Revista Brasileira de Política Internacional
ISSN: 0034-7329
ISSN: 1983-3121
Instituto Brasileiro de Relações Internacionais

Revista Brasileira de Política Internacional
ISSN 1983-3121
http://www.scielo.br/rbpi

Li Xing[1]
[1]Department of Politics and Society, Aalborg University, Denmark (xing@dps.aau.dk).
ORCID ID: orcid.org/0000-0002-8033-9834

Raúl Bernal-Meza[2]
[2]Universidad Arturo Prat, Instituto de Estudios Internacionales, Iquique, Chile. (rbernal@fch.unicen.edu.ar).
ORCID ID: orcid.org/0000-0003-3546-6137

Article

China-US rivalry: a new Cold War or capitalism's intra-core competition?

Doi: http://dx.doi.org/10.1590/0034-7329202100110

Rev. Bras. Polít. Int., 64(1): e010, 2021

Abstract

This article aims to provide a framework for conceptualizing the China-US rivalry. It argues that while the China-US rivalry is distorted to be an analogy to the Cold War, it must be understood as an intra-core competition between two different capitalisms. Theoretically the paper is inspired by the world system theory's perspective on "cycles of hegemony" and the Kautsky-Lenin debate on inter-capitalism relationships. The causal nexus of the two theories explains that the China-US rivalry is in a new phase of the cycles of capital accumulation, and China's changing competitive dynamics led by its state capitalism model have generated disadvantageous effect on the US hegemony. The paper's conclusion is that China-US competition will shape the trajectory of world order for decades to come.

Keywords: China-US rivalry; Cold War; Intra-core; Inter-capitalism; World-economy.

Received: May 1, 2021
Accepted: September 19, 2021

Introduction

The objective of this article is to contribute to the worldwide debate on how to conceptualize and analyze the ongoing China-US hegemonic rivalry. The article starts with the discussion of the Cold War teleology, which the US polity has applied as a useful political and alliance-making tactic to justify its global competition with China, an analogy to the second "Soviet Union" (McFaul 2020). The article maintains that the Cold War analogy purposefully distorts and simplifies the dynamics in the China-US "systemic rival" relations today. The authors attempt to illuminate the dynamics through two theoretical perspectives – the world system theory and the Kautsky-Lenin debate. The former identifies the rise of China as part of historically continuous "cycles of hegemony" in the nexus of comparative superiority in world economy. The current China-US rivalry is both an intra-core (within the core economic stratification of world economy) and an inter-capitalism (between two different kinds of capitalisms) competition in a new phase of the cycles of capital accumulation, in which China's changing competitive dynamics have generated detrimental effect on the US economic hegemony. The latter closely follows the former and tries to illuminate the China-US rivalry in line with the debate on two likely scenarios: whether the two superpowers would eventually find a way out of the vicious competition through forming a "cartel" or whether their rivalry would ultimately lead to a destructive inter-imperial confrontation. The article concludes that the China-US rivalry is and will be shaping the trajectory of capitalist world order for decades to come.

A China-US Cold War? An Overview

There is a prevailing political discourse today that a new Cold War between China and the United States has begun. It is a convincing narrative especially when personalities, such as Henry Kissinger, who was one of the prominent American policy-makers during the 1960s-1970s, are deeply concerned about the ongoing China-US rivalry. To elucidate this question, we need to conceptualize the different constellations between the previous and the current China-US rivalry.

An analytical framework for understanding the global power struggle can be drawn from the historical and theoretical approach to the decline and fall of the great powers (Kennedy, 1987), to the dynamics that generate international change (Gilpin 1981) and to the return of the importance of military power (Kagan 2008). According to these interpretations, there is a return of conflicts for power that highlights the importance of military power.

The post-Cold War liberal hegemony then began to decline, because its main supporters, including the United States itself, were unwilling to pay for its maintenance (Ikenberry 2020). Meanwhile, the grand strategy (Drezner et al. 2020), the political and ideological conflict against Soviet communism, has been reformulated as a power dynamic and rivalry with the re-emergence of Russia and later China on the world stage, and Washington had to prepare for a prolonged struggle for dominance in competition with China, Russia and other rival powers (Ikenberry 2020).

The perception about an alleged ideological conflict is strengthened by the growing perception in the US of Xi Jinping as a tough leader, who follows an aggressive foreign policy. It seems then that an unrestricted struggle for bilateral, regional and global dominance between China and the US has begun as a new era of strategic competition, though not yet fully defined (Rudd, 2020). The US is realizing that China under Xi has become significantly more assertive and successful to achieve change on the ground, as evidenced by Beijing's recovery of islands in the South China Sea as well as by its grand Belt and Road Initiative (BRI). The confrontation between the US and China is appearing like a Cold War. In Washington, any return to a pre-2017 world of "strategic engagement" with Beijing is no longer politically sustainable (Rudd 2020).

However, Zakaria (2019) does not believe that the liberal international order is as deteriorated as it is believed, and that China hardly qualifies as a mortal danger to the liberal international order. However, seen from the perspective of Lake (2018), the relationship between the United States and China is more likely to slide toward economic and military competition, despite perhaps the best intentions of both states.

According to Sapolsky (2019), the reference of a second Cold War refers to the conflict between the United States and Russia-China. Since there is no consensus on the possible alliance between Moscow and Beijing, it is expected that the coming Cold War would be restricted to a single opponent, be it Russia or China. Although President Biden calls Russia an "opponent", while sees China as a "serious competitor" (New York Post 2020), it is obvious to the whole world that America's real Cold War opponent would be China.

The main political argument to justify the existence of a Cold War between China and the United States is that it is a confrontation between Chinese authoritarianism and the liberal democracy of the United States (Hung 2020). This confrontation is what brings the United States back to the grand strategy. However, China has had an authoritarian government since before President Nixon recognized the People's Republic of China in 1972. It is surprising then that Trump discovered the nature of the China-US conflict after adopting his America First policy and engaging in a trade war with Beijing.

Hung (2020) claims that the CCP and Wall Street maintained an alliance of financial interests during the 1990s. From then on, Chinese exports enjoyed unconditional low-tariff access to the US market, paving the way for China's eventual accession to the World Trade Organization in 2001. Up until 2000, many US corporations were motivated by the promises and expectations offered by Beijing to become a huge countervailing force against any instinct of the intelligence-diplomatic-military establishment to cast China as an enemy and to start a new Cold War with it.

The trade conflict between the United States and China has led to a rivalry with the apparent characteristics of a new Cold War, but which in essence is a competition between two core economies within the capitalist world-economy. Such intra-capitalist rivalry has occurred at early times in history, as colonialism and imperialism have shown (Hobson 1902; Lenin 1917; Gallagher and Robinson 1953).

The Discussion of the "Cold War" and its Delineation on China-US Rivalry

The "Cold War" concept comes as a corollary to the formulation of the American grand foreign policy strategy in fighting against the Soviet Union, and it was formulated as the Containment Doctrine (Gaddis 1982).

After World War II, American capitalism attempted to revitalize the capitalist world-economy by creating new conditions for continued capital accumulation. The US post-war role was theorized as "hegemonic stability theory" by Charles Kindleberger (1973) and developed by Robert Gilpin (1987). According to this argument, the supposed liberal and democratic international order, which would come as a consequence of the end of the bipolar order, would give way to a greater global convergence due to the arrival of democracy in Russia. But after the end of the Cold War in 1991, the Washington-centric alliance system lost its compelling foundation as legitimacy.

The China-American conflict, beyond the limits of political economy, would be justified by Kagan's (2008) interpretation of the problem of security and military power. With the decline of US hegemony after the end of the bipolar order and the search for greater security, the United States once again relies on military power, and this fact returns the international system to a "normal situation," that is, that sovereign states once again rely on military power. From this point of view, the state of perpetual international anarchy in the world (Waltz 1979) would strengthen a realist view of a conflict that is initially located within the capitalist political economy.

During the transition period of the world order (or post-Cold War period), there have been two stages after 1990 in which there was rhetoric of the "second Cold War." The first stage, which lasted until 2018, had as its axis of reference the conflict between the United States and Russia. However, since 2010 there were publications that wondered if relations between the United States and China were not entering a new "Cold War"[1]. For some sectors of Washington, the United States had to exercise containment against China as early as 2003[2].

The second stage began when the government of Donald Trump decided to stop the development of Chinese commercial and technological advance, for which it abandoned the policy of liberal internationalism and promoted the adoption of a new grand strategy against China (Drezner et al. 2020).

For Kagan (2008), the reappearance of great powers with authoritarian regimes (Russia, China) is weakening the liberal order, like the Cold War situation. Power accumulation is common to all nation-states and the re-composition of military power weakens multilateralism. International competition among the great powers has returned as the United States, Russia, China, the European Union, Japan, India, Iran and other countries are vying for regional dominance. It is from this perspective of the rivalry for regional dominance that has led to the return of powers seeking "spheres of influence" (Allison 2020).

It may be politically tempting to draw an analogy between the current China-US confrontation and the US-Soviet Cold War. What is neglect in the analogy is the fact that the Soviet Union was not part of the capitalist world-economy, and there was little economic interaction taking place between the two sides. As Leffler (2019) points out, "The historical context in which the United States operates today, the prevailing configuration of power in the international arena, and the ideological appeal of the rival regime are all entirely different". Conversely, today's Chinese economy is highly integrated in the world-economy, and the rise of China is generating fundamental shifts of global power balance:

- China is the world's second largest economy by GDP (Nominal) and largest by GDP (PPP).
- China is the world's largest consumer of commodities, the largest holder of foreign currency as well as the largest foreign holder of American treasury securities.
- China is the world's largest exporter of consumer goods. Due to pandemic-related lockdowns in the US, Chinese exports to the US climbed 46.1% in November 2020 with a trade surplus

[1] Cfr. *La Tercera.com*, La "Guerra Fría cibernética" entre Estados Unidos y China. February 20, 2013. https://www.latercera.com/noticia/la-guerra-fria-cibernetica-entre-estados-unidos-y-china/

[2] Pablo Bustelo y Augusto Soto (2003), "Las relaciones entre Estados Unidos y China: ¿asociación o competencia estratégicas?", Real Instituto Elcano, December 16, 2003. http://www.realinstitutoelcano.org/wps/wcm/connect/dff4ef804f018391b3ecf73170baead1/PDF-030-2003-E.pdf?MOD=AJPERES&CACHEID=dff4ef804f018391b3ecf73170baead1

of $75.43 billion (The New York Times 2020), a historical record despite Trump's trade war with China.

• China is the world's largest provider of finance, offering more loans than the World Bank, and it is the most proactive player of infrastructural investment for developing countries.

• Today, many more countries, including those of US allies and those that have strained relations with Beijing, have China, rather than the US, as their largest and most valuable trading partner. A situation that is becoming more common in East and Southeast Asia.

• The latest data from Eurostat shows that in 2020 China replaced the US as the EU's largest trading partner (Euractiv 2020). More importantly, China and the EU had just successfully completed a comprehensive investment treaty in December 2020.

• The most recent IMF data show that China was the only economy with positive GDP growth 2.3% in 2020 (International Monetary Fund 2021). As a result of Beijing's effective measure in dealing with the coronavirus pandemic, a UK think tank predicts China will be the world's largest economy by 2028 (British Broadcast Company 2020), a few years ahead of what was previously expected. According to the IMF's latest world economic outlook growth projections (International Monetary Fund 2021), China is expected to be the engine of global economic growth in the post pandemic era.

Virtually none of these characteristics were present during the Cold War. The current heightening of the second Cold War rhetoric between the West and China is exemplified in both the US and the EU identifying China as a "systemic rival," reprising the 20th century struggle between communist and capitalist governance systems. Yet, even if China is now seen as a threat to America's ruling ideology (Hanania 2020), such threat is built upon the success of the "China Model" i.e., economic prosperity under state capitalism. All of which has taken place with China as a full participant and promoter of global capitalism. Hence, the so-called "systemic" rivalry with China is based on the US' antipathy toward China's rise and subsequent ambition of remaking the global economic order to reflect its own share of the global economy.

Here we see the crux of the second Cold War rhetoric. In repeating the Cold War's teleology, the US hopes to replicate its own dominance of the international system despite the presence of China as a second pole. The China-US conflict has a spill-over effect in generating "spheres of influence" in which different regions are brought into the process of redividing the divided world.

The rivalry in the international political economy framework has global projections. For the developing world and Latin America in particular, intra-capitalist competition impacts the conceptions and paths toward economic development. As models of development, the history of the evolution of Western capitalism plays in China's favor. Unlike the historical experience of the United States – from a British colony to an independent state of capitalist development from the beginning – China was incorporated into the world capitalist system as part of the European periphery. Since the 1970s, China has belonged to the developing world. In its international discourse, directed at Africa (Li and Farah 2013) and also at Latin America (Bernal-Meza 2016), China argues that there is a common past of imperialist exploitation by Western powers, from which China freed itself. China turns out to be an example for Latin America – and possibly a development model – thanks to the success of its industrialization strategy, in the face of the failure of industrialization strategies and neoliberal policies (Bernal-Meza and Li 2020) that were unsuccessful in bringing economic development to the periphery. The Chinese experience, thanks to its rapid growth and rise in the world economic power structure, going from the periphery to the core in forty years – an unprecedented fact in the history of capitalism (Li 2008; Li 2010; 2019) – is a development model closer to the experience of the United States. Political economy and market relations between powers and other parts of the world lead to the construction of networks of economic power (regional value chains; supply chains; commercial, financial and technological expansion networks of 5G, submarine internet cables, etc.) and the establishment of spheres of influence. Both should be considered manifestations of power and as such represent competition and rivalry. This is the context of the new Cold War.

World System Theory: "Circle of Hegemony" and Power Transition

This paper posits that the essence of the China-US rivalry is the result of an intra-core and inter-capitalism competition that is leading toward a global power shift. Meanwhile the US is feeling threatened by the inevitable rise of China as a global power that is increasingly challenging the supremacy and hegemony of the US. In recent years "the rise of China", "US decline" and "global power shift" are becoming eye-catching news headlines, while "China's post-pandemic rise" has received a great deal of media coverage nowadays.

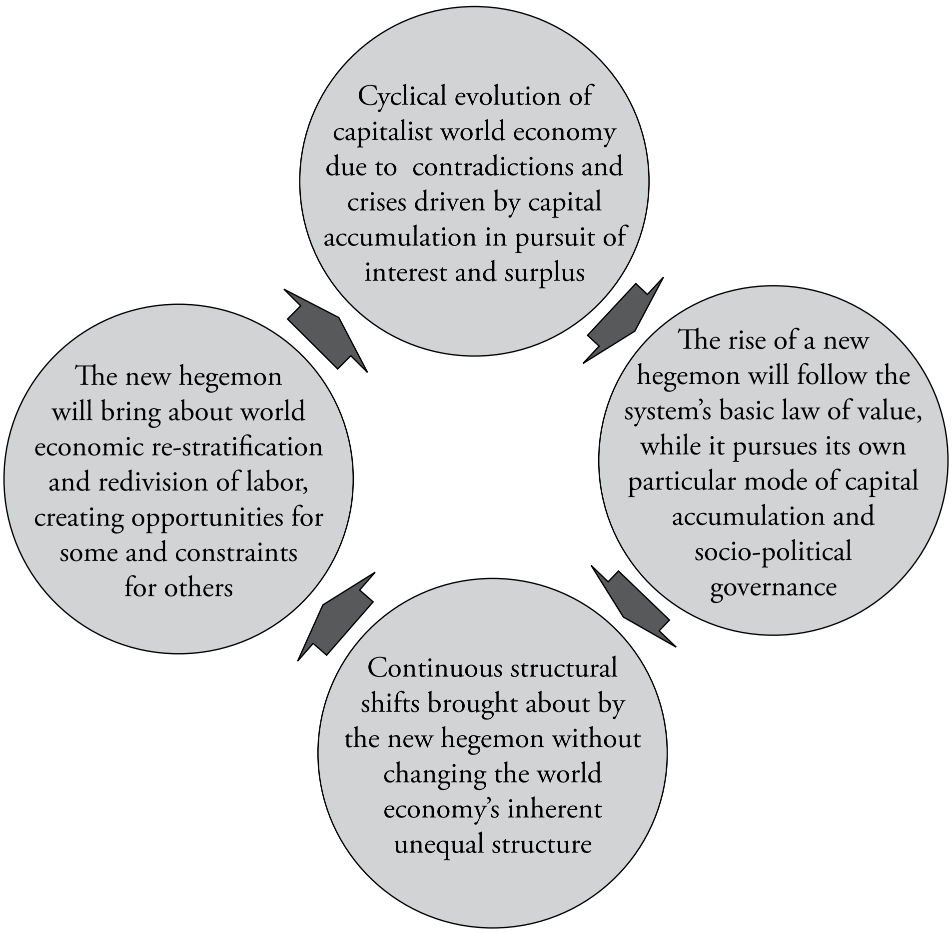
World System Theory closely traces evolution of the state-capital nexus and envisions a world economic order that is based on a territorial partition consisting of a hierarchy of national economies (Cartwright 2018). The theory conceptualizes the world-economy as being constantly dynamic and changing and as a system of interconnected national economies that struggle to move up the hierarchy of states and the value-added order. Historically, by taking advantage of global capital mobility and manufacturing relocation, the upward stratification of national positions in the world economic hierarchy is possible, but not easy. The history of world-economy shows that there has been an endless process in which capital mobility and manufacturing relocation, supply chain and value chain, division and redivision of labor are constantly moving around and bringing about continuous flows of commodities, labor, production and capital across territorial partitions through trade exchange and investment.

Africa and Latin America were brought into the capitalist world-economy through colonization over the last several hundred years. China and India are seen as the last unexploited areas that have been, in the last few decades, integrated into the capitalist world-economy (Li 2008). China-based global manufacturing for the world market involves vast co-investment by transnational corporations from around the world in general, and from the US in particular. Relocating supply chains to China is part of novel transnational accumulation strategies and patterns.

A valuable point from world system theory that contributes to this article's analysis of the China-US rivalry is on the dynamics of the world-economy with regard to "cycles of hegemony" (Wallerstein 1983). Wallerstein argues that the long-term dynamics of the capitalist world-economy can be analyzed through the lens of "long waves." In other words, the shift of global growth, stagnation and recession depicts the rise and fall of hegemonic states within the world-economy as historical "cycles" of hegemony. Wallerstein (1983) identified the catch-up process of a rising hegemonic power as consisting of achieving a gradual superiority in three areas: 1) productive power; 2) trade and commercial leadership; and 3) financial leadership.

China's rise in the past four decades is argued to have closely followed these steps and gradually gained the upper hand in the areas featured in Figure 1. As mentioned above China today is a) the world's largest manufacturer and supplier of products; b) the world's largest trading nation; and c) the world's largest creditor and a potential player in global finance. The current China-US competition and especially their trade war demonstrate the rivalry embedded in the process of "circles of hegemony." Although the US "dollar hegemony" in global finance has not yet been fundamentally challenged, China's financial role, and the Chinese Yuan (RMB) is predicted to become the third largest reserve currency in 10 years' time (NBCUniversal Media 2020).

Figure 1. Cycles of hegemony and cycles of accumulation



Source: the authors' own drawing

The above figure shows that China's rise and its impact basically follow the perceived historical trajectory of the world-economy conceptualized by the analytical framework of the world system theory. The framework enables us to identify and understand the challenges China's economic rise has brought about to the established structure of the world-economy. To put it more concretely, China's economic success in upgrading part of its economy into a core position in the world-economy is altering the conventional global economic stratification characterized by a small core, a scattered and larger semi-periphery, and a vast periphery (Li 2020). The fact that part of the Chinese economy and population has successfully entered a core-zone economy is both politically challenging and economically overcrowding the core zone of the world economy. It is under this framework of understanding within which the ongoing China-US rivalry should be placed (Li 2020).

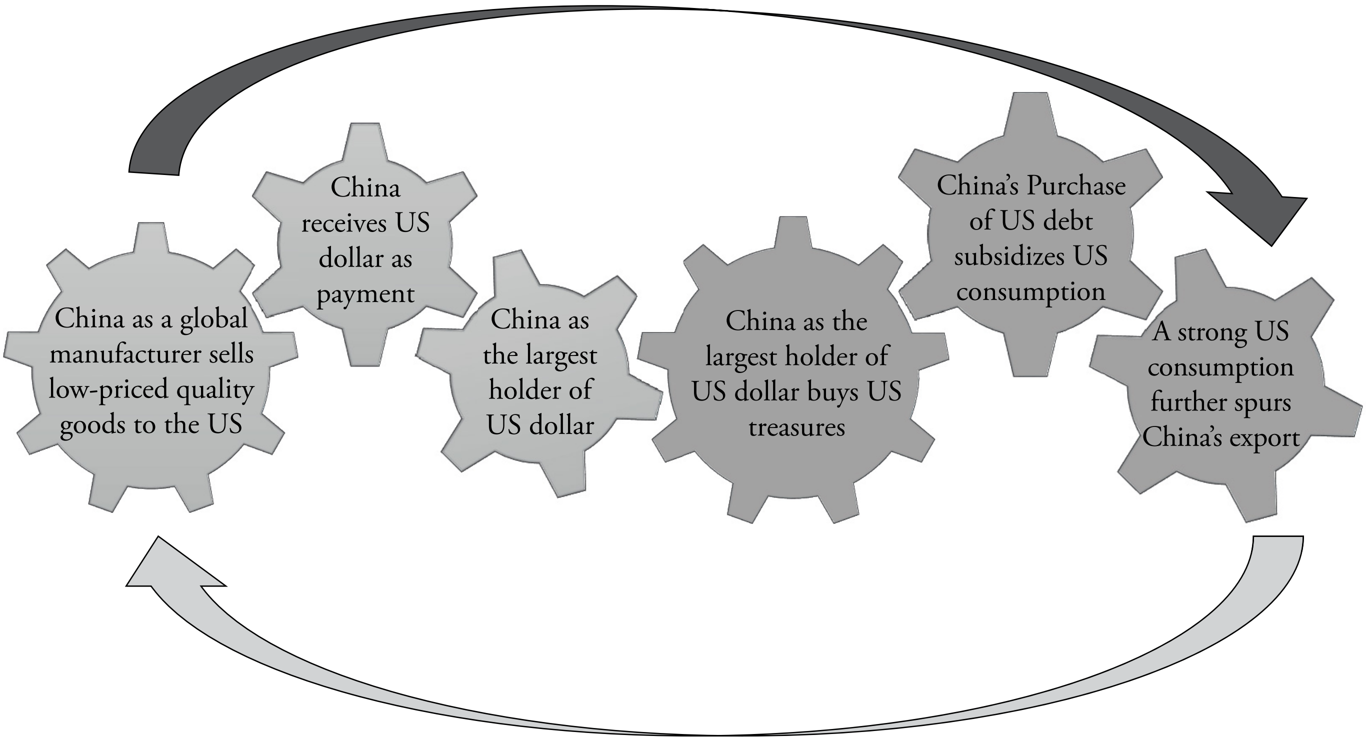
China-US Economic Relations under China's Old Growth Model

The Chinese growth strategy was an outward-looking plan that emphasized participation in international trade by encouraging the allocation of resources and labor in export-oriented industries where China has a comparative advantage. Such a strategy requires low prices toward export goods and services. The government subsidized and favored export-oriented investment, especially at the local level, partly through the incentives created by the tax system. The Export-oriented Industrialization (EOI) strategy was maintained by a rapidly-growing urban workforce, massive investments in productivity-enhancing infrastructure and technologies.

The Chinese EOI growth model took place when the conventional core capitalist states (Europe, and mainly the US), were in the process of global production reorganization and capital relocation, i.e., the deindustrialization process. In the developed part of the world, the deindustrialization process had already begun in the 1970s as the response of transnational capital to the oil crisis. The success of the newly-industrialized East Asian economies in the 1970s-80s was based on taking advantage of the global relocation of industrial production.

The US played an indispensable role in China's entire economic development period. On the one hand, US investment to China brought with them not just money, but also employment, technology, know-how and market access. On the other hand, the US benefited from imports from China's value-for-money consumer goods, helping raise average American living standards and keep low inflation. At the same time China's continuous purchase of US treasury bonds helped to sustain a relatively balanced pattern of mutual benefit. Figure 2 shows a seemingly "positive circle" of China-US trade relations under China's old EOI growth model between 1978 and 2010. The figure also implies that China's EOI industrialization had been undergoing along with the process of global deindustrialization in general and US deindustrialization in particular.

Figure 2. A reproductive circle of Chinese manufacturing and capital accumulation with US consumption economy based on China's old growth model



Source: the authors' own drawing

The above figure shows a kind "exchange deal" between the two economies under China's old growth model: Chinese cheap and skilled labor, potential market growth and access, and purchase of US debts in exchange for the US's outsource of manufacturing, technology transfer and import of Chinese manufactured intermediate and consumer products. The figure shows a reinforcing relationship between the two economies in which China's supplies, fueled by the US demands, are reinforcing the Chinese gains (light grey color), which, in return, are reinforcing the US demands and consumption (dark grey color). This exchange deal had been taking place for several decades, until the China-US trade war in 2018 when the Trump Administration attempted to "make America great again" by imposing the "made in America" trade policy. But, it seems to be too late for the US to reverse the situation.

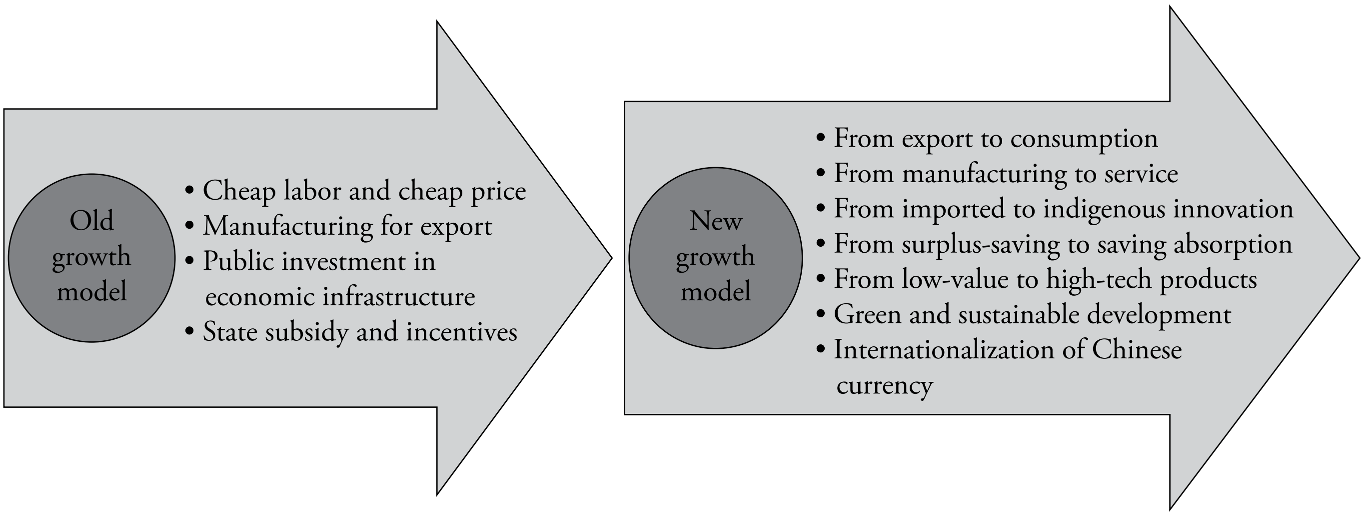
Theoretically speaking, international trade increases economic productivity by reallocating jobs to more efficient industries. In the case of the China-US trade relationship under China's old growth model, there were job creations in some areas of the US economy such as agriculture and services, while there were job losses in other sectors, particularly low-wage manufacturing. According to a comprehensive study, trade with China led to 560,000 job losses in US manufacturing sectors due to direct competition with imports from China during the period from 1999 to 2011 (Meltzer and Shenai 2019, 8). The most interesting point in the China-US economic relationship during the same period was a simultaneously dual development process. While the Chinese economy became increasingly industrialized, the US economy became more deindustrialized and financialized.

China's New Growth Model and Inter-capitalism Competition

Since the 2010s China began to speed up its growth model transition toward increasing the value and quality of growth. The transition was also driven by finding solutions to domestic overaccumulation and overcapacity problems along with other internal contradictions, such as labor scarcity, real wage increase, resource allocation, income distribution, environmental impact, economic growth rates, savings, investment, and international capital flows. The old EOI growth model was replaced by a new strategy reflected in Beijing's 13th and 14th Five-Year Plan (2016-2020; 2021-2025).

The strategy attempted to engineer a shift for China from being a low-end labor-intensive manufacturer to becoming a high-end producer of goods. The goal was to further modernize China's industrial capacity and to secure its position as a global powerhouse in high-tech industries. Figure 3 below shows the contrast between the old and new growth models. The new growth model aims to achieve a number of strategic objectives: 1) to reduce China's reliance on foreign technology imports and to invest heavily in indigenous innovation; 2) to increase the Chinese-domestic content of core materials and indigenous technology; 3) to enlarge China's share and upgrade its dominant position in global supply and value chains within the world's major strategic industries, such as pharmaceutical, automotive, aerospace, semiconductors, and most importantly, IT and robotics.

Figure 3. China's transition from the old to the new growth model



Source: the authors' own drawing

China's ongoing 14th Five-Year Plan (2021-2025) is drawing a policy roadmap for the country's "high-quality" growth, in which green and high-tech industries, service sectors and domestic consumption will be the driving forces. Seen from the perspectives of the "comparative advantage" and "cost-benefit" analyses, China's old growth model was assessed by the US as creating a relatively balanced win-win relationship between the two economies. However, Beijing's new growth model in general and the "made in China 2025" ambition in particular is no doubt seen as a direct competition with the US service and knowledge economy. This was also one of the direct causes behind the China-US trade and high-tech wars since 2018, since China's new growth model is leading the China-US economic relationship into more competition than complementarity. What has alarmed the US is the fact that "China's achievement in moving up in the global supply and value chains has led to Beijing's larger share of global surplus and the reduction of the profit margin for traditional core states" (Li 2020, 12).

Inter-Capitalism Competition: the Kautsky-Lenin Debate

While world system theory's discussions of "circle of hegemony" and "systemic cycles of accumulation" postulate that when the decline of the existing hegemon has become definitive, the existing order breaks down, leading to struggle or even war between the contenders (Wallerstein, 2011), such analyses resemble Lenin's (1917) perspectives in his *The Highest Stage of Capitalism*. The dynamics of US-China rivalry, as Lenin could have argued, are an inter-imperial rivalry driven by inter-capitalist competition. Competition for the world market could soon turn into intensifying clashes of spheres of influence and even war.

Historically, imperial capitalisms competed for economic interest, including geopolitical spheres of influence, as occurred with the expansion of European capitalism in Asia and Africa, and US capitalism in Latin America and the Caribbean. In many historical cases, competition and power transition were escalated into military competition and crises, if not necessarily to war (Lake 2018, 247-8). Once the competition began, other motivations would arise beyond the economy. The inevitability of conflict was to be found in the noxious pattern of structural constraint in the international system, whereby war was often the consequence when a rising power began to challenge the existing hegemon. According to the findings by Allison's (2018) research team, over the past 500 years conflicts between a rising power and an existing power have occurred sixteen times, and war has broken out in twelve of the cases.

Lenin's thesis on imperial capitalism was in direct disagreement with Kautsky's (1914) "Ultra-imperialism" theory. Kautsky argued that core capitalist countries were able to find a way out of vicious competition and destructive wars among the industrial powers. According to Kautsky's analysis, the only way that could enable core capitalist countries to sustain the basic profit of the exploitative system, while avoiding economic stagnation, was for powerful core economies to form a "cartel," so as to maintain their export markets and surplus accumulation. As a result of capital coalition, he claimed that war and militarism were not necessarily the inherent features of capitalism, and that a peaceful "ultra-capitalism" (imperialism) was likely. In the stage of ultra-capitalism, core powers understood the importance of coalition and cooperation as well as the necessity of subsuming their economic contradiction and antagonism to a system of coordination, whereby they would jointly exploit the underdeveloped world.

The First World War seemed to verify the validity of Lenin's imperialism thesis. Relations within inter-capitalism competition during the inter-war period did not bring about new evidence to legitimize Kautsky's (1914) argument. But the debate on the possibility and probability of "ultra-imperialism" regained its relevance in the analysis of both the post-World War II and the post-Cold War international political economy.

Following the demise of the Soviet Union, the US was confronted by a changing world in which the theoretical debate between Kautsky and Lenin seemed to be applicable. American political and economic policies had to manage global affairs on the basis of a hybrid of both Kautsky's and Lenin's analytical understanding. On the one hand, the US "has aimed at the unified, liberalized international capitalist community Kautsky envisioned," while on the other hand, "the global role that the United States has undertaken to sustain that community is determined by a worldview very close to Lenin's (Schwarz 1996, 100).

The post-Cold War US liberal capitalism attempted to unify a globalized world economy through decentralization and deterritorialization of politics, economics, culture, means of production, finance and communication. Such a liberal economic system was meant to be universal and superior to other types of economic models, such as the East Asian "crony capitalism", the Russian "mafia capitalism" including the European "welfare capitalism." Today, the foe of American liberal capitalism is no doubt the Chinese "state capitalism." The China-US conflict is seen, in line with Lenin's understanding, as an inter-imperial rivalry in the 21st century (Smith 2019).

The current situation of China-US competition was in many ways closer to Lenin's analysis of relations between imperialist powers. In Lenin's view, as core industrial nations competed to expand their exploitative profit sphere, their interests intersected and conflicted, leading to inevitable conflict over overseas markets and resources. It is also in this regard that Beijing's increasing presence in Africa and Latin America is seen by the US and other core capitalist countries as China's attempt to reintegrate these regions into the Chinese system of accumulation, as a countermeasure or an alternative system to the dominant Western-led system of accumulation (Merwe 2018). China's Belt and Road project is precisely interpreted as a challenge to the US-led order (White 2017).

China-US Competition: Decoupling and Coupling as Two Sides of the Same Coin

While Lenin's thesis on the conflictual nature of inter-capitalism competition shows its close relevance to the on-going China-US rivalry, Kautsky's analysis also makes a good point in arguing that core capitalist states were able to learn to avoid destructive competition by finding a new epoch where capital monopoly could reach such a stage that the joint exploitation of the global economy was possible. In the context of China-US economic relations, trade dispute and high-tech competition vis-à-vis financial cooperation and cartel seemingly represent two sides of the same coin.

Since 2018 the Trump Administration attempted to use the trade war as an effective weapon to slow down the Chinese economic growth and its catch-up speed. In addition, "decoupling" between the Chinese and US economies was also part of the American strategy aiming to end the reliance of US manufacturing on China and to delay China's technological advancement. Washington has long been preparing for an economic decoupling from China, especially after the onset of the Covid-19 pandemic. However, contrary to Trump's expectations and as a byproduct of the coronavirus, recent figures show that US imports from China in November 2020 climbed 46.1 percent to a record of $51.98 billion (China Daily 2020), while the Chinese trade surplus reached a historical record of $535.05 billion (The Wall Street Journal 2021a). Even a conservative prediction on post-Covid 19 global trade and supply chains claims that "Global supply chains will be permanently changed post-pandemic, but China will remain a key player. A full decoupling from China is economically and, for some countries, politically unfeasible" (Ramirez 2020, 1).

Ironically, a real decoupling is taking place within the US economy between its own politics and finance. Despite the fact that the tension between China and the US in their respective high-tech industries is continuing to intensify, Wall Street and Beijing are getting closer:

> Goldman Sachs and Morgan Stanley took majority control of their Chinese securities ventures. HSBC acquired full control of its Chinese life-insurance venture. Citi received a coveted custody license to serve institutional investors in China. Among asset managers, BlackRock received approval to sell its own mutual funds in China and Vanguard decided to shift its Asian headquarters to Shanghai. [...] Roughly $200bn has entered China's capital markets from abroad over the past year. Foreign holdings of Chinese stocks and bonds at the end of June were, respectively, 50% and 28% higher than a year earlier (The Economist 2020)

The above situation has three implications: First, the US financial sector, as an autonomous part of the national and world-economy, is struggling to defy Trump's decoupling threat. Second, Wall Street's expansion in China reflects a long-term trend where the center of gravity of global finance is shifting eastward. Third, the financial sector of the Chinese economy has been comparatively underdeveloped, and it is now driven by Beijing's new growth model. The Chinese financial service sector will unleash tremendous potential opportunities to global financial business.

This situation reveals that on the one hand, the Kautsky's cartel vision of "organized capitalism" (production and trade) at the international level is unstable; while on the other hand, Lenin's emphasis on the power of "financial capitalism" is becoming truer today than at his time. Being intertwined at home and abroad, the power of finance capital is characterized by its mobility and flexibility, it is devoid of individuality and disconnected from the immediate processes of production. The emergence of financial capital as an engine of capitalist accumulation is increasingly integrating national economies into the capitalist world economy.

The cartel of US and China financial cooperation shows that the US financial sector has clearly sensed the gigantic profit potentials brought about by the shift of China's economic growth model. The new growth model is characterized by a relative fall of the share of manufacturing sectors in the economy while there is an increase in the share of the service sectors. The Wall

Street's expansion in China reflects its firm belief that China will be sooner or later on course to go through a similar process of what the US has historically gone through: economic financialization. In 2020 China surpassed the US as the world's largest recipient of new foreign direct investment, which shows that the Covid-19 pandemic is increasing the shift of the center of gravity of the global economy toward the East (The Wall Street Journal 2021b).

China-US Rivalry: Competition between Two Different Capitalisms

Capitalism is by nature premised on intense, sometimes destructive, competition, often between different capitalisms, such as the current clash between the US "liberal capitalism" and the Chinese "state capitalism" (Milanovic 2019b). The "universal victory" of American liberal capitalism since the end of the Cold War is now experiencing a dramatic fall after the 2008 financial crisis, and has been further deteriorated by Trump's "America First" unilateralism policy. As Milanovic (2019a) explains in his new book, liberal capitalism claimed to triumph over socialism at the end of the Cold War, but the game was not over, and the struggles between "varieties of capitalism" has been no less fierce. In line with Milanovic (2019b), this paper posits that the China-US competition ought to be conceptualized as a contention between two distinct types of capitalist economies: liberal market economy (free market capitalism) versus a governed market economy (state capitalism). Since the two economies are so closely intertwined, these two different capitalisms are expected to invariably come into conflict with each other.

Accordingly, it is important to study and understand "Chinese state capitalism" in terms of how cultural and political uniqueness influences economic activities and shapes distinctive institutional forms and interactions (Wank 1999; Li 2016; McNally 2012; 2018). In concrete terms, we should understand how forces of marketization and commodification were balanced by historically and culturally shaped state-market-society structural interplays, such as the active role of the state and local governments, the variety of forms of property and business ownership, the traditional culture of clientele-based social relations, countries' sovereignty, economic model, governance pattern or political culture (Li 2016).

Chinese state capitalism is historically evolved, politically unique and culturally specific. It is shaped by the synergy of China's historical and internal transformations correlating with its responses to external challenges (Li and Shaw 2013). It can be characterized as part of China's "Sinicization" tradition which entails a spontaneous process of absorbing foreign ideas while forcing them to be mixed with or embedded into Chinese native value systems and practices. China's is a distinct form of state capitalism shaped and determined by its internal political reality and characterized by active state intervention and corporative state-business relations. The post-reform emergence of a new class of entrepreneurs and their role in institutional innovations encourages the marketization and decentralization of state capacities and public resources without falling into economic and social disembeddedment (Li 2016). Chinese state capitalism implies an "embedded relationship" between the Chinese state, market mechanisms and the social cultural fabrics that have led to sustained economic growth for four decades.

However, the US identifies Chinese state capitalism as a kind of "state-controlled economy" where the Chinese Communist Party (CCP) remains its regulative role in China's economy and where the state protects and advances the interests of state-owned enterprises (SOEs). SOEs dominate half of China's economic output and they are heavily subsidized and protected by the government. US business competitors are not allowed to establish fully-owned enterprises in China; they have to form joint ventures with Chinese partners and are forced to share their technology. Such "unfair competition" by China's state capitalism model has been one of the central issues involved in the China-US trade war since 2018. The negative impact on the US economy brought about by the Chinese state capitalism model is described by a US public policy think tank as follows:

> First, the move towards self-sufficiency in emerging technologies is inconsistent with a trading system based on comparative advantage. Second, use of SOEs, their access to subsidies, and limited rule of law in China support state companies within China and globally. Third, China's use of industrial policy to pick winners is expected to lead to excess production and dumping overseas. This has already occurred, for instance, in steel and solar photovoltaic (PV) with negative impacts for U.S. and global industries, and is expected to occur in more advanced industries identified in China's recent industrial policies, such as robotics, high-speed rail production, new energy vehicles, and batteries (Meltzer and Shenai 2019, 2).

According to a recent report by the non-partisan Congressional Research Service, although most analysts recognize that China-US trade is mutually beneficial, there are significant tensions over a number of Chinese policies and practices that are protectionist, economically distorting, and harmful to U.S. economic interests (Lake 2018). The fear is that the Chinese model of state capitalism will spread to areas where China exercises increasing influence, such as its spheres of influence.

Conclusion

The paper begins with the discussion of China-US rivalry around the Cold War rhetoric and political discourse. According to this line of debate, the rivalry has been identified by some opinion-makers, policymakers and academics as a new Cold War involving political, ideological and military-strategic competition for world power between two powers of different political values. Indeed, some aspects of the rivalry do bear a resemblance to the Soviet-American Cold War in terms of the conflicts in security, media, diplomacy and ideology. Such resemblance is clearly manifested in the hegemonic rivalry in the Pacific Asia region and mutual suspicion over each other's strategic intentions.

However, applying the Cold War conceptual framework to examining the China-US rivalry is a misleading endeavor. The authors' analysis concludes that the Cold War discourse simply aims to regenerate the triumphant spirit of the first Cold War, which the US decisively won, defeating its enemy, the Soviet Union. By reimagining the Cold War, the US is retreating back to the comforting teleology of the "end of history" thesis, and the belief that the US will ultimately and inevitably triumph.

Inspired by the theoretical inspirations from world system theory and the Kautsky-Lenin debate, this paper provides a series of analyses for exploring the complexities of the China-US economic interactions, and it reaches the following conclusions:

First, China's global rise implies that China is both a receiver and promoter of the outward expansion and relocation of capital and production in the capitalist world-economy's continuous. The China-US rivalry reflects the cyclical evolution of the world-economy and the rise and fall of hegemonic powers without altering the system's fundamental law of value. The rivalry is between two economies that are highly intertwined and interdependent.

Second, the China-US conflict shows the nexus between the capitalist world-economy's inherent structural contradictions and intra-core rivalry on monopolization and dominance. In other words, the conflict reflects the contradictory relationship embedded in the world-economy's structural inequality within which China's shift of growth model is bringing about a fundamental change of economic balance of power between the two countries.

Third, the China-US competition is between two different types of capitalist system. While China's global rise does not legitimize any universal relevance/significance of the Chinese state capitalism model, it demonstrates that non-western alternatives to development and modernization do exist. The Chinese state capitalism model is a tempting option that bears ideational inspiration and diffusion in many developing countries and regions. Regardless of which type of capitalism will prevail, it is unlikely that one of the two will come to rule the entire globe (Milanovic 2019a).

Finally, when the components of the Chinese economy are occupying more "spaces" in world economic "core" zones, China is altering the conventional stratification of the world economy based on a small core, a scattered larger semi-periphery and a vast periphery. Thus, China's economic rise and its national ambition, underlined by its new growth model, is perceived to have the intention to redivide the already divided world economic structure. Therefore, it is predictable that China and the US, the two largest economies in the world, will continue to be in a long-running strategic rivalry, since it is shaped and driven by external and internal systemic and structural forces. The world-economy has entered a new age of intra-core rivalry, and China-US competition will shape the trajectory of the capitalist world order for years to come.

References

Allison, G. "The new spheres of influence: sharing the globe with other great powers." *Foreign Affairs* 99, no. 2 (2020): 30-40.

Allison, G. *Destined for war: can America and China escape thucydides's trap*? New York: Mariner, 2018.

Bernal-Meza, R. "China and Latin America relations: the win-win rhetori." *Journal of China and International Relations*, no. spe (2016): 27-43.

Bernal-Meza, R. and Li Xing. *China-Latin America Relations in the 21st Century: the Dual Complexities of Opportunities and Challenges*. London: Palgrave Macmillan, 2020.

British Broadcast Company – BBC. "Chinese economy to overtake US 'by 2028' due to Covid". *News*, December 26, 2020. Accessed: January 15, 2021. Available from: https://www.bbc.com/news/world-asia-china-55454146#:~:text=China%20will%20overtake%20the%20US,previously%20forecast%2C%20a%20report%20says

Cartwright, M. "Rethinking World Systems Theory and Hegemony: Towards a Marxist-Realist Synthesis." *E-International Relations*, October 18, 2018. Accessed November 20, 2020. Available from: http://www.e-ir.info/pdf/76005

China Daily. "US imports from China surge in 2020 despite tariffs, pandemic: media." December 16, 2020. Accessed January 12, 2021. Available from: http://www.chinadaily.com.cn/a/202012/16/WS5fd93e1ba31024ad0ba9c03d.html

Drezner, D., R. Krebs, and R. Schweller. "The end of grand strategy." *Foreign Affairs*, May/June, 2020. Accessed on February 2, 2021. Available from: https://www.foreignaffairs.com/articles/world/2020-04-13/end-grand-strategy

Euractiv. "China edges past US as Europe's top trade partner." *Trade & Society*, December 3, 2020. Accessed on 13 January 2021. Available from: https://www.euractiv.com/section/economy-jobs/news/china-edges-past-us-as-europes-top-trade-partner/

Gaddis, J. L. *Strategies of containment: a critical appraisal of postwar american national security policy*. New York, Ny: Oxford University, 1982.

Gallagher, J., and R. Robinson. "The imperialism of free trade." *Economic History Review (New Series)* 6, no. 1 (1953): 1-15.

Gilpin, R. *The political economy of international relations*. Cambridge: Cambridge University, 1987.

Gilpin, R. *War and change in world politics*. Cambridge: Cambridge University, 1981.

Hanania, R. "China's real threat is to America's ruling ideology." *Palladium*, December 14, 2020. Accessed on 31 January 2021. Available from: https://palladiummag.com/2020/12/14/chinas-real-threat-is-to-americas-ruling-ideology/

Hobson, J. *Imperialism: a study*. New York, NY: James Pott & Company, 1902.

Hung, H. F. "The US-China rivalry is about capitalist competition." *Jacobim*, July 11, 2020. Accessed on November 29, 2020 Avaliable from: https://www.jacobinmag.com/2020/07/us-china-competition-capitalism-rivalry

Ikenberry, J. G. "The next liberal order the age of contagion demands more internationalism, not less." *Foreign Affairs*, July/August, 2020. Accessed on December 7, 2020. Available from: https://www.foreignaffairs.com/articles/united-states/2020-06-09/next-liberal-order

International Monetary Fund – IMF. "Latest world economic outlook growth projections." *World Economic Outlook*, 2021. Accessed on January 25, 2021. Available from: https://www.imf.org/en/publications/weo/issues/2021/01/26/2021-world-economic-outlook-update

Kagan, R. *El retorno de la historia y el fin de los sueños*. Barcelona: Taurus, 2008.

Kautsky, K. "Ultra-imperialism." *Marxists Internet Archive*, January, 1914. Accessed on October 19, 2020. Available From: https://www.marxists.org/archive/kautsky/1914/09/ultra-imp.htm

Kindleberger, C. *The world in depression, 1929-1939*. Berkeley: University Of California Press, 1973.

Lake, D. A. "Economic openness and great power competition: lessons for China and the United States." *The Chinese Journal of International Politics* 11, no. 3 (2018): 237-70.

Leffler, M. P. "China isn't the Soviet Union: confusing the two is dangerous." The Atlantic, December 2, 2019. Accessed on January 23, 2021. Available from: https://www.theatlantic.com/ideas/archive/2019/12/cold-war-china-purely-optional/601969/

Lenin, V. I. "*Imperialism, the highest stage of capitalism: a popular outline." Marxists Internet Archive*, 1917. Accessed on October 19, 2020. *Available from:* https://www.marxists.org/archive/lenin/works/1916/imp-hsc/

Li, M. Q. *The rise of China and the demise of the capitalist world economy*. New York, NY: Monthly Review, 2008.

Li, X. "China's dual position in the capitalist world order: a dual complexity of hegemony and counter-hegemony." In *The International Political Economy of The BRICS*, edited by Li X. New York, NY: Routledge, 2019.

Li, X. "The rise of China and its impact on world economic stratification and re-stratification." *Cambridge Review of International Affairs* 34, no. 4 (2020): 530-50. doi: https://doi.org/10.1080/09557571.2020.1800589

Li, X. "Understanding China's economic success: 'embeddedness' with chinese characteristics." *Asian Culture and History* 8, no. 2 (2016): 18-31.

Li, X., and A. Farah, ed. *China-Africa relations in a era of great transformations*. London: Routledge, 2013.

Li, X., and T. Shaw. "The political economy of chinese state capitalism." *China and International Relations* 1, no. 1 (2013): 88-113. doi: https://doi.org/10.5278/ojs.jcir.v1i1.218

Li, X., ed. *The rise of China and the capitalist world order*. London: Routledge, 2010.

Mcfaul, M. "Cold war lessons and fallacies for US-China relations today." *The Washington Quarterly* 43, no. 4 (2020): 7-39. doi: https://doi.org/10.1080/0163660X.2020.1850406

Mcnally, C. A. "Theorizing sino-capitalism: implications for the study of comparative capitalisms." *Contemporary Politics* 25, no. 3 (2018): 313-33. doi: https://doi.org/10.1080/13569775.2018.1553125

Mcnally, C. A. “Sino-capitalism: China’s reemergence and the international political economy.” *World Politics* 64, no. 4 (2012): 741-76.

Meltzer, J. P., and N. Shenai. *The US-China economic relationship: a comprehensive approach*. Washington, DC: Brookings Institute, 2019. Accessed on February 5, 2021. Available from: https://www.brookings.edu/wp-content/uploads/2019/02/us_china_economic_relationship.pdf

Merwe, J. “The one belt one road initiative: reintegrating Africa and the Middle East into China’s system of accumulation.” In *Mapping China’s One Belt One Road Initiative* edited by X. Li. London: Palgrave Macmillan, 2018.

Milanovic, B. “The Clash of Capitalisms. The Real Fight for the Global Economy’s Future.” *Foreign Affairs*, January/February, 2019b. Accessed on January 17, 2021. Available from: https://www.foreignaffairs.com/articles/united-states/2019-12-10/clash-capitalisms

Milanovic, B. *Capitalism, alone: The Future of the System That Rules the World*. Cambridge: Harvard University/Belknap Press, 2019a.

NBCUniversal Media – CNBC. “China’s yuan could become the world’s third largest reserve currency in 10 years: Morgan Stanley predicts.” September 4, 2020. Accessed: December 5, 2020. Available from: https://www.cnbc.com/2020/09/04/chinas-yuan-rmb-to-become-third-largest-reserve-currency-by-2030-morgan-stanley.html

New York Post. “Joe Biden calls Russia an ‘opponent’, China a ‘competitor’ during town hall.” September 18, 2020. Accessed on January 19, 2021. Available from: https://nypost.com/2020/09/18/joe-biden-calls-russia-an-opponent-and-china-a-competitor/

Ramirez, D. “Covid-19: global trade and supply chains after the pandemic.” *IISS Report*, August 27, 2020. Accessed on January 23, 2021. Available from: https://www.iiss.org/blogs/research-paper/2020/08/covid-19-trade-and-supply-chains

Rudd, K. “The coming post-COVID anarchy.” *Foreign Affairs,* May 6, 2020. Accessed on February 5, 2021. Available from: https://www.foreignaffairs.com/articles/united-states/2020-05-06/coming-post-covid-anarchy

Sapolsky, H. “Continuity and change in a Second Cold War.” *China International Strategy Review* 1, no. 1 (2019): 213-22. doi: https://doi.org/10.1007/s42533-019-00021-y

Schwarz, B. “Why America thinks it has to run the world.” *Atlantic Monthly* 277, no. 6 (1996): 92-102.

Smith, A. “U.S. and China conflict: the 21st century’s central inter-imperial rivalry.” *New Politics*, August 28, 2019. Accessed on February 5, 2021. Available from: https://newpol.org/u-s-and-china-conflict-the-21st-centurys-central-inter-imperial-rivalry/

The Economist. “Is Wall Street winning in China?” September 3, 2020. Accessed on January 7, 2021. Available from: https://www.economist.com/finance-and-economics/2020/09/03/is-wall-street-winning-in-china

The New York Times. “With Americans Stuck at Home, Trade with China Roars Back.” December 14, 2020. Accessed on February 5, 2021. Available from: https://www.nytimes.com/2020/12/14/business/economy/us-china-trade-covid.html

The Wall Street Journal. "China exports boom to record year, while Covid-19 ravages global economy." January 14, 2021a. Accessed on February 5, 2021. Available from: https://www.wsj.com/articles/china-exports-boom-to-record-year-while-covid-19-ravages-global-economy-11610610939#:~:text=China's%20exports%20to%20the%20U.S.,to%20official%20data%20released%20Thursday

The Wall Street Journal. "China overtakes US as world's leading destination for foreign direct investment." January 24, 2021b. Accessed on February 5, 2021. Available from: https://www.wsj.com/articles/china-overtakes-u-s-as-worlds-leading-destination-for-foreign-direct-investment-11611511200

Wallerstein, I. "The three instances of hegemony in the history of the capitalist world-economy." *International Journal of Comparative Sociology* 24, no. 1-2 (1983): 100-8. doi: https://doi.org/10.1163/156854283X00071

Wallerstein, I. *The modern worldsystem II: mercantilism and the consolidation of the european world-economy 1600-1750 with a new prologue*. Los Angeles, CA: University of California, 2011.

Waltz, K. *Theory of international politics*. New York, NY: Mcgraw Hill, 1979.

Wank, D. L. *Commodifying communism: business, trust and politics in a chinese city*. Cambridge: Cambridge University Press, 1999.

White, H. "China's one belt, one road to challenge US-led order." *The Straits Times*, April 25, 2017. Accessed on February 5, 2021. Available from: https://www.straitstimes.com/opinion/chinas-one-belt-one-road-to-challenge-us-led-order

Zakaria, F. "The new China Scare: why America shouldn't panic about its latest challenger." *Foreign Affairs*, January/February 2019. Accessed on February 5, 2021. Available from: https://www.foreignaffairs.com/articles/china/2019-12-06/new-china-scare