



Revisiting World-Systems Theory in the Age of Dual-Core Competition Technological Disruption, Institutional Shifts, and the Repositioning of the Periphery

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Abstract

This study revisits Wallerstein's world-systems theory to assess its explanatory leverage under dual-core U.S.–China competition, accelerating technological change, and institutional reordering. We argue that core–semi-periphery–periphery hierarchies persist but are increasingly mediated by (1) dual-core bargaining spaces, (2) institutional chokepoints in trade, finance, and standards, and (3) politically mediated technological infrastructures, including digital-currency and platform-based payment systems. Using a structured secondary-analysis design, we first synthesize contemporary debates to derive observable implications for semi-peripheral and peripheral mobility. We then map evidence from systematically selected policy documents, institutional reports, and peer-reviewed studies to evaluate whether reported autonomy gains reflect durable structural shifts or contingent responses to shocks (e.g., sanctions, inflation, payment disruptions). The findings indicate heightened boundary fluidity and new modalities of contestation, yet continued asymmetries in rule-setting, liquidity provision, and standards dependence. We conclude by specifying boundary conditions and measurement priorities for future cross-national tests.

Keywords: World-Systems Theory, U.S.–China Rivalry, Decentralization, Global Inequality, Technological Restructuring



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The traditional discourse of world-systems theory in international political economy is primarily based on the work of Immanuel Wallerstein, who conceptualized the world-system as an enlarged version of a society, characterized by a defined scope, structure, membership, organization, and an internal cohesion shaped by shared rules (Wallerstein 2015). Due to historical and spatial differences, Wallerstein (2015) identified two distinct types of world-systems. The first is a cross-regional power structure governed by imperial politics, in which authority is centralized in a single actor or institution. In essence, such a system relies on centralized control to extract economic surplus from producers. The emergence of the second world-system introduced a mechanism of division of labor and exchange, whereby inequality is institutionalized, allowing the transfer of economic surplus to entities that do not necessarily hold political power.

Wallerstein also suggested that the long-run contradictions of capitalism would generate recurrent crises and eventually open the possibility of systemic transformation beyond the existing order (Wallerstein 2015). For present purposes, however, the analytical value of his framework does not depend on accepting any deterministic end point. Rather, its continuing relevance lies in its capacity to explain how recurring instability, uneven exchange, and hierarchical differentiation remain embedded in the organization of the global economy. This study therefore treats Wallerstein's prognosis not as a settled prediction to be validated, but as a theoretical prompt for examining whether contemporary changes alter the structure of hierarchy itself or merely change the mechanisms through which it is reproduced.

In contrast, peripheral countries are primarily producers of raw or primary goods such as agricultural and mineral products and depend on low-cost labor, often exhibiting weak state capacity or even occupying an ambiguous space between sovereignty and colonial subordination. Their economies are dominated by primary industries rather than industrial or service sectors. Semi-peripheral countries, meanwhile, are both constrained by core powers and capable of exerting influence over peripheral regions. These states occupy a fluid position within the world-system, susceptible to shifts either upward to the core or downward to the periphery, depending on external factors such as financial crises or geopolitical changes. Historical cases, such as the Netherlands in the sixteenth century, Britain in the eighteenth century, and the current U.S. hegemony, exemplify the transformative nature of global leadership, in which core countries possess not only political and economic power but also discursive authority in shaping the world order (Falkner 2005).

However, the conflict between theory and contemporary realities calls into question the continuing applicability of Wallerstein's model. Emerging technologies, especially artificial intelligence, may disrupt traditional labor-based value systems, undermining the structural divisions among core, semi-periphery, and periphery. Furthermore, the rapid evolution of the global economy has blurred the once-clear boundaries of international labor divisions. To

distinguish clearly between the author's argument and existing scholarship, this paper specifies the attribution of claims about shifting sources of influence in the contemporary world-system. Prior research on hegemony and global knowledge hierarchies suggests that dominance is increasingly exercised through agenda-setting authority, informational infrastructures, and the institutional production of legitimacy, rather than through coercion or commodity control alone (Persaud 2022; Marginson and Xu 2023). These studies show that power is reproduced not only through material advantage but also through the normalization of preferred categories of expertise, governance, and rule-making. Building on this literature, the present study argues that contemporary core power is partly mediated by control over platforms, standards, and knowledge networks. Such mechanisms do not replace older instruments of domination; rather, they coexist with sanctions, alliance structures, and financial leverage, thereby extending the channels through which uneven exchange and institutional asymmetry are reproduced in the digital era. Building on this insight, the present study argues that the contemporary reconfiguration of core power is partly mediated by control over platforms, standards, and knowledge networks, mechanisms that can coexist with traditional instruments such as sanctions and military alliances. This clarification matters for world-systems analysis because it preserves the theory's central concern with uneven exchange while updating the channels through which surplus extraction and rule-making are organized in the digital era.

Another area of inquiry concerns the simultaneous, but not identical, inward turns of the United States and China under intensifying strategic rivalry. In the U.S. case, the political return of Trump reinforced protectionist and re-shoring narratives aimed at strengthening domestic manufacturing, limiting external dependence, and using tariff instruments as leverage in broader geopolitical competition. In China's case, the policy emphasis was framed less as conventional protectionism than as the strengthening of internal circulation, domestic demand, and resilience under conditions of external pressure and deglobalizing uncertainty (Woon and Sidaway 2025; Zou, Dresner, and Yu 2025). The analytical significance of this parallel lies not in treating the two strategies as equivalent, but in asking whether their coexistence signals a reconfiguration of hegemonic practice within the world-system. Although such strategies may be economically justified, this convergence raises critical questions: Do these approaches align with the framework of world-systems theory, or do they indicate a fragmentation of global hegemonic discourse between the two powers? This dilemma forms the central concern of the present study.

Through an integrated approach combining literature review and empirical analysis, this paper seeks to revisit Wallerstein's world-systems theory in light of current global transformations. It examines whether the theoretical framework requires revision or whether observed developments are the result of structural shifts in the global order. Ultimately, the study aims to reconsider the international economic implications of U.S. and Chinese efforts to fortify their domestic markets and assess how such strategies might reshape the contemporary world-system.

To clarify the paper's theoretical stance, this study does not abandon Wallerstein's framework; instead, it proposes a bounded revision that preserves the core–semi-periphery–periphery logic while specifying the conditions under which positional mobility and hierarchy-blurring become plausible. Concretely, we revise world-systems analysis along three dimensions: (1) dual-core bargaining spaces, where competition between leading states alters the price of alignment and expands strategic room for semi-peripheral actors; (2) institutional chokepoints, where rule-setting and standards (trade, finance, technology governance) continue to reproduce asymmetries even under apparent multipolarity; and (3) technology as politically mediated infrastructure, where digital innovations can reconfigure transaction costs and surveillance capacities but do not operate as power-neutral tools. Taken together, these revisions generate a theoretically grounded expectation: apparent autonomy gains in the Global South are most likely to emerge where dual-core rivalry weakens enforcement at institutional chokepoints, but they are least likely to endure where technological infrastructures remain anchored in core-centered standards, capital, and compliance systems. The point is therefore not to claim a generalized erosion of hierarchy, but to specify the conditions under which temporary bargaining space may open without producing durable structural transformation.

Literature Review

World-systems theory continues to be a key analytical framework in contemporary international relations and global political economy studies, particularly in the context of shifting global power dynamics and the rise of multipolarity. The theory offers a structural lens through which the interactions among core, semi-peripheral, and peripheral states can be understood. Buzan and Lawson (2015), from a political economy perspective, recast interstate competition as a mode of interaction embedded within the wider capitalist order. They argue that core countries, led by the United States, sustain global stability through arrangements that are inseparable from structural inequality and systemic domination. They further suggest that the post-liberal era and mounting global crises have weakened the foundations of U.S. hegemony, rendering its leadership role increasingly vulnerable within the world-system.

Buzan and Lawson (2015), from a political economy perspective, redefines interstate competition as a form of collaboration within the capitalist system. They argue that core countries, led by the United States, maintain global stability through mechanisms fundamentally grounded in inequality and systemic domination. Buzan and Lawson (1994) further suggests that the post-liberal era and mounting global economic crises have eroded the foundations of U.S. hegemony, rendering its leadership role increasingly vulnerable within the world-system.

The application of world-systems theory has also extended into other disciplinary domains. Adhikari (2023) applies the framework to disaster studies, analyzing Nepal's dependency on core

and semi-peripheral states following the 2015 earthquake. The study reveals that post-disaster reconstruction and international aid reflect entrenched systemic hierarchies. Coordination failures among national institutions and the conditional nature of international aid, often provided as loans underscore the continued dominance and influence of core countries over peripheral governance.

From the perspective of global academia, Steger (2023) critiques the tension between world-systems theory and global studies. Despite their epistemological differences, both traditions share commitments to opposing methodological nationalism, promoting interdisciplinarity, and advancing critical thinking. Through an analysis of Arno Tausch's academic contributions, Steger advocates for renewed dialogue and integration between these theoretical paradigms to foster greater epistemic pluralism.

Regarding the trajectory of American hegemony, Grinin and Korotayev (2021) systematically outline seven structural vulnerabilities observed during the Trump administration, ranging from political polarization and declining global trust to economic bubbles and isolationist foreign policy. They argue that these weaknesses foreshadow a decline in U.S. dominance and the restructuring of the global system. Beeson and Crawford (2023) compare the Marshall Plan with China's Belt and Road Initiative, highlighting how China lacks the institutional architecture and ideological narratives that supported U.S. global leadership during the Cold War. This, they argue, constrains China's hegemonic potential.

A more systematic engagement with world-systems scholarship requires situating U.S.–China rivalry within debates on hegemonic transition and long-run accumulation cycles. Building on Arrighi's account of systemic cycles of accumulation, the present moment can be interpreted less as a clean rupture with hierarchical ordering than as a transitional phase in which financial expansion, institutional reconfiguration, and geopolitical contestation unfold simultaneously. This perspective is analytically useful because it cautions against reading visible rivalry as proof of structural symmetry. Even under conditions of dual-core competition, historically accumulated advantages in finance, security architecture, and rule-setting may continue to reproduce core-like asymmetries. The paper therefore uses “dual-core” not to imply equalized power, but to identify a more contested and unstable configuration of hierarchy. This perspective helps discipline the paper's contribution in two ways. First, it reframes U.S. responses (tariffs, technology controls, monetary-financial strategies) as attempts to manage positional erosion during a transitional moment rather than as episodic policy swings. Second, it cautions against equating observable rivalry with structural symmetry: even under dual-core competition, command over financial infrastructures, standard-setting arenas, and security institutions may continue to generate core-like advantages. Accordingly, the paper's revised claim is that world-systems theory remains relevant, but must be updated to specify how financial-institutional power and technological governance mediate transition dynamics in the present cycle.

Persaud (2022) examines how the field of international relations itself contributes to sustaining hegemonic orders. By tracing the reciprocal roles of scholars and policymakers, he demonstrates how liberal hegemony is normalized through dominant epistemologies that legitimize U.S. leadership.

Conversely, Marginson and Xu (2023) critique the epistemic hierarchies embedded in the global knowledge system. They argue that the Anglo-American-centered scientific networks systematically marginalize non-English and local knowledges, constituting a form of cultural hegemony. They caution against the oversimplification of world-systems theory and call for an “ecology of knowledges” approach to rethink the governance and distribution of scientific authority on a global scale.

On the dynamics of China’s rise, Liu and Tsai (2021) analyze the internal contradictions within Chinese capitalism, including the dominance of state-owned enterprises, reliance on foreign investment, and the constrained development of the private sector. These factors, they argue, hinder China’s transformation into a global consensus-based hegemon. Shah (2023), applying securitization theory, examines the Trump administration's antagonism toward the Belt and Road Initiative, critiquing its underestimation of local agency and positive contributions to Asian infrastructure development. Liu (2024), through media analysis, identifies the personalization of political leadership in Chinese and U.S. media, demonstrating how institutional and cultural values shape public perceptions and leader legitimacy.

Blanchette, J. and Medeiros (2023) explore how Xi Jinping integrates the concept of “national rejuvenation” into China’s global strategy, emphasizing the role of personal leadership in legitimizing power. Callahan (2016) provides a comprehensive evaluation of China’s policy initiatives including the “Chinese Dream,” “Community of Shared Future for Mankind,” and the Belt and Road Initiative arguing that while these policies reflect strategic ambition, China has yet to effectively expand its global influence amid growing international pushback.

Regarding cross-strait policy, Madoka (2022) analyzes Xi Jinping’s shift from military intimidation to “unilateral unification” strategies, signaling a move toward structural changes in the Taiwan Strait status quo. Xu and Yu (2022) reveal the dual strategies embedded in China’s internet governance, combining domestic authoritarian consolidation with efforts to shape global digital norms. These developments also carry implications for Taiwan, particularly as semiconductor competition, digital governance, and security signaling become more tightly linked within the broader U.S.–China rivalry. Rather than treating this as a separate forecasting question, the present paper uses the Taiwan case primarily to illustrate how regional actors are repositioned within overlapping technological, military, and institutional pressures generated by dual-core competition.

From a broader geopolitical perspective, Loke (2021) proposes the concept of “compound hegemony,” suggesting that the U.S. and China may develop a layered system of competition and cooperation in East Asia that challenges linear models of hegemonic transition. Caria (2022) notes the contestation among Western-led multilateralism, China-led institutional transformations, and South–South cooperation, arguing that developing countries may find new opportunities for asserting agency within this evolving global order. Gürcan (2022) emphasizes the potential of Eurasian regional organizations such as the Shanghai Cooperation Organization, the Collective Security Treaty Organization, the Eurasian Economic Union, and the Asian Infrastructure Investment Bank to offer non-hegemonic models of governance. These frameworks integrate security, economic, and cultural dimensions, presenting an alternative to U.S.-centric global hegemony.

In summary, this body of literature underscores the continued relevance and critical potential of world-systems theory in analyzing the transformation of global power, the erosion of U.S. hegemony, and the emergence of regional integration initiatives. Through interdisciplinary approaches, scholars have not only deepened our understanding of U.S. decline and China’s strategic expansion but have also developed new conceptual tools to respond to the challenges posed by multipolarity and the post-hegemonic international order. As a result, world-systems theory has evolved beyond a static structural model and now serves as a vital resource for rethinking agency in the Global South, institutional competition, and future possibilities for cooperative global governance (Haug, Braveboy-Wagner, and Maihold 2021).

The Impact and Influence of World-Systems Theory

Since its introduction by Immanuel Wallerstein, world-systems theory has provided a profound analytical framework for understanding the structure of the international political and economic order. It reveals the systemic inequalities embedded in the global division of labor, emphasizing that the development of the global economy is not homogeneous but stratified through a tripartite hierarchy of “core–semi-periphery–periphery.” This stratification not only defines the economic roles and functional positions of states within the global system but also determines the direction of resource, technology, and capital flows, as well as the forms through which benefits are distributed.

Within this structure, core countries possess systemic advantages through their control of high value-added industries, advanced technology, and vast capital resources. These advantages allow them to monopolize global market rules and production standards, thereby consolidating their dominant status in the world-system (Babic 2023). In contrast, peripheral countries are largely relegated to the supply of raw materials, low value-added production, and dependent development models. Consequently, they struggle to escape economic dependency and political subordination

to core powers. This structural imbalance is not only visible at the international level but is also reflected domestically within nation-states. Whether analyzed through the lens of geography, industrial distribution, or market competition, the allocation of value between producers and beneficiaries often exhibits a one-way flow from “internal cores” to “internal peripheries.” This means that even within a single country, capital and resources tend to concentrate in specific regions or social classes, reproducing inequality as a structural feature.

Despite these parallels, the key distinction between domestic and international systems lies in the presence of the state as a political entity. The state, through its centralized government, possesses mechanisms of political integration that enable it to redistribute resources and balance power through taxation, subsidies, and social welfare policies. These tools allow for partial mitigation of market failures and social inequality. By contrast, the international system lacks a supranational authority with binding power. While core countries can exert influence through economic sanctions, tariffs, and technological embargoes, they cannot intervene directly in the policy execution or resource allocation of other states as a central government would. As a result, global governance relies more on the balance of power and negotiated interests, rather than on structural enforcement (Ulum 2022).

Situated between core and periphery, semi-peripheral countries serve as crucial intermediaries. These states often possess some degree of industrial capacity and technological competence, enabling them to extract residual value from the global system left behind by core states. During periods of political instability or economic crisis in the core, semi-peripheral countries may improve their relative status through flexible policy adjustments and competitive repositioning. This underscores the dynamic nature of international hierarchies, which shift in response to variables such as natural resource distribution, technological innovation, institutional design, and geopolitical developments. To maintain their dominance, core countries often rely on institutional exclusion and economic exploitation to control the flow of technology and capital to subordinate regions. In the age of globalization and digitalization, this is increasingly facilitated through “center-optimized” models of production, research and development, and distribution, making it difficult for non-core countries to transcend structural constraints.

To overcome these structural barriers, subordinate countries must develop long-term national strategies involving comprehensive planning across multiple dimensions, including policy-making, education, industry, and technology. Only through such coordinated efforts can they strengthen autonomy and bargaining capacity within the global system and shift away from structurally imposed dependency. Broadly speaking, world-systems theory reveals the hierarchical nature of contemporary global capitalism and reminds us that domestic and international factors must be analyzed in tandem. Only by integrating these dimensions can one fully grasp a country’s position within the global structure and identify pathways for future development.

The U.S. Shift from Global Political-Economic Engagement to Domestic Reorientation

In recent years, the United States has increasingly emphasized a logic of “national interest first” in its foreign and economic policy decisions (Epstein 2019), signaling a fundamental shift in its approach to the global political and economic order. The “America First” doctrine, prominently advocated during Donald Trump’s first presidential term, is not a novel invention but rather a revival of the isolationist tradition rooted in early twentieth century American political thought. This policy orientation emerged from the interwar period’s reflections, during which American society began to question whether overinvolvement in international affairs might undermine domestic economic interests and social stability. During times of economic expansion, particularly in the post–World War II era foreign aid and international engagement were viewed as strategic tools for maintaining U.S. global leadership. However, in periods of economic downturn or structural stagnation, such commitments were increasingly criticized as causes of domestic resource depletion and industrial decline.

This dual concern with economic self-interest and national security has led to the re-legitimation of isolationist and protectionist policies, shaping the foundational contours of the Trump administration’s trade agenda (Farias 2022). This trajectory became even more pronounced following Trump’s re-election in 2024, as his renewed emphasis on “America First” reflected a broader political and economic consensus within the U.S.: a reevaluation of globalization’s impact on domestic industries and labor markets, and a push to reduce external dependencies in order to restore the nation’s manufacturing base.

Against this backdrop, trade protection measures and economic sanctions emerged as primary policy instruments. Though outwardly framed in terms of tariffs and export-import regulations, these tools are in fact strategically deployed in response to global technological competition and the scramble for strategic resources, especially in the context of U.S.-China geopolitical and economic rivalry. The transformation of U.S.-China relations has transcended trade disputes, evolving into a broader competition over status and influence within the international system. China’s rapid ascent is increasingly perceived as a direct challenge to U.S. global leadership, prompting intensified technological, financial, and geopolitical contests.

From the perspectives of institutional economics and world-systems theory, Trump’s tariff wars and manufacturing revitalization agenda may be interpreted as a structural adjustment initiated by a core country to preserve its hegemonic position. By imposing tariffs on China, Mexico, Canada, and other trade partners, the United States aims to erect trade barriers that encourage supply chain reshoring and stimulate domestic employment (Jones 2025). These policies also function as political signals, intended to pressure bilateral and multilateral trade renegotiations that would yield more favorable terms for the U.S. Notably, trade relations with Canada and Mexico are not limited to commodities but also touch upon politically sensitive issues

such as immigration and labor export (Carlson and Wheeler 2024). In this context, tariffs become a strategic bargaining chip to force concessions on labor standards, industrial location, and border policy.

On the issue of the Russia–Ukraine war, Trump’s stance has diverged significantly from that of former President Biden’s interventionist approach (Jakupec 2025). Trump’s more restrained posture reflects skepticism toward expansive overseas military commitments, arguing that unconditional financial and military support for Ukraine could excessively drain U.S. domestic resources. This strategic pivot has unsettled European allies, compelling them to consider scenarios in which they may need to establish autonomous defense systems and diplomatic capacities should the U.S. further retreat from its traditional “global police” role. More critically, a U.S. policy of non-intervention could facilitate Russia’s expansion of regional influence while simultaneously allowing China to extend its economic and strategic presence in Asia, Africa, and beyond, thereby undermining the U.S.-led liberal international order.

In this context, Trump’s economic nationalism and protectionism not only reflect domestic voter anxieties over economic insecurity but may also be viewed through the lens of world-systems theory as a strategic recalibration by a core country in response to the rise of semi-peripheral and peripheral states. According to this theory, core states often maintain their structural advantage and control over resources through technological monopolies, market manipulation, and institutional design. Recent U.S. policy initiatives in advanced sectors such as semiconductors, biotechnology, and telecommunications can be interpreted as direct responses to China’s push for technological self-reliance and industrial upgrading. Through supply chain realignment and export controls, the United States aims to hinder China’s technological advancement and limit its global market share, thereby achieving strategic delay and disruption.

From a structural economic perspective, decades of outsourcing to Asia and Latin America have eroded the U.S. industrial base (Baily and Bosworth 2014), exacerbating deindustrialization and rising unemployment among middle- and lower-income groups. Trump’s approach of raising tariffs and import barriers to increase the cost of foreign goods is designed to enhance the relative competitiveness of domestic products and incentivize local manufacturing and consumption. This strategy rests on an import-substitution economic model, premised on the belief that consumers, facing higher prices on imported goods, will shift their purchasing preferences toward domestic alternatives, thereby boosting capacity utilization and job creation.

However, the success of this policy depends on whether domestic industries possess sufficient supply elasticity and innovation capacity, and whether the labor market can absorb the newly created demand for workers. Without these conditions, tariff increases alone may simply generate inflationary pressures and reduce consumer welfare, thereby weakening the economy’s long-term growth potential.

In sum, the policy shifts undertaken during Trump's presidency reveal a distinctly inward-looking orientation that has nonetheless generated systemic effects on the global political-economic order. While such policies may yield short-term domestic benefits in terms of employment and industrial output, their long-term efficacy in reviving U.S. manufacturing and sustaining core-state status remains uncertain and contingent upon the evolving dynamics of global power. Furthermore, as other major powers proactively reconstruct their regional influence and economic sovereignty, the realignment of global power will likely reshape the core-periphery structure of the world-system. In this light, the challenges facing the United States arise not only from external competition but also from deep-seated structural transformations and the evolving resilience of its institutional frameworks.

China's Economic Slowdown and Domestic Demand Expansion Policy

Since the launch of its reform and opening-up policy, China has relied heavily on infrastructure-led economic growth as a core pathway to modernization (Wu 2000). Particularly in the twenty-first century, the strong correlation between infrastructure development and economic performance has become a key mechanism explaining China's rapid growth (Hou 2011). Under the tri-fold national strategy of urbanization, industrialization, and modernization, the Chinese government has invested massively in transportation, energy, telecommunications, and urban development. Infrastructure development, as a precursor, has generated vast employment opportunities and upstream-downstream industrial linkages, fostering a dual-growth structure driven by both domestic demand and exports. As manufacturing has gradually shifted from light industry and OEM models toward high-end heavy industry, the demand for industrial upgrading and technological renewal has surged. Enterprises, in this process, have relied heavily on debt financing to expand production capacity and maintain technological competitiveness. While such mechanisms have contributed to short-term industrial expansion and output growth, they have also led to mounting debt levels among local governments and financial institutions, generating long-term structural risks (Tao 2015). When diminishing returns on investment and deteriorating balance sheets persist, these dynamics risk triggering systemic financial crises.

Among these risks, imbalances in the real estate sector are particularly significant. Demographic shifts further challenge the country's economic fundamentals. As China converges with developed economies in terms of population structure, declining birth rates and population aging have reduced labor supply, weakened consumption momentum, and increased pressure on pension and welfare systems, all of which constrain fiscal space and corporate profitability (Bloom, Canning, and Fink 2010). As the demographic dividend diminishes, China's historical reliance on cheap labor and resource-intensive growth becomes increasingly unsustainable. As China converges with developed economies in terms of population structure, trends such as declining

birth rates and population aging have reduced the labor supply, lowered consumer willingness to spend, and increased pressure on social welfare systems all of which constrain fiscal space and corporate profitability (Bloom, D. E. et.al, 2024)2010. As the demographic dividend diminishes, China's historical reliance on cheap labor and resource-intensive growth becomes increasingly unsustainable. This compels policymakers to reassess the resilience of internal growth engines and the strategic configuration of national industries.

Externally, the environment has grown increasingly uncertain. Structural competition between the U.S. and China in the field of technology, along with institutional frictions over tariffs, directly affects the global positioning of China's export-oriented industries and undermines the stability of industrial supply chains. In cutting-edge sectors such as semiconductors, artificial intelligence, biotechnology, and green energy, the U.S. and its allies have imposed export controls, technology embargoes, and formed industrial alliances to restrict Chinese firms' access to critical components and advanced technologies, measures intended to delay China's industrial upgrading (Jiao et al. 2024). Although such restrictions pose short-term challenges to technological advancement, they have also accelerated policy momentum toward indigenous innovation and import substitution. As external dependency becomes a source of economic vulnerability, technological self-reliance has been elevated to a national strategic priority. This has prompted increased state investment in core technologies and strategic sectors. Driven by external pressure, this process of "re-industrialization under deglobalization" has paradoxically created an opportunity for China to upgrade its industrial structure, strengthen domestic market integration, and advance its internal circulation strategy (Woon and Sidaway 2025).

Within the framework of the "dual circulation" strategy, exports and investment remain key growth drivers, but domestic demand and consumption upgrading have been repositioned at the center of China's economic agenda. In the context of a slowing global economy and rising external trade pressures, China's large population base and expanding middle class have become vital stabilizing forces in its economic transition. By expanding domestic consumption, improving social security, enhancing public services, and nurturing emerging industries, the government aims to increase economic resilience while addressing structural issues such as regional disparities and social stratification. Furthermore, technological development and talent cultivation are critical to overcoming external blockades. Through reforms in higher education, the strengthening of vocational training, and the encouragement of scientific research, industry-academia collaboration is becoming a key model for supporting innovation and upgrading. Government tools such as state-guided capital, policy-based finance, and industrial guidance funds have been employed to accelerate capital flows into high value-added sectors, with the hope of gaining a favorable position in the next wave of technological and industrial transformation.

Nevertheless, this transition is not without risks. On one hand, technological upgrading requires long-term investment and is fraught with high R&D risks, making it difficult to rapidly replace external technological dependencies. On the other hand, although the domestic market has vast potential, its effective activation depends on the restoration of consumer confidence, improved income distribution, and the removal of institutional barriers. Without these conditions, structural mismatches between supply and demand may persist. In addition, international sensitivity to China's industrial expansion and state intervention remains high. Failure to manage trade frictions and align with international norms could lead to heightened geopolitical and economic tensions, undermining external stability.

In sum, China is now entering a critical stage of structural adjustment and economic reconfiguration, shaped by overlapping pressures from internal debt risks, industrial transformation demands, and external geopolitical challenges. While infrastructure-driven high growth has made notable historical contributions, its long-term sustainability and fiscal viability are increasingly constrained. A new phase of economic development must be built on policy innovation, institutional reform, and structural optimization. In the post-pandemic global economic landscape, China's ability to strike a balance between social stability and enhanced innovation capacity will determine whether it can successfully achieve its stated goal of "high-quality development" (Chen et al. 2024).

Conflict and Tariff Escalation Between the Two Economic Powers

Although the United States and China do not easily fit into the traditional typologies of "core–semi-periphery" or "semi-periphery–periphery" within world-systems theory, their bilateral dynamics have undoubtedly emerged as a principal force in the restructuring of the contemporary global system. According to world-systems theory, a state's position in the global hierarchy is shaped by a constellation of factors, including capital flows, technological control, institutional discourse, and power resources. As the two most economically expansive and strategically influential entities in the present era, the U.S. and China are competing over the allocation of global resources, the shaping of international institutions, and the establishment of technological standards. This competition has effectively transcended conventional hierarchical categorizations, forming what some scholars identify as a new "dual-core competitive system" (Lind 2024). Within this system, both countries seek to enhance their structural influence and discursive authority through economic strength, technological self-reliance, and institutional leadership.

A useful historical benchmark is the post–Second World War period, when U.S.–Soviet competition also produced a form of dual-core rivalry within a globally stratified order. Yet the contemporary U.S.–China configuration differs in at least three analytically relevant respects. First, whereas Cold War competition was partially insulated by segmented blocs, today's rivalry unfolds

inside deeply integrated value chains and financial networks, making coercion and decoupling simultaneously more disruptive and more selective. Second, institutional arenas have expanded from security alliances to dense regimes governing trade, investment screening, data, and technology standards, creating new “chokepoints” through which hierarchy is reproduced. Third, digital infrastructures (payment systems, platforms, and programmable money) make monetary and informational governance central battlegrounds, blurring the boundary between economic and security logics. This comparison clarifies the paper’s claim: dual-core competition is not unprecedented, but its contemporary mediation through integrated markets and digital governance changes how semi-peripheral and peripheral actors navigate constraint and opportunity.

Historically, the United States has maintained its core status in the world-system through dollar hegemony, military alliances, and dominance in global technological innovation. However, as China’s economic output has expanded rapidly, particularly in manufacturing, high-tech industries, and infrastructure, spillover effects have generated a sense of systemic and institutional anxiety within the U.S. In response, the Trump administration adopted a series of aggressive external measures, including withdrawal from the Paris Agreement (von Allwörden 2025), renegotiation of NAFTA (Arnaud 2024), and the imposition of punitive tariffs on China and other trade partners. These actions were designed to use tariff leverage to extract concessions and preserve U.S. leadership in the global economic order. In contrast, China has advanced a different trajectory through initiatives such as the Belt and Road Initiative (Zou et al. 2022) and the domestic “dual circulation” strategy, focusing on global infrastructure cooperation, domestic demand expansion, green technology, and digital finance. While differing in form and ideology, both countries ultimately aim to enhance institutional confidence at home and increase their capacity to project global influence.

In the domain of trade conflict, the U.S.–China rivalry has evolved from disputes over trade balances to a contest for control over global value chain restructuring and technological standard-setting. While tariffs may impose short-term pressure on specific sectors, they can also lead to long-term inefficiencies, resource misallocations, and increased costs for consumers. For instance, U.S. tariffs on Chinese imports have curtailed China’s market expansion but have simultaneously raised domestic prices, elevated production costs, and intensified inflationary pressures. China has retaliated through export restrictions on rare earth elements and intensified efforts toward domestic substitution, resulting in a structural impasse where both sides incur losses. The ripple effects of this confrontation include inflation, supply chain instability, and capital market volatility, casting doubt on the efficacy of trade tools as instruments for geopolitical competition.

In the monetary and financial spheres, the rivalry extends to digital currencies and decentralized financial technologies. While the U.S. government has adopted a cautious stance

toward cryptocurrencies, segments of the financial sector have increasingly recognized Bitcoin as a strategic reserve asset for hedging against inflation and economic uncertainty.

Importantly, technological disruption does not unfold outside power; core actors can strategically re-institutionalize innovations to preserve structural advantages. Rather than treating stablecoins and crypto-infrastructures as inherently anti-hegemonic, a world-systems approach highlights how leading states and incumbent financial institutions may domesticate these instruments through regulation, licensing, reserve requirements, and integration with existing payment and surveillance architectures. Such moves can convert an initially “circumventing” technology into a new layer of core-centered monetary governance, expanding monitoring capacity, shaping standards, and channeling liquidity through approved intermediaries. This mechanism matters for the paper’s central claim: even if peripheral states adopt digital tools to reduce reliance on traditional rails, the durability of any autonomy effect depends on whether the underlying infrastructure becomes anchored in core jurisdictions, core currencies, and core-defined compliance regimes. Hence, the relevant analytical question is the political economy of standard-setting and institutional capture, not technological novelty per se.

Some institutional voices have even advocated for integrating cryptocurrencies into national financial strategies. Meanwhile, China has taken a more proactive approach by launching the digital yuan, aiming to establish financial digital sovereignty. Through regional mechanisms such as BRICS currency proposals and cross-border payment platforms, China seeks to undermine the dollar’s monopoly in global trade and settlement (Gedikli and Erdogan 2025). This form of tech-driven financial competition reflects a deeper restructuring of the global monetary order, challenging the primacy of sovereign currencies through transnational technological innovation. The implications extend beyond core powers, affecting the economic governance practices of semi-peripheral and peripheral states.

This paper therefore treats digital currency innovation as an ambivalent development whose distributional effects depend on state capacity and external constraints. While decentralized payment rails may lower certain transaction frictions or provide stopgap channels under stress, they can also weaken domestic resource mobilization, amplify volatility transmission, and expose peripheral economies to new forms of dependency mediated by platforms, exchanges, stablecoin issuers, and compliance infrastructures. For developing countries, the critical question is not whether “crypto” is emancipatory, but under what conditions experimentation improves monetary-policy room without eroding tax bases, capital-control effectiveness, and financial integrity. Accordingly, any claimed autonomy gains should be framed as contingent and potentially reversible, especially where technological infrastructures and standards remain anchored in core-centered capital and regulatory networks. This adjustment shifts the paper from celebratory

narratives toward a world-systems-consistent concern with how new infrastructures reallocate surplus, risk, and monitoring capacity across the hierarchy.

Significantly, U.S.–China competition has had profound consequences for countries in the Global South, particularly those situated in the semi-periphery and periphery. These states have long struggled under the structural constraints of core-dominated monetary policy and capital flows, making it difficult to stabilize exchange rates, control inflation, or upgrade their industrial sectors. Decentralized cryptocurrency technologies offer these countries an alternative to traditional financial systems.

To operationalize “financial autonomy” in a way compatible with the paper’s secondary-evidence design, the analysis focuses on observable proxies rather than sweeping claims. Autonomy is treated as a limited capacity to (a) sustain cross-border settlement under stress, (b) reduce immediate exposure to single-currency liquidity shortages, and (c) preserve domestic policy instruments (taxation, capital controls, prudential regulation). The paper therefore evaluates digital-currency initiatives by asking three questions: Do they measurably diversify payment channels during disruption? Do they shift volatility and balance-sheet risk onto households and local financial intermediaries? And do they increase or weaken the state’s monitoring and enforcement capacity? This framing turns “crypto adoption” from a normative opportunity into an empirical puzzle about risk redistribution and governance capability. It also clarifies why autonomy gains, when present, are likely to be partial and conditional, especially where dependence on offshore exchanges, stablecoin issuers, or external compliance regimes remains high.

El Salvador’s adoption of Bitcoin as legal tender is frequently cited as an institutional challenge to dollar dependence and as an attempt to expand monetary sovereignty through borderless digital assets. At the same time, available evidence indicates that the case is marked by substantial volatility exposure, uneven public uptake, and significant implementation frictions rather than a straightforward autonomy gain (Msefula, Hou, and Lemesi 2024; Rappalini 2024). The analytical value of the case therefore lies less in proving successful structural breakout than in illustrating how peripheral states may use technological experimentation to test the limits of existing monetary hierarchies under conditions of external constraint.

Other semi-peripheral countries, such as Nigeria, Argentina, and Venezuela, have also begun to experiment with cryptocurrencies as mediums of exchange or reserve assets (Rosales et al. 2024), in response to hyperinflation, currency depreciation, and foreign exchange shortages.

A balanced world-systems reading must also incorporate scholarship emphasizing the destabilizing effects of cryptocurrencies in developing contexts. In particular, widespread crypto usage may weaken domestic resource mobilization where transactions become harder to monitor, tax capacity remains limited, and capital flight pressures intensify through offshore channels

(Rosales et al. 2024). Related concerns include heightened exposure to externally generated volatility, the uneven social distribution of losses during market downturns, and persistent dependence on exchanges, wallet infrastructures, and compliance systems embedded in core-centered networks. These risks do not eliminate the possibility of limited tactical benefits under stress, but they sharply narrow the conditions under which digital-currency experimentation can plausibly be interpreted as an autonomy-enhancing strategy. These cautions do not negate the possibility of limited tactical benefits under stress, but they sharply delimit the scope of “autonomy” arguments: where state capacity and regulatory reach are weak, digital-currency diffusion may deepen uneven exchange by shifting adjustment costs onto peripheral societies while preserving core advantages in liquidity provision, compliance rule-setting, and crisis backstops.

Although decentralized financial mechanisms have yet to replace traditional monetary systems entirely, their flexibility and adaptability under specific economic conditions are beginning to alter the discourse and practice of global financial governance. These developments pose a latent challenge to the monetary hegemonies constructed by both the U.S. and China. Moreover, the spread of decentralized currencies and their technological applications may catalyze new models of financial restructuring, enabling more diverse and asymmetric capital flows within the world-system. This could potentially destabilize the one-way dependencies that have historically characterized core–periphery relations.

In conclusion, although the U.S. and China do not conform to traditional roles within the world-systems framework, their economic strategies, policy practices, and technological deployments have created a complex, multilayered, and dynamic global power configuration. Through tariffs, technological competition, currency innovation, and institutional diffusion, both powers are contesting the leadership of the world-system. While such rivalry may generate structural shocks and institutional uncertainties in the short term, it also creates opportunities for reimagining global economic governance and experimenting with institutional innovation. For states situated at various levels of the world-system, this great power rivalry simultaneously represents a source of risk and a potential catalyst for transformation, opening new avenues for strategic positioning and institutional redesign. In doing so, it challenges and reshapes the traditional core–periphery structure in increasingly profound and diversified ways.

Reflection and Discussion

Within the current global context, the structural classifications proposed by world-systems theory are increasingly characterized by ambiguity and fluidity. Traditionally, world-systems theory divides the global economic system into three hierarchical levels: core, semi-periphery, and periphery, based on a state's role in the international division of labor and its control over power resources. However, with rapid technological advancement and the continued intensification of

global industrialization, particularly in the domains of information and communication technology (ICT) and artificial intelligence this stratified system no longer holds absolute stability. Instead, it now exhibits patterns of multi-layered interaction and role reconfiguration. Through technological innovation and institutional reform, states may transcend their historically assigned positions and redefine their functions and status in global political economy, thus challenging and potentially reversing the foundational logic of world-systems classification.

This phenomenon is especially evident in the actions of the two leading economic powers, the United States and China, as they adopt distinct foreign and trade policies aimed at drawing various countries into their respective spheres of influence. The U.S. emphasizes traditional strategies such as free markets, democratic values, and military alliances. In contrast, China promotes initiatives like the Belt and Road Initiative, the Asian Infrastructure Investment Bank (AIIB) (Jiang, Liu, and Zhang 2024), and South–South cooperation (Gray and Gills 2016), creating a network of international cooperation centered on infrastructure and resource development. In this competitive landscape of dual influence, many countries historically occupying subordinate positions within the world-system have acquired greater bargaining power and economic incentives. These states can now maneuver between competing power centers to secure a more favorable share of surplus value and opportunities for industrial upgrading. Against the backdrop of emerging technologies such as digital currency, blockchain, and decentralized finance (DeFi), some peripheral countries are exploring new models of autonomous economic governance that reduce reliance on traditional financial systems and sanction regimes.

To avoid overstating hierarchy-blurring, the paper distinguishes discursive fluidity from structural mobility. Digital payment experiments may create short-run workarounds, but they rarely eliminate the core mechanisms through which classification is reproduced: control over liquidity backstops, access to hard-currency financing, and dependence on standards and compliance networks. Accordingly, the claim is not that technological innovation renders core–periphery distinctions obsolete, but that it can temporarily reallocate bargaining leverage and risk exposure across nodes of the system. In world-systems terms, this implies a shift from static positional labels to an analysis of sector-specific capabilities and constraints: a state may gain transactional flexibility in one domain (remittances, cross-border settlement) while remaining structurally dependent in others (reserve assets, credit conditions, technology inputs). This refinement makes the argument consistent with the theory’s emphasis on uneven exchange and the political organization of markets, while still accounting for observable episodes of experimentation in the Global South.

For example, blockchain technologies not only disrupt traditional transaction verification mechanisms but also offer novel solutions in areas like sovereign currency management and cross-border settlement. For peripheral nations long constrained by the dollar-dominated financial order

and international regulatory oversight, the adoption of decentralized technologies presents an opportunity to mitigate the effects of economic sanctions and potentially gain a first-mover advantage in digital finance and crypto-asset markets (Arner, Barberis, and Buckley 2017). These developments suggest that when technological innovation becomes a pathway for breaking structural dependencies, conventional classifications based on economic size, trade dependence, or geographic proximity may no longer fully capture the complexity and dynamism of the global system.

In this context, the world-system appears to be gravitating toward a bipolar configuration, with the U.S. and China forming a dual-core structure that increasingly defines the global economic and political order. This shift diverges from earlier linear models of a single hegemon surrounded by dependent states. Under the emerging framework, formerly peripheral nations that strategically utilize external resources and enact domestic reforms may ascend to semi-peripheral or intermediary positions, functioning as bridges between North and South or East and West. While such transformations cannot occur overnight, the disruptions caused by the COVID-19 pandemic, such as global supply chain fragmentation and systemic instability have compelled many states to re-evaluate their development models and structural positioning, thereby enhancing their capacity for adaptation and realignment.

Nevertheless, such transformations do not signify the disappearance of peripheral states but rather point to the coexistence of “developed” and “underdeveloped” logics within the same classification system. In the restructured system, clear divisions of labor persist, but with reduced mobility between strata and heightened barriers to structural transition, leading to the entrenchment of internal socioeconomic hierarchies. In other words, while the boundaries between periphery and semi-periphery may appear blurred, functional and institutional asymmetries remain entrenched and are continually reproduced through mechanisms such as global value chains, financial systems, and technological standards. In particular, with the widespread adoption of AI and automation technologies, the labor cost advantage that peripheral countries once relied upon is rapidly losing its efficacy. Global capital now increasingly favors technology-intensive over labor-intensive investments, marginalizing the role of labor in the international division of labor and reinforcing trends of capital monopolization and technological dependency.

Consequently, the traditional vertical hierarchy is gradually giving way to a more horizontal, multi-nodal network structure. States are no longer classified solely by hierarchical status but by their functional roles and control capacities within specific sectors of the global value chain. While such horizontal structuring may enhance system flexibility and interactivity, in practice, these relationships remain asymmetrically interdependent. Core countries continue to dominate critical technologies and standard-setting capabilities, whereas non-core states must adjust and adapt to

these prevailing norms. While this interdependence holds potential for cooperation, its inherent asymmetry may amplify systemic risks and the likelihood of conflict.

Moreover, the role that states play in the international system is increasingly determined by their ideological alignment and institutional choices, rather than by traditional factors such as geography, transportation access, or physical barriers. While geopolitics remains a key variable in shaping national security and trade policy, its scope has expanded to include institutional compatibility, technological competition, and ideological antagonism. In this evolving scenario, the ideal of globalization defined by free trade and open markets is gradually being replaced by tariff protectionism and economic nationalism. Especially after the exposure of global supply chain vulnerabilities, more states are prioritizing domestic interests through trade barriers, strategic resource controls, and the reinforcement of national production chains to ensure economic security. Accordingly, the efficient utilization of surplus value has become central to national policy design and resource allocation strategies. Amid intensifying competition for labor, capital, and land, states are compelled to fine-tune their internal resource deployment to enhance productivity and social stability, thereby responding effectively to external pressures.

In sum, the contemporary evolution of the world-system reflects three interrelated shifts: the blurring of classification boundaries, the restructuring of functional roles, and the increasing ideologization of global relations. Technological development and institutional innovation have loosened rigid structures and created new opportunities for states to reposition themselves in the international order. At the same time, these shifts have intensified global uncertainty and competition. Whether the world-system will evolve into a more pluralistic and mutually beneficial network structure or regress into binary divisions and protectionist closure remains contingent on how states coordinate their institutional choices, value commitments, and policy practices. Only through structural understanding and institutional adjustment can the global community navigate the volatility of systemic transformation while pursuing stable development and shared interests.

Conclusion

Undoubtedly, the world has always been a dynamic system characterized by cyclical change. Such cycles are neither linear nor governed by fixed patterns; rather, they are shaped by the complex interplay of diverse factors. Within this global structure, the intersecting effects of environmental change, climate anomalies, and political dynamics have long rendered any single disciplinary or theoretical lens insufficient to fully account for the trajectories of global development. From ecological disasters and resource depletion to great power rivalries and geopolitical tensions, these forces collectively challenge the structural stability of the world-system. Although Immanuel Wallerstein's world-systems theory originated in the twentieth century as a critique of capitalist expansion and global labor division, it retains substantial explanatory power. Particularly amid

deepening global inequality and power asymmetries, the tripartite classification of core, semi-periphery, and periphery continues to offer a coherent framework for understanding international hierarchies.

Nevertheless, the operational logic of the world-system now faces increasing pressure for adjustment, driven by rapid technological advancement and transformations in modes of social organization. The emergence of digital technologies and artificial intelligence has fundamentally altered the nature of economic interdependence among nations. Decentralized innovations such as cryptocurrencies, blockchain systems, and digital platforms challenge traditional models of international economic governance and monetary hegemony. The “empirical” impact of technological change also compels both academic and policy communities to reconsider the “normative” adjustments required in response. In other words, as technological transformations reshape modes of production and distribution, the monopolistic advantages long maintained by core countries through capital, technology, and institutional exports may be undermined by institutional innovation and technological leapfrogging from non-core states, ultimately altering the global hierarchy and the distribution of discursive authority.

While the vision of decentralization has yet to be fully realized, and practical implementation still faces technical, legal, and social acceptance barriers, the underlying values and ideologies of this vision already pose a latent threat to the current system. There is a growing awareness of the structural exploitation and inequality embedded in centralized systems, particularly for countries in the Global South, which have historically remained subordinate in international markets, with their resources controlled and institutions shaped by external powers. These constraints have limited their developmental momentum and exacerbated social tensions. Against this backdrop, calls for systemic revision have emerged not only from theoretical critiques within academia but also from the practical experiences and institutional experiments of peripheral and semi-peripheral countries. Through institutional reform, economic alliances, and digital sovereignty initiatives, these states are seeking to reposition themselves within the global order, moving from dependency toward autonomy, and from the periphery toward semi-peripheral status.

However, systemic revision does not necessarily entail a transition toward greater equality for all. In fact, it is likely to produce further polarization. As new technologies and capital concentration accelerate, countries with first-mover advantages and institutional flexibility may consolidate their positions at the core or near-core levels, fostering a new wave of technological and market monopolies. Meanwhile, countries lacking infrastructure and technical capacity may become increasingly marginalized, facing growing digital divides and development traps. Hence, while systemic restructuring may loosen the grip of long-standing structural constraints imposed by a handful of dominant states, it may simultaneously generate new forms of inequality and

asymmetric risk distribution. Such transformations are not merely economic in nature but also deeply impact national political cultures and social configurations.

Within this broader development context, both domestic and international political environments are shifting toward a complex interplay of multi-level competitive-cooperative dynamics. On the domestic front, governments are challenged to balance the demands of globalization with localized needs, particularly in navigating structural transitions through industrial upgrading, social welfare reforms, and democratic governance enhancement. Internationally, states must grapple with pressures of institutional selection amid multipolarity and ideological divergence, engaging in varying degrees of adjustment and competition across systems, technologies, and values, thereby redrawing the contours of global political order. This entangled landscape of domestic and international contestation implies that state governance can no longer be approached through singular logic; instead, it must address both internal social pressures and external systemic competition, posing new challenges to national sovereignty, global cooperation, and institutional design.

In conclusion, the contemporary world-system is undergoing a critical historical transition and reconfiguration. Traditional classifications and power structures are loosening, giving way to a more complex configuration shaped by technological disruption, ideological fragmentation, and institutional rivalry. Reflections on centralization and aspirations for systemic reform signal a broader effort to forge mechanisms of global governance that are more inclusive and equitable. At the same time, there is a need to remain vigilant about emerging risks, including systemic polarization and institutional fragmentation. Navigating this turbulent period will require a delicate balance between stability and transformation, and between competition and cooperation, challenges that lie at the heart of the world-system's future development.

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