US\$62 billion" (Ashraf 2022) illustrating the potential loss to

America influence in a region of strategic importance. The potential for the creation of alternative Chinese-led international institutions, that is already coming to fruition, appears even more likely following the sanctions placed on Russia in 2022. It is currently unclear whether this will speed up, especially with an increasing use of the Renminbi as a means of escaping the currently dominant dollar. The potentially alternative SWIFT system is a prime example of this.<sup>26</sup>

This paper shows that a convergence in the underlying economics of the two countries might lead to a shift in the hegemonic power. However, there may also be an opportunity for hegemonic coexistence, with a relatively economically strong China that will exist side-by-side with a politically and militarily strong US. The world is living under a hegemonic system of capitalistic ideology, meanwhile, which will seemingly limit the ability of a potential future hegemon, be that China, India, or a power currently unforeseen, to drastically change the economic and political realities. The strength of capital and relationships of trade must now be understood as providing a system of hegemony that is seemingly hard and undesirable to escape. The power of hegemony can therefore no longer be understood as being simply between and among states but must now include the assumed role of private interests and actors, not beholden to the limits of a state.

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<sup>26</sup> <https://thediplomat.com/2022/03/can-chinas-swift-alternative-give-russia-a-lifeline/>

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