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Article

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A real driver of US–China trade conflict

The Sino–US competition for global hegemony and its implications for the future

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Abstract

Purpose – According to the conventional wisdom, trade is not a zero-sum game, but a positive-sum game. By allowing countries to focus on producing the goods that they can produce relatively efficiently, free trade is largely beneficial for everyone involved. Then, why are the world's two largest economies (i.e. the USA and China) currently engaged in a trade war, which is likely to hurt their own economies? What is the driving force for the trade war between the two economic giants? The purpose of this paper is to offer an explanation of the underlying cause of the US–China trade war.

Design/methodology/approach – In an effort to make sense of the trade war between the USA and China, the paper draws the insights from the two international relations theories – i.e. hegemonic stability theory and power transition theory.

Findings – As China continues to threaten US hegemony in the world in general and East Asia in particular, the Sino–US competition for hegemony will intensify over time. As a result, the trade war between the two countries may persist longer than many anticipate. Further, even if the trade war between the two superpowers ends soon, a similar type of conflict is likely to occur later as long as the Sino–US hegemonic rivalry continues.

Originality/value – The central thesis of this paper is that “US fear” about its declining hegemony and China's rapid rise as a challenger of US hegemony is driving a US-launched trade war with China. Since the underlying cause of the trade war between the world's two largest economies is political (i.e. the Sino–US hegemonic rivalry) rather than economic (e.g. US attempts to improve the trade balance with China by imposing tariffs on Chinese goods), the paper contends that the full understanding of the trade war requires close attention to the importance of power competition between the two superpowers.

Keywords China's rise, Hegemonic stability, Power transition, Sino–US hegemonic competition, Trade war
Paper type Research paper

Introduction

The USA and China are currently waging a trade war. On July 7, 2018, the Trump administration imposed a 25 percent tariff on imports of \$34bn of Chinese goods, following tariffs already imposed on steel, washing machines, aluminum and solar panels. The Chinese Government immediately retaliated with a 25 percent tariff on imports of US soy beans, other agricultural products and automobiles (Dollar, 2018). On September 24, 2018, the USA escalated its trade war with China by imposing a 10 percent tariff on about \$200bn worth of Chinese products, which may increase to 25 percent at the end of 2018. China again responded with tariffs on about \$60bn of US goods, while at the same time it pointed to the importance of a good bilateral trade relationship (Xinhua, 2018).



According to the conventional wisdom, trade is not a zero-sum game, but a positive-sum game. In other words, by allowing countries to focus on producing the goods that they can produce relatively efficiently, free trade is largely beneficial for everyone involved. This is the theory of comparative advantage that underpins international trade. Putting up trade barriers makes it hard for people to access cheaper goods and raises the costs of living, thereby making everyone worst off in the long-run. Indeed, the efforts of the removal of trade barriers since the Second World War have driven the unprecedented world's economic growth thus far.

Then, why are the world's two largest economies (i.e. the USA and China) currently engaged in a trade war, which is likely to hurt their own economies? The trade war between the USA and China will also have negative consequences on the global economy since it will slow down the world's economic growth, among others. What is the driving force for the trade war between the two economic giants?

The main goal of this paper is to offer an explanation of the underlying cause of the Sino–US trade war. In an effort to make sense of the trade war, the paper draws the insights from the two international relations theories – i.e. hegemonic stability theory (HST) and power transition theory (PTT). Its central thesis is that “US fear” about its declining hegemony and China's rapid rise as a challenger of US hegemony is driving a US-launched trade war with China. Since the underlying cause of the trade war between the world's two largest economies is political (i.e. the Sino–US hegemonic rivalry) rather than economic (e.g. US attempts to improve the trade balance with China by imposing tariffs on Chinese goods), the article contends that the full understanding of the trade war requires close attention to the importance of power competition between the two superpowers. As China continues to threaten US hegemony in the world in general and East Asia in particular, the US–China competition for hegemony will intensify over time (Kim, 2016a). As a result, the trade war between the two countries may persist longer than many anticipate. Further, even if the trade war between the two superpowers ends soon, a similar type of conflict is likely to occur later as long as the Sino–US hegemonic rivalry continues.

The structure of this paper is as follows. The first section addresses HST and US hegemony in the post-1945 world. The second section discusses China's rapid ascendance, which challenges US hegemony in the world and its implications on the basis of PTT. The third section goes over China's challenges to US hegemony, focusing on China's recent initiatives of the Belt and Road, the Asian Infrastructure Investment Bank (AIIB), and Made in China 2025. The fourth section illustrates US responses to China's initiatives in order to maintain American hegemony. The article concludes with the prediction of US–China trade war.

HST and US hegemony in the postwar world

According to HST[1], a single predominant power (i.e. hegemon) possessing greatest material (e.g. military and economic) resources in the world typically creates the global economic system and seeks to stabilize it (Kindleberger, 1973). With its preponderant material resources, a hegemonic power exercises global leadership so that other countries accept and follow the rules that it created for the world. Also, a hegemon provides international public goods – e.g. “the provision of open market for the goods and services free from political interventions” so that market actors can compete with each other via the price mechanism rather than via the proximity to political power (Saull, 2010, p. 6) – which are unlikely to exist unless it is willing to bear full costs of their provision. The stable global order that the hegemon creates benefits all participants in the international system, although the gains of smaller or weaker states who bear none of the costs of public goods provision are much greater than those of the predominant power (Snidal, 1985, p. 581).

HST explains the so-called Pax Americana since the end of the second World War. Undoubtedly, the USA has been the preponderant power in the postwar world. It has created a liberal international order reflecting its principle and interests and maintained it by providing public goods such as international stability[2] and international currency (i.e. the provision of dollar as the international economic system's primary reserve currency for payment). Allowing secondary states to "free ride,"[3] the USA as the most powerful state in the world acted to maintain the essential rules governing interstate relations, and it had a will to do so (Keohane and Nye, 1977, p. 44). According to Layne (2018, pp. 104-105), US pre-eminence is a necessary condition to manage and stabilize the liberal international order and the US exercised global leadership "by acting as a security provider and geopolitical stabilizer; by maintaining an open, liberal international economy; and by promoting global cooperation through upholding and revising the post-1945 liberal order."

China's rise and PTT

US hegemony over the last seven decades or so has recently been challenged by China's rise. Since the economic reforms launched in December 1978, China has achieved a remarkable economic development. China's real-Gross Domestic Product (GDP) growth rate over the last four decades is about 10 percent on average (World Bank, 2018; also see Kim, 2016b, p. 707). While the size of China's economy (in terms of GDP) is currently the number two in the world only after the USA, China already became the world's largest exporter in 2010. In 2011, China ranked as the world's first destination for inward foreign direct investment (FDI) and the world's first investor for outward FDI among developing countries[4]. Also, in 2013, China became the world's largest trading country in goods, overtaking the USA (Anderlini and Hornby, 2014). Moreover, measured on a purchasing power parity basis that adjusts for price differences, China ranked in 2017 as the world's number one (Central Intelligence Agency, 2018). Given that China's size of GDP on a PPP basis in 1980 was one-tenth that of the USA, China's economic growth is truly remarkable (International Monetary Fund, 2018).

China's rapid ascendance as an alternative hegemonic power poses a significant challenge to US hegemony in the world. As a matter of fact, competing with the USA in many areas, China has quickly strengthened its economic, technological and military power and as a consequence has started to threaten US global hegemony. Accordingly, many scholars now often talk about a declining US hegemony and a forthcoming Chinese hegemony (see, for instance, Layne 2018, 2012). Some of them even predict a hegemonic war between the USA and China during the hegemonic transition period (see, e.g., Liff and Ikenberry, 2014; Mearsheimer, 2014; Friedberg, 2005).

Underlying these arguments for an inevitable war between the two superpowers is PTT. PTT originally formulated by Organski (1958) posits that war is likely when the power of the dominant state in the international system (i.e. hegemon) is declining and that a dissatisfied rising challenger substantially reduces the power gap between the hegemon and itself. Unlike balance of power theory, PTT argues that the war is most likely when there is near power parity between a dominant state and a rising and dissatisfied challenger (Organski and Kugler, 1980, pp. 19-20)[5]. A rising power here is generally dissatisfied with the existing international order and initiates war against a declining hegemon in order to impose orders that are more favorable to itself (Organski 1958, pp. 364-367). Layne (2018, p. 110) put these power transition dynamics quite succinctly as follows: "Over time, however, the relative power of states changes, and eventually the international order no longer reflects the actual distribution of power between or among the leading Great Powers. When that happens, the legitimacy of the prevailing order is called into question, and it will be challenged by the rising power(s)." And when the balance of power between a dominant state and a rising challenger changes sufficiently, a new order replaces an old one typically by a hegemonic war (2018, p. 104). Paying close attention to the growing Sino-US competition over hegemony in the

twenty-first century, therefore, [Shirk \(2007, p. 4\)](#), China specialist, argues that “History teaches us that rising powers are likely to provoke war.”

On the other hand, scholars like [Gilpin \(1981\)](#) contend that the power transition war between great powers is likely to occur when a hegemonic state whose power is declining due to imperial overstretch[6] views “preventive war as the most attractive means of eliminating the threat posed by challengers” ([Ned Lebow and Valentino, 2009, p. 391](#)), although they do acknowledge that there might be some “ways to prolong the period of its power preponderance *vis-à-vis* the rising challenger, so that the rapidly rising power will not dare to challenge the hegemonic leadership” ([Kim and Gates, 2015, p. 221](#)). In this case, the initiator of war is a declining hegemon, rather than a rising challenger. The declining hegemon who fears a rising challenger’s overtaking its power in the near future sees war as a better option than other options of maintaining its hegemony such as reducing its commitments abroad and appeasing a rising challenger.

China’s challenges to US hegemony

In light of the power transition perspective, the three most recent examples of China’s challenges to US hegemony in the world are the Belt and Road Initiative (BRI), the creation of the AIIB, and Beijing’s plan for “Made in China 2025.”

First of all, China’s BRI, which is also called the “One Belt, One Road” Initiative or the Initiative of “the Silk Road Economic Belt and the 21st-Century Maritime Silk Road,” is Chinese President Xi Jinping’s signature project. The BRI was first announced in 2013 when Xi visited Central and Southeast Asia. It seeks to connect Asia, Africa and Europe to promote regional economic cooperation, infrastructure construction, and world peace. It was motivated by “the Silk Road Spirit” (i.e. peace and cooperation, openness and inclusiveness, mutual learning and mutual benefit) of more than two millennia ago that is, China claims, “a historic and cultural heritage shared by all countries around the world” ([The State Council of the Republic of China, 2015](#)). According to the “Action Plan on the Belt and Road Initiative” published jointly by the National Development and Reform Commission, the Ministry of Foreign Affairs, and the Ministry of Commerce (MOFCOM), accelerating the construction of the BRI “can help promote the economic prosperity of the countries along the Belt and Road and regional economic cooperation, strengthen exchanges and mutual learning between different civilizations, and promote world peace and development” ([The State Council of the Republic of China, 2015](#)). Hence, Beijing contends that BRI “is a great undertaking that will benefit people around the world” ([The State Council of the Republic of China, 2015](#)). The BRI currently includes about 70 countries that accounts for 70 percent of the world’s population, 55 percent of the world’s Gross National Product and 75 percent of global energy reserves ([Cavanna, 2018](#)). Many countries in the world (e.g. “from Panama to Madagascar, South Africa to New Zealand” ([Kuo and Kommenda, 2018](#))) have officially pledged support for the BRI.

Second, the AIIB is a China-led multilateral development bank, which was originally launched by Chinese President Xi in 2003. Among others, Beijing’s frustration with the slow reform process of economic governance in the aftermath of the global financial crisis in 2008, its intention to popularize the Renminbi (China’s currency) as a global reserve currency, and its hope to increase its voice in global financial institutions were the important motivations of the creation of the AIIB. With \$100bn of initial capital, the AIIB, headquartered in Beijing, officially came into operation in January 2016. The stated main goal of the AIIB was to “improve social and economic outcomes in Asia” ([AIIB, 2018a](#)) by providing finance to the various infrastructure projects of the region’s developing countries. Beijing claims that AIIB-funded projects will better connect people, markets and services to promote sustainable growth, development, and prosperity ([AIIB, 2018b](#)). Along with the New Development Bank (NDB),[7] which is formally called the BRICS (Brazil, Russia, India, China, South Africa)

Development Bank headquartered in Shanghai, and Chinese lending institutions such as the Silk Road Fund and Chinese policy banks, the launch of the AIIB represents China's major financial initiatives that could rival US-led multilateral institutions. As of October 2018, the AIIB has 87 approved members (68 members and 19 prospective members) around the world and its total investment amounts up to \$6.4bn. As [Tekdal \(2017, p. 375\)](#) notes, although the AIIB has no official link to the BRI, a primary motivation of its creation was to fund projects in BRI partner countries. As an emerging economic hegemon, which is dissatisfied with the global economic governance in which its voting share in the existing multilateral institutions like the IMF, the World Bank, the Asian Development Bank does not match its economic power as the world's second largest economy and the world's biggest trading nation, China's initiatives of the BRI, the AIIB and the NDB demonstrate its long-term goal of reshaping the global economic order.

Third, "Made in China 2025" is Beijing's ten-year industrial development plan. First, announced and approved by China's State Council in 2015, it is "a blueprint for Beijing's plan to transform the country into a high-tech powerhouse that dominates advanced industries like robotics, advanced information technology, aviation, and new energy vehicles" ([Laskai, 2018](#)). By enhancing Chinese industries' competitiveness and innovation and reducing China's dependence on foreign technology through achieving 40 percent of domestically manufactured basic components and basic materials by 2020 and 70 percent of self-sufficiency in core components and basic materials in industries like aerospace equipment and telecommunication equipment by 2025 ([Morrison, 2018, p. 47](#); [Laskai, 2018](#)), its goal is to make China a manufacturing superpower that dominates the world market in future high-tech industries. Indeed, while the term "Made in China" has typically meant cheap products such as clothing, shoes and consumer electronics with low quality, "Made in China 2025" intends to turn China into an independent and cutting-edge technology-driven economy. Beijing believes that by moving toward higher value-added high-tech industries, they could escape the so-called "middle-income trap that has plagued many developing countries" ([Hopewell, 2018](#)) with the problems of increased wages and low productivity.

US efforts to prolong US hegemony

China's initiatives of the BRI, the AIIB and Made in China 2025 certainly threaten the global hegemony of the USA, which is now over seven decades. [Layne \(2018, p. 96\)](#) points out that "Since the onset of the Great Recession, [8] China has successively taken top position in the world in exports (passing Germany); in trade (passing the USA); and in manufacturing (claiming a title the USA had held for a century)." Based on these facts, he argues that the Great Recession and the rapid rise of China as a leading economic power have demonstrated the reality of American decline – i.e. the end of the unipolar era or Pax Americana [9] ([Layne, 2012, p. 204](#)).

Although China repeatedly claims that it does not seek to replace US hegemony in the world, its behavior revealed by the initiatives of the BRI, the AIIB and Made in China 2025 illustrates that its ultimate goal is to be a global hegemon [10]. This is not surprising because all the rising powers in history invariably sought to first dominate the region they are situated ([Mearsheimer, 2011, 2014](#)) and expand their power globally ([Gilpin, 1981](#)). Given that "It is more difficult for the leaders of a declining hegemon to accept the reality or prospect of their country's diminished influence and status" ([Chan, 2008, p. 50](#)), the USA has every reason to prolong its hegemony in the post-1945 world, which has served its own interests ([Layne, 2018, p. 105](#)). These efforts to maintain US hegemony are well observed in the case of American actions against China's initiatives of the BRI, the AIIB and Made in China 2025.

First of all, despite China's claim that the BRI aims to promote world peace and development, many analysts in Washington view it as a Chinese version of Marshall Plan that seeks to boost Chinese investment around the world for global dominance. They think that as "a top-level design for which the central government has mobilized the country's political,

diplomatic, intellectual, economic and financial resources” (Rolland, 2018), the BRI is Beijing’s “attempt to remake global commerce on China’s terms and project Chinese power far and wide” (Chellaney, 2018). As the BRI expands in scope, it could give China too much leverage and control over other countries, especially those that are small and poor (Kuo and Kommenda, 2018). Also, by making China a major hub of global investment, trade, and finance, the BRI contributes to build a Chinese version of hub-and-spoke network system. Thus, Harry Harris, head of US Pacific Command Admiral, argued in early 2018 that the BRI is “a concerted, strategic endeavor by China to gain a foothold and displace the USA and our allies and partners in the region” (Harris, 2018). Moreover, given “almost all the ports and other transport infrastructure being built can be dual-use for commercial and military purposes” the BRI is regarded not simply as China’s plan to build roads and railways across Eurasia and Africa or the Indo-Pacific, but as Beijing’s grand strategy for the next decades and its vehicle to write new rules that reflect Chinese interests (Kuo and Kommenda, 2018). Indeed, Beijing has made a link between the BRI and the concept of China’s core national security interests. For example, Wei Fengde, China’s Defense Minister, told Pakistan’s Navy chief in 2018 that “China was ready to provide security guarantees for the One Belt, One Road project” (Smith, 2018). Therefore, Eisenman contends that with no exact definition of its scope and contents, the BRI is China’s attempt to “create a new Sinocentric era of globalization using both traditional tools of Chinese statecraft as well as new types of economic incentives and debt financing arrangements” (Eisenman, 2018). In other words, the BRI reflects China’s increasing relative power in the world as well as growing Beijing’s ambitions to shape global economic governance (Tekdal, 2017, p. 378). It “exemplifies how China is flaunting its global ambitions” (Chellaney, 2018).

As the BRI is increasingly seen as a major source of China’s political and economic influence of the world, US policy makers have expressed their concerns [11] and have begun to take some measures against it. For example, the USA, along with Japan and India, have discussed trilateral efforts to foster infrastructure development in the Indo-Pacific region since 2015. In particular, the Trump Administration has sought to create a development finance mechanism, which is designed to counter the negative effects of the BRI. It has also begun to explore ways to become more proactive in promoting regional connectivity and infrastructure initiatives in partnership with Japan. Moreover, reviving their Quadrilateral Strategic Dialogue in November 2017, the USA, together with Japan, Australia and India, discussed not only the need to foster a new vision for regional infrastructure but also the need to further support the Asian Development Bank and the World Bank in order to enhance lending for infrastructure projects in the region. Furthermore, the joint statement released after the meeting between the US President Trump and India’s Prime Minister Modi at the White House in June 2017 made it clear that the two countries agreed to promote a vision for regional ties by strengthening “regional economic connectivity through the transparent development of infrastructure and the use of responsible debt financing practices, while ensuring respect for sovereignty and territorial integrity, the rule of law, and the environment” (The White House, 2017). This is, in fact, an announcement by the leaders of the two countries of the vision, which is completely at odds with the BRI. In addition, drawing careful attention to the “neo-colonialist characteristics” [12] of the BRI, the US–Japan Business Council and the US–India Business Council jointly launched in May 2018 a new private-sector initiative, called the Indo-Pacific Infrastructure Trilateral Forum, which aims to insulate sovereign states from external coercion, support good governance and liberty, promote market-based economics, and help support quality and sustainable infrastructure development in the Indo-Pacific region (Smith, 2018).

Likewise, the USA sought hard to prevent the creation of the AIIB. Despite its stated goal of helping to finance the various infrastructure projects of the developing countries in Asia, the USA viewed the AIIB as China’s efforts to weaken existing financial institutions such as the World Bank, the IMF and the Asian Development Bank, which are largely under the

influence of the USA and its close ally, Japan (Kim, 2018, p. 618; Kim, 2016c, p. 69). Hence, the USA strongly lobbied against the creation of the AIIB. Washington even pressured its allies not to agree to the AIIB's creation. Although US opposition to the AIIB was reportedly due to US doubts that the AIIB would stick to the same level of transparency and governance structure as the IMF, the World Bank and the Asian Development Bank, the real reason was Washington's concerns about the shifting balance of power between the USA and China (Layne, 2018, p. 103). In any case, US efforts to prevent a China-led financial institution in Asia miserably failed. Indeed, despite USA's strong resistance and pressures, the AIIB was successfully launched and most US allies except Japan (e.g. Germany, Great Britain, France, Italy, Australia, Israel, South Korea, etc.) joined the AIIB as its founding members. In total, 57 countries all over the world participated in the AIIB as its founding members. After all, China's ability to attract widespread support for the creation of the AIIB was seen by Washington as a significant threat to America's global economic leadership (Layne, 2018, p. 102). By showing that Washington was not able to keep its allies onside in the face of Beijing's growing power, the establishment of the AIIB illustrated that US economic power in the world is declining whereas China's economic influence is increasing. To some observers, China's AIIB initiative and US failure to prevent its creation signaled that "the Sino-American balance of power now is tilting towards Beijing" (Layne, 2018, p. 103).

By the same token, Washington views China's initiative of "Made in China 2025" as a very serious challenge to US hegemony in the world. Since Made in China 2025 calls for achieving China's self-sufficiency through technology substitution and aims to transform China into a high-tech powerhouse that dominates advanced industries, the USA views it as a real threat to US technological leadership in the world (Laskai, 2018). According to the US President Trump, the Made in China 2025 program unfairly disadvantages US companies because it involves Chinese government's subsidies and heavy investments in innovation and research as well as Beijing's policies to promote the forced technology transfer of US companies in exchange for obtaining access to the lucrative Chinese market (Hopewell, 2018). Therefore, he contends that "Made in China 2025" must be stopped (Landler, 2018). Although the Trump Administration's policy of imposing tariffs on foreign steel affects not only China but also US allies like South Korea, its main goal is to fight China's industrial policy in high-tech manufacturing sectors such as artificial intelligence, aerospace, robotics, and energy-saving vehicles. As China's persistent economic growth brings it into direct competition with the USA, Trump has explicitly stated that the proposed US tariffs are indeed designed to impede the program of Made in China 2025 (Hopewell, 2018). Seen from Beijing, this sort of US policy appears as if Washington aimed to "prevent China (from) moving into the industries of the future so as to ensure continued American dominance of the most profitable sectors of the global economy, and the most strategically-significant technologies" (Rachman, 2018). Given that China is the most serious competitor to the USA in the twenty-first century, the contest over future industries and technologies underscores the fact that the Sino-US trade rivalry has important strategic implications (Rachman, 2018).

Conclusion

Since the end of the Second World War, the USA has undoubtedly been a global hegemon. With its preponderant military and economic strength, it has created a liberal international economic order and maintained it by promoting global free trade. USA sudden turn to protectionism under the banner of "America First" in the Trump administration illustrates "US fear" that its hegemony or Pax Americana is declining *vis-à-vis* China's growing power. It also demonstrates that the USA now seeks to deter China from overtaking its hegemony so as to keep US hegemony as long as possible.

Currently, the USA and China are waging a trade war. What is important to note here is that the driving force of the trade war between the world's two largest economies is more

political than economic. That is to say, as China's economic and political influence in the world *vis-à-vis* that of the USA increases, US fear about China's power also grows. Under these circumstances, Washington makes every effort to assert its global dominance by deterring China's challenge to its hegemony[13]. It is this sort of "US fear" about hegemonic power transition from Washington to Beijing that brought about US policies against the BRI, the AIIB, and Made in China 2025. The fear of hegemonic power transition is indeed a driving force for the US-launched trade war. Understood this way, the trade war between the USA and China may be a harbinger of a much larger-scale conflict between the two parties, since as PTT predicts, war is more likely to occur when the power gap between a declining hegemon and a rising challenger is getting closed.

As China's economic, technological, military and political rise continues down the road, the USA will try to contain it in order to maintain its global hegemony. The obvious consequence of this seesaw game is the intensification of the Sino–US competition over global hegemony. The USA and China, the two most powerful states in the world, appear as if they were on a collision course. What this means is that so long as US fear about China's overtaking US hegemony persists, a similar type of conflict between the two hegemonic powers is likely to occur in the future even if the current trade war is over.

Notes

1. There are two central propositions of HST. First, a hegemon creates the global order on the basis of its preferences. Second, continued hegemony is necessary for the maintenance of order. See [Keohane \(1984, p. 31\)](#).
2. For example, in the aftermath of the Second World War, the USA formed the North Atlantic Treaty Organization, which was a collective defense system whereby its member states agree to mutual defense in response to an attack by a third party, and sought to ensure the stability in Europe. Also, the USA established the so-called US-centered hub-and-spokes system (i.e. a system of bilateral military alliances between the USA (hub) and its allies (spokes)) in East Asia and provided a security umbrella to its partners in order to stabilize the region.
3. To "free ride" here means that secondary states do not share the costs of maintaining international stability that a hegemon created ([Snidal, 1985, p. 581](#)).
4. World Trade Organization (2011). According to the 2018 World Investment Report published by the United Nations Conference on Trade and Development (UNCTAD), China is indeed a major provider of FDI outflows as well as a major recipient of global FDI, see [UNCTAD \(2018\)](#).
5. PTT is distinct from the realist theory of balance of power. While balance of power theory argues that the international system is stable (and thus war is unlikely) when power between great powers is balanced, PTT contends that war is more likely when there is near power parity between a dominant state and a rising challenger. Also, unlike most realists, PTT views the international system not as anarchy but as hierarchy (or at least being ordered rather than being anarchical) since the dominant power imposes its own preferences on other actors. See [Ned Lebow and Valentino \(2009, p. 390\)](#). Like HST, PTT posits that the stability of the international system results from hegemonic dominance through power preponderance ([Kim and Gates, 2015, p. 221](#)).
6. This refers to mounting commitments that exceed the capability of the hegemon, see [Ned Lebow and Valentino \(2009, p. 391\)](#). A typical consequence of the imperial overstretch is the financial crisis of the hegemon, which greatly contributes to its relative decline of power *vis-à-vis* a rising challenger.
7. The NDB's initial authorized capital was also \$100bn. Established in July 2015 (its treaty was signed in July 2014), the NDB's main goal is to provide financial and technical assistance to infrastructure projects of developing countries. See the NDB at www.ndb.int/ (accessed November 7, 2018).
8. The Great Recession, which was originated from the USA subprime mortgage crisis of 2007–2009, represents the sharp economic downturn during the late 2000s and early 2010s. This is a period of

general economic decline (i.e., the global as well as US recession) whose impact was regarded as being the most serious since the Great Depression in the 1930s.

9. According to Layne, unlike the USA in the Great Recession, a hegemon is not supposed to cause global economic crises. An economic hegemon of the world is also supposed to be the lender of last resort, rather than the borrower of first resort like the USA as the world's largest debtor in the global economy. In addition, unlike the USA, an economic hegemon should be able to jump-start economic recovery by buying other states' goods. Since the USA is currently "unable to fulfill its responsibility as the international economy's manager," Layne contends that the US is no longer the hegemonic power of the world economy. See [Layne \(2018, p. 97\)](#).
10. [Layne \(2012, 2018\)](#) maintains that China's long-term goal is not just to get rich, but to become wealthy enough to compete with the USA and ultimately replace US hegemony with Chinese hegemony.
11. For instance, right after his return from an India trip, US Defense Secretary Mattis said that "In a globalized world, there are many belts and many roads, and no one nation should put itself into a position of dictating 'one belt, one road.'" See [The Economic Times \(2017\)](#).
12. These characteristics have to do with the criticism of BRI projects, which are believed to have "potential to saddle countries with debt that they cannot pay off, which would leave them with no option but to transfer their strategic assets to Beijing." See [Chellaney \(2018\)](#).
13. What is worth stressing here is that the debates over whether or not America's hegemonic power actually declines at this point are irrelevant, since the driving force of US behavior that I emphasize is not the actual decline of US hegemonic power, but Washington's perception (or fear) that US hegemony might be replaced by China's rising power in the near future.

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